



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Menter a Busnes The Enterprise and Business Committee

**Dydd Mercher, 14 Mawrth 2012
Wednesday, 14 March 2012**

Cynnwys Contents

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

Ymchwiliad i Gysylltedd Rhyngwladol drwy Borthladdoedd a Meysydd Awyr Cymru—
Sesiwn Dystiolaeth
Inquiry into International Connectivity through Welsh Ports and Airports—Evidence Session

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

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
Gwyn R. Price	Llafur (yn dirprwyo ar ran David Rees) Labour (substitute for David Rees)
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Kenneth Skates	Llafur Labour
Joyce Watson	Llafur Labour
Leanne Wood	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Mark Andrews	Cyfarwyddwr Materion Corfforaethol, Awdurdod Porthladd Aberdaugleddau Corporate Affairs Director, Milford Haven Port Authority
Tracey Burke	Cyfarwyddwr Gweithrediadau a Strategaeth, Llywodraeth Cymru Director Strategy and Operations, Welsh Government
Ian Davies	Cyfarwyddwr Llwybr Coridor y De – Stena Line Route Director Southern Corridor – Stena Line
Alec Don	Prif Weithredwr, Awdurdod Porthladd Aberdaugleddau Chief Executive, Milford Haven Port Authority
Edwina Hart	Aelod Cynulliad, Llafur (Y Gweinidog Busnes, Menter, Technoleg a Gwyddoniaeth) Assembly Member, Labour (Minister for Business, Enterprise, Technology and Science)
Matthew Kennerley	Cyfarwyddwr Porthladd, De Cymru – Cymdeithas Porthladdoedd Prydain Port Director, South Wales – Associated British Ports
James Price	Cyfarwyddwr Cyffredinol, Yr Adran Busnes, Menter, Technoleg a Gwyddoniaeth Director General, BETS

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

Kayleigh Driscoll	Dirprwy Glerc Deputy Clerk
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Andrew Minnis
Siân Phipps

Y Gwasanaeth Ymchwil
The Research Service
Clerc
Clerk

*Dechreuodd y cyfarfod am 9.29 a.m.
The meeting began at 9.29 a.m.*

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Nick Ramsay:** Good morning, and welcome to Members, witnesses and members of the public to the Enterprise and Business Committee. The meeting will be held bilingually; headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 0. This meeting is being broadcast and a transcript of proceedings will be published. I remind Members to turn off their mobile phones and other electronic equipment. I also remind Members and witnesses that there is no need to touch the microphones. In the event of a fire alarm, please follow directions from the ushers. We have one apology today, from David Rees, and I am grateful to Gwyn Price for stepping in as a substitute for David Rees at this meeting. Thanks for coming, Gwyn.

9.30 a.m.

Ymchwiliad i Gysylltedd Rhyngwladol drwy Borthladdoedd a Meysydd Awyr Cymru—Sesiwn Dystiolaeth Inquiry into International Connectivity through Welsh Ports and Airports— Evidence Session

[2] **Nick Ramsay:** We are continuing with our inquiry into international connectivity through Welsh ports and airports, and we have a number of witnesses with us today. Thank you all for coming to give evidence to our inquiry. I welcome Alec Don, chief executive of the Milford Haven Port Authority, Mark Andrews, corporate affairs director of Milford Haven Port Authority, Matthew Kennerley, port director for south Wales, Associated British Ports and Ian Davies, route director for the southern corridor, Stena Line. Thank you for coming today. We have a number of questions, so if you do not mind, rather than having any opening remarks, we will launch straight into questions; the first is from Alun Ffred Jones.

[3] **Alun Ffred Jones:** Bore da. Mae tystion wedi dweud wrth y pwyllgor hwn bod polisi porthladdoedd y Deyrnas Unedig yn canolbwyntio'n ormodol ar borthladdoedd mawr iawn, yn aml yn ne-ddwyrain Lloegr, ac nad yw'n mynd i'r afael mewn gwirionedd ag anghenion penodol porthladdoedd Cymru. Mae gennyf nifer o gwestiynau, y byddaf yn eu gofyn yn unigol. Pa mor llwyddiannus yw polisi dim ymyrraeth Llywodraeth y Deyrnas Unedig o ran cefnogi porthladdoedd Cymru?

Alun Ffred Jones: Good morning. Witnesses have told this committee that UK ports policy is overly focused on the needs of very large ports, very often in the south-east of England, and that it does not really address the particular needs of Welsh ports. I have a number of questions, which I will ask individually. How successful is the UK Government's policy of non-intervention in terms of supporting Welsh ports?

[4] **Mr Don:** I will answer first. From our perspective, Milford Haven is one of the UK's largest ports. We are very focused on a particular sector, principally in the form of energy, and the point that I would make in response to that is to emphasise the extent to which ports, both large and small, are closely in competition with each other, not only within Wales, but within the UK and indeed Europe. The approach of shipping companies would very much be

to ask—particularly in our case, with things like gas lines under the channel—whether it was cheaper to deliver gas to such and such power station in the middle of the country by going in through Rotterdam or going in through Milford Haven. So, it is important that that market is not distorted and that we have a fair platform on which to compete and seek this business. There are things that we in Milford Haven are particularly enthusiastic about, such as the installation, when necessary, of additional links to the port in the form of gas lines, power lines and so on. There are gremlins in the system that make it a very long process, or a very risky process, to get consents for those sorts of development, and I do not think that it is particularly better in England or worse in England, or better in Wales or worse in Wales; it is just a general problem. We would find it more difficult to develop and would be concerned about that, particularly where somewhere such as Rotterdam can do it in half the time. That is the focus of our attention on that sort of issue.

[5] **Mr Kennerley:** I concur with Alec, and I reinforce the point that Welsh ports, particularly the ones that I look after, are vital in terms of the local economy and supporting major industries such as Tata and Dow Corning. However, it is also about interconnectivity with the rest of the UK. It is very important that we do not lose the ability to compete with other UK ports and that we are seen and dealt with in an even way by those ports as well. That is key to continuing to develop our businesses, which will then feed through into the local economy. I do not know whether you are familiar with it, but the Welsh economic research unit report outlines the importance of our ports with regard to local economic impact in terms of jobs and value into the economy, but that has to be balanced against our role in terms of the UK market and capabilities.

[6] **Alun Ffred Jones:** Yn dilyn ymlaen o'r cwestiwn hwnnw, er fy mod yn amau fy mod yn gwybod beth fydd eich ateb, a oes angen polisi porthladdoedd ar wahân i Gymru er mwyn mynd i'r afael ag anghenion arbennig Cymru, lle mae digon o gapasiti ond dim digon o fasnach? **Alun Ffred Jones:** Following on from that question, although I think that I know what your answer will be, is there a need for a separate ports policy for Wales to deal with Wales's specific needs, where there is enough capacity, but not enough trade?

[7] **Mr Kennerley:** In my opinion, Wales has to look after its own interests in terms of developing inward investment and bringing business into the region, but I would be afraid that if it became a separate entity to the rest of the UK in terms of its ports policy and its development strategy, voids will appear. I can give you one example of this: in recent months, and this has been rumbling on for a long time, we have a situation where backdated rates have been treated differently in English or UK ports, as opposed to Welsh ports. This has meant that some of my customers and operators have been faced with significant bills going back several years that have the potential to put them out of business. This is currently rumbling on. In the rest of the UK, relief has been given on backdated rates and now we find ourselves in a different playing field. So, it is important and that is just one example as to where a different attitude towards ports policy, planning and all of those sorts of things can make a big difference in terms of Welsh ports' ability to compete. To remain competitive, those ports must have not only the ability to deal with Welsh business, but the ability to compete with English ports. If we cannot compete on a similar basis, we will lose business; there is no doubt about that. That was just one example for you.

[8] **Mr Don:** I will add to that. There are also things to which the UK Government is not giving the right degree of emphasis and this becomes a local, personal, thing for us. We are very much in favour of the designation of the south Wales route to Pembrokeshire as part of the trans-European transport network, and designating Milford Haven as one of the core ports of that network. There is not as much support for that in the UK Government as I think that there should be, and I think that the Welsh Government has a very strong role to play in terms of advocating with the UK Government and the European Government for that designation. It

would lead to the strengthening of various routes into Pembrokeshire. We all know that there is a very fast dual carriageway to Truro and Penzance in Cornwall. It would make a great difference to the Welsh tourism economy to see that sort of thing being put in, both in support of our ferry service at Pembrokeshire and the one at Fishguard, which are key strategic links. So, there are things like that, but I do not know whether that represents a need to seek a change in the law on such issues or a need to work closely and intensely with the UK Government and us, by saying, ‘What are your plans? Let us give consent to them’.

[9] All of the managements inside ports are constantly in the market, trying to get business, and what drives where business goes is as much a function of where the population, consumer and industrial centres are, and they will make their choices. I do not know that there is too much difference between UK and Welsh approaches to supporting ports that makes a difference to the ability to do that, over and above the fundamental economics of distribution. However, if the Welsh Government was more successful at shortening the time frame and removing risk and uncertainty from the process of doing a development that attracts one of these things in, that would be a viable basis for competing in the international market for these pieces of business.

[10] **Alun Ffred Jones:** A yw **Alun Ffred Jones:** Can Welsh ports benefit porthladdoedd Cymru’n gallu manteisio ar y from the capacity that is not used at the capasiti nad yw’n cael ei ddefnyddio ar hyn o moment without additional funding from the bryd heb arian ychwanegol gan Lywodraeth Welsh or UK Government? Cymru neu’r Deyrnas Unedig?

[11] **Mr Kennerley:** I can answer that. We are very happy as a port-owning and operating company to invest in our facilities. This is how we run and develop our businesses. The UK ports policy is very much focused on being market-driven. In that context, we believe that we have the capability and the capacity to continue to invest in our facilities. Our ports are well placed in terms of connectivity, the land areas we own, and the marine access we have. Over many years now, we have demonstrated how we can plough money into our facilities, by building new sheds and new berths and taking those developments forward. At the moment, we have a number of major projects on the blocks that are very close to being delivered, particularly in the area of renewable energy for biomass power, and potentially going forward in the area of servicing offshore windfarm developments, as well as all the other things that we do on a daily basis, servicing the needs of industry in Wales.

[12] To build on Alec’s point, sometimes, it is not about the port policy—and we are prepared to put that money in—but the inward investment and how we get inward investment in Wales. We find that, for example, because of its status, Cardiff does not attract the assistance sometimes needed by companies looking to up sticks and move their production here—and I have one that is almost ready to go for Cardiff—to get these projects over the wire in terms of the employment they are going to bring and the investment the company must make itself in its own production. That goes beyond what the ports are capable of doing. I am sure that Alec is the same—I am sure that he is very happy and prepared to invest in those facilities—and we are capable of making appropriate economic returns for our shareholders, but it is more about how we can get more business coming into Wales that can build on the back of the value that the ports in Wales present to those businesses. That is where I see it moving forward. That is where I see that the Welsh Government could play a much greater role and interconnect with our facilities and business units much earlier to bring these projects into Wales.

