



Cynulliad Cenedlaethol Cymru
Y Pwyllgor Menter, Arloesi a Rhwydweithiau

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

Dydd Mercher, 3 Mai 2006
Wednesday, 3 May 2006

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

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

Aelodau o'r Cynulliad yn bresennol: Christine Gwyther (Cadeirydd), Leighton Andrews, Eleanor Burnham, Alun Cairns, Andrew Davies (y Gweinidog dros Fenter, Arloesi a Rhwydweithiau), Janet Davies, Alun Ffred Jones, Carl Sargeant.

Swyddogion yn bresennol: Sarah Canning, Uned Materion Cyfansoddiadol Llywodraeth Cynulliad Cymru; O. Gwyn Griffiths, Cynghorydd Cyfreithiol i'r Pwyllgor; Gareth Hall, Cyfarwyddwr yr Adran Menter, Arloesi a Rhwydweithiau; Damien O'Brien, Pennaeth Cynllunio a Strategaeth, Swyddfa Cyllid Ewropeaidd Cymru; Robin Shaw, Prif Weithredwr Trafnidiaeth Cymru; Graham Winter; Gwasanaethau'r Pwyllgorau ac Ymchwil yr Aelodau.

Gwasanaeth Pwyllgor: Claire Morris, Clerc; Leanne Hatcher, Dirprwy Glerc.

Assembly Members in attendance: Christine Gwyther (Chair), Leighton Andrews, Eleanor Burnham, Alun Cairns, Andrew Davies (The Minister for Enterprise, Innovation and Networks), Janet Davies, Alun Ffred Jones, Carl Sargeant.

Officials in attendance: Sarah Canning, Welsh Assembly Government Constitutional Affairs Unit; O. Gwyn Griffiths, Legal Adviser to the Committee; Gareth Hall, Director, Department for Enterprise, Innovation and Networks; Damien O'Brien, Head of Planning and Strategy, Wales European Funding Office; Robin Shaw, Chief Executive, Transport Wales; Graham Winter, Members' Research and Committee Service.

Committee Service: Claire Morris, Clerc; Leanne Hatcher, Deputy Clerk.

*Dechreuodd y cyfarfod am 9.03 a.m.
The meeting began at 9.03 a.m.*

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

[1] **Christine Gwyther:** I welcome you all to the Enterprise, Innovation and Networks Committee. I remind Members to switch off their BlackBerrys, pagers and mobile phones. I also remind you that translation is available on channel 1 of your headsets. There is a further housekeeping notice, which is that if the ushers need to direct us to the exit, please do as they request.

[2] We have received apologies from Kirsty Williams. I think that this is probably the first meeting that we have had since Kirsty had her baby, so I would like to put on record our congratulations. Mick Bates will be substituting for her in this meeting. To make one final housekeeping announcement, we had planned a visit to the Northwest Regional Development Agency for 18 May, however, I am afraid that that has had to be cancelled because the agency is no longer able to host us, for various reasons. Therefore, we will have that meeting as a formal meeting here, in Cardiff. It is regrettable, but the matter is completely out of our control.

9.04 a.m.

Adroddiad y Gweinidog Minister's Report

[3] **The Minister for Enterprise, Innovation and Networks (Andrew Davies):** There are a few items to mention and the first is on the UK Government energy review and the memorandum that I have submitted to the Minister for Energy, Malcolm Wicks, and the

Welsh Affairs Select Committee, which is considering energy policy in Wales and the UK. I will make that memorandum available today to committee members and all Assembly Members; I will also get a copy to the clerk as soon as possible. The memorandum sets out our energy policy goals and how we intend to face the challenges for energy in Wales in the next 10 to 15 years.

[4] On tourism, two out of a planned five surveys for the tourism industry give early indications that tourism operators are reporting a good year. Ninety per cent of tourism operators are confident about the prospects for this year's season. So, the indications are that there has been a very strong start to the Welsh tourism season, and the operators' confidence appears to be well founded.

[5] On transport, colleagues will be aware of Ryanair's decision to cease operating the Cardiff-Dublin route from Cardiff international airport. However, I am delighted to hear from Jon Horne, the managing director of Cardiff international airport, that Aer Arann, one of the fastest-growing regional airlines in Wales, which is already operating out of Cardiff, has taken up that route and will be operating a twice-daily service to Dublin, whereas, of course, the Ryanair service was only once a day.

[6] Also on transport, we have just had the early figures from Arriva Trains Wales for performance on the Wales and borders franchise, and the passenger performance measure for the whole franchise is 89 per cent, which reflects a significant improvement. On the Valley lines, the passenger performance measure was 93.5 per cent. So, once again, there would appear to be very significant, good performance on the franchise. Once the figures have been validated by Arriva, we will make that information available to colleagues.

[7] I have just one clarification to make to my written report. In item 21, with regard to Network Rail's business plan, my report refers to plans to spend £75 million on operating, maintaining and renewing the railway over the next 10 years. That was an error as the £75 million refers to the three-year forward figure for expenditure on renewals in the Wales and borders area only. As colleagues will know, I have already made reference in previous meetings to Network Rail's significant commitment to improve infrastructure, for example, the £400 million that is planned for re-signalling south Wales over the next decade. In addition, Network Rail's new business plan includes an additional £400 million over three years for additional investment to enhance the network across England and Wales and significant increases in renewals investment.

[8] **Christine Gwyther:** Thank you. As we have been away for a few weeks, the report is quite lengthy. I see, Minister, that you have split it up into sections, so I propose that we go through it section by section and ask general questions if we need to afterwards.

[9] The first section is on economic data. Are there any questions about that?

[10] **Alun Cairns:** I do not want to repeat other arguments. As the Minister rightly highlighted; you do not take any one quarter if there are fluctuations, because there naturally are, but there does appear to be a growing trend of a gap in terms of drops in the index of production and index of construction between Wales and the UK over the last four quarters over all of the indices. I do not want to repeat previous arguments, but has the Minister any further data on why there is such a fall in, for example, the index of production and manufacturing in Wales in comparison to England? I remember that the index dropped dramatically when there were steel job losses some time ago. Something like that would obviously feed directly into the figures and enable us to say, 'Well, okay, it's not the wider economy; it's just this one instance', but there is a growing divide for each of these key indices, and I want to know whether the Minister has any explanations as to why that is. If he wants, we can easily repeat the arguments that we have had time and again, but I do not think

that that takes us anywhere.

[11] **Andrew Davies:** The figures reflect the lower rate of growth that occurred last year, and that will feed through into the employment statistics and other economic indicators. That is what those figures reflect. However, all the indications from the purchase and managers index and other surveys are that business organisations would reflect that growth has been much stronger during the first months of this year compared with last year. Therefore, I would expect indicators to reflect those improvements later this year.

9.10 a.m.

[12] **Alun Cairns:** I do not know what the Minister means by 'growth'. Do you mean growth in the economy or growth in particular sectors? Which specific area are you referring to?

[13] **Andrew Davies:** It is growth in the economy overall, because the GDP growth in the British economy last year was less than previous years, so, therefore, you would expect the indicators to mirror that.

[14] **Alun Cairns:** I accept that that has also happened on a UK level, but why are the differences greater in Wales? There is a growing divide, and there must be a reason for it. It is not over a quarter, but a full 12 months. We can also see a growing divide in wider GVA figures, but I accept that that is historic. However, a pattern is emerging and we need to know why it is doing so. It could be that we had fantastic figures last year, so we would obviously not expect the same growth this year. I want to be reasonable about it, so if that is the reason, tell me, but if it is not, what is the reason?

[15] **Andrew Davies:** To a large extent, it is due to manufacturing, because manufacturing is a larger part of the economy in Wales than in any other part of the UK. For example, there are lower rates of growth in Europe, which is our major export market, and if the French and German economies have not grown—the eurozone has not grown as significantly as other parts of the global economy, and manufacturing export figures will obviously reflect that. So, given manufacturing's predominance or weight in the Welsh economy, it will inevitably have an impact on economic indicators, including exports.

[16] **Alun Cairns:** I do not want to pursue it further, but I have one last comment, if I may, Cadeirydd. The manufacturing index for the UK fell by 1.1 per cent, but we fell by 6.6 per cent, so the manufacturing argument is the same across the UK. Bearing in mind that the rest of the UK is growing a little more than we are, our potential market is better. However, I do not want to pursue it—I hope that I have made my point.

[17] **Christine Gwyther:** Okay. Anyone else on economic data, which is the first four paragraphs? No? We will move on then to supporting enterprise, paragraphs 5 to 14.

[18] **Alun Cairns:** Can the Minister give us the latest update on the Metrix consortium, which is an exciting project. Is there anything further to add on this?

[19] **Andrew Davies:** I do not think that there is anything, but I will ask Gareth to give a full update. The indications are that the consortium is quietly confident that its bid is as good, if not better, than the Cosford consortium bid. There is increasing political, business and community support for the Metrix bid, which we think is not only good for Wales but also for the armed forces in the UK. I do not know whether Gareth has anything to add.

[20] **Mr Hall:** Yes. The very latest position is that the Ministry of Defence has offered the defence training rationalisation to the market in two packages. The closing date for further

information on the second package closed last week. So, between now and October, the Ministry of Defence is doing all of its internal evaluations and appraisals, and it will make a decision in October. The Metrix consortium, aware of local publicity in the west Midlands at Cosford, has established an interactive website that I would commend to Members for them to have a look at. It has also set its PR machine into motion, and a lot of positive publicity is being generated locally. Some of you may have read the support that has been fostered through the *South Wales Echo*.

[21] So, as well as all the factual information, it is building up a groundswell of local information and support for what would be a major investment, not just for that neighbourhood but for the whole of south Wales.

[22] **Leighton Andrews:** When are you planning to launch the Heads of the Valleys programme? I reiterate the issues that I mention at every meeting, that this needs to be a true Heads of the Valleys programme, not a Heads of the Valleys road programme, and that the heads of all the Valleys should be included in it.

[23] There is an item under ‘additional items’ that relates to supporting enterprise and is to do with the enterprise agencies, which we discussed at the last meeting. I do not know whether you want me to raise that now or whether we are going to do additional items in this report separately.

[24] **Alun Cairns:** I assumed that that was later because I wanted to raise something on that.

[25] **Christine Gwyther:** We will do additional items afterwards.

[26] **Andrew Davies:** As I say in my report, later this month, I plan to publish the Heads of the Valleys programme strategy for the next 15 years, which will include a three-year action plan.

[27] On the issue that you raised about parts of the Rhondda valley, I am discussing that with Patrick Lewis, the director of the Heads of the Valleys programme to see what can be done in terms of involving not just the area that is covered by the Heads of the Valleys programme but also adjoining areas in the regeneration plans.

[28] **Leighton Andrews:** When in May are you going to publish it? Will Valleys Assembly Members be involved in that process?

[29] **Andrew Davies:** Yes, we will inform everybody in advance.

[30] **Christine Gwyther:** We are seeing it as a paper to note on 7 June, so we can discuss it at a later meeting, after people have digested it. It is all happening in the next month or so.

[31] **Janet Davies:** On the Heads of the Valleys programme, Neath Port Talbot County Borough Council has great confidence that it will be of great assistance to its Valleys as well as to the Valleys to the west. I hope that that confidence is justified because some of them are extremely deprived and it would be very unfortunate if they were left out.

[32] I realise that the action paper is coming forward and that we will be discussing it, but I would like to see some firm intentions—I am hesitant to use the word ‘targets’ or ‘commitments’ because I know how difficult it is—and a guide as to when you hope to achieve certain levels of employment and activity and other economic indicators, because it is important that there are definite and clear aims there.

[33] **Andrew Davies:** That is certainly an intention. When I bring this to the committee, I will also make it available to Members and they will see clear action points and targets. I have also timetabled in the time by which we expect to achieve them.

[34] I have had several meetings with the leader and chief executive of Neath Port Talbot County Borough Council and with the director of regeneration development, Will Watson, to talk about how we can maximise collaboration between the Heads of the Valleys programme and Neath Port Talbot council. I commend the council for its own Valleys strategy. I visited the local authority a few months ago to look at what it is doing in terms of community transport. There are some very innovative developments there. We have been looking at how we can collaborate on transport or the wider regeneration agenda. So, it is very clear. I will need to check whether the programme director has met with the local authority, but that was the intention.

