



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

**Y Pwyllgor Materion Ewropeaidd ac Allanol
The Committee on European and External Affairs**

**Dydd Mawrth, 23 Hydref 2007
Tuesday, 23 October 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'r pwyllgor yn bresennol
Committee members in attendance

Nick Bourne	Ceidwadwyr Cymreig Welsh Conservatives
Christine Chapman	Llafur Labour
Jeff Cuthbert	Llafur Labour
Nerys Evans	Plaid Cymru The Party of Wales
William Graham	Ceidwadwyr Cymreig Welsh Conservatives
Gareth Jones	Plaid Cymru The Party of Wales
Sandy Mewies	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)

Eraill yn bresennol
Others in attendance

Gary Davies	Pennaeth, Is-adran Materion Ewropeaidd ac Allanol Head, European and External Affairs Division
Rhodri Morgan	Aelod Cynulliad (y Prif Weinidog) Assembly Member (the First Minister)
Alun Rawlins	Cyfarwyddwr Cyllid, Cymoedd i'r Arfordir Finance Director, Valleys to Coast
Keith Reeve	Cymdeithas Adeiladu'r Nationwide Nationwide Building Society

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Gwyn Griffiths	Cynghorydd Cyfreithiol y Pwyllgor Legal Adviser to the Committee
Olga Lewis	Dirprwy Glerc Deputy Clerk
Chris Reading	Clerc Clerk

Dechreuodd y cyfarfod am 9.30 a.m.
The meeting began at 9.30 a.m.

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

[1] **Sandy Mewies:** I welcome our visitors, and I welcome members of the public—when they arrive. We have headsets that you can use for the translation, and channel 0 will amplify the sound, if you cannot hear what is being said. Everyone should switch off their mobile phones and BlackBerrys because they can interfere with the sound equipment. If an alarm should sound, please take note because I have not been notified of a test being held today.

[2] There are a few things to tell you before we start. I met recently with the President of

the Brussels Parliament, Mr Eric Tomas, as did William, I think, and Jeff Cuthbert.

[3] **William Graham:** Did I?

[4] **Sandy Mewies:** It says here that you did, William.

[5] **William Graham:** Was that in Brussels? Yes, I did meet him.

[6] **Sandy Mewies:** It was very interesting.

[7] **Jeff Cuthbert:** Brussels?

[8] **William Graham:** The Parliament in Brussels.

[9] **Jeff Cuthbert:** I have not been there recently.

[10] **William Graham:** Yes, you were there.

[11] **Sandy Mewies:** Yes, you were there.

[12] **Jeff Cuthbert:** Oh, recently, yes. [*Laughter.*]

[13] **Nick Bourne:** It is early in the morning, Chair.

[14] **Sandy Mewies:** It is not that early.

[15] **Nick Bourne:** No, but I am merely trying to find excuses for him.

[16] **Sandy Mewies:** You are being kind.

[17] The British Council will be holding a reception at the Senedd on the evening of Wednesday, 7 November, to be hosted by the Presiding Officer and the Deputy Presiding Officer. We have all been invited to that.

[18] I think that a note has been circulated about the meeting that Chris and I had with the First Minister. It was a very positive meeting and I was very happy with the outcome. Although the First Minister has agreed to attend once a term, he has also said that if he is invited on a specific issue, he will certainly consider coming.

[19] The Deputy Presiding Officer is attending CALRE, which is the conference of European Regional Legislative Assemblies. Anna Daniel is also there, so she is not with us today. We were consulted on the Berlin declaration. There were some responders—I certainly responded and I know that Nick Bourne, Jeff Cuthbert, Christine Chapman and Mike German did too. On the basis of that, the Deputy Presiding Officer is going to abstain when it comes to the vote. The point that I made was that we did not really have enough time, as a committee, to discuss it and I know that people had some issues about that.

[20] **Nick Bourne:** Chair, with respect, I do not think that we should lose sight of that—it was more serious than that. We received it after the date by which amendments should have been put down.

[21] **Sandy Mewies:** I did make that point.

[22] **Nick Bourne:** I am sure that you did, but I think that it is important that we get that in the minutes because I think that that is quite serious. Had we been able to put amendments

down, we could perhaps have contributed more meaningfully to the debate than through having to abstain. I am relieved to hear that Rosemary is abstaining on our behalf because, from the point of view of my party, and I suspect of yours, there were things in there that we could not have gone along with.

[23] **Sandy Mewies:** I must say that it was thanks to Nick's vigilance that we were able to send a fairly quick response, in time. That has been done.

[24] Glenys Kinnock and Eluned Morgan are to send Lisa Stevens from their office today, who is going to be in the public gallery. The MEPs will not be here today and have sent their apologies. Mike German and Val Lloyd are both at the Scottish Parliament, looking at how the petitions committee works. Nick, I understand that you have to leave by 11 a.m..

[25] **Nick Bourne:** That is the absolute latest, I am afraid, Chair, and that will always be the case.

[26] **Sandy Mewies:** That is okay.

[27] **Nick Bourne:** Sorry to bring it up at this stage—this is special pleading on my part, and I suspect on William's, to a degree—but is there a chance that this committee could start at 9 a.m.?

[28] **Sandy Mewies:** I am on the Subordinate Legislation Committee, which starts at 8.15 a.m. and tends to finish by 9 a.m., but there is no guarantee of that.

[29] **Mr Griffiths:** It is due to finish by 9.15 a.m..

[30] **Sandy Mewies:** We could look into that, if you wish.

[31] **Nick Bourne:** The First Minister's briefing is fundamental to a lot of what we do, and I do not know whether the First Minister is coming today or not.

[32] **Sandy Mewies:** Yes, he is.

[33] **Nick Bourne:** Fine. That will be discussed from 10.45 a.m. to 11.30 a.m., but I am obliged to miss some of that, and it is, to me, perhaps the most important part of the meeting.

[34] **Sandy Mewies:** I do not have a problem with cutting the break by five minutes. Chris and I will look at the timing, but it is difficult because we are all on so many committees now.

[35] **Nick Bourne:** Absolutely; I understand that.

[36] **Sandy Mewies:** Though the Subordinate Legislation Committee may not be the most stimulating, it is important to keep continuity there.

[37] I do not think that anyone has any declarations of interest to make, and we have had no substitutions, so we will move on to item 2.

[38] **Nick Bourne:** I apologise, but would it be possible to take the minutes now, because I will not be here later and I have a concern about paragraph 4.1? Mike German rang me yesterday, when I was in my constituency, to say that he also has concerns. I do not think that it reflects the discussion that we had, because the whole point of it, as far as I was concerned, and as far as Mike was concerned, was that we should not just have regular reports from the First Minister.

[39] **Sandy Mewies:** Do you have the full minutes?

[40] **Nick Bourne:** It is headed 'Minutes'.

[41] **Sandy Mewies:** The full transcript was not circulated with the committee papers.

[42] **Jeff Cuthbert:** There is a full transcript, and a summary.

[43] **Nick Bourne:** It is headed 'Minutes', but my point is that there were certainly quite a few comments that we needed more than regular reports from the First Minister. The reports were not the issue—the issue was the First Minister being here, so that we can have a dialogue. I want the minutes amended to reflect the point that I was making, and, from the conversation that we had, I think that Mike does as well. It is relatively easy for the First Minister to present regular reports, but it seems to be more contentious and more difficult for him to be here, so that we can have a discussion and put questions to him. Personally, having had experience of this committee over the past eight years, the First Minister's attendance has been a valued feature of this committee, and I am not happy with him coming just once a term. I just do not think that that answers the case of scrutiny and the effectiveness of this committee.

[44] **Sandy Mewies:** May I suggest that you discuss that with Chris, the clerk, and you can come to an agreement on what you want in the minutes? That is the first point. The second point is that we do not have Ministers as members of committees anymore. That applies to all committee. I think that we have secured a good deal with the First Minister in relation to his agreement to come and give briefings. It will not be a First Minister's report—I think that we have to get it clear in our minds that this is not the First Minister's report in the old sense. He will come to give us briefings, and will come when asked. The First Minister is no different to any other Minister in that regard. We used to have Ieuan Wyn Jones as a committee member, did we not? However, we do not have Ministers as members of committees any more, and that is as true of this committee as it is of others.

[45] **Nick Bourne:** I appreciate that, Sandy, but that is not the point that I am making. It used to be the case, often, that Rhodri would give the report and then, because of pressure of business, would not be here for other items on the agenda anyway. However, our starting point should be to ask how the committee can work effectively, rather than asking whether Rhodri is a member of the committee and should therefore be here. I just think that that dialogue was such a valuable part of setting the scene, and enabling us to know the stance of the Government on various issues, that not having him here will undermine much of what we do. I do not say that in any sense of wanting to put him on the spot but, as regards the effectiveness of the committee, his attendance was key to so much that we did. Without a dialogue with the First Minister—and it is not just a matter of having a report because we will want to put questions to him, and we will not be able to because he will not be here—I do not think that we will be able to operate effectively.

[46] **Sandy Mewies:** He will be here today anyway, and there will be an opportunity for questions. During the discussion, the point was made that sometimes, because things were not happening, it would be enough for the First Minister to come to every second meeting—perhaps a monthly First Minister's report would not be as comprehensive as a two-monthly report. We will have to look at that, but, at the moment, we are where we are. We have had the discussion, we know what will happen now, and we will just have to see what develops from here. As for amending the minutes, I would be grateful if you could discuss that with Chris.

[47] I will move on now—

[48] **Nick Bourne:** I am not suggesting that it was a conspiracy; I just think that it should reflect what was said, and that was a key part of what was said.