[13] **Mr Don:** I would like to add one comment on that. Quite often, in practical terms, it is not only about what you do, but, to a certain extent, what you do not do. Over the years, I would argue that there have been hurdles put in the way of developing on strong core centres. It is important to focus on core centres to get synergies between industries. Where you have

several routes, deep sea and short sea, coming into a single port, business is attracted to it like bees to a honeypot, because they want to be near what is effectively a motorway junction of the sea. To dissipate that industrial activity into small centres actually undermines a very strong core, vibrant economy. However, we have marine special area conservation designations and other such zones in Milford Haven, which have definitely raised the bar over the years in terms of the ability to effectively get something delivered as a project.

[14] **Nick Ramsay:** I am going to stop you there because we have a number of questions to get through and you are probably straying into territory we are going to ask about anyway.

[15] **Mr Don:** Okay, fine.

[16] **Eluned Parrott:** I want to talk about investment to do with the passenger services that operate through our ports. The British Ports Association, and you this morning, have said that you are supportive of the no-subsidy policy and that you are happy to make investment in your own port infrastructure. Does this mean that the Welsh ports do not require public funding to develop infrastructure such as cruise ship berthing facilities?

[17] **Mr Kennerley:** Cruise ships are an interesting offering in terms of port development, but, I suppose, more importantly, in terms of economic development and the value brought in by those passengers visiting the area. We would be quite happy to invest in cruise facilities in Wales, supported by proper commercial agreements. There needs to be a critical mass of that type of activity and, at the moment, Wales does not have that. Once there is that critical mass, those opportunities will follow.

9.45 a.m.

[18] Some of the initiatives that have been developed over the last few years, such as Cruise Wales and the Celtic Wave, are all helping to raise Wales's profile and we, as a company, have been happy to support and be involved in them. However, at the end of the day, it comes down to something that Alec touched upon before, that is, where is the market. The big-volume cruise movements are going out of the bigger ports that can accommodate much larger vessels. Could Wales ever develop facilities to accommodate that size of vessel? Yes, it probably could. However, would there be enough passenger demand for those facilities? To my mind, at that level, it is questionable.

[19] Where Wales can fit into the cruise sector is in terms of some of the niche operations that you find, such as wraparound Britain cruises. Some of those ships do not necessarily need the same scale of investment that you would be talking about if you were thinking about handling the Queen Mary 2 or something of that size. So, it puts it into the realms of our being able to invest in those facilities, and we have done over the years. We are capable of dealing with cruise ships now using some of our existing facilities. You do not necessarily have to have an all-singing, all-dancing cruise terminal to handle cruise vessels. In Swansea, for example, we have the Riverside berth, which is not currently being used by the ferry, which, again, is a disastrous story as far as we are concerned, as it was something that we invested money in to reinvigorate the service. That facility could be used to develop cruise business and perhaps would not need the scale of investment that you would need to put in to handle the very large vessels.

[20] The Welsh Government can help by keeping up the PR and ensuring that our tourist offer as a nation and what we have in terms of port facilities and marine access continue to be pushed to the various operators. Again, that is something that we are happy to support. As that business develops, we would be happy to invest in it.

[21] **Mr Don:** Milford Haven port could happily handle the Queen Mary 2 with the right

facilities. [*Laughter.*] However, there are two parts to the cruise market. The first is the turnaround operation, where you need to be near an airport, population centres and so on. That is quite a difficult proposition. Cardiff might potentially get there with the airport, but we certainly would not at Milford Haven. The visitor market is one where the revenue generated by passengers is the spend ashore, which is hard to get your hands on as a port to be able to use it to create a berth without, effectively, doing it through a grant mechanism. That is, largely speaking, what happened in Liverpool. So, there is something there for the Government to focus on, because, as you know, cruise passengers spend £80 to £100 ashore every time that they come. We as a port might get £10 of that from port charges, which will never be enough to build a berth. So, we have a plan that is coming forward in terms of building a new deep-water berth to handle certain deep-water products, but it would be able to berth the *Queen Mary 2* and other ships as an incidental by-product of being there. This is where you get the synergies from concentrating, as I said, on core facilities where the berths are there and the activity is strong. So, there are synergies between concentrating on strong areas, but that is just an additional comment.

[22] **Nick Ramsay:** Ian Davies, before we move on, would you like to comment on this aspect?

[23] **Mr Davies:** Yes, I would like to go back to Matthew's comments. It is the product of Wales plc that has to be pushed forward. If the business is there, we as companies will make the investment case for it, but support for the likes of Cruise Wales to make the Welsh market attractive is what is needed, with continuous funding and a long-term strategy, rather than investment in the ports, for the scale of operation that I work on, which is slightly different from the one that Alec works on.

[24] **Eluned Parrott:** Matthew, you talked about critical mass and getting to a situation in which the market requires the facilities, but surely it is a chicken-and-egg situation. What steps are needed in order for us to achieve the kind of critical mass that will make Wales's ports viable as a cruise destination? I am aware, for example, that *The World* came to Cardiff last year. However, it was not able to berth because it did not have the deep-water facilities that it needs. What steps can we and you take to put us in a place where ships such as that make Wales a regular destination stop?

[25] **Mr Andrews:** As Alec indicated, we are thinking about bringing forward proposals to develop a deep-water facility in our port that will enable the large cruise ships to come alongside. When that proposal comes forward, we would very much look for support for that development, because that starts the process of enabling the large ships to identify the possibility of coming into Milford Haven, and that starts generating demand. That could be replicated in other ports around Wales. That is where the real opportunity lies for you.

[26] **Eluned Parrott:** Can you clarify something, Mark? When you say 'support', can you be plain about what you mean? Do you mean money, or do you mean saying, 'Yes, that is a fantastic thing; well done, chaps'?

[27] **Mr Andrews:** Money would be very nice, but if you are talking about £100 million, no-one is going to put their hands in their pocket for that. However, a financial contribution would be very nice; I do not see that as a problem at all. We would have to ensure that what we were bringing forward is viable in its own right as something we were building, and that it would be on the basis, as Matthew said, of back-to-back commercial agreements to make that viable.

[28] **Nick Ramsay:** We have some questions in a while from Joyce on the financial side.

[29] **Mr Andrews:** Okay. My point is about giving tangible support in terms of saying,

‘Yes, we support construction in this port in order to do that’.

[30] **Mr Kennerley:** It is difficult to generalise in terms of the market, but in terms of the calling cruises that visit ports around the UK, they tend to be smaller vessels. The World is a bit of an extreme example of that, because of its nature and the fact that it tours around the world and gives these opportunities. The World would never fit into our ports, apart from Port Talbot, which has the facilities. So, we could take the Queen Mary there, but I do not think that it would look too good down there as it is at the moment.

[31] We have a similar scheme to Alec’s scheme—I am not trying to compete with him here—that could, if it was built out in future, provide a legacy berth that could possibly handle large cruise vessels. The problem with large cruise vessels is that they tend to visit the UK more in a turnaround scenario, where passengers embark on their cruise down to the Azores, the Meditterenean, or wherever. They are not really passengers that will visit Wales’s key tourism centres and the heritage that south Wales offers, whether it is industrial heritage, the countryside, shopping in Cardiff, or whatever it is that attracts people. So, we must be a little careful that we do not try to provide something for which there is no sustainable market, and that we focus on the things for which there is market and which can benefit Wales.

[32] **Byron Davies:** Good morning, gents. My question relates to transport policy and infrastructure. The Wales transport strategy includes consideration of the role of Welsh ports within the improved connectivity in Wales and internationally. The strategy includes key actions related to short-sea shipping to encourage carbon-efficient modes of transport, and better road and rail freight connections to main freight ports to facilitate the efficient movement of goods. The national transport plan considers the importance of improving access to Welsh ports in bringing forward interventions to facilitate east-west corridors. My question to all of you is: how effectively do the Wales transport strategy and the national transport plan support port development?

[33] **Mr Don:** I have quite a simple answer to that, which is that roads and railways are always good. You build them as fast as you possibly can all the way down to Pembroke Dock and Milford Haven—and possibly Fishguard, if I am allowed to not compete with Fishguard for half a moment. [*Laughter.*] Roads always boost the economy. As I said, we are very interested in pipelines and electrical grid connections. These are our motorways at Milford Haven. As you said, there is a chicken-and-egg situation of getting something going that will make a real difference, and it has to start somewhere in terms of a plan to say what connections should be put in. As the market—the investors—starts to see those things become a reality, it will start to think how it can take advantage of them. The fact that that is going in removes a lot of the risk. The Government has tended to seek to impose things like section 106 obligations and then be surprised when the development is uneconomic and it has to start giving grants to make it happen. There is an aspect of making it simpler and faster, leading a process with the initial investment for road and railways. The market will respond to that; it will always take advantage if it thinks that using a certain route will save 50p a tonne. It comes down to really small margins, which, over the lifetime of a product cycle, is what makes an economy steadily more productive. Do not forget that we are not talking about logistic chains in Wales only; we are talking about logistics chains from Qatar, in our case, through to the ring main or the gas cooker of Mrs Jones living in Manchester. In planning and environmental terms, we are always up against the impact on a particular square footage of the sea bed in Milford Haven. There is no recognition that by making the entire logistics chain more productive, cost-effective, and more reliable for industry, the carbon used to ship products is reduced to a vastly greater and more significant extent.

[34] So, it is important that the process is led by investment in those connections. In the port, we will drag investment into the port infrastructure and come forward with proposals, but it is important to break that cycle.

[35] **Byron Davies:** I can see that Mathew Kennerley is dying to comment, but I want to ask Alec Don whether he finds, being based in Milford Haven, that there are limitations with the road and rail network.

[36] **Mr Don:** Yes, there are. We have a ferry service. Trucks are speed limited on the roads, but they do not want to go 80mph. They will come as long as the road is reasonably clear and the distance is shorter than going to competing ports. Considering the distance of the road and the crossing, the road distance on the other side, and the entire logistics chain, it is an effective link. The links from Fishguard and Pembroke Dock have been there for many years. They are key strategic links that provide cost-effective services for their customer base and they are used. I do not think that there are particular congestion issues for those operations, but Ian might have a different view on that. On the tourism economy, many people come down the M4 turn left to go to Cornwall rather than go on to Pembrokeshire and the Gower peninsula, possibly because of a perception with the distance. It feels a long way away. The refineries and gas companies are interested in the berths and the pipelines. I am not sure that I am the best person to answer that question, other than in general terms.

[37] **Mr Davies:** We have touched previously on the TEN-T designation. From a freight and logistics point of view, we have good connections in north Wales to our Holyhead port, albeit the last bit into the port is poor. We have seen the benefit of infrastructure improvement and have followed it up with investment. We would like to push for a TEN-T designation. I work for a Scandinavian company, and when looking at a European map, the question that always arises is why the south Wales link is not a TEN-T designation. It is an anomaly. That is the company's perspective.