[35] **Alun Ffred Jones:** Ar raglen **Alun Ffred Jones:** On the Heads of the Blaenau'r Cymoedd, mae'r gwaith Valleys programme, the initial work and the cychwynnol a'r £2 filiwn, yn cynnwys: £2 million includes:

'community clean ups of river banks and town centres'

[36] A yw'r adran yn credu bod Does the department see that kind of activity gweithgarwch o'r fath yn rhan o'i phortfolio? as being part of its portfolio?

9.20 a.m.

[37] Yr oedd y WDA yn gwneud The WDA previously did some of that work rhywfaint o'r gwaith hwnnw mewn gwahanol in various parts of Wales. Will other parts of rannau o Gymru o'r blaen. A fydd rhannau Wales also be able to receive funding through eraill o Gymru hefyd yn gallu derbyn arian the department for that kind of work which is drwy'r adran ar gyfer y math hwnnw o waith not necessarily directly related to economic nad yw i'w weld yn uniongyrchol yn waith development but which, I accept, is relevant? datblygu'r economi ond sydd yn berthnasol, fel yr wyf yn ei dderbyn?

[38] **Andrew Davies:** A lot of the environmental improvement work done in the Heads of the Valleys was work where the role of the programme was to co-ordinate the activities of local authorities and other public-sector bodies in terms of dealing with one of the main areas which, through the consultation on the Heads of the Valleys programme, had been identified as a way in which we can improve the physical environment very quickly.

[39] I will need to look at what additional moneys, over and above existing programmes, have been identified for that environmental improvement work and what other sources of funding are available in other parts of Wales. I will come back with a note on that. I do not know whether Gareth wants to add anything to that.

[40] **Mr Hall:** There was considerable local public consultation when the Heads of the Valleys programme was initiated. There was a huge welter of feedback from local people that cleaning up the environment was the first building block to be put in place. Alun Ffred made the point that regeneration is not just about economic development; it is about people getting a sense of place and pride in their local communities. So, this is what we describe as the holistic, comprehensive approach to regeneration. I mentioned to the committee at a previous meeting that we were looking at the Heads of the Valleys to promote best practice in regeneration and that we would be looking to roll out and apply the approach taken there with our partners in all our involvements across Wales. That is one of the reasons why Geraint Davies, the director for the mid Wales region, has also been appointed to take a lead, on an

all-Wales basis, on identifying and promoting best practice in regeneration for adoption across the board.

[41] **Alun Ffred Jones:** You specifically mention £2 million, and part of that early hit is the community clean-up of river banks. I presume that this money has been used directly for the clean-up of river banks and town centres, of which I approve; I do not object to it in any way. However, will that then be part of the department's brief in other parts of Wales where that sort of work is required?

[42] **Andrew Davies:** As I said, I will get the exact figure of how much of that £2 million was spent on the environmental improvements to which you have referred. As Gareth has said, following the consultation, it was clear—not just in terms of public bodies but also from communities across the Heads of the Valleys programme area—that this should be an early priority. Again, as Gareth has said, it is something that we want very much to learn the lessons from. For example, what opportunities will there be in future funding programmes for learning or applying those lessons to any other part of Wales in terms of regeneration? We will come back with the figures on that.

[43] **Christine Gwyther:** Okay. We will move on to the next section on promoting innovation, which is in paragraphs 15 to 19. I see that there are no specific questions on that, so we will move on to paragraphs 20 to 29 on investing in networks. May I ask you, Minister, about the Severn tidal barrage? Obviously, you have come out with quite a clear statement of support for that. What is the environmental assessment route from this point, as statements have also been made that it is something with which Europe would not necessarily agree? Can you tell me what the next steps are?

[44] **Andrew Davies:** We feel that there is potential for the Severn tidal barrage in terms of green energy production. That view is shared by the Secretary of State for Wales who has written to Malcolm Wicks in support of our position in terms of looking seriously at the environmental and economic impact and asking for comprehensive assessments to be made. I will be speaking to Department of Trade and Industry Ministers shortly about this issue and going through the processes that we would need to undertake in order to undertake that environmental impact assessment. There are areas of the Severn estuary that have some high European Union designations in terms of being special areas of conservation. We would need to look at the impact of the Severn tidal barrage and how we would deal with European legislation and directives on that. That would be part of the process and we will be exploring it with the DTI.

[45] **Janet Davies:** I would also express a great deal of concern about the environmental issues around the Severn barrage, although we will have to see what research comes up with.

[46] I also raise the issue of microgeneration, which comes under paragraph 24. It seems to me that there is huge scope here, but there is also tension. I think that you would agree, Minister, at present, that installing microgeneration facilities in a house is enormously expensive. Even with grants, it is not really economically viable for most householders or, really, for any householders. Therefore, how do you see the development of a resolution to that situation as it would involve quite a lot of public money going in, which would then end up with the private house owner? We all want to see renewable means of producing energy, but there seems to be quite a tension in that.

[47] I also wanted to ask you about the railways. Thank you for the amendments to paragraph 21—I was going to ask about that. At the beginning, you said that the Valley lines have achieved 93.9 per cent of their targets, yet, subjectively, the complaints that have come from the Valleys lines are quite considerable. Could you tell us what criteria was set for those lines to achieve 93.9 per cent? Does that target include overcrowding, for example? I know

that things will improve as you get the new rolling stock, which I understand is coming into use now, but there are still problems. I am sure that Leighton will have a lot more to say about this matter.

[48] **Christine Gwyther:** I do not know how you can judge that in advance. Alun, may I ask you to turn that machine off as you are interfering with the transmission?

[49] **Alun Cairns:** I have learned of a statement that the Minister has just issued and I want to ensure that there is nothing in it that I want to ask him a question on, unless he wants to give us a summary of the statement that he or his office has just issued.

[50] **Christine Gwyther:** With the greatest respect, I do not know what you are talking about.

[51] **Alun Cairns:** The Minister has issued a statement, while we have been here. I am a bit sceptical and suspicious of a statement that has been issued while we are all here, where it is difficult to read it. I ask the Minister to kindly give us a summary of what is in his statement or I will leave the room to read it and then return and ask him to answer questions on it.

[52] **Christine Gwyther:** If you would like to leave the room to read it, I think that that would probably be the best thing for you to do.

[53] **Alun Cairns:** I am more than happy to do that.

[54] **Andrew Davies:** It is the statement to which I referred in my oral update, which was the memorandum of submissions to the UK Government on the energy review. I apologise that it was not issued prior to the meeting—that was my intention, but unfortunately it did not happen.

[55] On the Severn tidal barrage, we believe that it needs to be looked at seriously because of not only our commitment to renewable energy, but the clear evidence that global warming is now occurring and the subsequent likelihood not just of an increase in the frequency of severe weather incidents, but of an increase in sea levels, which will have a huge environmental impact on Wales, and not just in the Severn estuary.

9.30 a.m.

[56] However, I believe that there is some reassurance in the fact that, where a tidal barrage has been in operation, as it has in the north of France on the Rance river, the evidence is clear that there is now greater biodiversity above the tidal barrage than existed previously. Clearly, any human activity on such a scale in an area such as the Severn estuary will have environmental impacts, and it will inevitably be a matter of judgment as to whether those changes are acceptable given the challenges of global warming.

[57] Microgeneration is a relatively new form of technology that includes photovoltaics, solar panels generally, and other forms of microgeneration such as domestic wind turbines. Any new technology is inevitably expensive when first introduced, but as you increasingly reach the mass market, so the costs of that technology are reduced. That has been common in the case of televisions, mobile phones or any other form of technology, including cars. So, as part of the consultation, we are looking at how, with the UK Government, we can generate demand for photovoltaic applications, be it through generally raising awareness or through our activities as a Government, such as, for example, trying to ensure that public buildings that are funded by us or other parts of the public sector incorporate the use of microgeneration technologies in their energy use, as well as trying to reduce energy use in the first place.

[58] On Arriva Trains Wales, I will ask Robin to come in on the detail. However, as regards the problems that Arriva experienced—which were well attested and about which we all received correspondence, e-mails and telephone calls from disgruntled passengers—Arriva accepted that, at the end of last year and the beginning of this year, performance was not satisfactory. That coincided in part with the introduction of the standard pattern timetable towards the end of last year, but there were other factors, and Arriva has accepted that performance was not satisfactory. However, there has been significant improvement, and, as Minister, I am not getting the number of letters, e-mails or complaints that I did, and I understand that Arriva's customer service manager has said the same.

[59] **Mr Shaw:** The performance measure is, of course, that of reliability, so we are talking about trains that arrive within five minutes of their planned timetable. However, there has been a step change in improvement this year, and we now see levels on the Valley lines that are over 90 per cent. That is an extraordinary transformation, and it shows that the SPT, now that it has bedded down, really is delivering the sort of reliability that Arriva believed it would when it put that particular proposal in the franchise bid. It does not cover overcrowding; that issue is still being addressed. Some of the problems that have been occurring are now getting better as more of the rolling stock—as you say—comes into service. The company is able to deliver more of the four-car units than it was earlier in the year and it has reintroduced a loco-hauled service. Also, we are now looking, with Arriva, at the current usage levels, identifying what are now the most heavily loaded services and seeing what else we need to do to address the issue of capacity. That is very much on the agenda, but we needed to see how the standard pattern timetable bedded in and how many people adjusted their journey patterns in recognition of the new timetable before we could judge where we needed to do any additional strengthening.

[60] **Janet Davies:** On the matter of the barrage and biodiversity, an increase in biodiversity does not necessarily mean that the existing species survive. There is a big issue in that if there are bird species that are common to other parts of the world, less importance is placed on them. Also, if the feeding grounds are crucial for a particular species of bird species, that must be taken into consideration. So, this is not just about having more diversity, but safeguarding the most threatened species. That needs to be considered very carefully.

[61] **Andrew Davies:** A comprehensive environmental impact assessment would identify precisely those issues. The point that I made about greater biodiversity is that the evidence of the River Rance barrage shows that it has been producing electricity unobtrusively and at a lower cost over the last 40 years than nuclear power in France. As you know, France is much more dependent on nuclear power than the UK. There are parallels between the River Rance and the Severn, in that the Severn estuary is one of the most hostile environments. You get a very vigorous tidal scour twice a day. The amount of sediment in suspension is very large, and therefore the light cannot penetrate the water. After a barrage is installed, you find that a greater degree of sediment is deposited and that light can penetrate through the water to a greater depth. That is one of the reasons why you get greater biodiversity. That is the evidence from the River Rance barrage, and the proponents of the Severn tidal barrage believe that that would be the case with the Severn barrage.

[62] People need to bear in mind that you will still get tidal movements, as it will not be a permanently impounded area such as Cardiff bay. The whole reason for having the barrage is to exploit those tidal movements. So, to the best of my knowledge, there would not be the adverse impact on bird populations that you had with the permanent impoundment of Cardiff bay, and that is why alternative provision had to be made within the Severn estuary for bird populations displaced by Cardiff bay.

[63] **Alun Cairns:** There will be an adverse economic impact—

- [64] **Christine Gwyther:** Hang on, Alun. First of all, switch that off, and then maybe—
- [65] **Alun Cairns:** The transmitter is switched off, so it is not causing any interference.
- [66] **Christine Gwyther:** Can you switch it off?
- [67] **Alun Cairns:** The transmitter is switched off.
- [68] **Christine Gwyther:** Can you switch it off?
- [69] **Alun Cairns:** With the greatest respect, I am entitled to a laptop in the—
- [70] **Christine Gwyther:** With the greatest respect, we have been asked by officials to switch off BlackBerrys completely, and whether the transmitter is on or not makes no difference.
- [71] **Alun Cairns:** I could only be using it as a calculator, and it is as inert as a calculator.
- [72] **Christine Gwyther:** Why do you not put it away then?
- [73] **Alun Cairns:** Because I am still reading the Minister's statement.
- [74] **Christine Gwyther:** I have asked you to switch it off. Leighton Andrews?
- [75] **Leighton Andrews:** I am not planning to mention Arriva this time, because I will have plenty of opportunities to do that in other meetings. I will start with the Severn barrage. I completely support the approach taken by the Welsh Assembly Government and the Secretary of State on this initiative. Frankly, some of the environmental organisations must get real about priority judgments in relation to energy generation. The reality is that there are environmental impacts for virtually any energy generation source that you want to talk about, whether it is coal, wind or nuclear. In terms of the environmental priorities before us, climate change is probably one of the most serious and, therefore, getting to grips with a major initiative that has the capacity to produce sustainable energy generation should be at the centre of what we are doing, and I completely support the Government in what it is doing on this issue.
- [76] I want to ask about hydropower, because the fact that the first community hydro scheme has now been officially opened is good news. There are other communities around Wales that are seeking to develop schemes, and there is one in my constituency, in Clydach Vale, which is looking actively at a possible development. In terms of community schemes, it is important that we spread the practice of how people go about seeking to develop such a scheme. It does not have to be an action point at another meeting, but I would welcome some background on this scheme that we could use to spread it to other communities.

