



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

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

**Dydd Mawrth, 16 Mawrth 2010
Tuesday, 16 March 2010**

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

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Nick Bourne	Ceidwadwyr Cymreig Welsh Conservatives
Jeff Cuthbert	Llafur Labour
Michael German	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Rhodri Morgan	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Phil Bird	Head of EU Policy Secretariat, Welsh Assembly Government Pennaeth Ysgrifenyddiaeth Polisi'r UE, Llywodraeth Cynulliad Cymru
Ieuan Wyn Jones	Aelod Cynulliad, Plaid Cymru (y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth) Assembly Member, Plaid Cymru (the Deputy First Minister and the Minister for the Economy and Transport)
Andy Klom	Pennaeth Swyddfa'r Comisiwn Ewropeaidd yng Nghymru Head of the European Commission Office in Wales
Victoria Winckler	Sefydliad Bevan The Bevan Foundation

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Lara Date	Clerc Clerk
Sarita Marshall	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.34 a.m.
The meeting began at 9.34 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Rhodri Morgan:** We will start with the apologies, substitutions, declarations of interest and so on. Despite near misses, there are no substitutions and therefore no apologies. I welcome everyone.

[2] Croeso cynnes i'r cyfarfod hwn o'r A warm welcome to this meeting of the Pwyllgor Materion Ewropeaidd ac Allanol. Committee on European and External Affairs.

[3] I welcome the officials who are present, the witnesses who we will hear from later, and anyone in the public gallery. For everyone in the room, the headsets are available for

translation and/or sound amplification for those who are hard of hearing—I said ‘hard of hearing’. The translation is on channel 1 and the amplification is on channel 0. Everyone, including the Chair, should ensure that all mobile phones and other electronic devices are switched off, because they can interfere with the sound equipment. In the event of an emergency, an alarm will sound and ushers will direct everyone to the nearest safe exit and assembly point. I now invite Members, including myself, to make any relevant declarations of interest under Standing Order No. 31.6. Are there any?

[4] **Jeff Cuthbert:** I declare that I chair the programme monitoring committee, which might have an impact on item 4.

[5] **Rhodri Morgan:** We will ban you from speaking for the next month—I do not think.

9.36 a.m.

**Swyddfa'r Comisiwn Ewropeaidd yng Nghymru—Y Wybodaeth Ddiweddaraf
am y Gweithgareddau yng Nghymru a Strategaeth Ewrop 2020
European Commission Office in Wales—Update on Activities in Wales and the
Europe 2020 Strategy**

[6] **Rhodri Morgan:** The first witness of the morning is the head of the European Commission office in Wales, Andy Klom. He is here to give us an update on the office's activities in Wales and where we stand now with the Europe 2020 strategy. He was last here on 17 November and a lot of water has gone under the bridges of Brussels, Strasbourg and everywhere else since then with a new commission and so forth. There has also been the publication of the 2020 strategy, of which we all have a copy—it is paper 1. Before we start asking questions, Andy, can you give us an oral update on your perception of what has happened over the past three months?

[7] **Mr Klom:** I will try to be brief in focusing on activities in Wales and then on the Europe 2020 strategy. As regards activities in Wales, I will go through what we have been doing back to front. Last Friday, 12 March, we held a major school event in Wrexham called Wales, Europe and the World, for 400 teachers and school kids, focusing on the European Year Against Poverty. It involved multiple parallel sessions held by organisations such as the British Council, EURES, the Open University and the European Commission's directorate general for humanitarian aid. That was the north Wales edition of that event, held on 12 March. On 9 February, we had the south Wales edition here in Cardiff, involving 500 schoolchildren and teachers, with the same themes and presentations. We were trying to contribute to the Wales, Europe and the World module of the Welsh baccalaureate. Unfortunately, in both events, the Assembly Government was not present.

[8] Prior to that, there was an Erasmus conference here in Cardiff on December, which analysed the take-up of Erasmus. Surprisingly, there has been a slight improvement in that in the last two years. However, most of the students going out are language students, and there is a very low take-up of Erasmus opportunities from the hard professions—business, law and engineering. Before that, at the end of November, we started a dialogue with what is called Bond, formerly the British Overseas NGOs for Development, consisting of Oxfam Cymru, Christian Aid and the Catholic Agency for Overseas Development, on climate change. The meeting at the end of November was prior to the Copenhagen conference. Since then, we had another meeting at the end of February to discuss the results of Copenhagen, and we hope to continue that dialogue during the course of this year, every two or three months, to keep in touch with each other and to work towards the Cancun ministerial conference in December. Before that, at the beginning of November, was the twentieth anniversary of what is called the liberty of central and eastern Europe—

[9] **Rhodri Morgan:** Sorry, I missed that.

