

Cynulliad Cenedlaethol Cymru
Y Pwyllgor Menter, Arloesi a Rhwydweithiau

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

Dydd Mercher, 20 Medi 2006
Wednesday, 20 September 2006

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg. Mae hon yn fersiwn ddrafft o'r cofnod. Cyhoeddir fersiwn derfynol ymhen pum diwrnod gwaith.

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. This is a draft version of the record. The final version will be published within five working days.

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

Swyddogion yn bresennol: Piers Bisson, Pennaeth Polisi Trafnidiaeth a Seilwaith; Gareth Edwards, yr Is-adran Cyngor Economaidd; Gwyn Griffiths, Cyngorydd Cyfreithiol i'r Pwyllgor; Gareth Hall, Cyfarwyddwr, yr Adran Menter, Arloesi a Rhwydweithiau; Tim James, Pennaeth yr Uned Rheilffyrdd; Bob Macey, Swyddfa Cyllid Ewropeaidd Cymru; Damien O'Brien, Swyddfa Cyllid Ewropeaidd Cymru; Cathy Presland, Swyddfa Cyllid Ewropeaidd Cymru; Julian Revell, Ystadegau Economaidd a'r Farchnad Lafur; Robin Shaw, Cyfarwyddwr, Trafnidiaeth Cymru; Martin Stevenson, yr Adran Polisi Trafnidiaeth; Graham Winter, Datblygu Economaidd, yr Amgylchedd ac Ewrop.

Eraill yn bresennol: Peter McCarthy, Pennaeth Cyfarwyddiaeth Cysylltiadau Cwsmeriaid Rheilffyrdd a Rhanddeiliaid.

Gwasanaeth Pwyllgor: Claire Morris, Clerc; Abigail Phillips, Dirprwy Glerc.

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

Officials in attendance: Piers Bisson, Head of Transport and Infrastructure Policy; Gareth Edwards, Economic Advice Division; Gwyn Griffiths, Legal Adviser to the Committee; Gareth Hall, Director, Department for Enterprise, Innovation and Networks; Tim James, Head of the Rail Unit; Bob Macey, Welsh European Funding Office; Damien O'Brien, Welsh European Funding Office; Cathy Presland, Welsh European Funding Office; Julian Revell, Economic and Labour Market Statistics; Robin Shaw, Director, Transport Wales; Martin Stevenson, Transport Policy Department; Graham Winter, Economic Development, Environment and Europe.

Others in attendance: Peter McCarthy, Head of Rail Customer and Stakeholder Relations Directorate.

Committee Service: Claire Morris, Clerk; Abigail Phillips, Deputy Clerk.

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

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

[1] **Christine Gwyther:** Welcome back. I remind everyone that headsets are available for translation and amplification, for us in the committee room and for people in the public gallery. Please ensure that all mobile phones, BlackBerrys and pagers are switched off completely. If it becomes necessary to evacuate the room, in the event of an emergency, we will hear an alarm, and then ushers will tell us what to do.

[2] I remind the Members present that there will be a budget scrutiny refresher session at 1 p.m. on 5 October, which is a Thursday, I believe, in conference room 20, which is one of the old committee rooms on the ground floor of the office building. I remind everyone that, when you wish to speak, you should not touch the buttons on the microphone, as the engineers will switch it on for you.

9.03 a.m.

Cofnodion y Cyfarfod Blaenorol a Materion sy'n Codi Minutes of the Previous Meeting and Matters Arising

[3] **Christine Gwyther:** We turn now to the minutes of the previous meeting and matters arising. I realise that the previous meeting was in July. Is everyone happy with the minutes? I see that you are. Are there any matters arising from them? I see not.

[4] **Alun Ffred Jones:** Are we taking actions outstanding now?

[5] **Christine Gwyther:** I will come to that after matters arising from the minutes. Are there any matters arising from the minutes, so that we can move on? I see that there are none.

[6] **Mr Hall:** Chair, at the bottom of page 2, on the fibre speed demand analysis, we circulated a paper in response to that, which has gone to all Members. You will have a dedicated session on this in October.

[7] **Christine Gwyther:** On 18 October, yes. Okay, are there any other matters arising? I see not. We will move on to actions outstanding.

[8] **Alun Ffred Jones:** Tynnaf sylw at fater contractau argraffu, ar dudalen 19. Mae rhestr o 22 o gwmnïau sy'n gwasanaethu'r Cynulliad drwy argraffu, ac mae'r adroddiad hwn yn eu rhestru hwy. Mae rhai wedi syrthio allan o'r rhestr. Mae ar dudalen 19 neu 20.

Alun Ffred Jones: I draw your attention to the matter of printing contracts, on page 19. There is a list of 22 companies that provide printing services to the Assembly, and this report lists them. Some of them have dropped out of the list. It is on page 19 or 20.

[9] **Christine Gwyther:** Is that part of the Minister's report?

[10] **Alun Ffred Jones:** It is an action outstanding.

[11] **Christine Gwyther:** Are we talking about action outstanding from previous meetings?

[12] **Alun Ffred Jones:** It is in the list, is it not?

[13] Mae yn y rhestr 'action outstanding' gen i, beth bynnag.

It is in my list of 'action outstanding', in any case.

[14] **Christine Gwyther:** My 'action outstanding' list is five pages long, so I am not sure exactly what you are referring to. I see that this is on the annex of the report, so we will take that under the item on the Minister's report.

[15] **Alun Ffred Jones:** All right, that is what I asked.

[16] **Christine Gwyther:** Are there any other actions outstanding to which Members wish to draw attention? I see not. We will leave the minutes and the actions outstanding, and move on to the Minister's report.

9.05 a.m.

Adroddiad y Gweinidog Minister's Report

[17] **Christine Gwyther:** Could you give a very brief oral update, Minister, as we are a bit pushed for time?

[18] **The Minister for Enterprise, Innovation and Networks (Andrew Davies):** Certainly, Chair. It is a very long written report, but, in many ways, that just reflects the sheer amount of activity that has been undertaken in my department over the intervening period since our last meeting. Just very quickly, there are two items. Last week, I opened Newport's new city footbridge, a £5 million foot and cycle bridge, as part of the post-Corus regeneration package undertaken in conjunction with Newport Unlimited and Newport City Council. It is obviously a key part of Newport's very vibrant ongoing regeneration.

[19] The second item is that a £53 million Dragon 24 strategy was launched last week. This is the development of part of the Llanelli waterside development in Carmarthenshire. It is a key Assembly Government initiative, and it is designed to stimulate business activity and private sector investment in commercial property. It is very much targeted regeneration activity in the Llanelli area.

[20] **Christine Gwyther:** I will take the Minister's report in sections, and we will start with points 1, 2 and 3, labour market statistics. Are there any questions on that?

[21] **Alun Cairns:** How are you proposing to cover the quarterly report, Chair? Will it be as part of this or separately?

[22] **Christine Gwyther:** I will take it as part of the Minister's report, but I will take it afterwards.

[23] **Alun Cairns:** Right. I have some questions on that, and some on this, which might amount to the same question.

[24] **Christine Gwyther:** Ask your question now, and see whether you get the answer you need. If not, you can come back.

[25] **Alun Cairns:** Okay. Under labour market statistics, there is a host of various positive statistics in some ways, but I want to reconcile that with the labour force survey, which commented that employment in Wales has stagnated. How does the Minister reconcile the two statements?

[26] **Andrew Davies:** The employment level in Wales is at record levels; a record number of people are in work, and I think that that reflects the level of activity and the buoyancy of the economy at the moment. As it says in my report, employment in Wales was up 18,000 over the last year, and up 6,000 over the last quarter, so I would not say that that is stagnant.

[27] **Alun Cairns:** I was just commenting on what the Office for National Statistics said, and we must recognise that the ONS is an independent body. It said that employment and job creation in Wales had stagnated. So, is it wrong?

[28] **Andrew Davies:** No. We have not seen the very significant increases that we have had consistently; we reached a peak in 2003. There has been a softening of the labour market, which we have discussed in committee and in Plenary on many occasions over the last year. The recent signs with an increase in employment and also a fall in economic inactivity, particularly in the Objective 1 area of west Wales and the Valleys, show that the underlying position is very sound and there is continuing growth.

[29] **Christine Gwyther:** Does anyone else wish to comment on points 1 to 3? I see not. The next section is 'supporting enterprise', and that takes us from points 4 to 20.

[30] **Leighton Andrews:** I just wanted to thank the Minister for the extension of the Heads of the Valleys scheme to Treorchy and Treherbert. The committee will be aware that this has been the subject of an ongoing dialogue between us ever since I came on to this committee. That is very good news, and it will be widely welcomed in the Rhondda, and it will help people to understand the real focus of the Heads of the Valleys scheme.

9.10 a.m.

[31] **Alun Cairns:** In respect of point 4, the last sentence of the paragraph states that the Minister wants to share the ministerial advisory group advice with the committee. Can the Minister give us some firm commitments on that and the expected timescale, maybe after the meetings or something along those lines, something on the publication of the minutes or reports, and so on?

[32] **Andrew Davies:** I cannot give a precise timetable at present, because the committee is conducting an incredibly vigorous analysis of the Welsh economy and the Government and private sector support for business in Wales. I have been very clear that the committee wants independent advice. Apart from meeting the ministerial advisory group at the dinner before the first meeting, I have had no direct involvement. However, I know, from the feedback that I have had from Gareth—who may want to come back in more detail—is that the culture that is being developed by Richard Parry-Jones, as chair, is highly challenging intellectually. I know that the group has responded to that and I am confident that the advice that it will give will be as good as it gets in terms of the quality and vigour.

[33] **Christine Gwyther:** I think that we are happy about the accuracy and quality of the advice, but at what stage will we receive it? Will it be so many weeks after you have had it, or will it be concurrently? I think that that is what Alun is getting at.

[34] **Alun Cairns:** Yes.

[35] **Andrew Davies:** The problem at present is that I do not have the timetable. Maybe Gareth can come back in terms of the thinking of the group on the timescale.

[36] **Mr Hall:** Just to reinforce this point about the rigour of the analysis, at the last meeting, the indication of the chair was that the group thought that it would be making recommendations within some six to eight months. That was the timetable. We will be revisiting that at the next meeting, but that was the indication that the chair gave.

[37] **Christine Gwyther:** Okay. Does anyone else have a comment to make on points 4 to 20?

[38] **Alun Ffred Jones:** I have two questions on the Heads of the Valleys. Does the inclusion of Treorchy and Treherbert to the scheme mean that extra resources will be going into that? On the back of that, you mentioned that five major environmental projects have already been undertaken. How are those being financed? Is it from dedicated money to the strategy itself, or is it from other funding?

[39] **Andrew Davies:** On the first question, there are no additional resources within the Heads of the Valleys programme, but it does mean that Treorchy and Treherbert will be able to benefit from the overall focus of the programme and the collaboration of the five local authorities and other partners in the programme.

[40] On the second point, the funding for the five environmental schemes comes from within the additional £140 million that I have made available to the programme over the 15 years of the scheme. There will be one environmental scheme in each of the five local authority areas, which has been decided on the basis of discussions and collaboration between all of the partners. The idea is that, for each year of the first three years of the programme, there will be a different theme in terms of a major focus, the first being environmental schemes. We will then roll out the rest of the programme in that way.

[41] **Christine Gwyther:** Is that okay, Ffred?

[42] **Alun Ffred Jones:** I have two other questions. One is to do with point 6 about the Assembly investment grants, and there is mention of regional selective assistance. This was brought up yesterday with the claim that the number of jobs actually created through RSA was lower than that claimed initially. I raised the point in Plenary yesterday as to whether the level of grant reflects the number of jobs. If the number of jobs is lower—and perhaps you can confirm or deny this this morning—is the level of grant lower? That is, did they pay it back or did you simply not pay the grant initially? Can you clarify the situation?

[43] **Andrew Davies:** Yes, I can. First, we have to distinguish between regional selective assistance—that is, financial assistance of over £50,000—and the Assembly investment grant, which is between £5,000 and £50,000.

[44] The AIG is not jobs related, whereas RSA is. I would just like to make it very clear, in view of the reports from the BBC and the Wales at Work programme that was going to be run, but which, I understand, was not run, that we dispute its interpretation of the facts. The BBC said that it looked at the total investment from 1986 onward, so this is not only investment made under the Assembly Government, but investment made under the previous Conservative Government. The figures show that since 1986, 584 projects have received £524 million in RSA. The investment has created just under 65,000 new jobs and, in addition, safeguarded just under 40,000 jobs. So, 103,000 jobs have been created or safeguarded in total. RSA provided 6.8 per cent of that total investment, so RSA has leveraged in £7.7 billion to the Welsh economy.

[45] The BBC only covered new projects, so it disregarded reinvestments, acquisitions and joint ventures, and we disputed its interpretation. Some of the most successful companies in Wales, for example, the Ford Motor Company in Bridgend, where I used to work, Bosch, and many others, are inward investors, but they have continued to reinvest over many years, in many cases with investment from us. What the BBC did was just to look at new projects and we thought that that was an inaccurate reflection of the totality of the impact of Government investment, whether under the previous Conservative Government or, indeed, under the Assembly Government.

[46] RSA is given against the number of jobs created or safeguarded. So, the offer is made to a company and the company would then draw down the money retrospectively on the achievement of those targets in terms of jobs created or safeguarded. If the jobs targets are not achieved or the company decides to cease operations and close, then we will reclaim the grant, as we did with LG at Newport and as we have done with many other companies. It is not the case that the grant that is committed is immediately given to the company; it is only given when the company has achieved the targets. If the company fails to meet those targets, or ceases operations, then we will claim all or part of the grant, depending on how far into the project the company is and provided that the company is what we term 'within conditions'. There is a particular timescale—I think that it is five years. If it is within the five years then we will claim all or part of the grant, depending upon how many jobs have been created.

[47] **Alun Ffred Jones:** On Project Kimber, on which there has been some discussion, can you confirm the amount of RSA in the in-principle offer? I also have a general question arising from articles that I have read: is an annual production of 8,000 cars viable these days? You hear about plants closing all over the world because of the overproduction of cars.

[48] **Andrew Davies:** On the first point, it is an 'in-principle' offer, because the company has not made a final decision to locate in Wales. We often do this with companies and inward investors, for example, who will come to us. It is a very competitive market, and companies will be looking at other locations—I believe that, in the case of Project Kimber, it was Germany—and at other Governments, which may well have development agencies that are offering financial assistance. So, we will offer, in principle, the type of support that the company can expect depending upon the level of investment and the number of jobs that it will be creating. At the moment, that is commercially confidential information, but we are quietly confident that the project will come to Wales. In due course, the amount of RSA that has been offered, if the company accepts it, will be in the public domain. However, in this case, it is not appropriate to make that offer public now.

9.20 a.m.

[49] On the number of cars, it is very much a niche production. We are not talking about mass-market or high-volume production; it is very much niche, specialist car production. We believe that getting Project Kimber would be a real coup for Wales, if the company does decide to come here.

[50] **Mr Hall:** To add to that, while the company negotiated the purchase of the design rights of the two cars quoted in the report, it has done considerable redesign. It is also proposing to brand this car as the AC Midget, so it has linked up with an established brand name for sports cars. Some of us remember the MG Midget—Mr Cairns is smiling. It is a particular niche market for sports cars and the company has done a great deal of market research.

[51] **Kirsty Williams:** I would like to go back to the RSA issue. I accept the Minister's point that the BBC has pulled back on the claims that it made. However, is there any benefit to our having a look at our relative performance on RSA compared with other development agencies? Much staff time, work and effort goes into working with businesses and working up potential offers and then those businesses either come or do not come to Wales or the project is more or less successful than had been anticipated. Could we look at how many companies have had to repay grants and at what level? Could we look at the success of that programme? That is not a comment on individual performances, but I would like us to look at the success of the programme as a whole, given the effort that goes into running the programme. Could we have comparative data on Wales's performance versus other development agencies' performance in terms of whether their projects provide more or fewer jobs than was anticipated and whether they have more cases where money has been returned and so on?

[52] **Christine Gwyther:** Could you answer that, Minister?

[53] **Andrew Davies:** If the information is available, I am more than happy to provide it. I am not sure whether there is a regional breakdown in terms of RSA, but there is a regional breakdown in terms of inward investment. However, much inward investment comes without any additional financial support.

[54] **Christine Gwyther:** On a general point, was the WDA benchmarked with another development agency or another region of the UK that undertakes similar activities?

[55] **Mr Hall:** There was benchmarking on inward investment performance. We have discussed that here. RSA was always administered by the Welsh Assembly Government and in England by the Department of Trade and Industry. However, I think that elements of that have now been delegated to the regional development agencies, but that has only occurred during the last year. So, if there is comparative information, then we will get that for you. However, we can provide data on the performance of Welsh investments.

[56] **Alun Cairns:** In support of Kirsty's point, surely you could provide the DTI figures for RSA per region in England.