9.40 a.m.

- [77] **Andrew Davies:** On hydropower, as you have pointed out, there is potential for community schemes. The research has been done and the feedback that I have had from my officials and experts in this field is that we have probably reached our capacity limit in terms of the large-scale exploitation of hydropower in Wales. The potential in Scotland, for example, has been greater than that in Wales, and it has been exploited substantially there. However, there are still opportunities for hydropower at a community level and, with the new Energy Wales unit in my department, headed up by Dr Ron Loveland, we will be looking very seriously at a range of technologies.

[78] I have a great deal of sympathy with the general point that you made about environmental groups. Global warming presents us, as a Government, with challenges, and challenges are also posed by many environmental groups such as Friends of the Earth, the Royal Society for the Protection of Birds and others, who recently announced a challenge to Government to address the issues of global warming. That is precisely what we are doing by asking for the Severn tidal barrage to be considered. I sometimes think that some groups feel that there is some easy option out there that would be a magic bullet and would sort out our problems and not cause any adverse reactions. As you pointed out, there is no form of energy production, whether it is renewable, fossil fuel or nuclear, which, while having advantages, does not also have disadvantages. As a Government, our job and, as a Minister, my job, is to try to balance those, but the overwhelming challenge is to try to address the problem of global warming while also ensuring that we have an adequate energy supply. The people of Wales will not thank us for choosing a form of technology for energy production, or supporting it through our policies, which does not enable us to keep the lights on.

[79] **Christine Gwyther:** We will move on to the next section—

[80] **Alun Ffred Jones:** Hang on—

[81] **Christine Gwyther:** I am sorry, Ffred, you did not indicate loudly enough.

[82] **Alun Ffred Jones:** Ar forglawdd môr Hafren, yr wyf yn gobeithio y gall y Gweinidog symud ymlaen, mae'n debyg ar y cyd â Llywodraeth y Deyrnas Unedig, i gael asesiad o'r effaith amgylcheddol y byddai codi morglawdd yn ei chael.

Alun Ffred Jones: On the Severn barrage, I hope that the Minister can move on, jointly, it seems, with the United Kingdom Government, to get the environmental impact assessment on this idea of building a barrage.

[83] Yr ydych wedi cyfeirio at grwpiau sydd yn poeni am yr effaith ar adar a bywyd gwyllt, ond os yw cynhesu byd eang yn mynd yn ei flaen, bydd yn newid patrwm bywyd gwyllt, yr adar sydd yn nythu a'r planhigion sydd yn tyfu drwy Gymru ac Ewrop i gyd. Felly, mae'r dadleuon ehangach y mae'r Gweinidog wedi cyfeirio atynt yn berthnasol iawn i'r drafodaeth. Yn ei gyflwyniad ar ynni i Lywodraeth y DU, a yw'r Gweinidog wedi ailddatgan gwrthwynebiad Llywodraeth y Cynulliad i ynni niwclear?

You referred to groups that are concerned about the effects on birds and wildlife, but if global warming continues, it will change the pattern of wildlife, the birds that nest and the plants that grow throughout Wales and the whole of Europe. Therefore, the broader arguments that the Minister has referred to are relevant to the debate. In his presentation on energy to the UK Government, has the Minister restated the Assembly Government's opposition to nuclear energy?

[84] Ar drafnidiaeth gymunedol, sef pwynt 23, mynegaf fy siom fawr i a siom ardalwyr Pen Llŷn yn fy etholaeth i'r penderfyniad i beidio cefnogi, drwy grant, gynllun o ddrws i ddrws sydd wedi bod ar waith o Nefyn ers rhai blynyddoedd. Bwriad y cynllun hwn yw rhoi trafnidiaeth rad ac am ddim i bobl, a'r rhai sydd yn dioddef o anabledd yn bennaf, er mwyn iddynt gyrraedd llefydd o bwys, boed hynny'n siopau neu'n ysbytai, ond mae'r cynllun o ddrws i ddrws yn codi rhywfaint o dâl gan nad yw'r grant yn ddigonol. Felly, yr oedd yn

On community transport, namely point 23, I express my great disappointment and that of the people of the Llŷn Peninsula in my constituency with the decision not to support the door-to-door scheme that has operated out of Nefyn for some years. The aim of this scheme is to provide people, mainly those with a disability, with free transport to important places, be they shops or hospitals, but the door-to-door scheme carries a charge because the grant is not adequate. Therefore, it was a great disappointment to the members of the group who have worked so hard, the

siom fawr i aelodau'r grŵp sydd wedi gweithio mor galed, yn wirfoddolwyr sy'n rhoi eu hamser yn rhad ac am ddim, eu bod wedi methu â derbyn y grant ar ôl cael addewidion bod eu cais yn gryf iawn.

volunteers who have given their time free of charge, that they failed to receive this grant after receiving promises that theirs was a very strong application.

[85] Gweithredir y cynllun hwn gan grŵp hyd braich, hyd y gwelaf. Nid yw'n gwango ond mae'n grŵp hyd braich er mai Llywodraeth y Cynulliad sy'n ariannu'r cynllun i raddau helaeth. Faint o gyswllt sydd rhwng y Gweinidog a'i adran a'r grŵp sy'n gweithredu'r cynllun trafniadaeth gymunedol, a pha ddylanwad sydd ganddo ynglŷn â dewis y cynlluniau sydd wedi cael ffafriaeth?

This scheme is implemented by an arm's-length group, as far as I can see. It is not a quango but an arm's-length group although it is the Welsh Assembly Government that funds the scheme to a great extent. How much contact does the Minister and his department have with the group that is implementing the community transport scheme, and what influence does the Minister have over the choice of schemes that have been favoured?

[86] **Andrew Davies:** I think that you are quite right on the first point about global warming. As a member of the Royal Society for the Protection of Birds and a keen birdwatcher, I have noticed that bird populations have changed significantly over the past 10 years. I am probably at risk of being branded an anorak, but I can tell you that the little egret, which is a Mediterranean bird and was a very rare visitor to Wales, is now common—at the national wildfowl centre in Llanelli, for example. I believe that it is even breeding there. So, I think that bird populations are already being affected by, or are reacting to, global warming. I think that you are quite right to say that if it continues at a dramatic rate and there are changes not just in climate but also in rising sea levels, there is very little that we could do to protect a lot of habitats that the RSPB and other groups are now saying should be protected.

[87] There is an argument that a barrage would help to control other areas, particularly where there are incidents of tidal surges or severe weather. Upstream from a Severn tidal barrage, you have major centres of population in Cardiff, Newport, Bristol and so forth, and a barrage may—as has happened with the Thames barrage—be able to assist in protecting those areas.

[88] On the memorandum and response to the UK Government's energy review, yes, we have maintained our position in that we do not believe that there is an economic case for any new nuclear power station builds in Wales.

[89] On the second point about community transport, the decisions on the bidding process for support under the community transport scheme were made by a body, and not by me. There was a competitive bidding round and there was a limited amount of money, and part of the reason for the scheme was to look at how we could encourage community transport schemes, particularly those that were innovative. So, in future years, having evaluated those schemes, we may be able to extend the grant. Clearly, there were projects, such as that in your constituency, in Nevern, which were, unfortunately, not successful, but that has also been true of quite a few other projects in Wales. Robin may want to add a few points.

[90] **Mr Shaw:** I do not have a great deal to add to that. I understand anyone's disappointment in that situation, but you are right that the scheme is focusing on severely disabled groups who perhaps do not benefit from the other levels of bus or other concessionary fares that we can provide. So, it is focusing on that. My staff did engage in quite a detailed assessment, so there was a significant input from my staff in making the difficult decision as to which schemes we could support with the balance of the budget provision that we have at this time. Going forwards, there will clearly be a future decision as

to what level of resource is appropriate for us to be putting in to support this sort of service. I would also expect the committee to have its own views on that.

[91] **Alun Ffred Jones:** Just to clarify, you said that officials from the department have been heavily engaged in this decision. So, it was not a decision made purely by this body that has been set up by the Minister to administer this grant, was it? So, it is partly the Minister's decision, although not directly made by the Minister, is it?

[92] **Mr Shaw:** No, my staff were involved only in the hearing panel.

[93] **Alun Ffred Jones:** Did you take into consideration the fact that, in the index of multiple deprivation, one area that was pointed out as having great difficulties in gaining access to services was Pen Llŷn, because of its distance from hospitals and other vital services?

[94] **Mr Shaw:** Those, and other factors, were taken into account.

9.50 a.m.

[95] **Alun Ffred Jones:** I find it utterly amazing that that area, of all areas, lost out on what was a pretty strong bid, which had almost won on the first round.

[96] **Mr Shaw:** As the Minister said, that was not the only bid that did not succeed. Obviously, that is a problem when you are allocating a limited resource in a competitive situation.

[97] **Christine Gwyther:** Is there anything on paragraphs 30 and 31 on Visit Wales? If there is not—

[98] **Alun Cairns:** May I come in?

[99] **Christine Gwyther:** Sorry, Alun, not you. Is there anything on paragraphs 32 to 34 on International Business Wales? Jobs gained and safeguarded are referred to in paragraphs 35 to 41, and job losses in paragraph 42. Is there anything on any of that?

[100] **Alun Ffred Jones:** May I just ask about the Sutcliffe abattoir? It is very sad. A number of points have been raised on this. I spoke to the Minister before he awarded a grant to the Sutcliffes, who took over that abattoir, because there had been doubts about the financial robustness of the company. Unfortunately, that has proven to be the case, in that they have closed the doors barely a year after taking over. Certainly, I was not arguing against giving them the grant, I was just echoing the concerns that had been raised with me. I do not know whether the Minister would just wish to confirm that checks were made about the company before the grant was awarded.

[101] Looking to the future, what exactly is being done? We heard, when the job losses were announced, that Team Wales was moving in. However, I am never quite sure what Team Wales does when it moves in. What exactly is being done with the administrators, presumably, to try to find a buyer for the project? Will the Minister also consider the fact that there is a local consortium that is thinking of putting in a bid? Will he confirm that he would consider that? Perhaps he could explain his exact relationship with the administrators in this case in supporting that sort of consortium. There are serious local concerns about another bidder coming from far afield to take over the plant and perhaps, because of the erosion of confidence, the local farming community would simply not have any confidence in the plant. Ultimately, that would affect its profitability.

[102] **Andrew Davies:** On the first point, there is a rigorous appraisal of the business case and the financial viability of any company that comes to us for financial assistance. There is always a balance to be struck between dealing with the matter efficiently and, at the same time, making sure that the public interest is protected. The public sector is often criticised for being risk-averse or bureaucratic but, when public money is involved, there is a need to ensure that the public interest is protected. Rigorous financial checks are always carried out on a company before we offer regional selective assistance or Assembly investment grants.

[103] As for what we are doing, or what we will do, to help those affected by redundancy, Team Wales is a generic title that covers the public agencies, including us, Education and Learning Wales as the training agency, Careers Wales and the non-devolved Jobcentre Plus, which is part of the Department for Work and Pensions. It is about taking a team approach, so that all public sector organisations work together with the company and the trade unions, if they are involved, to deal with individual employees who are affected by redundancy and to help them to identify their needs, whether they wish to seek alternative employment or, given where the employees are, to retrain or pursue a career in a different direction. The Team Wales group will go in and work with all those affected to identify their needs and, wherever possible, help them to seek alternative work or training. There is the ReAct programme, which is funded by European Objective 1, whereby financial support is offered to other employers to help to take on those affected by redundancy.