[38] **Keith Davies:** Matthew, yn eich tystiolaeth rydych yn feirniadol bod y cynllun yn cynnwys heol newydd drwy borthladd Casnewydd gan ddweud y bydd yn ymyrryd â busnesau yno. A yw'r ffaith eu bod yn edrych ar dwyneli Brynglas yn mynd i wneud gwahaniaeth?

Keith Davies: Matthew, in your evidence you are critical of the plan's inclusion of a new road through the port in Newport, saying that it will adversely impact on trade through the port. Will the fact that they are looking at the Brynglas tunnels make a difference?

10.00 a.m.

[39] **Mr Kennerley:** To take one step back, the new M4, as I think it was called, took a line straight across the middle of Newport dock. There is no doubt that that would significantly affect our activities. During our discussions with the Welsh Government on that route, we proposed a route slightly to the north of the identified route, which in our opinion still had an impact on the port—albeit a much smaller one—that we could probably live with. However, there were still things that would need to be sorted out. So, we do not have a problem per se with the new M4 coming nearer or within our boundary, but we would have a problem with it if it were along the lines of the original proposal. So, that is where we sit with that.

[40] I am glad that you mentioned the Brynglas tunnels because I was desperate to make the point that that is a major constriction in terms of traffic coming from and going into Wales—business going into and out of Wales. Clearly, it would be fine, from Alec's point of view, to have all of the great road connections down west, but that is the key part of the network here and is one of the problems that must be solved. As I said, we are supportive of trying to find solutions to that. If there is an alternative to putting a road through the middle of the port, then fine, and if that alternative means building another set of tunnels alongside it, then that is also fine provided that all of this is economically viable.

[41] The other issue being considered at the moment is the route south, and possible further improvements to the southern distributor road. All of those things help to keep that capacity there. Again, I wish to make the point that it is important that that investment is put into those facilities and key networks. As the ports continue to grow and develop, there will be potentially more pressure on those conduits.

[42] **Nick Ramsay:** I do not want to stray too much away from the connectivity through the ports.

[43] **Mr Kennerley:** That is fine, but may I make one more point? There is also the Severn bridge. Alec talks about 50p a tonne; some of my customers will move for 10p a tonne. You have the Severn bridge, and every time you come into Wales, you have to pay money to do so.

[44] **Joyce Watson:** That is not a devolved matter.

[45] **Mr Kennerley:** Maybe it is not a devolved matter, but it is an important issue that is on the radar. It is, again, a constraint on business travelling to and from Wales. Perhaps it is not within your remit, but I want to ensure—

[46] **Nick Ramsay:** Your concern is noted. I would like to bring in Gwyn Price.

[47] **Gwyn R. Price:** The Welsh Government is currently reviewing freight policy, so what priorities should be identified to support the Welsh ports? How effective has the Welsh Government's policy been in supporting international freight transport? I have one more question for Ian and for Stena Line because it is more applicable to you: what impact does the limited availability of truck stops in north and south Wales have on freight traffic through the Welsh ports?

[48] **Mr Andrews:** On your first question on freight policy, I do not think that I can—

[49] **Mr Kennerley:** I have with me a copy of the 'Wales Freight Strategy'. A huge amount of work went into this under the auspices of Wales freight group. This is a good document, which brings together multi-users—it is about intermodality and getting the benefits from road, rail and sea. However, it needs to be reinvigorated and brought back to the table. This is how we can use the combined wisdom of the various people involved in transport throughout Wales to feed into your policy and to find a way of supporting freight. It covers the whole sector, including road, rail, ports and air—it is all there. That needs to have some weight put behind it. That is my answer, I am afraid. Many other things can be done to help freight. They come under the generic category of supporting businesses into Wales. The freight companies will respond to that; they will respond to the market and will provide services. We must have a decent framework on which the whole thing can operate together. That is where you will generate your benefits from.

[50] **Joyce Watson:** I have a small supplementary question. I live in Pembrokeshire and I would support any development for Milford or Fishguard in equal measure. I have always thought—and I want you to tell me whether I am right—that if you develop pathways for freight, you also develop pathways for everything else that can use those pathways. It has always seemed a simple analysis—I know that there is greater detail involved. I would like some views on that.

[51] **Mr Don:** I have been saying fairly consistently that there are a lot of inter-linkages here. In relation to the question about freight policy, it is worth bearing in mind that freight is really efficient where the truck is able to carry a load each way. That very much becomes a function of what are the manufacturing industries that you are getting located to either end of

the different distribution chains. The best answer in relation to freight is the same answer about industrial growth generally, which is facilitating inward investment into manufacturing and other such activities. There is no question that Wales can manufacture and the people who are trying to create a development are always holding the ring, such as a customer, a planning consent, a site, a banker—that is quite hard these days—but you must hold all these things in the ring at the same time. So, industrial zoning is quite important.

[52] We, in Milford Haven, are very supportive, obviously, of the possible designation of Milford Haven as an enterprise zone, especially if it removes the schizophrenia about whether we are seeking to protect the environment in this zone or to generate jobs in this zone—to be honest, it should be the same in each of these industrial settings. You have to be a lot clearer about that. That will, in of itself, begin to boost the efficiency of the whole freight equation. You will not justify building a motorway purely on the basis of freight, but you know that, if you put the road link there, industry will adapt and work its way round to making better use of those transport links. If, suddenly, trucks going through the tunnel do not have to sit idling in a traffic jam for 20 minutes, and you eliminate that, locating a manufacturing base in Swansea or Cardiff becomes marginally nicer and better than locating it in Bristol or Swindon. It is so marginal, and you just have to work away at each one of those things.

[53] **Mr Kennerley:** I absolutely concur with what Alec said.

[54] **Nick Ramsay:** Time is pressing, so I want to move things on. I think that Joyce's questions on tourism have been pretty much covered.

[55] **Joyce Watson:** Keith had that question.

[56] **Keith Davies:** Pa mor effeithiol yw polisi twristiaeth Cymru? Pa ymyrraeth a ddylai ddigwydd gan y Llywodraeth er mwyn eich bod yn cael budd o'r polisi?
Keith Davies: How effective is the tourist policy in Wales? What interventions should the Government take for you to benefit from that policy?

[57] **Nick Ramsay:** Actually, Keith, I think that question has been covered so, in the interests of time, given that the witnesses have already responded on those points earlier, I want to move on.

[58] **Joyce Watson:** You have already just touched on the enterprise zone in the Milford Haven waterway. What interventions do you think should be considered to support the enterprise zone, assuming that it will go forward?

[59] **Mr Don:** The target in our case, particularly for this, is to make the likes of Valero and Murco Petroleum Ltd and all those other operators feel that it is more competitive for them to operate refineries and to undertake other such activities in Wales as opposed to in India, the middle east, France or somewhere like that. I just wish to re-emphasise the point that it must be recognised that Wales is in competition with these countries. We had a refinery in Milford Haven that was packed up, exported to India and rebuilt, and it is happily operating there to this day. We are not just in competition with the next port down the coast. What do these people look at when they are thinking about where to spend their next £500 million? They look at risk. We have a very good case in point in Milford Haven. We had an unused power grid, we had a previous power generation site, and the experience of RWE in terms of the risks and uncertainties it has faced over a five-year period to get to a point where it can operate is just unacceptable. Will RWE invest in another power station in Wales? I have no idea. I hope that it will.

[60] I am just emphasising the point that the territory is in competition. The extent to which the Milford Haven waterway enterprise zone delivers for these people in terms of

making it easy to invest, easy to operate and easy to employ will be the test of the output of the enterprise zone. For me, it is not so much about what comes with it in terms of lots of pounds, because the £5 billion of investment in Milford Haven over the past five years has all been private sector money. If the case is there, the support is there and the speed is there, the investment will happen. You need only go to a place like Qatar—I know it is a desert—to see the energy with which it simply does not tolerate delays in putting up buildings and creating the infrastructure it needs. It just does it. You have to be completely uncompromising when people say, ‘Yes, but you’ve got to have balance’. In certain areas and certain core locations—and ports are core locations in this respect, because they are where trade routes meet, where cargoes are interchanged and where goods change hands—there must be complete and universal support.

[61] **Nick Ramsay:** Matthew Kennerley is dying to come in on this. Do you want to add something?

[62] **Mr Kennerley:** What Alec is saying makes a great deal of sense. I do not have a problem with the enterprise zones per se. They can offer benefits and attract inward investment. However, I would like to suggest that a more holistic approach could be taken, instead of having specific enterprise zones. To give you an example of something happening in the south-west, which came about at the back-end of last year, the South West Marine Energy Park is bringing together a whole range of different interests across the south-west, really focusing on this opportunity of renewables, which both Alec and I have talked about already. Perhaps this is something that the Welsh Government could help to develop for Welsh ports and Welsh interests—not just ports but companies that want to set up base here or that could set up base here.

[63] **Nick Ramsay:** Matthew, could you leave a copy of that document with us?

[64] **Mr Kennerley:** Yes, I would be happy to. I can e-mail you or send you a copy. That is no problem. It sets a good example of a multi-agency approach—and I do not think that this has cost a lot of money, by the way. It is just a case of bringing together the various interests across those areas and putting them in a format to present to the world the offering in the region.

[65] **Julie James:** The other Assembly committee I sit on, the Environment and Sustainability Committee, is conducting an inquiry into energy in its various forms. We are aware of that document. Have you contributed any evidence to that inquiry?

[66] **Mr Kennerley:** I am not sure; I do not know.

[67] **Julie James:** If you have not, I urge you to do so, because that is exactly the sort of example that we need.

[68] **Mr Kennerley:** Please remind me with an e-mail and I will get our environmental and renewables team on it.

[69] **Julie James:** Thank you; we already have a copy of that document in the committee.

[70] **Nick Ramsay:** Leanne, I think your question has been covered, as has Ken’s question on the cruise market. So we will move on to a question on the renewable energy market from Alun Ffred Jones.

[71] **Alun Ffred Jones:** Since you mentioned the cruise market, there is potential to develop in Holyhead, which is already gaining some traction in the market. However, an extension to the current facilities would be needed. Is that being actively discussed at the

moment?

10.15 a.m.

[72] **Mr Davies:** Yes. My colleague, Wyn Parry, has been working closely with Anglesey Aluminium Metals Ltd, which owns the current berth. There have been some small-scale trials, and they have been relatively successful. I am not sure where it is with regard to future investments in that at present, but, as a working model, as Mr Don said, it is very much a multi-user berth rather than a specific cruise berth. That is the only way a business case could be made in such a situation.

[73] **Alun Ffred Jones:** Mae gennyf gwestiwn am ynni adnewyddadwy. Pa mor sylweddol yw'r cyfleoedd i borthladdoedd yn sgîl y farchnad ynni adnewyddadwy, yn arbennig y sectorau ynni gwynt ar y môr, ynni'r tonnau a'r llanw ac ynni biomas? Pa gamau yr ydych yn eu cymryd i ddatblygu cyfleoedd sy'n gysylltiedig â'r sector?