[57] **Gareth Hall:** If it does that, we could provide it, of course.

[58] **Alun Cairns:** I would be surprised if it does not.

[59] **Andrew Davies:** This relates to the new assisted areas map, and the tier 1 areas of Wales will be one of the few areas in the UK that will be able to continue to offer RSA. So, our competitive position will be much stronger in that respect from next year.

[60] **Christine Gwyther:** Thank you. We will now move on to points 21 to 36, which all relate to promoting innovation.

[61] **Alun Cairns:** I have two points. First, on the technium outlined in paragraph 27, which states that NPower Renewables has moved into Baglan sustainable technologies technium, and that there is a prospect for the growth of high-value jobs for the region, can you expand on what is meant by 'high-value jobs'? That seems a bit subjective, so I am trying to ensure that it is not.

[62] On the same point, I would like to ask a question on paragraph 32, which relates to tidal power investigation. The Welsh Affairs Committee appears to have come out in favour of tidal lagoons, or is certainly pressing the benefits of tidal lagoons. The Minister's reaction has been cold to say the least. What influence has that had upon you, and how does that reconcile with the statement in paragraph 32?

[63] **Andrew Davies:** I have said for a long time that Wales is extremely well positioned to take advantage of marine renewable technologies, whether wave or tidal power. There is a wide range of different technologies. We are surrounded by water on three sides, and in the Severn estuary we have the second-highest tidal range in the world, so there is huge potential. That is why we welcomed the UK Government's response in relation to the energy review about taking forward an investigation into tidal energy. I am delighted that the Sustainable Development Commission will undertake that review. It will look at a potential Severn barrage, but it will also look at tidal lagoons. When you say that I have been cool about tidal lagoons, what I have been cool about perhaps is the approach of one particular project, which has consistently asked for public support. I have said that, if it is technologically and commercially robust, then that can go forward through the normal procedure. However, I think that it is inappropriate for organisations to ask upfront for up to £40 million of Objective 1 funding when it has not been demonstrated that the project is technologically or commercially feasible. I am confident that the Sustainable Development Commission will look at this in depth and make recommendations. Any company can come forward with a proposal for energy generation. Whether it relates to onshore wind, tidal power, or biomass any project has to go through the appropriate planning regime. That would also be true for tidal lagoons.

[64] I do not have the details on the technium and NPower Renewables. Gareth may have something; otherwise, we will give you a written report.

[65] **Mr Hall:** We can give you a note on the specific detail of the NPower facility there, but I see where you are coming from. The point that we are trying to make there is that NPower has come into the sustainable technologies technium, where we will group it with like-minded companies in what has been targeted for some time as a growth sector for the Welsh economy—renewable energy. What it should say in the report is that this is an opportunity for higher-added-value activities, and there is a correlation there. If companies are doing research and development that they are looking to exploit commercially in Wales, that creates added value, and with added-value activities come higher value jobs.

[66] **Alun Cairns:** I wanted to make sure that it was not being overstated.

[67] **Mr Hall:** I take your point.

[68] **Janet Davies:** My question relates to the tidal power issues in paragraph 32. I am looking for reassurance, Minister. We all know that there are environmental and other disadvantages to whatever energy source we exploit. It is an issue of balance and trying to compare the advantages and disadvantages of each. I would like reassurance that there will be a clear spelling out with the Severn estuary and tidal lagoons of not only the advantages but the disadvantages, the disbenefits, and the possible damage to the environment that may occur so that the committee, and the Government in making decisions, can have a fair view and can balance things properly.

[69] **Andrew Davies:** We have a duty to promote sustainable development, which means balancing the economic, social and environmental considerations. However, I am reassured in that an organisation of the status of the Sustainable Development Commission has been given this work to do and I am confident that it will give a measured analysis of the various technologies and their contribution. That report will come to the Assembly and the appropriate committee at the appropriate time.

[70] **Mr Hall:** To reinforce that point, Chair, I am on the Assembly Government group that is working on the terms of reference for the Sustainable Development Commission report. I can reinforce the point that even-handedness is part of the terms of reference for the SDC.

9.30 p.m.

[71] **Janet Davies:** I have been approached by people who favour the Severn estuary and by people who favour tidal lagoons, and each of them speaks of the disadvantages of the other. Until we get a fair and unbiased view, it is difficult for Members to weigh this up.

[72] **Alun Ffred Jones:** With reference to item 26, on the Wales Energy Research Centre, I was pleased to hear what you said about renewable energy technology. But, we must be proactive in this, because we missed the boat on wind technology in a big way—in fact, we lost a company from Bangor because we did not get our act together, although that was as a result of other issues as well. There is a danger that we will also miss the boat on this, because things are moving rapidly in this field. As you said, we seem to have environmental advantages in this field, and we must press on if we are to take advantage of them and if Welsh industry is to take advantage, not in terms of the production of energy, which is hopefully coming along, but so that Wales becomes a leader in the field.

[73] On the Wales Energy Research Centre, could you provide details—probably not this morning—about the projects to which you refer in this paragraph? Where exactly is it based? When you talk about universities, which universities are you referring to?

[74] **Andrew Davies:** Briefly, we will give you a report on that. The Wales Energy Research Centre is, I believe, based at ECM2, which is the former research and development centre at Corus in Margam. I take your point about maximising the impact of renewable energy. I am committed to doing that. When I visited Navarre in northern Spain, which I have done on two occasions, I saw how that prosperous part of Spain, which has many similarities with Wales in terms of topography, apart from the coastline, has created a whole new industry, with high-level research and development in renewable energy technologies. I see that as a model, and I want Wales to be at the forefront of it.

[75] **Carl Sargeant:** On item 36, KK Fine Foods Ltd, it was only two or three months ago, Minister, that I was with you at the sod-cutting ceremony for an extension to its plant. It is good to see that it is a leader in IT. Deeside industrial park, as you are aware, has one of the largest collections of food-processing plants in the UK, with many companies established there. Part of the reason for that is because it has room for expansion, primarily through the Gateway project, which would feature right next to this area. Recently, there was much media coverage when the Ministry of Defence site there was highlighted as a potential future prison. That would take half the Gateway project out of the picture. I wondered whether you have had any discussions with the Home Office on that and whether you have made any strong representations against the potential prison. This is prime, high-quality land.

[76] On that point, what work has your department done with migrant workers coming in to work in the food manufacturing industry, in particular, in north Wales? We have had a huge influx of migrant workers, and I wondered what measures you had taken on the economy and its stability. Can we cope with large numbers of migrant workers coming in? The workforce is great, but it is putting huge pressures on housing, education and so on in the area and I wondered how you have tested whether or not the economy can take this.

[77] **Andrew Davies:** On the first issue about Deeside and the MoD site, maybe I can get a note to update you on that, Carl, and circulate it through the clerk. The Assembly Government has considered the impact of migrant workers across departments—not just my department, but many others. Our view is that, generally, the influx of migrant workers has been beneficial to the Welsh economy. As I said in my statement in response to the Duracell closure yesterday, most of the employers that I talk to in north-east Wales say that their biggest problem is in recruiting labour. Many workers from the accession countries have helped to keep those businesses prosperous and enabled them to expand. Anecdotally, there have been stories of some of the problems caused by pressures on public services, housing, social services and education. My current understanding is that that is very anecdotal, and we are still finding it difficult to get hard evidence. We have been working, for example, with the trade unions to get clearer evidence for the impact. I can, perhaps, provide a note for Members on where we are in terms of our analysis of the impact of migrant workers on the Welsh economy.

[78] **Carl Sargeant:** It is important that we, as a committee, keep an eye on this, because, in January, other workers from Europe will have the opportunity to enter the country in huge numbers. That will, I am sure, cause pressures that we will need to take a measured view of.

[79] **Christine Gwyther:** Certainly, there are pressures on the housing market, and very much so on the rental housing market.

[80] **Leighton Andrews:** I return to the subject of energy research. Over the summer, I had a couple of meetings with Tyrone O'Sullivan from Tower Colliery. I went to Tower and, at the weekend, he came to the Rhondda. There is a considerable interest in what we can do to ensure that not only is clean coal being used in Wales, but that the clean coal used is Welsh coal. I suppose that there are several aspects to this, in respect of research, specifically. There is a feeling that, if we have 250 million tonnes of coal still here, there is not clarity as to what sites might be suitable for future exploitation. Tower, obviously, has a potential interest in other sites, about which it is in active discussions. Also, there is the matter of research into sites that are appropriate for underground coal gasification, for example. This is key baseline research—we have the asset, but I do not think that people are clear as to what extent we have analysed how much of that asset has a meaningful future to be exploited. That is an area that, particularly as we will be looking at convergence funding later this morning, we really need to put some oomph behind, frankly. As we look forward, we know the challenges that we face on the energy front, and, in this regard, we may have an asset that will continue to be used. We know the amount of coal that will be consumed around the world, and we still have that asset, but I am not clear as to how much research effort we are putting into it.

[81] **Andrew Davies:** It is quite a technical area. Clean-coal technologies cover a range of different technologies. You mentioned underground coal gasification, but, at the other end, there is flue gas desulphurisation, which takes sulphur dioxide out of the emissions; that is, in fact, one of the biggest investments made at Aberthaw, with FGD technology. Perhaps I can provide a note to Members on where we are.

[82] **Christine Gwyther:** We are actually going to discuss this matter in detail on 9 November—we have a whole meeting to talk about renewable energy and energy efficiency as a result of our review. It may be that we will require a Government paper on work to date—I am sure that we will. We will have the opportunity then to look at developments since we undertook that work.

[83] **Leighton Andrews:** I welcome that, and that is, perhaps, the appropriate place to have the paper, rather than in advance of that meeting.

[84] I am aware of the FGD investment in Aberthaw, which is huge, but the issue is whether it will be burning Welsh coal and how much Welsh coal it will burn, or whether it will be burning imported coal. Clearly, some of it will be imported, and that is understood, but my issue is more about our own resource and our ability to exploit it.

[85] **Andrew Davies:** I accept that. RWE, which owns and runs Aberthaw, is very committed, as is the plant manager, to using Welsh coal. Obviously, the decision on Ffos-y-Frân is related to that, and my understanding is that much of the coal from there, if the site becomes operational, will go to Aberthaw. I know that Aberthaw is committed to using Welsh coal. I have made the case very strongly for clean-coal technology. In the previous energy review by the UK Government, it was not persuaded. I am delighted to say that it has now been persuaded, and earlier this year it set up a £50-million research and development fund. We are working with it to try to maximise its spend and the impact in Wales.

9.40 a.m.

[86] **Christine Gwyther:** We will move on now to ‘investing in networks’, which is point 37 through to point 50. Minister, I have a question on point 38—road network management—about the A40 Llanddewi Velfrey to Penblewin improvement. There was a very impressive public display last week on this. Aside from the routes, which I will discuss with you as a local Member, there was talk about a new traffic management system called 2.1, where you would have two lanes going one way and one lane the other way, and they would change. We were told that the A68 in Scotland is also adopting this new traffic system. Can you give us a briefing note on that, and detail where else it is being used in the UK, so that we can come to our own decision over whether or not we agree with it as a new traffic system?

[87] **Mr Shaw:** Obviously, two lanes in one direction and one lane in the other direction is not a new idea, per se. It is the traffic management control system that goes with that to make it safe that is new. The Heads of the Valleys road is obviously a three-lane road, but we know about the problems that that has caused with people injudiciously overtaking. So, in terms of the pilot schemes that are running at the moment, quite a lot of work is being done in Scandinavia to provide overtaking opportunities within the minimum amount of space. They are looking at doing that safely by providing a three-lane route while ensuring that the two lanes are genuinely only used by traffic in one direction. You alternate that so that traffic in each direction has an overtaking opportunity to reduce driver frustration, and you ensure that drivers are aware of that arrangement. So, that is the type of proposal that is being looked at, and it is being trialled and piloted in a few places in the UK at the moment. If it is successful, and if it proves to be safe, we believe that it has potential not only for the A40, but also for future improvements on the A470 up to north Wales, where we have the same situation. We need to provide better overtaking opportunities to remove driver frustration, which can and does cause accidents.

[88] **Kirsty Williams:** Paragraph 37, about rail investment, says that you work closely with Arriva Trains Wales to ensure that resources are best used. Are you satisfied that the investment that you have put into Arriva Trains Wales this summer has resulted in better passenger services?

[89] **Andrew Davies:** We are never complacent or completely satisfied, but the indications that we have show that it has improved services. I will ask Robin to come in with more detail, but we feel that the investment has been worth while and has benefited passengers.

[90] **Mr Shaw:** It is a modest investment in additional rolling stock capacity at key pinch points, and it has successfully delivered that additional capacity.

[91] **Kirsty Williams:** Given the large number of cancellations on the Heart of Wales line this summer, which resulted in passengers being stranded at various points on that line, and the poor quality of the rolling stock, what discussions have you had with Arriva and Network Rail? Arriva blames Network Rail for its failure to deliver trains on time for passengers. What discussions have you had with them to ensure that your money is being used for the purposes intended: better service for passengers? My concern is that they are not delivering on the money that you have given them.

[92] **Mr Shaw:** There are two separate issues there. The investment that we are talking about is to support the lease of additional rolling stock to lengthen services which have capacity problems. The problems on the Heart of Wales line are not related to that, and those services. You are right that there are issues with Network Rail and its infrastructure, and the quality of the rolling stock. My team has a virtually continuous dialogue with Arriva and Network Rail on these issues. On the rolling stock issues in particular, we are working closely with the companies to prepare and put forward a proposal for the Minister on rolling stock enhancements. A number of changes are due to take place in December as a consequence of the cascade of additional newer trains to the franchise. Obviously, that will enable some of the very old and less-than-perfect rolling stock—if that is the appropriate term—to be taken out of service and returned to the leasing company. So, we will see some significant improvements in that regard.

[93] On the infrastructure, Network Rail is very aware of the limitations of that. There have been a number of problems in the summer, predominantly associated with hot weather, whereby the company has been obliged, from a safety point of view, to impose speed limits. Obviously, when the company does that, it is very disruptive to the service pattern. Again, the company is working on this. There will always be limits. If we get extremely hot weather, it will always be necessary and prudent to impose speed limits. Obviously, there are also works and measures that can be put in place to minimise the number of times that that is necessary. That work is ongoing at present.

[94] **Kirsty Williams:** With all due respect, Mr Shaw, the additional rolling stock that you have provided to Arriva Trains only works if Arriva Trains has people to drive trains. There have been a number of incidents over the summer whereby Arriva Trains simply has not been able to supply train drivers. My argument is not with the Government, which, I believe, is genuinely trying to improve services; my concern is with the ability of the franchise holder to utilise the expenditure. At the next meeting, perhaps we could have a note on how many incidents there have been over the summer.

[95] **Mr Shaw:** Do you mean in terms of cancellations?

[96] **Kirsty Williams:** Yes.

[97] **Mr Shaw:** Yes, that is possible.

[98] **Christine Gwyther:** If it helps, I signed a letter this morning asking Arriva Trains to come to this committee. There will be questions that we will need to ask the company directly. I hope that Arriva Trains decides that it would like to come here.

[99] **Kirsty Williams:** Perhaps it will be an opportunity to have Network Rail here at the same time, given the fact that every time that we write to Arriva Trains, it blames it on—

[100] **Christine Gwyther:** Network Rail has already said ‘yes’.

[101] **Kirsty Williams:** Can I also ask a question on regional innovative broadband support?

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

[103] **Kirsty Williams:** I refer to paragraph 43. I welcome very much the progress that RIBS is making in addressing the inequalities issues, but the paragraph does refer to black-spot areas and the success in tackling some of the problems with regard to two of them. Can you give further details of how black-spot areas can be addressed, where even the enablement of the exchange will not be enough to enable access to broadband, for some rural communities especially?

[104] **Andrew Davies:** RIBS is very much a two-stage process. The first stage is enabling those exchanges that BT did not deem to be commercially viable, which is understandable. I think that we have made incredibly good progress. We should complete that programme very shortly.

[105] The second stage is the black spots, which are not just in rural areas. Basically, it means that there are areas within an exchange that are too far from it for the cables to get broadband. That can actually be the case in cities as much as in rural areas. We are developing a strategy because, obviously, we need to look in depth at where these problems have arisen. We are working with BT, in particular, to find this out and to do an analysis of where the black spots occur and what we need to do in order to help to address that issue. The black-spot strategy—which I think is rather a strange name—has been developed and will be published—

[106] **Christine Gwyther:** I am sure that it can be rebadged as something more glamorous.

[107] **Andrew Davies:** Yes. It sound like something dermatological, does it not? We have not set a completion date for this because we needed to have the overall detailed analysis before we can then look, with BT, at how we address the problem. Again, I can give the committee an update on this work.

[108] **Christine Gwyther:** That would be good.

