



**Cynulliad Cenedlaethol Cymru
Y Pwyllgor Menter, Arloesi a Rhwydweithiau**

**The National Assembly for Wales
The Enterprise, Innovation and Networks Committee**

**Dydd Mercher, 17 Ionawr 2007
Wednesday, 17 January 2007**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi 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 Cynulliad yn bresennol
Assembly Members in attendance

Leighton Andrews	Llafur Labour
Alun Cairns	Ceidwadwyr Cymru Welsh Conservatives
Andrew Davies	Llafur (y Gweinidog dros Fenter, Arloesi a Rhwydweithiau) Labour (the Minister for Enterprise, Innovation and Networks)
Janet Davies	Plaid Cymru The Party of Wales
Christine Gwyther	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Alun Ffred Jones	Plaid Cymru The Party of Wales
Carl Sargeant	Llafur Labour
Kirsty Williams	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Swyddogion yn bresennol
Officials in attendance

O. Gwyn Griffiths	Cynghorydd Cyfreithiol y Pwyllgor Legal Adviser to the Committee
Gareth Hall	Cyfarwyddwr, yr Adran Menter, Arloesi a Rhwydweithiau Director, Department for Enterprise, Innovation and Networks
Tim James	Pennaeth Uned Rheilffyrdd, Trafnidiaeth Cymru Head of Rail Unit, Transport Wales
Sharon Linnard	Cyfarwyddwr, Gweithrediadau a Buddsoddi Cymru Director, Operations and Invest Wales
Cathy Presland	Pennaeth. Y Gangen Polisi a'r Uned Trawsbynciol, Swyddfa Cyllid Ewropeaidd Cymru Head, Policy Branch and Cross Cutting Unit, Welsh European Funding Office
James Price	Cyfarwyddwr, Grŵp Polisi a Strategaeth Director, Policy and Strategy Group
Robin Shaw	Cyfarwyddwr, Trafnidiaeth Cymru Director, Transport Wales
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Graham Winter	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

Eraill yn bresennol
Others in attendance

Stephen Clark	Rheolwr Is-adran, Rheilffyrdd: Polisi Rhanbarthol a Chyflawni, yr Adran Drafnidiaeth Divisional Manager, Rail Regional Policy and Delivery, Department for Transport
Simon Pickering	Rheolwr Cyswllt Teithwyr, Passenger Focus Passenger Link Manager, Passenger Focus
John Pockett	Rheolwr Cyffredinol Rhanbarthol Cymru, First Great Western Regional General Manager for Wales, First Great Western

Denise Rose	Yr Adran Drafndiaeth Department for Transport
Tom Stables	Cyfarwyddwr Masnachol, First Great Western Commercial Director, First Great Western
Stella Mair Thomas	Cynrychiolydd Cymru, Passenger Focus Wales Representative, Passenger Focus

**Gwasanaeth y Pwyllgor
Committee Service**

Claire Morris	Clerc Clerc
Abigail Phillips	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 9.02 a.m.
The meeting began at 9.02 a.m.*

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introduction, Apologies, Substitutions and Declarations of Interest**

[1] **Christine Gwyther:** I welcome you all to this first meeting of the Enterprise, Innovation and Networks Committee in 2007, and I wish Members and staff a happy new year. I welcome members of the public and remind them and Members of the availability of headsets for translation and for sound amplification, although we seem to have quite nice sound quality in this room. The translation is available on channel 1 and verbatim proceedings are on channel 0. The ushers will assist members of the public with any problems and will usher us to the nearest exit if an alarm sounds. Please ensure that all mobile phones, BlackBerrys and pagers are switched off. We have received no apologies.

[2] There is one outstanding item of business that I want Members to consider, namely the cancellation of our meeting on 1 February. We discussed the possibility of this in our business meeting last term. We have e-mailed Members about this issue, and so I want to ask you this morning whether you wish to hold a meeting on 1 February to discuss the gross value added figures, as has been suggested, or whether you would like me to commission a paper from the Government on GVA for our meeting on 14 February. I am really just asking what Members' wishes are.

[3] **Alun Cairns:** The latest GVA figures have been published, and they include extremely worrying data. I notice that there is a paragraph in the Minister's report relating to them, but I cannot believe that we are even considering cancelling the meeting on 1 February, to be frank. That would suggest that everything is okay in the Welsh economy, when, in fact, we are the poorest part of the United Kingdom. I strongly urge you to continue with the meeting and to ensure that GVA is the main topic of discussion, so that we can try to establish the issues.

[4] **Christine Gwyther:** At the business meeting, we discussed that the Minister would not be at that meeting on 1 February, so we could go ahead with it, but there will not be a ministerial response. However, it does not stop us from discussing the issue and going ahead with it.

[5] **Leighton Andrews:** If I remember rightly, we had a long discussion at the last meeting about whether we needed all of the meetings that we had scheduled. It seems to me that the conclusion is that, in practice, we do not need that meeting on 1 February as we can have a discussion on GVA at this meeting or at the subsequent meeting. So, I cannot see a

case for having that meeting. It is fairly evident from what Alun Cairns has just said that he has purely one objective for that meeting, which is to continue his usual bleat about the state of the Welsh economy, when we have the highest employment levels that Wales has ever seen. If he wants to do that, I would suggest that he has his own meeting on that day.

[6] **Alun Ffred Jones:** I support Alun Cairns's call, because it is not just a case of bleating about the GVA figures; they deserve a thorough examination and a detailed response. We have heard all sorts of statements about the fact that they may not be an accurate reflection of the true state of the Welsh economy or of wealth. If so, that is fine, and so let us have a discussion on it. I am in favour of holding the meeting.

[7] **Christine Gwyther:** Do any other Members want to come in on this?

[8] **Carl Sargeant:** The fact that the Minister will not be in attendance on that day is key to this issue. If it is as important an issue as Mr Cairns suggests, in terms of the failure that he recognises in a paper, it is important that the Minister is there to respond to that. It would probably be much more useful to the debate and the discussion to have the answers on the day. If the Minister is to be present at the meeting that follows, on 14 February, it would be a reasonable request to defer the discussion until then.

[9] **Kirsty Williams:** Loath as I am to agree with Carl, if we are to have a meeting about GVA—and the subject does need looking at—I wonder what can be achieved without the Minister present. If we are determined to go ahead and have the GVA debate, which I think needs to happen, could that be swapped with another item of business on the day of a meeting when the Minister will be present? That is, could we discuss items on 1 February for which it is not so crucial that the Minister is there to answer? I do not know what value there will be in having a meeting about GVA, which is a serious situation and Alun Cairns is right to say that you cannot ignore it, without the Minister there to answer questions in that regard. So, is it at all possible to rejig the agenda?

[10] **Christine Gwyther:** The clerk and I have already had a discussion on this, and we can certainly do that on 14 February with the Minister present. However, we do not have a list of items that we could move to a meeting on 1 February.

[11] **Kirsty Williams:** If we are to accommodate the discussion on GVA at the subsequent meeting on 14 February, will we have to displace an item already on the agenda for that day? Is there space already?

[12] **Christine Gwyther:** No, we have made space.

[13] **Kirsty Williams:** How long will we have to discuss GVA on that day?

[14] **Christine Gwyther:** We will have 55 minutes, but we can stretch that to an hour.

[15] **Kirsty Williams:** It always overruns, so, on balance, if there is a commitment to hold the discussion on that day with the Minister present, are we being pedantic if we say that we have to have a meeting on 1 February?

[16] **Alun Cairns:** There are a couple of issues here: the first is whether we should have a meeting or not; secondly, I proposed that GVA should be considered at that meeting if there is nothing else to discuss; and, thirdly, the committee meeting has been scheduled for a considerable period of time, and I do not think that it is up to us to cancel it just because the Minister cannot be here. We need to go ahead whether the Minister is here or not. That is exactly what it is about. Do not forget that, in the new Assembly, the Minister will not be a member of the committee, so are we going to say, 'Well, let us not bother having any

meetings'? That is the logic of it.

[17] **Leighton Andrews:** We actually had a long discussion at the last meeting about the number of meetings that we were having—but of course Alun Cairns had already left by then, so he was not able to participate in the discussion. That is presumably why it is such a shock to him now that it is under discussion. There is absolutely no point in having meetings for the sake of them in politics; it is a complete and utter waste of our time and of officials' time. I would argue that we would all be better served, particularly those of us who are campaigning to keep jobs in our communities, by not having the meeting on 1 February and going ahead with the meeting and a full discussion on GVA on 14 February, as Kirsty suggested.

[18] **Alun Cairns:** Leighton Andrews has made quite an accusation against me there, so allow me to say that I left the meeting at the time that it was scheduled to finish, as I had another engagement. I was here right until the end of the scheduled time. I cannot help it if the meeting overruns.

9.10 a.m.

[19] **Christine Gwyther:** As a point of information, the meeting did not overrun; we held the informal part of the committee meeting at exactly the time it was scheduled to happen, so let us not rewrite history. We had a full discussion on it and we talked at the time about the possibility of cancelling the 1 February meeting. I now wish to know Members' views on that meeting. I have already said that we will have a 1 hour discussion on GVA on 14 February, and I assume that the Minister is happy for us to commission a paper from the Government, which we can discuss then. We now have to make a decision on the 1 February meeting.

[20] **Kirsty Williams:** We have to vote, or do something, because we have other stuff to talk about today.

[21] **Christine Gwyther:** I propose that

the 1 February meeting is cancelled and that a discussion on GVA is held on 14 February.

Cynnig: O blaid 4, Ymatal 0, Yn erbyn 3.

Motion: For 4, Abstain 0, Against 3.

Pleidleisiodd yr Aelodau canlynol o blaid:
The following Members voted for:

Andrews, Leighton
Davies, Andrew
Sargeant, Carl
Williams, Kirsty

Pleidleisiodd yr Aelodau canlynol yn erbyn:
The following Members voted against:

Cairns, Alun
Davies, Janet
Jones, Alun Ffred

Derbyniwyd y cynnig.

Motion carried.

9.11 a.m.

Adroddiad y Gweinidog Minister's Report

[22] **Christine Gwyther:** Minister, will you introduce your report?

[23] **The Minister for Enterprise, Innovation and Networks (Andrew Davies):** Thank you, Chair, and happy new year to colleagues.

[24] I have some very good news announcements this week. Today, I am able to announce that 300 jobs are coming to Maesteg through the investment by Creative Outsourcing Solutions International—COSi—building on its existing facilities at the former Revlon plant in Maesteg. This multi-million pound investment has been made with financial support from my department and the Assembly Government. Again, it shows that manufacturing in Wales has a strong future. The fact that COSi is now establishing its UK and European manufacturing centre of excellence in Maesteg is excellent news and a vote of confidence in the local workforce, and in Wales as a place to do business.

[25] Similarly, yesterday, eMAG solutions, which is a leading international electronic disclosure and computer forensic company, announced that it was establishing its European headquarters in Cardiff. Again, it is a highly knowledge-based company exploiting a niche, particularly in the area of disclosure, and working with many leading legal firms and financial sector firms, creating an additional 23 jobs. This is a company that has identified a clear niche in the market, which is growing at 50 per cent each year. These are exactly the types of jobs that we are seeking to create. It also demonstrates the ways in which companies and manufacturing are changing. This company originally manufactured computer tapes in the Brynmawr area, but that product and industry have changed dramatically. This is a good example of another Wales-based company re-establishing itself, or changing itself, and identifying opportunities.

[26] So, there is some very good news in Wales and, of course, in quarter of an hour's time, the latest unemployment figures will be published by the Office for National Statistics. I will be able to comment on those after 9.30 a.m..

[27] **Christine Gwyther:** Are there any questions on the oral update?

[28] **Janet Davies:** I am pleased that there are 300 new jobs coming to Maesteg. I am not quite sure about the level of skills required, but is there any possibility of monitoring whether the minimum wage is always paid—either by doing that ourselves or getting the figures from another body? I have heard accusations from people on the ground that some firms in that area do not always pay the minimum wage, and if Assembly money has gone into that company it is doubly important that it is checked.

[29] **Christine Gwyther:** Does anyone else have a question?

[30] **Kirsty Williams:** The jobs at COSi are indeed welcome, and it is a significant investment in that part of the world. However, I note that these are production jobs, and that the company has chosen to maintain and develop the research and development side of its business at its English plant, although I know that that plant will lose production jobs to Maesteg. My only note of caution is that Wales is still seen as a place where you put your production jobs, not where you put your research and development jobs, and perhaps the higher-end jobs in your business. So, although those jobs are very welcome, I did note the reports that research and development is not moving to Wales, and I am just concerned that we continue to be in that slightly vulnerable position where we are not attracting that type of investment, as well as the welcome and necessary production-type jobs.

[31] **Andrew Davies:** On the first point, obviously the minimum wage is a legal requirement and if companies are not paying it, then there is legal redress. We are working with the UK Government, making it aware of instances where companies are not paying the minimum wage.

[32] On the COSi announcement, the other point that has to be borne in mind is that the company is restructuring its operations—there will be jobs lost in Littlehampton and jobs

created in Maesteg. Clearly, this is very advanced production: at Maesteg, the latest lean manufacturing processes will be employed, and new clean-room facilities are being created, again with financial assistance from the Assembly Government. This is cutting-edge manufacturing, and, clearly, a company like COSi is not going to make that investment if it is not confident in Wales as a great place to do business. So, while the research and development might not be in Maesteg, the advanced manufacturing processes are, nevertheless, located there.

[33] As I mentioned before with eMAG, clearly this is a company that is at the cutting edge of research and development, and has close links with higher education, particularly the University of Glamorgan, identifying new software applications, and using those university departments to enhance its operations. So, the true point about the Welsh economy is how much more diverse it is—everything from high-level manufacturing right through to high-tech service industries as well.

[34] **Christine Gwyther:** Does anyone else want to comment on the oral update? I see that they do not.

[35] Before we go into the main body of the written report, Minister, during the Business Minister's response to her statement yesterday she mentioned that we would be having some sort of debate on the cost of hospitality in the Department for Enterprise, Innovation and Networks, and I wonder if you can give us an update on that.

[36] **Andrew Davies:** Yes, it is a commitment that I have made. The use of public money for hospitality, as I have always said, has to be proportionate, and has to be appropriate. I was not convinced that the money that we were investing in hospitality always fulfilled those two objectives, and working with Gareth Hall and Sharon Linnard, our chief operating officer, towards the end of last year we instituted processes so that hospitality has to be approved at a senior executive level. We are now going through all the expenditure, and any bids for hospitality have to go through the appropriate process. We will now be in a much better position, I believe, to be able to report to committee on the level of hospitality, which now has to be appropriate and proportionate.

[37] **Alun Cairns:** On that point, I tabled a question to the Minister—it must have been before the summer recess—asking him to publish details of all hospitality spending within his department. The response that I got was that he was going to present an annual report on hospitality, so he could not give me the data on it. I am a bit alarmed that it is only now that you are thinking about approving hospitality at a senior level. How far down the road are you in terms of publishing that report, bearing in mind that that question was tabled several months ago?

[38] **Andrew Davies:** It was many months ago, in fact, that we instituted the new procedures. Gareth and Sharon have instituted procedures within my department to ensure that any hospitality is signed off at a senior level. It had not been done that way before, and I had concerns about the level of hospitality undertaken by the former Assembly sponsored public bodies, and the recent publicity about the FA Cup final last year was an example of that. However, it is not a case of only instituting procedures now; this was done towards the end of last year—in the autumn, I believe. I cannot remember the exact date, but perhaps Gareth or Sharon will be able to confirm that, and perhaps they would like to come in on what we are now doing.