[49] **Mr Reading:** Do Members feel that the minutes are still of use? As Jeff pointed out, there is a verbatim transcript. The minutes in the past were prepared before the committee had a verbatim transcript. Although they are still called minutes, they are effectively a summary of the discussion. Do you still think that they are of use?

[50] **Nick Bourne:** That is a separate discussion.

[51] **Jeff Cuthbert:** I certainly think that they are useful.

[52] **Sandy Mewies:** Can we have this discussion at the end of the meeting, because I am conscious that people have to leave and want an opportunity to contribute on the next item?

9.40 a.m.

**Ymchwiliad i Fanc Buddsoddi Ewrop: Cymdeithas Adeiladu'r Nationwide a
Chymdeithas Dai Cymoedd i'r Arfordir
European Investment Bank Inquiry: Nationwide Building Society and Valleys
To Coast Housing Association**

[53] **Sandy Mewies:** I welcome Alun Rawlins, the finance director of the Valleys to Coast Housing Association and Keith Reeve from the Nationwide building society. I understand that you will give a joint presentation and that Alun will begin. It sounds like *Jackanory*, does it not? There will be questions from Members, if you do not mind.

[54] **Mr Rawlins:** I was going to expand on the briefing note that we sent out.

[55] **Sandy Mewies:** You can assume that all Members have read the briefing note.

[56] **Mr Rawlins:** Hopefully, I will not repeat too much of it.

[57] I am Alun Rawlins, and I joined Valleys to Coast as the finance director in June 2003, which was about three months prior to the transfer. Valleys to Coast took over the stock of Bridgend County Borough Council in September 2003. Approximately 6,500 council houses were transferred together with quite a lot of associated land and commercial properties; for example, a number of shopping precincts were attached to the council housing that was transferred. That followed a successful ballot of the tenants, which took place in November 2002.

[58] Valleys to Coast is a not-for-profit organisation and a registered social landlord with Community Housing Cymru and the Welsh Assembly Government. The basis of the transfer was the formal consultation document that was sent out to the tenants, on which they voted. We used that to set our mission statement, or objective, which is to provide good-quality affordable homes within vibrant and sustainable communities. There is a commitment within the offer to the tenants to improving the housing up to the Welsh housing quality standard by 2012. The stock condition survey that was done prior to transfer in 2003 estimated that the cost of bringing all of the properties up to the Welsh housing quality standard and keeping them in that condition was of the order of £290 million.

[59] It was recognised early on that the investment that was going into the housing should be used to assist in a broader revival of the economy within the Bridgend county borough area. In order to do that, we set up in the original structure a community development and

regeneration team, which has five members of staff. Their role is to add value to the investment that has been put into the housing by Valleys to Coast and its partners. The activities of that team are the activities around which the European Investment Bank funding was sought. This includes a number of things. We are improving the environment of some of the key estates in the Bridgend area, and, within the business plan, £5 million has been set aside for this. We consulted with Powell Dobson Urbanists, which has come up with ideas such as enclosing gardens, making more private gardens, creating home zones, landscaping and improving the environment and communal areas, providing off-street parking, bin stores and recycling centres, and trying to get more security by design within the estates. So, that is the environmental side.

[60] We have also looked at investing in training initiatives. We use a small number of contractors to undertake the bulk of the improvement programme, and the partnering agreements with those contractors include targets for the use of local labour. We are also one of the main partners in the development of a construction training centre in Maesteg, which will provide training on the specific skills required in the construction industry, particularly by the registered social landlord sector. We are providing capital funding for that, and the training is provided by Pathway.

[61] We are also looking at social enterprise and the feasibility of establishing a social enterprise centre in North Cornelly. We are providing the land, which is part of the land that was transferred to us, and we are also acting as the catalyst, or the project manager, for the project. Objective 1 funding will, hopefully, be used to construct the building and to provide revenue support in the early years. This social enterprise centre should have 15 starter units for small, local social enterprises. Hopefully, that will provide some jobs for our tenants.

[62] We have also established a community support fund, which gives small, minor grants that are designed to reflect the needs of the local communities in which our housing is based. Again, our aim is to match-fund grants from other organisations.

[63] The detailed business plan at transfer established that we would require funding in the order of £45 million. We required funding from the Welsh Assembly Government of up to £18.5 million, which was the gap in funding required on transfer, and the rest of the funding would come from our cash flow—from the rents. The £45 million facility was tendered prior to transfer, and the Nationwide, the Principality and the European Investment Bank syndicate, headed by the Nationwide, won the tender to provide the funding. At that point, I will pass over to Keith.

[64] **Mr Reeve:** To give you a bit of context, the Nationwide has been funding registered social landlords for quite some time now. Believe it or not, we will celebrate 50 years next year of being in the sector. We are the biggest lender to the sector, with commitments of something like £8.5 billion at the moment across the UK. Within Wales, we have been established for some years and we are still the biggest lender to RSLs.

[65] Another fact that may be useful to Members is that, from the Nationwide's perspective, procuring this facility from the European Investment Bank was driven, to a large degree, by commercial matters. I will expand on that a little bit more. The European Investment Bank already had a facility with at least one other financial institution that was making funds available elsewhere in the UK, principally in England. We wanted to get a facility ourselves from it to differentiate ourselves and to give us a bit of a competitive advantage when bidding for funding, particularly stock transfers, but also in supporting some of our other customers. At that particular time, the European Investment Bank was very keen to see more investment in Wales specifically, and into urban regeneration projects led by RSLs. So, that is some of the context.

9.50 a.m.

[66] We procured a facility of £100 million from the European Investment Bank. That facility works on the basis that it provides the funding to us, the Nationwide, so we are its credit risk, effectively, which provides it with some comfort. It provides funds on an agreed basis, with the cost of those funds being below market rate. In the example that we have shown here, it was anticipated that that would be 10 basis points, so 0.1 per cent, below the usual cost of funds. Those funds are passed through from us to our customers at that rate, adding on the usual margin. So, the whole benefit that the European Investment Bank offers with its product is passed straight on to the customers.

[67] The bank has some very clear criteria for eligibility for the use of this funding so, although we had an agreement for the use of a £100 million facility, each project would still be assessed individually. The financial beneficiaries had to be registered social landlords undertaking upgrades to social housing and related assets. That could cover catch-up work of repairs, a great deal of the work that Alun has just described to you, improvements, and some development. It would not allow the funds to be used for the initial acquisition of the stock from the local authority; it was very much focused on the upgrading and renewal programme. It was looking to see explicit links to wider regeneration and employment initiatives, which Alun referred to, and for it to be part of a wider regeneration strategy. It was very keen to see which other agencies were likely to be involved, adding some value. It also had some clearly delineated areas. So, the projects needed to be within Objective 1 or Objective 2 areas, in an area of European Urban II funding, as it was known at the time, areas within the UK's urban renewal fund or, in Scotland, part of social inclusion partnerships. So, those were very clear criteria linked to regeneration as well as improvement of the housing stock.

[68] As Alun said, we underwrote the total facility of £45 million for Valleys to Coast, and had an in-principle agreement with the European Investment Bank that some £10 million of that facility could be used from its £100 million facility. The funds of £100 million have been fully utilised across a number of projects, but some £19 million of that has been allocated to other projects in Wales that registered social landlords are looking after.

[69] What of the future? Interestingly, when we had made use of the initial £100 million facility, we had a conversation with the European Investment Bank about where we would go from here and whether we could please have another tranche at that very good value. At that time, it had changed its rules and framework slightly, such that the product that was on offer, and is still on offer currently, would probably offer a saving of 5 basis points rather than 10. The differential on the value had been halved. The bank's own internal reasons drove that and, sadly, we were unable to agree a new facility with it. However, we still have a dialogue and very much hope that we can do something about this in future.

[70] **William Graham:** Thank you for the presentation. You will know that our inquiry is really into the European Investment Bank and how it is of benefit to Wales. Therefore, in your dealings with it, how well did you get on? How professional was it? Are there any particular comments that you wish to make that would facilitate future discussions? Perhaps my last question is more for you, Chair. How do we get to influence these rules so that we can take advantage of this money in future?

[71] **Mr Reeve:** I suppose that it would be best for me to answer that one first, because we had the most direct relationship with the bank. Its staff were very professional, very efficient and very much focused on what they wanted to achieve. They also had an understanding of the marketplace that we and, equally importantly, Valleys to Coast and others were operating in. They are particularly keen to get more investment into Wales. I am sure that they still have that keen interest, but the product has changed. I suspect that the lobbying is at a level probably above where we usually have relations.

[72] **Mr Rawlins:** From our point of view, it was straightforward, partly because the funding was provided through the Nationwide, so it was very much a matter of providing the evidence for what we were planning to do and how that fitted with the bank's eligibility criteria. It was relatively straightforward.

[73] **Mr Reeve:** The other perspective on your housing sector is that you are working your way through the stock transfer programme, albeit rather slowly in some areas, and so, if you are to do something, perhaps now is the best time to do it, so that those new organisations can make the best use of any funding.

[74] **Sandy Mewies:** William, we have representatives from the bank coming to the next meeting, so you can cajole them or challenge them then.

[75] **William Graham:** Thank you, Chair.

[76] **Mr Reeve:** I understand, Chair, that you have Robert Schofield coming to talk to you. He was the person with whom we originally had the relationship. He is very informed, and I am sure that you will find that session very helpful.

[77] **Christine Chapman:** I will focus on the effectiveness of the funding. Thank you, both, for the presentation.

[78] Alun, you have talked about training, but can you explain what targets you have set for the use of local labour, and what investment have you made towards training initiatives in local construction?