[109] **Alun Cairns:** On that issue, I obviously think that the RIBS project is an exciting project, and that it will take broadband to a number of people who did not have it. However, there are some communities in Wales in which there were private companies operating wireless links in those exchange areas. Can you clarify the position on that? I think that European support could only be given where there was no broadband availability, but if there were a private company operating a wireless link—and I think that the tender actually specifically commented on those communities that had wireless links—effectively, you are forcing companies out of business. Will you clarify whether that is the case?

9.50 a.m.

[110] **Andrew Davies:** Because RIBS was a public sector intervention into the market, we had to get European Commission approval, because there was a potential infringement of state aid rules. Clearly, we had EC approval for the RIBS project, but there has been a particular case in Monmouthshire, with a company called WBNet, in terms of wireless provision. I do not have the details in front of me, and, again, maybe I could give a written report to Members on where we are on this and the implications for any providers of RIBS.

[111] **Leighton Andrews:** I will come in on this point, if I may. My wife is BT’s director for Wales. Are we going to look at the wireless provision in relation to Wales? Could you, as part of that report, also incorporate where public services are being provided through wireless rather than wired facilities? I am aware that some local authority contracts, for example, which are providing broadband through wireless means, sometimes to schools, community organisations and others, have had some problems in the delivery of those wireless services, due simply to weather conditions in particular.

[112] **Andrew Davies:** I will certainly do that. I know that the Isle of Anglesey County Council provides a lifelong learning network, and I believe that it delivers that through a wireless network. However, I can give an update on that.

[113] **Christine Gwyther:** Alun, I believe that you have another question on this section.

[114] **Alun Cairns:** Yes, I do. On road network management, can the Minister confirm that he has received the inspector's report on the trunking of the A48? Will he publish that to the committee as soon as possible and will he give a timescale for that report?

[115] **Mr Shaw:** We have it and it is under consideration.

[116] **Alun Cairns:** Will you make it available to committee members?

[117] **Mr Shaw:** The normal route is for you to make a decision based on the inspector's recommendation, and that will be issued to all Assembly Members, with the usual period for you to take exception to it if you wish.

[118] **Alun Cairns:** If I table a freedom of information request, I know that I will get it within 28 days, or whatever the rule is, but I do not want to go down that route unless I can help it. Members have a right to receive it, so is it not more sensible to make it available as soon as possible?

[119] **Mr Shaw:** No; there is a due process and a statutory process to go through with any of this. The Minister needs to receive the report of recommendation from us, and then a decision is made to go forward with making the Order or not making it. The Minister announces that through the procedures here, and you as Assembly Members have an opportunity to object to that decision process. That is the laid-down way of dealing with the secondary legislation that we are talking about.

[120] **Alun Cairns:** Can you give me a timescale at least on that?

[121] **Mr Shaw:** No, I cannot at the moment. It will not be very long, but I do not have a date for when we will be putting that up for Assembly consideration internally.

[122] **Andrew Davies:** On the process, maybe we could give details on what the timetable will be and make that available before the next meeting, or as soon as possible, and that could then be circulated.

[123] **Christine Gwyther:** That would be useful. Carl, was your question on this?

[124] **Carl Sargeant:** Yes, it is vaguely on the A494 road.

[125] **Christine Gwyther:** Janet, was your question on the road or on something else?

[126] **Janet Davies:** No, my question is on another matter.

[127] **Carl Sargeant:** You have received a great deal of correspondence from me on the A494, Minister. Do you have a date for when the draft Orders will be published? My understanding was that they would be published within the next month or so, but I do not know whether you have anything firm on that. This is a two-mile section of road with 13 lanes; it is bigger than the M25 and is one of the largest roads proposed in the whole of the UK. My only plea is that you reconsider reducing the lane sizes, because having 13 lanes is just an amazing mapping exercise. We have hopefully achieved some comfort for some people on one side of the road, but the people on the forgotten side of the road—as their campaign group is called—are still very concerned about the noise and the danger levels. This is the biggest piece of highway in the UK that will be built in a two-mile section.

[128] **Christine Gwyther:** Did you say 13 lanes? I was getting excited about the two lanes plus one earlier. It puts it into context, does it not?

[129] **Carl Sargeant:** That includes crawler lanes—

[130] **Mr Shaw:** It is not a 13-lane highway. You are talking about the main carriageway as well as the road lengths at the side of it, which carry the local traffic. So, it is not a 13-lane highway as designed.

[131] **Carl Sargeant:** Are there 13 roads on it?

[132] **Mr Shaw:** There are 13 carriageways.

[133] **Carl Sargeant:** It is still pretty big; it is the biggest road in the UK and I am concerned about whether we need 13 carriageways. Reducing the size may ease the concerns of the people who live on the bypass.

[134] **Mr Shaw:** That has been looked at in some detail and we concluded that that was the minimum that we could get away with.

[135] **Carl Sargeant:** What is the date for the draft Order?

[136] **Mr Shaw:** Can I come back to you on that because I do not have the date on me?

[137] **Janet Davies:** I have a different question on paragraph 37. First, the Government monitors the franchise, but to what extent do you monitor policies such as that on alcohol misuse on trains? Does that feature in the monitoring?

[138] Secondly, I have pursued this issue in many areas and I cannot get an answer to my question. What sort of diesel does Arriva use? Perhaps, we could have a note on that for the next meeting. I have been told that it uses dirty diesel. There are different grades of diesel and if it uses dirty diesel, then going by train is not much better, environmentally, than going by private car. I have pursued this issue everywhere without getting much sense from anyone. I am sure that the Minister could give me a much more sensible answer.

[139] **Andrew Davies:** I am certainly not going to be able to give you a detailed answer today. I will have to speak to Arriva about that. I am meeting Bob Holland, the managing director of Arriva Trains Wales, in the next few weeks. It may be down to the quality or type of diesel used as well as the age of the engines. First Great Western will be upgrading its high-speed trains by implementing a rolling programme of introducing more modern, highly efficient diesel engines on such trains. The performance of those engines is much better and the impact on the environment is greatly reduced. However, I will take that up with Bob Holland.

[140] On your first question on alcohol misuse, although it is not a formal part of the evaluation of the service—we tend to consider more specific issues such as punctuality and other areas of performance—I know that comfort and safety issues are increasingly important to passengers. I have made it clear to Arriva that we feel that there is a significant way to go in terms of the cleanliness and comfort of trains. However, I will take up the issue of monitoring alcohol misuse.

[141] **Janet Davies:** It certainly has a policy, because I checked that.

[142] On paragraph 39 on the intra-Wales air service, the cost figures in my mind are around £1.5 million in capital and £1 million in annual revenue. Could the Minister confirm whether that is still correct? As you probably realise, it is not one of my favourite projects. I hope that you will not open it on 1 March because we might see Saint David levitating out of the ground if you do.

[143] **Christine Gwyther:** For free?

[144] **Janet Davies:** Yes, for free; no subsidy would be needed.

[145] **Andrew Davies:** I suppose that levitation is a novel form of air transport. We do not know what the exact costs will be yet because they depend on the procurement process and the negotiations between the company that wins the franchise and us. I am more positive about this. It is important. Transport links between north and south Wales have improved over recent years, but there is a significant market for those who wish to travel by air. In terms of the north-west Wales economy, it is vital. I see this as an important part of the jigsaw in terms of our response to the closure of Wylfa power station and any impact that that will have on Anglesey Aluminium Metal Limited. Transport links will be crucial, particularly for business travellers.

10.00 a.m.

[146] Inward investors, for example, increasingly expect to be able to travel by air to their business operations and to other major transport hubs. So, I certainly see it as an important part of our response to dealing with the situation post Wylfa.

[147] **Christine Gwyther:** Okay. Let us crack on, because we need to speed up slightly. The next section is Visit Wales, paragraphs 51 to 60. Is everyone content with the report? I see that you are. We will move on to paragraphs 61 to 64, which relate to International Business Wales. Paragraphs 65 to 71—‘Jobs Created/Safeguarded’—should draw some attention. I see that there are no comments. Are there any comments on paragraphs 72 to 76, ‘Job Losses’?

[148] **Janet Davies:** I would like to look at paragraph 72, which relates to LG Electronics. I think that this happened during recess, but we should express our extreme regret at the loss of these jobs. Rumours suggest that these jobs are being moved to Poland and that there will be 500 jobs there. Could the Minister comment on whether he is aware of these rumours and whether there is any truth in them?

[149] **Andrew Davies:** I have not heard that, but I will get my officials to follow it up.

[150] **Janet Davies:** Thank you.

[151] **Leighton Andrews:** My comment relates to Burberry. We discussed this in the Chamber yesterday, but could the Minister tell us whether Burberry gave any indication with regard to when it would respond to the offers that he made at his meeting?

[152] **Andrew Davies:** No. Evelyn Suszko gave no indication of the time limit during my meeting with her. However, my officials who were at the meeting will follow that up urgently with Burberry to discuss the offer of assistance that we have made.

[153] **Leighton Andrews:** That is important, as the unions are strongly of the view that the 90-day consultation period has not yet started and, therefore, are seeking to establish their own timetable. In the context of their timetable, knowing what the company is saying in response to you is important.

[154] **Christine Gwyther:** The final section, paragraph 77, relates to other announcements. We will have a discussion on equality in relation to ‘Wales: A Vibrant Economy’ on 22 November in this committee. Are there any comments? I see that there are not. We will move on to actions outstanding. This is you, Ffred.

[155] **Alun Ffred Jones:** Hoffwn gyfeirio at dudalen 19 a 20, sef y cwmnïau sy'n darparu gwasanaeth argraffu i'r Cynulliad. Mae gennyf gwestiwn, ond hoffwn wneud un sylw yn gyntaf. Mae pobl y tu allan i Gaerdydd a'r de-ddwyrain yn aml iawn yn dweud bod y Cynulliad yn dda iawn i Gaerdydd ond nid yw'n gwneud llawer dros weddill Cymru. Ni chytunaf â'r gosodiad hwnnw, ond dyna a ddywedir. Mae rhestr fel hon yn cadarnhau'r math yna o osodiad. Erbyn hyn, mae 16 o gwmnïau yn darparu'r gwasanaeth hwn i'r Cynulliad. Mae 15 o'r rheiny yn dod o Gymru, ond dim ond dau gwmni sydd y tu allan i dde-ddwyrain Cymru. Yr wyf yn siwr fod proses wedi cael ei dilyn ynglyn â thendro am y gwaith ac yn y blaen, ond mae'r Cynulliad yn gwario swm mawr o arian ar gyhoeddi ac argraffu, a phan fydd yr elw hwnnw yn cael ei ganolbwyntio ar ardal fach gan anwybyddu gweddill Cymru, mae'r effaith yn syfrdanol. Fel y bydd mwy o gontractau'r Cynulliad yn cael eu canoli drwy un broses ganolog, bydd yr effaith yn waeth. Yr ydym wedi gweld colledion eisoes mewn cwmnïau yn y gogledd a'r canolbarth, ac yr wyf yn teimlo ei bod yn sefyllfa gwbl annerbyniol ac yn rhoi neges gwbl anghywir i gwmnïau sydd y tu allan i dde-ddwyrain Cymru. Gwelaf fod saith cwmni wedi syrthio allan o'r 'fframwaith', fel y'i gelwir, felly, pryd fydd y broses hon yn ailagor fel y bydd cwmnïau o'r tu allan i'r de-ddwyrain yn cael cyfle i gael eu cynnwys ar y rhestr hon?

[156] **Christine Gwyther:** Before you answer, Minister, at least one of the companies on this first list has outposts or branches in other parts of Wales, and it would be useful for us to know the extent to which companies with a Cardiff address are benefiting branches in other parts of Wales. A breakdown of that sort of thing would also be useful.

[157] **Andrew Davies:** I do not know, for example, how many north Wales printing companies bid for this as part of the procurement process. One thing that we found, in procurement, is that many small Welsh companies do not bid for public sector procurement contracts. That is for all sorts of reasons, partly because they are often not aware that they are available. Sometimes, they do not think that they have the capacity to provide a large contract. So, that is the first step. I genuinely do not know how many north Wales companies bid. There may well have been companies that did or there may not have been—I do not know.

Alun Ffred Jones: I would like to refer to pages 19 and 20, which relate to the companies that provide printing services to the Assembly. I have a question, but I would like to make one comment first. People who live outside Cardiff and the south-east often say that the Assembly is very good for Cardiff but does little for the rest of Wales. I do not agree with that statement, but that is what is said. A list such as this one confirms a statement of that kind. There are now 16 companies providing this service to the Assembly. Fifteen of them are based in Wales, but only two of those are outside south-east Wales. I am sure that a procedure has been followed with regard to tendering for the work and so on, but the Assembly spends a considerable sum of money on publishing and printing, and when that profit is concentrated on a small area and the rest of Wales is disregarded, the effects are significant. The effects will be aggravated as more contracts with the Assembly are managed through one central process. We have already seen losses in companies in north and mid Wales, and I feel that this situation is totally unacceptable and sends out entirely the wrong message to companies outside south-east Wales. I see that seven companies are no longer on the 'framework', as it is called. When will this process reopen, so that companies beyond the south east will have the opportunity to be included on this list?

[158] However, it would be difficult to introduce a quota system to ensure that companies from different parts of Wales were able to access business. We clearly threw open public sector procurement procedures. We tried to create a more level playing field to help Welsh-based companies to access a significant amount of public sector contracts for goods and services. Only a few months ago, I launched our Opening Doors initiative as part of that process of creating a more level playing field for Welsh companies. So, we are doing a huge amount to open up public sector procurement for Welsh business, but, as it says on my note, we must act in accordance with European procurement regulations. We cannot specify 'business for Welsh companies', but, as I said, we are doing everything that we can. However, as it said in my other note—in the second paragraph on page 20—supported through Value Wales, our procurement initiative, Denbighshire council, which is leading on behalf of all the north Wales local authorities in a consortium, is looking at a design and print framework. We hope that that will benefit companies in the north Wales area when it comes forward for procurement. I do not know whether Gareth wants to say more on this.

[159] **Mr Hall:** We have put a lot of energy into building up a database that is available online and in written form, which promotes public sector tender actions. That is on the demand side. On the supply side, we are getting as many companies as possible on that database. At the bottom of page 19, it says that a number of suppliers responded, but they did not pass the pre-qualification return of tenders. As the Minister said, we must operate on a level playing field. We could introduce these companies to our business support advice, so that they could become competitive and, if there are shortcomings, we could overcome those and make them get to the starting line and then they would be part of the competitive bid process. It is about getting these companies to get to the starting line. So, we could take that up.

[160] **Alun Ffred Jones:** Yr wyf am ddod yn ôl a dweud fy mod yn deall y sefyllfa a bod yn rhaid cael proses agored nad yw'n ffafrio neb. Nid wyf yn disgwyl cwota na dim byd felly. Fodd bynnag, yr wyf wedi bod yn y sefyllfa hon o fewn cyngor sir, ac yr oedd gan y cyngor sir reolau a oedd yn golygu, yn aml, nad oedd cwmnïau bach yn gallu tyfu ac nid oedd cwmnïau llai yn gallu symud i fyny. Yr oedd rhesymau da dros y rheolau hynny. Fodd bynnag, yr oeddem yn cydnabod os nad oedd y cyngor sir, yn yr achos yr oeddwn yn rhan ohono, yn hybu ac yn ceisio meithrin cwmnïau fel hyn, ni fyddent byth yn tyfu oherwydd nyni oedd y gwarwyr mawr.

10.10 a.m.

[161] Rhaid i'r Cynulliad ddeall bod ei rym yn aruthrol oherwydd y gwario sy'n dod ohono. Os yw popeth wedi'i ganoli yng Nghaerdydd a'r cyffiniau, ni fydd gweddill Cymru yn cael y fantais y dylai ei chael ac felly yr ydym yn tlodi'r trefi, y pentrefi a'r cymunedau hynny drwy weddill Cymru yr ydym yn sôn amdanynt gymaint yn y dogfennau hyn. Mae'n rhaid ichi wneud ymdrechion mwy byth i feithrin y cwmnïau hyn, nid dim ond yn y maes hwn ond ym meysydd eraill hefyd.

Alun Ffred Jones: I wish to come back in on that to say that I understand the situation and the need for an open process that does not favour anyone. I do not expect there to be a quota or anything, but I have been in this position within a county council, and the county council had rules that often meant that small companies could not grow, and smaller companies could not move up. There were good reasons for those rules. However, we acknowledged that, if the county council, in the case in which I was involved, did not promote and try to nurture such companies, they would never grow because we were the big spenders.

The Assembly must understand that its power is immense because of the expenditure that comes from it. If everything is centralised in Cardiff and the surrounding area, the rest of Wales will not get the benefit that it should get and so, we are impoverishing the very towns, villages and communities throughout the rest of Wales that we talk about so often in these documents. You must redouble your efforts to cultivate these companies, not only in this field but in others too.