9.20 a.m.

[39] **Ms Linnard:** Since November, probably—I do not have the date in my mind, which is why I say 'probably'—we have a procedure whereby, for any hospitality event, under

various categories, which are in guidelines that are being looked at for propriety and belt-and-braces reasons by the Assembly's compliance officer, the official wanting to undertake hospitality will create a fully costed business case. That will go to the individual's head of division; if it is deemed appropriate by that head of division, it will come to me, as director of operations, to confirm independently the director of the division's view that this is appropriate. Once I have taken that judgment, I will put it to Gareth, to take an overview, because he will then see hospitality requests not only from the operations area but from the rest of DEIN. If he then believes that it is appropriate, he will run it past the Minister, before consent is given. In the time that this process has been in operation, we have probably dealt with between 15 and 20 requests for hospitality in that way.

[40] **Alun Cairns:** Why is the Minister talking about former ASPBs? The FA Cup took place in May, when his department was responsible. It is all very well saying that the commitment would have been made under the former ASPB when, clearly, the merger plans were afoot months before, which is when he—according to what he said—was getting to grips with the ASPBs. Therefore, it is a bit rich to blame it on the old ASPB, when many of the senior personnel are the same people who are now in his department.

[41] **Andrew Davies:** The approval of, and the decision on, hospitality arrangements at last May's FA Cup final were undertaken by the former WDA, which is why I made those points. I was not aware of that expenditure; I have now been made aware of it, and I have said publicly that I find some elements of it inappropriate and excessive. That is why, as I said, we are clear that expenditure must be appropriate and proportionate. Hospitality is important; as a Government, and as a country, we are competing globally, and we must be able to provide appropriate hospitality. However, as I said, it must be appropriate and proportionate, which is why we have instituted these new measures. Clearly, the merger was a major event; I had concerns about some of the operations before, and we have now moved quickly to ensure that proper processes are in place to deal with these opportunities appropriately.

[42] **Christine Gwyther:** We will be scrutinising the annual report in the normal course of events.

[43] **Andrew Davies:** I will come forward with a report at the end of the financial year.

[44] **Christine Gwyther:** Okay, thank you.

[45] Are there any questions on paragraphs 1 and 2, on economic data?

[46] **Alun Ffred Jones:** I have one comment and one question. From reading the paragraph, you would think that everything was hunky-dory, but I will pick out one fact from some of the notes at the end about the growth in GVA per head between 1995 and 2004. Wales's growth was 46 per cent while the UK's growth was 58 per cent. If you start cutting it down to the Objective 1 areas, and the other areas, then the figures are even more startling. However, since we will be coming back to that issue, I will leave it for now.

[47] I have a question on how GVA is calculated. It states here that it is calculated on both workplace and residence basis. However, the figures that we have—I believe that I am correct in saying this—are based on the workplace, certainly in Objective 1 areas, and perhaps for the whole of Wales. That distorts the figures significantly in some areas; indeed, it is dangerous, perhaps, even to quote them—I am thinking especially of the relationship between Gwynedd and Anglesey, which can lead you to make wrong assumptions about the situation in certain areas, which is dangerous. Therefore, is it calculated on both? If so, are both sets of figures available? The same is probably true about Cardiff and the surrounding counties. It may have worked to our advantage in the past, but can this be addressed so that we can make correct assumptions about areas by looking at the resident figures.

[48] **Andrew Davies:** I could not agree more; I have been making that point for some time. In fact, one of your former colleagues, Phil Williams, used to make that point well in the former Economic Development Committee. There were many problems with gross domestic product figures, now GVA. One is that it is based, as you said, on the workplace, therefore, it does not take into account commuting patterns, which is true of north-west Wales, for example, Anglesey, and of south Wales, particularly the Valleys. GVA is calculated on the basis of the workplace, so, for example, for those who live in the Valleys and work in Cardiff, the GVA is calculated according to where they work, namely Cardiff, and not according to their place of residence. The other point is that GVA does not take into account transfer payments such as pensions. So, where you have a very high proportion of retired people, for example, in Anglesey, the GVA figures do not take that into account. Figures on weekly earnings and wages also do not take into account transfer payments such as pensions. For those reasons, GVA has deficiencies in terms of its use as an economic statistic. Its strength is that it is an internationally recognised statistic, and there is a long series that allows you to compare figures over quite a long period, but it does come with a health warning and I agree that there are deficiencies and that those need to be taken into account. That is why the smaller the geographic area in which you calculate GVA, the bigger the reservations are with regard to applying those figures—for example, that is true of a single county such as Anglesey.

[49] **Alun Ffred Jones:** If figures are available on a resident basis, can we also have those?

[50] **Mr Price:** I do not think that they are—not at that level. I suggest that we take it up as a substantive item and advise the committee as to what is and what is not possible.

[51] **Christine Gwyther:** Well, you have four weeks.

[52] **Kirsty Williams:** It would be useful to be able to explore the points that Alun Ffred has made to try to get to the bottom of this argument about whether these are reliable figures. Whether they are or not—and I accept that there are limitations to them—they are the only game in town at the moment, so we cannot just dismiss them and say that they do not work properly and do not really show us what is going on, because they are what we have in front of us and what we must base our comments and questions on. I accept that, as noted in that paragraph, we have gone past the £40 billion figure, but we are still at the bottom of the pile and although things are improving, relative to the rest of the UK, we are still not where we should be and we do not seem to be making any progress on doing something about that situation. That was my main point. A little less self-congratulation and a bit more acceptance in that paragraph would take the Minister a long way, rather than trying to pretend that everything is fine.

[53] On the employment figures in paragraph 2, would the Minister care to comment on the number of long-term unemployed and the figures relating to the long-term unemployed, which are not explicitly outlined? Does he think that we are making sufficient progress in that field?

[54] **Andrew Davies:** On your first point on GVA, we could have a longer discussion, obviously, but I am not saying that we dismiss it; just that, as Alun Ffred pointed out, you must apply health warnings to GVA, particularly when you use those figures in a smaller geographic area. On a NUTS 3 basis, the figures are not that robust and you have to be very careful. However, we have made very substantial progress in terms of the unemployment figures and employment levels and rates. As it is now 9.30 a.m. I can tell you what the latest figures are—employment in Wales was up by 20,000 over the last year and the employment rate was up 0.1 per cent on the previous year.

9.30 a.m.

[55] Again, I think that they are very good figures. Similarly, unemployment and claimant count figures have shown significant reductions. If you look at Wales's performance in the longer term, not just in terms of employment statistics, but gross domestic household income and average weekly earnings, growth in Wales has exceeded that for the UK as a whole. In terms of people's income, Wales has done extremely well and there are various reasons why that is not necessarily reflected in either the gross or the per capita GVA figures. However, even on the gross figures, Wales has done extremely well. You mentioned the £40 billion figure, but I would also mention the fact that we experienced a rise in GVA per head of 3.7 per cent, compared with 3.3 per cent for the UK as a whole. Therefore, although we still have a long way to go, we need to recognise that there has been substantial progress.

[56] In terms of the long-term unemployed, inactivity among working-age people in Wales has fallen substantially. The inactivity rate in Wales—according to the latest figures, which were published at 9.30 a.m. today—is 24.2 per cent, which is down 0.4 per cent on the previous year. I think that we have made inroads into dealing with that significant cohort of the long-term unemployed, but we recognise that there is a substantial way to go.

[57] **Kirsty Williams:** Returning to the issue of long-term unemployed and economically inactive people, my understanding is that the trend is that while we are beginning to make progress with female workers, with more women getting back into the economy—although there continues to be a higher rate of economic inactivity among women—men are beginning to close the gap. There seems to be a situation where we are getting women back into the workforce, but we are not making the same progress with men. Would the Minister care to comment on how he is looking to address that?

[58] **Andrew Davies:** As with a lot of these statistics, you have to be careful about short-term variations. It might be useful if I were to produce a paper for committee, looking at the longer term trends for employment, unemployment and economic inactivity, and broke those figures down on a gender basis. I will do that, if it would be helpful.

[59] **Alun Cairns:** I am staggered by the way in which the Minister is shuffling on several issues. First, on GVA, let us not forget that the ultimate goal of the Assembly Government from day one—as the Minister has said in the Chamber—was to get to 90 per cent of the UK average by 2010. The First Minister has said clearly in the Chamber—I can read the verbatim report to you—that the target was to achieve 90 per cent by 2010. At this stage, there is not a hope in the world that we are ever going to achieve that, and to come up with these issues on GVA now, saying, 'Of course, there are some health warnings to it', when GVA has been the key focus of everything that we have been doing, is shuffling around on the issue. I am surprised by the Minister's brass neck in doing that.

[60] I agree with him that we should look at longer-term trends in employment and I will be interested to see his paper. We took the opportunity during recess to look at some of the data on the Assembly Government website and, for example, since 2001, 53,000 new net public sector jobs have been created in Wales—many of those will be very welcome, but many will be involved in bureaucracies—but there has only been a net change of 2,000 jobs in the private sector and that is why GVA is at such a low level. Those figures are for the period between 2001 and 2006.

[61] There are a lot of worrying trends here and that paragraph in the Minister's report, as has already been said, ignores the facts. It focuses on breaking the £40 billion barrier, but inflation can account for much of that, so let us be frank and realistic, because it undermines the whole report when your opening paragraph forgets to mention that we are the poorest part

of the United Kingdom. We were not the poorest part back in 1997 or 1999, but we have just fallen further and further, even lower than Northern Ireland and the north-east of England. That is where we are and the Minister is seeking to put a gloss on it by saying that we have passed the £40 billion marker. I am really surprised by his brass neck on this issue.

[62] **Andrew Davies:** I am not shuffling, but I am conscious that your preoccupation with this issue and your constant bleating about it ignores the very reason why Wales's GVA declined so substantially from the 1980s. The biggest fall in GVA, in aggregate and gross terms, as well as in per capita terms, occurred when your party was in Government, when your policies decimated Welsh industry. I do not think that the people of Wales will forget that for decades to come. The fact is that your Government closed the coal industry in Wales, and from 1979—[*Interruption.*]

[63] **Leighton Andrews:** It is not something to laugh at, Alun.

[64] **Andrew Davies:** I think that the people of Wales will be very interested to find that, when you talk about the closure of the coal industry, the Conservatives' economic spokesperson laughs.

[65] **Alun Cairns:** If you want a history lesson, I can go back to when—

[66] **Andrew Davies:** Chair?

[67] **Christine Gwyther:** I think that we need questions and answers, actually.

[68] **Andrew Davies:** The closure of the coal industry in Wales, the decimation of industry, the fact that, from 1979 to 1997, some 360,000 manufacturing jobs were lost under the Conservative Government, and whole industries were closed down—those are the reasons why Wales qualified for Objective 1 status, and why the Labour Governments at Westminster and the Assembly had to take the actions that they have to create employment. I think it remarkable that, 20 years after the closure of the coal industry—or the miners' strike and the effective end of the mining industry in Wales—we now have an unemployment level below that of the United Kingdom. That is a significant development.

[69] Turning to GDP/GVA, the Chair will recall that we had similar discussions in the former Economic Development and Transport Committee, which she chaired. We have had endless discussions about GDP and GVA, and analyses of them on many occasions. I am happy to have further discussions on this matter, but even the Members' research service, when it undertook analysis for this committee, as you will recall, Chair, made it very clear that the biggest fall in GVA occurred under the Conservative Government and its economic policies, which decimated the Welsh economy. The people of Wales will never forget that.

[70] **Christine Gwyther:** We will move on to supporting enterprise.

[71] **Alun Cairns:** The fact is—

[72] **Christine Gwyther:** No, no; you are not coming back in. You have replied already.

[73] Are there any questions on paragraphs 3 to 17, on supporting enterprise?

[74] **Leighton Andrews:** On the general policy of supporting enterprise, before Christmas, the Minister made a statement about looking at the issue of corporate social responsibility in respect of support that is given to businesses that are investing in Wales and the fact that there were some companies that were less socially responsible than others. Has he had any indications in respect of Burberry that it is hoping to hang on to the money that it

was given by the Welsh Assembly Government?

[75] **Andrew Davies:** If it is, then we will have to rapidly disabuse the company of that notion. It has been made clear that any public money, through regional selective assistance or the Assembly investment grant, that has been given to a company to create investment or jobs, if that money is still within the conditions, the company will have to pay that money, or a portion of it, back. I would be very surprised if a company feels that it is not able to do that. In my meetings with companies, whether it is with Burberry or Alcoa in Swansea, I have always made it clear, privately to the company and publicly that, if the grant offer is still within the conditions of its allocation, it will have to be repaid.

[76] **Christine Gwyther:** Is the size of that grant in the public domain?

[77] **Andrew Davies:** I believe that it is.

[78] **Christine Gwyther:** If we could have a note on that, it would be useful.

[79] **Leighton Andrews:** It has been mentioned in respect of Burberry, so I do not think that there is any secrecy in that regard. There was originally £140,000, of which it took up £50,000; so, there is £90,000 that it has not taken up, as I understand it.

[80] To follow that up with a second question that is related to another operation, when appraisals are done for RSA, any company that is creating or sustaining jobs in Wales, if it qualifies, can qualify for RSA support. Can we be clear as to what appraisal the department undertakes in cases where companies may already be operating in a specific field where another company may then apply for regional selective assistance to support an operation in a related field? We do not want public money to create false competition within the Welsh market, where companies already provide particular types of products or services.

9.40 a.m.

[81] **Andrew Davies:** When any application is made, particularly for RSA or the Assembly investment grant, part of the analysis by my officials is on displacement, that is, whether it will lead to displacement, not just within Wales, but also in other parts of the United Kingdom. That is a very important issue, because otherwise it is effectively dead weight—you are not actually adding to overall growth in employment. Perhaps I could ask Sharon, who also heads up Invest Wales and is in charge of the department that deals with these assessments, to contribute.

[82] **Ms Linnard:** As the Minister says, attention is paid to these matters to the extent that we consult the Department for Trade and Industry and ask for its opinion and views, and a paragraph will go into the papers that go to the Welsh Industrial Development Advisory Board, reporting the DTI's views and WIDAB asks—

[83] **Leighton Andrews:** I cannot hear you.

[84] **Ms Linnard:** I am sorry. Having taken counsel from the DTI on a particular application in this respect, around displacement and deadwood and so on, the response from the DTI would be put into the report that goes to WIDAB as part of the appraisal papers. So, it considers the overall position in that particular part of the business world in making its decision.

[85] **Leighton Andrews:** How does that work in respect of indigenous companies? The DTI would not necessarily be aware of a company that was purely indigenous to Wales and was already operating in a particular field, and you might then have another substantial

company coming in, wanting to operate in the same field within Wales.

[86] **Ms Linnard:** The approaches to the DTI are done by sector, so a company, indigenous or otherwise, will apply to us in respect of a particular sector and will ask for comments on that particular part of industry. Additionally, the work is supported by internal work that is done by my colleague, James Price's department, in terms of policy, strategy and research. So, we have a lot of information that feeds into the appraisal before recommendations are made to WIDAB and before it, in turn, makes its recommendation to the Minister.

[87] **Christine Gwyther:** Okay, thanks. That is enough on that issue.

[88] **Janet Davies:** On paragraph 11 on convergence programmes, I see that they were submitted to the European Commission in the middle of last month, and that discussions are to commence early in the new year. One of the important issues in Wales, as elsewhere, is the amount of finance allocated to priorities 1 to 5. Can the Minister update us on the progress made in the financial allocations to the priorities?

[89] **Andrew Davies:** Do you mean in negotiations with the European Commission?

