



**Cynulliad Cenedlaethol Cymru
Y Pwyllgor Datblygu Economaidd a Thrafnidiaeth**

**The National Assembly for Wales
The Economic Development and Transport
Committee**

**Dydd Mercher, 8 Mehefin 2005
Wednesday, 8 June 2005**

Cynnwys Contents

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau Introduction, Apologies, Substitutions and Declarations of Interest.....	3
Uno'r Cyrff Cyhoeddus a Noddir gan y Cynulliad (Cymdeithas Llywodraeth Leol Cymru a Chyddfederasiwn Diwydiant Prydain Cymru) Merger of Assembly Sponsored Public Bodies (The Welsh Local Government Association and the Confederation of British Industry Wales).....	4
Uno'r Cyrff Cyhoeddus a Noddir gan y Cynulliad (Undebau) Merger of Assembly Sponsored Public Bodies (Unions).....	18
Uno'r Cyrff Cyhoeddus a Noddir gan y Cynulliad (Deddfwriaeth) Merger of Assembly Sponsored Public Bodies (Legislation)	28
Adroddiad y Gweinidog Minister's Report.....	33
Cymorth Rhanbarthol Dewisol Regional Selective Assistance	41
Cofnodion Cyfarfodydd Blaenorol Minutes of the Previous Meetings	45

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 o'r Cynulliad yn bresennol: Alun Cairns (Cadeirydd dros dro), Leighton Andrews, Andrew Davies (y Gweinidog dros Ddatblygu Economaidd a Thrafnidiaeth), Janet Davies, Tamsin Dunwoody-Kneafsey, Lisa Francis, Elin Jones, Carl Sargeant, Kirsty Williams.

Swyddogion yn bresennol: Martin Evans, Cyfarwyddwr y Rhaglen Newid; O Gwyn Griffiths, Cynghorydd Cyfreithiol i'r Pwyllgor; David Pritchard, Pennaeth Grŵp Datblygu Economaidd a Thrafnidiaeth; Robin Shaw, Prif Weithredwr Trafnidiaeth Cymru; Peter Sims, Masnach a Buddsoddi Cymru; Rob Williams, Masnach a Buddsoddi Cymru.

Eraill yn bresennol: Steve Thomas, Cymdeithas Llywodraeth Leol Cymru; Dr Kevin Bishop, Cymdeithas Llywodraeth Leol Cymru; David Rosser, CBI Cymru; Gareth Howells, Prospect; Howard Marshall, Unsain.

Gwasanaeth Pwyllgor: Siân Wilkins, Clerc; Sarah Bartlett, Dirprwy Glerc.

Assembly Members in attendance: Alun Cairns (temporary Chair), Leighton Andrews, Andrew Davies (the Minister for Economic Development and Transport), Janet Davies, Tamsin Dunwoody-Kneafsey, Lisa Francis, Elin Jones, Carl Sargeant, Kirsty Williams.

Officials in attendance: Martin Evans, Director, Change Programme; O Gwyn Griffiths, Legal Adviser to the Committee; David Pritchard, Head of Economic Development and Transport Group; Robin Shaw, Chief Executive, Transport Wales; Peter Sims, Trade and Invest Wales; Rob Williams, Trade and Invest Wales.

Others in attendance: Steve Thomas, Welsh Local Government Association; Dr Kevin Bishop, Welsh Local Government Association; David Rosser, CBI Wales; Gareth Howells, Prospect; Howard Marshall, Unison.

Committee Service: Siân Wilkins, Clerk; Sarah Bartlett, Deputy Clerk.

*Dechreuodd y cyfarfod am 9.07 a.m.
The meeting began at 9.07 a.m.*

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

Ms Wilkins: In the absence of the Chair, we have had two nominations for a temporary Chair. One is Carl Sargeant, and the other is Alun Cairns. Would Members please vote to elect a Chair for the first part of the meeting?

*Penodwyd Alun Cairns yn gadeirydd dros dro.
Alun Cairns was appointed temporary chair.*

Alun Cairns: I apologise to everyone for the delay in starting the meeting, and I thank everyone for giving me the opportunity to chair the meeting temporarily until Christine Gwyther returns.

I welcome everyone to the meeting, and I remind you that you have the opportunity to speak in Welsh or English. Headsets are available to members of the public for translation and amplification. I remind everyone to switch off mobile telephones and any other device they may have that might interfere with the electronic equipment. If the fire alarms go off, the ushers will escort us in the necessary direction.

We place on record our appreciation to Jenny Randerson for her contributions to the committee, because she has now left this committee to go on to another committee. In her place, we welcome Kirsty Williams, who was nominated and supported by the Assembly in Plenary yesterday. There is no doubt that she will want to play as full a part as Jenny did in the committee.

9.10 a.m.

**Uno'r Cyrff Cyhoeddus a Noddir gan y Cynulliad (Cymdeithas Llywodraeth
Leol Cymru a Chyddfederasiwn Diwydiant Prydain Cymru)
Merger of Assembly Sponsored Public Bodies (The Welsh Local Government
Association and the Confederation of British Industry Wales)**

Alun Cairns: Item 2 takes us on to today's theme of the ASPB merger. Representatives of the Welsh Local Government Association and the Confederation of British Industry are here to give evidence. I thank you all for your papers. I ask those presenting to introduce themselves and to give a quick summary of the papers so that Members can question you on your views accordingly.

Mr Thomas: I am Steve Thomas, director of the Welsh Local Government Association.

Dr Bishop: I am Kevin Bishop, head of regeneration and environment at the WLGA.

Mr Rosser: I am David Rosser, director of CBI Wales.

Alun Cairns: Mr Thomas, would you like to start?

Mr Thomas: To state some fundamental principles—and I do not want to come in here like Kevin Morgan on speed—we are trying to present a response to this document and not to the overarching debate about quangos. We were fully supportive of the Assembly's taking on board the Assembly sponsored bodies and of the proposals that emanated from the Assembly Government. We have some philosophical differences in terms of how that will be undertaken, and we have debated those differences. We now have the 'Making the Connections' consultation document, and we want to make sure that the local government voice is heard during the consultation process.

In broad terms, the document sets out clearly the new structures that will emerge within the Assembly with the merger of the sponsored bodies. There are things in the document that are very welcome. For example, the establishment of a state aid unit is, from our point of view, overdue. It is key to the 'Making the Connections' debate, and we would seek clarity on local government's involvement with that. Local government is embracing the 'Making the Connections' agenda. We are already getting caught by some of the state aid regulations because of some of the contractual mechanisms that we are putting in place, and, therefore, we need clarity on that.

We are also keen to ensure—particularly from a council point of view—a continuing and profound role for the regional offices of the Welsh Development Agency. I started in local government in the 1980s as an economic development officer. There was a chap called Ed Banton, who worked with the district council and with whom I worked, and I thought, for four years, that he was a member of our council but he turned out to be working for the Welsh Development Agency—relationships were that close. Relationships such as those on the ground make for good government and good economic development in terms of some of the things that we have pulled together.

In terms of some of the other things in the consultation paper, we note the proposal to set up advisory panels to the Assembly on various subjects relating to the sponsored bodies. We are pleased to see that they are independent of Government. We are also pleased to see that there is a public appointments process. However, we ask that stakeholders be put on those panels. We would find it odd, for example, to have a tourism advisory panel without local government representation. Local government has a huge interest in tourism in Wales; every local authority has a tourism section, and stakeholder representation needs to be put in place.

We also seek clarity regarding the future of the regional economic fora in Wales, which is raised as an issue in the paper. There are many in local government who feel that the regional economic fora are positive. They have been in place as partnership mechanisms over many years. The north Wales forum is often cited as an example of good practice. The mid Wales partnership also does some excellent work, as do the other fora. The regional map in Wales is currently somewhat confusing—he says with a classic sense of understatement. We hope that, as it develops, the spatial plan will bring more clarity to that map. The regional dimension is key to this debate.

Another issue that I would like to raise about the merger is that I was never of the view that the WDA was staffed with 2,000 potential Sir Harvey Joneses and that the entrepreneurial spirit would be stifled as soon as it came into the Assembly. My view is that the framework in which these organisations operate is key, and that that type of framework allows freedom of action and thought. I would hope that, for example, the scheme of delegations from the Minister to the new agencies will be published. The local authorities publish a scheme of delegations with regard to planning decision and development control, and the decisions that officers can take at a localised level are very clear. I would hope that that remains in place in terms of the WDA. As for the Wales Tourist Board, from our point of view, linkage has been profound, but our major concern is with the WDA.

Alun Cairns: Do you have anything to add, Dr Bishop?

Dr Bishop: I have nothing to add at this stage.

Alun Cairns: Do you have anything to add, Mr Rosser?

Mr Rosser: Thank you for the opportunity to speak to the committee this morning on a subject that has occupied a great deal of the CBI's time over the past 12 months. We have provided the committee with copies of our response to the initial announcement last July, and our response to the formal consultation, 'Making the Connections'.

Throughout the CBI, members are focused on the outcomes that business would like to see from the merger process rather than the structures that should be put in place. The priority must be to identify the support services that business wants, and the policies that will have the greatest impact on the Welsh economy. These outcomes should then drive the structures that are put in place to deliver to agreed service levels.

On the perspective of individual businesses, the key questions that need to be answered by the end of this process are: how can businesses identify the services that are on offer; where should they go to get them; what service levels can they expect; and where do they turn if they do not get the levels of service promised?

It is also important to ensure that, aside from delivering for individual businesses, the resources spent on economic development in Wales are spent effectively, so that they have the maximum impact. Some of the issues that seem key in this respect are: how to get expert external advice into the policy-making and delivery process while keeping track of the wider

economy; an evaluation of the impact of the various products and services that are provided to business; and establishing some form of baseline for delivery and the monitoring of customer-service levels to track improvements. This information will be of interest to businesses and their representatives, but also to the Government in assessing the effectiveness of its programmes and to this committee in exercising its scrutiny function.

Following the initial announcement last July, we have had extensive discussions with the Minister and officials, and we are encouraged that a number of the points made by the CBI and other business organisations has been recognised in the report and the responses to the consultation. We are further encouraged that the Assembly Government states that it will build a number of these points into its development of the new departments.

However, there is little by way of detail on how the proposals will be implemented. We are now at the stage where we can say that delivery is all. An intention to do something may not always translate into action at all levels in an organisation. Indeed, we need to see the detail to see whether we mean the same thing. For example, the CBI talks about a ‘customer satisfaction survey’; the Assembly Government talks about a ‘stakeholder survey’. These may be very similar or completely different. There is not enough detail at the moment to understand where we are going.

Delivery will also be affected by the culture that develops within the new departments. There is little point in devolving decision making if the culture in the organisation does not support those officials taking the decisions, and if the processes get in the way.

So, to summarise, at this stage of the process, we are encouraged by what we have heard, but there is much yet that we do not know.

Alun Cairns: Minister, would you like to add any comments at this stage?

Andrew Davies: Thank you, Chair. I thank David and his colleagues. I know that the CBI has been representing other business organisations, and, as David said, I have actively engaged with the business community and other stakeholders since the First Minister’s announcement on 14 July last year. I know that the business community was very sceptical about the decision, but I hope that the nearly 50 meetings that I have had with the CBI and a range of other business organisations and stakeholders have shown that we are very committed to delivering a commercially orientated, customer-focused service as part of the new Welsh public service. I am grateful for the CBI’s contributions, and the others that we have received in those 50 meetings and more and the formal consultation. From what David said, I take it that the organisations feel pleased that many of their points, including the issue of customer satisfaction, have been taken on board, as well as what customers can expect from the new Welsh public service.

9.20 a.m.

I would see the stakeholder survey as equalling customer satisfaction—that was very much part of what we intended to do. I agree wholeheartedly with many of the WLGA’s points, for example, on expert advice. I do not adhere to this idea that the civil service, or politicians, are the sole repository of advice; we need a robust system of challenge, as well as advice. I am wholly committed to that, and I will deliver on it. Also, in terms of baseline for delivery, we will make the system more transparent than it is at present. I have said publicly that, at present, the WDA and the Wales Tourist Board come to this committee twice a year, but, in future, I, as Minister, will be fully accountable for all the decisions that will be made by the new economic development and transport ministry on a three-weekly cycle, as well as through all the other systems of scrutiny. Therefore, I am committed to ensuring that our systems are more transparent than they are currently, and that, as a Minister, I am fully

accountable and that, as a Government, we are fully accountable for the decisions that we make.

On David's detailed points, these will emerge increasingly over the next few months. This is a huge change-management programme. As I said, we have included not only stakeholders but staff in the existing ASPBs and the Assembly Government, and we will now publish, over the next month or two, the detail of the new organisational structures—the management structure, and so on. We have appointed headhunters to recruit the heads of the new economic development and transport ministry and the new education and lifelong learning ministry. We hope that those appointments will be in place by early autumn. David is retiring, regrettably, next April, but he will work in harness with the new director of the economic development and transport ministry up until the formal dissolution of the ASPBs and the coming into operation of the new structures on 1 April next year.

Alun Cairns: Thank you, Minister. Could you clarify when you would expect this new appointment to be completed?

Mr Pritchard: We are hoping that the appointment will be made in September. After that, as people know, it very much depends on what deal can be cut with the person's current employer, but hopefully it will be October or November.

Elin Jones: I have questions for the WLGA and the CBI. I wish to explore in more detail how you would like to see the regional delivery of services. I sense that there is more of a question mark, in the CBI's view, over the role of regional delivery and which particular services should be delivered at a regional level, and which should be kept at a national level, so perhaps you can expand on that for me. The WLGA seems to have more support, in practice and in principle, to the regional delivery of services. However, I wish to ask you specifically about tourism, which has not previously been a service that has been delivered regionally to businesses. Do you have any thoughts on how you would like to see the tourism aspect of the new structures delivered at a regional level, if at all?

I have a question to the CBI, but the WLGA may also want to comment, on the integration of training with business development. I have heard the CBI commenting on how appropriate to businesses the training that is available, and the support for training that is available, from the public sector has been in the past. We have an opportunity here to break down some of the barriers that have existed between business development and training for businesses. There is an opportunity, but because they are going to be in two different departments of the Assembly, there is a chance that there will still be the same silo mentality and that they might still be separate. Do you have any comments on how the better integration of training for businesses and business development can be achieved from this process?

Alun Cairns: The regional dimension is extremely important, and it runs through all of the papers and the representations that the Welsh Assembly Government has received. May we deal with that first? Mr Thomas, I would like you to answer first, but I would like the CBI to respond as well, although Elin did not necessarily direct the question to the CBI.

Mr Thomas: From our point of view, with regard to the regional offices, in one sense, when putting this new structure together—and particularly with the WDA—you should build up from the regional offices; it should not be a top-down structure. From the local authority point of view, the engagement of regional offices with local authorities has always been very strong. It is a valued relationship, and it has meant that things have got done. In fact, we have had a situation where the WDA has also managed to engage in local community partnerships, which is very important.