Alun Ffred Jones: I have a question on renewable energy. How significant are the opportunities for ports provided by the renewable energy market, particularly the offshore wind, wave and tidal and biomass sectors? What steps are you taking to develop opportunities related to the sector?

[74] **Mr Don:** Milford Haven, in Pembrokeshire, has one of the six best areas for tidal energy off its coast. We are working closely with Tidal Energy Ltd, which I think is a well-known company in Wales. Whether the UK economy as a whole latches on to renewable energy or goes for gas or nuclear is a question that seems to be a bit uncertain in the general environment at the moment. I think that one of the factors will be whether we are locking ourselves into an energy source that is less competitive, unlike France, for the sake of argument, which has gone for gas or nuclear. Those sorts of questions are affecting the general policy view, and that has to be resolved before the companies and the investors really have the confidence to pump billions of pounds into it.

[75] We have just installed lots of solar panels, and we are seeking to develop a solar panel and renewable energy consultancy and installation business. We want to remain attached to that market. We are supporting the tidal energy initiative. We know that we are fairly close to the Bristol wind array, and we are interested in that. So, we are definitely interested in that industry, and we are likewise interested in biomass. At the same time, we are heavily exposed to the traditional sources of energy at Milford Haven. If gas were to become the answer, Milford Haven would be a very interesting location, because we have the berths, we have the tanks, we have space for more tanks and there is spare capacity on the grid system. So, we are definitely very interested in it and, potentially, there are a lot of jobs in it. It probably depends on the extent to which energy prices increase across the board because of the growing scarcity of fossil fuels and, to a certain extent, on Government policy, which is a really national issue.

[76] **Keith Davies:** Clywais fod arbrofion yn awr yn Swnt Dewi gydag ynni'r llanw, a bod contract mas gan y Llywodraeth. Nid wyf yn gwybod a fydd hynny'n effeithio arnoch chi.

Keith Davies: I have heard that there are experiments with tidal energy in Ramsey Sound now, and that the Government has issued a contract. I do not know whether that will affect you.

[77] **Mr Don:** There is a tender out for the construction of the trial unit, for which consent has been obtained. There was a collective effort by a lot of people in Wales to get that consent. Just to feed the fire momentarily, it is an installation of just over 1 MW, if my figures are right, which does just push it over the threshold into being an energy installation that has to be decided upon by the UK Government—obviously, it has sat at the bottom of an in-tray for a very long time. However, it is happening and I think that it is an interesting technology.

Also, it is a very Welsh orientated company, so I think that it is a phenomenal development. We would just like to see it actually happen.

[78] **Mr Kennerly:** I will just give you a very brief résumé of ABP's involvement in the renewables sector, if I may. There are some key projects in there. A blockage has now been removed—well, almost removed, subject to finalisation of the policy—in the renewable obligation certificate regime. We believe that that has now freed up the main obstacle to a number of key biomass power station developments in our region, and across the rest of the UK, in fairness.

[79] The Prenergy 350 MW power station proposal in Port Talbot is now fully consented. That will require investment of £50 million, or thereabouts, by ABP, plus the investment that Prenergy itself will put into the power station. It is in discussions at the moment with a potential buyer who would be prepared to take that forward, so it is moving much closer to development. It is a similar situation in Newport with Nevis Power, which is a 50 MW plant, again requiring investment by the port in infrastructure, cranes and handling equipment. Those are the two key projects in south Wales, but I have a list of 30 other inquiries and opportunities that we are processing, and have been processing over the last few years, in the renewable energy sector.

[80] The other key one worth mentioning is the Atlantic Array development in the Bristol channel. Port Talbot is ideally located as a port to service both the construction and future operation and maintenance requirements of that facility. Major infrastructure would be required because of the technology needed to deliver the offshore round 3 windfarms operating in much deeper water. So, you have an opportunity here that may bring investment—wind turbine assembly, particularly, but possibly production as well. There is also, potentially, the gravity foundations that these wind turbines will need in order to be positioned out at sea. These are big opportunities for Wales and there is no reason why those sorts of developments could not also be used to service some of the other offshore windfarm proposals, perhaps in the Irish sea. Those are the key ones there.

[81] **Nick Ramsay:** We have eight minutes left and—

[82] **Mr Kennerly:** I just wanted to highlight that, because it is a very important part—

[83] **Nick Ramsay:** You have done that very well. We have eight minutes left and a few questions that I would like to get through, so I ask Members to be succinct with their questions; if you could be succinct with your answers as well, it would help us get through the questions.

[84] **Julie James:** This is not really a question; I just wanted to make a point about putting information into the energy inquiry, and tell the committee that the First Minister made a statement on energy this morning, which will be relevant to many of the things on which you wanted certainty.

[85] **Nick Ramsay:** Would you like to move on to your main question, Julie?

[86] **Julie James:** I think that it has been answered, Chair. It was about barriers to freight and logistics, which have largely been covered.

[87] **Eluned Parrott:** A lot of my question has also been covered, but I want to ask about the fact that planning for ports is not devolved and is reserved by Westminster. However, there are devolved planning powers that do affect development in Wales's ports. How successful is this division of responsibility? Do you think that it has created artificial barriers?

[88] **Mr Kennerley:** From our perspective in ABP—I think that you are referring to the marine consents unit—we feel that the developments, proposals and applications that we have put forward have been dealt with effectively and speedily. There needs to be further clarity in terms of charging arrangements, to ensure that the charges being levied for marine consents—whether for dredging, putting piles in or for other constructions—are dealt with in a cost-effective way and that we are not burdened with large upfront development costs, which can sometimes have an impact on the overall cost of the project.

[89] **Eluned Parrott:** You talked about removing some of the barriers to development. How could the barriers be removed while maintaining the protection of the environment and offering local communities the opportunity to feel involved in the democratic process?

[90] **Mr Don:** Just before I answer that, I would briefly mention that Port Talbot is not the only port that could handle Atlantic Array constructions. We are competing for that business very intensely, and we would do a much better and cheaper job.

[91] **Mr Kennerley:** That is a bold statement. *[Laughter.]*

[92] **Mr Don:** Returning to the question, the consenting process for these things is incredibly complex. When we try to build these things, we go through the process of environmental impact assessments and so on and seek to design these things in a way that minimises the impact on the environment. The general presumption coming out of the national planning system more in favour of development is good. The complexity of the system lends itself to being abused by people who are seeking to object. You go through a process, you get to a public inquiry, and you get a decision for or against, as the case may be; if the decision goes against the objectors, there are so many ways to fight the war by other means. That is a key area on which to concentrate, to say ‘yes’ or ‘no’ and to remove the complexity of the continuation of the fight, which creates uncertainty and risk for people putting up their money.

[93] **Mr Kennerley:** I have another example. Dingle Holdings spent a fortune trying to develop a biomass power station in what was, effectively, an industrial site, and it was turned down on visuals, which I find outrageous, bearing in mind the backdrop. All other issues, in terms of emissions and the other aspects of having a biomass-fed power station, were dealt with through the inquiry. I found it unbelievable that it was turned down on the strength of its visuals. However, that is, again, another area that needs to be focused on, in terms of the land-based process, to ensure, as Alec says, that decisions are quick and cost as little as possible.

[94] **Nick Ramsay:** We are into the last few minutes, so I will ask a quick, final question. Do you believe that the devolution of ports policy should be a long-term objective?

[95] **Mr Kennerley:** In a word, ‘no’.

[96] **Mr Andrews:** I will answer using more than one word. I think that the jury is out. If I was making an objective judgment, the marine consents unit is taking a more constructive, faster, and more coherent, responsive and industry-supportive approach at the moment than the marine management organisation in the UK. It is that sort of thing that makes a great difference to our attitude, and, fundamentally, the ability to get things done. So, for me, the jury is out.

[97] Where we have developments, we are interested in getting support and consent, and not getting dragged into politics all of the time.

[98] **Nick Ramsay:** We have two minutes to spare. Thank you for coming today to give evidence to our inquiry: it has been exceptionally helpful. I apologise for the number of

questions that we were firing at you, but this is an interesting area of work for the committee, and you have answered our questions fully. Thank you for being with us today, Mark Andrews, Alec Don, Matthew Kennerley and Ian Davies.

[99] **Mr Andrews:** I will just come back on one point. When I froze, it was about the Wales freight group. There used to be a Wales freight group that met on a regular basis; I do not know the full details, but that has not met. The point was to say that it would be useful to kick start that.

[100] **Nick Ramsay:** I thought that you were just handing over to the appropriate person to answer the question. [*Laughter.*]

[101] **Mr Andrews:** My mind went blank, Chair; I apologise.

[102] **Nick Ramsay:** If you could leave the documents for us, or e-mail copies of the documents to us, that would be helpful.

[103] **Mr Andrews:** I am not sure whether I have a copy; do you mind if I e-mail it?

[104] **Nick Ramsay:** No, that is fine.

10.30 a.m.

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

[105] **Nick Ramsay:** I welcome Edwina Hart, Minister for Business, Enterprise, Technology and Science, to today's meeting of the Enterprise and Business Committee. I also welcome James Price, director general of BETS. Thank you for being with us today. We have a number of questions to ask you in this scrutiny session, but before we go into those, events have been fast-moving today in terms of the gross domestic product figures. Would you like to make a comment regarding those figures and your understanding of them, Minister?

[106] **The Minister for Business, Enterprise, Technology and Science (Edwina Hart):** Yes, we looked with close interest at the GDP figures and the labour market statistics that also came out this morning. I am more than happy to cover both, if that is helpful for the committee. We have to be absolutely frank. We are very disappointed with the GDP figures; there is no messing about on that issue. However, we have to put it in context. There is a relative decline in the performance of west Wales and the Valleys on this indicator and that is largely accounted for by the relative decline recorded by the UK as a whole, in statistical terms. Since the start of the first Objective 1 programme in 2001, GDP per head in west Wales and the Valleys has broadly kept pace with the UK as a whole. It would be wrong to attribute the decline to a Welsh policy failure in those terms. GDP can be quite misleading, can it not? I was discussing with my senior officials earlier the area and the flow of commuters. I do not know whether you want to cover that historical ground for the committee, James.

[107] **Mr Price:** I am happy to attempt to do that quickly. The committee will be well aware of some of these issues. GDP, particularly the smaller the area, geographically, is not necessarily the best measure of performance. That does not take anything away from what the Minister has said about how we would want to see the figures going up, but items such as the

employment rate, gross disposable household income and other measures of income tend to be a fairer representation of the income of a smaller area. Historically, west Wales and the Valleys has performed far better on those measures.