[79] To add another point to that, one of the debates that we had with a particularly European focus is about gender stereotyping in training. I know that the construction industry is particularly heavily male-dominated, and housing stock transfers were seen as an opportunity to change that. Have there been any attempts to do this in your case?

[80] I was also interested in your remarks about community cohesion and some of the design work that you had effected on the estates. Can you say a bit more about that and about how successful these initiatives have been?

[81] **Mr Rawlins:** I am probably not the best person to know the full details, as I tend to concentrate on the finance side. However, we have set targets for our contractors to use a certain amount of local labour and, from memory, our target is something like 75 per cent local labour. We achieved that last year, in the performance indicators.

[82] On gender stereotyping, we take a number of the apprentices that come through the training centre set up in Maesteg, and it is heavily weighted towards males, but we have taken on a female apprentice in the current round of training provided by Valleys to Coast. We have our own direct labour organisation as well. So, attempts are being made to break down that barrier in the construction industry.

[83] On community cohesion, a number of the initiatives that we have are around developing the residents' and community tenants and residents' associations, and a lot of effort is certainly put in by Valleys to Coast to assist the local organisations to help to bring up the neighbourhoods, and so on.

10.00 a.m.

[84] In fact, there was a programme on ITV last night which showed one of our estates in

Bettws in Bridgend. It was not about us—it was about the boys and girls club that has been resurrected there, and we provide support, with others, for that. So, there is certainly a lot of work going on there, and the improvements to the homes also assist in bringing more cohesion to those neighbourhoods.

[85] **Christine Chapman:** What are the physical differences on the estate? You have mentioned the community groups, but I thought that you mentioned something about the design of the estate.

[86] **Mr Rawlins:** Yes. A number of the estates have a lot of public communal areas, and one way of improving those is to extend gardens and try to get rid of rat runs, and so on. So, we are in the process of doing it. It is quite a difficult exercise to do because we have a mixture of tenures on the estates—we have homeowners and leaseholders as well as our tenants. So, in order to do quite a few of these things you need to get agreement from all of those groups about what you are trying to achieve, so it takes quite a long time.

[87] **Nerys Evans:** You mentioned in your paper that £19 million of the £100 million was allocated to the project throughout Wales. Was that part of the plan from the beginning? How flexible is the European Investment Bank in terms of providing the facility?

[88] **Mr Reeve:** The understanding between us and the EIB was that a material part of that facility would go to projects in Wales. In fairness, one of the difficulties that we encountered was finding some projects. The Valleys to Coast Housing Association stock transfer was relatively easy because it fitted all the criteria very easily, but there were not many other projects that met the criteria. From memory, we did some funding for Eastern Valley Housing Association for the Clarence hotel project in Pontypool. One of the other technical hurdles—I hope that I do not confuse Members too much on this one—was that we had a limited number of opportunities for drawing down that £100 million, and therefore we had to try to allocate it in parcels of at least £5 million. Therefore, that determined the minimum size of project to which we could allocate that funding. In hindsight, in thinking about the type of projects that came forward, if we were to do a new facility we would negotiate a little bit harder on that one. I suspect that the European Investment Bank would appreciate why we would want to do that.

[89] **Nerys Evans:** Is having £5 million packages normal, in terms of what the EIB provides?

[90] **Mr Reeve:** Yes. I suspect that the EIB would say that it is about administration, because you have a £100 million facility. At one end of the spectrum, we could have drawn it down in 100 £1 million parcels, but administratively that would have been a nightmare for it. In a similar way, we have a minimum draw-down amount in our lending facilities to the likes of Valleys to Coast Housing Association to try to cater for that. That is an area that we want to look at again, because it potentially restricted eligibility.

[91] **Mr Rawlins:** It was not an issue for us, because it was part of the overall £45 million. We were able to borrow the money initially from the Nationwide. When the borrowing built up to £5 million, we then switched from the Nationwide part of the £45 million facility to the European Investment Bank. Therefore, we are now in a situation where we have drawn down about £13 million out of the £45 million facility, of which the £10 million from EIB is the large bulk, because it is slightly cheaper for us.

[92] **Jeff Cuthbert:** Thank you for your presentation. Do you have an independent evaluation of how well these arrangements are working for tenants and the community in general so far? What might be the implication if you are not able to reach some sort of agreement with the EIB for the immediate future? Building on Chris's points, in terms of the

training opportunities that are provided, particularly in construction skills—and I believe that you also mentioned landscaping, horticulture, and so on—was that part of the criteria for EIB support? For example, does it link in consciously? If you are not able to deal with this point, please say so, and I will wait until next time. However, on the Lisbon agenda, for example, which is all about training, development, creating a good economic base, research and development, and so on, is that linked in to the moneys that it provides, and does it assess it?

[93] **Mr Reeve:** No specific target is set by the EIB. It was more that it was looking for some indication as to the wider employment, training and regeneration agenda, as I mentioned earlier. However, it did not go as far as imposing on any of the facility particular targets in any areas.

[94] **Mr Rawlins:** Therefore, we do not have to go back to the EIB and say, ‘This is where we have spent your £10 million’; it is all part of the whole.

[95] On the benefits to tenants, it is difficult to link the funding that Valleys to Coast Housing Association gets to what benefit tenants are getting. It is all in the business plan; the business plan was based on issues such as a rent guarantee to tenants for the first five years—the rents would only be at a certain level. Therefore, the cost of funds to us has a benefit to the tenants in terms of rent levels, as well as the amount of investment that we can make in homes. It is difficult to link the two, but the cheaper the funds for Valleys to Coast Housing Association, the more that we can do.

[96] **Nick Bourne:** Thank you, Alun and Keith, for an interesting presentation.

[97] My question is probably more to Alun than to Keith, but it may be for both of you. Is it permissible, under Government rules, for Alun to go direct to the EIB? I do not want to cut Nationwide out of this—I believe that I am a valued customer of theirs.

[98] **Mr Reeve:** There is a short answer to that. Again, it goes back to the cost of administration. The EIB has some direct facilities with registered social landlords. It has one in Sunderland for £150 million—it was originally £75 million—and it has also put, I believe, £150 million into the Glasgow stock transfer. However, if it is going to have a direct arrangement, it is generally at least £50 million.

[99] **Nick Bourne:** Following on from that—this is, I think, the issue that we considered at our last meeting in terms of the EIB; it will be valuable when we get its representatives here—the background question to which we need an answer is whether or not we need Treasury consent for any large borrowing. If we do, we could go through this exercise of saying, ‘brilliant, great’, and then find that we cannot borrow the money at the end of the day. I am all in favour of being able to draw down the money, but I have a horrible feeling that the Treasury is in a position where it can say, ‘No, you can’t do that’, for any large amount of money. There are massive benefits for Wales here, but they will cease to be benefits if Alistair Darling can simply say, ‘Sorry, you can’t do that’.

10.10 a.m.

[100] **Mr Reeve:** A point that is worth adding is that, for the bank, it is also about what its credit risk is, because if it is lending directly to an organisation, as in Sunderland and Glasgow, it will have to do considerably more due diligence, initially and on an annual basis, than if we are its credit risk. So, again, as I am sure that Robert will tell you, with a relatively small team, it has to be cognisant of that.

[101] **Nick Bourne:** Are you suggesting that we are a bad credit risk? [*Laughter.*]

[102] **Mr Reeve:** I did read something somewhere about how the millennium centre is not doing too well, but far be it for me to suggest that. [*Laughter.*]

[103] **Gareth Jones:** Thank you very much for the presentation. The issue is the eligibility criteria that you referred to, and, following on from some of the questions asked here, how rigorous a system that is. Nationwide must have been fully engaged in the nature of these criteria. How demanding was that of you as a company, because presumably, as the guarantors, you had to have all the information and expertise that is required before you could take on board the various companies? What was the depth and scale of involvement?

[104] **Mr Reeve:** There are a number of answers to that. One is that, before we took it on, we fully understood what the criteria were. We were therefore careful to target specific projects. Chair, I can leave a copy of the criteria with Chris, if that would be helpful—

[105] **Sandy Mewies:** Fine, we can circulate it.

[106] **Mr Reeve:** It can be distributed later on. The arrangement worked in such a way that we would not draw down funds from the European Investment Bank as part of that facility until it had approved the project. So, in the particular case of Valleys to Coast Housing Association, there was a set format—again, Chair, I will pass it on to Chris to make copies—for a report that Alun, principally, put together. It was submitted to the European Investment Bank, which approved it and we then had the comfort that we could draw down part of that facility.

[107] **Gareth Jones:** On that point, having being involved at that scale, which is a reasonable scale in terms of the moneys involved, and looking at the former Objective 1 areas in Wales and the rurality factors there, how feasible do you think it would be, based on your experience, for smaller rural projects to become involved with the EIB? How challenging would that be?

[108] **Mr Reeve:** It goes back to my answer to Nerys, namely that in negotiating a new facility, we would want to have more opportunities to draw down—in other words, to be able to split that £100 million into smaller parcels. That is the key to it, but, at the same time, if that were the case, the question for the bank is that it would be reviewing and approving more schemes. So, if we were doing 25 £4 million schemes as opposed to 10 £10 million schemes, I am sure that we could absorb that, but the burden of approving and reviewing would fall on the bank. Perhaps that is more of a question for it.

[109] **Sandy Mewies:** I think that what we are doing is feeling our way through what will be the questions that we will put to it. I want to go back to Nick's point, in which I am particularly interested, on who can access this money. From what you have said, you do not have to have an intermediary like Nationwide, the EIB does have some direct dealings, but it depends on the size of the draw down and the underwriting of the risk. I am presuming that, from your perspective, Alun, you were more comfortable going through an experienced intermediary. Was that it?