[104] **Alun Ffred Jones:** What specific action has been taken in relation to Sutcliffe's in Caernarfon?

[105] **Mr Hall:** You mentioned potential interest from a consortium. We will get in touch with those people, and we can help them with the preparation of a business plan as well as financing sources, which you will need if you are going to set up a new business. So, we can give some help there. For those who are out of work, we will use the networks, including Jobcentre Plus, to identify local employment opportunities. It is a well-oiled machine that we put into place.

[106] **Carl Sargeant:** Minister, can you update us on the Iceland position in north Wales? I understand that a 90-day notice has been served on some of the workforce. I am not sure whether your department can confirm whether the 90-day notice has been lodged with the DTI. I understand that Brian Apsley and the trade union officials have worked extremely hard to make cost savings for the company, and I believe that they put proposals to the company for £1 million to £1.5 million-worth of cost savings, which would go a long way towards helping the Iceland group. However, I am not sure whether that was accepted or rejected by the company. Has your department made contact or had interaction with the company to ensure early intervention to secure jobs on Deeside?

[107] **Andrew Davies:** Yes, certainly. There has been an ongoing relationship between the north Wales office, and not just with my office but also by the WDA before its merger with the Assembly Government, by Chris Farrow, the former regional director of the WDA in north Wales. However, since the merger, the new regional director for north Wales, Vanessa Griffiths, has been in contact with the company's founder, Malcolm Walker, and with Mike Jeffries, the regional officer of the Transport and General Workers' Union. An offer of assistance was made and conversations have been held. Indeed, I have spoken to the regional secretary of the Transport and General Workers' Union, Andy Richards, and, once again, I have offered all our support to the workforce, the union and the company in trying to resolve the issues.

[108] At this stage, I do not know whether a 90-day notice has been formally lodged, but we will check on that. However, the position is as before, in that we stand ready to help the company and the unions to try to keep the operation and those jobs in north Wales.

[109] **Christine Gwyther:** Thank you. Finally, paragraph 43 is on other announcements? Sorry, Janet, did I miss you out?

[110] **Janet Davies:** Yes. I have a question about annex A.

[111] **Christine Gwyther:** We will come to that after dealing with the other announcements. I see that there are no questions on that matter. Shall we leave it? Right, let us have your question under annex A, Janet.

[112] **Janet Davies:** In the first item, Minister, where you talk about the land division, the penultimate paragraph says that,

[113] ‘the Land trading activities will continue to be managed on a separate trading basis’.

[114] Will that be subject to normal scrutiny, allowing for commercial sensitivities, obviously? Will it still be scrutinised in the usual way?

[115] **Andrew Davies:** Very much so. I have made this commitment on many occasions. I believe that there will be greater transparency and, I hope, greater scrutiny of all activities in my department subject to the usual rules and normal conditions of commercial confidentiality.

10.00 a.m.

[116] **Leighton Andrews:** My question is not about land. Item 6 relates to our discussion at the last meeting about the enterprise agencies. As I predicted, after the Economic Development and Transport Committee meeting, I was contacted by one of the enterprise agencies, Venture Wales, which told me that it was informed very late in the process about changes to its contract arrangements. That resulted in a number of redundancies, which will have taken place by now. I would like to understand the process of decision taking in that context, and the reasons for the withdrawal of contracts. I say that in the context of being very much in favour of streamlining business support. However, I am not of the view that all business support must be provided through the public sector. There are some good examples in Wales of private-sector-run business support operations. So, I hope that this is not the beginning of a centralisation of all business support within the Department for Enterprise, Innovation and Networks.

[117] **Andrew Davies:** I will ask Gareth to come in on the specific issue of Venture Wales, but I will just make a few points of principle. Everyone agrees that there is too much public-sector-funded business support; there is an overwhelming need for rationalisation. I signalled last October to the committee, in terms of budget provision, that there would be rationalisation and streamlining. Secondly, I have always held the view that the role of the public sector is to make up for market failure, or to assist the private sector, not to compete with it. When there was the rationalisation of business support by the WDA with Business Eye, I made it clear at the time that the aim should be to work with private sector providers of business support. Most companies’ first port of call when looking for support for their business, whether they are a start-up company or a more established one, is usually their bank, lawyer or accountant. It is not the public sector, whether the Assembly Government, the former WDA or local authorities. So, I made it clear at the time that the role of the public sector is to work with the private sector, and not to compete with it. Everyone recognises that there is still considerable scope for greater streamlining, and also to ensure that we are getting value for money from what is a very significant amount of money. Something like £20 million goes into enterprise activities, and my department is ensuring that we get value for money from that considerable investment. Perhaps Gareth will answer on the specific issue of Venture Wales.

[118] **Mr Hall:** As I mentioned when we discussed this issue at the last meeting, meetings were arranged with not just Venture Wales, but also the other providers in south-east Wales—the CODA management group, Entrepreneur Action and Business in Focus. A number of meetings have been held with these contractor delivery bodies. They all understand and accept the principle of the need to streamline, to bring together the two funds that I described last time, and be more focused in terms of support. I acknowledged and accepted that the way that we introduced this was fairly arbitrary, and that there was a need to phase the changes going forward in this financial year. We are in active discussion and constructive dialogue with Venture Wales about how we make transitional arrangements during the first half of this financial year, and I can keep you updated on the progress of those negotiations.

[119] **Leighton Andrews:** Okay. I am slightly alarmed when you say that the decision was arbitrary.

[120] **Mr Hall:** It is not arbitrary—the way that we introduced it could have been more streamlined, and I accepted last time that it could have been phased. We are actively pursuing the phasing in of the introduction.

[121] **Leighton Andrews:** You used the word ‘arbitrary’, Gareth. Either it is arbitrary or it is not. No decision coming out of Government should be arbitrary.

[122] **Mr Hall:** No, and I apologise. The reasons for the decision have been communicated at the last meeting and in writing. The shortcoming was with regard to the need to phase in how we are going to reduce these budgets and the implications of that and we are in detailed dialogue with Venture Wales about how we manage that.

[123] **Leighton Andrews:** You are acknowledging, then, that the process of reaching this decision has not been satisfactory, essentially. You said in the context of Venture Wales that you are now going through a dialogue with it to look at phasing—that is how I have interpreted what you said. I cannot understand why the process should have been less than satisfactory. If the Minister made announcements in October about this process, why did it take until March before serious conversations were being had about the nature of the contract, such that people suddenly found that they had to make members of staff redundant? That is not good practice.

[124] **Mr Hall:** We went through—and we have advised Members of this—the bringing together of the two funds and a tender action for the delivery of these contracts. There are just about 50 contracts around Wales with different suppliers of different sizes. This operation has gone through smoothly with all of those providers. There was a particular issue with Venture Wales and that is what we are addressing. It is a major provider, particularly in south-east Wales, but, as you said, the Minister signalled the redirection of moneys from the entrepreneurship programme towards innovation in the Heads of the Valleys back in October, and we introduced that over time as part of the new contract process and of letting these contracts. Particular issues have arisen with just one of the providers, namely Venture Wales, and we are addressing those issues as we speak.

[125] **Leighton Andrews:** I have written to the Minister about Venture Wales and I look forward to the reply on that specifically, but I do not think that this is good enough. I did not have any briefing on it in advance of the last meeting in which we had a discussion on this, and what I have heard in the context of Venture Wales is completely unsatisfactory. I will wait for the Minister’s detailed reply to me on that; it does not have to be dealt with in committee.

[126] **Alun Ffred Jones:** I would echo what Leighton Andrews has said. I think that we

should have had the report in the last meeting. There was plenty of opportunity. After all, as has already been pointed out, this was signalled back in October and we are in May now. We should have been provided with the necessary information about the likely impact of these changes at the last meeting. The statements made this morning have not filled me with confidence.

[127] I have had a letter from the Minister about this. I will ask two questions. There is a statement here:

[128] 'It is not appropriate to list the providers and their contract values year on year, nor to discuss the impact on individual providers, as this is commercially sensitive information'.

[129] I still think that we should have some indication of the scale of the job losses. I do not believe that it is beyond the wit of the department to provide that information. More importantly—and I know that this was stated in the letter—how much money has been redirected from this programme to the Heads of the Valley programme? Is that permanent? Is that redirected money all from the south-east Wales region or has it come from the programme throughout Wales?

[130] **Christine Gwyther:** It has all come from your constituency, Ffred.

[131] **Alun Ffred Jones:** Probably—no, I do not think so.

[132] **Andrew Davies:** We are saying that, while we felt that the decision and analysis were robust, the way in which they were communicated was less than satisfactory. We admit that and apologise for it. Certainly, as a Minister, I am apologising for it and I take full responsibility for it. We have learned lessons, and this should not have happened in this way. We will try to ensure that these sorts of decisions are communicated more effectively. However, a huge amount of change has been going on within my department with the merger, and I am more confident now that Vanessa Griffiths, not just as the regional director in north Wales, but also as director of enterprise, is now in place and is undertaking this review. In the future, I think that these decisions will not just be made but more effectively communicated. However, I would say that it is particularly an issue with regard to Venture Wales. I do not think that we have had that scale of complaints from other providers at this stage. I give a commitment, as I always have done, to give a full note to Members about the latest position, which will include the funding issues that you have raised, Ffred.

10.10 a.m.

[133] **Christine Gwyther:** I think that you have been made aware of the strength of feeling around this table. Obviously, we want to see more clarity in future.

[134] **Alun Cairns:** I would like to make a comment on this, if you would permit me to do so.

[135] **Christine Gwyther:** I will, if it is new to the discussion.

[136] **Alun Cairns:** As the Member who raised this in the last committee meeting, I would like an opportunity to follow some of the points through.

[137] **Christine Gwyther:** I think that everyone raised it, if I remember correctly. Carry on.

[138] **Alun Cairns:** There are some specific questions in the minutes of the last meeting, Minister, noted in paragraph 6 in annex 2, about the number of agencies affected by budget cuts and whether there would be any job losses as a result. With the greatest respect, your

answer gives hardly any information. I read phrases such as:

[139] ‘It is not appropriate to list the providers and their contract values year on year’

[140] because of commercial sensitivity and confidentiality and so on, but we have not asked for that; we have asked for information on an all-Wales basis. We have asked for the numbers at the lowest level, even if on a regional basis. That is the broadest issue. So, not only was it not ready for the last meeting, it is not ready for this meeting so that we can scrutinise the rationale behind it.

[141] I am sure that many of us would welcome streamlining, but I am not even convinced about the streamlining benefit of this. A simple example from one of the enterprise agencies is that it supported 1,600 businesses last year in one element of the programme, and that number has just been cut down to 200. So, we are likely to have the same number of business support agencies but they will be doing less. That is not streamlining. The same programmes will be there, but instead of 1,600 business receiving support, as was the case last year, the contract will be just for 200. Similarly, Venture Wales made a £1.3 million bid—this is all in the public domain now—and succeeded in getting £300,000. As a result, businesses have been turned away. Venture Wales has been highlighted, and rightly so, because it has been the one that has been hardest hit, in my analysis, but Business in Focus has also been hit particularly hard, as well as some of the others that have been mentioned. The strength that Business in Focus has is that it has a property base, so it can carry greater fluctuations. However, some of these other organisations do not have the same capital assets and therefore are being hit harder. However, I do not want anyone to think that activity levels of Business in Focus are not being hit almost as hard as those of Venture Wales. More general data can be given if there are commercial confidentiality issues, although I am not convinced that there are. We need to know how many businesses were supported last year and how many will be supported this year under the contracts, where the gap is and what will happen within that gap.

[142] **Christine Gwyther:** When can we expect that information?

[143] **Mr Hall:** We have completed the re-tendering process—that is where the commercial confidentiality lies—but we can give information about the targets that we have set for this year compared to last year and the impact on the other organisations that you mentioned.

[144] **Alun Cairns:** Can we have the information as it was on 1 April or 5 April—whichever you take as the start of the year—because that is what we want to scrutinise? It seems to me that there is a mad scramble now, or arbitrary phasing in of changes, or mistakes, or whatever you want to call it. The apologies are noted and accepted, but, quite clearly, we want to scrutinise the original decision and what scramble is taking place in order to get us out of the hole that was created.