[108] **Edwina Hart:** If I may quickly go to the labour market statistics, for the third month in a row, employment in Wales has continued to rise. This is against a fall in the UK as a whole over the past year. We need to look at the volatility of the figures, because I would not say that this indicated a massive change, but the situation in Wales over the last three months is encouraging. Economic inactivity has also improved, falling by 1.2% over the past year compared with a fall of 0.1% for the UK as a whole. So, those are encouraging statistics, and our policies for helping and assisting companies on the economic growth front are making a difference to those figures. I am happy to take any questions, but if the committee wants more details in the future, we will also be happy to provide them when I have had the opportunity of discussing with my officials in more detail what has emerged and any patterns.

[109] **Alun Ffred Jones:** It might be useful if you could provide a note on how you interpret the figures and also on the relatively better figures, as you noted, in terms of employment or for those who are economically inactive. If you want to paint a more general picture, that would be useful, but we would like to see the facts and the figures, because, although there is an element of outflow in terms of GDP, the figures for Wales in general are not that brilliant. There has been a fall in the GDP figures for east Wales as well.

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

[111] **Nick Ramsay:** Can you provide those figures, Minister?

[112] **Edwina Hart:** It would be a pleasure to do so, Chair.

[113] **Joyce Watson:** Good morning, Minister. You announced in February additional resource allocation to the Wales economic growth fund, thereby doubling the fund, which now stands at £30 million. Is it possible for you to clarify from where in your budget that is being funded?

[114] **Edwina Hart:** Yes. In terms of my budget, perhaps the Minister for Finance does not approve of the way that I run it, but I like to be flexible in my budget headings to make money available across the piece, so that if I see an underspend somewhere, I can put it into the front line. What we have done in terms of the budget for funding for 2011-12 is that £3 million was allocated from the sector budgets, which was put into the second supplementary budget motion, and then we had £12 million and new funding of £15 million in 2013. It will be drawn from a whole series of BETS budgets and go into the central pot.

[115] **Joyce Watson:** The economic renewal programme moved away from the awarding of grants to businesses in favour of repayable finance. Has the Welsh Government's position changed on that issue?

[116] **Edwina Hart:** We are absolutely wedded to the policy that was introduced in the previous administration about the introduction of sectors and the move to repayable finance, because in an ideal world, that is where we would want to be. However, I think that we recognise, because of the issues around the economy currently, that these funds are just short bursts, really, to help and assist companies, and that is what companies have asked us for. However, the policy is continuing in terms of economic renewal, as it always has. We will obviously assess the success of the Wales economic fund now, and take advice from our sectors about whether we want to run another fund again in the interim, because we are at the curve. I do see the curve coming slightly up, so whether you then need to intervene at that stage, we will have to consider. We will take further decisions on that when we do a full

analysis of the benefits of these funds that we have introduced. We have also launched our £40 million repayable finance scheme in March, and we want to see what type of take-up it gets.

[117] The biggest issue for us in terms of cash is the fact that the banks do not seem to be able to lend to businesses that require funding. There seems to be a reluctance from the banks, which was an issue that I raised with Vince Cable before Christmas, and I know that the UK Government shares our concerns about that. We have had Project Merlin, obviously, looking at the lending position, and funnily enough the British Bankers Association might be in a position to give us further figures about lending in Wales. That is a crucial area. If I could give an illustration, Chair, that might be quite helpful; some of the applications that we have had are from companies that are long-established, but they have had their overdrafts cut, so they cannot fund the orders that they have received, which they would have been able to do historically. I do think that this is an issue for the banks. It is all very well for the banks to say that they are doing this, that and the other, but when you have long-standing, successful businesses with good assets that are feeling the pinch, then there is something wrong in the system. It is right that we support any measures that the UK Government may wish to take in these matters with the banks, because it is not benefitting Wales if we cannot get this ability to lend properly out into the various sectors.

[118] **Nick Ramsay:** Alun Ffred, did you have a supplementary question on this?

[119] **Alun Ffred Jones:** Could you provide details about the budget headings that you have taken the money from to finance the new grant schemes that you have announced for this year and next year, so that we can see where the balance lies?

[120] **Edwina Hart:** I would be more than happy to provide an analysis at the year end. That is my suggestion, because it will give us an indication. In terms of running budgets, historically, in every portfolio that I have had, I have run my budgets very well. There has never been any criticism in the Assembly or, dare I say, in any of the committees that I have attended. We have perhaps been poor in the past in this portfolio, in that we are a portfolio that used to include transport, and when the portfolio did not spend within budget on the economic side, it could always transfer the money at year end into transport projects. I do not have that ability, and I do not think that we necessarily worked the system properly in terms of budgeting until we started to have a good look at it this year. This is where I did have the flexibility to look at putting money into that.

[121] **Eluned Parrott:** I have a very quick follow-up question on banks. I understand that you are waiting for some differential information on lending figures in England and Wales, which would be very helpful. However, you do state that you are concerned that banks are lending less in Wales than they are in England, and I am wondering what evidence you have been able to collect to base that on.

[122] **Edwina Hart:** Yes, the evidence that I have is really anecdotal, when people talk about companies and so on, and what is happening across the border. That is why we need the statistics, so that we can have a look at it. I am also concerned about general trends with the banks about lending. I am particularly worried about what is happening when people are establishing microbusinesses—small businesses that have no background or anything—and how the banks are reacting. Interestingly enough, I was at a business breakfast yesterday where we were talking about the development of small businesses, and how little money they require, actually, in order to kick-start those businesses and where they can go for it. It is very important that we put that money in as a result of the microbusiness report, so that there is a pot that businesses can go to. I even think that I might have to go to a lower level again, to the person who just requires £1,000 or £2,000, and that is why I will continue to explore whether we could look at a business credit union for Wales.

[123] **Julie James:** That is really interesting, Minister. I am afraid that my information is only anecdotal as well, but we have businesses complaining that they cannot get bank lending and that they are very grateful indeed for the support that they are getting from your economic growth fund, and the various other funds that have been made available, but there is some difficulty as to whether that can constitute match funding for some of the other European programmes. I am not asking you to answer on that today—it is a very complex area—but there is an issue about companies that would normally have received bank funding and that could then access ERDF or ESF funding, but which are now getting funding via your department, and therefore it becomes complex as to whether that counts for match funding or not. I think that that needs to be looked at in some of the support programmes.

[124] **Mr Price:** I will not go into the technicalities now, because I would probably get it wrong—it varies from fund to fund—but there is certainly an issue there. There is nothing that we can do about the inability to match European funding with other European funding. It is an issue for certain of the Finance Wales funds, because there is some European funding in them. It is not an issue for the Welsh economic growth fund, because that is simply core budget. What we are looking to do is to maximise flexibility. The other issue, which is linked to that, that companies will raise is the need for them to match the funding themselves in this tight economic climate. Again, that is heavily restricted due to state aid rules, but the Minister has asked/encouraged us to be as flexible as we possibly can be, and I still think that we can go further on that. However, it is difficult, and it is probably best that we provide a technical note on that.

[125] **Edwina Hart:** One of the issues that companies raise with us in terms of our funds is how much money they are supposed to put in. We have had a lot of complaints that we have set the margin at £100,000 and that we should be looking at lesser amounts in terms of what they need to do. As part of our review of the fund, we will be looking at those issues in case we need to create a further fund, because £100,000 is actually quite a lot for some of the companies that we are trying to support to put in. We are supporting companies across Wales with these funds, and across all sectors, so it is important to recognise that we have to be more flexible if we do anything further in that area.

[126] **Eluned Parrott:** I would like to ask about performance monitoring and the measurement of delivery. You have previously stated in this committee that the Government has a duty to measure what impact it has. In what ways are you demonstrating and evaluating the impact of your department's activity?

[127] **Edwina Hart:** Obviously, the measures are set out in the programme for government. I have regular meetings—in fact, I have one today—with the First Minister about delivery in my department, and the evaluation of everything that we are undertaking. Value for money is a key issue, and everything has to be evaluated against that. Cost per jobs and employment impact are my key considerations in this. I have to say that value for money is sometimes a very difficult phrase, is it not? Sometimes people look at value for money in terms of the cheapest options rather than the options that deliver in terms of outcomes. Our key outcomes are cost per jobs and employment impact. Those are the key considerations in some of the policies that we are running currently. There is a lot of work going on in the department against all those issues.

[128] The area that I have to look at more carefully, I think, in terms of value for money is the money that we spend on the tourism sector. I need to look at whether we are getting the impact that we want in terms of how we are dealing with our brand and image. I also need to look at what more we need to do, and whether what we are doing is correct and proving to be good value for money. We are always encouraged to market Wales overseas, which is quite right, but one of the significant issues for us is that our main market in terms of tourists is

actually England. So, when you are dealing with issues around that, the question is whether we should be looking at who we invite from England to see the products in Wales and whether we should be engaging with regional newspapers. You have to look at value for money slightly differently in the context of some areas of my portfolio.

10.45 a.m.

[129] Moving on to science policy, when you look at value for money, you put a fund in, but you also know that, once you are looking at life sciences, you are dealing with a risk in terms of the funds coming in. If you look at life science companies, you will see that some people have had very good ideas and have gone on to make millions and millions of pounds, like the chair of the sector panel, but others have had good ideas that have not gone anywhere. So, you have to look at value for money and risk and evaluate those outcomes. It is quite a complicated area. Do you want to say anything, as director?

[130] **Mr Price:** Clearly, this is something that we have to do. It is something the Minister is encouraging us to do all the time. Consider something like the Welsh economic growth fund, which is an interesting model to pick up. What we have done there is to look at the cost per job and then we have normalised the job because, obviously, some jobs are paying much higher salaries than others. We have tried to establish, for each fund, how quickly the money will be injected into the economy. So, basically, we have looked at the total salary bill for what we would be supporting over a two-year period as a proxy for the injection of cash into the economy, and nearly all of the offers that have gone out have gone out on the basis that the companies will not get paid if they do not deliver what they said they were going to deliver.

[131] **Edwina Hart:** In view of the interest in value for money, I wonder whether it would be helpful, when we do our analysis of that fund, to show how value for money worked in that context, what the issues were and how we assessed its impact on the economy, if the committee would like that. That might be quite a useful exercise, if the committee is interested in having a paper on that, Chair.

[132] **Eluned Parrott:** Thank you. I think it would be very helpful to have a definition of what you mean by value for money.

[133] **Edwina Hart:** Exactly.

[134] **Eluned Parrott:** You have talked about the programme for government setting the areas in which measurement is going to be made in your department, but, obviously, the programme for government did not set any numerical targets. Have you now set the baselines that you told us you were intending to set and, if so, have you set any numerical targets against those baselines?

[135] **Edwina Hart:** Yes, we have nearly completed that exercise and I would be more than happy to share that with the committee once it is completed.

[136] **Eluned Parrott:** Thank you; that would be very helpful. With regard to the First Minister's delivery unit and the reporting, do you have targets set by the delivery unit or are you giving targets to the delivery unit and reporting on the targets you have set?