[110] **Mr Rawlins:** It is certainly easier to go through an intermediary such as Nationwide, which has been involved in our sector for some time. So, in a sense, we know where we stand with lenders like Nationwide. With the European Investment Bank, it is more of an unknown quantity. From our point of view, I could see a lot of advantages in having an intermediary. In a sense, the whole funding strategy of Valleys to Coast means that we deal with just one organisation; we are not dealing with three lenders, although there are three lenders behind it, including the Principality as well as the European Investment Bank, so it is a lot easier from our point of view.

[111] **Sandy Mewies:** I will come back to you now, Keith. Councils, for example, and local authorities took advantage when Objectives 1 and 2 were riding high. However, what will happen in the future? I am not clear how convergence funding areas will be included. If you are saying that the criteria meant that you had to be an Objective 1 or Objective 2 area, many local authority areas in Wales will not be eligible for convergence funding, so what will happen there? How easy do you think it will be to access that?

[112] Secondly, you talk about the future and say that it has changed its product, and that it does not now offer such good value. I presume that these basis points are a way of working out the percentage of interest that you have to pay below the normal rate, so it looks as though it has halved that. Does that mean that it is still a pretty attractive product, compared with borrowings from elsewhere? I think that the flexibility issue would be quite important for Wales—£5 million for some areas is quite a lot of money for quite big projects. Do you think that it is likely to look at that with any favour for the future? How easy is it to negotiate with it? Is it a listening ear? Will it try to facilitate what happens in the future?

[113] **Mr Reeve:** On your first point on eligibility, it is probably 12 months since I had conversations with it, so I am not up to date with the eligibility criteria, although I am aware that the boundaries on Objectives 1 and 2 have probably changed since this arrangement. Value for money is an interesting point. If you are talking about 10 basis points as a proportion of margins that are 40 or 50 basis points, then it is clearly value. Lenders' margins have come down since we did the original transaction with Valleys to Coast, although I would say that there are currently 35 basis points and a five basis point saving on that is still measurable. However, it was a question as to how attractive that would be and some soundings taken elsewhere in the market showed that even at a 10 basis point saving, some registered social landlords still did not think that that was good enough value, interestingly.

[114] On flexibility, at the point when we took out this facility, it was being fairly tough in negotiating how we could split that £100 million up. I suspect that the case has to be made that, given that there are four projects in Wales and given their size, we all have to think differently next time. So, that is a valid point that is worth raising with Robert, when you see him. On ease of negotiation, it is reasonably easy, although, as with all financial institutions, there are areas on which it was not particularly able to negotiate.

10.20 a.m.

[115] **Jeff Cuthbert:** Briefly, following on from Nick's question, on the sixth bullet point in the report you say that the eligibility was there because Bridgend was an Objective 1 area, and, of course, it will still be a convergence area. I mention the Lisbon agenda because it is a key driver for convergence funds. I was interested in your reply, if I understood you correctly, that the EIB did not come back to see whether the criteria on the training that you offer, for example, was being met. I would have thought that that would be a key issue in any such bid under convergence rules. So, this is certainly a question that I will put to the EIB when we see it next, but do you have any further comments on that?

[116] **Mr Reeve:** Its representatives have been to visit you, Alun, have they not?

[117] **Mr Rawlins:** Yes, they have been to visit us. They visited in our first year to see what we were up to. It is not as if the EIB is completely divorced from Valleys to Coast, but it is not a specific requirement to report to it directly.

[118] **Sandy Mewies:** Is everyone happy now? I see that you are. Thank you for what was a very interesting presentation. I also thank Members for not going off into the realms of housing stock transfer, which I thought might have been a bit of a danger.

[119] **Mr Rawlins:** We would have missed coffee if we had done that.

[120] **Sandy Mewies:** That was most useful and it will inform the questions that we have for the next meeting.

10.21 a.m.

**Papur i'w Nodi: Strategaeth Cysylltiadau Ewropeaidd a Rhyngwladol Cynulliad
Cenedlaethol Cymru
Paper to Note: National Assembly for Wales European and International
Relations Strategy**

[121] **Sandy Mewies:** Are you happy to look at this agenda item now in the short time that we have before the break? I see that you are happy.

It is a paper to note, because, according to my brief, there is no time allocated to discuss this item. We are hoping that you, as Members, will comment by e-mail to the clerk by the end of the month, if you are happy to do that, and unless you have questions on the paper itself. My question is regarding the following line from the paper:

‘the European and international team provides support to the Assembly’s corporate programme of external relations’

[122] Who is in that team? I probably should know, but I do not. Do you know?

[123] **Mr Reading:** They are a group that works with the corporate unit. We are not allowed time in the agenda to discuss this and to arrange for someone to speak to the paper, but, if you want, we could maybe get someone to do so. Peter Kellam takes the lead on it.

[124] **Sandy Mewies:** There must be other people involved. Can we, at the least, consider that? I would like a note on who is involved in that team and what their brief is, because there will be different people, by definition, doing different things. Unless there are any comments on the paper—

[125] **Nick Bourne:** I could certainly send this comment to the clerk, but, briefly, I agree with what has been said, but I just wonder whether there is a facility for getting some of this distilled so that we hear about them. Some of them we do hear about, such as the reports from the Committee of the Regions, which we have historically had, and the Presiding Officer’s meetings with the Conference of European Regional Legislative Assemblies. However, apart from when these crop up fairly randomly, we are not always kept in the loop. Is there a facility, when things happen, by which we could have papers annexed as something to note? That might be helpful.

[126] **Sandy Mewies:** I think that the Presiding Officer is quite interested, because I have talked briefly with him about having information on what is happening. I do not think that the Presiding Officer would be able to come to committee, but I am quite sure that we could suggest that.

[127] **Nick Bourne:** I was not suggesting that. I just thought that a written report would be appropriate.

[128] **Sandy Mewies:** The former Deputy Presiding Officer came once, if you remember—no, that was about the Commonwealth Parliamentary Association. However, we can get that information, because I think that the Presiding Officer is quite interested in involving us as a

committee. Similarly, the former DPO came to talk about the CPA, but just the once. We had a résumé of what had happened, and we can certainly do that, even as a paper to note, every six months or so, if that would be okay. The same is also true of the British-Irish Inter-Parliamentary Body. We should know where the linkages are. May I ask the clerk to think about that? If anybody has any further thoughts on this paper, could they send them to Chris by the end of the month?

[129] With a bit of luck, our tea and coffee should be there now. I intend to come back slightly earlier than planned. It is 10.25 a.m., so could we come back at 10.35 a.m., in 10 minutes' time?

[130] **Mr Reading:** I am not sure whether the First Minister will be here.

[131] **Sandy Mewies:** We are not sure whether the First Minister will be here. We will therefore come in and check. Thank you. You are very welcome to join us for coffee, if you would like to do so.

*Gohiriwyd y cyfarfod rhwng 10.25 a.m. a 10.44 a.m.
The meeting adjourned between 10.25 a.m. and 10.44 a.m.*

[132] **Sandy Mewies:** Welcome back, particularly to the First Minister, and Gary Davies, who are back by popular demand, I think that it is fair to say. We have spoken to the First Minister's office and invited him to include information in this briefing on the EU reform treaty, the EU budget review, the future of EU regional policy, and the JEREMIE and JESSICA initiatives—that is, the initiatives on joint European resources for micro to medium enterprises, and joint European support for sustainable investment in city areas—which are relevant to our inquiry on the European Investment Bank. I will ask the First Minister to present his report, and it will be followed, as usual, by questions.

[133] **The First Minister:** Thank you, Sandy, and thank you for welcoming me back to the committee, though not as a member. I intend to be as helpful and as frequent an attendee as possible, in response to your request.

[134] The first thing that we want to emphasise is the massive amount of progress that we have made in getting all five EU structural funds programmes agreed with the commission. They have all been legally agreed and adopted. Therefore, we are now in the process of soliciting, inside and outside the Assembly administration, for people to advertise on the Welsh European Funding Office website that they have a project. That website will be used as the brokerage service to try to find the potential duplications. We will be using this new technology that you would not have thought of using eight and a half years ago in order to try to make sure that you can balance and set priorities for where the money will go. You do not wait for enough projects to be on the website so that you can determine all allocations for the seven years; you are looking for some early approvals, which we hope will take place from the end of this year. I will be disappointed if we do not get some approvals by the end of this calendar year. That is quite a tight timeframe for agreement. However, that is the target, although it might be an ambitious target. I am hopeful that we will get some money out of the door by the end of the first calendar year of the programme, having got the agreement now.

[135] The last to be agreed was the competitiveness programme. That is the one that has quite small sums of money compared with before. However, it applies from your constituency down to mine, Chair. It applies to, roughly, Flintshire, Wrexham, Powys, Monmouthshire, Newport, Cardiff and the Vale of Glamorgan; down the English border areas—the more prosperous third of Wales. The sums of money are very small, but it has been agreed now, so we have all five agreements in the bag.