From our point of view, with regard to the regional offices, we need clarification of their role,

and of what their delegated budget and powers would be, and those are subject to debate at the moment. They also need to be resourced to engage with the local authorities in their areas. They do that now through regional economic fora, but there is an element of local engagement that can clearly suck in resources. At the local and regional levels, there is also an increasingly crowded playing field, which many people find very complicated, and there may be some opportunities to examine that on the back of the ASPB mergers, and, equally importantly, the 'Making the Connections' document.

The regional dimension is the key to unlocking the success of the merger proposals. In one sense, we want to see limited change in that regard. We want to see the relationships that are the warp and weft of economic development at the local level continuing, and continuing to prosper, and we hope that there is not too much disturbance on the back of the ASPB mergers. However, we would need that overarching clarity.

Alun Cairns: We will stick with the regional dimension for now. Mr Rosser, do you want to respond with your views?

Mr Rosser: The guiding principle ought to be that services should be delivered against what is effective and efficient. Regional delivery will be the most effective and efficient for some services, and, where that is the case, that is where they should be delivered. For other more specialised services, such as equity finance, perhaps, it may be that a pool of expertise located wherever—currently Cardiff—is still the most effective and efficient way of delivering for businesses in other parts of Wales too. The guiding principle is that, if it can be delivered effectively and efficiently locally, it probably should be.

We would agree that the marketplace is becoming crowded, given the number of groups being set up at various regional levels around Wales. There are regional economic fora, there may be the potential for the spatial plan groups, and that is a crowded marketplace. When it comes to business representation, it is difficult for businesses to effectively engage and feel that they are making a difference in those groups. So, we are wary about the role of regional economic fora, for example, in the delivery of economic development services. We are more comfortable with the existing offices, such as the WDA. There is a desire to see things done locally, where that is the best way, and that should be the guiding principle.

Alun Cairns: Are there any further questions on the regional elements and structure?

Tamsin Dunwoody-Kneafsey: Very specifically, David mentioned that there is a lack of engagement with the private sector within the economic fora; Steve said that this is a very good forum, and I sat on the south-west Wales economic forum for some time. There is a lack of expertise being fed in at that level, which directly affects your ability to deliver. How do both of you see that playing out? For example, we have had issues with the local regeneration fund, where that delivery has not happened, and how that direct input from the private sector into a strong forum could have affected and delivered in an area that has been seen to fail in the past.

9.30 a.m.

Alun Cairns: Who is the question primarily directed at?

Tamsin Dunwoody-Kneafsey: Both Mr Rosser and Mr Thomas.

Alun Cairns: Mr Rosser to answer first, then.

Mr Rosser: We have had CBI members on most of the regional economic fora around Wales. I have sat, and still sit, on the south-east Wales economic forum. We tend not to find them

terribly effective, from a business perspective, in terms of achieving much. We can certainly see the advantages in that they provide a vehicle for the various local authorities in the region to engage with each other and talk together—we see those merits. However, most members who sit on these groups are not quite sure what they are achieving. I think that if business is to properly engage with the regional economic fora, their purpose and powers need to be looked at and clarified. If we think that we have vehicles that have some teeth and can achieve something, business is far more likely to give of its time and to engage with them.

Mr Thomas: In terms of the regional issue and engagement, I think that the key issue is the fact that we have such a crowded marketplace. I think that the point that David is making is important, that we need some clarity regarding the different regional structures and their relationship. At present, we have the spatial plan setting up a regional structure, which is on a different spatial basis to the regional economic fora. To come back to a point made earlier, we also have regional tourism partnerships, which are different beasts to the regional economic fora because, in essence, they are limited companies and they have a delivery arm in terms of marketing and so forth. They have stakeholders, including the local authorities, but also private sector tourism operators. If you add to that the regional planning groups that we see in some parts of Wales, the regional waste groups, the regional transport consortia and so on, I think that we need to make connections at a regional level and get some clarity about the roles of the different bodies. From our perspective, the regional offices that we set up under the new merged departments are key, because they have a role to facilitate and assist local authorities through the community strategy partnerships. Steve has already referred to the work that the WDA does in terms of funding and so forth. We would like to see a more proactive engagement, whereby it is not just a matter of local authorities beating a door to those departments, but of those departments feeding into community strategy partnerships and so on.

Leighton Andrews: I just wanted to follow up on the point that Dr Bishop raised. You mentioned that there is a crowded marketplace, and one appreciates that, but you then went through a long list of organisations and got into things such as waste partnerships and so on. A number of these have been constructed for different reasons, historically, at different stages. Certainly, in what you might call the area of economic development—trying to strictly limit it for the moment—there may be reasons for trying to bring the economic fora, the tourism partnerships and so on together. Partly, it may also be a consequence of the fact that judgments have been made over time, particularly now that we have an Assembly on a national basis that we did not have when the local government structures were developed, that those local government structures were not appropriate for the delivery of a number of functions, where local authorities may have been too small to be able to deliver on their own at a regional level, which might be more appropriate. Is that not a fair comment?

Mr Thomas: From our point of view, in terms of the relative size of local authorities, there is an argument, which we are embracing, that there must be more joint working between local authorities. I do not particularly want to go down the route of a 1996-style full-scale reorganisation. If you want to make the connections and do the things that you want to do, the way to ensure that you do not deliver services for the next five years would be to do that. I was a reorganisation manager during the process; it kept me in gainful employment, but it was not that enjoyable.

From our point of view, in terms of the regional map, I think that our plea is not to look necessarily for neatness and tidiness, but for clarity, as there are so many different regional structures out there. This matter goes beyond the economic development field, as the police are based on regional boundaries and the local health boards have regional offices.

There is a whole range of different public bodies out there, and that requires some debate and examination, and your consultation paper highlights the fact that the role of regional

economic fora will be examined. I share David's view that it does need to be examined; if they are not properly engaging business at that level, then we need to find out why and how to address that. The danger is, of course, that we invent new structures on top of the existing structures to try to solve some of these problems. What we have to do is to try to make the existing structures work.

Alun Cairns: Mr Rosser, do you have any thoughts or comments on that?

Mr Rosser: One reason why business finds it less than productive to engage the regional economic fora is that it is very unclear what they are there to do. It is an issue of their clarity of purpose.

Elin Jones: Do businesses really operate on a regional level? Are they engaged on the regional level? I am thinking of businesses in Ceredigion, for example. Do they really buy into the idea of the mid Wales region in any way? I would guess that that is pretty similar for businesses in Brecon and Radnor. Do businesses there buy into the idea of mid Wales, or do businesses in the Flint area buy into the idea of the whole of the north Wales region? I am not sure whether we are trying to create something artificial that is not that relevant to individual businesses.

Mr Rosser: Unhelpfully, the answer is that it depends. It depends on the business and on the region. If you have a very local business, and you have a local authority that covers a sensible area such as Ceredigion or Powys, then engaging at the local level might be exactly what that business wants to do. If you are a medium-sized business in north Wales, you are probably not interested in Flint or Clwyd; you are probably interested, at least, in north Wales, and you are probably interested in north Wales extending to Chester, Liverpool and Manchester. So, sadly, I am afraid that the answer is that it depends.

Dr Bishop: I will just follow up on that, if I may, Chair. I would have thought that the businesses would be more interested in what the regional transport consortia and the local authorities are doing than, necessarily, in what the regional economic fora are doing.

Mr Rosser: I think that you are probably right. On issues such as transport and skills, for example, the regions that we have set up do not always match travel-to-work areas and do not always match labour pools.

Alun Cairns: I ask Mr Thomas or Dr Bishop to respond to Elin's questions about tourism.

Dr Bishop: The regional structures, the regional tourism partnerships, as I said earlier, are different beasts to the regional economic fora in terms of their organisational structures. They are also different in that they have a sort of delivery mechanism because they are involved in marketing and promotion. If you look across Wales, there is mixed experience, but they are bedding down and they are starting to develop and deliver, particularly in south-west Wales and in the capital region. The issue is how you can take some of those skills and some of that experience and perhaps ally it to what the regional economic fora are doing, and some of the regional planning groups and the transport consortia, and how they relate to the spatial plan reference groups, which is the point that we have been making through the consultation.

Alun Cairns: Mr Rosser, do you have any comment to make, or, Elin, do you have further questions?

Elin Jones: Just on the training.

Alun Cairns: That is the next item. Does anyone else want to pick up on the tourism issue?

Lisa Francis: Chair, I have a question on training for tourism. The CBI has expressed concerns about the idea that skills training and development should be brought under the economic development portfolio. Sorry, it is the reverse, rather: the idea is that it should be brought under the education portfolio. I am particularly concerned about tourism skills development, and I wondered whether you had any thoughts about which portfolio that should be brought under? Also, on the monitoring of organisations, you mentioned the regional tourism partnerships, Dr Bishop: how do you anticipate that they should be monitored in future, and do you think that monitoring ought to be carried out independently? The CBI has talked a lot about a customer satisfaction survey and a stakeholder delivery survey, and that is very important to keep the customer focus. Do you believe that the monitoring of that should be carried out independently?

9.40 a.m.

Dr Bishop: I was hoping that Mr Rosser was going to lead on this question. [*Laughter.*] In terms of the question on monitoring the regional tourism partnerships and so forth, it must relate to their terms of reference and their role, and also to what resources they are provided with. We would not want to see another level of performance indicators at a regional level, in addition to the performance measurement framework that we have at local authority level. We would like to see synergy.

Alun Cairns: Mr Rosser, do you have a comment? We can also include now the other questions that Elin had for you on training with business development.

Mr Rosser: I will talk about training first. I do not feel desperately well qualified to talk about tourism. Training for the tourism industry, which is so hugely fragmented, is a particularly difficult issue. To deal with training as a whole, I started off by saying that we had approached this from the perspective of looking at outcomes rather than structures. It would therefore perhaps be a little inconsistent of me to make a huge issue of the fact that training is going to the education and lifelong learning portfolio, and not into the economic development and transport portfolio. We do not have desperately strong feelings on it, but an opportunity may have been lost to formally link the two.

However, we are genuinely more concerned with the outcomes. We have put a lot of work into things such as the workplace learning review, which aims to put more power into the hands of employers when it comes to specifying training and what is delivered. We are looking with interest at the development of the sector skills councils, and how they start to engage with business, and whether that will improve the matching of the demand from employers with the supply from the public sector.

If training is to be put with the education and lifelong learning portfolio, there has to be real joined-up working between the two departments. We note and welcome a joint committee or working group chaired by the two Ministers, but that will not be enough. The two Ministers working together is fine, but we need the officials and the current employees of Education and Learning Wales and the WDA to work together at all levels in the structure for that to be effective.

Elin Jones: On that issue, there is quite a bit of support for the principle of account managers working with individual businesses to develop expertise, but that has only worked in the context of business development. Is there a role for that account manager to develop and take on the skills of working on the training aspects of that company, so that one person, who is the interface between the business and the public sector, provides the link into training, business development and all kinds of aspects of support that the business could possibly need? From an outcome point of view, that might be a development that this new process allows, which the previous set-up could not allow, because the bodies were independent.

Mr Rosser: I know, from talking to it that the regional development agency in the south-west of England is very much going down the route of the joint brokerage model. At the very least, the person who is the appointed account manager for a business should be able to talk knowledgeably about a company's training issues. It is probably asking a lot for them to be empowered to also deliver against that. However, at the very least, the account management concept should work at a brokerage level, and an informed brokerage level—not just in terms of getting Joe Bloggs to give you a ring.

On the independent monitoring issue—

Alun Cairns: Before we come onto that, Mr Thomas wishes to respond, but I ask him to be brief as we are tight on time.

Mr Thomas: I do not really care whether this is in the economic development or education portfolio, as long as it feels like regeneration out there—that is the important thing. One of the lessons that has been learnt from the group that has been set up to look at the Heads of the Valleys is that training does not just affect the private sector; it affects the public sector in a huge and potentially damaging way. In local government, we have mass shortages of certain professions, such as social workers, environmental health officers and planners. We also have the potential in the future to put in place some of the biggest capital projects that Wales has ever seen—they are much bigger than Objective 1 projects, namely the transfer of public sector housing stock. There could be up to £5 billion-worth of investment required to put that stock right. If we have economically inactive people in areas where the stock is about to be transferred, we need to start thinking about the training needs of those people to ensure that they can do worthwhile jobs in skills such as carpentry or plumbing—laudable areas that can keep people in gainful employment for many years. Putting aside the debate about the next round of Objective 1—we believe that this will be the focus of the next round of Objective 1—there is a massive skills issue, which goes across the public and the private sectors, and which requires some imaginative thinking.

Alun Cairns: Thank you, Mr Thomas. Mr Rosser, will you respond briefly to Lisa's question?

Mr Rosser: We are going through a process that is hugely disruptive, and which looks like it may be fairly costly. It was not called for by business and has not largely been welcomed by business. It is desperately important, therefore, that we achieve a better outcome. It is important for my members, for businesses, and for the Assembly. Therefore, it would be useful to have independent monitoring to ensure that we have a much better service at the end of it.

Alun Cairns: Minister, would you like to respond?

Andrew Davies: I will start by following David's last point. To be frank, as a Minister, I feel that the present system is not working as effectively as it should. The performance of ASPBs in terms of delivery for business is not what it should be, given the significant resources going in. That is the fundamental reason why the First Minister made his announcement last July. We are committed to improving the service received by the business community and other stakeholders. Steve made the point on behalf of the WLGA about the housing stock improvement, the capacity of the local authorities to deliver on that, and the synergy that that has with other areas, such as the skills agenda. We are committed, as a Government, to a joined-up approach, from a ministerial level in terms of our approach to policy and strategy, right down to account management. We all know that there has been a failure to co-operate, in many cases, in terms of the ASPBs, which is not acceptable, particularly when facing the challenges that we have in the Heads of the Valleys area. That is precisely why I launched the

Heads of the Valleys programme: to deal with the issues, because the present system was not delivering.

I agree entirely with David's comments about having outcomes rather than structures. I am not desperately concerned whether this is within economic development and transport or education and lifelong learning in terms of skills. The Government is committed to addressing the skills agenda, which is one of the most important issues.

Coming back to the regions, there are some conceptual points to make. The current boundaries, particularly for the economic fora, are arbitrary. They pre-date devolution and are based on the old WDA regions. There is a crowded marketplace, and the merger offers us an opportunity to analyse and rationalise. However, as you said, above all we need clarity. A clear distinction has to be made between the regional delivery of functions and services and the regional economic fora. We have made it clear that we are committed to regional or local delivery, so it is about national programmes delivered regionally or locally. David made the important point that they should be delivered in the most appropriate way; there may be some services that are best delivered regionally, there may be others that are best delivered at an all-Wales level. Where those services are physically located is a matter for the Government to discuss with customers and with our staff. There is a fundamental need to look at the role of economic fora. There is not enough challenge in the system. I get lots of letters and requests from regional economic fora, for example, on transport. I could give you a long list of examples where economic fora have demanded increased investment in road infrastructure but they always say that it should not be at the expense of any other road development in that region. I am not saying that that is irresponsible, but, because these are not decision-making or budget-holding bodies, there is not sufficient challenge in the system. We need to look at the role of the economic fora, and I wholeheartedly agree with the CBI submission on that.