[137] **Edwina Hart:** The delivery unit obviously has to ensure that the manifesto commitments we made in the programme for government are honoured in terms of how they are delivered by every department. So, every month, almost, we review where we are in terms of those targets and the delivery of the policy agenda. It is a discussion process, with the First Minister taking the lead in that he wants to go harder and faster.

[138] **Eluned Parrott:** Thank you. How are the numerical targets set and by whom?

[139] **Edwina Hart:** We are having further discussions on that.

[140] **Eluned Parrott:** So, it is a discussion process rather than—

[141] **Edwina Hart:** It is a discussion process, but, at the end of the day, you discuss things and then someone takes a decision. Of course, I might err on the side of being kinder to individuals and others might come down the side of being harsher, might they not? I would suggest that the committee would probably be harsher than I would be.

[142] **Eluned Parrott:** Thank you, Minister.

[143] **Nick Ramsay:** You did just say ‘discussion’ rather than ‘disgusting’ did you not? Did I mishear that? [*Laughter.*]

[144] **Edwina Hart:** Yes, I did, Chair. [*Laughter.*]

[145] **Julie James:** Good morning, Minister. You have already touched on this issue briefly, but we are wondering whether you have completed the review of inward investment that you have spoken about previously and whether you have developed your thinking, since the last time you were in front of the committee and following the Plenary debate we had quite recently.

[146] **Edwina Hart:** We have been looking at the key issues to do with inward investment, which is a key issue in itself. We must also be careful about what we define as inward investment. It is all too easy to assume that it is something coming from China or India, but inward investment can come from England as well. There are large companies in London and the south-east, particularly financial and professional services, that are looking for bases elsewhere in the UK, and that is also inward investment.

[147] With regard to the inward investment portfolio, we looked strategically at where we need to be in the global market. We had discussions with the First Minister about where our key future markets might be in terms of engagement, because we have looked at markets such as Brazil and other key markets. Brazil has leaped above us in the index—we have gone down to seventh and it has gone up to sixth—so we recognise that there are key areas like that.

[148] In terms of inward investment, we have also looked at where we want to be in terms of trade missions, the details of which are being finalised.

[149] To take up your point about the stand, we have had quite a lot of discussion about the quality of materials that go to international trade shows. I am a great believer in the fact that, if you have a good product, you should market it properly; there is no point going round with a bowl of daffodils, as you say, where you put your business cards. A stand must be staffed properly. Where we have offices in the countries concerned, they can help. If we are having stands, it is important that we send the right people to staff them. I am not saying that they must be civil servants; they could be business people, and we could involve chambers of trade. So, we are looking at an integrated approach about who can best convey the image of Wales.

[150] We are also trying to align ourselves with arts organisations in relation to their tours abroad. Would it be appropriate for us to go with them, or could they align their tours to us so that they could hold an event when we are abroad? So, there is a lot of interesting discussion going on about the whole field of inward investment.

[151] We are also getting a team together so that everyone in the world knows where to go to find out what our offer is, because people clearly did not know what our offer was. They need a first point of contact in order to ask what the offer is. So, they need to know what would happen if they located to an enterprise zone and what can be done in terms of education and training. If there is a problem with the infrastructure, they will want to know what can be done. So, we are adopting a team approach.

[152] We are also working very keenly with UK Trade and Investment, which has been very good in its discussions with us. One of the areas I felt was missing was the discussion of issues with ambassadors and consuls about what Wales can offer. So, we will facilitate that type of discussion, and perhaps the ambassadors and consuls of key countries could visit Wales to meet the team, so that they are aware of what we can offer in a Welsh context.

[153] The other area I am particularly keen on is the use of my anchor companies where they can help, because they have good links abroad, to try to encourage trade and inward investment.

[154] On the point about the UK, we held a very successful event with bankers in the Mansion House in the City of London on St David's Day, at which we invited the banks to talk. I am not saying that this will go anywhere, but we were there to up Wales's profile. That is why the London office is so important, because a lot of the money that comes into the UK does so via London. As the First Minister said, it is important that that office is led by economic development and investment in those key areas. There is also the issue of the team in the department. We will have a highly focused, well-trained team that people can refer to. So, in those terms, we are doing quite well.

[155] **Nick Ramsay:** Before you go any further, Minister, we have a couple of supplementary questions. Alun Ffred, did you want to ask a question on this?

[156] **Alun Ffred Jones:** The Government of Wales has had representatives and offices based overseas in a number of countries for a number of years. What assessment has been made of the effectiveness of those representatives and their success rate in bringing in inward investment?

[157] **Mr Price:** There are two things. As part of the original process of economic renewal in the last Government and as part of the refocus of the offices under the First Minister in this Government, we looked at the performance of each office in terms of facilitating trade from Wales into other countries—which we have not talked about yet—and attracting inward investment. As a consequence, we ended up with the office structure that we currently have. As the Minister has already said, we need to be careful that that is not set in aspic. The economy is constantly moving on, and we need to be on top of areas such as the BRIC economies. We do not have to have an office somewhere in order to make an impact—we can make use of UKTI offices and the network of people that want to support Wales, as the Minister has said.

[158] **Edwina Hart:** UKTI has given us a very open invitation for us to send officials with any delegations that it sends. It might also be appropriate for me to go with Lord Green on trade missions as part of UKTI.

[159] On the large inward investment that we want, we have to sell the UK as a nation, as well as selling Wales. Sometimes, something will come to the UK that is good news that might have knock-on benefits for us in terms of the supply chain. So, because Wales is quite small in terms of what it can attract, we have to show a united front and use the UK Government and UKTI to our advantage.

[160] **Eluned Parrott:** You talked about confusion regarding mixed messages when we market Wales overseas and the importance of being clear about what our unique selling points are and what our offer is. Could you tell us what our offer is?

[161] **Edwina Hart:** We are finalising a publication on these matters, which I will share with the committee, to indicate what we will offer in terms of our facilities. We can offer sites if people are interested in those and we now have the enterprise zone offices that we will also be working on. We are hopefully at the final stages of agreeing capital allowances with the Treasury, which will be useful for companies to know and understand and useful in terms of the education, training and infrastructure agendas.

[162] The point is that in terms of the offer that we make, even though we have not necessarily had things, we have always been commended for our work on the offer made. Sometimes, decisions go against us for internal political reasons in companies and so on. So, once the publication is finished, we will be more than happy to circulate it, but it is currently being proofread.

[163] **Eluned Parrott:** So, what are we marketing as our offer at present?

[164] **Edwina Hart:** We are marketing the full offer of everything that is available here in terms of sites and so on.

[165] **Mr Price:** The offer that we are currently making in the market is quite clear. If you spoke to most of the inward investment companies, such as PricewaterhouseCoopers and so on, whereas, perhaps nine or 10 months ago, they might have said, 'We are not entirely sure', they now know exactly where we are. We are told that we are currently as competitive as anywhere else, certainly in the UK. We are as competitive as Scotland and Ireland and probably more competitive than most parts of Europe in terms of that base offer. What we want to bring on the top of that, and we are already doing so, is the sector-specific offering where we are seeing some benefits. You need only look at the number of jobs that we are bringing in in terms of financial services. A year ago, we had a pipeline of around 2,000 jobs. That means that we could potentially bring 2,000 jobs in over the next few years. The pipeline is now 7,500 jobs, and that has increased over a year on the basis of being very clear about our offer along with the work that the panel has done in terms of being good ambassadors for what it is like to do business in Wales.

[166] **Julie James:** The last development of this question was around your major projects team and how that is functioning—and I have some good experience of that in my constituency—and how it links, if it does at all, with the major events team that the First Minister runs, because we are interested in the Dylan Thomas centenary that is coming up in our area; we are anxious to push that as a major international event.

[167] **Edwina Hart:** The team is now working well together and gives an overall lead for high-value projects. We must realise that investment is mobile in terms of whether you want to be in location. The sector teams and the major projects teams are working carefully together. On the major events unit, I jointly deal with the budgetary matters and have discussions with the First Minister, and I would say that the team is successful in what it is trying to do. We have built on the success of the major events unit in terms of how it delivered the Ryder Cup tournament. There will be another major golf tournament in a few years' time. That proves that if you brand Wales correctly in these areas, you can be successful, but you have to use every opportunity.

[168] Sport and arts are good ways of selling the image of Wales. The one criticism that I will accept is that I do not think that I have got the brand of Wales right—I need a brand that

is identifiable in ‘Wales’ terms, which incorporates the economy, tourism and everything. We are currently working on the brand images and putting in place the appropriate staffing so that we have people who are in the market of understanding what the brand of a country is and how you can include all of the bespoke areas that you need to. I will be happy to report on any of these issues when I return to this committee for another scrutiny session. What is clearly coming out of discussions in the Chamber is concern about how we are seen and the images we convey. That links to the image I might include in a tourism advertisement and in a poster for business. It all needs to be integrated, and I do not think that we have necessarily done that very well in recent years.

[169] **Nick Ramsay:** International Business Wales has not filled that gap in the way that would have been hoped for at the start, has it?

11.00 a.m.

[170] **Edwina Hart:** Being perfectly honest with committee, when I came into the post, I did not feel that that was the case from the discussions that I had. It has done a good job in its discussions with companies—that has all gone very well when its people have gone out and about. However, I feel that you need to be able to say, ‘There it is’. I am a great believer in using money to advertise all of this, too. You should be advertising in the media, and elsewhere. You should be placing adverts in the newspapers that businesspeople read, such as the *Financial Times*, if you are doing certain things. I strongly believe that that is the only way you sell your brand, and we will certainly be returning to those discussions within the department.

[171] **Byron Davies:** Sport and rugby would be examples of such areas.

[172] **Edwina Hart:** Exactly.

[173] **Byron Davies:** Before I ask my main question, just going back slightly to something you said, we have a huge network of commercial sections in embassies abroad, particularly in the emerging economies of eastern Europe. Are you engaged with them?

[174] **Edwina Hart:** Yes. We had discussions with UKTI the other week. UKTI brings the consuls and the ambassadors back to the UK every year for discussions. We have asked to have a session with them, and we will then consider specific invitations to Wales for the key areas so that we can show people what is going on in Wales. We can then keep up a regular link via UKTI to provide the information required about Wales. It was not particularly well established before, but it will be now.

[175] **Byron Davies:** My main question is this: in July 2011, UKTI published the inward investment figures for the UK. The Welsh Government did not proactively publish the statistics. Will you commit to publishing detailed statistics annually on Wales’s inward investment performance from now on to coincide with the publication of the UK data?

[176] **Edwina Hart:** I think that I am correct in saying that nothing has been published since the end of the WDA with regard to these figures, but we will have to check on that. UKTI does publish figures globally—I understand that it just does the global figures. Those UKTI figures would always be different in reference to Wales, because they are targeting a different group of companies, and they might not reflect our figures.

[177] We do monitor our figures, and we do co-operate with UKTI, but there are problems with dealing with the figures, and James will cover those. That does not mean to say that I will not do something. If you could cover some of the issues, James, that would be helpful.