[136] On the wider issues of European policy and politics, you will be aware that there was an agreement at the Lisbon summit last weekend on the so-called reform treaty. That will now be subject to the most enormous process of parliamentary scrutiny throughout the different European countries. The significant area for us is that the subsidiarity principle is written in in a way that brings us in; in other words, us and similar tiers of government, below the member state level. We were hopeful that, when the reform treaty reached the stage at which the 27 heads of government agreed it, as they did last weekend, that they would not in some way rip it out—because there is no representative there, except in the case of Germany, below the member state level. That subsidiarity level is retained not only for national parliaments or member state parliaments, but for the assemblies and parliaments below that. Our understanding is that nothing happened to affect what was in the original treaty on the subsidiarity principle. As it has been turned into a reform treaty, we have retained the same subsidiarity. Therefore, if you are the body that has the main responsibility for implementing something, then, by the principle of subsidiarity, you are the body that should be consulted before anything goes rock solid. That is, we will get a draft proposal, which we then examine, and we consider whether it is relevant to us and whether we are in the lead on it. We then ask for the right of consultation on it. The same applies to the national parliaments of all the member states; they can challenge whether a European thing is really necessary through the principle of subsidiarity.

10.50 a.m.

[137] There has been an enormous amount of interest in JESSICA and JEREMIE. It is still early days. Because the names are so similar, the difficulty is in remembering which one applies to the support mechanisms for small and medium-sized enterprises and which one applies to urban regeneration. If I were taking part in a Mastermind quiz on European issues, I would tend to pass on that question and leave it to someone else. The two combined deal with those two subjects, and we are exploring and leaving no stone unturned in terms of, for instance, urban regeneration, given that there is so much interest in this subject, and especially those urban regeneration projects that are not self-funding. Some projects are self-funding. Take the one that is nearest to us here, namely the so-called Havannah Quays urban village on Dumballs road, which is on the left hand side as you go towards Cardiff Central station from here. I do not think that that will involve any public funding as it is self-funding—it has many apartments, offices and so on, and does not need it. You can compare that with, say, the Ebbw Vale regeneration project on the old tinsplate works site, the Phurnacite site project in Christine's constituency, which is rather smaller, and possibly the Cray Valley project in Jeff's constituency, and other urban regeneration projects that find it difficult to be self-funding because the balance is wrong, or because house prices and apartment prices are not that high that they would pay for clearing the derelict land, for example.

[138] That is where we hope access to the EIB funding might make the difference. We are anxious to see whether it can help. The Treasury rules on this are not particularly helpful, as we all know. We have the legal powers to borrow, but, usually, the powers are ineffective because the Treasury rules that it is an addition to the borrowing requirement and it retains overall responsibility for the fiscal framework, including the borrowing power. So, we will have to see whether we can find a way through on that. I will stop there for now.

[139] **Nick Bourne:** I wish to thank Rhodri very much for saying that he will make himself available as much as possible. I appreciate that Ministers are not now members of committees, but your presence here—or, failing yours, Ieuan's—is vital to what we do. The conception of this committee at the outset was that it would work in pretty much a consensual way. This dialogue informs so much of what we do, and it is vital that we have someone here in a position to give a broad view of what is happening in Europe. I think that that is essential.

[140] Because of the way in which we now live and work, I must apologise that I must

leave possibly as soon as I have asked my questions, even before I get the answers. I wish to refer to some issues that you did not touch upon, which are perhaps of significance. First, what is the latest position on the registration, evaluation, authorisation and restriction of chemicals directive?

[141] On the postal services directive, which came up, certainly indirectly, in the Welsh Conservative Party debate on post offices, it is as a consequence of this directive that we now find that public institutions have to put out to tender and end up using DHL and TNT, when they should be, in my view, using the Royal Mail. I am deeply concerned about the threat that that poses to the universal service at a uniform price. What is the UK Government's stance on this, and how does it differ from ours?

[142] The other issue is perhaps more broad-reaching, and it crossed my consciousness when we had the inter-faith forum meeting the other day. It is wonderful that we are taking in many people from the 25 EU countries—it is not yet 27—and particularly from the Baltic countries, such as Lithuania and Poland. Is that presenting any particular issues in Wales? If so, how are we addressing them? It may be that it is not, but this may be the forum in which to ask whether there are any issues that need to be addressed. I say that as someone who welcomes very much the contribution of people from all the member states, which will soon number 27. I was stopped in Aberystwyth on Saturday by someone from Romania who was selling *The Big Issue*. It seems to me to be scandalous—

[143] **The First Minister:** Where was this?

[144] **Nick Bourne:** It was in Aberystwyth, on what used to be Bank square, but is now Owain Glyndŵr square. He was selling *The Big Issue*. If he works before 1 January, he is liable to be deported because he is from Romania—that is what he told me. That seems to be absolutely crazy. He cannot work until 1 January but, as soon as 1 January arrives, he can work.

[145] **The First Minister:** Is it because that transitional period would then be over?

[146] **Nick Bourne:** So he tells me. He knew more about it than I did. And you do, as well. [*Laughter.*] It is anecdotal, but it is important.

[147] **The First Minister:** We will provide a written briefing on the REACH directive. On the postal services, I think that everyone—apart from the CWU, the postal workers' union—accepts that, whatever you think of the principle, there will be an opening up of postal services to competition. The problem is how to prevent competition from becoming the cherry-picking of the easy-to-deliver areas. How will that disrupt the principle of the same letter or parcel costing the same price to post regardless of distance—whether from John O'Groats to Land's End or from one street to the next in London? In bringing in competition, no-one will be interested in the parcel being sent from John O'Groats to Land's End, but they will be interested in running competitive business delivery services in the high density parts of the UK. I still do not understand how they are going to get around the problem of the fairness of competition.

[148] There is a common interest in working this out. If you are to have a single price postal area, you cannot allow it to be undermined by competition in high density areas, where the cost of delivery is below the cost of a stamp, because where does that leave you in rural areas, where the cost of delivery is far greater than the cost of a stamp? I still do not have any visibility of how they are going to crack that problem. How does the Post Office sustain the obligation to deliver a letter for the same price from John O'Groats to Land's End if services are being cherry-picked by others in high density areas? I still cannot get this clear in my mind.

[149] **Nick Bourne:** It will get more difficult for the Post Office as the cherry-picking happens.

[150] **The First Minister:** Of course. It will be left with the deliveries of Littlewoods mail-order catalogue items to rural areas, where it is very commonly used, where people pay £5 for the stamps when it actually costs £15 to deliver a big parcel of goods there in time for Christmas, for example. That service is only possible through cross-subsidisation from urban to rural areas. I do not care what country it is in Europe, you will still have to figure out the cross-subsidisation principle and the single postal service for one price. I cannot see how you get around that problem.

[151] Migration is a very interesting subject, following the new population figures issued at 9.30 a.m., showing that the population of the UK as a whole will continue to rise more rapidly than the population of Wales. However, the revision in the population estimates for Wales since 2004, confusingly, shows a much more rapid upwards trend than for the population of England. In other words, our population is not expected to increase as rapidly as the population in England; in fact, the rise in the Welsh population will be only 1 per cent of the rise in England and Wales as a whole, as we have 6 per cent of the total England and Wales population. However, the revision since 2004, because of the rise in the birth rate in Wales, has moved upwards more sharply than it has in England. It is very confusing. I am still trying to get my head around that statistic. The positive balance of births over deaths, which we have had for the first time in more than 10 years in Wales, is expected to continue for the next 20 years, and, on top of that, we have migration.

[152] Therefore, as far as I can tell, what is now being projected is that the migration component of Welsh population growth will be more modest than it is in England, but the positive birth rate over death rate component in Wales will be at least equal if not higher than in England. That means that migration either within the UK—and that is the traditional retirement migration into Wales from England—or from the EU-27 will be much more in the eastern half of the country. There are several reasons for that. First, migration tends to be to agricultural areas where work is available picking and packing fruit and vegetables, meat packing, and so on—not that there are no meat packing jobs in Wales, as there are, but those jobs are mainly found in East Anglia and the south east.

11.00 a.m.

[153] Secondly, the huge construction boom that is expected in London for the Olympics, followed by Crossrail, and the M25 being widened to 25 lanes, or whatever it is, will draw in the Polish plumbers and the Czech carpenters, and so forth, to a greater degree than will happen in Wales. So, we do not expect to have an overwhelming proportion of the population of those 27 new EU states coming to Wales. They will come on a modest basis, but they will tend to go first and foremost to where the big money, or where the simple and easy money is. They will know that local people in East Anglia do not want to do pea picking, strawberry picking and bulb planting, and so forth. That is always where migrant labour is first used. That is the broad pattern.

[154] If you go to any Catholic school in Wales, you will find that they are more than happy with the increase in numbers of Polish and Lithuanian people, because it is they who are bringing over their children to attend schools here. There are also Czech children. So, if you want to find out what is happening, go to your nearest Catholic school and ask the headteacher. You will find signs in the school toilets in Lithuanian, Polish, Czech, and also French because of Congolese asylum seekers. The easy shortcut for a statistician is to go to the local Catholic school and ask the headteacher how many different languages are used for the 'Please wash your hands' signs in the toilet.

[155] **William Graham:** I wish to draw you on two points. You touched on four fairly notorious sites that are derelict because of enormous heavy industry and contamination. The reason why those sites have not been redeveloped is the high cost of reclaiming them. What pressure could bring to bear in that regard?

[156] My second question is on subsidiarity. One of the highlights of devolution is that we get the chance to contribute far earlier than ever before. However, where we are not the lead authority, and where we are just below, for one reason or another, how do you get the same influence?

[157] **The First Minister:** I will deal with the question on subsidiarity first. This is our understanding. The National Assembly for Wales will be able to participate in the process with the agreement of the UK Parliament. The reference period during which we lay a claim to be in the lead on an issue has been extended from six to eight weeks, compared with the original constitutional treaty. It means that we can have our six-penn'orth and say that we believe that the subsidiarity principle should apply to a particular legislative proposal, and not merely to the UK Parliament or the Assembly. That is roughly it, is it not, Gary? We have eight weeks in which to do that. We do not apply directly to Brussels on that; we apply to the British Parliament and say that it should claim that subsidiarity applies to a particular legislative proposal, and that it believes that the Assembly should take a lead on it.