[145] **Mr Hall:** We will get you that information, but we will not be using that sort of language, Chair, because that was not the case.

[146] **Christine Gwyther:** Okay. Thank you. We will move on.

10.15 a.m.

Y Fframwaith Cyfeirio Strategol Cenedlaethol National Strategic Reference Framework

[147] **Christine Gwyther:** I thank the Member who came for the Members’ research

service briefing this morning, which I found very helpful. Thank you for that, Graham. Minister, do you want to introduce your paper before we go through the questions? We will have to be quite systematic about this because there is an awful lot of information for us to take in and for you to explain. Will you introduce the item, and we will then continue question by question?

[148] **Andrew Davies:** Damien O'Brien, who is the head of planning and strategy in the Welsh European Funding Office, is here in support. He is taking a policy lead on developing the national strategic reference framework and our planning for the next round of European funding.

[149] The Wales chapter of the NSRF has been developed in close consultation and working with a range of external stakeholders. An external stakeholder group has been formally established. This is part of the UK's proposals to the European Commission. The Wales chapter proposes broader, less prescriptive priorities. Under Objective 1, we currently have the six priorities, with separate measures within those. One of the lessons that we have all learnt is that there needs to be much broader priorities in terms of how we plan to use the additional funding. Therefore, there will not be a measure-led programme for the next round of European funding.

[150] We have also learnt from the current round that we need to be more strategic. I think that there has been broad agreement from all the stakeholders that that is the clear priority for us. This is an opportunity for the committee, looking at the framework, to identify whether it agrees or disagrees with the priorities. I would welcome the views of committee members in taking forward this important agenda. Damien may wish to add to that.

[151] **Mr O'Brien:** I have two comments. It is clear that the commission expects the next round of European structural funds to have a much harder economic edge and to be focused on the Lisbon agenda. We are seeking to ensure that, in preparing the documents, we align those with 'Wales: A Vibrant Economy', which is very much geared towards the Lisbon agenda. From our preliminary discussions with the European Commission, it is also clear that it expects us to concentrate the resources. We cannot do everything with the structural funds, nor should we. It expects us to focus on fewer priorities and not to try to spread the jam too thinly. In setting out the priorities in the NSRF, we have sought to do that and to make choices about what the direction of travel might be, taking 'Wales: A Vibrant Economy' and the skills and employment action plan very much as our signpost.

[152] **Christine Gwyther:** Thank you. If Members want to refer to the brief, I will go through the questions systematically and ask Members whether they have anything to say. Question 1 asks whether respondents agree with the assessment in the draft national strategic reference framework of the economic strengths and weaknesses of the UK's nations and regions.

10.20 a.m.

[153] **Carl Sargeant:** On the reform and stage 3 of the proposals, I want some clarification of the position. It is stated that the UK Government will be responsible for allocating the remaining competitive funds, for which east Wales could be eligible. That raises concerns that Merseyside, neighbouring east Wales and our economy, will qualify for the phasing in of competitive funding. I am just concerned about whether it will be a UK-Government decision on whether delivery in east Wales will be considered or not. It raises concerns that our Welsh structure will be defined by the UK legislature. Can you clarify the position on that?

[154] **Mr O'Brien:** We are currently involved in discussions with the DTI, other Whitehall departments and the devolved administrations about the approach to allocating

competitiveness funding. You are absolutely right that Merseyside, because it was an Objective 1 region, will qualify for a higher level of support. So, Merseyside and south Yorkshire get the first cut of the money that is available for regional competitiveness, and the basis for doing that is set out in the agreement that the council reached before Christmas.

[155] Following on from that, we need to decide how the money is allocated to other parts of the UK, including east Wales. We are working on various criteria that might be used to provide a fair distribution of resources. According to most economic indicators, east Wales compares very well with the UK average. However, certain indicators would provide additional resources for east Wales, and, as you would expect, we are focusing our arguments very much on those. So, it is not a decision that will be taken purely by the DTI; it is a process that involves the devolved administrations and other departments and will, ultimately, need to be agreed with the European Commission. The commission will expect to see a fair and objective approach to the allocation of resources.

[156] **Carl Sargeant:** May I come back, Chair, just to get some clarity? You mentioned fair criteria. The reality of the situation, I suppose, is that Merseyside and that region is in direct competition with north-east Wales in economic terms. I am not saying that Merseyside should not get competitive funding; I am just saying that it can give an unfair advantage to the economy. How do we see our position in Wales influencing the DTI in terms of supporting that area? What do we see as being the Minister's role when it will be the responsibility of the UK Government to determine delivery in north-east Wales? What is our role?

[157] **Mr O'Brien:** There are clearly links between north-east Wales and north-west England. There is potential under the programmes to support inter-regional collaboration. However, we have to recognise that the Merseyside area is in the same position as west Wales and the Valleys. It is making that transition into being a competitiveness region and it still faces particular issues. Member states felt that it was reasonable for such regions to have that sort of transitional funding, as was the case in Ireland when it moved out of being an Objective 1 area. This could well be the case for west Wales and the Valleys for the generation beyond the one to come. So, that is a decision that we have to live with, namely that they get the first cut. We need to ensure that the programme that is developed for east Wales addresses the competitiveness issues facing north-east Wales and makes the most of the opportunities for inter-regional collaboration with north-west England.

[158] **Andrew Davies:** I will add that I am meeting DTI Ministers shortly, and European structural funds is one of the issues that I will discuss with them.

[159] **Alun Ffred Jones:** Mae gennyf ddau gwestiwn, er nad wyf yn siŵr fy mod yn eu gofyn yn y lle iawn. O dan yr amcan cystadleurwydd ym mlaenoriaethau'r fframwaith cyfeirio strategol cenedlaethol, nodaf fod rhaglen Lloegr a Chymru yn cyfeirio at ddatblygu cynaliadwy neu gynaliadwyedd amgylcheddol ond nad yw'r gair cynaliadwyedd yn ymddangos yn yr amcanion sy'n cael eu nodi yn nogfen Cymru, er bod cyfeiriad at hynny yn y cyflwyniad. Derbyniaf ei fod yn ymddangos yn y cyflwyniad, ond nid yw'n ymddangos yn yr amcanion. Hoffwn ofyn i'r Gweinidog am sylwadau ar hynny.

Alun Ffred Jones: I have two questions, although I am not sure that I am asking them in the right place. Under the competitiveness objective in the national strategic reference framework priorities, I note that the programme for England and Wales refers to sustainable development or environmental sustainability but that the word sustainability does not appear in the objectives in Wales's document, though there is a reference to that in the introduction. I accept that it appears in the introduction, but it does not appear in the objectives. I would like to ask the Minister for his comments on that.

[160] Wrth ddarllen y ddogfen sydd wedi In reading the document presented by the

ei chyflwyno gan y Gweinidog i Lywodraeth y Deyrnas Unedig, ni welaf unrhyw gyfeiriad at y diwydiannau creadigol. A yw hynny'n golygu nad ydych yn ystyried y diwydiannau creadigol fel sector sy'n addas ar gyfer derbyn arian Ewropeaidd, a pham felly, gan fod y Gweinidog wedi rhoi cryn bwyslais ar y diwydiannau creadigol a'r ailstrwythuro a welwyd yn ystod y flwyddyn ddiwethaf?

Minister to the UK Government, I could not see any reference to the creative industries. Does that mean that you do not consider the creative industries to be a suitable sector for the receipt of European funding, and why is that, given that the Minister has placed considerable emphasis on the creative industries and the restructuring that has taken place during the last year?

[161] **Andrew Davies:** I may ask Damien to come in on the detail, but our commitment to sustainable development is implicit in all our policies. It is one of our three core principles. That may be an oversight, I do not know. On your question about the creative industries, I do not think that we make any reference to specific sectors in the NSRF. There is reference within 'WAVE' to specific sectors, including the creative industries.

[162] **Alun Ffred Jones:** May I press you on that? Would you exclude those, or is it implicit that they are included, because there is reference to the creative industries in 'WAVE', and, therefore, they would be eligible if the schemes are appropriate?

[163] **Andrew Davies:** Yes, and if those companies are within a convergence programme area, then it would be implicit that those companies would be eligible for support.

[164] **Mr O'Brien:** I would like to emphasise that the approach that we have taken is not sector-specific. We have referred, in terms of promoting a high value-added economy, that we want to focus in particular on those sectors that are identified in 'Wales: A Vibrant Economy' as being particularly important to the future of west Wales and the Valleys. The support that is available is very much aligned with the expectations of the Lisbon agenda, so that there is potential for support for the creative industry sector in terms of entrepreneurship, business finance, and innovation. We have, therefore, adopted that approach rather than shaping priorities around specific sectors. The emphasis is very much on sustainable growth and jobs. If that does not come through strongly enough in the chapter, we will certainly seek to address that. We make reference to the sustainable development strategy, and that is an important context for the development of future structural-fund programmes.

[165] **Christine Gwyther:** If we agree with the proposed priorities for competitiveness, we will move on to question two. Minister, why has the sustainable communities priority not been included for east Wales as it has for west Wales?

[166] **Andrew Davies:** I will ask Damien to answer.

10.30 a.m.

[167] **Mr O'Brien:** The main reason is one of concentration of resources and what the regulations allow us to do. I hesitate a bit about that because the regulations are still not pinned down and are unlikely to be so for a couple of months. The regulations provide a broader basis for support for convergence regions than they do for regional competitiveness. We also felt that we needed to respond to the commission's request that we concentrate resources in the competitiveness regions in particular. It remains to be seen what the financial envelope is for east Wales, but we may need to revisit the priorities that we have set out in the NSRF in the light of that, just in order to assure ourselves that they are not overly ambitious. We are referring to community regeneration actions within east Wales, but we are suggesting that they will probably need to be innovative actions rather than mainstream community regeneration support. However, I think that we will probably need to look again at the framework of priorities for east Wales in the light of the resources that are available.

[168] **Janet Davies:** The Welsh Local Government Association has referred to the fact that infrastructure—and I quote from a Members' research service document—is a strong vehicle for increasing competitiveness. I have always felt that infrastructure is important. It was not included to any extent in the first programme, but the costs of doing anything major to the infrastructure are pretty considerable and would take a great deal of money out of the overall budget. Is this being considered and can you give any idea, if it were to be considered, how much there would be available to spend?

[169] **Andrew Davies:** In terms of the current programme, we argue very strongly that there should be a greater emphasis on transport, as you know. As part of the negotiations on what was then called the single programming document, we wanted a greater emphasis, but the European Commission would not agree to that. We certainly see it as a major priority for the convergence programme. Perhaps Damien could come in on some of the other points.

[170] **Mr O'Brien:** There is scope within the programme for infrastructure investments. The commission will be expecting a balanced approach to convergence. As one of our three proposed priorities to be funded from the European Regional Development Fund, we are suggesting that creating a favourable business environment also needs to take account of infrastructure investments. As you say, we will not have the resources for major investment in roads, but there is potential for roads investment, but it is more likely to be around connectivity, in terms of connecting to sites and relieving particular bottlenecks. We will also have the scope for ICT-based infrastructure, but very much where there is a failure in the market, because I think that the experience of the current programme is that the private sector has come in and funded a lot of developments in that area.

[171] There will also be scope in terms of the environment for investments in infrastructure. However, the commission will expect to see a balance between measures that improve the competitiveness of businesses and skills and help people into work, and investments in infrastructure. Getting that balance right and arguing the case for Wales is something that we need to do over the coming months.

[172] **Christine Gwyther:** Can you just confirm that the Lisbon agenda does not preclude infrastructure?

[173] **Mr O'Brien:** It does not for convergence reasons. It allows some investment in transport. The council is still discussing the areas of investment that will count towards the Lisbon targets that the European Council agreed just before Christmas. It agreed that a minimum of 60 per cent of the resources for convergence should be directly earmarked for Lisbon priorities and 75 per cent of the resources for regional competitiveness should be very much tied in with Lisbon priorities. The Lisbon priorities are on innovation, entrepreneurship, business finance, and ICT, but, for convergence regions, they will also include some transport investments. There is still discussion on how that is categorised. It will certainly include rail, investments around ports and airports, and the main arterial routes—the trans-European network routes—but, unfortunately, this area is not pinned down yet. As you would expect, every member state has a different view as to what should be designated as being Lisbon-friendly. The commission is trying to stiffen the resolve of member states to pursue the Lisbon agenda with real vigour, and it is, therefore, trying to reduce the number of categories of expenditure that should be designated for the purposes of the targets. That needs to play out at discussions in the council over the coming weeks.