[10] **Mr Klom:** The liberty of central and eastern Europe—the fall of the Berlin Wall and all the other revolutions in central and eastern European states since then. We held an event that was attended by many participants from eastern European communities in south Wales. Sandy Mewies spoke at the event as the Chair of this committee at the time, and it was very successful. That is a short overview of the activities that we have been developing in Wales. Looking quickly to the future, at the beginning of May, Europe Day will be coming up again. Various events are being organised in Cardiff, and in Pontypridd for the first time with the University of Glamorgan, and also by Europe Direct centres in north-west and west Wales.

9.40 a.m.

[11] My second topic is the Europe 2020 strategy document. As you have already mentioned, we have a new European Commission, voted in by the plenary of the European Parliament on 9 February, effectively taking up office on 10 February, and, on 3 March, it presented this new strategy, which should be the general outline of all of the commission's work in the next five years. It will also give the general framework for the whole European Union. That is the first step that the Barroso II commission had to take: to give a general outline.

[12] You might have read the document, which is quite dense. The first half is all about proposals, and the second half is about governance issues. However, to put it in its proper context, it is an economic strategy. You could even say that it is microeconomic strategy. It does not have to do with the macro financial issues. That is very much linked to the stability and growth pact. It also does not have to do with the European Union's political strategy because much of that is already laid down by the new Lisbon treaty, in force since December 2009. Therefore, the future European diplomatic service, the EAS, the future discussions on defence, or the roll-out of the Lisbon treaty in institutional terms, and the greater involvement of national parliaments and so forth, are all items that are on our agenda. However, that is a political agenda, which was set by the new treaty, not so much by this strategy.

[13] It contains three areas of growth, seven flagship initiatives, and five targets. You can read up on that. The areas of growth are significant. It looks at smart growth, or, in other words, innovation, competitiveness, and sustainable growth. It is about not just a greener economy, but a more resource-efficient economy, having security implications, and having inclusive growth. The commission wants to go for maximum employment and cohesion, and to fight against poverty.

[14] That is the proposal. The main challenge is governance, which was also the main challenge behind the Lisbon strategy thus far—how to ensure that there was strict governance by all parties involved in this, not just EU institutions and member states, but local government, regional government, social partners, and civil society. The commission now proposes that the European Council takes full ownership and gives full steering to this process. The commission will evaluate, propose and assist, but it should be the European Council that drives this forward, giving instructions to sectoral councils to adopt decisions. There is also a role, of course, for the European Parliament as co-legislator, but also very much in trying to mobilise citizens and all the constituencies back home, behind this agenda.

[15] It is clear that delivery should be done by member states. The commission proposes that 'member states' should mean national, regional and local government in collaboration with partnerships, social partners and civil society. We insist upon that. This will be up for discussion for the very first time at the end of next week, during the spring European Council on 25 and 26 March. That is where the process of approval starts. We hope that, in the next

three months, the council will be able to flesh out the details and give its full agreement to the proposals, and it is then to be concluded by the end of June when the next European Council takes place. Meanwhile, we are also seeking support from the European Parliament.

[16] As for the implications for Wales, this strategy is the EU context for the next five years. All EU policies, programmes and budgets will be closely tied to what is said and agreed upon in the Europe 2020 strategy. It is the context for the discussions that are important for Wales coming up in the next two years: the budget review, the common agricultural policy, future cohesion policy, climate change, and the financial perspectives post 2014. It will all be tied to this strategy if and when it is agreed, and depending on the shape, of course, that is agreed upon. It needs that approval. It is clear that member states need to approve it. They are the key decision makers in the European Union. However, it is equally clear that the commission is proposing that economic, social and territorial cohesion should be ensured as part of the solidarity on which the EU is based, and also as part of making advancement in the field of growth. We want to continue to address issues like poverty and social exclusion, which is the particular theme of this European year.