[158] This is very new, and the treaty has not become law yet because it must be approved through Parliament, and by a referendum in the case of the Republic of Ireland, because different countries have different procedures. Germany cannot have a referendum under its constitution, but the Republic of Ireland must have a referendum under its constitution, and the in-between countries may or may not decide to go down the referendum route. So, you are probably talking about 1 January 2009, I would have thought, by the time it becomes law. We will be seeking to implement it and find out exactly how to establish precedents during 2009 and 2010. It will be a new duty of an early warning system. I do not know how we will bring this committee into that process, but that is for discussion during 2008 ready for legal implementation.

[159] The question about urban regeneration schemes, especially those that are not self-funding, is very interesting. Jeff and Christine have sites in their constituencies that fit into this category, namely former chemical works. There is the smokeless fuel of the Phurnacite plant, and Cray Valley in Waterloo on the edge of Rudry, in the Bermuda triangle between Caerphilly, Newport and Cardiff.

[160] **Jeff Cuthbert:** At a village called Waterloo.

[161] **The First Minister:** Indeed. It is the home village of Dr Price, Llantrisant. He was a Waterloo boy. I can see a Dr Price crescent, a Dr Price avenue and a Dr Price terrace—I am sure that all the streets there will bear Dr Price's name in the future, when we get to that stage.

[162] The issue is whether the value of the houses that are built subsequently—or apartments if it is a city centre environment—plus the employment and leisure sites help to remunerate the cost of the derelict land clearance. If it does not, can we use the lower financing, through JESSICA or JEREMIE, to reduce the borrowing costs to help to gap-fund that, if the cost of the land clearance is greater than the value that you create? Brymbo would be one example. If this had existed when the Brymbo urban regeneration scheme started—and it is nearly finished now, I think—would it have helped to close the gap, and would it have helped to get that off the ground a little earlier? However, the Brymbo scheme is nearly finished.

[163] So, we have a stack of urban regeneration schemes on former coalmines, former quarries, and other waste sites. There are so many of them that we hope that we will be able to use the appropriate EIB instrument to bring down their cost, and give us more attractive options. That would mean that you would not have to cram an enormous number of houses in to pay for derelict land clearance; you could have a balanced community, with some leisure uses, some parkland, some open space, and so on, and not just high-density housing, which is the traditional way of paying the cost of derelict land clearance.

[164] **Nerys Evans:** Diolch am yr adroddiad. O ran yr arian cydgyfeirio, yr wyf yn hapus mai nyni oedd un o'r ardaloedd cyntaf i gael ein cynlluniau wedi eu cymeradwyo. Mae wedi dod i'r amlwg bod cynlluniau wedi cael eu gweithredu yn rhai o'r ardaloedd a gymeradwywyd ar ôl hynny, a bod yr arian wedi dechrau cael ei wario. Mae pryder ynghylch hynny, ac ynghylch y diffyg manylion a roddwyd i'r bobl a fydd yn gweinyddu'r cynlluniau. Felly, pryd ydych yn rhagweld y daw'r wybodaeth honno i'r amlwg? A ydych yn hapus bod digon o arian cyfatebol ar gael? Y tro diwethaf, yr oedd arian ar gael drwy fformiwla Barnett a thrwy Awdurdod Datblygu Cymru a Bwrdd Croeso Cymru ar wahân. Beth yw'r sefyllfa ar hynny yn awr?

Nerys Evans: Thank you for the report. On convergence funding, I am happy that we were one of the first areas to have our schemes approved. It has become clear that some areas that were approved later have already had their schemes implemented, and the money has started being spent. There is concern about that, and about the lack of details that have been given to those people who will be administering these schemes. So, when do you foresee that information coming forward? Are you happy that enough match funding is available? The last time, funding was available through the Barnett formula, and through the Welsh Development Agency and the Wales Tourist Board separately. What is the present situation?

[165] **Y Prif Weinidog:** Yr wyf eisoes wedi ateb sawl cwestiwn ar hyn mewn Cyfarfodydd Llawn. Yr ydym yn meddwl y bydd yr arian cyfatebol sydd ar gael yn y system yn ddigonol. Mae hwnnw'n honiad uchelgeisiol, ac efallai na fyddaf yn rhy hapus fy mod wedi ei wneud, ond mae'r amcangyfrifon sydd ar gael i ni yn dangos bod digon o arian cyfatebol yn y system. Rhaid cofio mai cyfrifoldeb y bobl sy'n cynnig y prosiectau yw cael gafael ar yr arian cyfatebol. Fodd bynnag, ambell waith, mae prosiect da ond nid oes arian cyfatebol ar gael iddo.

The First Minister: I have already answered several questions on this in Plenary. We think that the match funding that is available in the system will be sufficient. That is an ambitious claim, and I may not be too happy that I made it, but the estimates that are available to us indicate that there is sufficient match funding in the system. We must remember that it is the responsibility of those people who put the projects forward to get hold of match funding. However, sometimes, there is a good project but the match funding is not available for it.

[166] Felly, mae rhyw fath o bot gydag arian pan fetho popeth arall. Nid ydym eisiau rhoi'r argraff i bobl bod arian ar gael bob amser, nid dim ond ar gyfer prosiect, ond o ran yr arian cyfatebol. Eu cyfrifoldeb hwy yn bennaf yw dod o hyd i'r arian cyfatebol, a hynny bron â bod cyn iddynt ddechrau. Fodd bynnag, derbyniwn nad ydym am weld prosiect da yn cael ei ddileu, neu yn diflannu, cyn iddo ddechrau am nad oes arian cyfatebol ganddo. Fel yr ydym yn deall y darlun ariannol ar hyn o bryd, mae digon o arian cyfatebol yn y system.

Therefore, there is a sort of pot with money of last resort. We do not want to give people the impression that there is always money available, not just for a project, but for match funding. It is mainly their responsibility to get hold of match funding, almost before they have started. However, we accept that we do not want to see a good project being cancelled, or disappearing, before it has started because it does not have match funding. As we understand the current financial situation, there is enough money available in the system.

[167] O ran sut i ddilyn y prosiectau a fodolai o'r blaen—ac yr oedd unedau y tu mewn i awdurdodau lleol yn hybu prosiectau i ennill arian o Ewrop—a sut y byddant yn gallu bwrw ymlaen i 2008-09 a thu hwnt, mae'n rhaid i'r drafodaeth honno barhau. Yr ydym wedi gwneud y brif egwyddor yn glir o ran sut y disgwyliwn rhedeg y system o wario arian cydgyfeirio dros y saith mlynedd nesaf: bydd yn fwy strategol. Hynny yw, bydd llai o brosiectau bach, a mwy o brosiectau mawr, strategol, a mwy o gydgyfylltu gyda'n rhaglenni llywodraethol.

As for how to follow on from the projects that existed previously—and there were local authority units to promote projects to win money from Europe—and how they can move forward to 2008-09 and beyond, that discussion must continue. We have made the main principle clear of how we expect to run the system of spending convergence funding over the next seven years: it will be more strategic. That means that there will be fewer small projects, and more large strategic projects, as well as more co-ordination with our governmental programmes.

11.10 a.m.

[168] Yr ydym wedi dysgu sut mae ffitio ein strategaethau o fewn blaenoriaethau Ewrop; mae lefel uchel o gytundeb rhwng strategaeth Lisbon a'n strategaethau ni. Yr ydym wedi dysgu gwneud hynny, felly nid oes rhwystr i gyfuno'r hyn yr ydym yn ei wneud fel Llywodraeth â'r hyn y gallwn wario arian o Ewrop arno. Mae mwy o droslap rhyngddynt yn awr nag y bu. Fodd bynnag, bydd llai o brosiectau bach a mwy o brosiectau mawr. Yr wyf yn gwybod y bydd tipyn bach o gwyno ynglŷn â hynny, achos ni allwch blesio pawb, ond dyna'r egwyddorion mawr.

We have learned how to fit our strategies into European priorities; there is a high level of agreement between the Lisbon strategy and our strategies. We have learned to do that, so there is nothing to stop us from combining what we do as a Government with what we can spend the money from Europe on. There is a greater overlap between them now than there was in the past. However, there will be fewer small projects and more large projects. I know that there will be some complaining about that, because you cannot please everyone, but those are the main principles.

[169] Yn ystod y broses ymgynghori, yr oedd y rhan fwyaf o bobl yn derbyn eich bod yn gorfod bod yn fwy strategol yn yr ail saith mlynedd na'r saith mlynedd gyntaf. Y perygl yw bod y strategaeth flaenorol o adael i bawb ddatblygu eu prosiectau o'r gwaelod i fyny, sef yr hen egwyddor, wedi cael ei goddiweddyd gan y strategaeth o fod yn fwy strategol. Golyga hynny y bydd llai o syniadau bach newydd a bydd ychydig o golled o ran pobl â syniadau da yn gallu dangos eu menter. Bydd colled ar yr ochr honno, ond yr oeddem yn meddwl ei bod llawer yn well i redeg yr holl beth mewn ffordd mwy strategol dros y saith mlynedd, fel bod llai o waith papur a biwrocratiaeth a mwy o arian ar gael i'r prosiectau eu hunain.

During the consultation process, most people accepted that you have to be more strategic in the second seven-year period than in the first. The danger is that the previous strategy of letting everyone develop their own projects from the bottom up, that is, the old principle, has been overtaken by the strategy of being more strategic. That will mean that there will be fewer new small ideas and that there will be something of a loss in terms of people with good ideas being able to show their initiative. There will be a loss in that respect, but we thought that it would be much better to run the whole thing more strategically over the seven years, so that there is less paperwork and bureaucracy but more money available for the projects themselves.