[162] **Andrew Davies:** I agree with the general point that you make. The business procurement taskforce, which I chair, has done a huge amount of work in streamlining our procurement processes on the one hand, and making information more available, particularly through, for example, the www.sell2wales.com website on the other. There has been a range of information and awareness-raising initiatives—and I have spoken at several of them—where we have been able to bring small Welsh companies together, to look at information and to help them to bid for contracts.

[163] You are also right about the size of companies. In many cases, they are too small or have insufficient capacity to bid for the large contracts. In many cases, as Gareth said, we identified what the entry problems are for companies. For example, it may well be that companies working together collaboratively through a consortium can bid jointly for a contract, which, on their own, they would not be able to do. So, we are doing a huge amount of work to help companies to get to the starting post, as Gareth said.

[164] **Christine Gwyther:** Coming back to what I said earlier to the Minister, it would be useful to know exactly where the work is being done around Wales. I know that a lot of Assembly printing is being done by a firm in Pembroke Dock.

[165] **Andrew Davies:** Through branch operations.

[166] **Christine Gwyther:** Yes. If the money is going into our local communities, we need to understand that.

[167] **Andrew Davies:** Perhaps it would be useful to come with a report on what we have done in terms of that, to help address such questions.

[168] **Christine Gwyther:** Is there anything else on actions outstanding, before we move on?

[169] **Alun Cairns:** Chair—

[170] **Christine Gwyther:** Is it on action outstanding?

[171] **Alun Cairns:** Yes. This relates to the point on 5 July, on page 18. It seems as though we are pulling teeth on this issue, in terms of jobs created and safeguarded and targets for the enterprise agencies. We spoke about this in April. That is when the first fuss was made about it. Since then, we have been trying to get the figures for the specific targets of the enterprise agencies. Let us not forget that these are operated on a regional basis and you have cut, for example, the number of business starts in terms of the targets, so let us find out which organisations have been cut. Some operate in some areas and not in others. Let us at least find out whether, for example, there has been a cut right back in the Rhondda, Swansea or Bridgend in terms of business start-ups. Let us at least find out where they are. I have an awful feeling, Cadeirydd, that the Minister has been doing everything possible to delay this, bearing in mind that it was back in April when we first made a fuss about it. We were given scant details, and we have had to go back time and again.

[172] **Andrew Davies:** Part of the ethos of my new department is to do less but to do it better, and not to compete with the private sector where it is providing adequate services. Gareth and I asked Vanessa Griffiths, director of enterprise in my new department and also the north Wales director of my department, to conduct a very thorough analysis of the business support that the public sector is providing across the board to business in Wales. That review is now coming to an end. I have not seen the report, but it will be coming forward shortly. It is a very robust piece of work, and I will be coming to the committee with the conclusions once I have had time to analyse them.

[173] **Alun Cairns:** The point is that this issue, namely that these organisations' budgets, targets and contracts have been slashed, came to the committee's attention in April. There was a big fuss at the time. We wanted to know why that was and on what basis and rationale it was done. Now, we are being told that a robust report is being conducted, but we are six months into the current financial year as regards these targets being implemented.

[174] We are still getting reports of individuals wanting to start up businesses with exciting prospects going into some enterprise agencies and being told, 'Sorry, but I cannot do it, I have done my quota'. That does not make sense and that is what we are trying to get to the bottom of. I am grateful that the Minister has done a report, but should that report not have been done, in the first instance, before he decided to slash the budget, the targets and the contracts of the individual organisations?

[175] **Andrew Davies:** During the merger process, particularly with the WDA, it was made clear to me by the business sector throughout the length and breadth of Wales that it wanted focused, commercially orientated services. What it did not want was to be bombarded by public sector bodies—local authorities, enterprise agencies, the WDA and a whole range of other public bodies—offering products; what it wanted was tailored support. As a part of the process, there has been rationalisation, which has been welcomed by a whole range of business organisations, because they have said that that is what they asked for.

[176] On this piece of research that Vanessa Griffiths has been undertaking, the length of time that it is taking reflects the scale of the analysis that has to be done and the robustness of it. Knowing Vanessa, it will be an extremely rigorous piece of work and I think that that will be the appropriate time to come forward with the analysis. Given the sheer scale of the amount of public support that there is for enterprise in Wales, it is very complex.

[177] **Alun Cairns:** However, the logical process surely should have been for you to have had the report first. What we are told by the Assembly Government is that there must be an evidence base and then you act accordingly. Hopefully, we, as a committee, would have had an input, which might well have supported this, and might well have asked questions. That should have been the process used rather than slashing the budgets and contracts, and then conducting the report, while many enterprise agencies are working to that and turning customers away.

[178] **Mr Hall:** Chair, you will remember the fuss that Mr Cairns referred to. In the matters arising in the following meeting, I gave an oral update to the committee, but unfortunately Mr Cairns arrived late and missed the explanation.

[179] **Alun Cairns:** I have checked the minutes, but they do not give the information that was originally asked for.

[180] **Mr Hall:** We can get the additional information to you.

[181] **Christine Gwyther:** When will we get that, Gareth?

[182] **Mr Hall:** If there are specific points on which Mr Cairns wants information, we will endeavour to provide that information. I remember one of the statistics that I gave, which came from a report by the Federation of Small Businesses, which said that small businesses only get 9 per cent, I believe, of their information about setting up and expanding new businesses from the Government. The vast majority of businesses get their advice from accountants, banks, friends, lawyers and solicitors. The smarter way in which the Minister says that we need to operate is that where we can add value to the process, we should do it. That is where we are going to focus our attention in future and that will be the basis of the report. Where we have to be smarter is in recognising that there are a whole host of other organisations out there. For example, Business Eye, which is often the first point of contact, is now diverting people to banks and accountants and we are giving them information about business plans and how to raise money. When they come across difficulties, they then come back to the public sector and we fill the gaps in the market provision. That is the essence of the research that we have been doing.

[183] **Christine Gwyther:** We are going over time, so let us go on now to the quarterly statistics and the quarterly economic report. We will take both issues together. Are there any comments or questions on that? I would prefer questions.

[184] **Leighton Andrews:** Let us go on to the next business, Chair.

[185] **Christine Gwyther:** Is everybody happy to do that?

[186] **Alun Cairns:** I have some remarks to make; I was just turning to the relevant pages. International Labour Organisation statistics show that unemployment in west Wales and the Valleys, and in Wales overall, has risen over the last 12 months—I am not taking a quarterly trend or anything like that. In the Minister's report, there were many high points that the Minister chose to highlight, but I have noted that he did not chose to highlight the downsides. If we also look at the trend graphs in section 1.2 and onwards, in terms of the indices quoted there, including manufacturing, production, and construction among others, when does the Minister expect that that will feed into the GVA of the Welsh economy, if he claims that the trend is so good? If that is the case, why is unemployment rising at this stage? It seems that he is very prepared to claim the credit when it is dropping. So, on that basis—

10.20 a.m.

[187] **Christine Gwyther:** This might be another issue, Minister; I am not sure. On page 2—the labour market page—we see that employment in Wales is higher in May to July than it was in February to April, and that economic inactivity is lower—both of which are great. So, why is ILO unemployment higher?

[188] **Andrew Davies:** Basically, the economy is continuing to grow and there are more jobs available than people to fill them. That is why, for example, migrant workers have been able to find employment in many parts of Wales. People who were long-term unemployed or out of the labour market are coming back into the labour market and therefore being registered. It may be that they are registered as being in work but also they are being registered as unemployed. Julian might want to go into more detail on this.

[189] **Mr Revell:** That certainly seems to be what is happening. We have had an increase in unemployment but it has not been offset by a reduction in employment; it has been offset by a reduction in inactivity. So, someone who is moving from outside the labour market into seeking work would move into being classified as unemployed and so would reduce the inactivity count.

[190] **Christine Gwyther:** Is there a direct correlation? Is it possible to give us a graph, say, which shows that?

[191] **Mr Revell:** In the table, you can see that, over the previous quarter, you have a 12,000 increase in unemployment and a 10,000 reduction in inactivity. Those two are quite closely related to each other.

[192] **Alun Cairns:** That certainly did not give an answer as to why ILO unemployment is rising. The economy might be growing; factually, it is, but it certainly does not tell us why—

[193] **Christine Gwyther:** Economic inactivity is coming down.

[194] **Alun Cairns:** Yes, but one is in direct correlation to the other. It does not tell us why ILO unemployment is rising. Turning to table 4, it gives the worrying statistic that public administration, education and health has seen the second largest increase in employment, double that of the UK over the last 12 months. Does the Minister share my concern that 50 per cent of the jobs that have been created appear to be in the public sector?

[195] **Andrew Davies:** I think that it is important that we are providing employment opportunities for people in Wales, whether they are in the public or the private sector. I think that it is still true that Wales is the only part of the UK where the growth in jobs in the private sector has exceeded that in the public sector since 1999. The buoyancy in the economy is reflected in both the public and the private sector. We are employing more doctors and people in the health service in general and in the public sector, but we have also been remarkably successful, in terms of the Lyons review, in attracting UK Government jobs to Wales. So I think that that figure reflects the buoyancy of the labour market and how successful we have been in creating jobs, whether in the private or the public sector.

[196] **Alun Cairns:** Clearly, it hardly suggests the dynamic economy that the Assembly Government is seeking to present in terms of job-creation opportunities and an expanding economy, when 50 per cent of the jobs created are in the public sector. Some public sector jobs will be needed, and there needs to be growth in some of the areas that you have mentioned, and no-one will criticise that, but it is worrying that 50 per cent of the jobs created over the last 12 months are in the public sector. Does that not underline the concern that many people share that the public sector is ballooning, and that the private sector is not growing in the way in which the Minister would want?

[197] **Andrew Davies:** Not at all. As I said, I think that we have been very successful in creating jobs, period, in Wales, to a large extent in the private sector as well as the public sector. Those figures are over just one year. If you look at the longer-term picture since 1999 you will see that Wales, as I said, is the only part of the UK where growth in jobs in the private sector has exceeded that in the public sector. Obviously, you are picking up on one figure; I could quote the figures for the construction industry, where there has been quite a remarkable increase. I have often said that the construction industry is an increasingly important part of the Welsh economy and reflects, to a large extent, the investment that we are making as a Government and the public sector in general. You see investment across the whole of Wales now, particularly in west Wales and the Valleys, and that is why, if you look at the figures on table 2, and the breakdown, all the labour market figures show that the growth in employment and the reduction in economical activity has been much more significant in the Objective 1 areas than in the non-Objective 1 areas. So, I think that the figures in the longer term show how successful the Assembly Government, working with the Labour Government in Westminster, has been in creating opportunities that did not exist previously.

10.25 a.m.

Rhestr Is-ddeddfwriaeth Secondary Legislation Schedule

[198] **Christine Gwyther:** I will skip this item, if the Committee agrees, and go straight on to the Wales transport strategy. We were to discuss secondary legislation choices, but I think that we can either do that out of committee or at the end of the meeting.

Strategaeth Drafniadaeth Ddrafft Draft Transport Strategy

[199] **Christine Gwyther:** I would like the committee to consider the report and offer comments on the draft strategy itself. Minister, will you introduce it?

[200] **Andrew Davies:** This is a very important strategy. It results from the Transport (Wales) Act 2006, which set a duty for us to develop a transport strategy—it is the first time that we have been able to do this. In addition to Robin Shaw as director, I am joined today by Piers Bisson, who heads the transport and infrastructure part of the policy and strategy group, and Martin Stevenson, who many of you will be aware of and will have met before. They, together with other colleagues, such as Cath Mullin, have been developing this strategy.

[201] In terms of developing our policy, in order to have the right tools and structures in place to meet the transport needs of Wales in the coming decades, we need a comprehensive strategy to address the challenges. Two pieces of legislation, the Railways Act 2005 and the Transport (Wales) Act 2006, now give us the tools to do the job. Together, they represent the largest transfer of powers since the Assembly was set up in 1999. With the merger of the Welsh Development Agency and the Wales Tourist Board, we now have the organisational capacity to be able to develop a more streamlined and focused organisation to deliver on our strategies.

[202] The Wales transport strategy is a high-level document and it allows us to have a joined-up approach to mobility for the very first time. It is an outcome-based approach, which focuses on the role of transport in delivering our wider policy objectives as a Government. There are three main themes in the strategy. The first is to achieve a more effective and efficient transport system by, for example, making the best possible use of our existing networks. The second is to achieve greater use of sustainable and healthier forms of travel by, for example, promoting car sharing and the increased use of public transport, walking and cycling. The third is to minimise the need to travel in the first place, by encouraging the development of home working, tele-working, and the use of video conferencing and other such technologies.

[203] The strategy will provide, for the first time, the high-level framework for future transport plans and programmes. As an integral part of the strategy we are requiring each of the four regional transport consortia in Wales to develop regional transport plans. Currently, the 22 local authorities are required to develop local transport plans. That will no longer be necessary and the local authorities will be working with other partners to develop the four regional transport plans. We expect that that will be an iterative process; the transport strategy will be the overarching document, but that will inform, and, in due course, be informed by, the four regional transport plans.

[204] **Christine Gwyther:** What I would like to do, if you have all have your Members' research service brief, is to go quite quickly, I hope, through the various consultation questions. If we do it that way, we can frame a response.

10.30 a.m.

[205] **Alun Cairns:** I do not have that document. I did not realise that it was an official paper.

[206] **Leighton Andrews:** I know; I do my own reading and research. So, no; I am sorry.

[207] **Christine Gwyther:** Okay, we will use the open house approach; I am totally in your hands.

[208] **Janet Davies:** I wanted to make general comments first. There are many good things in this report, and I support the general thrust and themes. There is always an issue about the difference between saying good things and implementing them. I looked at the strategy for implementation through the regional consortia and delivery through the transport plans and, again, I support those. However, I am concerned about some issues in the plan. First, it mentions that there is a 30-year horizon and a 15-year programme on which £8 billion will be spent. The intention is to produce a world-class integrated transport system, all of which sounds good, but when you look at what is outlined in order to achieve that, it seems to me that we will not produce a world-class transport system at the end of all that time. If it is felt that there is not enough money, then you should be honest about that and state that, 'This is the amount of money that we feel can be spent on it and this is what we feel we can achieve at the end'. It should not be described as being world-class, because, looking at other countries, it is clear that what comes out of this will not be world-class. It will be better than it is now, but honesty is an important issue here.

[209] Shall I go through the points that I wanted to raise?

[210] **Christine Gwyther:** You might as well, because other Members might want to come in on those points.

[211] **Janet Davies:** Okay. First, on freight on the roads, it states that we want to get as much freight as possible onto the railways, and that is not an easy thing to do. It is also important to carry as much freight as possible by sea, which is good, environmentally, because it gets the freight off the roads. It states that you will develop a policy on that, which I accept.

[212] On pages 65 to 66, there is reference to getting heavy goods vehicles to travel on certain roads and in certain ways. You should think about whether some of your comments will encourage freight transport on roads rather than getting it onto the railways. You must develop that carefully. In my view, long-distance freight should be carried by rail, where possible, and short-distance freight by road. However, those pages encourage freight to be carried on certain roads. So, there is some contradiction in that report, which needs to be considered.

[213] The congestion charging and road using issues are huge. The Minister will, I am sure, accept that, until there is a good public transport system, you cannot possibly enforce congestion charging. One has to follow the other. You cannot expect people to pay to travel by road when they do not have a fair option of taking public transport.

[214] Finally, in planning new developments, the issue of parking spaces is turned on its head. I am not saying that I disagree with that, but we should recognise that, in the past when residential or commercial development took place, there was an issue about the minimum number of parking spaces. However, we are now talking about the maximum number, which turns the whole policy on its head. It needs to be thought through carefully and recognised as a radical change in terms of what is happening on planning for parking. Those were the main points that I wanted to make. I am sure that you will be nice enough to let me come in again.

[215] **Christine Gwyther:** Of course I will be, particularly as you called me 'nice'.

[216] **Leighton Andrews:** Like Janet, I welcome the overall direction of the strategy. It is certainly comprehensive. There is a degree of duplication, but that is fine. In a sense, I would prefer it to be comprehensive and that it embraces everything. The test of it will be what comes back in terms of any action plan for implementation. That is about the use of those resources in a meaningful timescale. I agree that there is a need to look on a long-term basis but, in practical terms, the next five to 10 years become meaningful periods within which one can evaluate what is happening. In response, we need a process by which the implementation can be examined and to look at how we do that.

[217] I wanted to raise—as did Janet—the question of congestion charges. This was one of the items within the secondary legislation that was on my mind. This is something that needs to be thought about within a regional context, because you could have a situation where the local authority for the capital city, for example, was minded to move down the route of congestion charging, which has a major impact on the residents of adjacent local authorities, not least Rhondda Cynon Taf. Therefore, the way in which those decisions are made and how we discuss and approach those questions is very important. I am sceptical with regard to the extent to which they can be taken only on a single local authority basis. The overall needs of the regional economy need to be taken into account.