[90] **Janet Davies:** Yes.

[91] **Andrew Davies:** Those figures are not public, but they are part of the negotiations with the European Commission. The indications are that the negotiations seem to be going quite well, but that they are still at very early stages. However, those figures are not public at this stage.

[92] **Janet Davies:** As I understand it, until those allocations are made, the European Commission is, to a certain extent, being slightly delayed in coming to decisions about Wales.

[93] **Andrew Davies:** Our financial allocations are part of the process and negotiations, so they will have been given to the European Commission.

[94] **Alun Ffred Jones:** Ar bwynt 14 ar brosiectau Amcan 1, yr wyf yn diolch i'r Gweinidog a'r Llywodraeth am eu cyfraniad at adeilad Hafod Eryri gan obeithio y bydd yn gatalydd i'r economi, yn enwedig i dwristiaeth yn yr ardal honno yn ystod y blynyddoedd sydd i ddod. **Alun Ffred Jones:** On point 14 on Objective 1 projects, I thank the Minister and the Government for their contribution to the Hafod Eryri building and I hope that it will be a catalyst for the economy, particularly for tourism in that area in the years to come.

[95] **Andrew Davies:** Thank you.

[96] **Christine Gwyther:** Does anyone else want to comment on paragraphs 6 to 17 before I move on? I see that they do not. Paragraphs 18 to 21 deal with promoting innovation. Are there any questions? I see that there are not. Paragraphs 22 to 28 deal with investing in networks. Kirsty, do you want to comment?

[97] **Kirsty Williams:** I will start with paragraph 22, which relates to the Barcelona air service. The Minister seems to have an unhealthy obsession with putting public money into air services. He is spending money on the north-south air link and now we have this air service to Barcelona. The paragraph says that 29,000 passengers are expected to travel per year and the justification for the investment is that it will improve,

[98] 'accessibility and competitiveness for Welsh business'.

[99] How many of those 29,000 people does the Minister anticipate will be business travellers and how many of those will be people who, quite understandably, want to go to spend a weekend in Barcelona? It is a very beautiful city; there are wonderful things to see in Barcelona, but I do not know whether it is the job of the Welsh Assembly Government to spend taxpayers' money on making it easier for us to pollute our world by having cheap flights to Barcelona.

[100] **Andrew Davies:** I set up a route development fund because we need Cardiff international airport, and the Welsh economy and business people need to be able to access a wide range of destinations in order to remain competitive. One of the big drawbacks that we have in Wales is that you can fly to relatively few destinations from Cardiff airport. People in north Wales have relatively easy access to Liverpool and Manchester airports. Cardiff airport does not have the same range of destinations. That is why we have been working closely with Jon Horne, the managing director of Cardiff international airport, to open up a wider range of destinations. One way that we are doing that is through establishing a route development fund. We have had bids from Cardiff international airport for a wide range of routes and destinations; Barcelona is one of them. Spain, and particularly the Catalunan economy, is very dynamic. That is why the business case that is being considered by the group that deals with development fund applications felt that it was a worthwhile investment of public funds to open up that destination. Barcelona is one of the major European cities; it has a dynamic economy, and increasing numbers of Spanish companies are investing in Wales. There is one almost within a stone's throw of this building: Celsa. Many other Spanish companies are also investing in Wales. So, having those routes and destinations is an important part of the process. Perhaps I could ask Robin Shaw, my director of transport, to outline the process through which these applications to the RDF are made.

[101] **Mr Shaw:** It is similar to RSA. There is a detailed assessment of the proposer's business case. I do not have information with me on the split in terms of the assessment or estimate of the number of business travellers compared with leisure travellers. You cannot make the distinction in terms of selling the tickets on the plane; if the service is running, it will be available. However, if we are to support the proposal with RDF, it is key to the business case that there is a significant anticipated business use of the service.

[102] **Christine Gwyther:** Kirsty, other Members have indicated. Is your point on this item, Janet? I see that it is. Kirsty, you may go first.

[103] **Kirsty Williams:** Would it be possible to see those figures, because with the best will in the world, and as great as the Catalunan economy is and as important as potential Spanish investment is in this country, I still cannot believe that business travel will make up a large percentage of those 29,000 people. I am concerned that, as a trend, the Minister is investing public money in air routes when we have seen big debates about the problems of air transport with regard to carbon emissions. So, I would be grateful if we could see the business case or the paperwork that came forward for this, because I have grave concerns about it.

[104] **Christine Gwyther:** I think that there has been a commitment to present the business case.

[105] **Kirsty Williams:** May I ask about paragraph 25, or do people want to come in on this point?

[106] **Christine Gwyther:** Janet wanted to come in on this point.

[107] **Andrew Davies:** I did not say that we could present the business case for an individual application. What we would do is outline the process by which applications are

made and the criteria by which these judgments are made. Again, information about a particular route and particular airline would be commercially in confidence.

9.50 a.m.

[108] **Mr Shaw:** It is also important to recognise that the RDF resource that we are providing is there to encourage a new route. It is only there for the first three years to bridge the gap until the route becomes commercially viable in its own right, and resources are needed for marketing and promoting the route. It is not about subsidising the seats or the ticket rate.

[109] **Kirsty Williams:** I appreciate that, but I do not know whether we should be spending taxpayers' money on promoting more air travel.

[110] **Christine Gwyther:** You have made that point and, when we have seen the report, you can make another judgment on that.

[111] **Janet Davies:** It seems rather an outdated concept by now to try to increase air travel. It may have been great five years ago, but the case for that has gone by now. However, I am interested in Barcelona. It is a lovely city and it would be lovely to be able to fly there direct from Cardiff, but there are a lot of cities in Europe for which a similar case could probably be made. The only valid case would be for flights to a really major hub, from where you could fly on to almost anywhere in the world. The obvious one would be Amsterdam; I cannot think of another outside Britain that is at that same level of being a major hub. If Barcelona, why not Rome, Athens or Prague?

[112] **Kirsty Williams:** Why not Madrid?

[113] **Janet Davies:** You can fly to more places from Madrid than from Barcelona. So, I find it a difficult case to accept.

[114] **Christine Gwyther:** Does anyone else want to comment on this issue?

[115] **Alun Cairns:** I have a couple of things to say. It is up to the company that makes the bids—that is the obvious response to that. I would like the Minister to answer two simple questions. Can he tell us yet which airline it is? Secondly, can he remind us of the size of the budget for the route development fund? The sum of £0.5 million is a significant amount of money.

[116] **Andrew Davies:** The overall fund is £2.5 million. In terms of some of the other issues that Alun raised, I will come back with the report and that written note for Members, but Alun is right that it is not the Government saying that we want to establish a route that does not exist at the moment from Cardiff to Barcelona or from Cardiff to Madrid or anywhere else. As Alun said, it is a matter for the airline and Cardiff international airport to make the application for the RDF.

[117] On the issue that Janet raised about hubs, KLM already flies to the major hub of Amsterdam and Aer Arann flies to Dublin and other hubs, so a lot of those services are already in place. However, there is clearly demand for other destinations to be opened up for people to be able to fly to from Cardiff, and that is what the route development fund is there for.

[118] **Alun Cairns:** Can you tell us which airline it is?

[119] **Mr Shaw:** No, we cannot.

[120] **Andrew Davies:** We will make that information available.

[121] **Christine Gwyther:** Okay, are there any other questions on paragraphs 22 to 28, 'Investing in Networks'?

[122] **Alun Ffred Jones:** Yr wyf am ofyn cwestiwn ar baragraff 25, ar fand eang. Mae BT yn addasu nifer o gyfnewidfydd gwledig o dan gynllun a chyda chymorth ariannol gan y Llywodraeth. Yr wyf yn deall bod sialens yn y llysoedd ar hyn o bryd gan gwmni o dde-ddwyrain Cymru sydd yn atal gwaith, o bosibl, arnynt. A oes gan y Gweinidog wybodaeth am faint o gynlluniau sydd yn cael eu dal yn ôl oherwydd y sialens hon—os oes unrhyw gynllun yn cael ei ddal yn ôl—ac a yw'n ymwybodol o'r sialens hon?

Alun Ffred Jones: I want to ask a question on paragraph 25, 'Broadband'. BT is adapting a number of rural exchanges under a scheme and with financial assistance from the Government. I understand that there is a challenge in the courts at present from a company from south-east Wales, which may be impeding work on them. Does the Minister have any information on how many schemes are being held back because of this challenge—if any schemes are being held back—and is he aware of this legal challenge?

[123] **Christine Gwyther:** To follow that up, I know that two schemes are being held back because they are in my constituency and the Minister is aware of that. Kirsty, do you want to come in on this point on broadband?

[124] **Kirsty Williams:** Yes. I am becoming increasingly frustrated about, and inundated by, complaints from throughout my constituency about BT's performance in the roll-out of broadband. There are not just one or two slightly dissatisfied people; whole villages are up in arms about the fact that public money has been invested in this private company to provide a service that is not being provided. What is the best way that the Minister, or I as an Assembly Member, can deal with those complaints? It is not one or two disgruntled people; communities are coming forward to say that they are dissatisfied that the Government has made a commitment and put money in and yet this private company is failing to deliver.

[125] **Christine Gwyther:** Does anyone else wish to add anything to this issue?

[126] **Andrew Davies:** On Alun Ffred's question, there is no legal challenge. A legal challenge was sought, and a judicial review was sought on the regional innovation broadband support scheme.

[127] To go back a bit, to explain the RIBS project, there has been substantial growth in broadband accessibility in Wales, but the telecommunications industry, particularly BT, still deemed that 35 exchanges in Wales were not commercially viable—or, at least, that it was not commercially viable for them to invest to provide broadband. I have always made it clear that the role of Government is to make up for market failure, and so that is why we came forward with the RIBS project, which was funded by European money. We sought European Commission approval, because it meant intervention by the Government and the state in the market, but the commission gave its approval. The work started, it was put out for procurement, and BT won the contract. We have been working with BT to roll out the RIBS programme, and we have enabled 33 of the 35 exchanges. The two that you mentioned, Chair, were obviously the ones that have not been enabled.

[128] A company in Monmouthshire, WBN Ltd, said that the RIBS project had affected its business and so it sought a judicial review. That was unsuccessful and the judge threw it out, so work on the RIBS project continued on two levels. One level involved enabling those exchanges that BT had deemed not to be commercially viable. The other level, which is

probably more extensive, involved extending the reach of broadband to those areas of Wales in which the local exchange was enabled but where there were ‘black spots’, as they were known at the time; they are now called ‘not spots’. They were not just in rural areas; they were also in cities where, say, a business or residence was further away from the exchange than the exchange could service using current technology.

[129] So, the programme was continuing, but WBN Ltd then complained to the European Commission, saying that this was state intervention in the market. We argued very strongly that that was not the case, saying that the European Commission itself had already given approval for the scheme. We are now awaiting the outcome of the European Commission’s deliberations. We have obviously pressed very hard for this decision to be made as soon as possible, for the reasons that Kirsty has pointed out. We are hopeful of an early decision, although we do not yet know when it will be made.

[130] **Christine Gwyther:** Do other Members have any comments on paragraphs 22 to 28, on investing in networks?

[131] **Carl Sargeant:** I am somewhat surprised by the fact that there is no reference to the A494, which is in Flintshire. That is a huge investment in road infrastructure, and it is not very popular, to say the least. I would welcome comments from the Minister regarding the regional transport strategy that is due some time this year, and on how the development of the A494 is considered within the strategy. Until that is delivered in draft format or formally, we should be reconsidering the actual detail of the A494 scheme. I urge the Minister to take a good look at this, even to the point of considering delaying the process until this strategy has been considered fully by his office.

[132] **Andrew Davies:** Carl, we have been in extensive correspondence on this issue, not just over the past few weeks, but over many months. One of the biggest traffic congestion problems that we have in Wales is in north-east Wales, in that Queensferry/Drome Corner area. It is part of the trans-European network, which is a vital link between Ireland, north Wales and the rest of the European Union. The existing road infrastructure is under severe pressure. It is not to a design standard, and the safety record in that area is not good, so that is why we have come forward with a proposal to improve capacity in that area, including an upgrade of the A494. We have already been in discussions with you and others in the area, including the local authority and Taith, the regional transport consortium, and the scheme has changed, as I am sure you are aware and acknowledge, owing to representations that were largely down to you, Carl.

10.00 a.m.

[133] When we come forward with a major trunk road scheme, there was a statutory process to follow, and, in this case, a public exhibition started last week, giving local people, communities and elected representatives an opportunity to look at the latest scheme. Draft Orders have been published, and, if there are objections to those, a public inquiry will be set up. An independent inspector will be appointed to consider the views of the local community, and the inspector will then report to the Assembly Government—that is, to me or to the relevant Minister—in due course. So, there is a statutory procedure, and there is an opportunity for the local community and others to make representations. However, as ever, this is about trying to balance the larger, more strategic transport needs of Wales with the concerns of local communities, while addressing the serious concerns about the current road network and the safety record in that locality. That is what the statutory process is there for—to address both the strategic and the local issues. I do not know whether Robin wants to come in on that point.

[134] **Mr Shaw:** I will add a little bit. As far as the regional transport plan process is

concerned, we expect the first drafts to be with us later this year, which will look to prioritise future transport investment. However, we would expect the drafts to take something like the A494 scheme as a strategic priority, without actually prioritising it within the regional transport plan itself—it would be, if you like, sitting above the regional transport plan as a strategic priority. As the Minister has said on the issues around this scheme, there has been extensive consultation and debate, and we have reached the point at which we have modified the scheme taking on board as many of the concerns that residents have outlined as we reasonably can while still delivering a scheme to achieve our transport objectives. That issue will now be tested. I think that it is almost certain that there will be a public inquiry, because there is still a significant degree of concern. However, I think that the issue debated at that inquiry will be the scale of the scheme, rather than the need for it. A public inquiry is entirely the appropriate place for that debate to be had: in front of an independent inspector who will hear the arguments, the counter-arguments and the evidence, and will make a recommendation to the Minister in relation to the scheme before him—or her.

[135] **Carl Sargeant:** I have just one small question, if I may. Do you believe, Minister, that the scale of this scheme is too big for this area? There will be 11 carriageways across, albeit not all being transport structures that vehicles will travel along. Nevertheless, there are 11 carriageways, which will make it larger than the M25. Do you think that it is reasonable for such a road to go through my community?

[136] **Andrew Davies:** I do not think that it is appropriate for me to comment at this stage, because there is a statutory procedure in place, and, as Robin said, there will almost certainly be a public inquiry, in which case, the inspector will be making a report. I do not want to prejudice the outcome of that process in any way. However, we need to balance the all-Wales, strategic requirements with the needs of the local community, and that is what the robust legal, statutory process is there to do.

[137] **Alun Cairns:** I have one point on networks that sort of relates to what Carl Sargeant raised, but also to the first paragraph in the section. We have raised it before in committee, and it is that the Minister has called for the trunking of the A48 through the Vale of Glamorgan, and he also said that, before the end of last year, he would publish the inspector's report. That report has not yet been published. Given that significant sums of money have been spent on this inquiry, the community is pretty anxious about it, and we need to know what the report says. If it recommends against the proposal for whatever reason, the Minister has some serious issues to address in terms of the spend being undertaken. Therefore, can we have a date at least for its publication, or a reason why it has not been published to date?

[138] **Andrew Davies:** My understanding is that the inspector's report and the recommendations will come to me shortly. I do not have a definite time for that, but Robin and his team—

[139] **Christine Gwyther:** Are we talking about weeks, or a little longer?