9.50 a.m.

Leighton Andrews: I should have declared an interest in that my wife is a member of CBI Wales—of the council, I think; she is certainly an active member.

I have two questions, the first of which is to the CBI on the issue of accountability. You stressed the need, not only for political accountability, but also for customer accountability. Political accountability is relatively straightforward to define; customer accountability is slightly more complicated. You raised the question of the need for key performance indicators, but that only takes you so far in terms of an accountability process. Having got those key performance indicators, how does the process of being held to account to the customer take place?

The second question is to the CBI and to the WLGA, and relates to the panels, where the organisations have irreconcilable views. To caricature those views, it seems to me that the CBI is looking for expertise-based panels and local government is looking for stakeholder-based panels. That may be unfair, but judgments have to be made on these things, and I am not sure that they are reconcilable. Would you both please comment on that?

Mr Rosser: Our discussion of customer accountability was picking up the language that was used to justify the decision made last July. It was an attempt to remind all concerned that this was about delivering for customers. If we start to talk about service level agreements, we need to have a clear understanding of where a business goes to try to draw down a service that is being offered. This is also about understanding who has the power to make a decision and the timescales thought to be acceptable for turning around decisions. It is also about the right of redress, and to whom to turn when service levels fail. It is not much more complicated than that. Business would regard this as a service level agreement in a situation where there is a monopoly provider and the customer cannot go elsewhere.

Mr Thomas: In terms of the panel, I am not sure whether our views are irreconcilable, but I would be surprised if local government did not want to have its cake and eat it

Leighton Andrews: Could we have that in writing? [*Laughter.*]

Mr Thomas: You could use that as evidence against me. The WLGA is keen to see that there is local government interest on the advisory panels, whether through a public appointments process or through a principle of co-optees. To use tourism as an example again, I would find it odd not to have somebody with a local government background sitting on a panel dealing with tourism in Wales, bearing in mind local government's extensive role in tourism and marketing at a local level. That would seem strange. The public appointments process might achieve that. Another process might be to have public appointments, but also to co-opt people onto the panel from various stakeholder groups and allow those to inform the deliberations of the panel.

Mr Rosser: I am not sure that our views are that divergent on this issue. We understand the reasons behind the Nolan principles on public appointments and we think that advertising for people interested in sitting on these panels is good, in principle. Once you get into Nolan, however, it does stop you appointing people—or approaching people—to be on these panels. In the case of some panels, given the level of expertise required, you are unlikely to get such people responding to an advertisement in the *Western Mail* and going through that procedure. This will vary from panel to panel but we are now in this situation because we have been asked to find a number of businesspeople to sit on various regional spatial plan panels. There are three meetings in each round and three rounds a year, meeting between 10 a.m. and 2 p.m., and we would need one businessperson, I would guess, in each of the 10 local authorities in south-east Wales. These are not very effective ways of getting input from people who have day jobs, and who would like to give up some time if they thought that they were going to make a difference.

With too many of these groups being set up, it is not readily identifiable how they are making a difference. With a board, one can see that, and one has powers and budgets, and one can do something—well or otherwise. We need to give much thought, therefore, to precisely what these panels are to do, what powers they will have, and how the advice that will be given will be taken on board by the Assembly Government, and heeded and responded to. There is a danger that we set up talking shops. That does not have to be the case; we can set up effective panels here, and I hope that we put in place measures to enable us to do that.

Alun Cairns: Thank you, Mr Rosser. I support your comments. Initial experience within structural funding arrangements was that there was confusion in terms of each of the defined roles; that has been rationalised considerably since then.

Kirsty Williams: My experience in the NHS was that, when we came to recruiting people to serve on local health boards, we did not have the high-quality people that we would have liked to see coming forward. There were so many of them and so many positions to be filled, and we had the usual suspects rather than the suspects that we would perhaps have liked to have seen coming forward. Are you saying, therefore, that you do not believe that, as it is currently proposed, there will be enough of the right talented people coming forward to take up positions unless there is a clearly defined role for these panels? Coming new to this, and excuse me if it is a stupid thing to say, it seems to me that it is all being done backwards—that we have come up with the structures before we have decided what we want the structures to do. From the little economics that I have studied, it seems to me that we have put function before form, and this is all about form and then trying afterwards to decide a function for each bit of the jigsaw. I do not know whether that is an accurate reflection of what is happening.

Mr Rosser: There are two issues there. First, if one places adverts in the *Western Mail*, one tends to get the usual suspects coming forward. If you are to get other than the usual suspects, you should supplement your advertisement procedure with tapping people on the shoulder and identifying the right candidates with the expertise that you want, and being clear why you want them—the expertise that you want. If you can tell someone why you are asking them to come on board and what they have to give, you are far more likely to get them to buy in, because they feel that their time will be worthwhile. As to structure and form and function, most of the discussion that I have seen so far around this process has been around structures. I kicked off earlier this morning by saying that we were far more interested in outcomes. It is not clear to me that the effort going into structures, merging, harmonising terms and conditions of employment, and so on—all of which needs to happen—is being matched by evaluating what services are wanted by business, what is effective and what ought to be delivered. I am told that that is going on, but I do not see it. It may be going on, but it is not visible to me. That is where I am presently.

Mr Thomas: On your point about the public appointments process, there is a danger, and a propensity, to have a group of retired gentlemen sitting in a room—and they are usually retired gentlemen. From our point of view, that is why it is important to examine the principle of co-optees, for having—call them what you want, experts, or whatever—people who can sit on a panel and bring that level of expertise. Many of those people hold down day jobs, and it is difficult for them to go into the public appointments process. That has to be examined and considered.

Alun Cairns: Do you want to respond specifically on this, Minister, because there seem to be some common views across the committee on it?

Andrew Davies: Accountability is key. I agree with Leighton Andrews that political accountability is more straightforward, in many ways, to deliver and to explain. Customer accountability is more complex, but we have made this clear. I was pleased with the CBI's initial response to the announcement last July, when it talked about customer satisfaction, or service level agreements. I am wholeheartedly committed to doing that. However, to take issue with Kirsty, the problem was that, in the old public service, before the announcement, function did not dictate form. The public service decided what it felt it needed to give to the business community, the private sector, or any other service user. The whole guiding principle is that form follows function. I take the point that, as David said, outwardly, the emphasis has perhaps been on structures, but that is largely because a lot of the discussion with trade unions and others has been about their own positions. A huge amount of work is being done on the whole structure being outcome-driven.

10.00 a.m.

Alun Cairns: I would specifically like to know about the panel make-up and the thoughts on that. First, I think that Kirsty has a comment.

Kirsty Williams: Perhaps I am overstepping the mark in my first meeting, but that is certainly not what we just heard from Mr Rosser. Surely to goodness, the very people who should be driving the huge amounts of work that you are doing on your function are people in business, and if the CBI does not know that you are doing it, is that not worrying? The very people who should be involved in that discussion are the guys who are going to receive the service. Sorry, I am overstepping the mark.

Andrew Davies: On the subject of outcomes, the revision of 'A Winning Wales'—'A Winning Wales II'—is currently being undertaken, and that work is being done at a higher level, initially with consultation with the CBI, other business organisations and business and private sector stakeholders. That will inform what the high-level outcomes will be. The

structures or form will follow on from that. An example is the work that Glen Massey is doing as the launch director of the knowledge bank. At the moment, we have a plethora of programmes and products that the WDA and others are providing, which is not necessarily what business wants. The whole idea of the knowledge bank is to slim that down, so that we have the account management and systems in place to deliver on what high-growth potential companies want, whether that is at a high level with 'A Winning Wales', at a strategic level, or in terms of delivery. We are now ensuring that business will get the service that it wants.

Although the CBI and other business organisations are important, there are other interests in the private sector, such as the sectoral fora— aerospace, automotive, electronics and others. A huge amount of work has been, and is being, done on account management structure. The WDA did that previously, and that work is now being ramped up.

With regard to the advisory panels, there is too much emphasis on stakeholder involvement and not on expert advice. My preference is for panels that are based mainly on expertise and experience in a particular sector. I will look at the issue of tourism, but I do not know whether there is a very strong case for making an exception for one industry. I understand that the local authorities have an interest in tourism, but they also have interests in lots of other areas of the economy. There are fundamental issues concerning how you involve one stakeholder and not others.

Alun Cairns: Lisa, you said that you had some questions. Have those been covered, or do you have additional questions?

Lisa Francis: My question concerns cost savings. Vis-à-vis the merger, the WLGA said that figures concerning savings are very difficult to scrutinise due to their inherent vagueness. The CBI also highlighted concerns about the savings. Clearly, you are not satisfied that the cost efficiencies thus far, apparently identified as a result of the merger, are worthwhile or hold water. Is that a fair assessment? It has been stated that a net saving cannot occur where hidden costs outweigh the potential savings. I just wanted your comments on that. What you would like to see emerging and happening in the future?

Mr Rosser: I think that the comment that we made in our response was that savings of £10 million per year, I think, have been identified, but we found that we did not have the information to judge whether they were meaningful or challenging savings—£10 million out of what? It was a question of not having the information, I think. I suspect that my members would not thank me if I did not make the comment that they find the business planning behind this merger process, or the lack of it, rather mystifying and disappointing. A number of businesses have commented that were they to approach the Assembly for support or a grant, the planning and budgeting required of them would be of a rather different degree than what seems to have been behind this. The comment on the savings was that we just do not have the information to judge whether it is meaningful or not.

Mr Thomas: We used the term 'inherent vagueness'. This is not a business plan but a consultation document. It does not break down to the level of detail in terms of how the £10 million is physically constituted—it may be in Mark Evans's head, but it is not public knowledge at the moment. Until we see that, we cannot really come forward with any sort of robust view on it.

Alun Cairns: I think that it is fair enough to want to press the Minister.

Lisa Francis: What is your reaction, Minister, to what has just been said on that?

Andrew Davies: I understand that, as Steve said, this is a consultation document, not a business plan. The new combined economic development and transport function will have

almost 2,000 people. As I said, there is a huge amount of duplication of effort, for example in the work that Glenn Massey is doing in the knowledge bank. There is huge range of programmes and there is duplication in terms of ICT, personnel functions and others. Therefore, clearly, it is part of the merger process, but more importantly, after 1 April, we feel that there is a huge amount of scope for efficiency savings. We are not able to give the details at the moment because we are still finding out what functions are being delivered by the various bodies. There are nine work streams currently working on this process, therefore, at this stage, we are not able to give the details. Maybe David could comment because he has been more involved in the detail that is driving this.

Mr Pritchard: The specific £10 million figure relates overwhelmingly to management costs. Obviously, there are areas, such as procurement, beyond that. In addition—this is not a merger issue and I think that there is confusion here—there are issues, if one looks five, six or seven years ahead, as to what is appropriate for an economic development department to do in a modern economy, whether that concerns property, business advice, venture capital or whatever. Over time, the boundary between what is done by the public sector and the private sector is bound to change. That is natural. It will also contribute, over time, to savings.

Alun Cairns: I need to press you, Minister, and if you want to use Mr Pritchard, that is up to you. Ten million pounds has been identified, and, in the report to the committee on 9 March 2005, you provided a broad breakdown. For example, £4.7 million would be saved from the economic development and transport department. There must be a breakdown of what makes up that £4.7 million. Similarly, on corporate services staff costs, there is to be a £3.1 million saving. These are two significant areas of which there must be a breakdown. It seems to me that the committee and outside bodies are pretty interested in a much more detailed report than the one that has already been provided.

Mr Evans: A lot of work has been done on estimating costs in the process of planning the initial stages of the mergers, which included a detailed cost model that was the origin of the £10 million figure. We have asked, under the Freedom of Information Act 2000, for this information. We have put it all in the public domain; it is all there on the website. That is all the detail of the calculations

10.10 a.m.

That figure of £10.6 million is there. However, that is what was done at the initial planning stages. We are now putting in place the planning to ensure that we get the detail of that grounded and that we actually achieve those savings, and not only the financial savings, but also the service benefits. So, a lot of work is going on at the moment to construct a benefits realisation process to ensure that we get all that out. There is no problem about having that more transparent than it is at the moment; that is very much work in progress. So, we are determined that we will be able to come back and say, ‘These are the benefits, this is where they are coming from, and this is how we will monitor and make available that information’.

Alun Cairns: I have asked the clerk to make available the information that is already in the public domain, and which has been tabled under the Freedom of Information Act 2000. However, Minister, I ask for your assurance that you will make available to the committee the data that Mr Evans talked about.

Janet Davies: Briefly on that point, costs will arise from the merger, as they always do, and they are estimated at £10 million to £12 million over five to six years. However, the document says that that excludes any staff-related investment that may be necessary. Do you have any further information, since this was published, on the costs of the staff-related investments? Clearly, we will need to know what they are.

Mr Evans: There is not any information in a form about which I would want to say, 'These are more detailed and more reliable costings than what is already in the public domain'. However, that matter is also being worked on, and there is interaction, obviously, with the entire process of settling with the trade unions—working very closely with them—all the HR consequences of mergers, and the costs of that sit alongside the other costings that we have already done. All those data come out at the end of the process.

Alun Cairns: Are there any further questions? If the Minister has any brief closing comments, then that would be helpful.

Andrew Davies: No.

Alun Cairns: Thank you, Minister. I thank you all for giving your evidence, which is helpful. We will be sure to press the points that the committee has agreed on with the Minister.

10.12 a.m.

Uno'r Cyrff Cyhoeddus a Noddir gan y Cynulliad (Undebau) Merger of Assembly Sponsored Public Bodies (Unions)

Alun Cairns: For this item, I ask Mr Howells and Mr Marshall to join the table to give evidence. I welcome you both to the committee and ask you to introduce yourselves briefly. Then, immediately after you have had that opportunity, you can proceed into a very brief summary of the key points in your paper. You can take it for granted that Members have read the papers.

Mr Marshall: I am Howard Marshall, and I am head of Unison policy and campaigns for Wales.

Mr Howells: I am Gareth Howells, the officer for Wales for Prospect.

Alun Cairns: Mr Marshall, would you like to start?

Mr Marshall: Thank you, Chair. We have made available the Wales TUC response. We are not representing the Wales TUC here; we are representing the individual trade unions. First, I apologise for Geoff Evans's absence as representative of the PCS; he is at its annual conference this week, so, unfortunately, he cannot be here. We have used the Wales TUC response because that probably is the document that we have united around in terms of our broad response to the ASPB mergers. As you can see from the document, we broadly welcome the merger, and we have taken the view that the broad thrust of the parent concept of 'Making the Connections' is the right approach. There was a need, I think, to democratise the Assembly sponsored public bodies, and, on that basis, we have given it what could be called 'qualified support'.

The trade unions have tried to engage with this process, and I say here and now that we applaud the process that has been adopted by the Welsh Assembly Government because we have had a high level of involvement in the process since the First Minister's announcement in July, up to and including meetings with the First Minister and other Ministers. So, we have had a high degree of engagement, and we have no criticisms about the process. For Members' benefit, that would include the merger board that was established, and although that body is not meeting as frequently as it did, we have had various meetings and have had involvement with it. We have been provided with all the paperwork and information, so we have no criticism in that regard. We have also had involvement in the work streams. It has been very resource-intensive, and has stretched our capacity to engage properly, because, as you can

imagine, it is a fairly staff-intensive process. Nonetheless, we have managed to do that.