[174] **Christine Gwyther:** That is a dynamic tension that we can capitalise from, hopefully.

[175] **Mr O'Brien:** It is, but it is likely that, for convergence, there will be some scope for

investing in infrastructure and, at the same time, contributing to the Lisbon targets.

[176] **Leighton Andrews:** I was going to raise this point under question 3, but it is fine here. I want to be clear about infrastructure. You made clear that it will cover transport networks and ICT. To what extent is it possible that it could cover town-centre development, if, for example, that involved, say, the conversion of older buildings into business-friendly support units, and that sort of thing?

[177] **Mr O'Brien:** That would fall into the development of sites and premises, which is regarded as Lisbon-friendly for the purposes of the target. Therefore, the approach that we need to adopt to urban regeneration is trying to ensure that there is an economic edge to it—that we link the development of economic opportunities in town centres with other environmental improvements. That is a way of running with the grain of Lisbon.

[178] **Christine Gwyther:** We have started drifting into question 3, and question 4 talks about the proposals in the NSRF for ensuring consistency between structural fund programmes and other EU policies and funding streams. It talks about the European agricultural guidance and guarantee fund and the European fisheries fund. Are there any comments on that?

[179] **Alun Ffred Jones:** The Welsh Local Government Association makes the point that there does not seem to have been a great deal of co-ordination and linkage between the rural development plan and what has happened so far. The rural development plan lies in Carwyn Jones's portfolio and department. Therefore, what are the links, and have they been closely involved in developing the chapter that you have contributed and the other developments that have been going on?

[180] **Andrew Davies:** There has been much discussion at ministerial and Cabinet level, as well as between departments, in terms of the synergy between the convergence programme and the rural development plan. Therefore, quite a lot of work has already been done, and this is ongoing, and, as Damien indicated, the process is not complete. You may wish to come in on that, Damien.

[181] **Mr O'Brien:** We suggest in paragraph 202 the general direction of travel in terms of managing the interface between structural funds investments and investments through the rural development plan, and we have given some examples of how that might work. The rural development plan might, for instance, support primary processing and the structural funds might support secondary processing. On rural development actions, the rural development plan might support more bottom-up, community-led actions, whereas the structural funds might intervene in the context of the spatial plan to support investments that contribute significantly to jobs and growth.

10.40 a.m.

[182] We are involved in very detailed discussions with colleagues in the Department for Environment, Planning and Countryside about the demarcation lines between the RDP and the structural funds because the commission will expect us to set those out in our respective programme documents. We are making considerable progress with that. We need to ensure, however, that what we arrive at makes sense on the ground for those that are involved in implementing projects. What can sound fine on paper in terms of lists of things that can be supported through the RDP and the structural funds may not make sense to those involved on the ground, so we are intending, as part of the consultation, to consult on the best approach to adopt on this. However, it is a difficult area, and we are getting to a very fine level of detail on different types of actions, because the commission will expect that to some extent. The approach that we are suggesting in paragraph 202 is still the direction that we are moving in,

but we are trying to pin down the detail, as the Minister said.

[183] **Alun Ffred Jones:** It is not for me to interpret what civil servants are saying, perhaps, but I detect that there is an air of tension here. You talk about what might happen. When are we likely to see the fruits of this collaboration, which has made considerable progress, in your words? You talk about consultation. Is there a consultative document that will be released to see how things should work out? There are real difficulties here; you have two departments that are obviously jealously guarding their own fields of action, and to try to make those complementary, as is necessary for this programme, poses difficulties. So, I presume that there are difficulties here.

[184] **Mr O'Brien:** There are issues, and we are working through them, but the RDP is due to be published for consultation later this month, as I understand. The intention is that it should set out a set of principles that will guide the demarcation between the RDP and the structural funds. In our consultation on the operational programmes, which starts in June, we will be setting out a similar set of principles and guidance. So, there will be an opportunity for people to say whether they think this makes sense, but we are very keen to arrive at something that makes sense on the ground. That is a major consideration.

[185] **Alun Cairns:** This tension is quite evident, as has already been said. I am also aware of the tension in terms of the form that the strategy will take. We have heard phrases like 'strategic' and 'concentrate resources'. My concern is local, so does strategic mean centralised? That is certainly the fear out there. You are talking about it working on the ground, but you have the tension between the two departments. Working on the ground to ensure that that works must tie in with the local agenda and the local priorities. Therefore, what reassurance can you give us that strategic does not mean centralised and that local government will have a full part in deciding its own agenda locally? There are concerns among local authorities, and some of them are getting to the stage not only of frustration, but of anger, at feeling excluded. That is just anecdotal evidence and it might not be the view of the Welsh Local Government Association, but it is certainly there in some quarters.

[186] **Andrew Davies:** I have made my views clear publicly about the fact that 'strategic' does not mean 'centralisation'. I come back to the point that I have made on several occasions: the number of projects that have been funded by the current EU funding programmes is around 2,800. I think that everyone would accept that that is not the best way to deal with it, and it has led to one of the issues that we identified earlier, which is the multiplicity and duplication of business support programmes. I think that everyone would accept that the degree of resource and the numbers of schemes funded on business support, by European funding programmes, are disproportionate and have led to problems.

[187] Therefore, the idea behind being strategic is to decide clearly what the priorities are and which areas—some of which we have discussed today—should be a priority for expenditure. However, that will not preclude local authorities or any other stakeholder from coming forward with projects. From our point of view as a Government—and this was the first recommendation of the mid-term evaluation—there must be a closer fit between our strategic priorities as a Government and the delivery of European funds. I have not heard anyone disagree with that. So, our view is that we establish the priorities through consultation, and then we work with stakeholders to deliver on those priorities. As I said, that does not preclude local authorities individually or collectively coming together. When I have talked to local authorities, for example, in the Heads of the Valleys area, I have suggested using the Heads of the Valleys programme, the Wales spatial plan and 'Wales: A Vibrant Economy' as the policy context for collaborative working. They do not see centralisation as a stalking horse; they see it as a sensible framework for working on a collaborative basis.

[188] I am happy to repeat this message over and over, as I am sure the First Minister will

do, until we are able to reassure stakeholders that this is not about centralisation; it is just about being strategic, which are two different things.

[189] **Leighton Andrews:** On the question of making these things work on the ground, particularly in the context of rural development and its compatibility with what we are discussing here, I would certainly like us to have the opportunity to look at the rural development plan and how that relates to this, because there are sometimes quite serious issues of definition. Under the current programme, I found that some of my wards qualified as 'rural' under certain priority measures and not under others. There may have been a logic there, but it was not always evident to me. It seems to me that this can sometimes be used as a mechanism to switch funding to other areas, and I would be concerned if we were not able to look properly at that, because, at the end of the day, as you said, how it works on the ground is important.

[190] **Christine Gwyther:** We will move on to question 7, then, which Carl touched upon with the Merseyside comment.

[191] The question is: what are respondents' views on how best to allocate ERDF Competitiveness funding across the UK's regions?

[192] Does anyone have anything further to say on that? I see that you do not. Question 8 is on the European social fund and competitiveness funding across the UK's ESF programmes. I see that we are all right on that. We go on to question 13, because the questions in between are about other parts of the UK, so we do not have a direct link. No, I see that I have missed question 9. I am sorry about that.

[193] That question is: do respondents have views on how to improve coordination between Structural Funds and domestic spending within England, Scotland, Wales and Northern Ireland?

[194] These are issues to do with co-financing.

[195] **Alun Ffred Jones:** The Wales Council for Voluntary Action has raised some concerns, has it not, about the way in which it can access funds, presumably? We may come on to that later on. There is a problem with private finance, of course, in that it will not be counted as match funding in the future. In addition, on the voluntary sector, there is the fact that the use of volunteer time has been used as match funding in many schemes throughout Wales. Will that apply in future, or has that changed as well?

10.50 a.m.

[196] **Mr O'Brien:** This is one area that has been quite dynamic, in terms of the regulations. Some weeks ago, the position was that private sector match funding would not count at any sort of programme level; it would always count at a project level, but not at a programme level. However, that position changed in the last couple of weeks and the latest proposal is that a member state can choose whether to have only public match funding or a combination of private and public match funding. That opportunity, which in the original proposal was going to be available only to certain member states and, indeed, certain regions of some member states, is now being made available generally to all member states, so it is pretty much the status quo.

[197] **Alun Ffred Jones:** Would that include the voluntary sector?

[198] **Mr O'Brien:** It would indeed. One health warning that I would give on this is that the regulations are not finally agreed yet, so we have to be careful about assuming that things

are fixed in concrete because they are subject to institutional agreement involving the parliament, the council and the commission.

[199] **Leighton Andrews:** However, it is important for Wales, is it not? We have been particularly successful in attracting private sector match funding in the current programme, so it is important that we keep that window open.

[200] **Andrew Davies:** As I said, I will be discussing these very issues with Department of Trade and Industry Ministers. You are right; I think that the latest figure is 35.5 per cent and European Commissioner Danuta Hübner has complimented us on our engagement of the private sector, which maybe makes a lie of the accusation that we have failed to engage the private sector. However, the implications of that may affect intervention rates, but that is obviously part of the negotiation. As I said, Chair, we do not have just one moving target; we have several moving targets in this. I am sure that the situation will continue to change until the documents and regulations are signed.

[201] **Christine Gwyther:** Are there any other comments on that, before I wrap it up?

[202] **Alun Ffred Jones:** A gaf fi ddod yn ôl at bwynt o godwyd yn gynharach ynglŷn â chynlluniau mawr strategol? Mae un neu ddau o bwyntiau yr hoffwn eu gwneud ac mae un yn gwestiwn eithaf penodol. A ydych yn gweithio ar gynlluniau ar hyn o bryd, ac nid wyf yn sôn am brosiectau unigol? A ydych chi eisoes yn gweithio ar gynlluniau strategol o fewn yr adran? Pryd y cawn wybod am rai ohonynt?

Alun Ffred Jones: May I return to a point that was raised earlier about major strategic schemes? There are one or two points that I would like to make and I have one quite specific question. Are you working on schemes at the moment, as opposed to individual projects? Are you already working on strategic schemes within the department? When will we be told about some of them?

[203] Yn ail, mae'r bennod yr ydych wedi ei chyfrannu at y ddogfen Brydeinig yn cyfeirio at gynllun gofodol Cymru ac wedyn yr ydych yn sôn am y cynllun a pherthynas Llywodraeth Cynulliad Cymru a'i phartneriaid o ran sicrhau twf economaidd. Cyfeiriasoch yn gynharach yn y drafodaeth hon at y ffaith y gall awdurdod lleol neu grŵp o awdurdodau lleol—gwnaethoch gyfeirio at strategaeth Blaenau'r Cymoedd—wneud cais neu ddod â phrosiect gerbron i'w hystyried. Popeth yn dda. Fodd bynnag, o dan y cynllun sy'n rhedeg ar hyn o bryd, mae strwythur cadarn lle mae gan bob awdurdod lleol ei bwyllgor sydd wedi ei ffurfio yn benodol ar gyfer prosesu cynlluniau o'r fath. A ydych yn bwriadu creu rhyw fath o strwythur tebyg, boed hynny ar raddfa ranbarthol, er enghraifft, yng ngogledd-orllewin Cymru neu fel strategaeth Blaenau'r Cymoedd, er mwyn bwydo syniadau i mewn a dod a phrosiectau unigol ymlaen? Yr wyf yn teimlo bod rhyw drefniant ad hoc, lle y gall un awdurdod neu grŵp o awdurdodau weithredu, ychydig yn rhy llac. Byddai'n well pe baech yn dod i gytundeb drwy

Secondly, the chapter that you have contributed to the British document refers to the Wales spatial plan and then you mention the plan and the Welsh Assembly Government's relationship with its partners in terms of ensuring economic growth. You referred earlier in this discussion to the fact that a local authority or a group of local authorities—and you referred to the Heads of the Valleys strategy—could apply or bring forward a project for consideration. All well and good. However, under the current scheme, there is a firm structure within which every local authority has a committee that has been formed specifically to process such plans. Do you intend to create some kind of similar structure, whether on a regional level, for example, covering north-west Wales or like the Heads of the Valleys strategy, in order to feed in ideas and promote individual projects? I feel that some ad hoc arrangement, where one authority or group of authorities can take action, is a little too slack. It would be better if you were to come to an agreement through the Welsh Local Government Association and any other

Gymdeithas Llywodraeth Leol Cymru ac unrhyw fudiadau eraill perthnasol fel bod rhyw fath o strwythur ar gyfer bwydo prosiectau drwyddo, yn lle ein bod yn gweld y cyfan yn dod o'r top i lawr. relevant organisations so that there is some sort of structure for feeding projects through, instead of it all being seen as coming from the top down.