[140] **Mr Shaw:** It will be with the Minister within the next two weeks.

[141] **Alun Cairns:** What is the reason for the delay? We were told that it would be done by the end of the year.

[142] **Mr Shaw:** Several issues needed detailed consideration, so we needed to look at the inspector's report in some detail. We have done that, and that is the basis of the recommendation going to the Minister now.

[143] **Kirsty Williams:** Could the Minister outline the Welsh Assembly Government's policy to provide adequate public toilets on the trunk road network in Wales?

[144] **Andrew Davies:** Are you asking me to outline our policy?

[145] **Kirsty Williams:** Yes. What are you going to do to ensure that there are adequate public toilets on trunk roads in Wales?

[146] **Christine Gwyther:** That came from leftfield. I was not expecting that one, and I am guessing that the Minister was not either. Perhaps we could have a paper or a note on that, if you do not mind.

[147] **Mr Shaw:** We do not have a prescribed and definitive policy in the sense of, 'There shall be a public toilet available at such and such a place'. Most of the public toilet facilities available on the trunk road network are provided by local authorities in the communities that the trunk roads go through. In a small number, there are real gaps, with no equivalent provision in the communities, where we supply and maintain those public toilets. However, we can bring that issue to the committee for consideration. It is not just an issue with public toilets; there is also an issue with rest facilities, lay-bys, and the overall provision of road safety measures as well, to ensure that people can stop when they want to and need to. We do need to consider this, but we are reviewing our route management strategies, and this sort of thing will be part of that process.

[148] **Christine Gwyther:** Thank you for bringing that up, Kirsty.

[149] Let us have snappy questions and snappy answers now, so that we can get through this. The next section, paragraphs 29 to 31, is on Visit Wales. Is there anything on that? I see that there is not. Paragraphs 32 and 33 are on International Business Wales. I see that there is nothing on that either. I will take job gains and job losses together, as paragraphs 34 to 44 all relate to jobs gained and lost.

[150] **Carl Sargeant:** On paragraph 41, regional selective assistance and the Assembly investment grant, several Flintshire companies were successful in bidding for that support. Could we have a paper, Minister, on the companies across Wales that have been successful in their RSA and AIG bids? I suppose that that would be quite a comprehensive paper.

[151] **Andrew Davies:** Are you looking for a list of companies awarded RSA and AIG?

[152] **Carl Sargeant:** Yes.

[153] **Ms Linnard:** If you are asking for information on the names of the companies and the awards that they were given, that is already public information. So, pardon me, but could I ask what the purpose of the report that you are seeking would be?

[154] **Carl Sargeant:** It is just for information.

[155] **Ms Linnard:** I still beg your pardon, but I am not clear on what your request is for, given that we publish a list of companies and we publish the amounts. That is not sufficient, is it?

[156] **Carl Sargeant:** No, that would be fine. Could I have a copy of that list? Is an up-to-date list available?

[157] **Christine Gwyther:** Is that on the website?

[158] **Ms Linnard:** We publish the information, but I am not certain where it is, sorry, or the timing of its publication. However, I can come back and let you know.

[159] **Christine Gwyther:** Okay, if we could have that as soon as possible, that would be good.

[160] **Alun Cairns:** In the Minister's report, there is no mention of Alcoa, which has been in the news. The Minister mentioned it earlier when he was talking about the manufacturing sector. Can he give us the latest update on the position, because it has been in the news in Swansea?

[161] **Andrew Davies:** I gave a statement to Plenary before Christmas on Alcoa, and I believe that it was contained in my previous report. Discussions are ongoing with the company and my department. The company is in the middle of the 90-day consultation period, and it is in negotiation discussions with the unions, particularly Amicus and the Transport and General Workers' Union. I do not believe that there has been any public statement by the company and it would not be appropriate for me to comment until the 90-day period is over, but clearly my officials have been in discussion with it.

10.10 a.m.

[162] **Alun Cairns:** The information that I have received from people who are very close to the organisation states that a rescue package was presented, and that that, basically, was rejected by the company. Can you confirm or deny that?

[163] **Andrew Davies:** As I said, it would not be appropriate for me to do that in the middle of the 90-day period.

[164] **Alun Ffred Jones:** On paragraph 41 again, do you know where Burtech Cyf Ltd is located?

[165] **Ms Linnard:** No; I will have to look into that.

[166] **Christine Gwyther:** It sounds like it might be in your part of the world. Are there any questions on paragraphs 45 to 48?

[167] **Janet Davies:** I have a question on paragraph 46 on Cardiff bay. First, I assume that the Assembly is satisfied with how Cardiff County Council has discharged its functions here. Many of its functions that we fund are required under the Act. On the enhancement and the part that refers to evolving variations, it seems that the Assembly will be funding all of those. To what extent will Cardiff County Council be providing any funding, because, after all, in terms of upgrading the bay area, we can see that some things could be better. It seems to me that Cardiff County Council should have quite an input into that, and that not only funding from the Assembly should be used. So, will there be mixed funding?

[168] **Andrew Davies:** That is my understanding, but perhaps it would be best if I provided a note to Members on that.

[169] **Janet Davies:** Thank you; that would be helpful.

[170] **Christine Gwyther:** Minister, on paragraph 45 and your Going Forward programme, can you tell us what you mean by that? What is the difference between what you are doing now and what you intend to do? I realise that that is rather vague, but the report did not tell me exactly what I needed to know.

[171] **Andrew Davies:** I have made it very clear that the merging of the WDA and the Wales Tourist Board into my department was not completed on 1 April and that it is ongoing.

A huge amount of work has been done by Gareth Hall and his senior management team, many of whom are here this morning, in terms of taking forward the principles on which the new department was established. There has been a need to identify further changes, for example, the refining of our financial support for business and the development of a single grant investment fund as well as the change in the refinement of our account management or relationship management systems and a segmented approach to how we deal with our customers, based on their needs rather than on the needs of the public sector or Government. So, the changes are ongoing and this short note just flags up the work that has been done. However, at the meeting on 21 March we will come forward with a much more detailed paper to outline the progress that has been made and the direction in which the department will go over the next three years

[172] **Gareth Hall:** During the run up to the merger, there was considerable public consultation. Much of the feedback, particularly from business customers—and we have heard it discussed around this table—showed that there was much confusion out there about provision and a plethora of products and services that were literally being shoe-horned into business. So, in a nutshell, the next stage into which we are taking the organisation includes having a single point of contact with customers, which is not just about the new EIN department; it is about skills in other parts of the Assembly Government and the wider public service, so that businesses feel very comfortable with a single relationship manager, who is their relationship manager—their person who connects them with the whole of Government, which they see as quite complex.

[173] We are turning it around from being a product-led and service-led provision to being a customer-led service, so that we can get under the skin of our targeted customers to understand what makes their business tick, what needs to be brought to that business to make it grow and become more competitive. We will also be much more flexible in the support that we give. So, rather than have rigid products and services, we are moving to have, as far as we possibly can, our capital programmes—RSA, property development grants, SMART Cymru—ultimately, financed from a single, flexible pot of money that we can adapt for the specific needs of a business. This will take time. For example, we require proper notification from the European Union. There are also a number of products and services that are EU funded, and they will see themselves through to the end of the current programme.

[174] However, we are putting this new organisational approach in place ahead of the new round of funding, so that we get—as the bottom line—customer focus where we can add value. Where we work with customers, it is through a single point of contact with flexible support, and, increasingly, that flexible support will allow the customer to secure that from the private sector. One of the concerns of business customers in particular is that we have been crowding out the marketplace with choice. All of this will be done against a set of criteria for return on investment. Going back to the point that the Minister made earlier, our support should be proportional to the outcomes that we are looking to achieve.

[175] We will be underpinning this with training for our people. We are also looking to introduce the customer relationship management system so that we can better obtain information about their customers and respond to their needs. This approach, using relationship managers, is not just for our relationship with business customers, but for our other key partners and stakeholders, such as local government and the voluntary sector when it comes to regeneration. We are applying the relationship management principle to our contact with universities and further education institutions, which is very important in moving towards a knowledge economy.

[176] **Christine Gwyther:** In advance of the meeting in March where we will discuss this, we will seek comments from business organisations and higher education so that we can properly see the shape of how things are going. Thank you.

10.18 a.m.

Rhestr o Is-ddeddfwriaeth Secondary Legislation Schedule

[177] **Christine Gwyther:** Gwyn is here to help us if we need him. I do not expect that Members would talk about individual orders at this meeting, but we will go through the items of legislation that we have already identified for further scrutiny. We have selected the regulations on quiet lanes and home zones; congestion charging; the Highways (Assessment of Environmental Effects) (England and Wales) (Amendment) Regulations 2007; the Transport (Wales) Act 2006; the road user charging regulations; and the Public Transport Users Committee for Wales (Establishment Order). We should also be aware of the Disability Discrimination (Public Authorities) (Statutory Duties) Regulations 2005. We might want to scrutinise those too. Are there any comments on that list?

[178] **Kirsty Williams:** You mentioned the regulations on quiet lanes did you not?

[179] **Christine Gwyther:** Yes.

[180] **Kirsty Williams:** I am sure that somewhere in the papers I have seen that there is a delay on that. I am not sure where in the papers I found that, but there is a delay because there is a capacity issue. There is no target date for bringing that legislation forward. Either it says that, or I have had a complete brainstorm. I cannot find it now, but it is here somewhere. It says that there is a delay in the legislation because of capacity issues. If that is the case, I am a bit concerned. Perhaps I am having a brainstorm, because I cannot find it now.

[181] **Christine Gwyther:** Gwyn, can you help us on that?

[182] **Kirsty Williams:** I will find it, Gwyn, and I will let you know. It is here somewhere.

10.20 a.m.

[183] **Carl Sargeant:** On page 11, the proposed regulatory reform Order on buses, it might be useful to have a look at that. I have concerns about buses and subsidies anyway and I think that, as a committee, we should be discussing the re-regulation of bus services. I would like some more details on the proposals to maximise the permitted lengths of bus subsidies. I am keen to delve deeper into that issue.

[184] **Christine Gwyther:** Do you want us to do some work on that?

[185] **Carl Sargeant:** It might be useful if we were to look at that.

[186] **Kirsty Williams:** I have found it.

[187] **Christine Gwyther:** You have found it; well done.

[188] **Carl Sargeant:** I was just buying some time for Kirsty as well.

[189] **Kirsty Williams:** Thank you, Carl. It is on page 6 of the paper on the actions outstanding from previous meetings and that is why I could not find it in the legislation papers. Page 6 of that paper refers to the quiet lanes and home zone regulations and, at the end of the line, it says that action has been postponed due to a lack of staff resources and that you are unable to give any indication of timing. I knew that I had seen it somewhere. I think that we need an explanation as to what is going on; we cannot simply not have legislation

because we do not have the staff to deal with it. That is a bit poor.

[190] **Andrew Davies:** That is the issue. Do you want a fuller explanation as to why there are staff constraints? It says that that is the problem, which is true. You must have civil servants in order to take the legislation forward at policy level and, in terms of the number of lawyers, there are severe constraints on taking issues forward.

[191] **Christine Gwyther:** Are you able to give an indication as to when this will be dealt with?

[192] **Andrew Davies:** I will certainly make further inquiries, but resources are a constraint.

[193] **Kirsty Williams:** That does not bode well for our ability to cope with the legislative framework post May. I am a bit concerned about that.

[194] **Christine Gwyther:** It is too late to turn back now and I do not think that any of us want to.

[195] **Kirsty Williams:** We will not be turning anywhere, because there will not be any lawyers to do anything and we will just be sitting here.

10.22 a.m.

**Ymgynghori ynghylch Rhaglenni Cystadleurwydd a
Chyflogaeth Rhanbarth y Dwyrain
Consultation on East Wales Regional Competitiveness and
Employment Programmes**

[196] **Christine Gwyther:** Minister, I imagine that you want to introduce the paper.

[197] **Andrew Davies:** I will just say a few words. Cathy Presland from the Welsh European Funding Office is here and she has been responsible for taking the programme forward. In conjunction with the convergence programme, it provides a very significant opportunity. The competitiveness programme will build on the best of the former Objective 2 and 3 programmes. The amount of resource that is available is significantly reduced from what was available under the previous Objective 2 programme; nevertheless, we have been successful in securing approximately £93 million, or €136 million, in grants from the EU for 2007-13. This, with the addition of match funding, will drive programmes worth in excess of £200 million.

[198] As I said, the fact that the amount of money that is available is significantly reduced compared with the previous Objective 2 programme means that, with more limited funds, it is even more important that we target the activities that can have the greatest impact in building on the work already done under Objectives 2 and 3, particularly on strengthening appropriate and sustainable economic development. The new programmes are therefore not simply more of the same, but more of the best; they are taking forward existing interventions with a proven track record of success, as well as seeking new innovative ideas. I do not know if Cathy wants to add to that.

[199] **Ms Presland:** I will just say that this is an opportunity for the committee to comment on these two programmes. We have had helpful input into the convergence consultation that has now closed and, as Members realise, programmes have been submitted to the commission. We have two programmes out for consultation—the European regional

development fund and European social fund programmes—so, the arrangements are slightly different and we are further ahead with the drafting.

[200] We are organising a range of events across Wales. We are organising three of our own events—we had the first one on Monday, this week—and we are attending a number of events organised by other organisations across east Wales. As the Minister said, we have published the resources that are available for the programme. We have been successful in securing about 60 per cent of current resources for the combined Objectives 2 and 3 programmes, and this is above our percentage population share. As Members will be aware, resources for competitiveness across the whole of the UK have been cut by about half. Clearly, we are taking our share of that reduction, but we have been successful in maintaining or gaining resources in excess of our population share, against the background of some very successful economic indicators for east Wales, when we consider most of the labour market indicators and we look at the GVA for east Wales, which generally performs above the UK average, while recognising, of course, that there are pockets of deprivation within the region.

[201] The programme sets out the priorities. Obviously, we had to focus from where we were in Objectives 2 and 3, while also recognising that the economy has moved on over that period, and what we are trying to drive with these programmes is support for the Government's stated aim of supporting the Lisbon agenda, for the knowledge-driven growth, focusing on research and development and innovation in the ERDF programme and maintaining some support for raising skill levels and continuing to move more people into employment within the ESF programme. So, it is really open for you to comment on the consultation programmes that you have, and we would again be happy to provide a written response if the committee so wishes.

[202] **Christine Gwyther:** Thank you. Rather than go through the questions in order, I will just ask Members whether they have any questions or comments. I will invite one Member at a time to develop his or her themes before I move onto the next one.

[203] **Kirsty Williams:** Given the large cut in the available funding, the Minister stressed that it is very much a matter of taking what has worked well in the last programme and developing that further. Can the Minister give an indication of the kind of project that has, in the past, been able to receive funding that he does not envisage will now be the kind of thing that will be looked for in the new programme?

[204] Priority 4 for ERDF, the integrated regeneration for growth priority, talks about a spatially targeted support for physical regeneration. How will that spatial targeting be carried out, and how will it work? It seems to me that one of the problems with previous Objectives 2 and 3 programmes has been the relative level of difficulty in getting money committed in Objective 2. What steps will the Welsh Assembly Government take to ensure that we do not find ourselves in that position? It might not prove to be a problem, given the cut in the available funding, but what steps is the Minister taking to ensure a better engagement and take-up of the opportunities?