[170] **Nerys Evans:** Beth am yr amserlen am ffiltro gwybodaeth?

Nerys Evans: What about the timetable for filtering information?

[171] **Y Prif Weinidog:** Yr wyf yn deall bod yr holl wybodaeth ar gael ar y we. Felly,

The First Minister: I understand that all of the information is available online. So, we

yr ydym yn ceisio denu prosiectau drwy hysbysiad ar y we sy'n dweud: 'Dyma'n syniad ni. A oes unrhyw un yn eisiau cydweithredu gyda ni o ran hysbysebu ar y we?' Wedyn, byddwn yn penodi swyddog o Swyddfa Cyllid Ewropeaidd Cymru i fabwysiadu'r prosiect hwnnw a dweud, 'Mae hwnna'n edrych yn addawol. Mae sawl un wedi meddwl am wneud rhywbeth tebyg—yr ydym yn y Llywodraeth wedi meddwl am wneud rhywbeth tebyg. Beth am uno hynny?'. Mae'r dechneg o ddefnyddio'r we wedi datblygu i fod yn llawer mwy effeithiol yn ystod y saith mlynedd diwethaf, felly bydd yn allweddol i'n strategaeth o ddenu prosiectau a chydlynu ein blaenoriaethau ni â blaenoriaethau'r cymunedau yn yr ardaloedd cydgyfeirio a'u tynnu ynghyd yn y ffordd mwyaf effeithiol posibl.

[172] **Gareth Jones:** Diolch i'r Prif Weinidog am y cyflwyniad hwnnw a'r adroddiad. Yr wyf am godi'r un pwynt â Nerys, gan fod y mater wedi'i godi yn y Pwyllgor Menter a Dysgu. Yn eich cyflwyniad, dywedasoch o ran cronfeydd strwythurol fod gennych wefan a bod WEFO felly yn agored i geisiadau. Yr oeddech yn dweud, mewn ffordd, nad y maen prawf pwysicaf fyddai Llywodraeth y Cynulliad yn cymryd popeth ymlaen ei hunan—mae si mai Llywodraeth y Cynulliad fydd yn gyfrifol am bopeth; dyna sut mae rhai awdurdodau lleol yr wyf yn gwybod ychydig amdanynt yn gweld pethau. Yr wyf yn falch o glywed bod y sefyllfa yn dra gwahanol: mae rhyddid i unrhyw un wneud cais, o'r sector preifat neu gyhoeddus, cyn belled â bod y prosiect o ryw faint arbennig. Dyna'r maen prawf pwysig. Dylai'r wybodaeth am yr egwyddor honno fynd allan. Yr wyf yn derbyn ei fod yn gyhoeddus, fel y cyfeiriasoch ato, ond mae eisiau ei wneud yn fwy cyhoeddus, gan fod yr union bwynt wedi'i godi yn y Pwyllgor Menter a Dysgu yr wythnos diwethaf. Yr wyf yn falch o weld bod elfen agored a bydd y penderfyniad yn dibynnu ar natur y prosiect. Mae rhyddid i bawb wneud cynnig, ond mae ei lwyddiant yn dibynnu ar faint y prosiect a pha mor addas yw.

are trying to attract projects through a notice on the web stating: 'This is our idea. Does anyone want to collaborate with us in advertising online?'. Then we will appoint an official from within the Welsh European Funding Office to adopt that project and say, 'That looks promising. A number of people have thought about doing something similar—we in the Government have thought about doing something similar. What about bringing that together?'. The technique of using the web has developed into something far more efficient over the last seven years, so it will be key to our strategy of attracting projects and co-ordinating our priorities and the priorities of communities in the convergence areas, and bringing them together in the most effective way possible.

Gareth Jones: Thank you, First Minister, for that presentation and report. I will raise the same point as Nerys, as it came up in the Enterprise and Learning Committee. In your presentation, you said in relation to structural funds that you have a website and that WEFO is therefore open to bids. In a way, you were saying that the most important criterion is that the Assembly Government will not take everything forward itself—there is a rumour that the Assembly Government will be responsible for everything; that is how some local authorities that I know something about see things. I am glad to hear that the situation is quite different: anyone can make a bid, be they from the public or private sector, provided that the project is of a certain size. That is the important criterion. Information about that principle should be distributed. I accept that it has been made public, as you mentioned, but it should be made more public, because that exact point was raised in the Enterprise and Learning Committee last week. I am pleased to see that there is an element of openness, and that the decision will depend upon the nature of the project. Anyone can put forward a proposal, but its success or otherwise will depend upon the size of the project and its relevance.

[173] Yr ail beth yw eich bod yn cyfeirio at gynlluniau JESSICA a JEREMIE—JEREMEIA yn Gymraeg, efallai. Maent yn gynlluniau ardderchog ac yn addas, fel y cyfeiriasoch, i rannau o Gymru lle mae tir diffaith ac yn y blaen. Un o'r problemau mawr sydd gennym yng Nghymru yw ceisio adfywio neu gynnal ein cymunedau gwledig. A oes cynlluniau o'r math hyn neu a oes modd addasu JEREMIE ar gyfer busnesau bychain? Sut ydych yn gweld ardaloedd gwledig Cymru neu eraill yn manteisio ar y math hwn o gynlluniau?

[174] **Y Prif Weinidog:** Ar y pwynt cyntaf, byddem yn awyddus i gywiro'r argraff a roddwyd gennych mai maint y prosiect a fydd yn cael ei ystyried wrth i ni benderfynu p'un ai i gefnogi cynigion a wneir gan y sector gwirfoddol neu gan lywodraeth leol yng Nghymru. Nid dyna'r sefyllfa.

[175] Yr ydym yn gofyn i bobl roi ceisiadau ar y we yn gynnar er mwyn gweld a ydym yn gallu dod â syniadau a phrosiectau at ei gilydd gyda phrosiectau tebyg, yn enwedig o ran ceisio uno hynny â'r hyn y mae adrannau o'r Llywodraeth yn ei wneud gyda'r sectorau gwirfoddol a phreifat a chyda llywodraeth leol i weld a oes cytundeb. Fodd bynnag, mae'n rhaid cael man cychwyn, felly, yr ydym yn defnyddio'r we fel math o hysbysfwrdd i weld a oes gan lawer o bobl ddiddordeb mewn prosiect tebyg a gweld lle mae pedwar person neu bedwar corff yn awyddus i wneud rhywbeth yn yr un maes. Felly, os gallwn ddod â'r rhain at ei gilydd, gallwn ffurfio rhywbeth sy'n ddigon mawr i fod yn strategol. Felly, math o hysbysfwrdd yw'r we er mwyn dechrau'r broses.

[176] Hyd yn hyn, mae'r sectorau preifat a gwirfoddol wedi bod yn fwy cyflym na dwy ochr y sectorau statudol—llywodraeth leol a'n hadrannau ni—o ran cyflwyno syniadau ar y we.

[177] **Gareth Jones:** Ar y pwynt hwnnw, dyna'r camargraff, sef bod y Cynulliad yn arwain ar hyn.

[178] **Y Prif Weinidog:** Yr ydym yn deall yr ofnau. Deallaf os yw bobl yn meddwl bod

Secondly, you referred to the JESSICA and JEREMIE schemes—JEREMEIA in Welsh, perhaps. These are both excellent schemes and, as you said, they are appropriate for those parts of Wales where there is derelict land and so on. One of the big problems that we have in Wales is trying to regenerate or sustain our rural communities. Are there any schemes similar to this or could JEREMIE be adapted for small businesses? How do you see rural areas in Wales benefiting from these kinds of schemes?

The First Minister: On the first point, we would be keen to correct the impression that you gave that it is the size of the project that will be considered when we make a decision as to whether to support any proposal that has been made from the voluntary sector or from local government in Wales. That is not the case.

The purpose of asking people to put their bids online at an early stage is to see whether we can bring some ideas or projects together with other similar projects, particularly in terms of trying to link in with what Government departments are doing with the voluntary and private sectors and with local government to see whether there is agreement. However, you have to start somewhere, so we are using the internet as a kind of notice board to see whether a number of people are interested in a similar project and to find where four individuals or four organisations are eager to do something in the same area. If we can bring those together, then we can bring forward a project that is large enough to be considered strategic. So, we are using the web as a kind of notice board in order to start this process.

To date, the private and voluntary sectors have been swifter in their response than the two sides of the statutory sectors—local government and our own departments—in presenting ideas on the web.

Gareth Jones: On that point, perhaps that is the misconception, namely that the Assembly is driving this forward.

The First Minister: We understand the fears. I understand if people see that WEFO

WEFO yn perthyn i'r Llywodraeth ac os yw'r Llywodraeth yn dweud ei bod wedi bancio'r arian hwnnw, ni fydd neb arall yn cael cyfle gan y bydd wastad yn mynd i brosiect a enwebir gan y Llywodraeth. Fodd bynnag, hyd yn hyn, mae'r sectorau preifat a gwirfoddol wedi bod yn gyflym wrth roi eu syniadau hwy ar y we. Bydd swyddog yn WEFO yn mabwysiadu'r syniadau hynny a gweld a oes potensial o ran rhoi'r prosiectau hynny gyda rhai eraill er mwyn creu mäs critigol.

is part of the Government and the Government says that we banked that money, then no-one else will get a chance because it will always go through some project put forward by Government. However, to date, the private and voluntary sectors have been swift in bringing their ideas forward and putting them on the internet. Those ideas will then be adopted by a WEFO official to see whether there is potential in terms of bringing various projects together in order to create critical mass.