[218] The other area where I would like to see more as the strategy develops is that of reducing the need to travel. This is a complicated area, because it is about the investment in other forms of infrastructure and networks whereby companies and public-sector organisations encourage more homeworking and the use of information technology, in general, to allow workforces to work more flexibly. That is a big challenge, but an important one to be grasped.

[219] **Alun Ffred Jones:** I will make three comments. The priorities are difficult to work out from this document. It is not that I disagree with most of what is said here or with the general themes and so on, but it is difficult to work out the priorities of the Government in this field. Would the Minister like to comment on that?

[220] I then come to the same point that Leighton made, which related to the third theme mentioned here, namely minimising the need to travel. Some of the issues around this relate to planning and, possibly, building regulations. Until the Assembly has full control over planning issues and law-making powers, we are fighting an uphill battle. There may also be a question with regard to the amount of work that has been done with the planning department in forming this report and how much co-operation will occur, because the two fields overlap. When you come down to the difficult questions and brass tacks about minimising the need to travel, many of the current trends work against what you are trying to achieve. For example, in the area of shopping, shops are centralised and the shopping areas become bigger and bigger and people travel vast distances to get their basics, but particularly when they want to get specialised goods. If that is the case, there is no point in telling people not to travel or to try to use the bus; people will not do it. The facts militate against that.

10.40 a.m.

[221] It is the same with regard to travel-to-work areas. Leighton referred to Rhondda Cynon Taf; I hate to think how many people travel—and have to do so—to Cardiff or beyond to work. It seems to me that that is a trend. I think of north-west Wales and the consultation on employment opportunities in Bangor and along the Menai straits. People from Pen Llyn have to travel. If you say that that is the way that it is, that is fine, but there is no point in denying that people will be choking the roads and that you will need bypasses and so on to try to get people there, unless you also say that you are trying to provide employment opportunities nearer where people live. In that case, issues then arise about enterprise and industrial parks.

[222] Lastly, someone mentioned videoconferencing as a way of stopping some of the ridiculous journeys that are being made at the moment. In fact, videoconferencing facilities are still in the dark ages. You go to rooms where a television may or may not work, and the technology is still very poor—it feels as if you are taking part in a strange pub quiz where you do not know the rules. So, even on that level we can do practical things like setting up proper videoconferencing facilities around Wales to stop people travelling to meetings where, very often, they say little or nothing at all, but need to listen to what is being said and may have one contribution to make. Especially in the public sector, people travel to Cardiff unnecessarily, and we need to sharpen our act in that department.

[223] **Kirsty Williams:** I will pick up on that theme, namely that there is great emphasis in the strategy on reducing the need to travel, which makes a lot of sense, but we have a long way to go. As both Leighton and Alun Ffred have said, trends in other parts of Assembly policy are working against our ability to do that. Alun mentioned shopping, Leighton talked about travel to work, but you need to examine the issues. Access to health services is mentioned a lot in this document, and the policy that is being pursued at the moment will probably mean that patients will have to travel further to access health facilities and hospital facilities. So, with a whole raft of public policy, whether it is regarding healthcare, jobs, shopping and other local services, whether they are leisure centres or libraries, local authorities throughout Wales are cutting back on local opportunities. You cannot walk to your local library any more and you will not be able to pop down to your local leisure centre or sports facility, because they are all being centralised, which requires more and more people to travel. Therefore, while there is a huge emphasis on that in the document, I am concerned that that is not mirrored by policy in local government or in other Assembly departments. All the evidence shows that people will have to travel further to access services rather than travelling less.

[224] I also share some of the concerns that Janet raised about how there seems to be a gap between the aspirations and the themes and what has happened on the ground. The document continually stresses the need to address issues with regard to environmental change, which is absolutely right; we must do something in terms of looking at transport's contribution to greenhouse gases and our role in that, yet, the Minister's policy is to invest in an air link. If this document leads to changes in policy, that is to be welcomed, but I see, as Janet said, a bit of a reality gap between what this strategy intends to achieve and what happens on the ground.

[225] However, I welcome it as a strategy. There is little that could be criticised in it, but the crucial bit is how on earth the Minister will deliver this given the current balance of expenditure in his department between direct financial and business support and the transport budget, the Minister said that he admitted quite openly yesterday that the transport budget, in terms of infrastructure, is hugely oversubscribed and that he cannot take any more bids in, so we already have a transport budget that is under the cosh at the moment. There needs to be a radical shift in expenditure within the Minister's department that is backed up by the First Minister. The Minister said yesterday that the new successor Objective 1 programme was not going to be spent on infrastructure but on skills because, it is claimed, the Lisbon agenda does not allow us to do that. So, where are the resources going to come from? Like many of these documents, this is fine as a stand-alone document, but the issue for people in Wales will be how this will be translated into a potentially shrinking budget overall, when pressure on public spending really begins to bite, which it will do.

[226] **Carl Sargeant:** I have heard the comments that my colleagues have made this morning. The document in itself is ideal. It is an aspiration for the future. The difficulty is the mindset of people with regard to adopting it. Ffred made a point regarding the travel element and access to travel. We talked earlier about difficulties on the Heart of Wales line. That was in national terms. There are also local issues in terms of local buses and park-and-ride facilities and so on. We have to have that infrastructure in place and, unless it is easy and cheap, people will just not do it. There are a certain amount of people with keen environmental interests who will go that extra mile to be part of the global plan, but it is easy access that we need. This document has some great ideas, but I am not yet convinced that we can deliver through people's mindset. There has to be a huge amount of investment in this programme to deliver. It would be great if we could do that.

[227] **Christine Gwyther:** So you think that connectivity is the key to changing attitudes?

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

[229] **Alun Ffred Jones:** I would like to add to that and to praise the Government briefly. The two-hourly north-south train service, which is regular and runs on time, most of the time—although the rolling stock has obviously been purchased from 1950s Russia—proves that people will travel if they know when something is going and it is fairly reliable, because there has been an increase, I think, in the order of 20 per cent, in the number of passengers. No doubt you will see that further when the new trains come on board next year. So, in a way, that proves what has already been said, namely that if we provide the service, we can potentially move people away from the roads. I certainly travel far more often now on the train from north to south than I did, simply because the service is there and I know that it is running regularly.

[230] **Alun Cairns:** Forgive me if this has already been said; I had an urgent call to make. It seems to me that people will use public transport providing that it is convenient and clean, which the document goes into, but it also needs to be excessively safe and the car parking needs to be easy. All airports are clean and there are retail arrangements there, which make airports fit in with modern society and modern lifestyle, but I am not convinced that some of the railway stations, for example, fit in with modern demands in terms of the services, cleanliness and safety that they provide. There needs to be enormous infrastructure spend in order to meet that and, without the budget, it will be difficult to do so. The Minister is in a difficult position because there will always be competing budgets, and whatever the priorities are, the quality of the product needs to be addressed. If you had an analysis of the present quality of the product and how it meets modern demands, you would find that we are lacking.

10.50 a.m.

[231] **Kirsty Williams:** I would agree with Alun Ffred, using that famous line from a film, ‘If you build it, they will come’. Constituents in my area benefit hugely from the new bus route—they love it. It runs well and lots more people are utilising the route and travelling around the constituency on that bus. However, I think that we need to be realistic about how much we can expect people to use public transport. For example, there is a crazy paragraph in here that mentions getting people to go to hospital on public transport. One has to be slightly realistic: you are not going to ask Mrs Jones to travel back and forth to her radiotherapy appointments on the number 67 bus, because that simply will not happen.

[232] I think that we also need to stress innovation and look to communities to innovate to solve some of their transport problems. It does not always have to be a top-down approach and it does not always have to be the Government imposing a solution on a particular region. That is why the regions will be vital in engaging with communities about the type of transport that local people need and want, and when they want it, to satisfy the needs of that community. I hope that we are not going to miss the opportunity because some innovative local transport volunteer and not-for-profit organisations are currently providing transport for people in their own communities. With the right kind of support and a can-do attitude, which is featured in the news today—we must have a can-do attitude to make everything okay in Wales—they will be able to do this, if they are given the right type of support from the Government. I just hope that we do not lose, in this big weighty document, the ability of smaller innovative community groups to help deliver some of the solutions for the areas in which they live.

[233] **Christine Gwyther:** No-one has yet mentioned road safety specifically and how things such as Safe Routes to Schools and cycle routes contribute to healthy lifestyles and so on. I would say that every pound spent on such a scheme reaps the most amazing rewards, and I would not want to see any diminution of the work that is already going on; I would like to see it expanded. Is there anything that you want to say to us, Minister?

[234] **Andrew Davies:** I said, in my introductory remarks, that this is very much a high-level document. I am certain that it is not saying that we have a world-class transport system in Wales.

[235] **Janet Davies:** However, that is—

[236] **Andrew Davies:** I am not saying that we have one now. Our aspiration is to create one. I think that you have to have that high-level vision and commitment before you can improve—

[237] **Janet Davies:** But you will not produce one, Minister; that is the problem.

[238] **Andrew Davies:** The aspiration is to deliver and create a world-class transport system. We have made significant progress. For example, on the trains, we are now experiencing the problems of success. I understand that, in Wales, we are now experiencing a 10 per cent growth in rail use year on year, which exceeds that for the United Kingdom. Clearly, that presents us and the train operators with challenges to address the issues of that success.

[239] I will look at some of the issues. Post war, a lot of our activities, whether they are our work patterns, our living patterns or our retail shopping patterns, have been predicated on car use. Much of land-use planning was based on that presumption, so you have out-of-town shopping locations and people increasingly will travel further to work. That, to a large extent, has been predicated, as I said, on car use. We know that that is not sustainable. The challenge is to go through another paradigm shift, and we are at the beginning of that shift in terms of having a high-level strategy, which will start to address not just the transport challenges, but the environmental challenges of what is currently an unsustainable use of transport, particularly based on individual car use.

[240] It is a challenge in terms of planning and it is not just a matter for local authorities. Kirsty made the point about access to health services. That is absolutely crucial. I feel strongly that the health community, to a large extent, for too long, has lived in a self-enclosed world and has not addressed the issues of accessibility and transport. For example, one must ask how the issues of transport needs and patients' accessibility needs, as opposed to those of service producers, are being addressed with regard to the proposed new single hospital in Swansea and the new hospital development proposals in Gwent. It is clear that, in terms of the transport strategy, this has to reflect our priorities as a Government, and not just in terms of economic development, but in terms of sustainability and access to public services. We will not be able to do that overnight, but we have to have that high-level aspiration before we can look at these other issues in the round, rather than, as has happened too often in the past, considering them using a narrowly based or narrowly focused approach, be it in terms of the development of medical services, retail, new development or whatever. Many Members have made the point about land-use planning, broadly, and how that needs to include the issue of transport and accessibility.

[241] The other consideration is that of resources. The point that I made yesterday was specifically about transport grant, and that is about local authority transport schemes and the big capital projects, including local road schemes such as the Porth relief road. Just to put it in perspective, Government spending on transport in 2000-01 was £200 million a year; this year, 2006-07, over £500 million of my budget will be spent on transport. That is getting on for half of my budget being spent on transport. So, a huge amount of money is going into subsidising a range of transport investments, in terms of capital spend or revenue, in local bus services, rail services and so on. I do not want Members to think that an insignificant amount of money is being spent on transport; far from it.

[242] On Kirsty's specific point on the convergence programme, I really want to address this issue. The First Minister did not say that we will not be able to spend money on transport. What he said was that the European Commission had made it clear—and we agree with the analysis—that we need to invest in the skills of our people, broadly, and there will be a shift of resources. However, as he said, it was only going to be 5 per cent of the total programme shift from investment in infrastructure, such as transport, to skills. So, transport will still be there, but, proportionally, it will not have the same amount of resources as was spent on it under the current Objective 1 programme.

[243] Some points were made about changing peoples' attitudes. I think that Carl said that, unless it is easy and cheap, people will not use it, and Alun Cairns made similar points. That is true. What has been happening in London, under the Lord Mayor of London, shows that, if you provide services that are accessible, convenient and cheap, people will use them. In terms of rail use, we have been very successful in doing that. Clearly, there is a significant way to go in improving the rolling stock on our railways, particularly in terms of the Arriva Trains Wales franchise. I am grateful to Alun Ffred for complimenting the improvement in the service. Of course, in December, Arriva will introduce, I believe, 12 new 175s on to the north-south service, which will significantly improve passenger comfort and safety.

[244] However, in terms of resources, it is always a balance of where you place investment, whether that is in terms of local road schemes or other priorities within the budget. From my point of view, as Minister, and from the Government's point of view, you need this high-level strategy to then inform subsequent investment decisions. In the past, in terms of transport grant, for example, we have tended to accept bids from local authorities on an ad-hoc basis based on local government's political priorities rather than on how it fits an overall view for Wales, or, indeed, more importantly, on a regional level. That is why the regional transport plans and the regional transport consortia will be so important.

11.00 a.m.

[245] The point that Leighton and others made about congestion charging is right—we need to look at these issues in the round. The transport problems of Cardiff cannot be solved in isolation from the rest of the travel to work area, and that is why the transport consortia are so important. It is clear from the Act that if the current voluntary arrangements of the regional transport consortia do not work and do not deliver on our objectives and priorities as a Government, we have the power to set up joint transport authorities which will give us powers of direction. That is a back-up power; we hope that the voluntary powers work, but if they do not, and if traffic congestion and traffic growth increase at an unmanageable rate, I will need to look at the possibility of setting up a joint transport authority.

[246] Many other specific issues were raised, such as the freight strategy that Janet raised. A Wales freight strategy is currently being drawn up. There is a Wales freight transport group, chaired by Callum Couper, the regional director of Associated British Ports, and it will be coming forward in November with a draft freight strategy. I believe that that will address many of the issues that you have raised about how to get that shift from road to rail, as well as sea, including short sea journeys. The freight strategy will address many of these issues.

[247] It is a very challenging agenda. The transport strategy gives us a framework in which to address those challenges. In terms of action and implementation, that will follow through to the business planning in my department, in terms of the allocation of resources. Also, in future, we will be dealing with a transport grant rather than with bids by each local authority on an annual basis. We will be allocating funds depending on jointly agreed priorities, as laid out in the regional transport plans. So, there will be a much more strategic approach in terms of investment at a regional and all-Wales level. I do not know if Robin has anything to add.

[248] **Christine Gwyther:** Please be brief, as we need to break for coffee.

[249] **Mr Shaw:** I have just a couple of points. A world-class transport system is an ambitious target. We already have world-class transport systems in some areas, but there is a long way to go. I do not see anything wrong with having that ambitious target. How far we get in terms of the totality of transport services will depend on the level of investment that we can bring to bear, and we must prioritise and ensure that we are delivering on that agenda.

[250] **Mr Bisson:** The only thing that I will add, very briefly, is that we have tried in this document, as the Minister has described, to produce a holistic approach to transport, recognising the fact that it has a wide range of interactions. The issue around planning was mentioned on a couple of occasions, and at around the same time that we published this for consultation, the planning document, technical advice note 18, was also put out for consultation. That is an illustration of the fact that we are trying to ensure that the links are made. On the back of the merger, we increasingly have the ability to work across economic development and transport, but also other parts of the Assembly Government, to try to deliver that vision.

[251] **Christine Gwyther:** Thank you. Are the links already there with health? In some of the hospital reconfiguration discussions that I have had during the last six months, it has not always appeared that health and transport are on the same wavelength.

[252] **Andrew Davies:** That is a point well-made, and we continue to make this case. The Wales spatial plan will be a crucial document and policy in terms of providing the integrated approach that Piers mentioned in terms of planning and TAN 18. We will continue to make the case to our health colleagues. I do not think that it is necessarily true for the Assembly Government but, at a local level with local health boards and trusts, we must keep making the point that they cannot work in isolation from the rest of civil society.

[253] **Christine Gwyther:** They must be enabled to integrate with other sectors. Thank you. We will reconvene at 11.15 a.m..

*Gohiriwyd y cyfarfod rhwng 11.04 a.m. a 11.26 a.m.
The meeting adjourned between 11.04 a.m. and 11.26 a.m.*

**Gorchymyn y Rheilffyrdd (Canllawiau Cau) (Cymru a Lloegr) 2006
The Railways (Closure Guidance) (England and Wales) Order 2006**

[254] **Christine Gwyther: Let us start part two of this meeting.** On first sight, this item appears very frightening, but I am assured that it is not. I ask the Minister to introduce the item and then we will have Members' questions to the Minister and officials. I welcome Peter McCarthy from the Department of Transport here today. Are you happy to answer questions?

[255] **Mr McCarthy: Yes, indeed.**

[256] **Andrew Davies: Also present is Tim James, one of my officials, who is the head of the rail unit of my department's transport directorate.** Tim formerly worked for Network Rail, so he brings a huge area of expertise with him.