[205] **Andrew Davies:** It is well known—and I have said this before—that Objective 2 was more problematic, and that is partly because the intervention rates were lower. In terms of the amount of money, many stakeholders in the public and private sectors felt that they did not want to put as much effort into delivering as perhaps was the case for Objective 1. Nevertheless, there has been substantial progress on the delivery of Objective 2, as Objectives 1 and 3, and the one important point is that some good relationships have been developed, and not just in the public sector, between the Welsh Assembly Government and local authorities, for example, but also with the voluntary sector and the private sector. So, I think that we are now in a better position, in that we have established relationships and networks, and we also now have the track record of the previous programme by which we can identify what has

worked and what has not worked.

[206] The other point, of course, is that the whole idea is to be more strategic, to focus increasingly on the Lisbon agenda, so that there will be a harder Lisbon-agenda edge to the programmes in terms of higher level activities, less community regeneration and less capacity building activities, and more harder-edged objectives. Despite the caveats about the reduced amount of money, we are in a better position in terms of taking the competitiveness programme forward. Cathy, did you want to add anything?

10.30 a.m.

[207] **Ms Presland:** The only thing that I would add is on spatial targeting. The current Objective 2 programme does not cover the whole of the east Wales region—only certain parts of east Wales are eligible. What we are proposing for the priority that you have indicated, on regeneration for growth, is that we will, in principle, allow the whole of the east Wales region to be eligible, but we will expect the three spatial plan area groups that cover the east Wales region to make decisions and to prioritise which projects come forward on the basis of the work that they are doing to identify key settlements and key areas for growth within those spatial plan areas. We believe that that will give more flexibility in the spatial targeting, but in terms of projects we do not have the resources to cover the whole of the east Wales region, and choices will need to be made. We want to engage partners through the spatial plan area groups in making those choices, and enabling a lower level of decision-making in the types of projects and priorities that fall within that priority. This approach was warmly welcomed at the consultation event that we organised in south-east Wales on Monday, and we have two more such events to go. The partners recognised that this was an improvement against the types of issues that we have had, where good projects have not been able to come forward because they do not fall within the particular wards that were eligible in the Objective 2 programme.

[208] **Kirsty Williams:** I can see how the spatial planning groups work within their particular area to prioritise key settlements and key areas within their particular spatial plan, but, as you said, there are three groups representing three very different sets of communities, such as Cardiff and Newport versus the north-east of Wales, which is very different from the mid-Wales region which I represent. So, I can see how it would work within the spatial plan groups that you target, but how do you target within those three areas? What would be the basis of judging projects in north-east Wales versus south-east Wales?

[209] **Ms Presland:** That is a good point. We want to ensure a balanced programme. We are listening to the consultation responses, and we also need to look at this in the context of what types of national interventions are happening within those areas, and ensure that we get an appropriate balance across the whole of the east Wales region.

[210] **Carl Sargeant:** On that point, what does a balanced approach mean? How are you going to look at balance? Is it financially or on a project level?

[211] **Ms Presland:** Rather than focusing on inputs, across all of our programmes we are trying to move towards a focus on outputs, and although the resources for these two programmes are reduced compared to the current resources, we hope that we can work more efficiently and that projects will be smarter and that we will deliver more and better outputs for the resources that go in. So, we want to focus very much on outputs. Depending on the types of projects that come forward in priority 3, where we describe some of the types of environmental activities and some of the environments for growth and indicative activities, we may be looking at things that might happen within rural areas more naturally. For some of the regeneration activities, we might be looking at urban centres or urban centres within rural areas, so there is a natural geographical spread of activity.

[212] **Kirsty Williams:** May I come back on that?

[213] **Christine Gwyther:** Very briefly.

[214] **Kirsty Williams:** Outputs always make me jumpy, because it often means the number of people that have been able to get through a course or the number of jobs created, which disadvantages rural areas because you will not be looking at a potentially large number of people. So, outputs make me jumpy. It might suit large populations in the north-east and the south-east, but it disadvantages and potentially skews the opportunity for investment in areas of not very large populations. Just because those areas are small does not mean that they do not need help. I just get a bit jumpy about outputs.

[215] **Andrew Davies:** To add to what Cathy said, there has been an over-emphasis on inputs in the public sector, that is, how much money you spend on a particular programme. We now have a significant track record on European funding and other regeneration programmes, for example, the Cardigan regeneration programme following the withdrawal of Dewhirst from manufacturing in the area. So, we have a better knowledge of what works and what does not work, so, it is more about how we can achieve the best outcome. It is about working smarter and being more strategic, rather than looking at projects in isolation, which was the initial process of Objective 1 and Objective 2. So, this is about outcomes, and that is not just about jobs, but about how to get the best outcome and maximise the expenditure through European funding or any other public expenditure.

[216] **Alun Ffred Jones:** You talk about supporting interventions with a proven track record of success. Do you have any specific examples of the type of scheme that would fall into that category? How does the competitiveness operational plan relate to the convergence operational plan? Are there points of contact, and do you envisage any all-Wales schemes emerging from that? If so, where would those start? Would they start from the competitiveness operational plan or the convergence operational plan? What relationship is there between the two?

[217] Perhaps I have not understood some of the notes, but what is the balance of funding between the ERDF and the ESF? Indeed, what is the balance of funding within the ESF programme between the two priorities?

[218] **Andrew Davies:** On the first question, there is ongoing evaluation of projects as part of the process. Perhaps Cathy can talk in more detail about that. We shall be looking at what has worked, not just in Objective 2 but in Objective 1, and at what lessons can be applied. On the relationship between the convergence and competitiveness programmes, there will be several integrating measures in place that will allow us, where appropriate, to take an all-Wales view. There will be a single programme monitoring committee. The programmes that ended last year had a separate PMC each. We also have integrating policies such as the Wales spatial plan, 'Wales: A Vibrant Economy' and many others that we will be able to use as integrating tools and policy tools in order to take an all-Wales view. Yes, there may be opportunities—although I think that they will be limited, given the significant reduction in funds with the competitiveness programme—for all-Wales programmes. However, obviously, where that is possible we will take that opportunity.

[219] **Ms Presland:** With regard to the balance of funding, just over half of the resource will be in the ERDF programme. It is a slightly larger programme at €72 million, which is about £52 million. The ESF programme is just over €64 million, which is around £44 million or £45 million. Obviously, the value in pounds changes depending on the exchange rate. We have given an indication in the documents of how we propose to divide the resources between the priorities. Near the end of each document there is a financial table indicating the overall

amount. We have indicated a proposed range of expenditure. For example, I have the ERDF programme in front of me, and we are proposing to spend between 35 per cent and 45 per cent of that programme on priority 1. There is a similar table in the ESF programme. We thought that this was a good way of enabling consultees to look at the activities against a ballpark figure for an allocated resource. Clearly, these are for consultation, and we expect to receive comments on the financial allocations as well as the activities.

[220] **Alun Ffred Jones:** You mentioned the Wales spatial plan groups as the building blocks. Presumably, these groups are the ones who will forward ideas to WEFO. Do I take it from that that the local partnerships are irrelevant with regard to these programmes?

[221] **Andrew Davies:** No. They are not irrelevant. They have an important part to play, but I am very aware that in many local authorities, the local partnerships have transformed themselves into a wider regeneration programme. Therefore what began as Objective 1 partnerships have developed into local-authority-wide regeneration partnerships. So, they will clearly have an important role to play in terms of contributing to the bigger picture. Within the Wales spatial plan areas, local authorities and local partnerships can make their contributions, but they will not have the same role that they had under the previous programmes.

10.40 a.m.

[222] **Christine Gwyther:** Are there any other questions on this?

[223] **Alun Cairns:** Yes, I want to go back to something that Kirsty mentioned on outputs, and Alun Ffred also picked this up. The Minister clarified this a little, but I want to push him a little further. Outputs or outcomes have to be measured according to something, so will that be done on a spatial basis or on the basis of up-skilling? Can you clarify further what you mean by 'outputs'? The right output for mid Wales, for example, may be very different from the right output for an urban area. I am not quite clear about this because an output has to be measured against something and I do not know what the benchmark is.

[224] Can you also give the rationale behind the changes to the programme monitoring committee arrangements? I am not necessarily opposed to them but I do not quite understand the benefits that we will draw from them other than that they will potentially detract from this issue, because the committee's time will be spent on the west Wales and the Valleys programmes. However, it may be that insufficient time will be spent on those programmes and, to be frank, those areas have to be prioritised because they are the poorest communities.

[225] **Andrew Davies:** On outcomes, to reduce economic inactivity, in the past, we used very much a project-based approach, which would often be on a local authority basis and may well have been purely education or skills-led. However, the whole idea now is that we realise that tackling an issue like economic inactivity cannot be delivered by just one agency or, indeed, within one policy area—it needs a partnership or collaborative approach. So, if you focus on how you reduce economic inactivity and then work backwards in terms of how you can best do that, you can have an integrated approach to dealing with it. That is what we are about and what is driving my whole department. Therefore, this is not about input and how much money we are spending, but how we ensure that that expenditure is most effectively used, for example, to reduce long-term unemployment, increase skills levels or whatever it might be.

[226] **Alun Cairns:** What about the PMC?

[227] **Andrew Davies:** We feel that that is part of a more strategic approach, simplifying the delivery of European funding. Alun Ffred made the point a moment ago about how you

ensure a more strategic delivery in terms of convergence and competitiveness. Having a single PMC has been warmly welcomed throughout the consultation, particularly on the convergence programme. It has been welcomed, it brings simplification and it allows us to be more strategic.

[228] **Alun Cairns:** On that basis, what resource implications are there in going from two bodies to one body and what resources are available to spend time and effort focusing on strategy plans for each programme so that they are not competing for the same resources?

[229] **Andrew Davies:** I think that that comes back to the point about outcomes—it will allow us to be much more strategic and to take a holistic, all-Wales view—

[230] **Alun Cairns:** But I am talking about the PMC and the resources available to it.

[231] **Christine Gwyther:** Do you want to say something, Cathy?

[232] **Ms Presland:** I will add a couple of things on the logic behind this. It is clearly about securing greater coherence between east Wales, west Wales and the Valleys, but also securing coherence between the European Regional Development Fund and the European Social Fund within the current Objective 1 programme. We have several funds in a single programme and the new regulations do not absolutely require, but more or less require, that there are mono-fund programmes. We have the two programmes in each of the regions. This is also a driver for having a single PMC across the whole of Wales.

[233] On the resources available, as the Minister said, we intend this to be a much more strategic body. We need to ensure in the agendas of those meetings that time is made available for each programme, particularly the smaller programmes, and that the meetings are not dominated by one or two of the larger programmes. In the recruitment that we propose, members will be appointed on merit and we will reimburse them according to our public appointments principles. Therefore, we would expect that high-quality resource goes into the PMC and we are making resources available to support that group.

[234] **Christine Gwyther:** Thank you. That concludes this item and takes us neatly into the coffee break. We will reconvene at 11.00 a.m..

*Gohiriwyd y cyfarfod rhwng 10.45 a.m. a 11.05 a.m.
The meeting adjourned between 10.45 a.m. and 11.05 a.m.*

Gwasanaethau Rheilffyrdd Cymru Rail Services in Wales

[235] **Christine Gwyther:** Welcome, everyone, to the second part of this meeting. The next item, on rail services in Wales, concerns an issue that we come back to regularly. I am pleased to welcome a whole host of representatives who will help us with this item and, hopefully, answer some of our Members' questions. I will go through all the representatives who are here. We have Stephen Clark, the divisional manager for rail regional policy and delivery from the Department for Transport; Denise Rose from the Department for Transport; Tom Stables, the commercial director for First Great Western; John Pockett, the regional general manager for Wales of First Great Western; Stella Mair Thomas, the Wales representative of Passenger Focus; and Simon Pickering, the passenger link manager for Passenger Focus. I am going to ask the three organisations to give up to a five-minute presentation—do not feel that you have to take the whole five minutes—and I will then invite a comment from the Minister before throwing the session open to Members' questions. I will

start with Passenger Focus and then go on to First Great Western and the DfT. First, Stella, I imagine that you will start for Passenger Focus.

[236] **Ms Thomas:** Bore da.

Ms Thomas: Good morning.

[237] Thank you for inviting me, once again, to a meeting of this committee. As in November, I am accompanied by the passenger link manager for Wales, Simon Pickering. Simon has day-to-day contact with the train operating companies and will, therefore, be able to answer any detailed questions that you may have in respect of their services.

[238] In November, I submitted a paper on the work and activities of Passenger Focus in Wales throughout 2006. For this meeting, the paper that I have submitted gives Passenger Focus's perspective on the performance of two train operators: First Great Western and Virgin, that is, Virgin West Coast and Virgin CrossCountry. The comments are largely drawn from the findings of the last national passenger survey, published in June 2006; the next wave of the survey is to be published soon, on 29 January. It is worth reminding Members that this is the largest passenger research conducted in Great Britain, involving around 50,000 passengers, 2,000 of whom are in Wales. I have also highlighted the main issues that concern Passenger Focus in relation to the three franchises. I appreciate that no Virgin representative is here today, but that was the brief that we were given originally.

[239] Since the paper was submitted last week, there have been some developments. First, regarding the First Great Western 3.15 p.m. service from Paddington, which now terminates at Cardiff not Swansea, we have had sight of the findings of the research that we conducted jointly with the South East Wales Transport Alliance. Our concern, which was shared with all parties, was that a large number of passengers would have to seek alternative ways of continuing their journey westwards, which would put enormous pressure—and it has done so—on Arriva's local services, which are already stretched at that peak-hour commuting time. It is worth noting that the pre and post research was conducted around the Christmas and new year period and may not therefore truly, or fully, reflect the extent of the problem.

[240] The results indicate a number of things, for example, that around a quarter of people indicated that they would no longer take the train following the withdrawal of the 5.18 p.m. service. Those who would continue to use the train mainly indicated that they would go for a later service, indicating the probability of a longer day for those commuters. Around half the people surveyed were not aware that this service was to be withdrawn the week before its removal, despite the overwhelming majority of them being regular users of the service. After the timetable change, everyone interviewed indicated that its withdrawal was detrimental or very detrimental.

11.10 a.m.

[241] The second update concerns stops at Severn Tunnel Junction. First Great Western plans to remove some stops at Severn Tunnel Junction in its new timetable, introduced in early December. However, as the result of a very effective campaign, in which Passenger Focus was deeply involved, First Great Western decided, late in the day, not to implement these changes. That decision has been very welcome news for passengers, particularly those who commute daily to the west of England.

[242] The third issue also concerns First Great Western. We are increasingly concerned about overcrowding on trains to and from the west of England, from Cardiff to Bristol and on some services through to Bath and Portsmouth. The two-carriage trains are proving to be inadequate for the number of passengers, and some of the services have been cancelled. Members will, I am sure, have seen extensive press coverage on this matter in the last few days. Passengers are angry, and they complain of severe overcrowding and of miserable

conditions, which are totally unacceptable. Passengers are also being left behind on platforms because of a lack of capacity. Passenger Focus has expressed its concerns to First Great Western, and the response has been that these issues are being urgently addressed. We believe that the fact that First Great Western is no longer using the Canton depot to service its trains has impacted on the quality of the service. There is also a lack of capacity because there is not enough rolling stock on the rails, we believe, and, possibly—others here today might answer this—an insufficient number of trains is specified in the franchise requirement.

[243] **Christine Gwyther:** Thank you. We will turn now to First Great Western. Tom or John, which of you wishes to lead?

[244] **Mr Pockett:** Thank you, Chris.

[245] Bore da.

Good morning.