[179] JESSICA yw'r prosiect ar gyfer adfywio trefol ac mae JEREMIE yn rhoi cefnogaeth ariannol i gwmnïau bach a chanolig eu maint. Gallaf weld pam mae JESSICA yn cael ei hystyried yn fwy perthnasol yn y Cymoedd oherwydd yr ydych yn edrych ar hen bwl glo, hen waith cemegol neu hen glwstwr o chwareli gyda thir diffaith lle byddech yn creu ystâd busnes neu'r hyn a elwir yn 'bentref trefol'. Fodd bynnag, o ran cefnogi cwmnïau bach a chymedrol eu maint, nid oes gwahaniaethu rhwng y Gymru wledig a threfol o ran y potensial i gynyddu'r tyfiant ymhlith y cwmnïau bach a chanolig eu maint, felly, byddai JEREMIE yr un mor berthnasol i'r Gymru wledig ag ydyw i'r Gymru drefol.

JESSICA is the project for urban regeneration and JEREMIE provides financial support for small and medium-sized enterprises. I can see why JESSICA would be considered more relevant in the Valleys because you are looking at an old coal mine, an old chemical works or an old cluster of coal mines where there is a great deal of derelict land where you might try to create a business estate or what is called an 'urban village'. However, in terms of supporting small and medium-sized enterprises, there is no difference between urban and rural Wales in terms of the potential to increase growth among those businesses, so JEREMIE would be just as relevant to rural Wales as it would be to urban Wales.

[180] **Christine Chapman:** I note that in your report, in the part on the international relations programme, you talk about the Assembly Government identifying seven priority countries. I presume that that is in the 'One Wales' document. Are there any plans to extend that list? Could you say a bit more about the projects that you are undertaking in these countries and whether you feel that they are now bearing fruit and raising the profile of Wales? Obviously, time will not allow us to go through everything, but I just wondered if there was a specific project of note that you think is quite effective at the moment.

11.20 a.m.

[181] **The First Minister:** I will ask Gary to come in on some of the detail. We would be quite reluctant to extend it beyond the present seven countries, simply for capacity-issue reasons. I get approaches all the time when I visit Brussels. For example, an ambassador from another part of Europe, or from just outside Europe, but from a country hoping to become a member before long, will sidle up to me and ask, 'We like your approach; can you do a memorandum of understanding with us?' You cannot really decline, but you are reluctant to consider extending it beyond the seven, when we already find it difficult to ensure that all seven are humming and buzzing and going with vim and vigour. They will all go through quiet patches. For example, Baden Württemberg, the area around Stuttgart in south Germany, was very lively about seven years ago, but it is much less so now. Brittany was not particularly active, but I think that it is getting very active now, and there is a very strong commitment by the Bretons and us on that. Catalunya goes through different phases. So, trying to ensure that all seven function in civil society, as well as in the official channels of Government to Government, is quite a big job. Gary, what would you like to say about the

state of play? Chongqing, I suppose, is the star turn at the moment. It is the most unlikely one, but, then again, it is the one that is going best in terms of activity. It is really buzzing.

[182] **Mr Davies:** As the First Minister said, the relationships that Wales has with regions and countries overseas varies enormously in terms of the level of activity and productivity. We have had some of these relationships for 15 years, and they have come and gone. For example, there has been a change in administration in Catalunya, and we have had recent discussions with the officials in its international relations department and have agreed that we will now look to reinvigorate the relationship. However, it has to be on the basis of a mutual benefit to Catalunya and ourselves, and that is the approach that we are now taking. You can sign a piece of paper with a wish list of things, but unless there is mutual benefit, it will not work. It has to be meaningful. The First Minister mentioned Chongqing—that agreement was signed 18 months ago, and it is the strongest, deepest and widest relationship we have. However you want to describe it, compared with some we have had for 15 years, it is going really well. So, we are now looking at the relationships that we have in a more pragmatic way to see what the benefits for Wales are, and the relationships are much more mature, honest and frank. If the relationship is not working, we have to accept that and look at the reasons why, and if it is not going to work, we put it to one side and move on. It has to be an adult relationship that provides mutual benefit. That is what we say to other countries and regions, and everyone we speak to appreciates that. That is the basis on which we are moving forward in terms of the relationships.

[183] On the seven priority countries, what we have done is to work with other Welsh interests within the Government, such as International Business Wales, Visit Wales, and externally as well, such as with the higher education institutions, the further education sector, to see where our interests coincide. It is a simplistic approach, with a matrix identifying the countries that Europe is most active in or targeting. These seven countries are the ones that come out on top. Not all of them are of interest to all the partners. For example, France and Germany have less interest in the higher education sector, because they do not get the fees that they would get from students coming from China or India. However, these are the seven countries where we have identified sufficient common interest for us to take a corporate approach. We are trying to look at how we can pull all of this together to produce material of a generic nature, which will help all the different partners in these countries, and to look at what corporate action activity we can take and lead on in order to raise the profile of Wales, with the benefits for all these partners. So, it is early days and we are focusing on China at the moment, and we are hoping to then roll that out to the other countries. The identification of the seven countries does not mean that we are abandoning or ignoring all the others. We will always look for the opportunities to develop these relationships or to look at a corporate strategic approach. International Business Wales, for example, will have other target markets that it will be focusing on, as will the education sector. So these are the seven countries where we have identified corporate activity and action, and we stopped at seven because, as the First Minister said, there is a capacity issue. However, if the opportunity arises in any other country, then we would go for it. This year is the fiftieth anniversary of Malaysia's independence, for example, so we took advantage of that and worked with the British High Commission out there to do something about Wales. It is about being flexible and not being too rigid in our approach.

[184] **Sandy Mewies:** Thank you, Gary. Jeff, you are the last speaker. I ask you to keep your question brief and I ask for a brief answer, because I know that we all have other meetings to go to at 11.30 a.m..

[185] **Jeff Cuthbert:** I can be brief because much of it has been dealt with. Going back to the structural funds, we know that the Lisbon agenda, in terms of developing skills, business infrastructure, and research and development, is a key strategic driver, especially in convergence and the other structural funds. My question is about the role of the private sector.

We were praised, quite rightly, under Objective 1, for the level of match funding that we secured from the private sector. Nevertheless, there was a feeling that the private sector was not engaging as much as it could have done. I think that it is crucial that the private sector is fully involved and fully on board with the new round of European structural funds, especially on the small business side, as well as the Confederation of British Industry. I just wonder, at this stage, if there are signs that the private sector is engaging and how we are going to keep the sector on board.

[186] **The First Minister:** I think that it is slightly early to give an analysis of that or a comparison of whether it will be better than in the first seven years. There was a lot of misunderstanding the first time around that it would be a parallel form of, or a separate scheme of, regional selective assistance, or a separate Assembly investment grant and so on. However, we ran specific export assistance schemes and the Wales Tourist Board ran a scheme for putting in en-suite facilities and other improvements. It was easy to explain in tourism terms, but not so easy on the industrial front, because people knew that there was already regional selective assistance and wanted to know what this one was. Was it something that you had to apply for separately, or together with RSA? There was also SMARTCymru—the innovation prizes or schemes that we had.

[187] On business premises, the techniums were built with a lot of assistance. Other business premises, of a slightly non-commercial or non-conventional commercial kind, were also built with a lot of Objective 1 assistance. However, people in the private sector did not, perhaps, understand what the package was, or what the overall availability was, so they still had this feeling that they were being denied something that they ought, by rights, to be getting from Objective 1. I do not think that we oversold it, but it just got oversold somehow, as a magic wand that was going to transform everything.

[188] On this occasion, I think that people have much lower expectations—they do not expect a magic wand. I do not think that I would yet be in a position to say, ‘We think that the private sector is going to get more out of it’. We certainly want to bring the private sector more into it, but we already have a lot of schemes that cover almost everything that the private sector could wish to use in order to expand, be that through better products and processes or through more innovation and research and development, or better skills. If you asked, ‘What is the difference between the last seven years and the next seven years?’, the answer would be that there will be more emphasis on the human side of it. In other words, there will not be so much about building, but much more about skills development.

[189] **Sandy Mewies:** Thank you, First Minister. There are a couple of points that I would like to make. The Government is considering its response to the consultation on the EU budget review, which must be completed by April 2008, and its response on the future of the cohesion policy, which must be completed by January 2008. Would it be possible for us to have an update on those issues in the spring term?

[190] Commissioner Wallström is visiting in January 2008 and I think that we, as a committee, would appreciate it if we could be involved in that visit in some way, because we have found it so useful in the past. Could that be given some consideration?

[191] **The First Minister:** Yes.

[192] The budget review is a very strange animal in that, in theory, the budget is now fixed for seven years until 2014, but a little footnote was insisted on by Tony Blair, because he knew that it would be difficult to sell the budget in the UK if there was no commitment to do anything about the common agricultural policy in the interim period. There is, therefore, an agreement that there will be a budget review. How it is going to go, we do not know.

[193] On Margot Wallström's visit, she is terribly keen to come, but I do not know when that visit will take place. We do not have a date for it as yet.

[194] **Mr Davies:** We are looking at January.

[195] **The First Minister:** Okay. We managed very well last time using the videoconferencing technology—it went remarkably well—but she wants to come and we want to have her over here. She is brilliant.

[196] **Sandy Mewies:** Thank you all for attending. It has been a busy meeting and I know that we all have other meetings to go to after this one. Thank you.

*Daeth y cyfarfod i ben am 11.30 a.m.
The meeting ended at 11.30 a.m.*