[204] **Andrew Davies:** As you said, the policy content for the national strategic reference framework is to be found in 'WAVE' and the Wales spatial plan. We have organisational structures in place to work with stakeholders, such as local authorities. North-west Wales, for example, is a Wales spatial plan area, as well as the greater north Wales area. We see those as key opportunities for discussing with other public sector bodies, local authorities, obviously and pre-eminently, as well as the private sector and, for example, higher education.

[205] If you take north-west Wales for example, you will see that one of the most powerful and key players for Gwynedd and Anglesey will be the University of Wales, Bangor, and we would want very much to work with Bangor university and other players in that area to develop the opportunities identified. That may have something to do with innovation or knowledge transfer in collaboration between the university and others in the area. So, that would be the policy context as well as the organisation and institutional context for exploring the possibilities of collaboration. Another example is that universities in the Objective 1 area are already working together and identifying possible schemes or projects on which they can collaborate.

[206] When you refer to strategic schemes, I am not quite sure what you mean. You said, 'as opposed to projects'.

[207] **Alun Ffred Jones:** I may be wrong, but I presume that, if you talk about taking a strategic approach, you will have some quite specific directions. I will take the example of marinas. You might say, 'We are in favour of developing the west coast, and marinas are central to our thinking', and, within that, there may be individual projects that come from private individuals, local authorities or whatever. What I was therefore asking was whether you are identifying that type of sector already, and, if so, when will we see the fruits of your labours?

[208] **Andrew Davies:** At that level, the discussions are at a very early stage, but, whether it is in areas of tourism or knowledge-based activities, particularly around universities, a great deal of work is already ongoing. As soon as we get the green light for the operation programmes as of January 2007, we want to be in a position to start assessing projects or schemes so that they can be taken forward. Certainly, those in the private sector would welcome more programmes and projects, such as Finance Wales, which has been very successful as a strategic project in terms of the collaboration between Barclays Bank and the WDA, as well as in making European funds available to the private sector. All the indications are that the private sector would much prefer that type of intermediary strategic scheme to having to make individual applications to the Welsh European Funding Office for funding. The short answer is that it is still very much at an early stage, and it is exploratory. I do not think that we can come to committee with any specific schemes or projects at this stage. However, I would be very disappointed if the thinking had not been fleshed out by the autumn.

[209] **Alun Ffred Jones:** On this business of the structure for local authorities, universities and other big institutions to feed into this process, I referred to the spatial plan, and Wales has been divided up into four, five, six areas—whatever it is—to try to deal with the specific issues coming from that plan. Would that not form the basis for some sort of local partnership to try to feed through ideas? That would not preclude Bangor university's going along with Aberystwyth or Cardiff to do something else, but it would at least give some sort of local

basis and encourage co-operation between local authority areas.

[210] **Christine Gwyther:** We also have the economic forum, which is still in existence.

[211] **Andrew Davies:** As I said, we would want to use the existing institutions or structures to bring those ideas forward, but we would not want to be prescriptive and say that that is the only route for spatial plan areas. For example, I know that three universities are working closely together in the Objective 1 area, and I have had initial discussions with them about collaboration—nothing specific, but about the need, and the willingness, to collaborate. However, I detect a big sea change in this willingness to collaborate across the board, particularly in the public sector. One of the benefits of the current programme has been to help to engender a mindset whereby people are much more willing to collaborate than was the case even five years ago.

11.00 a.m.

[212] **Carl Sargeant:** Given that the Minister will be meeting with the DTI, I just wanted to underline how important competitive resources are to the eastern corner of Wales. To pick up on your point to Alun Ffred about the interaction of the spatial plan, the north-east Wales corner works with Cheshire and Merseyside, yet there is a pocket there that does not feature in any way for the funding, other than competitive. I just wanted to underline to the Minister how important that is within the context of spatial planning and collaborative working, and the way in which you need to take that message to the DTI.

[213] **Christine Gwyther:** I know that you will agree—how could you not—that our response to the consultation will hopefully strengthen the Welsh Assembly Government's arm. I am sure that we are all looking for the same things here. We will go through the Record of Proceedings and pull out the points; I will not attempt to analyse them now. We will pass them round to Members for clearance. Some good, strong and clear points have emerged from this discussion, which we want the DTI to hear. We will do our bit, and you will do yours. Thank you very much. I will end the item there, and we will break.

*Gohiriwyd y cyfarfod rhwng 11.01 a.m. a 11.20 a.m.
The meeting adjourned between 11.01 a.m. and 11.20 a.m.*

[214] **Christine Gwyther:** Welcome to the second part of the meeting. I have another piece of housekeeping before we start the next item. It refers to our meeting on 18 May, which was to have been a visit but will now be an official meeting here in Cardiff to talk about the science policy review. We will be going through the paper and talking about recommendations, and it is usual to do that in private session, so I have to ask for Members' agreement to hold a meeting in private session, under Standing Order No. 8.24. Are Members happy with that? Will anyone second the proposal?

[215] **Leighton Andrews:** I will second it, but I will not be here.

[216] **Christine Gwyther:** I do not think that that is relevant.

[217] **Janet Davies:** Will it be in the morning or afternoon?

[218] **Christine Gwyther:** I do not know, sorry. We will let you know as soon as possible. It will depend on accommodation here.

11.22 a.m.

**Y Mesur Diwygio Deddfwriaethol a Rheoleiddiol
The Legislative and Regulatory Reform Bill**

[219] **Christine Gwyther:** We considered this Bill in March, and Members raised several concerns. I would imagine, Minister, that you would want to introduce the paper.

[220] **Andrew Davies:** Thank you, Chair. As you said, at the last meeting in March, the committee raised concerns about the Bill, in particular whether the powers in the Bill could be used to abolish the National Assembly as an institution. The Cabinet Office and our own constitutional affairs unit—and Sarah Canning, on my right, is an official from that unit—have produced this additional paper for the committee. We had hoped that Adrian Treharne from the Cabinet Office might join us again but he is involved in work on the Bill today. However, as I said, Sarah is with me this morning.

[221] I hope that Members will be reassured that the further paper explains that the Bill could not be used to abolish the Assembly. Such a radical measure would be well outside its scope, and Cabinet Office Ministers have been at pains to emphasise very publicly that this Bill is about better regulation, and only that. That is clear from Cabinet Office Minister Jim Murphy's open letter, dated 12 April, addressed to the chair of the Regulatory Reform Committee, a copy of which has been attached to the paper that you have in front of you.

[222] Members also raised other concerns and I will touch on those. It is worth looking at the concerns that relate to how the Legislative and Regulatory Reform Bill interacts with the Government of Wales Bill, which is currently going through the Houses of Parliament. As it stands, the Legislative and Regulatory Reform Bill deals only with the current constitutional position in Wales, namely that the National Assembly is a corporate body that carries out functions, including making subordinate legislation, that relate to Wales in policy areas where we have competence. In that context, the requirement in the Legislative and Regulatory Reform Bill is that the consent of the Assembly is required for any legislative and regulatory reform Order that can affect an Assembly function. Without the Assembly's consent, such an Order cannot be made. However, post-May 2007, with the Government of Wales Bill on the statute book as the Government of Wales Act, we will have a separate Executive and legislature. The current functions of the Assembly will become functions of Welsh Ministers, unless different provision is made by Order in Council.

[223] In relation to the requirement under the Legislative and Regulatory Reform Bill for the consent of the Assembly to an Order affecting functions of the Assembly, the intention is that this will become a requirement for the consent of Welsh Ministers to an Order affecting their ministerial functions post May 2007. We feel that that is okay up to a point, or as far as it goes, but there is no specific provision in the Bill to deal with the Assembly's new powers to make Assembly measures. Our position, as a Government, is that the Legislative and Regulatory Reform Bill should provide that the Assembly's consent is required for an Order which directly affects an Assembly measure, or which makes provision in an area that is within the Assembly's legislative competence. This requirement for Assembly consent, where an Order affects measures or measure-making powers, should be in addition to the requirement for Welsh Ministers' consent to any Order that affects their ministerial functions. With this in mind, and with this as an end, Assembly Government officials are currently in discussions with Cabinet Office officials about possible amendments to the Legislative and Regulatory Reform Bill.

[224] **Christine Gwyther:** I ask Members for their comments.

[225] **Eleanor Burnham:** I believe that we put in an amendment to the Government of Wales Bill wanting to specify reserved matters rather than devolved matters. Is this why there

is a difference between us and Scotland on repealing or replacing the legislation made by Scotland and that made by the Assembly?

[226] **Ms Canning:** I will deal with that question. It is true that there is a difference in the way in which the devolution settlement will work in Wales and the way it will work in Scotland even after May 2007. In fact, it will not even be a matter of referring to matters being devolved in Wales; it will just be whether matters are within legislative competence, and will not be with regard to legislative functions. I think that your question was with regard to the different treatment of Scotland and Wales in the Legislative and Regulatory Reform Bill particularly. Is that right?

[227] **Eleanor Burnham:** Yes.

[228] **Ms Canning:** Scotland is treated differently in the Bill because, of course, it already has its own parliament. Scotland already makes Acts of Parliament and therefore there is provision in the Bill, but nothing can be done that would affect those Acts of Parliament that Scotland makes. So, there is provision in the Bill at present. The problem is that the Bill does not take account of the new Government of Wales Bill. At present, it only deals with the position under the current Act, and we need to get amendments to that Bill to account for the fact that, in the future, the Assembly will be able to make Assembly measures. That is what we are currently discussing with the Cabinet Office. I do not think that it is anything to do with the fact that matters will not to be reserved in Wales; it is just that, at present, the Legislative and Regulatory Reform Bill, as it stands, does not take any account of the new regime that will exist in Wales.

[229] **Eleanor Burnham:** Thank you, Chair. So that is a major flaw as far Wales is concerned, which leaves us with a double or triple negative whammy. Obviously, the Scots have the triple positive whammy; they have their own legislation and Sewel, and, basically, they have a much greater ability to discuss their matters, whereas we are left with a begging bowl.

[230] **Andrew Davies:** No, that is not the case. As Sarah has pointed out, the Legislative and Regulatory Reform Bill can only deal with the constitutional settlement as it obtains now. That is, with the National Assembly as a corporate body. It is not unusual, where two Bills are going through in the same session, for one Bill to be amended subsequently on the passing of the other Bill, in this case the Government of Wales Bill, which will become the Government of Wales Act. Therefore, as I have said in my introduction, we are discussing with the Cabinet Office possible amendments to the Bill subsequent to the Government of Wales Bill reaching the statute book. So, it is not about begging bowls or a worse deal for Wales; it is just a reflection of the legislative process at Westminster.

[231] **Janet Davies:** The paper from the constitutional affairs unit and the Cabinet Office refers to some of the issues that we raised last time.

11.30 a.m.

[232] Several times it is stated that the UK Government has undertaken not to use this, that or the other. I am fairly happy with that undertaking, but I would like to see us making the point formally that we were concerned about these various issues here and that we would wish the Bill to be amended according to the Government's undertaking. I just want it to be put down in writing. I am not raising any different issues; I am just saying that I would like to see that stated and not just left hanging.

[233] **Christine Gwyther:** Okay. That is a matter for the committee to write to the Minister about. I wish to bring in other Members. Leighton?