[246] I will give you a broad and quick overview, and then Tom, who is commercial director of First Great Western, will deal with any technical issues that anybody wishes to raise. I am sure that everybody knows, but I will remind you, that we are part of First Group plc, which is the largest transport provider in the UK, and, as well as providing rail services here, we also run a large bus operation, particularly in relation to Wales. First Cymru, which is based in Swansea, services that city, Bridgend, Neath Port Talbot and south-west Wales. The greater western franchise, which started in April, includes the former great western franchise, which operated mainline services from Carmarthen, Swansea, across south Wales, the west of England, Hereford and the Cotswolds and Thames Valley services, together with the former Wessex franchise that operated local services across the west of England, including the Cardiff to Portsmouth Harbour service. First Great Western operates mainline services from south Wales to London Paddington, and those include 29 daily services on weekdays, of which 19 start from Swansea, one starts from Carmarthen and a further nine start from Swansea. We operate 20 on Saturday and 13 on Sunday, all serving Swansea. We also operate the hourly Cardiff to Portsmouth Harbour service. The services that we operate between south Wales and London represent around 20 per cent of our total business. That is a significant amount.

[247] While operating train services is our business, we are also keen to be a responsible member of the business community in Wales, and I would remind Members that, during the past year, we have provided significant sponsorship to the National Eisteddfod at Swansea, supported the National Trust in Wales and sponsored a number of awards, including the Welsh National Transport Awards and the Women into Business Awards. We also play a regular role in education business partnerships through our work with schools across south Wales.

[248] On the matter of fares, I am sure that everybody has seen that we have recently introduced a new fare regime for travel within Wales. Those fares give significant discounts to those travelling on FGW services, with a typical discount offer amounting to around 40 per cent. These fares are permanently discounted prices, and they include weekly season tickets, which give excellent value. For example, such a ticket from Swansea to Cardiff costs £32, a ticket from Bridgend to Cardiff costs £15, and a ticket from Newport to Cardiff costs £12. I think that everybody would agree that to travel for a week from Newport to Cardiff for £12 is amazing—it would cost you that to park your car for the day. We believe that these are real incentives, particularly for commuters to and from the capital, to use public transport and get out of their cars.

[249] Turning briefly to future plans, Wales will benefit from the overall improvements that major investment across the new franchise will bring, including the complete refreshment of the high-speed train fleet, which is being launched in Cardiff with Andrew's support on

Friday. They also include the new eco-friendly MTU power-car trains, or the 'engines', as I would call them.

[250] Passenger Focus highlighted in its paper that First Great Western operates on the oldest infrastructure in the UK. We have heard lots of talk about the West Coast line, the East Coast line, and Great North Eastern Railway services, but the fact that it is an old infrastructure is a significant factor in its performance. The major investment by Network Rail to renew the signalling on the main line between the Severn tunnel and Port Talbot is an important step towards overcoming this problem, and we welcome it.

[251] Specifically, we are looking to introduce a number of new products or services. These include a new discounted Wales inward ticket linked to accommodation to attract visitors to Wales for the 2007 tourist season. This will be available from London Paddington and Reading stations only for customers travelling to stations in Wales and staying at accommodation in Wales. From May, we are also introducing a new late-night weekday service, the 11.30 p.m. service, from London Paddington back to south Wales.

[252] We are still hoping that the National Assembly will go ahead with the extension of the Portsmouth Harbour to Cardiff service to Cardiff International Airport. That was included in the original franchise tender process at the request of the Assembly, and today's anticipated announcement that the UK MOD training centre will be located at St Athan will attract a significant number of service personnel from all over the UK. That extension would therefore be particularly apposite.

[253] Finally, we welcome the initiative that Passenger Focus took under Stella's guidance to establish a Millennium Stadium liaison group, because we have a major input by bringing large numbers of people to Cardiff for events, and we look forward to playing a full part in that. In like manner, we have set up discussions with Glamorgan County Cricket Club with the advent of the Ashes test in Cardiff in 2009, and we also look forward to similar co-operation over the 2010 Ryder Cup. Diolch.

[254] **Christine Gwyther:** Thank you, John. Finally, we have Stephen Clark from the Department for Transport.

[255] **Mr Clark:** First of all, thank you for inviting me before you today. I am happy to be here. I want to say a few things about the rail industry structure and the role that Westminster plays, particularly the role that Westminster plays in relation to the National Assembly. I will then say something about our priorities for forthcoming years.

[256] First, the rail industry structure was changed following 'The Future of Rail' White Paper in 2004, and that gave the Secretary of State key responsibilities for strategy and franchising. The responsibilities for rail industry performance and short to medium-term planning were, effectively, devolved to Network Rail and the train operators. Those were major changes, and they influenced the way in which we do our work at the Department for Transport.

[257] The number of journeys to, from and within Wales currently stands at about 20 million a year. About a third of those journeys are cross-border in some way or another, and Westminster has a key role in the majority of those journeys. Therefore, it is natural that I am before you today in that we have quite a significant responsibility for those cross-border services, and also for the services that those operators provide within Wales.

[258] We have two main areas of focus for our priorities going forward: one is on strategy, and the other is on franchising. On the strategic work, the first thing that we will do this year is publish a 30-year strategy for railways. Its priorities will be about capacity, railway

performance, and safety, and it will be published this summer. Linked to that will be a document that goes by the complex name of 'High Level Output Specification', which will set out what Westminster requires from the rail industry in terms of the demand that will be satisfied in the years specifically from 2009 to 2014. In particular, the document will underpin the financing of Network Rail's activities for that period. It is a very important document, and it covers England and Wales. It will be key to the development of infrastructure, and the maintenance and stewardship of the infrastructure over that time. Those are two of the main things that we will be doing this year.

[259] I should also mention that another initiative that we have undertaken, which will also be very important for Wales, is that of looking at the future rolling-stock requirements with a view to replacing it, particularly the high-speed trains that will come to the end of their lives in the next five to 10 years. So, this year, we will launch some work that will look at how those trains should be replaced, and the sorts of trains that should replace them to carry us forward for the next 10, 20, 30 or 40 years.

11.20 a.m.

[260] On the franchising side, our interest is obviously in the First Great Western franchise, the Central franchise providing services between Birmingham and Cardiff, and the two Virgin-operated franchises: the West Coast franchise and the CrossCountry franchise. As you know, the First Great Western franchise was re-let last year. The key priorities for us in that franchise are performance and capacity. In both areas, there is a need for a strategic approach to the issues as well as a tactical day-to-day approach, particularly in the case of First Great Western's performance. It is very important that some of the initiatives around refurbishing the rolling stock and the re-signalling that Network Rail will carry out are delivered over the next two or three years.

[261] On the other franchises, as you know, we are re-letting the CrossCountry franchise. For the first time, that will include the direct service between Cardiff and Birmingham. That service will come within the ambit of a long-distance express operator. As I am sure that you are aware, on the north Wales coast, there has been substantial investment in the West Coast main line over the past five years or so. That has brought huge benefits to journey times and, ultimately, to train frequencies serving the communities on the north Wales coast.

[262] **Christine Gwyther:** Thank you very much. I should have said at the outset of this item that Virgin Trains was invited but was unable to attend this morning. There might seem to be a dislocation there, but we will try to get Virgin representatives to a future meeting. Minister, would you like to respond before we move on to questions?

[263] **Andrew Davies:** I would like to make a few points. I very much welcome the attendance of our colleagues today. I have made the point on many occasions—which has been accepted by Stephen—that most of these are UK franchises, and not Welsh franchises. I meet the management of First Great Western regularly, and I have periodic meetings with the Secretary of State, along with exchanges of correspondence. Members will be aware that I have very serious concerns about the operation of the First Great Western franchise. I note—and Members may also wish to note—that performance has improved significantly on the Wales and borders franchise since the Assembly Government took responsibility for it. In fact, Arriva is now performing at its highest level ever in public performance measures. Members will be aware that, when Arriva appears before you as a committee, the managing director is here. I note, however, that the managing directors of First Group and First Great Western are not here before the committee. The committee may wish to note that.

[264] Many of our concerns have been about the performance of First Great Western. It is one of the worst train operating companies in terms of performance. Within its overall

franchise, the south Wales to Paddington line is the worst performing part of that operation. So, there is an issue about the overall performance. I note that the regional communication manager did not address those issues.

[265] The other significant change is the new timetable. As Stella Mair Thomas pointed out, some of the changes to the timetable have been reversed, particularly the Cardiff, Bristol, and Severn Tunnel Junction changes. However, the major change that most Members have been concerned about has not been reversed, namely the withdrawal of the 5.18 p.m. service from Cardiff to Swansea. I have experienced that, as I am a daily user of those services. More than 100 people now wait for the Arriva service at 5.50 p.m. and many more people are trying to get onto two carriages. We have made our protestations; unfortunately, First Great Western chose to ignore them. As I said, I use the service daily. Yesterday, the service left Swansea late because a driver was not available. That is becoming an increasingly frequent occurrence.

[266] John Pockett made reference to fare increases. He referred only to fare increases within Wales. However, I would like to point out that there was a 12 per cent increase on the south Wales to Paddington service. A standard open return ticket from Cardiff to Paddington is now £144. It is a UK franchise, and so, while First takes people to various destinations in south Wales, it also takes people to Paddington.

[267] By way of balance, while I am very concerned about the performance of the franchise, I recognise that there will be significant investment. John is quite right that there will be investment into, and refurbishment of, the HST stock. There will be an event in Swansea on Friday marking that investment in high-speed trains, which is obviously to be welcomed. However, there are much wider systemic problems with the management of the franchise, and I welcome this opportunity for the committee to question First Great Western and the DfT about it.

[268] **Christine Gwyther:** We will go straight into questions. I have already had an indication from Janet that she wants to speak, and from Alun. Could you indicate who you would like to answer your question and then put it?

[269] **Janet Davies:** Chair, I have several issues that I would like to take up. Do you want me to take one at a time or all of them together?

[270] **Christine Gwyther:** If there are a few issues to one organisation, take them as a group, but, if you need to bounce off organisations, take them one at a time.

[271] **Janet Davies:** Tell me to stop if you want to. The Minister referred to the first issue, which is the poor performance of First Great Western and the fact that it is worsening rather than improving, as well as the issue of high open fares on some routes from south Wales to London. That is pretty unacceptable and is beginning to drive people off the train and back into their cars to go into London, which I would have thought was the last thing that anyone would want—either FGW for commercial reasons, or the Government for more political reasons, such as climate change. I would like John Pockett or Tom Stables of First Great Western to explain why its performance is so bad. I perfectly accept that there are some problems on the network, but there are network problems elsewhere too, so why is FGW not coping with them?

[272] Just what is going on with these increasing fares? They have increased above inflation for a number of years; this year, there has been a massive increase in open fares. Some of us have twigged that you can cut a considerable amount of money off your fare by going on to the net and getting three separate tickets from south Wales to London, compared with the cost of getting a through ticket. You just sit in your seat and hand out a different ticket at the appropriate stations. Some people do not know about that.

[273] More importantly, it seems to me that that lends support to allegations that there is a deliberate attempt to reduce the number of passengers going by train from south Wales to London. If you can get a cheaper ticket from Bristol Parkway or Swindon, that benefits people going from those stations, as compared with people going from south Wales. You are therefore setting up a set of conditions to discourage people from south Wales from travelling to London by train. That is a really major issue.

[274] Clearly, the loss of the 5.18 p.m. service from Cardiff to Swansea is bad. What is the point of free car parking, season tickets, and all the rest of it if the train is not there for people? It is not going to work, is it? Minister, why is it stated in the Department for Transport report that you were aware in February that that service was going to go and yet you did not make a complaint? That is what it says in the report, and I would like to know whether it is true. If it is, why did you not make a complaint?

[275] I also have questions to ask about Virgin CrossCountry and about staff, but I want to bring up the Severn tunnel issue. The Severn tunnel is very old and is our only direct through-link from south Wales to England; I believe that the maintenance costs are pretty high because of its age. Are there any forward-looking views to build a second Severn crossing for rail? That really would be looking ahead, of course.

[276] Shall I come back to the other things later?

[277] **Christine Gwyther:** Yes, if you could. First of all, Minister, I would like you to answer the penultimate question, which was about when you knew that the service was being cut.

[278] **Andrew Davies:** We were aware of it, as Janet pointed out, but we made the strongest representations and protestations about it. To say that we did nothing is untrue.

11.30 a.m.

[279] **Janet Davies:** I was just looking at the report, which said that it was made explicit; it does not say that you made any complaint. I accept that you did.

[280] **Christine Gwyther:** Okay, we can leave that, because you clearly did. John or Tom, could you now start going through the list of questions from Janet?

[281] **Mr Stables:** I will address the point on poor performance first. We acknowledge that we have had a particularly difficult period 10, or Christmas period, following the start of the new timetable. However, I point out that our performance so far this year is ahead of our contracted targets with the Department for Transport, with around 5,000 delay minutes. We have a contractual target against which we are monitored very actively. We are well ahead—by some 20 per cent—of that target.

[282] We look at our services individually and by service group. The south Wales services have suffered particularly, for a number of reasons. There have been problems with the infrastructure, as we know, and we have had fleet difficulties, which tend to manifest themselves and compound when you also get infrastructure problems. In terms of looking at what is being done on some of these points, one thing that made a tangible difference in the last four months was the major relaying that Network Rail undertook at Wootton Bassett junction—I am sure that everyone suffered the 10 days of disruption due to that work. That work has been successful with many more trains running through and into Swindon at the right time, which is quite a key point on the network for us.

[283] Unfortunately, there have been a number of failings around drainage since that work was undertaken, and people may be aware of some particularly poor days in November—24, 25, 26 November—when flooding overwhelmed the newly laid drainage. That is a point that we have taken up with our infrastructure provider. The re-signalling work has been mentioned, and you also made a point about the Severn tunnel. I am sure that people are aware that Network Rail is planning major investment in the tunnel in terms of renewals and relaying, which will be taking place later this year and into 2008; it will, again, mean a period of disruption, but will hopefully improve the condition of that asset and its flexibility.

[284] In terms of our performance and items within our control, we are monitored on delay minutes, and that is well below the level that we experienced pre-Hatfield, which is clearly a benchmark that a lot of people look to. However, we are not stopping there. The refit to the high-speed train fleet is key, and we now have 22 of our power cars re-engined—they have new cooler groups and have been refurbished. We find that these are delivering something in the order of double the reliability or, in terms of miles per casualty, that they are twice as good as the old engines and cooler groups. We have a programme to run through, which lasts for the whole of this year in terms of re-engining those trains, and we are confident of seeing a real step change in the performance of the HST fleet.

[285] Clearly, though, it is not just the HST fleet; period 10 also was mentioned and the local fleet has suffered in particular. We withdrew from the Canton depot and we are now undertaking at our Marsh junction facility. The amount of in-traffic failures that we were experiencing during periods 7 to 9, which I note were the three periods before the transfer, had increased from 11 to 15 per day, which is an exceptionally high level. We faced a backlog of maintenance work that we have had to address, and are currently addressing. We have put in extra resources, we have taken agency staff, specialist contractors, and we are using other maintenance facilities on our own infrastructure and at third parties' infrastructure, for example, Central Trains at Tyseley. So, we have put resources there and we have also deployed additional rolling stock to try to maintain availability—we have 11 additional 1582 cars available to us, to try to maintain in-service availability.

[286] However, even with the additional resource, maintaining the fleet in-service at this point has been a challenge throughout period 10. I will note that this week has seen full availability for the start of service in the morning peak, so the planned level of units have been available each day, but it is taking a greater fleet size than we would need in the long-term to maintain that availability. That said, we are still experiencing higher levels of in-service failure, and that is partly due to addressing this backlog of work that we have identified. In terms of PPM and our performance in that respect, as I said, the south Wales service group suffers more than the other groups, and receives particular attention. We and Network Rail have a number of joint projects to address that, and we believe that as the new timetable becomes established it will deliver much higher performance for this route.