[178] **Mr Price:** The way of measuring inward investment has always been quite difficult and probably shrouded in different people's wishes to demonstrate different things. So, if you were a regional development agency, you would want to say that you had secured a very large number of jobs. If you were a Government department that was sponsoring an RDA, you would probably want to know how many jobs had actually been achieved. UKTI used to present a regional breakdown of figures. We still contribute to UKTI figures, so it does not get them independently of us; we contribute to its figures.

[179] My understanding—I double-checked this yesterday—is that UKTI has not provided regional breakdowns for a while, and it has no plans to do so, because it believes that that leads to strange behaviours in terms of competition between different English regions. Obviously, we would not have that reservation, because we are in competition. However, how you measure the figures is very important. UKTI used to measure them on announcements. We would go across to the United States or somewhere, sign a deal for 1,000 jobs to come in and we would announce that we had delivered 1,000 jobs. Three years down the line, it may well be that that turned into only 500, or it may not have turned into any. My view is that it is not very effective from a scrutiny perspective. If we want to do that, we should say, 'These are what is in the pipeline'—that is why I referred to figures in the pipeline earlier—'and these are the jobs that we have delivered on the ground in Wales this year'.

[180] We are looking at that from a management perspective, because our teams need to have targets, and each of the sectors is looking at it, but we have not yet agreed a full protocol for what is sensible—

[181] **Nick Ramsay:** The recent set of figures came from a freedom of information request on certain aspects, did it not?

[182] **Mr Price:** They are our contribution to the UKTI figures, but those figures come with the same caveats that I have just described. They would have been pipeline figures, not necessarily—

[183] **Nick Ramsay:** Whether or not you think that in the department—I can understand the point that you might—if the information is going to be out there anyway in some form or other, surely it is better that you publish it and put the focus on the aspect of the figures that you think it should be on.

[184] **Edwina Hart:** No. What we are discussing as a result of the discussions on UKTI and the use of the figures is what we might do that is of value with the department in terms of what figures we might publish in the future. Byron Davies has raised an interesting point. He was nodding and understood when I said that I could go out tomorrow and say that I have been promised 6,000 jobs from somewhere in China, but it is a bit like the LG issue: you are promised all these thousands of jobs, but what actually comes? We have to look at a system where we can do an analysis of the targets that we set for the sectors regarding jobs in the pipeline, so you can see where those are. Then, we can look at what jobs come in during that period and publish the figures. The only thing that I can say to committee is that we are not averse to doing this, but we are going to do some further work on it. I would be more than happy to share with the committee, if it is very interested in this, the basis for why we are thinking of taking these decisions. If you wanted to have an input on how we might do things and on any principles around it, I would be happy to take those points on board and then we will probably look at some sort of publication that would be relevant in terms of how you want the figures. If you have a trend bender, which is outside the scope that you have thought of—say, for example, by luck, someone has come to play a round of golf here and decides that they want to bring their company there, maybe it is not even in your pipe dreams—it could really skew the figures. We will look at what valid figures we can provide in a Welsh context that actually show the full picture, which I think the committee would appreciate,

rather than the headline figures.

[185] **Mr Price:** There are two other things. I may regret saying some of this later.

[186] **Nick Ramsay:** Please say it. [*Laughter.*]

[187] **Mr Price:** There are two other tricks that always used to be played, which, from a scrutiny perspective, you would not want being played. One was hunting jobs. Certainly, at some point in the Welsh Development Agency's history, people would go through newspapers and phone companies and say, 'I see that you're doing an inward investment, can we claim those jobs?' That is not achieving anything. The other thing, which we talked about earlier, is what the quality of the jobs are and how long will they last. We need that in the mix as well.

[188] **Nick Ramsay:** Byron, if you have finished that line of questioning, we will move on to Ken Skates.

[189] **Kenneth Skates:** I think that you have largely answered my question, but I have one issue about Brits abroad, or Welsh people abroad. Do you think that we are fully exploiting the context that we may have? I am thinking in particular that there is a huge Welsh contingent over in the bay area of the west coast of America with strong business links. Is there a potential to utilise and exploit that for branding purposes?

[190] **Edwina Hart:** I would concur, and, interestingly, universities are very good at this. They look at whose children come to them, who has been to them and who has a historic link. We had a good discussion with one of the vice-chancellors about whether there was anything on their lists that could be of help to us with regard to their key businesses. We are starting to accumulate names and information, because it is quite surprising where people are in connection with companies abroad. We need to do that far more systematically, and we will be putting systems in place to undertake that. It is very helpful that there is someone there who can host a reception for you, for example, rather than sending someone out; you send them the literature and they can host and do something. The St David's Day events across the globe are very successful in terms of giving a sense of purpose about being Welsh. Welsh people across the globe are proud to be associated with anything that the Government brings. That will be a strand in the development of policy, because I think that that is quite a key issue.

[191] **Alun Ffred Jones:** Mae'r Gweinidog wedi cyfeirio at y berthynas rhwng Llywodraeth Cymru a Llywodraeth y Deyrnas Unedig. Mae papur y partneriaid cymdeithasol i Gyngor Adnewyddu'r Economi yn cyfeirio at y ffaith y dylai'r berthynas hon fod yn gadarnhaol a chynhyrchiol. A fyddai'r Gweinidog yn disgrifio'r berthynas rhwng Llywodraeth Cymru a Llywodraeth y Deyrnas Unedig yn gadarnhaol a chynhyrchiol?

Alun Ffred Jones: The Minister has referred to the relationship between the Welsh Government and the UK Government. The social partners' paper to the Council for Economic Renewal refers to the fact that that relationship should be positive and productive. Would the Minister describe the relationship between the Welsh Government and the UK Government as positive and productive?

[192] **Edwina Hart:** It can be sometimes, obviously, and I intend to use what I can to ensure that it is a positive and productive relationship, particularly with the Secretary of State for Business, Innovation and Skills, Vince Cable, who I have met and who I am happy to raise points with. I have met Lord Green, and he is coming to Cardiff. We have a positive relationship with UK Trade and Investment in a very real sense, because Lord Green, like me, is only interested in jobs. There is nothing else. We are just mainstreaming on the issue and

trying to get jobs into the UK and Wales. I obviously have had constructive discussions with other Government Ministers. In fact, I was on the phone yesterday or Monday discussing the issue of ports and points that I wanted to raise with the appropriate Minister. We have had discussions on tourism, which have been quite positive, with the Minister for Tourism and Heritage about how we market the Olympics and how we can do some joint campaigning. We have to separate relationships from politics. We will never agree on the political direction in some areas, but we must agree on the practical issues about jobs and getting jobs into the economy. So, I draw on those relationships when I think that they can be of help and assistance, and, if we can be of help or assistance to a UK body, we should be helpful in that regard. On matters where there is enormous disagreement between us, on welfare reform and so on, we cannot have that type of dialogue. However, my core portfolio is about jobs and the economy, where we can have constructive dialogue, because everyone wants to bring jobs in.

[193] **Nick Ramsay:** I think that question 7 has been covered, although not entirely, Gwyn—

[194] **Gwyn R. Price:** I do not—*[Inaudible.]*

[195] **Nick Ramsay:** I would rather move on, because there are other areas—

[196] **Gwyn R. Price:** May I raise one headline question on it?

[197] **Nick Ramsay:** Make it a short, succinct question.

[198] **Gwyn R. Price:** Can you update the committee on the current position of the next generation broadband project?

[199] **Edwina Hart:** Yes, I can. We are coming towards the end of the process, if it is helpful to the committee, and we very much hope that, in the next few weeks, we will be able to conclude discussions. We have looked at Wales as a whole and at the importance of covering rural and urban areas. We have looked particularly at how we can help where the market is not, and, hopefully, we will have some good news on this shortly. I am sorry that I have never been able to speak too openly about this to the committee, because of the commercial sensitivity of the negotiations, but all will be revealed, I hope, in April.

[200] **Nick Ramsay:** I want to move on to question 8, on enterprise zones, because that is a key area of policy on which we would like to question you.

[201] **Keith Davies:** Pa ymyriadau penodol y byddwch yn eu gwneud ym mhob ardal menter? Dyna'r cwestiwn cyntaf. Sut yr ydych yn mynd i'w marchnata? Sut allwn gystadlu â'r ardaloedd yn Lloegr, achos bydd rhai yn Lloegr a rhai yng Nghymru yn agos at ei gilydd? Dechreuaf gyda'r rheini yn gyntaf.

Keith Davies: What specific interventions will you carry out in each enterprise zone? That is the first question. How will you market them? How can we compete with the zones in England, because there will be some in England and some in Wales that will be in close proximity to each other? I will start with those.

[202] **Edwina Hart:** We are very close to the English border, hence the decision in terms of Deeside, and, of course, we have the one in Blaenau Gwent. We already have interest in Deeside, with companies indicating which areas and sites they will go in, and there has been an excellent partnership in Deeside between the local authority and the business partners to market it. I have taken the decision that these will be led by the private sector, in the main. I will expect private sector chairs and I will expect private sector companies to take the lead. At the end of the day, the rest of us have a support and administrative role to help and assist where we can. It is companies that have to drive this particular agenda. There might be a

slight difference in the ones around which no governance issues have been discussed, which are the Haven and Trawsfynydd, which might vary, but, in the main, that is how they will be led.

[203] With regard to St Athan, I should report that my senior officials have met the Ministry of Defence for discussions about the division of the site and what can be utilised within that area. Those discussions have not yet concluded, because we have to be sensitive to the military issues around the site, and I would not want to destabilise anything in terms of discussions with the MOD on that particular issue, because we value the military presence on the site. I know that, in Welsh terms, there has been a very good relationship with the military there. However, we think that we are making an element of progress. The trouble is that the deadline for them to do things in terms of the discussions with the MOD always seems to slip, which does not necessarily help me in terms of the enterprise zone. However, I have to be patient on this particular issue with the MOD, because there are sensitive issues around what will be on that site in terms of the MOD and how it can be dealt with.

[204] There has been significant interest in Ebbw Vale already by companies with which we have been discussing. The fact that it has such excellent links to the midlands will be good news in dealing with it. On the Cardiff central business district, that has come alive in very real terms. We have had a lot of interest in it and a lot of jobs in, and discussions are going on about what help and assistance we can give in that particular enterprise zone.

[205] So, we are confident that they are proceeding well. I have had discussions with the interim chairs, with the exception of one. They are currently looking at the interim governance arrangements that I have for them and what they want in terms of the full governance arrangements up until the end of May. Linked to the enterprise zones, I have my local zones, which are now being discussed in Powys, with an independent chair, and they are about how we can bring prosperity to more difficult areas such as that one through the use of something specific. The final point is that the letters have gone to the Treasury. Treasury officials have been helpful. We have indicated to the Treasury where we would like to see capital allowances and what should be in the legislation, and we are confident that it will pull all the stops out.