It is also worth noting that the scale of the merger, and the project ahead of us, is massive. It has been a very difficult thing to get a grip of, because although, on paper, it seems fairly straightforward to merge three organisations, and the further chance to merge that has come in afterwards, it is an extremely complicated process. The trade unions have tried to do two things. We have tried to engage at what I would call an operational level. Not only do we represent the interests of our members as workers within those organisations, including working within the Assembly, we also have a professional interest. Many of our members have a professional interest in the outcome of the merger, in terms of the quality of their new jobs that will be created in the new organisation, the kind of things that they will be doing, the engagement with business or engagement with stakeholders, whoever they may be. So, they have a very keen interest in that, and we have tried to articulate that in the work that we have done. So, that is one stream of this issue.

The other bit is the more traditional role that we, as trade unions, would perform, and that is around the human resources issues. We have tried to look at the obvious things in terms of how we ensure that the merger works correctly. We try to offer advice and expertise, working with officials and others to make that process work. We have established a joint negotiating forum. We thought that that was the obvious thing to do to try to bring together the various strands and, again, that is working very well and we are making progress. We are on the point of agreeing a deployment protocol, which will hopefully establish a framework in terms of how people will be fitted into the new structure. That has not been signed off yet, but it will be done imminently, hopefully. We are working through some of those obvious harmonisation issues, and the things that are associated with that.

On my role, I will try to summarise briefly for the committee the current issues that are outstanding. There is no getting away from the fact that there is an issue about staff morale, which we need to address. Again, that is not a surprise. In any kind of change process of this scale, you will have difficulties with staff morale. It is difficult to try to say to people 'Let's have business as usual' and to carry on almost as though nothing was happening. Clearly, this is a massively disruptive process for people, and it is very unsettling. So, staff morale will suffer and there is almost an inevitability about that, but it is about how you manage it. We are trying to find mechanisms to support people through this, but it is difficult, and no-one should underestimate the task.

Relocation is another issue. People will be aware that, aside from the merger process, there is an issue about regional delivery and the diversification of Government and its regional interface. That has now been mixed and integrated into this process. That was sensible, and we pressed for it, because it seems to be a little ridiculous to have a parallel process running when there is a clear impact on how the merger works. So, we have managed to integrate that, and we are working on this issue, but it has an effect on how people view where they want to be in terms of new career opportunities, and new career paths. What will their job be in the new structure? Where should they be located? That is difficult, given the current uncertainty.

I mentioned the deployment protocol, which has yet to be signed off. I think that we need to improve communication, and we are not saying anything that we have not said previously. One thing that undermines and begins to sap staff morale is uncertainty about where the future lies.

10.20 a.m.

The final issue—which my colleagues mentioned earlier—is funding. We are quite clear that there will be harmonisation costs, and a need to ensure that this process is adequately funded. That has yet to be determined, but we have made that point. Sorry if I went on.

Mr Howells: I endorse what Howard said regarding the situation. I came late to this process; I took over in February following the retirement of a colleague. I have been struck by the way in which it has been handled. I am impressed, coming from the private sector, by the way that this has been dealt with, though it is true that there have been difficulties. It is an excellent example of partnership working between the unions and the management involved. It is an excellent development; there have been difficulties, as Howard outlined, and there are issues that you have to deal with, but it is important that we give credit where credit is due for the way that things have been dealt with.

Kirsty Williams: Howard, I would like to ask you about some of the issues that you raised. This is all new to me, but do you have any idea of the number of potential job losses that we are looking at? The Minister stated earlier that 2,000 would potentially be employed by this new department, and that there would be huge duplication and overlap. In your working to date, can you identify how many people could lose their jobs as a result of this process? What do you estimate will be the cost of that? Mr Evans said that he does not know yet how much this will cost, but I suspect that, with your professional background and having dealt with situations like this before, you may have an idea of how much it will cost. A ballpark figure would be acceptable.

On the cost of the harmonisation issues that you mentioned, I would be interested to see more details regarding some of the complexities of pay harmonisation. I am also concerned about pensions. In the notes from previous committees, I see that the committee has expressed concerns about pensions, and about a potential deficit in the WDA pension. Could you confirm whether your negotiations have touched upon this, and whether your members will be harmonised into the civil service pension system, or whether they will be hung out to dry in a WDA pension system that has a huge deficit?

Is there any evidence, given the low morale, of staff not wishing to hang around any longer and deal with the uncertainty, and who are, therefore, leaving or looking to leave the organisations? Has there been an increase in the sickness levels or absenteeism, which would have an effect on the ability of the organisations to deliver their services in the run-up to the merger?

Alun Cairns: Could we take each of those questions in turn? I collected three sub-headings from Kirsty's questions. Could you begin with job losses?

Mr Marshall: We have been concerned about job losses, and that would be an obvious concern from where we started. In our document, indeed, in our response to the Welsh Assembly Government's parent document, 'Making the Connections', we said that we were happy to support the process, but that we were not prepared to fling ourselves into a project that would result in vast swathes of our members losing jobs. That is not just a protectionist approach, it is a genuine assessment.

While the workforce can be re-profiled and remodelled, and while change in the way that public services are delivered is almost inevitable, we are quite happy to engage with that, and accept that there will be economies of scale. Wales is a relatively small country. It has infrastructure that can be utilised and it makes sense for public bodies to co-operate. We have no problem with that. We can see that, in certain corporate functions, there may be opportunities to do things differently. We have no problem with that; but what we have said is that there is a trade-off for co-operation on that. The need to treat people properly and fairly could mean that, as one area contracts, another may expand, and new opportunities may be created, particularly at the front line. There have been discussions about trying to shift some of this delivery towards the front line more, so we may see more opportunities there. There may be different approaches to retraining and reskilling people to do different jobs. This

sounds easy, but it is a massive management task. We are up for that challenge; we said to officials and Ministers that we are happy to engage in that and to see that happen.

To answer your question, Kirsty, it does concern us that there could be significant job losses. This is not a secret as it was plastered across the *Western Mail* a week or two ago. The timing was not particularly helpful, as we were in the middle of the Wales TUC conference, but we had to address it, because our members were clearly very anxious and unhappy about the reports. We have talked to the First Minister about that and he has repeated his reassurance that that is not the intention. As a consequence, we asked him to provide a statement that would help to reassure our members, and he was prepared to do that. That statement was issued only yesterday afternoon, so I think that people are still digesting its contents. The key part of that statement is:

‘We are committed to avoiding compulsory redundancies’

and that the Government is committed to finding ways of managing that issue.

To pick up your specific point—although we do not know the figures, as we have not asked the question yet—we suspect that, once we get to the circumstance where we are at the point of merging, there will be individuals who may be at the right point in their career and who want to go, or who want to do something else. That is why a severance scheme to allow people to be released earlier or to do something different will be in place. We suspect, as I think management does, that a significant number of people may want to go. For those who want to work in the new organisation—and this is an important part of the First Minister’s statement—they should be found a job. I do not think that that is unreasonable. It would be criminal—a real waste—to see people effectively discharged, to lose people with skills and talent at a time when Wales needs that capacity and skill. So, hopefully, that answers the question, Chair.

Alun Cairns: Thank you, although I do not know whether it did.

Kirsty Williams: I will ask the Minister. Given that the First Minister has given the assurance that there will be no compulsory redundancies, can you repeat that assurance this morning? Also what estimate have you done of the cost of the severance deals for those people who do choose to go? How much will that cost?

Andrew Davies: We can circulate the statement if Members have not read it. I do not think that the First Minister has made a commitment to no compulsory redundancies, as far as I am aware.

Mr Pritchard: Obviously, the commitment is to do everything to avoid it, and that is absolutely right.

Alun Cairns: I am sure that we would not expect anything less than that. Minister, it might be useful if you could come in at this stage.

10.30 a.m.

Andrew Davies: I will clarify this point. Kirsty said that I had said that there was huge duplication, but I did not say that. I said that there is clearly duplication in terms of the merger process, and that some functions may be duplicated. These are issues in which the unions would be involved, and I thank Howard and Gareth for their compliments on how this has been handled. We have involved the unions in all aspects, and they are involved in the workstreams and the programme board, and the work at a departmental level that David is leading on. We do not have huge duplication; there will obviously be duplication in areas

such as human resources and information and communications technology across the Assembly Government, the WDA and the WTB. We are not expecting ‘huge job losses’, which is the phrase that was used. As Howard recognised, there may be people in the various organisations who, with the merger approaching, would wish to leave and explore other opportunities. That is what you would expect. I recognise that there is a huge amount of uncertainty, and not just for the staff who work for the WDA or the WTB. In fact, there is almost as much uncertainty among officials who work in the economic development and transport department, because this is a huge change-management programme.

There was a huge amount of uncertainty prior to the 14 July announcement. The organisation, design and development exercise—perhaps appropriately named ODD—undertaken by the WDA’s former chief executive, led to a huge amount of uncertainty. There was not the same degree of engagement with the unions and the staff in that process as there has been with the merger process. However, I accept that there is a huge amount of uncertainty. We have moved to work closely with the unions, and I am delighted that the first thing that the WDA’s board did, post the 14 July announcement, was to park the ODD announcement. The unions and the staff overwhelmingly welcomed that.

However, we want to move quickly now towards giving that degree of certainty. I mentioned the recruitment process for the new directors of the respective departments of economic development and transport and education and lifelong learning. That will then be quickly followed towards the middle or the third week of this month, by our looking at the senior management structures. We will, therefore, move quite quickly towards providing a greater degree of clarity and certainty for staff. In terms of the redeployment of jobs, looking across the whole Welsh public service—and the unions and others have raised this with us—there is the possibility of redeploying, for example, people working in economic development in the health service, or other parts of the Welsh public service. It will be a huge change-management programme, but we are committed to helping employees affected by the changes.

Alun Cairns: I have a question before I call on Mr Pritchard, who has indicated that he wants to add to your comments. In the cost savings that you have highlighted—the £10.6 million—is it fair to assume that there are some savings on staff costs, because of duplication? Whether it would be significant or not, it does not matter—there would be some. I think, therefore, that it is reasonable to ask you how many fewer roles you anticipate would exist as a result of the merger. There is no doubt that there will be voluntary redundancies, and that some people will transfer to other parts of the public service, but there would be fewer roles in the whole new organisation, and I think that it is fair to ask you to comment on that.

Andrew Davies: At the level, for example, of members of Howard and Gareth’s unions, we would not be able to give that detail at present. However, in terms of senior management, the structure will be announced around about 21 June, I believe. Therefore, we will know that level of detail about the shape of the organisation of economic development and transport and, I believe, education and lifelong learning, and the number of senior managers. There will then be a comparison between the proposed structure, or what will be the new structure on 1 April next year, and the current structures.

Mr Pritchard: Just to clarify the position, what the First Minister said, which there is no gainsaying whatsoever, is that we are committed to avoiding compulsory redundancies as a consequence of the merger. Following on from what Andrew said, every effort will be made to secure jobs for those who want them, in the Assembly civil service and, indeed, the wider public sector. That is the corporate position.

Alun Cairns: That seems only to confirm to me that there will be fewer roles in the organisation, and we need to get as much information on that as early as it can be made

available.

Elin Jones: I need to declare an interest—I have been reminded—as I have a WDA pension.

I want to follow up on this point about giving staff a degree of certainty about their future roles, jobs and prospects in the new organisation. If the senior management structure is going to be announced on 21 June, do you have a proposed timescale for a complete staff structure announcement—a transparent one, whereby staff will be able to see the roles in the previous organisations and the roles in the new organisation? When do you anticipate being in a position to publish internally and externally a complete staff structure? When do you expect to have appointed members of staff to those roles?

Mr Pritchard: I am probably in a better position to give some detail, and Martin will be able to offer a broader perspective. As the Minister said, I think that it is on 21 June that we are likely to publish the senior management structure. In the case of the economic development and transport department, and, I am pretty confident, in the case of the education and lifelong learning department also, we will publish an information pack on that day for staff. It will not tell them individually where they stand in that structure, but we aim to tell them in which location staff are working at the moment, the basic shape and size of the new organisation, and where those staff will be located. There will be very few changes from 1 April in terms of their precise location, but they will know the size of the teams, and which teams will make up the new organisation on the basis of the existing one. They will have that information and it will be the start of a major communications exercise. Indeed, yesterday, I was chairing a programme board with union representatives and colleagues, and we are working with the union representatives to ensure that the information packs work from the perspective of members as well as from the perspective of management. We are working together on that communication exercise. Therefore, the position should be clearer, but in terms of the precise filling of posts, I think that the process will continue into the autumn.

Mr Evans: The two things that people need to know, in terms of where they are going to be, are the detailed structures and the deployment protocol, as Howard Marshall mentioned, for how those posts are filled. A great number of jobs will be relatively unchanged, and people will simply move across and slot into those. Other jobs will be relatively unchanged, but, for example, people may find themselves in the common services department or IT, rather than the economic development and transport department. So that is another factor.

With regard to the detailed structures, the timing of getting the absolute details out will vary between departments. For example, on the communications side, there is the independent study on marketing and branding, which was in the consultation document. Therefore, the outcome of the structures there will emerge later than some others. However, basically, the detail of the senior structures has to be co-ordinated across the board. That will come out in a co-ordinated announcement, and individual departments will then take forward the detailed process of elaborating their structures and communicating the detail to their staff. We aim to make that process as short as possible.

Mr Pritchard: An important point, which I forgot to mention, and it is a key ingredient, is that, at the detailed level below the senior management level, there will be a period of consultation and participation with all 2,000 staff in the new economic development and transport department so that they can have an input into the process.

Alun Cairns: Are there any further questions on job losses? That is important, and there will be an awful lot of people watching the committee for that reason.

Andrew Davies: Kirsty asked a question about churn, or job losses since the announcement. My understanding is that, in the WDA, fewer people have left since July last year than in the

two previous years.

10.40 a.m.

Carl Sargeant: As you said, Chair, lots of people will be watching the committee meeting, and having been through the process of restructuring in a former post, I think that it is important that we send out the right message. The unions here today said that the consultation has gone extremely well and that it was a positive move. There are issues, but I do not want the message to go out from this committee to any members of staff working in these organisations that there will be job losses. That is not the message that we should be sending out. There are issues, but they are being addressed by the unions, the staff and the senior members of the organisations. It is about working our way through this. The reorganisation will be a challenging time, but let us not send out the wrong messages to people. That will only lead to insecurity and staff morale issues. That is an important message that we should be sending out.

Alun Cairns: Generally, I think that that is fair, but it is also fair to say that the people watching will want early and accurate information, therefore communication is key. We are still on Kirsty's questions, believe it or not. The second issue is on pensions and we need to move as quickly as we can, but it is obviously an extremely important issue. Mr Howells, do you want to respond on this? I am conscious that Mr Howells lead on the last point.