[17] We are clearly stating that cohesion policy is a key mechanism to deliver on growth and on all types of growth, including the inclusive growth approach. We want to do that in collaboration with member states and regions in member states. We are waiting for that endorsement by the European Council, and we will probably know by the summer where we stand. All the other detailed proposals will only be discussed from that point onwards. It is important to follow this discussion in the next few months in council, to know where member states stand and what the finer details will be of the decisions that will be taken. We are insisting that partnership between national, regional and local governments is essential.

[18] **Rhodri Morgan:** I will call Jeff Cuthbert in a minute or two, but I want to put a question to you first, given our recent committee visit to Brussels and the informal and formal hearings that we had. Do you see any contradiction between Wales's needs as a less well-off part of a better-off member state and the new 2020 strategy? We tend to think of Wales as having a primary interest in the cohesion/regional territorial agenda within an overall European context. So, if the achievement of the 2020 objectives are set out and are going to be a struggle to achieve—of which there is no doubt—does that mean that the territorial or regional angle to this, particularly for the less well-off regions and the better-off member states, of which Wales would be one, will tend to go by the board and get neglected? Will it be said that we are going to struggle to achieve this without regard for the regional angle, so we must forget the regional angle? Is there any danger of that and is there a specific danger for Wales?

[19] **Mr Klom:** The target is to achieve both. On the one hand, there is innovative growth, as we have seen during the past five years under the Lisbon agenda, which was something that Wales could identify with, and on which the Welsh Government has built many of its programmes. Looking at the current round of convergence funding, you can see that the Assembly Government is targeting projects in the field of the Lisbon agenda above what it is required to do by the European Commission. So, in that sense, I do not see a contradiction in Wales being able to pursue that innovative growth.

[20] **Rhodri Morgan:** I will try to be a little more specific. The definition of inclusive growth—and no-one is against smart, sustainable and inclusive growth, because they are good targets—appears not to be regionally defined; in other words it is much more about the situation of, for example: 'There is a much higher percentage of the 55-plus age group participating in the economy in Asia and America than in Europe—this is a bad thing, so what can we do to increase the participation rate in 55 to 64-year-olds?' That is perfectly laudable, but you could define inclusivity with a regional angle. For instance, it could be asked, 'What can we do to spread economic growth from the golden triangle of, say, Milan, Paris, London,

to the outer areas, particularly the Atlantic areas, where we are, which is not the centre of gravity of Europe?'. That is also inclusive growth, but it is not the definition that is used. Is that a contradiction?

[21] **Mr Klom:** Within inclusive growth, there is a clear identification of cohesion being economic, and social and territorial. So I would look for the regional aspect in that element of inclusive growth. Of course, you can say that it is between different groups at different levels of prosperity and economic development, or about the geography of a particular member state or region in Europe. That could also be part of that inclusive approach. The targets that you alluded to were on the rate of employment in different age categories. The commission is aiming, in its targeting, at trying to get a higher rate of employment in all European economies.

[22] **Rhodri Morgan:** Is your question on this, Jeff, because Mike has a supplementary question on that point?

[23] **Jeff Cuthbert:** No, my question is on a different matter.

[24] **Michael German:** We picked up tension in evidence in Brussels between what Danuta Hübner described as a place-based approach, which is one where you would use places and geographical spaces as the means by which you achieve your cohesion and your change to the overall economic development of the European Union. I do not read in the document as it stands anything that gives certainty as to whether you take that approach, or whether you take the more general approach that the Chair has just described. Could you point me to a place in this document where that is more explicit—or is it more of an open question for further debate?

9.50 a.m.

[25] **Mr Klom:** I would certainly say that it is an open question for further debate.

[26] **Michael German:** That would mean that we would have to lobby or campaign for it.

[27] **Mr Klom:** I would say that a place-based approach has not been excluded. By stressing the cohesion element as part of the continuing approach to solidarity and the territorial cohesion of the EU as a whole, you have that place-based focus, but it might not be the only focus. The overall focus on three areas of growth could be much more thematic, which would then be separate from any consideration of locality.

[28] **Michael German:** We heard about this tension from Danuta Hübner, who made some very specific points against a thematic approach and in favour of a place-based approach. That leads me to ask you where, as I look at the timetable, the European Parliament's view will fit in? Let us assume that the Parliament supports the view of the chair of the regional committee, that the place-based approach is dominant. Where does that fit in?