[234] **Leighton Andrews:** Going back to our previous discussion, I am not a lawyer, but I am slightly surprised by the bold answer under question 3 that an order cannot be used to abolish the National Assembly for Wales. When the Cabinet Office came last time, the short answer was definitely 'yes', although it was unlikely that it would be used. I am more reassured by Jim Murphy's letter and his radio interview on the day that the letter came out when he made specific reference to the issue of the devolved institutions. It is fairly clear that the Cabinet Office's intention is to rule out any such use of the Bill, and I understand that. I want to support what the Government has said about pressing for the amendments in respect of the new powers under the new Government of Wales Bill. I think that that is important, and we want to see those enshrined. If that can be done through tidying-up measures, then that is fine.

[235] **Christine Gwyther:** Are there any more questions? You wish to say something, Gwyn.

[236] **Mr Griffiths:** Yes. I wish to refer briefly to page 3 of the Government's paper and the penultimate paragraph, which states that subordinate legislation could not be modified without the consent of either the Assembly or Welsh Ministers. My reading of the Bill is contrary to that. Clause 11 states clearly that

[237] 'an order may not make any provision conferring a function on the Assembly, modifying or removing a function of the Assembly, or restating any provision that confers a function on the Assembly, without the agreement of the Assembly.'

[238] So, that is all to do with the conferring or amendment of the granting of functions to the Assembly. The provisions made by subordinate legislation need not confer functions on the Assembly. Indeed, they are likely not to; they are likely to impose duties on other people, be they farmers, local authorities or whomever. In my view, that would then come within clause 11(1)(c), which requires them to consult the Assembly where it relates to a matter in relation to which the Assembly exercises functions. I am not entirely content with the penultimate paragraph because I do not see on what basis in the Bill the statement is made. I think that the committee ought to be aware of that.

[239] **Christine Gwyther:** Can we have a response to that?

[240] **Ms Canning:** I see the difference to which Gwyn is referring. In terms of clause 9, we are referring to the fact that nothing that changes the function of the Assembly can be carried out without the Assembly's consent. Here, we are talking about subordinate legislation. I am not a lawyer, so I would probably need to speak to a lawyer about the exact interpretation. However, in terms of the amendments that the Government is also proposing to the Bill, I think that sufficient safeguards would be built into it to ensure that what the Assembly does will not be changed without appropriate consent being given or consultation, depending on the circumstances. I see that difference, but I need to go back to speak to our lawyers about that.

[241] In terms of the amendments, as far as the Assembly is concerned, we would be proposing that the Assembly would have to give consent to any direct change to an Assembly measure and also to something that was within the legislative competence of the Assembly. That would mean that, wherever a matter has been specified as being within the competence of the Assembly, even if no measures have yet been made in that area, the Assembly would have to give its consent if an Order was to affect anything in that area. It would, therefore, be quite a wide power of consent. However, I see your point, and I will take it back to our lawyers.

[242] **Christine Gwyther:** Can you clarify the difference, in this context, between consent and consultation? I can see a yawning chasm.

[243] **Ms Canning:** As the Bill is drafted at the moment, as Gwyn says, the consent provision is in clause 9 of the Legislative and Regulatory Reform Bill, and consent has to be given by the Assembly if a Legislative and Regulatory Reform Order either gives, changes or takes away a function of the Assembly. Those, therefore, are the circumstances in which consent has to be given. Under clause 11 of the Bill, there is a requirement for consultation, which is what Gwyn referred to. That is necessary if one of the Legislative and Regulatory Reform Orders relates to a matter in relation to which the Assembly exercises functions. It is necessary if the Order does something in an area in which the Assembly has functions, even though it may not directly affect the function of the Assembly. That is the consultation requirement in the Bill as it stands.

[244] In future, when we have a split between the executive and the legislature, Welsh Ministers would have to consent to anything that affects their functions directly. The Assembly would have to consent to anything that either changes an Assembly measure or affects an Assembly measure directly, or which tries to do something in an area in which the Assembly has competence. The Assembly will have competence in relation to all those matters that are specified in Schedule 5 to the Government of Wales Bill—if that means anything to anyone; where, for example, an Order in Council has been taken through Parliament to add a matter to Schedule 5, that area is then within the Assembly's competence. Under those circumstances, consent would be required from the Assembly rather than from Ministers.

[245] **Alun Ffred Jones:** Mae gennyf ddau bwynt. Ni chredaf mai dyma'r pwyllgor priodol i wneud sylwadau ar rai o'r pethau yr ydym yn eu trafod heddiw. Mae'r mater hwn yn tanlinellu dau beth, sef gwendid sylfaenol y setliad presennol—y setliad blêr a chymhleth presennol na fydd yn gwella llawer gyda'r trefniadau newydd. Ni fydd hwn yn parhau gan ei fod yn rhy gymhleth. Mae unrhyw beth sy'n gymhleth, mewn democratiaeth, yn ddrwg, yn fy marn i. Yr ail beth yw ei fod yn amlwg fod y Mesur hwn wedi ei ddrafftio heb unrhyw ystyriaeth i'r setliad datganoli gan weision sifil sydd prin yn gwybod fod datganoli wedi digwydd, hyd y gwelaf. Mae'n dangos y bwlch enfawr yn nealltwriaeth Llundain o'r hyn sy'n digwydd yng Nghymru.

Alun Ffred Jones: I have two points. I do not believe that we are the appropriate committee to comment on some of the things that we are discussing today. This matter underlines two things, namely the fundamental weakness in the current settlement—the messy and complicated current settlement that will not improve very much with the new arrangements. This will not persist because it is too complicated. Anything in a democracy that is complicated is a bad thing in my opinion. The second thing is that it is obvious that this Bill has been drafted without any consideration being given to the devolution settlement by civil servants who are almost unaware that it has taken place as far as I can see. It shows the gaping chasm in London's understanding of what happens in Wales.

[246] **Ms Canning:** Hoffwn ddweud rhywbeth ar yr ail bwynt. Mae'r Mesur wedi ystyried y setliad presennol, ond nid yw wedi ystyried beth fydd y setliad yn y dyfodol gyda'r Ddeddf newydd.

Ms Canning: I would like to say something on the second point. The Bill takes the current settlement into account, but does not take into account any future settlement under the new Act.

[247] **Christine Gwyther:** As Members probably know, the Legislation Committee is also looking at this. Can Members help me out, as we obviously need a concrete outcome? Shall we just make available the Record of Proceedings of the discussion at the last meeting and at this one, or shall we attempt to make some analysis?

[248] **Andrew Davies:** I will make a commitment to keep the committee and other Members up to date with any developments in terms of proposed amendments to the Bill.

[249] **Eleanor Burnham:** Has the Minister talked to the Cabinet Office regarding concerns raised by this committee?

[250] **Andrew Davies:** Yes, discussions have been ongoing, as Sarah and I have indicated. As I said in my introduction, we are discussing with the Cabinet Office the tabling of amendments which would take into account changes subsequent to the Government of Wales Bill reaching the statute book, and addressing concerns such as the one that Gwyn raised.

11.40 a.m.

[251] **Eleanor Burnham:** However, Chair, in view of what Sarah said—that consideration had not, perhaps, been given to our future powers—that should be of concern.

[252] **Ms Canning:** On that issue, the problem has arisen because both Bills have been going through Parliament at the same time. I think that—again, as the Minister indicated—it is not unusual, when Bills are concurrent, that amendments account for each other as they go through Parliament. I am not too concerned about that—that is enough for me to say—but Cabinet Office officials are being very helpful; there is no issue there. We are in discussions with those officials, and I am sure that we will be able to resolve the issue.

[253] **Janet Davies:** On that issue, it is important to remember that a bit of the Transport (Wales) Act 2006 was probably lost when the Railways Act 2005 went through the House of Commons at the same time. We would not want to lose anything. [*Interruption.*] We did lose a bit, I think.

[254] I suggest, Chair, that we should adopt your first option of sending this in, together with what Gwyn has said today. The committee has discussed this, and from what has been said this morning, it is fairly content with what is written here regarding the last meeting. There may be practical problems about getting an analysis done, a new paper written and getting it in on time, so your first option is probably the best one.

[255] **Christine Gwyther:** Okay. Is everyone content with that? I see that you are. Thank you.

[256] **Andrew Davies:** To clarify a point that Janet raised, about the Railways Act 2005 and the Transport (Wales) Act 2006, the reason why they were dealt with separately—as I am sure that Janet knows—is that the railway clauses in the Railways Bill which affected Wales were originally in the Transport (Wales) Bill but, because of the review of the railway industry announced by the Secretary of State for Transport, Alistair Darling, they were taken out. We specifically did not want to lose momentum on the Bill. That is why they were dealt with separately.

[257] **Christine Gwyther:** Okay? Thank you.

11.42 a.m.

Rhaglen Is-ddeddfwriaeth Secondary Legislation Programme

[258] **Christine Gwyther:** Leighton, do you have a question on this item?

[259] **Leighton Andrews:** I have a point about the Congestion Charge Regulations.

[260] **Christine Gwyther:** Are you saying that they should not be there?

[261] **Leighton Andrews:** No; I am saying that I would like us to discuss them.

[262] **Christine Gwyther:** But not now.

[263] **Leighton Andrews:** No, when appropriate.

[264] **Christine Gwyther:** Thank you.

[265] We have already identified a list, so I will go through the items on that list. There is the Quiet Lanes and Home Zones Regulations (Wales), the Congestion Charge Regulations, the Highways (Assessment of Environmental Effects) (England and Wales) (Amendment) Regulations 2006 and the Commencement Order, Transport (Wales) Act and Orders arising. If Members wish to make any other pitches for scrutiny, this is your opportunity to do so.

[266] Is everyone content with the list that we already have? I see that you are. Thank you.

11.44 a.m.

Adroddiad Blynyddol Drafft y Pwyllgor Datblygu Economaidd a Thrafnidiaeth Economic Development and Transport Committee Draft Annual Report

[267] **Christine Gwyther:** This is pretty self-explanatory. If there is anything that Members wish to change or add, please let me know. Is everyone happy with that? I see that you are. That will therefore stand as our report.

11.45 a.m.

Blaenraglen Waith Ddrafft y Pwyllgor Menter, Arloesi a Rhwydweithiau 2006-07 Draft Enterprise, Innovation and Networks Committee Forward Work Programme 2006-07

[268] **Christine Gwyther:** Is there anything that Members think that we might have missed out?

[269] **Janet Davies:** This committee previously produced an energy strategy. However, the whole energy issue is a bit of a moving target at present, is it not? I have read this a few times and I cannot see anything about energy in it.

[270] **Christine Gwyther:** It is in our duties.

[271] **Janet Davies:** This should come up over the next year in some detail.

[272] **Christine Gwyther:** That is a fair comment. We will include that in the scrutiny list, I guess, because we will be scrutinising the Welsh Assembly Government's performance and response, will we not?

[273] **Janet Davies:** New ideas for renewable-source energy are coming forward. I agree with what the Minister said earlier today that you will always have problems and objections. However, I would like to see us taking another close look at the benefits and disbenefits of the

different forms of producing and using renewable energy. Things have changed with the acceleration of climate change, and they have changed since about 2002—when the energy policy was produced—or early 2003, possibly. Therefore, it is a fast-moving issue, is it not?

[274] **Christine Gwyther:** So, are you saying that we need less scrutiny and more policy?

[275] **Janet Davies:** We must have a look at policy as well as scrutiny.

[276] **Christine Gwyther:** In that case, under ‘Development of Policy’, point 15, there is a clause on maintaining an overview of previous reviews, and perhaps we can highlight that as something requiring urgent attention. Would that suffice?

[277] **Janet Davies:** Yes, that would be fine.

[278] **Christine Gwyther:** Is there anything else? I see that there is not.

[279] The regional selective assistance paper is to note.

11.48 a.m.

Cofnodion y Cyfarfod Blaenorol Minutes of the Previous Meeting

[280] **Christine Gwyther:** Is everyone happy with the minutes of the last meeting and the action outstanding? I see that you are. Thank you for your attendance.

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

*Daeth y cyfarfod i ben am 11.48 p.m.
The meeting ended at 11.48 p.m.*