Mr Howells: Briefly, on the pensions issue, the difficulty is that there are a number of different schemes—I think that WDA staff are based in the old local government scheme. There are issues there. I think that the tourist board staff are in a national English tourist board scheme—I think that it is a different scheme altogether. So there are issues on the pensions, and it is a general fact that a lot of schemes are in deficit. That is the reality of the situation. As far as we are concerned, we want to ensure that our people do not lose out on the pensions side as a result of the merger. Discussions are ongoing, and I do not think that we can say anything more specific than that—we are still waiting for further details from the respective organisations about what will happen on the pensions side. I do not want to be alarmist and create an impression that the pensions situation is very bad—far from it. It is just a question of us needing to have further discussions, and to develop a way forward together to address the issues. I am optimistic that we can do that.

Alun Cairns: Minister, do you want to respond?

Andrew Davies: I think that that is a pretty fair reflection of the situation. As Gareth said, there are issues on HR, including pensions, that have to be resolved, but I think that there is a welcome engagement with the unions and a commitment to resolve this as quickly and as amicably as possible.

Lisa Francis: In respect of the gentleman's comment that Wales Tourist Board staff may be involved in a scheme that is run by the English tourist board, what work is being done to ensure that those pension schemes are brought in line with Assembly pensions?

Mr Evans: It is a British Tourist Authority scheme.

Lisa Francis: Okay.

Mr Howells: I stand corrected on that.

Lisa Francis: Thank you. I was just interested to know in what detail work is being carried out at the moment.

Alun Cairns: Minister, do you want to answer or do you want to seek support?

Andrew Davies: I think that either David or Martin can answer that.

Mr Pritchard: If Martin can answer, that would be fine. [*Laughter.*]

Mr Evans: Thank you, David. The pension schemes of the bodies coming in, and the arrangements, are being looked at. There are questions about what can and cannot be done. There is very little more that I can say about that, but the tourist board people coming in are being addressed on the same basis as WDA staff and others. The other non-economic-development staff who are coming in at the moment are already part of the civil service pension scheme, therefore the matter does not arise.

Lisa Francis: Did you have a timescale in mind about when that information could be imparted to staff?

Mr Evans: No. Obviously, it will be as soon as the matter is resolved. Everybody is keen to resolve it and to get the position clear and to communicate it to staff as soon as possible. However, I do not have a timescale for that—we are in other people's hands.

Kirsty Williams: What is the figure for the deficit on the WDA side of things? I am asking for a ballpark figure. Is it less than £30,000, more than £100,000, £45 million, £100 million?

Mr Pritchard: You answer, Martin, if you have the precise figure.

Mr Evans: I do not.

Mr Pritchard: It is in the millions, but it is a deficit of the local government scheme—

Kirsty Williams: Is it less than £45 million, over £45 million, over £50 million?

Mr Pritchard: It is about £40 million.

Mr Marshall: It is £4 million, I think.

Alun Cairns: Hang on a minute. We are getting lots of figures. If we ask questions to the Minister, it is fair to note that we would not expect the Minister to have all the details to hand. However, if he wants officials to answer, then that is fine.

Andrew Davies: We will come back on that. We will give the information to the clerk.

Alun Cairns: Is it realistic to ask for that figure after the coffee break?

Mr Evans: It should be possible.

Alun Cairns: Fine, because, depending on the scale, there is likely to be a long-term funding issue that we might want to return to. The questions on pensions, up to now, have focused on benefits, which is right and fair for staff and employees, but there is a strategic issue of funding for the Assembly Government if the deficit is of a scale of tens of millions of pounds, which it may well be, by the sound of it.

Mr Marshall: Just to help, Chair, if I can; I am no expert on pensions, but as I understand it, at one level, the process should have been fairly straightforward in that, within the public sector club of pension schemes, it is possible to transfer one to the other fairly seamlessly. I think that what has happened, as a result of the general downturn in pension schemes, to

which Gareth referred, is that, when the matter was tested, to take the WDA example within the RCT pension scheme, there was a deficit—I do not know the exact figure, but, obviously, officials can ascertain that. Some Treasury advice was then discovered with regard to block transfers. Of course, in most instances, you are talking about a handful of people transferring or even individuals transferring, but with a block transfer, different rules apply, and the Treasury rules require some restoration to that particular scheme of any associated transfer costs, and I think that that was where the difficulty arose. I understand that there has been some discussion with the Treasury about trying to get that relaxed, or introducing some other mechanism to deal with it, because people need to have a choice. The overall safety net is that there is UK Cabinet Office advice that, wherever a transfer is made, it should be to anybody's detriment. So, we do have that safety net.

Alun Cairns: That is the point that we were making. We focus on benefits, but there could well be a strategic cost issue that the committee and the Minister would need to address.

Mr Howells: I would just like to make the point that it is bulk transfer, and not block transfer, which is a different issue. The phrase is 'bulk transfer'.

Alun Cairns: That is fine. Kirsty's third issue was about staff morale, which we have largely covered in terms of job losses, and the Minister answered that question directly.

Leighton Andrews: I welcome seeing the WDA Unison branch response to the consultation document. I do not want to get involved in issues that I think are rightly for negotiation between unions and management. Instead, I want to pick up on something in this document about your comments on the streamlining of delivery and some of the more strategic issues. You say in the document that you think that streamlined delivery would be facilitated by reducing over-bureaucratic hierarchical management structures and by the introduction of new flat management structures. You also think that the public sector has much to learn from the private sector in terms of the way in which larger companies have achieved the de-layering of structures and the empowerment of customer-facing staff. That is a very important point in respect of some of the issues that we heard about earlier, from the CBI in particular. Would you like to elaborate on that, as to how you see that enabling the new organisation to be much more focused on customer needs and how you would like staff to be more empowered to enable that to happen?

Alun Cairns: Briefly, if you can.

Leighton Andrews: Come on, this is meant to be about the strategy of this organisation; that is what this committee is meant to do. It is not meant to do the negotiations between unions and management.

Alun Cairns: That is a fair point and it is taken.

10.50 a.m.

Mr Marshall: I think that it is very healthy, and it comes back to the point that I made about the two streams of work in which we must get involved. Some of our own activists in our structures are keen to get engaged in this kind of process, and that is reflected in the document before you. It is refreshing that people are addressing their minds to that, and, again, the content is no surprise. We have sent it around; officials have certainly seen it and we have debated it in the discussions of the merger board and with the Minister. That discussion is not yet closed—we are still contributing to the process. We are on record as saying that there needs to be less bureaucracy involved in this, and people are keen to see that happen. It needs to be made easier, because one thing that strikes us—and businesses have articulated this themselves—is that it appears to be overly complicated. It is a bit of an obstacle course to find

where you need to be, so we suggested the idea of one portal of entry. That is not to say that you do not need specialisms—you sometimes need highly technical, specialist people to deal with things, but it should be easier for people. This is where the account management idea comes in. It should be easier for people to access that process, and people would then get the expertise and the required assistance and support from the account manager. We support that, and are on record as saying so.

As far as the individuals who work within that are concerned, we believe that there is now a once-in-a-generation opportunity. While you are going through this change, you need to think critically about the kind of new organisation that you want. The debate earlier about form and function was interesting, because now is the time to get that right. People want a higher level of delegation in order to do their job. It is about empowerment, and ensuring that people have real quality employment, and part of that is about ensuring that they are empowered. We see all that as an opportunity, and it can be achieved. There is a narrow window of opportunity to make it happen, and now is the time, so we welcome it.

Alun Cairns: I also support much of what has been said.

Leighton Andrews: To follow through on that issue, I will ask you about the relationship you talked about in terms of the empowerment of customer-facing staff, and about some of the other comments in the document, which I also think are valuable, in relation to the way in which expertise is brought in from outside. You identified that experts from outside sometimes have difficulty in seeing the overall shape of an organisation. In my experience, from the two years I spent as a quango board member, you sometimes felt that the management of the quango was not exactly eager to allow outsiders to understand precisely the detail of the internal organisation. Is that fair comment?

Mr Marshall: We must recognise that, in the direction of travel that we had, there were issues about the way in which ASPBs operated—I am talking generically. They did not lend themselves to that openness and scrutiny. That may be a massive generalisation, but it was the general perception. The whole approach to try to democratise them and bring them under some kind of democratic control within Government is to be welcomed. I hope, as do our members, that this will herald a new era whereby there will be openness and cross-fertilisation of ideas. I genuinely believe that people should not be too precious about drawing in expertise from wherever it might be. In a sense, Wales lends itself to doing that, because we have this infrastructure across Wales—we have that capacity to do it, and it is about drawing in fresh ideas and fresh thinking. Again, we are open to that.

Alun Cairns: Before I ask the Minister to wind up, perhaps he could consider my final question, which relates to an item that came up in the last Economic Development and Transport Committee meeting in Newtown, which the Minister, unfortunately, could not attend. It related to the staff survey—perhaps the unions would like to respond to this—and staff morale. Forty-one-and-a-half per cent of staff have considered leaving the Welsh Development Agency. What importance do you place on staff surveys, and what analysis have you conducted of them, bearing in mind the views that have been expressed within them? Will the Minister comment on the letter that has gone from the committee, specifically relating to the first three questions, regarding the merger, within the staff survey? Would you like to comment, Mr Howells?

Mr Howells: I gather that another staff survey is being done at the moment, and the response is quite similar to what you have said. Any change in an organisation creates uncertainty; that is understandable. One thing that has struck me in dealing not only with people from the WDA, but with representatives from the various bodies, is their willingness to engage in this process, and to contribute to developing the process and trying to achieve a satisfactory outcome for our members. That has been important. I do not have the detail of the survey, as

it was a Unison survey; I do not think that Prospect members were involved. I cannot, therefore, give you any detailed comment on that.

Mr Marshall: I am aware of the survey but, embarrassingly, I have to say that I do not know the outcome, as I have not seen it. I know that it was undertaken by our local branch. It was a good idea, and there is a role for staff surveys, and they are valuable. As I understand it—and this is just a broad response—it made worrying reading because, although I cannot give you the figures, there was certainly a dip in morale. That partly informed our current discussions. People have, unsurprisingly, been affected by the merger. The dilemma that we have, and which we discussed at a meeting earlier this week, is that on the one hand we want the time and space to get it right and develop ideas, on the back of Mr Andrews's question. On the other hand, our members want certainty, as quickly as possible. There is a tension there in trying to get it right.

Andrew Davies: On the three questions that were asked, some relate to the more detailed human resource development issues. Gareth Hall, the acting chief executive of the WDA, has been asked for information. I will respond to the committee as soon as I get that information.

To add to the point made by Howard, there is a dilemma. On the one hand, we want to consult, and we have consulted; I have regular meetings with the unions, and they have been involved at every level. I have monthly meetings with the chair and the chief executive, and the merger process and monitoring issues such as staff morale is always the first item on the agenda, as we are concerned that this is good. On the other hand, as Howard said, staff also want certainty, and we have to balance that. We hope to move quickly towards greater certainty at the end of this month. The unions—not today, but in other areas—have compared this merger process, and the way in which the unions have been involved at all levels of the process, with other mergers and reorganisations, whether in the private sector or at a UK Government level, and have been very complimentary about the way that we have done that. We understand that there is a huge amount of uncertainty, but I would like to reiterate the point that there was a huge amount of uncertainty within the organisation prior to the 14 July announcement, due to the development proposals of the former chief executive, when the unions were not consulted in any meaningful way or involved in that restructuring. I take the point that there is uncertainty, and we hope to move quickly to resolve that issue as soon as possible.

11.00 a.m.

Alun Cairns: Officials have just advised that the deficit of the pension scheme within the Welsh Development Agency is £41 million. I am advised that there are ongoing discussions, and it is not a black hole, as a solution will be found. Minister, do you have anything to add to that?

Andrew Davies: No.

Alun Cairns: Are there any other questions before I close this session to the unions? No? I thank the representatives for the evidence given in answer to the questions.

11.01 a.m.

Uno'r Cyrff Cyhoeddus a Noddir gan y Cynulliad (Deddfwriaeth) Merger of Assembly Sponsored Public Bodies (Legislation)

Alun Cairns: Two separate Orders have been drafted to provide for the transfer of functions, property rights and liabilities from the WDA and WTB to the Assembly. Members have been provided with a covering paper setting out specific issues relating to individual Orders. It is

important to recognise that the committee is not being asked to report to the Business Committee at this stage; we will have an opportunity to do that following further consultation, so I am told. Would you like to introduce this, Mr Evans?

Mr Evans: There is very little to say, but I would stress the point that has already been made that this is not the formal process on the legislation, which will go through its full process after the summer. This is the first light of day of the drafts of these Orders as they stand at the moment, and it is an opportunity for people to raise any issues or concerns that we can look at. There will inevitably be some fine tuning of these before they go into the formal process, and they may evolve in the course of that.

Andrew Davies: We are committed to openness and transparency in everything that we do. I was delighted that the committee was able to play a role in the pre-legislative scrutiny of the Transport (Wales) Bill. This obviously relates to the merger, but we are equally committed to involving the committee in the legislative process.

Mr Griffiths: Gwnaf gyfraniad byr i geisio hwyluso ystyriaeth y pwyllgor o'r mater hwn. Fel y gwelwch yn y papur, mae'n fwriad gan y Llywodreth awgrymu i'r Dirprwy Lywydd fod y mater yn cael ei gyfeirio'n ffurfiol i'r pwyllgor hwn wedi toriad yr haf. O ganlyniad, bydd gennyf amser yn ystod y toriad i adolygu'r drafft hwn yn fanwl at ddibenion y Pwyllgor Deddfau, gan chwilio am unrhyw wallau. Rhydd hynny gyfle imi hefyd i chwilio am unrhyw fater yn ymwneud â pholisi y dylwn dynnu sylw'r pwyllgor hwn ato ac y byddech chi, efallai, am ei ystyried fel rhan o'r broses ffurfiol. Felly, bydd hyn yn rhoi cyfle imi i dynnu eich sylw at faterion eraill y gallech eu hystyried. Er enghraifft, mae'n fwriad diwygio adran 21B o Ddeddf Awdurdod Datblygu Cymru 1975 drwy ddileu'r geiriau:

Mr Griffiths: I will make a brief contribution to assist the committee in its consideration of this matter. As you have seen from the paper, the Government intends to suggest to the Deputy Presiding Officer that the matter be formally directed to this committee after the summer recess. This means that I will have time during the recess to revise this draft in detail for the purposes of the Legislation Committee, and to look for any errors. That will also give me an opportunity to identify policy issues to which I should draw this committee's attention and which you may want to consider as part of the formal process. So, this gives me an opportunity to draw to your attention other issues that you may wish to consider. For example, it is intended to amend section 21B of the Welsh Development Agency Act 1975 by deleting the words:

'with the consent of the Secretary of State'.

Fel yr wyf i yn ei ddarllen, byddai hynny'n lleihau'r hyblygrwydd fyddai gan y Cynulliad ac nid yn ei gynyddu. Nid wyf yn siŵr ai mater o ddrafftio ynteu mater o bolisi yw hwnnw. Felly, dyna'r math o beth y byddwn am ei drafod yn ystod yr haf, gan baratoi papur manwl cyn y cyfarfod ar ôl y toriad.