[257] **Mr Shaw: He will not be answering questions on behalf of Network Rail.**

[258] **Mr James: Hopefully not.**

[259] **Andrew Davies:** Just as an introduction, the Strategic Rail Authority has been a shell organisation since March, and closures are the only formal function that it now has. It is, therefore, necessary to replace the existing guidance. The Railways (Closure Guidance) (England and Wales) Order 2006 will achieve this. The function is delegated under section 62 (5) of the Government of Wales Act 1998. Once in place, it will enable the Secretary of State for Transport to begin the statutory process for winding up the Strategic Rail Authority. It is necessary, in terms of legal procedures, to bring the guidance into force simultaneously in Scotland, England and Wales. It is important, especially in view of the title of the guidance, to stress that rail closures are not on the Welsh Assembly Government's agenda—far from it. In fact, as you are more than aware, we are opening up lines for passenger services, most particularly the Vale of Glamorgan line, which reopened for passenger services last June, and, next summer, passenger services will be introduced on the Ebbw Vale line as well. That is my introduction; I do not know if Peter or Tim want to add anything.

[260] **Mr James:** The draft Order being scrutinised better the National Assembly for Wales's position in the sense that, currently, there is no obligation on the SRA to consult with the National Assembly. This Order allows a consultation process to take place. There will be examples, over the next few years, where, as part of our continuing investment, we will be opening newer railway stations. One example is Abercynon, which is currently on two separate sites, but it will be remodelled into one station with step-free access. That will require the closure of the old facility, in order to open the new facility. So, the legislation is appropriate for the context of our investments in rail for the next five years.

[261] **Christine Gwyther:** Thank you. I will go straight to Members for questions.

[262] **Janet Davies:** As has been said, this is better than what we have at the moment. We hope that there will not be any rail closures, except for the examples that have been described. I feel that, under the two Government of Wales Acts that now exist, we will not get anything that is much better. However, the procedure seems to be about as good as it could be in that context, so I have no questions.

[263] **Christine Gwyther:** I thought that it was important to assess the effects on other passengers. We were talking about connectivity in the last item and, even if it is not your particular section that is closed, it could have a huge impact on other train users. Are you happy that those issues have been addressed by the Order?

[264] **Mr McCarthy:** I will take that question. The guidance makes it absolutely clear that, as part of the assessment of the economic consequences of any proposal for closure, you not only look at the impact on passengers using the services and the infrastructure concerned, but also on the wider railway network and the impact on other passengers. So, for example, if a service is withdrawn and that leads to a disbenefit for passengers, who might suffer from overcrowding as a result of the withdrawal of the service, that will be fully taken into account in the assessment.

[265] **Carl Sargeant:** On that point, would you look at the bigger picture of integrated transport as well, such as the linkage to bus services?

[266] **Mr McCarthy:** Yes; the economic analysis is wide-ranging, and you would take into account any economic impact, which could include the impact on other modes. So, for example, the effect of the withdrawal of a service on road congestion would also be taken into account.

[267] **Christine Gwyther:** I think that we are all very happy with the changes that have been made and the improvements that we have seen in this legislation, so we can draw this item to a close. That was a very short and sweet debate.

11.30 a.m.

Gorchymyn Cynllunio Trafnidiaeth Rhanbarthol (Cymru) 2006 Regional Transport Planning (Wales) Order 2006

[268] **Christine Gwyther:** Minister, do you want to introduce this item?

[269] **Andrew Davies:** I believe that this is an uncontroversial piece of legislation. The committee has chosen it for scrutiny. The draft Order takes forward the development of regional transport planning, which we referred to when we looked at the Wales transport strategy, by enabling local authorities to work together to produce joint plans. It also sets a deadline of 30 June 2008 for the replacement of the original local transport plans. You will remember that I said earlier that each of the 22 local authorities have previously been required to develop their own transport plans. I think that it is made clear in the transport strategy that that ignores the wider context; that is why we are now developing four regional transport plans taken forward by the regional transport consortia.

[270] As I said, the strategy will have a regional dimension, which will form the basis of the regional transport plans and there will be a strong link between the national strategy and the four regional transport plans.

[271] The origins of this Order go back at least as far as the work undertaken by the former Environment, Planning and Transport Committee in 2000 with its policy review of public transport, and this recommended the development of regional transport strategies. It also fits clearly with the more recent Beecham review, which emphasises the need for partnership working in the public sector generally and the need to work more effectively across organisational boundaries.

[272] The draft Order has already proved, I believe, uncontroversial, given the universal support for the proposals to have four regional transport plans. From talking to the Welsh Local Government Association and the transport consortia, I know that there is very broad support for this development. So, with encouragement and support from the Assembly Government, the transport consortia have been working together for some time, each covering the regions specified in the Order. This is an opportunity for the committee to scrutinise the draft Order.

[273] **Christine Gwyther:** I will make a start. You mentioned that the WLGA is supportive of the regional emphasis; however, in its contribution, it has said that it appreciates that the Order is necessary but it does not support including a date by which regional transport plans have to be produced. I think that we would support having a debate by which RTPs have to be produced, unless anybody wants to say otherwise. This is not the sort of thing that we want to just drag on.

[274] Can you explain why legal advice says that a date needs to be included? Would the WLGA have been able to share that legal advice?

[275] **Mr Stevenson:** The WLGA's objection was to the principle of having a date specified in the Order. It is a requirement that is specified in the primary legislation that there has to be a date specified for the replacement of the regional transport plans. The reference is section 109(2) and (3) of the Transport Act 2000, which is amended by the Transport (Wales) Act 2006—the annex to the Wales Act modifies the 2000 Act to put in place the new transport planning arrangements. This is part of the transitional provision. So, it is specified in the primary legislation that we need, in this case, to specify the date for the replacement of plans.

[276] **Christine Gwyther:** So apart from its being administratively easier for them not to have a date, what there a concrete reason put forward to oppose the date?

[277] **Mr Stevenson:** I think it was just purely the principle of having a date and the feeling that dates had not been specified in relation to other plans that have been drawn up. It was no more than that. We have obviously drawn the legislation to their attention and they accept that—it is not an issue.

[278] It is worth emphasising that there is no disagreement about the dates and we do have an established timetable, which we are working to, for the production of the regional transport plans. We have been working to it for some time. The intention is that the transport consortia will submit the plans to the Assembly Government by the end of March 2008 and that the plans will cover the five years from 2008-09 onwards. However, the date specified in the Order is 30 June because we have allowed a bit of time. We thought that it would be prudent to allow time to sort out any last minute glitches that might arise with the plans, and time for the Assembly approval process to take place. Another feature of the new transport planning arrangements, introduced by the 2006 Act, is that there is a requirement for the Assembly Government to approve the plans. The three months that we have allowed, as you said, will allow time for that process to go forward.

[279] **Christine Gwyther:** Are there any other questions on this? I cannot remember who asked for it to be included as a subject for scrutiny; someone must have had some concerns about it at some stage.

[280] **Leighton Andrews:** Perhaps it was Eleanor.

[281] **Christine Gwyther:** This is the first meeting after the summer break, so bear with us. We will now move on to the next item.

11.36 a.m.

Dogfen Ymgynghorol Rhaglenni Cydgyfeirio Cronfeydd Strwythurol 2007 i 2013
The 2007 to 2013 Structural Funds Convergence Programmes Consultation Document

[282] **Christine Gwyther:** I imagine that this item will be quite a hefty one. There is substantial supporting documentation for this item. I think that it would probably be useful for Andrew to introduce the paper. For this item, unless there is massive insurrection from committee members, we will go through the consultation questions one by one.

[283] **Leighton Andrews:** I am sorry, Chair, but I would really rather that we did not do that because I think that there are general comments that need to be made about the document. The problem with going through the questions is that they do not address most of the points that I want to make.

[284] **Christine Gwyther:** Have you looked through the questions?

[285] **Leighton Andrews:** Yes. I have read the entire document and the supporting documents.

[286] **Christine Gwyther:** Could you not even make your points under question 3, 'Do you agree with the strategy'?

[287] **Leighton Andrews:** I will comment on that in passing, but the point that I would make is that if you go through this question by question, things will be missed out and I suspect that you will just prolong the process.

[288] **Christine Gwyther:** What do other people think?

[289] **Alun Ffred Jones:** I was at the meeting last night and I was given to understand that this was how we were going to approach the issue. That does not stop Leighton from interjecting at any point—no-one will stop him—and making his points known. I think that it would be easier for us to work our way through this by following the list of questions.

[290] **Christine Gwyther:** Do other Members have a view on this?

[291] **Alun Cairns:** If we are following the research paper, as it is not a formal paper that has been tabled for public consumption, it needs to be available to the public.

[292] **Christine Gwyther:** The research paper goes through the questions that are in the consultation document; it just draws them together.

[293] **Alun Cairns:** However, I am conscious that the research paper is not made available to the public and I think that that needs to be a consideration for the future. If this is going to be a practice that we will use in the future, I think that those papers need to be tabled as well. This is the first time that we have adopted this practice, and if we are working from a paper on a joint basis, I think that the public have the right to scrutinise it.

[294] **Christine Gwyther:** It is not the first time that we have adopted this practice. However, if you would prefer me to go through the questions from the consultation document—both sets are exactly the same—I would be happy to do that. I now ask the Minister to introduce the paper.

[295] **Andrew Davies:** The award of a second round of European funding for 2007 to 2013 and the success of the Objective 1 programme means that an extra £1.3 billion of grant will be available to help west Wales and the Valleys to continue and complete its economic transformation. The consultation document that you have in front of you was launched on 28 July, and the consultation will run until 6 October. We are clear about wanting to stick to the timetable because, with the enlargement of the European Union and the entry of the accession countries, we know that a substantial number of similar programmes will be submitted to the European Commission for approval. So, we want to submit the programmes formally in late November. At the moment, we have a clear understanding that we are ahead of any other part of the UK in terms of submitting operational programmes to the European Commission, and our ambition is to remain at the front and in the lead.

11.40 a.m.

[296] Our ambition is for west Wales and the Valleys to continue to develop into a vibrant, knowledge-based, entrepreneurial region, with a skilled and innovative workforce at the cutting edge of sustainable economic development. To achieve this, and in line with the Lisbon agenda priorities, we are giving a much higher priority in these future programmes to knowledge, innovation and growth, and placing more emphasis on people, tackling economic inactivity and improving skill levels. We want to encourage new and innovative approaches to increasing business competitiveness and employment. So, we believe that the new programme is not just more of the same, although, obviously, we want to build on the success of the current Objective 1 programme, and, indeed, more of the best, taking forward existing interventions that have a proven track record of success, as well seeking innovative new ideas. The consultation, so far, I believe, has been very successful, and my discussions with Damien, Cathy and Bob Macey, who is the chief executive of WEFO, have indicated that the response has shown overwhelming support for this approach of more strategic development. All our partners have gained hugely in experience from the current programme, and there is broad support and consensus for this document and for our approach as a Government.

[297] **Christine Gwyther:** The clerk has just ably reminded me that the questions are made public, because they are in annexes A and B of our paper. So, we will go through the questions. Under the heading 'Analysis' are the following questions:

[298] '1. Do you agree with the overall Vision for West Wales and the Valleys? 2. Do you agree with the Analysis of strengths, weaknesses, opportunities and threats facing the Region?'

[299] I invite Members' comments on those two questions.

[300] **Leighton Andrews:** I think the quality of analysis is very good overall. The data that have been brought together are valuable. I want to put that on record.

[301] I have a couple of comments. One is an observation that has been made by the Coalfield Communities Campaign Wales about the impact of the previous programme and the fairly strong feeling in the Valleys as a whole that, while the Valleys gained from the previous programme, the area did not perhaps gain as much as other parts of Wales covered by Objective 1. I do not know whether the Minister has any observations on that, or has any analytical data, but that is a relatively strong feeling. There is also a feeling that the issue of deprivation in terms of priority, which I will come to later, perhaps, needs to be considered.

[302] On the second question, in terms of analysis, in the early pages of the analysis, there is introduced what is a new phrase to me, which is 'the upper Valleys'. We have the Heads of the Valleys, the mid Valleys, and now we have the upper Valleys, which are defined in the early part of the document as Torfaen, Blaenau Gwent and Merthyr. However, throughout the document thereafter, the phrase 'upper Valleys' is used regularly when, I think, actually, people are more often than not talking about the Valleys as a whole. If you are going to introduce a defined term early on, we should not then be so clumsy or lazy as to just repeat that same definition throughout when we actually mean the Valleys as a whole.

[303] **Christine Gwyther:** That is a good point.

[304] **Mr O'Brien:** I will just pick up on the point on the impact of the current and previous programmes on the Valleys. The analysis section that is presented in the consultation document will be expanded before the document is submitted to the commission to include a more detailed analysis of the lessons learned from the current programmes, in terms of process and the impact of the interventions. As part of that, there will be a paper going to the next meeting of the Objective 1 programme monitoring committee that provides a limited analysis of spending patterns in the Valleys and other parts of the west Wales and the Valleys region. The analysis is limited because it only covers 50 per cent of the spend in the region; we can only pin spend down geographically for certain parts of the programme because some measures are not geographically targeted, as they have broader benefits. On the basis of that analysis, it indicated that spend per head of population has been higher in rural areas than in the Valleys, but that outputs have been higher in the Valleys than in rural areas. So, it is a mixed overall conclusion, but it indicates that while there has been less expenditure in the Valleys, that expenditure has been more successful in getting people into work. So, you will want to reflect on that paper when it becomes publicly available in the next couple of weeks.

[305] **Christine Gwyther:** We can all get very parochial and draw our own conclusions about how wonderful the Valleys might be at strategy, and that we are rubbish at it in rural Wales, but is there an early conclusion that you can draw from that?

[306] **Mr O'Brien:** One issue is that it can be more expensive to deliver services in rural areas, particularly for people that are looking for work, because of remoteness and the like. We are presenting this as best as we can, drawing on the available data. One of the lessons that we must learn for the next programme round—and we are, through the development of our management information systems—is to have a better handle on this issue of spatial distribution of funding. On the basis of those parts of the programme that can be pinned down geographically, the indications are as I have suggested.

[307] On the reference to the upper Valleys, I am not sure about that, but we will check it. I fully appreciate the point that you make.

[308] **Christine Gwyther:** There just needs to be consistency.

[309] **Alun Ffred Jones:** Following on from Leighton's comments, it would be interesting to see whether there are differences within the Valleys area in terms of spend. Also, just in case we run away with the idea that rural Wales has taken all the cash, if you look at the pattern of the regional selective assistance spend, for example, you will find that the amount spent in the Valley areas, as they are called, is disproportionately high compared to that spent in rural Wales. It is truly staggering. There may be reasons for that, but that is a fact, so the idea that all the money has been siphoned off to Caernarfon, or wherever, is rather misleading—that is all I can say.

[310] **Christine Gwyther:** Are there any other comments?

[311] **Andrew Davies:** On the point that Damien made, as he said, this analysis is limited and so not too much emphasis should be put on it, but, as a general point in terms of my department, we are increasingly focused on outcomes and not on inputs. So, it is not about how much money you spend, but about what you get for your money; it is the value added that is important. Too often in the public sector there is a focus on how much money you put into a programme rather than what you get out and the added value that you create.

11.50 a.m.

[312] **Alun Cairns:** That is a useful comment, but I can go back to the verbatim reports and over the whole of the last period the First Minister has repeatedly said that the Government is spending this much and is doing this, and this is the money that is going in. We have always expressed concerns about the outcome. So, I would be interested to read the analysis and see what conclusions are drawn, because we have always said that it is the outcomes that we need to worry about.

[313] **Christine Gwyther:** Are we happy that we have said enough about questions one and two, on vision and the analysis? I see that we are. Next, we go on to the questions on strategy. Do you agree with the strategy? Do you agree with the aims and objectives and with the monitoring and evaluation? Do you have any views on what the themes for innovative actions and transnational activities might be for the ERDF and ESF programmes?

[314] **Alun Cairns:** We have had the discussion on whether strategic means central or not, and I do not necessarily want to repeat the same arguments, but would the Minister share with us what comments have been expressed by local authorities and the Welsh Local Government Association on the strategic thinking or central thinking that is going on? That is a great worry. Clearly, 2,700 programmes in the existing plan are far too many; that underlines the concerns and the worries that we have been expressing for the last six years. It is very much a result of the bottom-up approach and the partnership arrangement that was formed at the outset of the last programme. These were some of the concerns that were identified. So, can the Minister tell us about some of the thinking behind this? Did he wake up one morning and say, 'Look, what we have done this time is wrong; we should have listened to some of the people who were questioning it at the time'? Or has there been a slight shift? There needs to be a balance, obviously, but there needs to be a full part for local authorities to play, because the whole purpose of the bottom-up strategy that was used last time was to empower communities. If we are to believe or accept the reports on Communities First in the media today, they highlight that its success has been because of that bottom-up approach. We are talking about two different extremes, and I am trying to get at the Minister's thinking on this.