[29] **Rhodri Morgan:** Please could Members keep their questions brief.

[30] **Nick Bourne:** I will try to keep this brief. This is a broad, general question, in a sense, Andy, but I will take on board the Chair's comment. Is it not the case that Wales is likely to be much more affected by the possible renationalisation or repatriation or return—call it what you will—of regional policy? That is what will impact upon us if it happens, under whichever Government, and it is something that we should be fighting against, from a Wales point of view. That is where we should be focused, but it does not come out in this document.

[31] **Mr Klom:** I would not say that it does not come out in the document; it is there as a possibility for the future, but to be decided by member states in the further discussions on cohesion policy and the financial perspective from 2014-2020. There is a clear insistence on implementation at all levels of Government—that is already there as an anchor. However, I would not say that it gives the guarantee that you might be looking for.

[32] **Jeff Cuthbert:** Thank you for your comments, Andy, and for the written paper. I have two points on the paper. On page 5, under the sub-heading ‘Europe’s structural weaknesses have been exposed’, you have three key paragraphs. The middle paragraph makes various points based on percentages, and I wonder how realistic they are. I appreciate that the US, Japan, China and India are key competitors, but they are single countries with just one Government each, whereas, as we know, the EU is very different. You make the point that, on average, Europeans work 10 per cent fewer hours than their US or Japanese counterparts, but I am not so much concerned with the number of hours worked as with productivity. The main issue here is that only 46 per cent of older workers—that is, workers aged between 55 and 64—are employed, compared to 62 per cent in the US and Japan. You make the point that, in terms of demographics, we are an ageing population, and I wonder how much the 2020 strategy will encourage us to focus on the needs of older workers, and, where appropriate, to encourage them to stay in employment where they can. In Wales, we have moved well away from the old heavy industries towards different types of work, which are more compatible with people working into their old age with comfort and interest. So, what can we do under the 2020 strategy to help to develop that?

[33] At the other end of the age spectrum—and this is my final point, Chair—page 11 deals with the flagship initiative, Youth on the Move. It involves all types of learning approaches, although when you read it at first, it would appear to be focusing on issues to do with higher education. I can understand that to a degree, and HE is very important, but I would say that our greatest problem in Wales, and indeed in other parts of Europe, is basic skills. That is, ensuring that, when young people go into the labour market, they have enough basic and key skills to make a decent stab at gaining employment. They may go on to further and higher education later, but that is the first step, and that should be our key focus. So how well does that issue map into Youth on the Move?

[34] **Mr Klom:** I will try to be as brief as possible, Chairman. On the first question, looking at page 5, with regard to the ageing process and the demographic picture, the challenge that that presents to us for the next 10 years will really kick in from 2013 onwards. So, starting just over the horizon, when we are looking at the new financial perspectives and the end of the current debt crisis and so on, it is a clear issue to be addressed in the short term. Inclusive growth would mean that that part of the population must be taken along in order to achieve the growth rates and employment rates that we are striving for. How to do that is the challenge for the European and national levels. There is discussion in various member states and here about raising the retirement age and about keeping people below retirement age in full employment.

[35] At the same time, efforts are being made to try to involve women more in economic activity. That happens to a lesser extent in some member states that have lower rates of female participation in the workforce. It is a clear challenge. It is something that needs to be addressed, together with the other challenges, such as global competition and climate change. That is where we are heading over the next five to 10 years. What starts in terms of an ageing demography in 2013 will only continue in the coming decades. There will be something like 10 million jobs lost in terms of people participating in the workforce over the next decade. We need to replace those participants in order to keep our economies growing and thriving.

[36] Moving on to the other question, looking at page 11, on Youth on the Move, yes, the EU has often focused very much on graduate-level types of education and vocational training

and not so much on basic skills, which are of course assumed to be covered by member states themselves in their education systems and the systems of training available. You must also bear in mind that all of this is based on the EU budget, which is just a small percentage of the overall budget in all EU member states. So, to a great extent, many of these proposals, initiatives and targets will have to be supported and assisted from national budgets. It cannot all be based on that 1 per cent or 2 per cent that the EU budget represents for the overall GDP of the EU. Of course, that is where basic skills fit in.