It is my understanding that that would reduce the Assembly's flexibility rather than increase it. I am not sure whether that is an issue that relates to drafting or policy. Therefore, those are the kinds of things that I would wish to discuss during the summer, before preparing a detailed paper in time for the meeting after the recess.

Alun Cairns: Diolch yn fawr Mr Griffiths; yr oedd hynny'n ddefnyddiol iawn.

Alun Cairns: Thank you very much, Mr Griffiths; that was very useful.

Elin Jones: Y mae gennyf ychydig o gwestiynau i'w gofyn, ac mae un yn ymwneud â'r broses. Gan fod cyfrifoldebau'n cael eu trosglwyddo'n ffurfiol i'r Cynulliad

Elin Jones: I have a few questions to ask, one of which relates to the process. As functions are being formally transferred to the National Assembly, does it follow that

Cenedlaethol, a yw cymeradwyo'r Gorchmynion hyn yn golygu y bydd yn rhaid i'r Cynulliad ddirprwyo swyddogaethau i'r Prif Weinidog?

approving these Orders will mean that the Assembly will have to delegate functions to the First Minister?

I ddilyn yr hyn a ddywedodd Mr Griffiths, hoffwn fod yn sicr na fyddai un pŵer sydd yn awr yn eiddo i Awdurdod Datblygu Cymru neu i Fwrdd Croeso Cymru yn cael ei golli yn y broses o drosglwyddo pwerau i'r Cynulliad Cenedlaethol. Mewn pwyllgor blaenorol codais y mater o hawl y WDA i fenthg arian—'to borrow money' yw'r geiriad. Yr wyf yn meddwl y daw hynny o dan y ddeddfwriaeth ar ariannu. Felly, yr wyf yn awyddus i sicrhau na fydd dim yn cael ei golli yn y broses hon, neu, pe bai unrhyw fater polisi o du'r Llywodraeth yn golygu y gellir colli rhywbeth, y byddem yn gwbl ymwybodol o hyn drwy'r broses ddeddfwriaethol. Dywedaf hyn am fy mod wedi sylwi, wrth fynd drwy rai o'r atodlenni, fod cyfeiriadau—gwelaf un o'm blaen—er enghraifft, at ddileu is-adran (2) o Ddeddf Twristiaeth (Ei Hyrwyddo Dramor) (Cymru) 1992. Nid wyf yn siŵr beth yw goblygiadau'r dileu hwnnw, ond mae'n codi cwestiwn yn syth a yw rhywbeth yn cael ei golli yn y broses hon. Fodd bynnag, bydd y gwaith yr ydych yn ei wneud yn ystod yr haf yn rhoi mwy o fanylion inni ynglŷn â hynny yn yr hydref, siŵr o fod, felly gwerthfawrogaf hynny.

To follow on from Mr Griffiths's comments, I would seek assurance that no power that currently lies with the Welsh Development Agency or the Wales Tourist Board is lost in the process of transferring powers to the National Assembly. In a previous meeting, I raised the issue of the WDA's right 'to borrow money', which, I believe, comes under the legislation on finance. So, I am keen to ensure that nothing will be lost in this process, or, if any Government policy meant that something could be lost, that we would be fully aware of this through the legislative process. I say this because I have noticed, in going through some of these schedules, that there are references—I see one before me—for example, to omitting subsection (2) of the Tourism (Overseas Promotion) (Wales) Act 1992. I am not sure what the implications of that omission would be, but that immediately raises a question of whether something is being lost in this process. However, the work that you will do during the summer will provide us with greater detail on that in the autumn, probably, so I appreciate that.

Alun Cairns: A oes gennych unrhyw beth i'w ychwanegu, Mr Griffiths?

Alun Cairns: Do you wish to add anything to that, Mr Griffiths?

Mr Griffiths: Yn sicr, bydd y broses yn dod ag unrhyw fater o'r fath i'r golwg. Gwelwch ym mhapur y Llywodraeth fod cyfeiriad at bwerau ariannu, ond, wrth gwrs, bydd angen edrych ymhellach ar hynny yn y man.

Mr Griffiths: Certainly, the process will highlight any such issues. You will see in the Government's paper that there is a reference to financial issues, but, of course, we will need to look at that in greater detail in due course.

Lisa Francis: To reiterate what Elin said, and I understand that some work will be going on during recess, but, reading through these schedules last night, about three items sprang to mind. Schedule 1, paragraph 2(2) of the Development of Tourism Act 1969 notes:

'for "the chairman of the Wales Tourist Board" substitute "a person appointed by the National Assembly for Wales"'.

Is there any knowledge or information thus far that would tell us where we can anticipate that that individual would be drawn from? How will he or she be appointed, and who will have the final or ultimate decision over that appointment? You mentioned the Secretary of State for Wales; I believe that there would be a substitution there. I do not know whether I understood

your Welsh correctly—perhaps I did not. That is the first point.

Secondly, Schedule 4A, ‘Execution of particular tourist projects’, notes that

‘In making a grant or loan...the National Assembly for Wales may impose such terms and conditions as it thinks fit, including conditions for the repayment of a grant in specified circumstances’.

I am thinking particularly of the section 4 grant aid, and so on. How will this change impact upon customers and clients, insofar as what is happening already, and what terms and conditions can we anticipate will be specified? These are all questions that perhaps need to be worked on over the summer recess.

Schedule 6, which refers to accounts and information—and I am perhaps being very pedantic in going over this—says that each tourist board shall keep proper accounts. Will the National Assembly for Wales, for example, be a ‘tourist board’? Throughout the various Schedules, the words and name ‘Wales Tourist Board’ are replaced with ‘National Assembly for Wales’. Therefore, will the National Assembly for Wales take on the title of ‘tourist board’?

Alun Cairns: Cyn ichi ateb cwestiynau Lisa Francis, a gaf i holi hefyd a oes rhyw fath o arwydd o’r amserlen a gynigiwyd? Yn ôl pa amserlen mae eisiau i’r pwyllgor roi rhyw fath o adroddiad i’r Pwyllgor Busnes?

Alun Cairns: Before you respond to Lisa Francis’s questions, may I ask whether there is any indication of the timetable proposed? What timetable should the committee follow in reporting to the Business Committee?

Mr Griffiths: Ar y pwyntiau penodol a godwyd, mater i’r Cynulliad Cenedlaethol fydd penderfynu sut y caiff y cynrychiolydd ar Awdurdod Twristiaeth Prydain ei benodi. Felly, bydd hwn yn fater y gellid ei ddirprwyo i’r Gweinidog neu y gallai’r Cynulliad ei hun benderfynu arno. Ar y termau sydd yn y cytundebau, mae hynny’n fater, fe gredaf—o’r darlleniad cyntaf, o leiaf—gweddol syml o ddim ond sicrhau bod yr un termau priodol ag sy’n bod eisoes yn parhau os caiff benthyciad neu grant eu rhoi.

Mr Griffiths: On the specific points raised, it would be a matter for the National Assembly to decide how the representative on the British Tourist Authority will be appointed. Therefore, this is an issue that could be delegated to the Minister or that the Assembly itself could decide upon. On the terms set out in the contracts, that is, I believe—from the first reading, at least—quite a simple issue of just ensuring that the same appropriate terms that already exist remain in place should a loan or grant be given.

Ar y trydydd pwynt, nid yw cyfeiriadau at fwrdd twristiaeth yn cynnwys y Cynulliad, oni bai bod hynny wedi ei ychwanegu’n benodol. Mewn rhai manau, gwelwch fod cyfeiriadau at Fwrdd Croeso Cymru yn cael eu dileu, felly nid yw’r dam hwnnw bellach yn berthnasol i’r Cynulliad. Lle caiff y Cynulliad ei roi yn lle’r bwrdd croeso, bydd hynny yn parhau’n berthansol.

On the third point, references to a tourism board do not include the Assembly, unless that has been specifically added. In some sections, you will see that references to the Wales Tourist Board are deleted, so that section is no longer relevant to the Assembly. Where the Assembly is specified in place of the tourist board, it will remain relevant.

Ar yr amserlen, y bwriad, yn ôl y papur, yw y bydd yr ymgynghoriad yn gorffen yn ystod toriad yr haf. Yn ystod y cyfnod hwnnw byddaf hefyd yn trafod gyda’r cyfreithiwr sy’n gyfrifol am ddrafftio’r rheoliadau hyn. Wedyn, bydd y mater yn dod yn ôl i’r

On the timetable, it is intended, according to the paper, that the consultation will come to an end during summer recess. During that time I will also hold discussions with the drafting lawyer for these regulations. The issue will then return to committee—it will

pwyllgor—mae'n mynd i'r Pwyllgor Busnes bron yn syth ar ôl y toriad, fe gredaf, ac yn cael ei gyfeirio atom ni tua diwedd Medi.

go to the Business Committee almost immediately after recess, I believe, and will then be referred to us around the end of September.

Alun Cairns: Felly, cawn gyfle i ailedrych ar y papurau ar ôl iddynt fynd i'r Pwyllgor Busnes? Pryd fydd y Pwyllgor Busnes am eu cael yn ôl wedi hynny?

Alun Cairns: Therefore, we will have an opportunity to revisit these papers once they have been referred to the Business Committee? When will they then need to go back to that committee?

11.10 a.m.

Mr Griffiths: Mae'r amserlen yn fater i'r Dirprwy Lywydd, wrth iddo gyfeirio'r mater yn ffurfiol, gan roi ystyriaeth, wrth gwrs, i amserlen y pwyllgor.

Mr Griffiths: The timetable is a matter for the Deputy Presiding Officer, in referring the matter formally, having given consideration to the committee's timetable, of course.

Kirsty Williams: Having a little understanding of the workings of the Business Committee, I think it may be useful for the Chair of this committee to write to the Chair of the Business Committee to inform her that it is this committee's intention to receive the full set of regulations before a determination is made by the Business Committee. It is usual practice for other committees to do that.

Alun Cairns: That is very helpful. It is important because we will have to schedule into the forward work programme the plans where we will come up for recommendations for changes.

Elin Jones: I am sorry, but for some reason the Government paper on this item was not in my papers, so I had not seen it until Janet passed it to me. It deals with issues concerning borrowing, which I raised in my questions. I am concerned that policy decisions have been taken to reduce the powers of the WDA, whether or not they have been used, in the new legislation that will create the new system, in relation to borrowing in particular. I want those comments to be noted, and I might raise the matter again during the legislative process.

Leighton Andrews: If Elin wants her comments noted, then so do I. The Government paper covers the point in some detail. The borrowing powers are being changed to prevent the possibility of our losing the block grant, as I understand it.

Elin Jones: Only if it is used.

Leighton Andrews: If it is used. That is the clear implication. The policy will come back to us, as set out in the Government paper. We should leave the policy until we get to detailed discussion on the Orders.

Alun Cairns: That is a fair point, but that applies to everyone, including the Assembly Government and all opposition parties.

We will take a break, but I ask you to return by 11.25 a.m., so that we can make up some of the time that we have lost.

*Gohiriwyd y cyfarfod rhwng 11.12 a.m. a 11.27 a.m.
The meeting adjourned between 11.12 a.m. and 11.27 a.m.*

Adroddiad y Gweinidog Minister's Report

Alun Cairns: I call the committee to order and ask the Minister whether he wants to highlight the key points in his report.

Andrew Davies: I will refer to just a few items. First, I am sure that Members will be delighted to hear that the regional innovative broadband support project received approval from the European Commission on 1 June. As you know, this is a significant project that will deal with the lack of co-activity, particularly with the 35 telephone exchanges that BT, for understandable commercial reasons, has said will not be ADSL enabled. I know that there has been a lot of focus on those exchanges, but it will also help to address some of the issues of the so-called black holes in the current system. I think that it is a significant development and it will help to ensure that Wales will probably have the most extensive coverage of first-generation broadband. The project will now commence to a full procurement process to procure a supplier through the *Official Journal of the European Union*.

Secondly, on 20 June, I will launch a full consultation on the Welsh energy route map, which builds on the strategy that I have set out for clean energy production and energy efficiency. It will be an extensive consultation process. It will be a public consultation, but there will be particular consultation with our partners and stakeholders throughout the energy sector. The consultation will end on 12 September.

The third matter is now in the public domain, but I was particularly pleased by the success of Rhyal Engineering Ltd of Milford Haven in securing a £14 million contract as part of the Dragon liquefied natural gas project at Milford Haven. This success will lead, we believe, to 130 new jobs, and will not only further enhance the status of Rhyal Engineering Ltd, which is among the UK's leading experts in design engineering and construction, but will give a clear indication of the importance of the liquefied natural gas development in Milford Haven—the Dragon Petroplus development and the Exxon Mobil development—not only to the Pembrokeshire economy, but to the Welsh economy. It will put Pembrokeshire on the map as the energy capital of the UK.

11.30 a.m.

Janet Davies: I have a couple of points to make. The first concerns the letter that you sent to Carwyn Jones following the last meeting. It dealt with mountain bike trails and also with the cadmium issue. On the mountain bike trails, do you know of any involvement by the Wales Tourist Board in setting up bed-and-breakfast establishments in the area? In the upper Afan valley area, I understand that there is still a gap, and that needs to be addressed pretty rapidly as that could bring some money into those very poor communities. I mean that they are poor financially, and not in any other way.

With regard to the issue of cadmium in agriculture, I can understand that the Minister for Environment, Planning and Countryside might have felt that it was none of our business in this committee, but he did not reply to the question, which was about the possibility of 60 per cent of cadmium being distributed on agricultural land. He just talked about the much smaller amount that comes from batteries and accumulators. If the Minister wants to say that that should be pursued in another arena, that is fine, but I do not think that his letter replied to your letter, Chair.

Lastly, with regard to the Minister's written statement yesterday on the great western franchise, I ask him to expand on the issue of harmonising timetables between First Great Western and Arriva Trains, as there seem to be problems. Arriva Trains is introducing its new

timetable in December, which is supposed to coincide. The new franchise is coming, and all sorts of rumours are flying around about how they are not coming in together. If we now have to wait for another franchise to get settled before there are good connections with Arriva, then that will not be a satisfactory situation.

Andrew Davies: I am absolutely delighted that Afan valley and Coed y Brenin, in north Wales, are seen as the real centres of excellence for mountain biking. Activity holidays are a major priority for the Wales Tourist Board in promoting Wales, but there are issues with accommodation in the Afan valley and near Coed y Brenin. I am not sure what activities the WTb has undertaken to generate or develop capacity in those areas. Ultimately, it is for private-sector providers to come forward with proposals, but I am sure that the WTb would be more than willing to support any developments in those areas. I do not know what has been done so far, but I will find out and come back to you and circulate the answer to the clerk.

On the cadmium batteries—

Alun Cairns: Before you go on to that, I know that Leighton Andrews wants to come in on the issue of mountain bikes.