[315] **Andrew Davies:** I did not suddenly wake up one morning and think that we had to change direction. It was as a result of my experience as a Minister and the outcomes of the mid-term evaluation and the review of the current programmes, which said that the programmes needed to be more strategic and that there needed to be a closer fit between the delivery of Objective 1, particularly, and our priorities as a Government. It has been the overwhelming view of all partners, in both the public and the private sector, that there needs to be streamlining in the programme—there need to be fewer priorities. We are proposing that there will be no measures, just the six priorities, so that will simplify matters.

[316] The discussions that we have had with local government—the First Minister and I met with the Welsh Local Government Association's leader, director and chief executive on 21 June—have shown overwhelming consensus and agreement about this being the way forward for a more strategic approach. It is not the case that local authorities and other partners at a local level will be unable to access resources; the idea is that resources will still be there, but they will not necessarily have to make applications for individual projects, as with the current system with the Welsh European Funding Office. By having a more strategic approach, they, probably working in collaboration with other local authorities, will be able to access resources in a more direct way, without having to make individual applications through the partnership process and then through WEFO.

[317] The idea is that WEFO is a more strategic body. The way that it will work is that, rather than waiting for applications to come forward, it will be working closely with project sponsors, identifying more than priorities and ensuring that projects have access to resource. I need to bring in Damien and Cathy now, because they have been involved in some of the consultation meetings and in receiving views from local authorities and others.

[318] **Mr O'Brien:** It is also important to recognise that the strategic context has changed for the next round of structural fund programmes. As a result of structural fund resources being mobilised and supported by the Lisbon agenda, for the first time we have to demonstrate through our programmes how we are contributing to the UK's programme for taking forward the Lisbon agenda, which means that the commission expects the structural funds to be much more closely aligned with national policies and programmes. That is an important strategic shift that also requires us to think afresh about our approaches to managing implementation.

[319] The approach that we have been discussing with partners, including local government, for some months is that of trying to encourage projects to work closely together within strategic frameworks, addressing key themes in the programme. We hope that, by encouraging projects to work in a more joined-up way, we can increase the impact of the next round of programmes. As the Minister said, this was suggested in the context of the mid-term evaluation of the current programmes. So, we will come forward with proposals for how that might work and we will discuss them with the external stakeholders group and other partners. We are clear that the strategic frameworks will have to be developed and implemented in partnership, and local government is a key part of that partnership.

[320] **Alun Cairns:** Will that be in line with the Wales spatial plan? I take that as the starting point of much of what is going on, but some communities that I can highlight, Bridgend for example, are on the fringes of two areas but are also very important strategically to employment and wealth creation. That is a concern, certainly of Bridgend County Borough Council, but there will be other communities throughout the rest of west Wales and the Valleys on the fringe of two areas. How do we reconcile, if the main thrust and the starting point is the Wales spatial plan, those areas that are perhaps not central to the Wales spatial plan?

[321] **Mr O'Brien:** The proposals that we will bring forward for strategic frameworks will suggest that some of those frameworks should be thematic or functional in nature in the sense that they should cover the whole of the west Wales and the Valleys region. Other frameworks lend themselves more to being spatial and we would see those frameworks being led very much by the spatial plan area groups. We recognise that there is a need for synergies between the various frameworks and one of the tasks facing WEFO is to try to ensure that the frameworks develop in that way. Our proposal to have a single programme-monitoring committee covering all the programmes is another step towards trying to ensure that we recognise that Bridgend faces west in terms of convergence but faces east in terms of regional competitiveness and rather than have separate monitoring committees monitoring each of these programmes, we are proposing that we have a single, overarching committee that can look at such issues. However, even with the functional frameworks, it is important that the spatial plan area groups have the opportunity to influence the direction and identify local priorities.

[322] **Kirsty Williams:** In the past, the single programme-monitoring committees have had opposition representation on them. Does the Minister intend to continue to involve all political parties in the process?

12.00 p.m.

[323] In terms of managing the frameworks, can you clarify how the framework programmes are going to be managed and set up? I too have this concern about individual counties and localism and innovation being lost, because, yes, we undoubtedly need to move away from where we were but we seem to have, as Alun suggested, tipped it right on its head and gone from one extreme to the other. Although there is a need to change, I do not think that we need to chuck the baby out with the bathwater; some parts of the system allowed local authorities and local organisations to feed in, which was positive, beneficial and innovative. My concern is that we are going to move to a situation where Andrew or the Minister/WEFO will be in the position of dictating the framework programmes and commissioning projects directly, which would then leave only the directly applied bit going in. What is the split going to be? Are we in a position to know what the financial split will be between the framework and commission projects and the rest, which would be the individual projects? Basically, how much money will the Minister and the department be dictating to projects and how much will be set aside for individual projects and feed-ins from the bottom up to be able to apply for? Does that make sense?

[324] **Christine Gwyther:** It does make sense.

[325] **Andrew Davies:** On the first point, that has not been decided yet. We have to bear in mind that this will be essentially taking place during the next Assembly, the third Assembly, when there will be a formal split between the Assembly Government as the Executive, and the Assembly as a legislature. We will no longer be a corporate body and the existing PMC arrangements were effectively established for the Assembly as a corporate body. No decision has been made on that, but you should bear in mind that that will be part of the consideration.

[326] On the second point about partnerships, we will be working with local partners—the partnerships will still exist. But, I think that there is a wide consensus that the current arrangements are too bureaucratic. There is a need to be more strategic and, as the mid-term evaluation and review of the current programme said, there must be a close fit between the delivery of the programme and the strategic priorities of the Assembly Government and that is also a requirement under the next programme, as Damien has said.

[327] In terms of a formal split on the allocation of resources, I do not think that that is how it will be. What we ask now in terms of strategic frameworks—to come back to a point that I made earlier—is what are the outcomes that we are looking for and how best can we deliver them, rather than how much money the Assembly Government will have for its projects and how much money the local partnerships or spatial plan areas will have for theirs. I think that that is a false distinction. From the discussions that have been had, as part of the consultation—they have been very well attended meetings with over 100 people at many of them—there is overwhelming consensus that this is the way forward. I think that it would be raising a false demon to say that it will be dealt with in that way. So, as long as we can agree with the stakeholders and the spatial plan area groups what the outcomes are, I think that that would allow us to take the projects forward.

[328] **Alun Ffred Jones:** I have a general comment. From the discussions that I have had, I understand that local government feels that it has been sidelined so far in discussions—that message has come through strongly. I have talked to some people who have attended some of the meetings that have been held and, while they welcomed the opportunity to attend, they came away rather less enlightened than they had hoped to be.

[329] On some specifics and the relationship between the rural development plan and the convergence fund programmes, we are still worried about that relationship and how those two will operate on the ground. There is also a fear, which may be unfounded, that the rural development plan will be targeted at certain areas, as if that was the answer. However, that pot is much smaller and most of the money in it has already been committed directly, in one way or another, to agriculture, so what remains is comparatively small and the pot is smaller than it used to be. Can we have assurances that, in fact, the convergence funds will operate throughout the region without favour, alongside, presumably, the rural development plan?

[330] There are constant references to the strategic frameworks. When are you going to announce what these are? Presumably, you have been doing work on this. Surely, this is not a blank piece of paper. So, when are you going to announce this? Could you perhaps give us an example of a theme on which people might be invited to present projects?

[331] **Andrew Davies:** On the first point, if local government has a perception that it has been sidelined, that may be the view of some people in local authorities, but that is certainly not the view expressed by the Welsh Local Government Association. The First Minister and I hold regular meetings with Welsh Local Government Association representatives, as I do separately, and that certainly is not the association's view.

[332] In terms of the process, there is much anxiety at the moment, because there is a great deal of uncertainty, and that is to be expected because we are in the middle of a consultation. I think that you made a point, Alun Ffred, that people are coming away from those meetings unhappy that they have not had the clarity that they sought. That is part of the process, because, to a large extent, we cannot say, 'This will happen', because we have not agreed the programme with the European Commission. Neither can we say how much money there will be in each of the priorities because, again, that is a process of the negotiation. I have made the point to local government and the voluntary sector, as well as to the private sector, that we just cannot give the clarity that they are looking for at the moment, because we are in the process of consultation and negotiation. That is the nature of the beast, and we just have to say to people that they have to live with the discomfort at the moment until we can achieve clarity.

[333] In terms of the frameworks, I understand that they will be published next week, on 28 September. On the relationship with the RDP, perhaps Cathy can take that.

[334] **Ms Presland:** As you know, the RDPs are now closed for consultation, and have been reformulated. I am sure that we will see the final version soon. However, we have been working very closely with colleagues in the Environment, Planning and Countryside Department as we have been drafting this, as we have with our external stakeholders. We have had a specific workshop in our consultation events on the links with the RDP to get the feedback on what we are proposing. What we are proposing is slightly different; the regulations require us to set out how we will plan the demarcation between the two funds, so that activities should not fall into both funds and so that we are clear about where projects will be funded from. At the same time, we need to ensure complementarity, so, in terms of how we will operate, the feedback that I have been hearing from the rural stakeholders is that they welcome our approach in our convergence programme, which is to provide opportunities across all our priorities for rural areas, rather than having specific measures, as we have in the current programme, focused on rural development. There are opportunities across priority 1 for rural businesses and across priorities 2, 3 and 4 for environmental improvements and appropriate infrastructure in rural and urban areas. This approach seems to have been welcomed very much by the community.

[335] We now need to take back that feedback and to provide more detailed guidance on how this will work. What I have heard from stakeholders is that, when they see the detail of the strategic frameworks and their content, it will give them much clearer scope to see where individual projects can bid in to support the priorities set out in the frameworks. We also expect to be working closely, as we have said, with the spatial plan area groups. The rural development plan requires local authorities to establish local action groups in support of its axis 4, and these local action groups will also have a role in motivating the spending in axis 3, which is the rural development priority, and we hope that these groups will work closely together. EPC has said that it expects that these local action groups will also have a wider role in terms of the rural development plan. Where projects are coming forward and where the frameworks are being delivered, it would be appropriate for us to consult with them alongside consultation with other groups. So, that is how we will operate from the external perspective. Internally, we have a very close working relationship with our colleagues in EPC.

12.10 p.m.

[336] **Janet Davies:** I wanted to ask about a practical issue, and I am wondering whether the strategy of moving towards the centre would address it. Some Valleys authorities have a considerable part of their authorities situated along the motorway. It has been very easy for authorities to put money into that area along the motorway to develop the economy there, but I think that this sort of money, in the Valleys part of it, should go into the real Valleys or the upper Valleys, or whatever you want to call it.

[337] **Leighton Andrews:** We should have a campaign for 'the real Valleys'.

[338] **Christine Gwyther:** Yes, like CAMRA—the campaign for real ale.

[339] **Janet Davies:** Yes. I think that a lot has been missed out because of that. Will it be possible to address that issue, because it is so easy to say that people who live in the Valleys can travel down to the motorway for work? That is what I have been told—not necessarily by you, Minister, but by various people. That does not really fit in with our transport strategy, when people are told that they can just travel down to the motorway. However, that is where the development is happening in certain local authorities, some of which I represent. Can that be addressed under this strategy?

[340] **Andrew Davies:** I do not know whether that is the case. It may be a commonly held belief, but I do not know what the evidence is for that. Perhaps I can draw an analogy with a discussion that we had earlier on the transport strategy. For example, on transport grant, there has been a system of annual bids to me and my predecessor from local authorities for what they regard as their political priorities. We previously did not have an overall transport strategy, but we do now, and with the regional transport plans we will have commonly agreed priorities across Wales, as well as regionally. The same process is going on with the convergence programme and the development of strategic priorities to fit in with the Lisbon agenda, which is an issue of tackling economic inactivity. Once we agree on the policy priorities, we can address those in a more spatially targeted way, working with partners in local authorities. It may well be, for example, that the existing Heads of the Valleys programme could be a framework for addressing economic inactivity in a spatially targeted way. Alun made a fair point that the spatial development plan for the current programme was designed at a time when we did not have overarching policy strategies, and it was very much a bottom-up approach that was dependent on local partnerships to decide their local priorities in isolation, to a large extent. In terms of an overall Wales policy, there was a vacuum. So, the approach will be very different, and through the agreement of strategic priorities, we will be able to address those concerns. As I said, I do not know whether those concerns are real, but we will be able to look into the outcomes. We are much more focused on outcomes than we perhaps were during the first part of the current programme.

[341] **Janet Davies:** May I make just one brief point, Chair? Many parts of the Heads of the Valleys do not come into the Heads of the Valleys programme, and some are the most deprived Valleys that we have.

[342] **Leighton Andrews:** I will leave my comments on the programme monitoring committee until we get to question 14. To follow-up on Janet's comments, I agree with some of what she says. There are some quite good Objective 1 schemes in the tops of the Valleys—that would be true in my constituency—but Janet's point about trying to avoid moneys being used for the overdevelopment of the M4 corridor, if I can categorise it like that, is a valid point, and I do not know whether there is a way of including that. What I was going to say specifically—and this might bear on this—in terms of taking forward the issue that I raised earlier on the impact on deprivation, is about whether it is possible to have some kind of deprivation-impact test on each of the priorities in the programmes that are coming forward. That would be a way of ensuring that the underlying priority of the spend was dealing with that issue, which is acute in many of the Valleys.

[343] Broadly speaking, I believe that we need to align the convergence funding with overall Assembly priorities. My concern about that had less to do with the local authorities and the voluntary sector than with some of the previously existing quangos and the ways in which they adopted approaches to the use of Objective 1 moneys. A number of the voluntary organisations, and certainly the Wales Council for Voluntary Action, have expressed concern about whether the new approach will also squeeze out bottom-up approaches. Sometimes, some of those bottom-up approaches have been some of the most effective deliverers. They often reach people who are some of the hardest to reach in terms of these kinds of programmes, and there are also some great success stories such as Zoar chapel in Ffrwdamos. The Valleys Kids project in Penygraig would be a very good example of a successful project driven from the bottom up, and I would not want to see that kind of project losing out in the future. There is a concern there, Andrew, and I hope that you will be able to reassure people about it, because it is coming though.

[344] **Andrew Davies:** To take the last point, I feel that I need to rebut this idea that local projects will somehow get excluded—far from it. We want to encourage local projects, but we want to ensure that they do not have to go through the hassle and bureaucracy of applying directly to WEFO in that way and that they, through agreement of strategic priorities, will hopefully get the resource that they need without necessarily having to make an individual project application. I have been at pains to say to local authorities, to the Wales Council for Voluntary Action as the umbrella organisation and to individual organisations that that is certainly not the intention. We want to try to get the resources to those who need them most as quickly as possible.

[345] There is clearly an issue about successful projects getting funding in the future. There are two issues. One is that there is no assumption that they will get funding, and the other is about how we make these programmes sustainable and not dependent on European funding, which is time-limited by its nature.

[346] On your point about Assembly sponsored public bodies and quangos and the criticism regarding previous spend, I would agree to some extent that that was the case. I think that we would all agree that we have spent too much money on business support, and that has added to the confusion and the duplication in the market. I strongly believe that the enterprise review that Gareth and I have instigated will address that issue. With the next programme, I strongly believe that there will be a greater emphasis on innovation and knowledge than on business support.

[347] On deprivation spend, that is an interesting idea. I am not sure whether that has been made explicit.

[348] **Mr O'Brien:** It is a useful suggestion and we will take it away, because we want to have a number of tracking indicators at programme level, but we also need to have indicators at priority level, and there are some priorities whereby the issues around deprivation are more closely aligned. So, we will examine that with our economists and see whether we have a basis for doing that.

12.20 p.m.

[349] I also wanted to underline what the Minister said about our desire to continue to encourage bottom-up approaches. One aspect of the new programmes is that there will be an innovation strand in addition to the supporting of innovation in companies and raising the capacity of universities and others to support businesses. Within each priority, there will be scope to support projects that are trialling and testing new ways of doing things. What we have in mind is that, within each strategic framework, there would be a key fund available to support very much bottom-up approaches, which we could hopefully learn from and then mainstream as we progress with the implementation of the programme.

[350] **Alun Cairns:** This comes directly, to some degree, from that answer as well as from other points that have been made, especially that of the Minister when he commented on the transport grant and the bids that are made to the Assembly Government on that and that that is the sort of model that he is looking to replicate. Given that whenever the transport grant is announced, there are questions from local authorities whose projects have not been approved and so on—that is the nature of it—how does the Minister plan to ensure transparency in the applications that are made? There will be worries about the priorities that have been followed in terms of the decision-making process. How will there be absolute transparency to show that the merits of one outweigh the merits of another when it may well be that both are very good projects?

[351] **Andrew Davies:** My intention is always, as I have demonstrated as a Minister, to make information available where it is possible to do so, in terms of scrutiny and generally making information available and the process as transparent as possible. I have always strongly believed that decisions that are accountable and transparent are better decisions, and that is true whether it is in the public or the private sector. Perhaps Damian and Cathy can go into more detail in terms of dealing with applications.