11.15 a.m.

[206] On publicity, I have said to the chairs, 'We need to make sure that we have an approach that will attract people into enterprise zones', because it will be a very competitive market. So, they will have the appropriate marketing budgets. We will not be interfering with those budgets, but I might decide to create a global advertisement for enterprise zones within Wales, which might be important. However, that is still under discussion. I am being very much led by the discussions that are going on within the interim groups on enterprise zones.

[207] **Nick Ramsay:** Can I move you on to the last questions on evaluation, Keith?

[208] **Keith Davies:** Mae gennyf ddau gwestiwn ychwanegol. Beth yw'r sefyllfa fwyaf diweddar o ran defnyddio lwfansau cyfalaf? Yr ail gwestiwn yw: sut y byddwch yn gwerthuso'r holl fentrau? **Keith Davies:** I have two additional questions. What is the most recent update on using capital allowances? The second question is: how will you be monitoring all the zones?

[209] **Edwina Hart:** Monitoring and evaluation is a key area. We will see what it costs to bring in a job and how much investment is going in, so it will be very much based on the strategy that we used on the fund.

[210] In terms of capital allowances, a letter has been sent to the Treasury. I have written to

Danny Alexander and we are confident, based on our discussions, that these matters will be resolved. In terms of the possibility of the Haven and Trawsfynydd, we cannot give the detail that we want to give, because we have not finalised the arrangements on whether they will give a degree of flexibility there. The trouble is that you have to think about how much you will get in terms of the capital allowances argument. We originally thought that we would only have £100 million, but the Treasury has indicated to us that we can go for higher figures in terms of what we are bidding for on a case-by-case basis, which is good news from our point of view. We are very grateful to Jane Hutt for raising all these matters with Danny Alexander, and for such a positive response from him about the flexibility on this.

[211] **Nick Ramsay:** Thank you. Question 11 is important; Julie James, could you move on to that?

[212] **Julie James:** Going back to the European element and the ex-ante conditionality, which we have all learned to say—it is a lovely phrase—basically, the European Union says that we need a regional smart specialisation strategy in place, which points out the unique characteristics of Wales and so on, as a base for drawing down ERDF funding, particularly for innovation and research. How far are you along that path? There are examples of various committees looking at structural funds about the unit in Seville that has been assisting people to develop those plans. Is there anything that you can tell us about where we are in Wales on that?

[213] **Edwina Hart:** I will start off with ‘Science for Wales’, which was published this week, and the announcements that we have made about Life Sciences Week. The consideration of an innovation and smart specialisation strategy could be taken forward in that direction, along with the other regional strategies that we are looking at. Officials are considering how to engage with external stakeholders on these particular issues, because research and innovation are high priorities in the European Commission, which is important when we go into the next round of structural funds with regard to how these matters can be dealt with.

[214] In addition, we have the Horizon 2020 framework, which you alluded to, which is replacing the framework programme, and other EU research and innovation funds, such as competitiveness and the innovation programme. So, we have all of that to deal with. As far as we are concerned, work is speeding ahead in this area. I do not know whether James wants to comment on it in detail.

[215] **Mr Price:** As far as I can understand it, smart specialisation is no more than a requirement for us to be very specific about what we want to do in terms of economic development. It moves you away from the generic offers of the past to being very specific about your economy. That is exactly what we are doing with science, sectors and enterprise zones. So, we believe that we have done all of the fundamental basic pieces of work. We do not know—but it will not be an issue—how the European Union wants that to be presented administratively in terms of papers. However, the basic work is all done. Even if you look wider in terms of work that is underway with as city regions, that will be able to feed into all of this as well in terms of infrastructure projects.

[216] **Edwina Hart:** The sectors have proved to be very valuable in structuring the economy in terms of how we must deal with the European Union. We have chosen, as I think that the life sciences launch indicates, what we think is a winning field where we are developing at the high end, and we think that it is a very successful way to take projects forward.

[217] On the city regions that James alluded to, we very much hope to have a report out on that fairly shortly, which will assist discussions about how we will organise things in the

future. To be clear on structural fund programmes, if we have a next round, we must make it our focus to look at the impact of programmes on a wider basis in order to address the issue of the piecemeal nature of pet projects that have been undertaken because they have qualified for European structural funds. We should have a far more strategic direction of travel in terms of the utilisation of the cash in these difficult times.

[218] **Nick Ramsay:** On that point, in your comments earlier, you mentioned your disappointment with the GDP figures, particularly in west Wales and the Valleys. Has that been a problem in the past? If we get this right, will this smart specialisation mean that the next round of structural funds will be more beneficial in getting those GDP figures up where they should be?

[219] **Edwina Hart:** I hope very much that that will be the case, Chair, because I am very keen that we start to wipe away the notion that everyone is entitled to a piece of the cake with European money. If we are looking strategically at the education and training agenda, which is a key part of this, and the infrastructure agenda and other factors, we cannot deviate from that for something that might look nice. That is why the science policy is so important. If you are looking at science issues, that should be embedded in some of the things that you will do with structural funds. That fulfills the obligations in terms of what is required in a European context. It is easy to say with hindsight, because I did not do it. It is important that we look forward—actually, it is an awful thing to look forward to European structural funds, if I am honest. However, if we get European structural funds, we must make them work. That means that, sometimes, people are going to be disappointed and upset and will be lobbying Assembly Members about the fact that, at the end of the day, their project has not gone forward. However, we have to get the value in. This is all about jobs and the economy, in my opinion, and we must be clearly focused on that.

[220] **Nick Ramsay:** You referred to looking forward; this is where Julie James wants to come back in.

[221] **Julie James:** Yes, indeed. Minister, you mentioned the science strategy, which we have heard quite a bit about from the Deputy Minister, who has also mentioned some research and innovation areas connected to the food and drink industry and the marketing of Wales—something you touched on in answer to an earlier question. Can you assure the committee that those issues are being taken into account in the smart specialisation programme? I am a bit anxious that the research and innovation brand will limit us to universities, and I think it could be wider than that.

[222] **Edwina Hart:** It must be much wider than universities; you have our assurance on that. The source of all knowledge on these issues is not necessarily the higher education sector.

[223] **Byron Davies:** I have a question on Horizon 2020, which will be the new framework for research and innovation in 2014-20 and the primary source of EU-level funding to support the research and development activities of universities, research centres and businesses. In what way will your department be involved in supporting Welsh organisations seeking to secure this funding?

[224] **Edwina Hart:** We will be at the heart of supporting them and developing the framework to enable us to do so. In my answer to Julie, I alluded to the 2020 programme. We regard that as a key area for undertaking the necessary work.

[225] **Mr Price:** I can come in with one management response to that. One thing that we immediately realised when the new portfolio was brought together was that we had WEFO, which has been chasing structural funds or however you want to describe it, but that FP7 and

FP8 were equally big funds and yet, looking back, the Welsh Government had only a few people going after that money. So, WEFO and the European team have now been given an equal responsibility to go after that funding as well as the other funding.

[226] **Byron Davies:** What is your assessment of the success of Welsh organisations in accessing this type of funding in the past?

[227] **Mr Price:** It has not been good enough, basically. That is to do with not being specialist enough, spreading the jam too thinly and, probably, our not saying where our priorities were either, which is why the science strategy is important.

[228] **Byron Davies:** What are you going to put in place to improve this?

[229] **Edwina Hart:** We have put the science strategy in place and we will be coalescing around key policy objectives so that people are clear about where we are, as well as providing more help with chasing particular funds. We concentrated so much in a very limited area on funds that we perhaps lost out in looking for other funds in the European context.

[230] **Nick Ramsay:** We have made better time than anticipated, so Joyce can now ask one of the earlier questions that we missed out on the sectors and the economic renewal programme.

[231] **Joyce Watson:** When, and in what format, do you expect to respond to the advice that you receive from the sector panels on their strategic priorities, Minister?

[232] **Edwina Hart:** We are hoping that they have been working very hard. There is stuff on the website, which, I would say, is only a limited indication of the direction of travel on that. They are now working up their final plans, which I will probably be in a position to take decisions on very shortly across the sectors. It has been quite complicated across the sectors with regard to what they are doing on priorities, because advanced manufacturing is a vast area. I have asked James to look at whether we require anything additional in terms of staffing, prioritisation and specialists within that sector to work on the plans. We have a very good defence industry in Wales, with good employment, and that is an area that has a level of expertise and a high level of technology, and we need to consider whether we need more specialist focus in some of those areas.

[233] The well-established sectors are moving along quite nicely. The food and farming sector is already looking at food policy and at the strategic developments in those areas. We are doing quite well in terms of the creative industries and financial and professional services, and where they are going in terms of their market. I hope very much to be able to implement the proposals coming to me. I have already started to implement the life sciences proposals, as you can see from this week's announcements. In addition, construction is tackling the tricky issue of procurement, on which I expect to see recommendations. Julie James, as Chair of the group, has had the opportunity to meet the chair of my construction sector panel. The report that will emerge on some of the lessons around procurement will be most interesting, Chair.

[234] **Nick Ramsay:** We await it with interest. In terms of the microbusiness task and finish group report, do you intend to publish the plan that has been drawn up to implement the recommendations?

[235] **Edwina Hart:** I have already put a note out about where we are on the first stage of implementation. We have already put out the budget for the recommendations, and I will be publishing details of the implementation regularly across the piece, because the group itself is monitoring it.

[236] **Nick Ramsay:** The report said that there should be enhanced lobbying by the Welsh Government on the non-devolved regulatory burden that impacts on business. How do you propose to achieve that?

[237] **Edwina Hart:** I shall be taking those matters up directly, but I am at an open door on these issues in terms of the regulatory burden. We will do a quick exercise, internally, on our regulatory burden, but the regulatory burden is generally led by the UK and Europe, and I know that the UK Government's business department is also looking at these issues. So, if we can help with anything, collectively, they know what our views are on this.

[238] **Julie James:** The microbusiness report includes a very interesting bit on accessing professional advice for start-up companies. I wonder whether you could tell us a little bit about that.

[239] **Edwina Hart:** We are looking at ways in which we have historically dealt with issues that small businesses and microbusinesses have brought to us. They seem to have gone from pillar to post, to local authority organisations or things run by us. When we look to undertake new contracts, we will ensure that the points in the microbusiness report are fully considered. Businesspeople will tell you—this is what came out in the report—that they would rather deal with somebody who has been in business, whether they have been successful or not. That is a lesson for us. At the end of the day—dare I say it?—public servants cannot necessarily give the advice that is required to somebody in business; they need somebody who has been at the sharp end. We intend to move along in terms of our strategy and what we do with contracts with the business services for which we provide funding.

[240] **Nick Ramsay:** I thank Edwina Hart, the Minister for Business, Enterprise, Technology and Science, and her officials for being with us today. I close the meeting.

*Daeth y cyfarfod i ben am 11.28 a.m.
The meeting ended at 11.28 a.m.*