Leighton Andrews: On that point, the upper Afan valley is just over the Bwlch from my constituency. I just wanted to add to Janet's comments. There is an issue of how suitable accommodation is developed in the upper valleys, and that is hotel accommodation, if you like, or small bed-and-breakfast accommodation, more appropriately, and restaurant facilities, to a degree. I am just not certain, if there are WTb schemes to encourage people to move into those markets—which are markets not just for mountain biking, but also for walking and equestrian holidays—whether the WTb has historically been marketing those development opportunities to those communities.

Alun Cairns: Before you answer, Minister, Lisa Francis has a related question as well.

Lisa Francis: I was not aware that there were accommodation problems with the Coed y Brenin area. I do not know whether you are specifically saying that mountain bike trails require accommodation that is suitable purely for mountain bikers, but I know that more schemes are available now to encourage guest houses and so on to install boot rooms, wet rooms, bike racks and that kind of thing, and I have met many such providers in the area. There is, however, a shortage of good eating facilities and good restaurants, and, certainly, Forestry Commission Wales would probably endorse that view.

Alun Cairns: Could you respond to Leighton's and Lisa's points?

Andrew Davies: In a way, this is why I think that the merger of the ASPBs is so important, so that we take a much more strategic approach to development, whether that is activity holidays or activities such as mountain biking, walking, or, in terms of marina development, sailing and water sports. I have felt for a long time that there is a need for a much more strategic, and perhaps proactive, approach in terms of development. As I said, I do not know what has been done in terms of the Afan valley or north Wales and Coed y Brenin. I have heard from those involved in the industry that there is a shortage of accommodation, restaurant facilities and so on, but I will get a reply to you on what has been done. This is a classic example of an area whereby we need a joined-up approach, to use that cliché, in terms of identifying development opportunities and being very focused in terms of working with the private sector in developing these sorts of resources.

Lisa Francis: I will just come back on that, if I may. I think that an important part of that approach would be to allow accommodation providers to advertise in brochures where they

can have as many hits as possible, and where they are not put into individual boxes. If they are offering, for example, activity packages, they need to be advertising in 'Walking Wales' as well as in activity brochures. It should not be so stringent, because many people are missing out as a result of that.

Janet Davies: I think that the situation is much more acute in the upper Afan valley, where there are knock-on effects from the tops of the other valleys. Perhaps I should say that I am a member of the upper Afan forum, and, as far back as five years ago, people in upper Afan were saying to me that there was a desperate need for bed-and-breakfast accommodation and something in the way of evening meal provision for mountain bikers and hikers. About a month ago, they said to me that there had been absolutely no progress there at all. Those people in those valleys will need the help of the Wales Tourist Board to put the initial investment into their properties to be able to do this. It is a really acute situation in the tops of those valleys.

Andrew Davies: I do not disagree at all, and that is why I said that I will find out what has been done, and what needs to be done—and will be done.

I will follow up the issue of cadmium batteries with my colleague and will discuss the bigger issue of cadmium pollution and the major sources of pollution.

On the Great Western Railway franchise, you are right in terms of the standard pattern timetable to be introduced later this year. That should resolve some of the issues around the connection between GWR and Arriva Trains timetables, and will hopefully resolve many of the issues that arise for those travelling west of Swansea, for example, where there has been quite an acute problem, as there has been in Newport, I believe, for those travelling on the English borders line. My understanding is that the level of detail about timetabling would not be an issue at this stage of the great western franchise, which you referred to; it would only be a matter for us to discuss with whoever wins the franchise bid. Obviously, there will need to be discussions between Arriva Trains Wales, whoever wins the Great Western Railway franchise, and us to look at issues such as timetabling, but, at this stage, my understanding is that the franchise process would not look specifically at timetabling issues.

Alun Cairns: Are there any further questions on the railway issue?

Kirsty Williams: On the mountain bike issue, I commend the community in Llanwrtyd Wells, which, with the help of the WTB, to be fair to the WTB, has engaged very actively in providing suitable accommodation for walkers and bikers, has award-winning restaurants and is accessible by train. Local organisations have engaged very well with that community and the WTB has done good work there. It is the council that has done them down. It was interesting to hear what Steve Thomas was saying about the wonderful relationship that councils have with tourism. I have never noticed that with Powys County Council.

On railways, I appreciate the concerns that Members have about the great western franchise and travelling west of Swansea. Has the Government done any work on looking at connections out of Birmingham and Crewe with lines going into mid Wales, rather than just concentrating on issues in the south? This is of concern in mid Wales.

Alistair Darling has made great play recently of road-pricing policy and such developments in England. Will the Minister make a statement on his intentions with regard to road pricing?

11.40 a.m.

Alun Cairns: Point taken, but that is a separate item. I want to stick with the railways for the moment. Is there anything else specifically on the railways? The Strategic Rail Authority is

coming to the next committee meeting, and we can pursue this then. I am sure that there is general concern, as the Welsh Assembly Government highlighted in its statement yesterday, on the downgrading of the timetable. I am sure that we support the Government in its actions to seek to redress that.

Lisa Francis: You mention in your report, Minister, that you attended a meeting with the Tourism Training Forum for Wales and the sector skills council for hospitality, tourism and so on. I wondered how those organisations will work together and how the tourism training forum will be absorbed into the Welsh Assembly Government post merger. Can you tell us yet in which portfolio it will sit? Will there be a place for the tourism training forum?

In respect of rail freight, there is an inspiring report about the timber that is being moved from Aberystwyth to Chirk. I understand that y Tad Deiniol of the Yn Ein Blaenau organisation in Blaenau Ffestiniog has written a letter to Andrew Hemmings asking whether the transporting of freight from Trawsfynydd to Blaenau Ffestiniog could be possible. There was interest in this last year, and I think that the Welsh Assembly Government ruled it out then. However, I understand that there is now someone who is prepared to apply for a freight facilities grant. Yn Ein Blaenau has raised two questions. First, does the Welsh Assembly Government support in principle Forestry Commission Wales's interest in transferring freight to rail on the Trawsfynydd line? I do not know whether you are in a position to answer that. Secondly, would it propose to give active support to finding ways in which this option could become a reality? We have seen the huge success of freight in Cardiff and Newport recently, which has also been highlighted in your report and in the *Western Mail*. It would be nice, following the success of the Aberystwyth scheme, to see it moving further afield into mid Wales. Obviously, freight is only viable when you have a lot of one thing moving from one place to another, but I would like some input on that.

I have a query about SMART Cymru. What is being done to encourage entrepreneurs to apply for this award? It has been highlighted in the press, but because there is such a strong emphasis at the moment on research and development in particular in the wake of many manufacturing jobs being outsourced to China and similar places, there is a possibility that some Welsh companies, which may be small but have excellent ideas, are being prevented from thinking that they are high tech enough to apply for this award. So, I wondered how that grant scheme is being marketed by the Welsh Assembly Government and what sort of people are taking it up. Can you also report on the success rate of that grant?

Finally, I had some questions about Airbus, and I am sure that Carl Sargeant will probably raise questions on that as well.

Alun Cairns: We will leave that for a bit later, because it will be a separate item.

Andrew Davies: Tourism will remain within my portfolio. The functions of the Welsh Tourist Board, as we discussed earlier, will largely be within my portfolio. On skills development, which you referred to, and the Tourism Training Forum for Wales, skills development will remain within the education and lifelong learning portfolio. As I have said, we have made it very clear that, in terms of partnership working and having a joined-up approach, there will be very close collaboration, whether working through the sector skills councils or, in this case, the tourism training forum. The organisations are very committed to working jointly and cooperatively. There have already been a lot of early discussions about how the relationship between the sector skills council and TTFW would work, and they did not foresee any insurmountable problems in terms of that relationship being effective.

On rail freight, in principle, we will always encourage the transfer of freight from road to rail. As you have said, we have given freight facilities grants for doing that, most recently to Sims Metals in Newport, which has the car recycling plant. The transfer of that freight to rail has

led to a large reduction in lorry movements. As ever, there is an issue of value for money in terms of the allocation of the freight facilities grant, and also about the scale of investment. I am sure that you are aware of the proposal to transport slate waste on the Conwy valley line, but given the level of public sector intervention required, including freight facilities grant, it was judged to be uneconomic and public investment was not warranted, given the return for the required level of investment.

So, in principle, we would always be in favour of it, but in terms of transporting freight from Trawsfynydd to Blaenau Ffestiniog, we would need to look at the business case, and whether it stacks up and represents a good return on investment from the public purse.

In terms of SMART Cymru, it is a WDA grant system that is unique in the UK. It is a streamlined innovation grant system, and, in other parts of the UK, its provisions are not streamlined under one grant system. The idea of SMART Cymru is that companies can access the level of support that they need, whether it is in terms of early research and development, or whether it is taking the product of the company from proof of concept through to the market. SMART Cymru covers a whole range of interventions.

If you like, I can provide you with a written note about how the system works.

Lisa Francis: Yes, please. I think that it would be useful to know about how it is marketed specifically. Is it possible to have any information on who has taken it up, or how many companies have taken it up and with what sort of success?

Mr Pritchard: I am sure that that would be possible.

Alun Cairns: Kirsty, it is your bid for a question; I suspect that you might be starting with roads.

Kirsty Williams: Yes. I am concerned to find out what the Welsh Assembly Government's approach might be to the issue of road pricing, given the announcements that have been made about Alistair Darling's intentions. I would welcome some information now, and, if he cannot provide it now, a written statement by the Minister. Given the pressure of time in Plenary, he will not be able to make a statement to the Assembly as a whole. Also, I would like to know about the effect that any changes, both at a Welsh and a UK level, may have on the role of the Driver and Vehicle Licensing Agency in Swansea.

With your permission, Chair, I would like to move on to something slightly different.

Alun Cairns: Does anyone else have an issue to raise on roads?

Leighton Andrews: It depends on what the Minister says.

Alun Cairns: Let us deal with the issue of roads first, then.

Andrew Davies: We would very much welcome this debate on road pricing. In fact, I suppose that we could say that we prefigured what the UK Government has announced and Alistair Darling's launching of this national debate last weekend. When I made my announcement last December on the transport review—the 15-year £8 billion programme, which included the announcement on the new M4 south of Newport, which we said would be paid for by tolling or road pricing—I said that by the time that the road was built it was highly likely that there would be a UK system of road pricing, in which case the new M4 would fit into that.

Motoring organisations and others have broadly welcomed a road pricing system. I think that

there is recognition that we must do something very radical to address the issue of the almost exponential growth in traffic and the problems that congestion brings, and road pricing is broadly welcomed as the most equitable way of dealing with it. In other words, if you travel on congested roads at peak periods you will pay more than you would if you travel in rural areas where there is little or no congestion. So, basically, the user pays, and I think that there is broad support for that principle.

Obviously, in terms of the implications, the level of the pricing and the technology to be used has all to be decided. It is still very early days. It is obviously up to the committee to decide on its agenda, but I would have thought that this would be an ideal issue for the committee to look at. It is a very important issue and we have a lot to contribute to it.

11.50 a.m.

We are involved with the Department for Transport in terms of developing a feasibility study. Robin and his officials have been involved in those preliminary discussions. We think that it is of huge importance, and the committee has a role to play in this.

Alun Cairns: Are there any other questions on road pricing?

Elin Jones: It is important that the committee engages in this debate in some way. Alistair Darling's proposals are interesting—we will leave it at that for the moment. However, this committee needs to set aside some time to discuss what kind of system, if any, we want to see in Wales in terms of congestion charging, and the implications for all kinds of roads throughout Wales.

Janet Davies: I ask for that to include the proposals going through the European Commission at the moment to have tolls on heavy goods vehicles by, I think, 2010. That needs to come into it.

Alun Cairns: Kirsty, do you have anything else, given that you asked the original question?

Kirsty Williams: No, that is fine.

Alun Cairns: There is an important principle that needs to be identified, which is not unique to Wales. We have the toll road that you highlighted, the M4 link south of Newport, and road pricing. If Alistair Darling's policies develop in that way, it will be significant to the investors who are considering spending money on the toll road south of Newport. That situation is not unique to Wales, because it will exist elsewhere, but it is worth flagging that up at this early stage. Kirsty, you had a further issue to raise?

Kirsty Williams: Yes. On the same basis that you have been writing to Carwyn Jones about the mountain bike issue, I am concerned about the potential loss of impetus regarding our national pathways. They are a fantastic tourism draw to the country and there have been ongoing difficulties and personnel issues with regard to the path officers who look after Glyndŵr's Way and the Offa's Dyke trail, and I believe that there are similar issues in Pembrokeshire. Potentially, we are missing out on the opportunity of making the most of the natural resources that we have in Wales as a tourism draw. Will you undertake to write to Carwyn Jones to ask about what he is doing to ensure that the Countryside Council for Wales works with local authorities to develop these paths as tourism facilities?

Tamsin Dunwoody-Kneafsey: As you will be aware, I have a key interest in the walking and cycling strategy, and Pembrokeshire has the only national coastal pathway around the coastal park. There are a number of issues and it is important to ensure that they are addressed and developed in terms of tourism as well as our health strategies. I would be delighted to take

that up with Carwyn, but there are several ongoing initiatives to ensure that there is joint working to develop those areas. However, I will certainly come back to you on that.

Carl Sargeant: I want to make two points. I put on record that I welcome the Heatham House production units coming to Deeside, after the disappointment of Deeside Furniture Limited losing 400 jobs. Unfortunately, the company is relocating to south Wales. Does the Minister have an update on Deeside Furniture Ltd and any other companies looking to support the operation of Deeside Furniture Ltd or the factory in my constituency?

Secondly is perhaps more significant point, which is pertinent to today's debate on the merger process. As you are aware, north Wales, and primarily Flintshire, is home to many companies; it has a large industrial base. We have a high proportion of international trading companies in north Wales, particularly in Flintshire. Does the Minister have any indication of the level of support for those companies, particularly from the WDA? The WDA does very good local work, but given the huge international market, how are we looking at that being tackled locally and how is accountability ensured? This is my personal view, but I do not see that support locally to help these companies to trade internationally, and that they are getting that support from the international trade arm of the WDA. Is there an update or indication of the performance particularly in that field?

Andrew Davies: On Deeside Furniture Ltd, I have not had a more recent update, but we will get that for you, Carl. I have not heard any more on the issue. On the overseas operation, it is germane to the discussion that we had earlier. I believe very strongly that the new system, post-merger, will be much more transparent and accountable; I am determined that that will be the case. There have been concerns about some ASPB operations—the overseas operation and the international division, particularly. I saw that for myself when I visited America and other places, and I was not convinced that we were getting value for money in terms of that operation. There has been a fundamental review, which I have discussed with the WDA, initiated by the acting chief executive, Gareth Hall. I think that many people's concerns have been borne out by that review and there will be a need for a fundamental overhaul of the overseas operation of the WDA to ensure that we get value for money and that our resources, which are, inevitably, scarce—they always will be scarce in the public sector—are targeted on getting an effective return on that investment.

Carl Sargeant: On that point, Chair, if I may, that just confirms what we thought—there is a lot of underperformance. I find it quite ridiculous that no-one is accountable for this. International trade is a very costly operation and accounts for a very high proportion of the overall costs of the WDA budget. Can you give me assurances that this is being addressed within the new merger process?