[287] Moving on, if I may, to fares: yes, they have increased. Open fares are increasing in January—the rise was around 4.8 per cent overall, but we do have more than one increase per year, and clearly that compounds up to the 12 per cent that has been quoted. Against that, we have introduced a much broader range of advance purchase tickets, including the first minute fares that, unlike the old range, which were time bound, are potentially available up to 6 p.m. the day before travel—very close to the point of travel. This range offers some good-value journeys. The base level from Cardiff to London is £11 for a single, but I accept that you have to book in advance for that product. This is partly about meeting our objectives, and our commitments in the financial sense, and also trying to manage the load and the demand on our services.

[288] I can assure you that the thought that we might be trying to reduce customer volume between south Wales and Paddington is untrue. This is a service group that we need to grow,

and that we want to grow, and I think that over the years we have shown that commitment—in the first instance, by introducing the half-hourly service, and then by continuing to promote it when, within our franchise specification, there was the option to withdraw, which had been asked for. Clearly, we do not believe that withdrawal is the right thing to do. Maintaining a full service that was commercially viable meant, unfortunately, holding back the 5.15 p.m. from going through to Swansea. That one movement, bizarrely, cost us a full HST resource and crew at around £1.2 million per year. So, those were the dynamics that we faced in terms of how that fitted together.

[289] **Christine Gwyther:** I would like you to address the issue of drivers not being available, which came up from the Minister.

[290] **Mr Stables:** Of course. We have our full complement of drivers and I am absolutely clear that our resource requirements are correct. There may be individual unavailability problems as a result of individuals being ill on certain days, and occasionally, unfortunately, we have these problems, but we have standby resources and there is no endemic shortage.

[291] **Christine Gwyther:** Kirsty, did you have a general request or was it about the drivers?

[292] **Kirsty Williams:** No, it was about performance, not the drivers.

[293] **Christine Gwyther:** Okay. Janet, do you want to come back in?

[294] **Janet Davies:** It is great to see that there are advance tickets available up to 6 p.m. on the day before you travel, but, in practice, if you try to book them, they are quite often not available. I quite often try to book advance tickets from Cardiff to London and back, and you need to do it two to three weeks beforehand; the problem with that is that things can change in two to three weeks, and perhaps you no longer want to travel by that particular train, or come back on the train that you have booked on. So, it is a bit disingenuous to say that you can book up to 6 p.m. the previous evening. If you are trying to grow the numbers from south Wales to London, I hate to think what you would be doing if you were not trying to grow them—the mind boggles at that.

11.40 a.m.

[295] I have other issues, but they are not on First Great Western.

[296] **Christine Gwyther:** Let us take First Great Western first—that is probably best. The running order so far is Alun, Alun Ffred, Leighton, and Kirsty.

[297] **Alun Cairns:** My questions are almost exclusively on First Great Western. The Minister is right to criticise First Great Western. However, he has only gone half way, because we also need to look at the Department for Transport, and its responsibility in this. I do not agree with it, but I can see a ruthless commercial decision—as we just heard for the £1.2 million, which was highlighted—by First Great Western just to meet its franchise obligations. We need to ask who has let us down on this; I ask that question as an individual representing Swansea. First Great Western has let us down, and it is wrong, but the DfT has also let us down, because the franchise has been just about getting to Wales; it is imprecise, and it does not give us the services that we need to meet demand. I do not want to go over whether the Minister, at the time of negotiating the franchise, should have seen that or not. However, the Minister is right—he has gone half way, but there is also the second half, which is the DfT.

[298] On your answer on the £1.2 million and the cost, Mr Stables, that suggests that there

is not even a prospect of reversing that 5.18 p.m. decision, because if you are talking about that sum of money, it will still be that sum of money this time next year—possibly more. Therefore, if that is your defence—because our best practice is to seek to influence you to reverse that decision—can you at least respond on the prospects of reversal? It is fine for us to shout about it here, but we want to know what the plans are, what chances we have, and how we best go about changing your mind. I would also like a response possibly from Mr Clark on this issue. I notice from his job title that he is divisional manager of rail regional policy and delivery at the Department for Transport, and this regional policy has failed western parts of Wales in terms of its delivery.

[299] Janet Davies mentioned reducing the service to south Wales, or not wanting to carry as many passengers in south Wales. Is it not true, Mr Stables, that most of First Great Western's income would come from services to Reading? Therefore, it would logically mean that, if passenger usage from south Wales drops, that gives you a greater opportunity to reduce the services even more, while continuing your frequent services to Reading, meeting your commercial demands. There is a logic in what Janet Davies says about reducing the services.

[300] **Mr Stables:** On the £1.2 million, the costs are not likely to reduce. However, the dynamics of what we can do with a train during the day change, as does how our service develops in other parts of the country, or our network. At present, that service and extension demand an additional HST; if there are movements elsewhere, that may not always be true, or there may be opportunities to do something else with that train, to reduce, not its cost, but the amount of income that we generate from it. At present, we assess that running the 5.15 p.m. through to Swansea generates us a small amount of additional income. The way that the all category income allocation system works means that, however busy that train is, through that fixed system, we would gain about £112,000 a year. Therefore, our revenue gain—£112,000—is against the cost of £1.2 million.

[301] **Alun Cairns:** I am sorry to cut across you, Mr Stables, but, bearing in mind my point about Reading, is there not a logic to that? Would you not stop all your services at Reading, because you do not make money the further west that you travel? Is that not the logical step?

[302] **Mr Stables:** No. On the yield on journeys to and from Reading, there is a legacy of how the flows, which traditionally were price-controlled, dropped for a number of years and the yields on Reading to London are quite low. On the high-speed intercity services, we committed to a mix, and need and want to carry people over long distances. That is partly why, coming back to the point about advanced purchase fares—and I will look into the point about the two to three weeks—you should find that advance purchase products are available on business trains. You will not find £11 advance purchases, but you will find, on long-distance flows, advance purchase products at below the full open price, because we would like to encourage people to make longer distance journeys. We have had some success. The average journey distance has grown over the last year, as have passenger volumes on long-distance flows. So, we have very clear indications that the moves that we are making to encourage long-distance travel are working.

[303] On your point on Swansea, things can be done to influence us. We would love to have discussions on any commercial ways that we can find to make the service work for us, basically with anyone—the local business community, local authorities, the DfT and this Assembly. We would clearly love to run the train through, because it makes the pattern work. We have not enjoyed not providing it, as you can imagine, but we had to face the commercial reality. So, we would be delighted to have engagement on how we can make it work for us and for everyone else.

[304] **Mr Pockett:** I will just add, if I may, Chair, that if you were to look at the roughly 20

per cent of income that comes from south Wales for our mainline services and were to equate that with the population that we serve in south Wales as a percentage of the overall population—Alun mentioned Reading—then you would see that the value of south Wales to First Great Western is considerably higher.

[305] **Mr Clark:** If I could have the opportunity to address the committee, I know that this has been a very significant issue, particularly in Swansea. I can confirm that we have had plenty of representations on it and that they have been taken seriously at the very highest levels within the Department for Transport. It was our position in the previous franchise that that particular service was not something that we included in what was called ‘the passenger service requirement’, which is the minimum service requirement for the franchise. Therefore, the previous franchise provided that commercial service of its own volition.

[306] **Alun Cairns:** So, we have been let down by the DfT then?

[307] **Mr Clark:** No, I did not say that. I am saying that the minimum service specification, going back to 1996—I might be a bit wrong on that date, but it was around that time—did not include that service. The service level commitment for the new franchise does not include that service either. Therefore, the provision of that service has been historically, and is currently, a matter for the franchisee. In addition to that, it is the case that providing train services at peak times is always an expensive proposition because the trains that you need to lease to provide those peak services often cannot be put to best use at other times during the day. So, the provision of train services at peak times anywhere in the country is always a very expensive matter. Therefore, value-for-money judgments probably weigh very heavily in the provision of those services. It has been our view that, if you look at the capacity in the peak hour from Cardiff to the west, across the whole of the peak hour there is sufficient capacity on the services that leave Cardiff to the west. Although, clearly, some trains are busier than others, there is sufficient capacity. Of course, trains are crowded, but they are crowded at peak times everywhere in the country, and it is true that the 5.21 p.m. train to Maesteg is particularly crowded, in part because it is not possible to run a high-frequency service to Maesteg.

11.50 a.m.

[308] That has been our position on this matter. We are keeping the issue under review because we recognise its significance. Arriva has been doing train counts since the new train service was introduced in early December, and we are discussing those counts with colleagues from the Assembly. We will keep the matter under review for the time being.

[309] **Christine Gwyther:** When is the franchise up for renewal?

[310] **Mr Clark:** The First Great Western franchise?

[311] **Christine Gwyther:** Yes.

[312] **Mr Clark:** The First Great Western franchise has only just been let.

[313] **Christine Gwyther:** Yes, I know. When is it up again?

[314] **Mr Clark:** It is a 10-year franchise. I should also make the observation that capacity on the Arriva services has increased since the December timetable in that the Carmarthen service, which is just after 5 p.m., is now typically a three-car train, whereas it was previously a two-car train.

[315] **Christine Gwyther:** Alun wants to come back on that.

[316] **Alun Cairns:** I really think that Mr Clark is missing the point. Swansea is Wales's second city; it is a key strategic investment location for us. To have business travellers coming down from Paddington, getting off the train in Cardiff and getting onto packed, small Arriva trains to take them to Swansea hardly helps the Minister, us or the Assembly to encourage investment further west. We have a whole programme, with millions of pounds being spent, seeking to raise the prosperity of west Wales, and at the drop of a hat, you are merely looking at capacity. That is one issue, but it is a small part of the overall strategy with regard to what the Assembly is seeking to do. We need to be able to provide that quality of service to western parts of Wales if we are ever to bridge the prosperity gap.

[317] Secondly, to return to you, Mr Stables, we are seeking to persuade the Minister to use Assembly resources to upgrade and improve the quality of stations, because that was outside the franchise agreement with Arriva. What sort of message does this send the Minister and the Assembly? How are we going to convince the Minister when the services to Swansea are being reduced? You need better quality stations in order to encourage more passengers, but you are reducing the services there, which will not convince the Minister that that is the way to use scarce resources. We are on a downward rather than upward spiral. Surely that should be reversed.

[318] **Mr Clark:** We take the connections to Swansea from points east of Cardiff very seriously. Indeed, the service level commitment to Swansea—which is the minimum specification in the new franchise—is a great deal stronger than it was in the previous franchise. In addition, the operator, First Great Western, is running more services to Swansea than previously. In particular, there is an additional service early in the morning that gets business travellers or anyone who wants to get there early in the morning to Swansea just before 9 a.m., I think. I would have thought that that was a significant factor in improving the economy of the Swansea region. With regard to the connections between Swansea and London, it is typically at least an hourly service, and in many hours it is half-hourly. If you compare Swansea with other towns and cities around the country, I think that you could say that that was a very good frequency of service for the relative size of population.

[319] **Leighton Andrews:** From 1996 to 2002, I commuted probably twice a week to London on First Great Western trains. I accept that the half-hourly service makes a difference, but the one thing that has consistently not changed is the judgment that you make that you had better take the train an hour earlier than you really think you need to, based on the scheduled timetable, in order to be on time for an appointment. I did that again on Monday. In a sense, we all know that it takes longer to get to London now than it did 15 years or 20 years ago. Clearly, there are problems, some of which are outside your control, with regard to the infrastructure—we understand that. However, it seems to most of us that, in practice, Great Western would prefer to be running a service from—Mr Cairns suggested London to Reading, but I would suggest London to Bristol. It seems to us that once you get beyond Bristol, it becomes rather a burden to you, given the way that commuters from Wales are treated.

[320] Secondly, can you tell us how much open first and standard-class tickets have increased in price over the last five and 10 years? As far as I can see, open first-class tickets have gone up in price by 100 per cent during about the last five years, but definitely within that timescale. That is quite an extraordinary increase, and I think that it bears witness to the argument made by my colleague that you are now less concerned with the number of business travellers from Wales than you were in the past. The reality is that we are now talking of airline-price rail tickets, without question.

[321] I want to ask a question of the Department for Transport. I do not think that you can underestimate the anger that there is in south Wales about this issue; the Minister represents Swansea and the other colleagues who represent the region have particular concerns about

that service, but the business community as a whole has huge concerns. There were significant disruptions in the service to London last week, for example, because of flooding. I do not know whether comparable disruption was suffered in other parts of the franchise, but the disruption for travellers from south Wales to London last week was particularly bad. The reality is that your reputation in most of south Wales, among ordinary travellers in the business community, is plummeting. I want to ask the Department for Transport what are the mechanisms through which we, in Wales, would now make our representations. To what extent do you take representations in respect of this franchise from Wales as seriously as others? It seems that the priority for investment has been largely concentrated on services in England, and I say that as probably one of the most unionist Members of the National Assembly.

[322] **Mr Clark:** Performance is not satisfactory on the whole of the Great Western route at the moment. I think that most rail industry people would agree with that assessment. Some of the problems are quite deep-seated and they need to be addressed, but cannot be changed overnight. First, the route has some of the oldest infrastructure—Robbie Burns was with you just before Christmas and he probably went through some of those problems that exist with the infrastructure. Network Rail is putting together plans to re-signal most of south Wales, which is pretty significant. There are line speed improvements that will benefit south Wales that the First Group is committed to as part of the franchise. Although they are on the Reading-London section, those line speed improvements to the slow lines there will benefit the whole of the route. We are looking seriously, at the moment, at what can be done at Reading station, which is another key bottleneck on the route. Also, considerable effort is being made to re-engine the high-speed train fleet.

[323] All those things are strategic issues that will take some time to come to fruition. However, I should note that, in terms of re-engining the fleet, the First Group has got a move on with that and it will begin to show benefits. It remains the case that the performance on the route is not satisfactory. I think that there is good evidence that a number of the strategic issues on the route are being addressed. We appreciate your views and concerns and I understand how strongly they are felt. I should also say that, in terms of the Welsh influence on our management, we have regular meetings with Robin's team and there is a fairly high degree of correspondence between Andrew and his colleagues and my Ministers and Secretary of State. I would argue that those mechanisms of influence are effective in ensuring that the DfT reflects the Welsh view in its management of the franchises.

12.00 p.m.

[324] **Christine Gwyther:** Several Members wish to speak—

[325] **Leighton Andrews:** There still loads of unanswered questions.

[326] **Christine Gwyther:** Okay. Sorry.

[327] **Mr Stables:** I think that there were probably a few questions for me there.

[328] On the points about performance, as I said earlier, we are certainly not content with our level of performance, and we are focused on driving it forward. Our major investment programme for the train fleet will deliver some significant benefits. One thing that is clear is that our delay minutes to services represent about 30 per cent of the total. The other 70 per cent come from Network Rail and other top activity on us. So, there is a huge interaction and a huge dependency on the performance of the infrastructure.

[329] The other thing that is clear is that our contracted target—I am afraid that I do have to come back to it—at this point of this year, stands at 36,610 minutes. We are currently at

28,524, so we are delivering against our contract with the Department for Transport, and that is key to us. We think that we need to deliver more, and our internal plans do deliver significantly more improvement than that. As Stephen said, the plans are inevitably relatively long term. All of the HST fleet will have been re-engined by December this year; they are coming into service at the rate of two a week, and our engineers are looking to see whether that level can be increased.