[352] **Ms Presland:** What will happen is that once we have progressed the arrangements for the PMC, the PMC will agree selection criteria for project appraisal. As WEFO, we are proposing to restructure slightly how we work with projects, to try to give more support throughout the lifecycle of projects and to work with them, during the development phase in particular, so that they do not just come into us and we reject or refuse them. The PMC will agree the selection criteria and we will be building in a competitive element, as we do now, but it may work in different ways. So, we may have the kinds of bidding rounds that we do now where projects are compared against each other or it may be that a larger project is developed and tendering arrangements then come in underneath that at a different level to ensure best value for money.

[353] **Christine Gwyther:** I am very pleased that the measures element has been scrapped, because it has always been a concern that it is possible that projects go through because they happen to fill up a measure and tick a box and so on. So, the wider you can make those parameters, I think the fairer that competition will be.

[354] Some of us have already spoken about chapter 3, 'Priorities'. Does anybody else wish to speak about it?

[355] **Leighton Andrews:** I have been very disciplined. I have broken everything down under the questions, as you asked.

[356] I will start on 'Theme 4: Information society for all', on page 54. A lot of this, I am afraid, is meaningless. I will read this bit out:

[357] 'the creation of digital business ecosystems to add more value by developing innovative business models to encourage businesses in a particular field or sector to collaborate'.

[358] I have been around media, technology and telecommunications for 15 years and I have never heard the phrase, 'digital business ecosystems'.

[359] **Alun Ffred Jones:** I hear it every day.

[360] **Leighton Andrews:** Oh yes, come on.

[361] This information and communications technology section is incredibly thin and is not focused. It needs to be beefed up. That is the first point.

[362] The second point relates to page 71, where it talks about small-town deprivation. The emphasis here on small-town deprivation is all—and I am not knocking it—on rural and coastal towns. There are huge issues around small-town deprivation in Valleys areas too, and not just in the lower Valleys that are highlighted there. That needs to be borne in mind and broadened out.

[363] Page 73 is about the building sustainable communities section and says that 'this priority will also support the voluntary sector'. This will be one of the key things that the voluntary sector organisations will be looking to, because, in many ways, this will be how they feed into the programme. There is a story knocking around this morning that, given its source, I do not pay a huge amount of attention to, but I would certainly hope that the Government will be robust in standing up for the building sustainable communities section and the importance of the voluntary sector as a part of that. I assume that, when we are talking about social partners on page 81, we are including the voluntary sector as an integral part of that. That is all that I wanted to say.

[364] **Andrew Davies:** On the gobbledegook, I think that it is a case of, 'Fair cop, guv'. I would very much welcome your ideas on how we can take that forward. I do not mean just in the draft; we would welcome your ideas as we would those of anyone else. I think that that is why this part of the consultation process is so important. Damien and Cathy may be able to take the other two questions.

[365] **Mr O'Brien:** On priority 3, building sustainable communities, we fully recognise the important role that the voluntary and community sectors can play in respect of that priority, particularly under the theme of community economic development. We are working closely with them and they have been very much involved in shaping that theme.

[366] I will also hold my hands up regarding the digital business ecosystems as not being something that I can get my mind around either. We will happily revisit that part of the programme. We are thinking of doing something that might help to strengthen that area. At present, we have a theme around exploiting ICT in priority 1 and we have a theme around ICT infrastructure in priority 2, but the latest revision of the commission's community strategic guidelines provide an opportunity to bring them together, and we are minded to do that. That is one of the issues that we are raising with consultees at our ongoing events. Our definition of social partners includes the voluntary and community sectors.

[367] **Alun Ffred Jones:** On priorities and so on, taking the key point, leads—[*Inaudible.*]
—3 funding, what type of projects will no longer be funded? Do we know the answer to that? I am referring to, 'A new partnership for cohesion: convergence competitiveness cooperation', which refers to a knowledge-based economy time and time again. I suppose that the first sentence says that community enterprise, industrial and innovation policy is aimed at strengthening the competitors of the EU producers. In effect, they seem to be including community enterprise within that knowledge-based economy in this document—it is not your document, it is an EU document. How can we reconcile the idea that there will be lower funding for community enterprise when it is obviously regarded as being part of developing the knowledge-based economy, whatever that may mean? Are we going to be flexible when we discuss that knowledge-based economy? I must admit that I am a bit hazy about what we mean by that.

[368] The second point that I would make about the priorities is that included in these priorities is 'Making the Connections: modernising and improving the quality of our public services'. I am worried that people on the outside will see this as a way of channelling more European funding into public services, as opposed to private enterprise. The charge has already been made that the public sector has been able to access a lot of European money, quite rightly, but almost at the expense of private enterprise. Is this not likely to be seen as a way of extending that? Why should the convergence money fund something that should already be funded by the Government?

12.30 p.m.

[369] **Christine Gwyther:** It is the issue of additionality, is it not? That is what the premise of the whole structural funds ethos is about; it is about additionality.

[370] **Alun Ffred Jones:** That is what I mean; is it additional or instead of?

[371] **Andrew Davies:** On the first question, it is focusing on the harder edge of the Lisbon-agenda priorities. It does not say that there will not be any support for community activities or voluntary sector activities. For example, community enterprise has made very significant contributions. Credit unions and a whole range of other community enterprise activities have made a very significant improvement in terms of increasing economic inactivity in many of our poorer communities. It is about the balance—a shift of resources towards the harder-edged Lisbon-agenda activities and away from, maybe, the softer-edged activities. It is not to say that community activities will not be supported, but in terms of the balance of priorities, there will be a shift of emphasis and resources.

[372] On the priority for expenditure on Government activities, I think that it is felt that it is about helping the capacity of local authorities and the public sector generally to engage with this agenda. It is not about putting European money into existing services, such as education and health. It is about improving the capacity of local authorities and the public sector generally to deliver, to engage with the private or the voluntary sector to deliver at a local level.

[373] **Mr O'Brien:** To underline that, this area of investment is not in public services. It is something that is completely new for the next round of structural fund programmes. It is recognition that, clearly, the efficiency of the public sector can contribute to economic development. But, it is not there to fund mainstream public services. First, the intention is that this priority should not absorb a significant proportion of overall resources. Secondly, it should focus on key investments that will improve capacity within public services, such as the skills needed to develop and lead regeneration programmes. We know from our Wales Audit Office report of last year that there are important skills deficits in that area, which can result in money not being spent as effectively as it otherwise would. So, this particular priority and our proposals in this area have been welcomed by the commission, is about very targeted investments where we can really add value to, essentially, the implementation of our programmes.

[374] **Christine Gwyther:** I will finish up this section. Yesterday, we launched the committee's science policy document. In priority 1, there is a research and development technology and innovation theme. What sort of assurance can you give us, Minister, that sufficient allocation will be made from priority 1 and that that theme will be substantial? There are other things such as business finance, entrepreneurship, and other themes within that priority, so how can we be reassured that something that this committee has recognised as very important will be treated as such?

[375] **Andrew Davies:** It will very much follow our priorities in terms of 'Wales: A Vibrant Economy' by increasing emphasis on developing a knowledge economy, innovation and the research and development element. So, although we cannot actually give any precise figure yet, the Government and I see it as a major priority. Although science policy, as such, is non-devolved, the First Minister is taking a lead on this and he is formally our science Minister. We will be developing and publishing a science policy shortly for consultation. One of the priorities is about how we can maximise Government expenditure, including European funding, whether it comes through convergence programmes or framework programme 7.

[376] **Christine Gwyther:** Alun, I see that you are using a BlackBerry. Please switch it off.

[377] **Andrew Davies:** We will be seeking to maximise European funding to enhance our science base and investments, for example, at the Institute of Life Science at the University of Wales, Swansea, the Institute of Advanced Telecommunications, which again is at Swansea, and many other developments in our universities and higher education institutions.

[378] **Christine Gwyther:** We now move on to cross-cutting themes. The questions are:

[379] 'Do you agree with the proposed objectives and approach to mainstreaming Equal Opportunities within the programmes?'

[380] and

[381] 'Do you agree with the proposed objectives and approach to mainstreaming Environmental Sustainability within the programmes?'

[382] **Leighton Andrews:** On the environmental sustainability bit in the land use section, particularly around pages 116-17, there is more written about ecclesiastical architecture than our industrial heritage and industrial landscapes, which I think is perverse. In terms of setting the framework for potential projects and other Governmental priorities, frankly, I suspect that reclaiming our industrial heritage ranks rather higher, on the whole, than our ecclesiastical heritage—not that I want to knock our ecclesiastical architecture.

[383] In this section it seems to me that one of the things that Cornwall got right last time around, and I have referred to this in previous discussions, was its focus on regional distinctiveness. One aspect of regional distinctiveness in Wales is our industrial heritage, and there ought to be a specific paragraph in here talking about that industrial heritage. After all, we have HERIAN and quite a lot of investment going in to that area, in tourism and economic development terms. I suggest that as well as talking about industrial landscapes, such as Blaenavon, we should also talk about some of the registered historical landscapes that the Royal Commission on the Ancient and Historical Monuments of Wales has developed, which includes many parts of our industrial heritage in mining, steel, and so on. To have more on ecclesiastical architecture than our industrial heritage just sticks in the craw, really.

[384] **Andrew Davies:** That is a fair point.

[385] **Christine Gwyther:** I do not know that you need to wax lyrical on that. We have drifted into the implementation arrangements. Is there anything that we have not made clear?

[386] **Leighton Andrews:** On the programme monitoring committee issue, I do not have a strong view on this, but I do want to test this idea of bringing them together. It seems to me that one advantage of the programme monitoring committees is that you have representatives from different sectors engaged in them—I declare an interest as my wife is a Confederation of British Industry representative on an Objective 1 programme monitoring committee. I am slightly worried that if we bring them together, we might get less of a focus from the business community on the areas where it is more difficult for it to engage, which might traditionally be the Objective 1 funding areas, now the convergence funding areas, than those areas that are supported substantially by other programmes.

[387] **Christine Gwyther:** Are you saying that they would end up being Cardiff-centric?

[388] **Leighton Andrews:** I am saying that they could end up east-Wales-centric, because it could be centred in north-east Wales as well as Cardiff. One advantage of the current system is that you get everybody focused on trying to think about how they are engaging with the poorer parts of Wales, and I would be reluctant to see that lost.

[389] **Andrew Davies:** The overall thrust that is reflected in the document is about how we can be more strategic and have a more integrated approach. As I said, we have not made any decisions on this and, as you indicated, there are pros and cons. However, at the moment, there are PMCs for Objective 1, 2 and 3 and also for the INTERREG, EQUAL and URBAN initiatives, so there is fragmentation, and we could be losing some possible benefits in retaining the current structure. I do not have any hard and fast views on this. Our general view is that there will be more value added by bringing them together so that you can have a more integrated approach to the various programmes.

12.40 p.m.

[390] **Mr O'Brien:** I have seen this arrangement work effectively in parts of the UK and in other parts of Europe, for example, in east England, where a single programme monitoring committee covers the range of programmes. As the Minister said, we are genuinely interested in views on this. The representatives from the business community who have attended our events have welcomed this suggestion, but, clearly, there may be other views. The commission, in the informal discussions that we have had, also recognises advantages in this, but has underlined that the most important issue for it is that the composition of the PMC is fit for purpose—that is, that it should, among other things, reflect the change of focus in line with the Lisbon agenda. The commission is, in particular, pressing for higher education to be more strongly represented in the new PMC arrangements. It is up to us to decide upon the composition of the membership and the structures; all that is required under the regulations is that the PMC must be chaired by a representative of the managing authority or the Government.

[391] **Christine Gwyther:** I think that that answers your previous question, Kirsty, about not only including members of the opposition, but also backbench Labour chairs. That will not be happening.

[392] **Alun Ffred Jones:** I have a couple of questions and points to raise. I assume that the local economic partnerships will be discontinued. Is that the case? If so, what, if anything, will replace them? There is a great deal of talk about the Wales spatial plan area groups having a specific role. Is that the case? What role will that be? Will they take the place of the old local economic partnerships? There is a great deal of talk about the Wales spatial plan, but I am unclear about what role the groups will have in this programme. Can you be more specific and give us some guidance on that? On the strategic frameworks, there is also mention of the fact that co-ordinating bodies will lead the various frameworks. Can you give us some idea of what you mean by a 'co-ordinating body'? Presumably, that stands apart from WEFO and the Government, although I am not sure about that. Are they private enterprises, local companies or universities?

[393] **Andrew Davies:** On your first question on whether local partnerships will be discontinued, the answer is 'no'. I know from my own local authority area that the former Objective 1 partnership has developed into a regeneration partnership for local authorities, and I certainly welcome that process. That has also happened in other parts of Wales. Damien may want to come in on some of the other issues on how we develop that in terms of technical assistance. The point was made about resources for local authorities and the public sector in general. We see the area spatial plan groups as having an overview in terms of helping to decide what the priorities are in a particular area, region or sub-region—

[394] **Alun Ffred Jones:** That means that they will be taking over the role that used to be undertaken by the local economic partnerships, does it not?

[395] **Andrew Davies:** No. I think that they are complementary. The spatial plan groups vary in size. The south-east Wales spatial plan group, which I chair, covers 10 local authority areas. The Pembrokeshire group, which I also chair, effectively covers one and a half authorities, including Carmarthenshire. So, they vary in size and, therefore, there will be a need for local arrangements as well as a regional and sub-regional view. What needs to be made clear is that the area spatial plan groups are not the delivery mechanisms. Delivery could be done by local authorities, either singly or jointly; it could be done by the Assembly Government or a range of organisations, such as public-private partnerships. So, the spatial plan groups will not be the delivery mechanisms. They will take an overview and help to decide on the priorities. I do not know whether Damien has anything to add to that.

[396] **Mr O'Brien:** To pick up on the issue of the co-ordinating bodies for strategic frameworks, we see strategic frameworks as planning instruments. The responsibility for approving applications, payments and monitoring will continue to rest with WEFO, as is required under the regulations. Certain of the strategic frameworks have been co-ordinated by the spatial plan area groups, because they have a spatial focus. Other frameworks will be co-ordinated by others. However, the key point that I wish to make is that they are planning frameworks. Their intention is to try to ensure a strong focus on the headline objectives of the programme and to encourage projects to work more closely together in a way that can maximise impact.

[397] **Alun Ffred Jones:** So, when will you be announcing the strategic frameworks? Will that be consulted upon, or is that it? Will you announce that these are the strategic frameworks?

[398] **Mr O'Brien:** We agreed with the external stakeholders group some months ago that we would come forward with a proposition and that we would discuss that with the stakeholders' group and other partnership groups. The external stakeholders welcomed that. They felt that it would be useful to have something on the table that they could discuss. So, our proposals will set out what we think is a sensible set of frameworks and our intention is to align those frameworks closely with the themes that are identified within the consultation programme. We will also set out how we see each of these frameworks being co-ordinated.

[399] **Alun Ffred Jones:** So, you will be announcing the co-ordinating bodies at the same time, with your proposals.

[400] **Mr O'Brien:** It is a proposal, yes.

[401] **Christine Gwyther:** When will that be?

[402] **Mr O'Brien:** It is going to the external stakeholders group next week, on 28 September.

[403] **Alun Ffred Jones:** Will it also be announced publicly next week?

[404] **Mr O'Brien:** The papers are put on our website as soon as they go out.

[405] **Christine Gwyther:** Thank you, Members, for being so disciplined; we have got through all of the questions and we have also had some useful answers.

[406] **Kirsty Williams:** Chair, may I ask about match funding?

[407] **Christine Gwyther:** Yes, of course.

[408] **Kirsty Williams:** I do not know whether it is on the list, but, on the issue of match funding, I am concerned about voluntary sector match funding in kind. Are there any figures available on how much of that kind of match funding was contributed under the existing programme and where are you in terms of negotiations with the commission over how you might be able to use this in-kind match funding in the new programme?

[409] **Christine Gwyther:** The private sector match funding has been agreed, has it not? That is really good, but we now need that assurance on the voluntary sector.

[410] **Mr O'Brien:** I confirm that in-kind match funding from the voluntary sector still counts. The status quo will remain with regard to the arrangements for match funding in terms of the regulations. Nothing has changed.

[411] **Christine Gwyther:** I do not think that the voluntary sector element has filtered out to the general psyche, because I did not know that.

[412] **Leighton Andrews:** I did not know that that was the case.

[413] **Kirsty Williams:** I do not think that it knows either. So, there is no change. The calculations for voluntary hours will be exactly the same as it is now, and you have agreed that.

[414] **Mr O'Brien:** As long as there is a proper audit trail and it meets the eligibility requirements.

[415] **Christine Gwyther:** I think that people will be happy to know that, so I will end on that note. Thank you very much indeed.

*Daeth y cyfarfod i ben am 12.50 p.m.
The meeting ended at 12.50 p.m.*