Andrew Davies: Very much so. I think that this is exactly the sort of question that the committee can not only ask now, but will be able to ask post-merger, and get a greater degree of transparency than has currently been available up until now. It is only as a result of this review, undertaken by the WDA, that we are now in possession of the facts of the overseas operation, where investment has been taking place and how the operation has been undertaken. We are actually getting clear facts on the outcomes of, for example, the international division.

Alun Cairns: Lisa, did you have anything on this particular question?

Lisa Francis: No, it is not on this; it is on Airbus.

Alun Cairns: Yes, I was going to come back to you for Airbus. Are there any more questions on that specific issue? I will come back to you for Airbus, and then I will draw Carl in, whom I suspect may also have a comment.

Lisa Francis: It is just about the rumour of the threat that Airbus is looking elsewhere to construct the wings if the Government refuses to approve launch aid, I think by the time the Paris air show starts on 13 June—so, fairly soon. I understand that Mark Tami MP has tabled a parliamentary petition to urge Government action on this. I think the stumbling block is the ongoing row between the EU and the US over subsidies to aircraft manufacturers. I wondered, Minister, what input you have had into that petition, if any, and if you have not, do you plan to have any input into it?

Carl Sargeant: Do not believe everything you read in the paper. I have very close contact with Mark Tami, my colleague from Alyn and Deeside, and with the company—if not daily, then certainly on a weekly basis, because of current pressures. The significant date is the Paris air show. It is more of a rubber stamping exercise as a deadline as I see it, and as the company sees it. However, there is a need for some commitment from the Government. Many of my colleagues have written to Andrew and to the First Minister and have received a very good response, but this lies with the Westminster Government. It is important that we, as a committee, support the concept of supporting my colleague in Westminster in lobbying the UK Government. However, let us not get too lost in the international trade issues and this grant. This is a business that is looking globally at operations. However, I would wish that the investment came to Broughton in Wales and, supporting Lisa's point, I think that we need to lobby the Government, but I do not think that we should believe everything that we read in the newspaper.

12.00 p.m.

Alun Cairns: Maybe the Minister can offer—

Lisa Francis: Is there not a quite serious issue here about loss of orders for the A350 in particular?

Alun Cairns: That question should be directed to the Minister rather than to Carl Sargeant.

Lisa Francis: Yes.

Andrew Davies: We have always been very supportive of Airbus. It is one of the major private-sector employers in Wales; it makes a huge contribution to the Welsh economy, and we have always been supportive and worked closely with the company. We have good relations with it. Clearly, the issue that you raise of launch aid, as Carl Sargeant said, is an issue for the UK Government. The Prime Minister and the Chancellor of the Exchequer, together with the First Minister, visited Airbus early on in the general election campaign. The company used that opportunity to make a forcible case for continued support from us and the UK Government. As Carl said, in a situation where this has been considered, then clearly there will be an intense amount of lobbying, hence the stories in the press. However the UK Government is aware of the importance of Airbus, not just to the Welsh economy, but to the British economy. Clearly, it will need to consider matters, and we will continue to press the case both at a political and an official level in terms of the importance of Airbus to the Welsh economy.

Lisa Francis: How is the Welsh Assembly Government making its colleagues in Westminster aware of the importance of Airbus?

Andrew Davies: As I said, conversations, meetings and correspondence are the usual means by which we will continue to press the case.

Alun Cairns: Bearing in mind the significance of this, it would be useful if you provided a

note for the next meeting on the specific activities that you have followed to reassure Lisa and other colleagues.

Carl Sargeant: In support of the Minister and the Government, I and many other colleagues have lobbied Andrew and the First Minister extremely hard, recognising the significance of this. In Flintshire alone, Airbus puts £1 million into the economy every week. We do not underestimate these figures and the size of the company. It has huge national significance, and I believe that the Minister is lobbying Westminster as and when he should. He does not need to give that reassurance.

Alun Cairns: Perhaps you do not need it, but it might be helpful and useful for other committee members. However, I am sure that he is grateful for your support. Are there any other items on the Minister's report?

Elin Jones: Minister, since the last committee, Organic Farm Foods Ltd in Lampeter has signalled its intention to close its packaging facility, with the loss of 50 jobs. For some reason, that is not noted in your report, but it happened after the last committee meeting. Organic Farm Foods is the second of two large employers in Lampeter that seem to be going—Dewhirst has gone, and Organic Farm Foods is now looking to relocate to Leominster, even though the company originates from Lampeter. I want reassurance, Minister, that you are in discussions with the company, because it has also signalled its intention to possibly retain a small element of specialist work in Lampeter. Can you assure me that your Government and the WDA are working with the company to see what can be salvaged for the Lampeter site, either by changing its mind on the packaging line, or by way of a new development?

Andrew Davies: We are happy to give that commitment; I will get an update on the situation and send it to you and also make it available to the committee clerk.

Alun Cairns: Can it be noted in the minutes that the latest data on the job losses and so on be included in the Minister's report? Are there any other further questions? I see that there are none.

12.04 p.m.

Cymorth Rhanbarthol Dewisol Regional Selective Assistance

Alun Cairns: Mr Williams and Mr Sims from Trade and Invest Wales are present to support the Minister on this item. Minister, would you like to introduce the papers or will you call on your colleagues?

Andrew Davies: It is a report on the operation of regional selective assistance; it is of great significance as one of the tools in our toolkit to help companies, whether they are Welsh-based or inward investors, to grow. As a result of the refocusing that I asked for previously, RSA Cymru Wales has now been refocused with a clearer emphasis on our priorities as a Government, in terms of innovation, sustainability and a whole range of our other principles. The paper also gives an update on the operation of the grants system and a breakdown of how the system is working. I do not know if Rob or Peter want to add anything.

Mr Williams: No, I think that that sums it up, Minister.

Leighton Andrews: RSA is important to many of our companies, and I have seen the benefits of it in the Rhondda. I welcome the fact that you are achieving better value in terms of the average cost of a job. However, I would like to ask specifically about the premium

payment for long-term unemployed and economically inactive people; a lot of work has been done to ensure that this is a wider scheme than the one that has been tried in Scotland. I am concerned that nothing is said in the paper about the marketing of the scheme, apart from working with Jobcentre Plus. It is important that this is widely understood by employers, and that they are aware that this kind of assistance is available. Would you please comment on the kind of marketing approach that you will take?

Lisa Francis: On the back of that, can you identify why the scheme failed in Scotland? You say that, in Scotland, the premium applies only to the long-term unemployed under the New Deal scheme. Is that the main reason, or are there other reasons? Could you expand on what the other reasons were?

Andrew Davies: On the marketing, we wanted to learn lessons from Scotland; we wanted to ensure that we got it right. It has been done in conjunction with Jobcentre Plus. We wanted to ensure that the product was right before we started the marketing. Trade and Invest Wales, which runs the RSA and the Assembly investment grant operation, is extremely effective not only in the way in which it markets the grant schemes, but in the way in which it works with, for example, advisers in the public or private sector who may be advising companies on their eligibility and the availability of grants. Once we are confident that it is ready to go, then I am sure that the marketing will be effective. Perhaps Rob or Peter could answer the question regarding why it failed in Scotland.

Mr Sims: First, on the marketing, we already have a brochure available, and one will be available in Jobcentre Plus offices. The reason that it failed in Scotland was that it was not marketed very well, and they did not engage Jobcentre Plus to the same extent as we have. Jobcentre Plus will be more proactive here, and will provide applicants with a list of all the potential posts when it gives them the offer letter, and will contact them straight away.

Mr Williams: We will do targeted marketing as we do now in various newspapers and periodicals. We give presentations to business interests, groups and financial interests. We give presentations and consult with accountants and people like that. We also hold surgeries in various areas for businesses to come along and ask questions, and we inform them of the various schemes that are available and how they can get assistance.

12.10 p.m.

Leighton Andrews: That is why I think that that is completely inadequate, and I would like you to take it away and relook at the marketing.

Lisa Francis: I would like to know specifically if you can identify why the marketing has failed in Scotland? Do you have any further information other than that it was not directed at Jobcentre Plus?

Mr Sims: It was not widely marketed. Our colleagues in Scotland tell us that they made it available but did not go out of their way to sell it, which is a different approach from that which we are going to take.

Mr Williams: As far as we can gather, they did not engage proactively with Jobcentre Plus. The approach that we have taken in Wales has been to engage with Jobcentre Plus from the very start. When we market it to individual companies, we will bring in Jobcentre Plus so that it can speak to the companies themselves.

Alun Cairns: Is there a general concern about marketing? It is obvious from Mr Andrews's comment that there is, and I certainly share that concern, as does Lisa Francis. Minister, would you respond to that?

Andrew Davies: The main marketing will be aimed at the companies. There will be an element of Jobcentre Plus involvement, but this is an RSA grant that companies can claim, whereby there will be an additional premium for taking on the long-term unemployed or those who are economically inactive. So, the major focus of marketing will be on the companies themselves, but there is another part to that, which is about working with Jobcentre Plus to make sure that those who are long-term unemployed and economically inactive are aware of it. So, in terms of wider marketing, particularly in the Heads of the Valleys programme, this would be a very important element. Perhaps Leighton could say exactly what more he wants to be done.

Leighton Andrews: The reason that I am concerned about this, Minister, is because the Valleys communities have a high proportion of the economically inactive population of Wales. In asking about the marketing, I am reassured that you say that the major focus will be companies. Jobcentre Plus is fine as a route. However, I have not heard anything coherent that suggests that this scheme will be clarified to companies or introduced to them in a way that is going to make it attractive for them to take it up and make a significant difference in removing people from the list of the economically inactive. It is important to get this right at this stage, when you are refocusing and trying to learn the lessons of Scotland. I would just like to feel that there was a marketing plan there, and I do not, I am afraid.

Lisa Francis: I tend to agree with that. This has the potential of being a very important scheme for Wales, and we cannot afford to have it messed up. I do not think that it is unreasonable to ask for the details of what went wrong in Scotland so that we can learn from those mistakes, and implement that.

Leighton Andrews: I am less bothered about the Scotland stuff because we heard a lot about that two meetings ago. I am more concerned about the Welsh scheme.

Andrew Davies: Would it be helpful if we gave a fuller report specifically on the marketing of this part? The report today relates to the broader operation of RSA and AIG, but I will come back with a step-by-step report of what is being done on the marketing of this new element of the RSA—the premium plus.

Alun Cairns: I think that is something that we should convey to the usual Chair of this committee so that she can consider tabling it for inclusion on a future agenda. The report would be very useful, and I am sure that the Chair will find time for the committee to consider it in its broader context.

Elin Jones: I note from the figures the low numbers in some of the usual-suspect areas—Ceredigion being one of those. I understand that there is a smaller business base in Ceredigion and other rural areas compared with others. I would like to ask a question that might more appropriately have been asked during the merger discussion earlier—I will ask it anyway, and the Chair can decide whether or not it can be answered now. This involves a concern that I have raised during previous discussions on RSA, which is the lack of integration between WDA account managers as an interface with business, and the administrators of RSA and the Assembly investment grant. In Ceredigion, the account managers would be working in the mid Wales structure, and then the Assembly administrators of RSA and AIG would work from the Swansea office. Businesses have raised with me their concern that this is time-consuming and duplicative. They have asked whether, through the merger process, there is an opportunity to streamline this whole system and to give account managers the ability to discuss the actual grant applications with the account managers themselves, rather than having to refer them on to different officers in different offices, which businesses find particularly frustrating.

Andrew Davies: I agree that the merger will provide us with the opportunity to have a more streamlined delivery of services. One of the proposed parts of the new organisation will be Finance for Wales, as opposed to Finance Wales, which will deal with all the financial support that the new Welsh public service, and the economic development and transport department in particular, can offer. There is also the enhanced account management system that will be developed. Part of that is the large degree of training that account managers currently receive, and will receive over the next few months, in terms of ensuring that they have all the skills, or the development of the skills, and the information that they need to help companies. Therefore, this will be a tangible example of how the merger will improve the service that business, in this case, receives.

Alun Cairns: Are there any further questions on this item? I see that there are not.

I have one question, which I should have raised during the discussion on the questions raised by Leighton Andrews and Lisa Francis, about the premium payment. What monitoring will be in place, bearing in mind that some errors have been made on occasion with RSA? I am not making any accusations about responsibility or anything else—I want to keep out of that argument—because we all have strongly held views. My question relates to several companies, not just the major one that we are thinking of. When a premium payment is made whereby a company receives an enhancement on the level of RSA, what monitoring will be undertaken of whether they remain employed further down the road? What reassurances can you give us that the monitoring—because there will be some, I am sure—will not be exceptionally bureaucratic and will not exacerbate the costs compared with the benefit?

Andrew Davies: On this element of RSA, this is why close collaboration with Jobcentre Plus will be important in terms of monitoring and ensuring that a company has the premium payment for taking on and retaining some of these long-term unemployed. However, as ever with the use of any public resources, it is a balance between ensuring that it is as streamlined as possible and, at the same time, that checks and balances and the appropriate monitoring are in place. I hope that it will be light-touch monitoring—we do not want excessive bureaucracy, but, as ever, you need to have that balance and have rigorous checks in place.

Alun Cairns: I appreciate that, and I do not doubt the intention. However, when the committee has asked in the past for data on tracking the churn of jobs and whether RSA actually supported some jobs, it has been impossible to provide that because, naturally, it has been lost in the machinations as time goes on. I am concerned that if the data could not be provided in general, in terms of the monitoring, although it is far more specific and far tighter, the principles of similar problems will remain.

Andrew Davies: With any grant, such as RSA and AIG, Trade and Invest Wales officials regularly monitor companies and their performance in terms of that grant. With large RSA grants, in most cases, they are not paid in one lump sum as they are often paid over a period, and companies will only draw down the investment against any jobs that they have promised to deliver. If they do not deliver the jobs, they do not get the grant. Similarly, if they have been given grant while there are remaining conditions, the company will be monitored, and if, for example, the company relocates, closes or reduces its employment, we will attempt to reclaim grant.

12.20 p.m.

Alun Cairns: That is very useful. Paragraph 21 of the report states that you will review the arrangements during the first year of operation, which is obviously sensible. May we have your assurance that the committee will be fully involved in that review, bearing in mind some of the questions about marketing and monitoring that have already been asked?

Andrew Davies: I will give that commitment.

Alun Cairns: I thank Mr Sims, Mr Williams and the Minister for their co-operation and support.

12.21 a.m.

**Cofnodion Cyfarfodydd Blaenorol
Minutes of the Previous Meetings**

Alun Cairns: The last item on the agenda is the minutes of the two previous meetings. To begin with the meeting on 11 May, are there any matters of accuracy? I see that there are not.

Are there any matters of accuracy from the meeting of 26 May? I see that there are not.

*Cadarnhawyd cofnodion y cyfarfodydd blaenorol.
The minutes of the previous meetings were ratified.*

*Daeth y cyfarfod i ben am 12.21 p.m.
The meeting ended at 12.21 p.m.*