[330] On the point that was made about first-class and standard open tickets, I do not have the numbers to hand. I think that it is probably best if I supply details on that, which I am more than happy to do. From memory, I think that the rate will be less than that, but on open products, it will be high. They have taken some price rises, which we assess as being necessary to bring them to an economic value for the journey. That is a piece of work involving very detailed study that we have done on what the value of the flexibility and the peak journeys is in the marketplace. As I said, against that, we are keen to continue to encourage people who want to travel at slightly different times to do so, which is why we have maintained the off-peak product—we have to do that—and fully support the saver product. We have also introduced the range of first-minute fares, which are available up to the day before travelling. There will be a price range of what is available up to the day before, and I am sure that you would not expect the cheapest one necessarily to be available the night before you travel, but there will be discounted products available up to the day before.

[331] As for travelling an hour earlier and the events last week, yes, we had a particularly poor week last week. Was it the Alderton tunnel that flooded last week?

[332] **Mr Pockett:** It was the Chipping Sodbury tunnel.

[333] **Mr Stables:** Yes. It was actually the Chipping Sodbury and Alderton tunnels. We tried to solve the problem with the Chipping Sodbury tunnel several years ago, but the flood schemes that were put in place were overwhelmed. We had water levels three inches above rail head in the tunnel, which we cannot run through, and that sees all our services being diverted. The knock-on effect of that disrupts the whole network, as you can imagine, because we are rerouting all services via Box and Bath, although there is a cascade effect in that some services will then go via the Limpley Stoke valley, which is subject to speed restrictions of 110 mph and 90 mph, as it is a lower speed line, and through the Kennet valley. So, it is not right to say that this particular route, in times of disruption, suffers worse; we try to minimise disruption overall, and we find that that actually cascades through our whole network as we try to keep delays overall to a minimum. In one sense, that is why looking at delay minutes for the whole franchise is right, as we have to try to minimise the effects across all our operations, rather than just dump the problems in one place, which we do not do.

[334] **Christine Gwyther:** Leighton, are you content that you have had an answer, while not necessarily being content with the answer?

[335] **Leighton Andrews:** Yes.

[336] **Janet Davies:** I have a question for Mr Clark. You referred to the oldest rail infrastructure, and I think that you meant the south Wales to London line in the context of England and Wales.

[337] **Mr Clark:** I was referring to the whole of the Great Western route, because the signalling assets, or the rail assets, are pretty old.

[338] **Janet Davies:** So what are your priorities for the modernisation of that compared with your priorities for the East Coast main line and the Thames link?

[339] **Mr Clark:** The priorities set for the maintenance and renewal of the railway infrastructure are for Network Rail to determine. However, it is the case that it has plans for a huge project with an estimated cost of about £0.5 billion to renew the signalling systems in particular, and also some of the switches and crossings, the points, in the whole of south Wales, particularly in Port Talbot, Swansea, Cardiff and Newport. Those are fairly major plans. I would not say that they are once in a lifetime plans, but they are the type of plans that come around every 20 or 30 years.

[340] **Janet Davies:** Therefore, do you not have any strategy for prioritising different rail lines in England and Wales? Are you saying that it is entirely up to the operating companies to do that?

[341] **Mr Clark:** It is for Network Rail to determine where its priorities are for the renewal of the equipment. It is subject to regulation by the Office of Rail Regulation, but I would argue that its plans for Wales serve you very well.

[342] **Janet Davies:** So, you are saying that the East Coast main line and Thames link are not more important for it than the lines in this part of the country?

[343] **Mr Clark:** I would not make a judgement as to which is more important. What is more important is that much of the signalling equipment in south Wales, for example, is very old. It is important to recognise that that equipment, because it is very old, is likely to cause more failures, delays and signals at red when they should not be, and so on. Hence, it is very encouraging that Network Rail has recognised that those systems need to be replaced within the next two to five years. That is right and proper, and it is for Network Rail to determine that priority, but it feels to me that that is the right priority.

[344] **Christine Gwyther:** Okay, that is something that we can ask Network Rail about at another juncture.

[345] **Kirsty Williams:** I have a question for the Department for Transport. We are all aware that the performance of First Great Western is shocking, and we have heard First Great Western's excuses for it and what it thinks that it is going to do to try to improve, but I am more interested in the way in which you are managing this process. I am interested to know what you will do to go after it, because unless you have proactive management and are constantly chasing it, we will not see the improvements. So what are you going to do? How far into the franchise is it going to be when you say that it has had long enough to solve these strategic issues that you referred to earlier, its engine problems and all these other things? When will you start getting on its case, and what do you intend to do about it?

[346] The issue with the 5.18 p.m. train is an example of how we on this side of the table feel that the Department for Transport is treating us. Passenger Focus knows that there is not enough capacity, and civil servants, the Minister and this committee are telling you that there is not enough capacity, so why do your department and Ministers think that they know better than all the other people who are telling you that there is a problem in getting rid of that service? What is the mindset in your organisation that leads you to think that you know best?

12.10 p.m.

[347] **Mr Clark:** In terms of the management process of First Great Western, to use your language, we are on the case. My colleagues sit down with FGW at least every month to review its performance and the delivery of its investment plans, particularly the re-engining programme of the high-speed trains, but also the other plans that it has that will benefit performance. Network Rail reviews performance. It is reviewed nationally by the national taskforce on performance, on which the Department of Transport sits. Network Rail reports to

the Minister every month on rail operator performance and focuses on different train operators as and when appropriate. So, a lot of effort is going in from us to managing the Great Western franchise. I can reassure you of that. I see the activity in our office. A lot of attention is being given to it. The priority, as we see it, is to address performance and the issues that Tom referred to with regard to fleet availability. We want to focus on that issue. So, the Department for Transport is putting a lot of effort into trying to address the First Great Western issues, because they are critical to us.

[348] **Kirsty Williams:** Why do you know best? Why does London know what is best for Wales and for Swansea?

[349] **Mr Clark:** London does not know best.

[350] **Kirsty Williams:** I dare say that it does not.

[351] **Mr Clark:** It does not. We had a consultation process on the First Great Western franchise. The passenger service report for the previous franchise was a public document that resulted from a consultation process and the service level commitment for the new one was a result of a consultation process. We have shared the data on the 5.18 p.m. service. In fact, some of the data was collected by us, via First Great Western, and some of the data on which we based our decision was collected by Robin's team via Arriva Trains Wales. We agree on the data; we do not agree on the interpretation of it.

[352] **Christine Gwyther:** Your next point will have to be your last point, Kirsty.

[353] **Kirsty Williams:** I do not understand how, when presented with the two sets of data, you could come to such differing conclusions. Is he not very persuasive in his letters to the Minister?

[354] **Mr Clark:** He is very persuasive.

[355] **Kirsty Williams:** What is the problem here?

[356] **Mr Clark:** There is no problem. However, as I said, it is our view that, with regard to the FGW franchise, there was not a value-for-money case for including that Swansea service in the service-level commitment for the franchise. Therefore, whether that service is provided is a matter for the franchisee to determine. What is important is that we are continuing to review the loadings on the four trains that run in the peak hour from Cardiff to Swansea. We were in dialogue with Robin's team only this week on the results that are coming in from the train counts that Arriva has provided. As Stella said, we will continue to review them. The train counts that have been done so far were pulled together during the Christmas period, where the loadings may not have been typical. However, we will be interested to receive more train counts as time goes on and we will continue to discuss the matter and keep it under review.

[357] **Alun Ffred Jones:** May I refer to the Virgin West Coast service to and from north Wales?

[358] **Christine Gwyther:** Yes. Obviously, you do not need to bother talking to the First Great Western representatives about it, but you can ask questions of the other two.

[359] **Alun Ffred Jones:** I think that they have had enough this morning. [*Laughter.*]

[360] There is reference to the reinstating of the franchise agreements with the Virgin West Coast service, then there is then a reference to the further benefits until the end of 2008, and

then there is talk about more services. Are we talking about more services after 2008 or under the present agreement?

[361] An impressive journey time between London and Holyhead is noted: three hours and 45 minutes. That is presumably after 2008. Am I correct?

[362] **Mr Clark:** Yes.

[363] **Alun Ffred Jones:** I point out that if you were travelling from Holyhead to Cardiff, you would spend five hours and 15 minutes making that journey. The contrast between those times is not good for the unity of Wales and our attempts to create more cohesion. I know that that is not your concern, but there is a marked contrast between the quick travelling times between London and Holyhead—admittedly after 2008—and the very long journey times between Holyhead and Cardiff. Factually, are we talking about after 2008 for the increased number of services?

[364] **Mr Clark:** Yes, we are. Work is currently ongoing on the West Coast main line to improve its capacity and, if you travel down it, you will see major construction work across a section of approximately 30 to 40 miles. Effectively, four tracks are replacing a two-track section of railway. Specifically, that new capacity will allow the service to Chester to become an hourly service, and it will allow many of those trains to be extended to Holyhead. So, in 2008, there is certainly likely to be an increase to Chester and probably an increase in frequency to Holyhead, also with shorter journey times.

[365] **Alun Ffred Jones:** You said that there will ‘probably’ be more services to Holyhead.

[366] **Mr Clark:** The timetable for 2008 has not yet been finalised, so, yes, it is just ‘probably’ at this moment in time.

[367] **Christine Gwyther:** I call Kirsty on the CrossCountry service.

[368] **Kirsty Williams:** I make an early plea regarding the opportunities provided by the new CrossCountry service to improve issues for commuters in the south-east of Wales, especially around Chepstow. My understanding is that the train has to go through Chepstow station at a relatively low speed, anyway—some 30 mph. A stop at Chepstow would hugely increase the opportunities for people in that part of Wales to use train services. I understand that it would involve a two-minute stop, which is time that could be made up later on in the journey. So, I suggest that you demonstrate to us how important you regard Wales to be by ensuring that that is looked at with regards to Chepstow.

[369] On the Cardiff to Newcastle service, which goes up to Scotland, is there any possibility of that being extended across to Swansea, which would open up long routes for passengers from across Wales?

[370] **Mr Clark:** On both those issues, there was a public consultation on the CrossCountry franchise, to which the National Assembly for Wales responded. Following that consultation, we have now put out a formal invitation to tender to bidders and, related to that, a stakeholder briefing document that describes what we have asked bidders to do. The process is quite procedural, so the ball is now in the bidders’ court for them to come back to us with their proposals. I can certainly reflect what you have said to the team that is working on that franchise, but I would also suggest that you make the point directly to the franchise bidders. I can provide you with their contact details, if you would like me to.

[371] **Kirsty Williams:** Can I just say something?

[372] **Christine Gwyther:** Please be brief, Kirsty.

[373] **Kirsty Williams:** We have talked a lot this morning about how bad services are, but we do not want to send out the message that all train services are bad. My understanding is that the service that currently runs up to Gloucester is very good; it has clean and reliable rolling stock, and that proves that this can be done. We do not have to accept the situation with First Great Western.

[374] **Christine Gwyther:** I now bring Janet in to finish off, extremely briefly.

[375] **Janet Davies:** I would just emphasise how important that service is to Wales. Birmingham New Street station is a big hub, and it is very important that we have a good-quality service that is reliable, clean, going fairly fast and has a decent number of services, because we lost quite a few services a couple of years ago. The service between Cardiff and Birmingham in recent years has been pretty atrocious. So, while you are still negotiating, I emphasise that we want something good out of this.

[376] **Mr Clark:** We would hope that, by including that service in the CrossCountry franchise, as opposed to the lengthy Central Trains network, it would be included in a franchise with a focus on providing typically longer-distance express services, and that that would lead to some improvements.

[377] **Christine Gwyther:** I thank all the witnesses for your attendance today. It was never going to be a joyful occasion and we were all aware of that, but it was extremely necessary nevertheless. We and our successor committee will clearly be returning to this issue time and again. However, I thank you again.

12.19 p.m.

Blaenoriaethau Polisi a Deddfwriaethol yr Undeb Ewropeaidd ar gyfer 2007 European Union Policy and Legislative Priorities for 2007

[378] **Christine Gwyther:** All that I need for item 7 is the committee's approval for the list that is in front of you, so I do not think that you need to go through it, Graham. I see that the committee approves.

Cofnodion y Cyfarfod Blaenorol a'r Materion a Gododd Minutes of the Previous Meeting and Matters Arising

[379] **Christine Gwyther:** We then have the minutes of the previous meeting to agree, if you do not mind. I see that you agree.

*Cadarnhawyd cofnodion y cyfarfod blaenorol.
The minutes of the previous meeting were ratified.*

[380] Are there any actions outstanding that you want to comment on?

[381] **Alun Ffred Jones:** I have two points, one is on the second page and the reference to Network Rail sharing the results of the Atkins report regarding the Blaenau Ffestiniog scheme by the end of the year. Is there any news on this, and have there been any discussions with Alfred McAlpine Plc in the past six months on this particular scheme?

12.20 p.m.

[382] **Mr Shaw:** No, we have not had the report.

[383] **Alun Ffred Jones:** Are you expecting it soon?

[384] **Mr Shaw:** I will have to come back to you on that.

[385] **Alun Ffred Jones:** Okay, thank you. I would also just like to make a quick reference to the penultimate point on page 24 regarding efforts being made to build links with educational institutions in north Wales.

[386] **Christine Gwyther:** Sorry, but where on page 24?

[387] **Alun Ffred Jones:** In the Minister's report. Am I allowed to raise that?

[388] **Christine Gwyther:** Why not?

[389] **Alun Ffred Jones:** I visited the Airbus site recently, and I was greatly impressed by the attitude and vision of its management team. They were full of praise for the relationship with the local further education colleges and the North East Wales Institute of Higher Education, but it seemed to me that most of its significant work with universities in terms of training and research happened with universities in England. Perhaps Welsh universities are missing out here—the company itself may also be missing out. However, my impression was that there were very few links with Welsh universities. Therefore, given that the Government has invested heavily in the company and that the company is a significant trainer and employer, perhaps the department and the Minister should look at possible link-ups with not only universities, but also other companies, possibly the techniums as well, in Wales—especially in north Wales—to get the best out of the success of the company, despite its present uncertainty.

[390] **Christine Gwyther:** Okay, I think that that is noted. Minister, do you want to respond?

[391] **Andrew Davies:** Yes, I will just briefly say that it is a good point. Perhaps the higher education sector has not traditionally been attuned to the opportunities provided by the aerospace industry, other than certain areas that I know of; for example, Swansea University now offers an aerospace engineering course. However, that is one development that we are taking forward under the aerospace strategy, which we will be bringing to committee in due course.

[392] On Alun Ffred's other point about the huge resource in Wales at higher and further education level, we need to bring that to bear on any opportunities provided by companies like Airbus, but also across the wider aerospace sector. However, you are right; in the past, those opportunities have not been seized, and maybe companies such as Airbus have tended to go to the nearer higher education institutions. In this case, many of those are in England.

[393] **Christine Gwyther:** Finally, Kirsty is next and then Janet.

[394] **Kirsty Williams:** No, I am okay.

[395] **Janet Davies:** Just briefly, I was in the UK delegation at a Committee of the Regions meeting on Monday, and a representative from the German embassy said that the German presidency of the EU is now 'letting the working times directive lie', to use his words. We did not get a chance to ask him much about this, but I was rather interested in it, because it appeared as though it was not going to happen. I thought that it may be a matter of information that the committee would like to know. I am sure that Rose will bring it to the

Committee on European and External Affairs next week.

[396] **Christine Gwyther:** Thank you for that, and I thank everyone for your attendance.

Daeth y cyfarfod i ben am 12.23 p.m.
The meeting ended at 12.23 p.m.