[37] **Rhodri Morgan:** Mike, do you want to come back with any further questions? I have one further question and we will be moving on to the next witness in about five minutes.

[38] **Michael German:** I will be very brief. On the role of the European Parliament, the decision of the Council of Ministers is obviously in the timetable in this document, but is it also subject to agreement by the European Parliament? Is it a co-decision? If so, when would you expect it to be adopted by both and therefore become a policy of the European Union?

[39] **Mr Klom:** The document is not a piece of legislation, so, in that sense, the co-decision procedure that applies to directives is not applicable. It is more of a general, overall political strategy. So, the commission is very eager to get the political approval of Parliament on this document, which he will be seeking between next week and the end of June. I am not aware of any particular dates when Parliament is discussing or voting on this. However, this is already in the committees, being prepared for discussion from the point when member states have seen it and give it their initial endorsement next week. Parliament will also discuss it between April and June. We are seeking political endorsement. Just as, following the indication of member states in the summer last year that Mr Barroso would be appointed as the next president of the European commission, Mr Barroso presented his political ideas and guidelines in a document to the European Parliament in September 2009 for political endorsement. So, it is a political process.

[40] **Rhodri Morgan:** There is a final question from me before we move on to the next witness. How does Europe cope with trying to have a pan-European strategy on the ageing society issue that you have highlighted and the fact that there are separate zones where ageing societies, low birth rates and high birth rates are very sharply distinguished? North-west Europe, namely France, Ireland, the UK and Sweden do not have a low birth-rate problem, whereas Germany, Italy, Spain and eastern European countries do. There is a very sharp difference between those where there is a rate of almost 2 children born per woman and those where there is a rate of 1.3, with almost nothing in between. So, this is not really a pan-European problem; there are two separate zones. How do you have one European policy for two separate zones of high birth rates and low birth rates?

10.00 a.m.

[41] Secondly, how does the commission seek to resolve the marrying of the financial stability issues—they are raging in the news this morning with regard to the Eurozone negotiating with Greece and so forth, on whether we can we recover from the crisis and the three scenarios for Europe by 2020 of sustainable recovery, sluggish recovery or a lost decade, in the Japanese manner—and being determined to achieve the Maastricht criterion of a 3 per cent maximum borrowing requirement, which applies even to non-Eurozone countries, such as the UK, on the one hand, and, on the other, the need to get growth going if you are to achieve the targets for Europe by 2020? In such a case, you would need to see some sort of rebirth of jobs fairly soon. How do you resolve the issue of the deflationary bias that is implicit in a 3 per cent maximum borrowing requirement at all times for all countries, and the possible inflationary bias in going for growth?

[42] **Mr Klom:** I will go for the first question. On the pan-European element,

underpinning the concern about demography is the European single market. We have a market where there is a right to job mobility and labour mobility. There are discrepancies between southern, northern and eastern European countries in respect of birth rates and the societal developments that are taking place and will continue to develop in the future, but they are covered by that single European job market. Enhancing mobility and the skills that people have for that is part of our concern, together with much more local issues, such as the situation in Spain, where there are low birth rates, in Germany, where there are low rates of participation by women in the employment market, or that in Britain, where there is a high number of migrants from other European countries in the employment market. All those issues are covered by that European approach and are part of our concerns. What is good for one country could detract from another. There are high rates of Polish migrants coming to this country today, but you can ask yourself what will they contribute to their own country, not today but in 10 years' time? Demography is changing there as well, as people there are also having fewer children. So, will they be coming to Britain in 10 years' time, or will they stay home in an economy that is growing and becoming more advanced, having benefited from structural funds over the course of the next decade? What then happens to Britain? It is a common European issue that needs to be addressed.

[43] On the second question, the commission is very much aware that the proposal for a strategy is geared towards microeconomic issues. The larger financial issues are covered by the stability and growth pact. That continues to function and is still valid. This strategy is not trying to overtake or to absorb that, as the two approaches will continue to exist in parallel. We are hoping for an agreement with the European Council that there can be a synergy or complementarity between the two, so that one does not contradict the other. There are big macroeconomic and financial decisions to be taken by member states, especially when looking at these issues over the next four or five years, which will have a severe impact on what you can do in achieving this type of growth.

[44] **Rhodri Morgan:** So, if there is a contradiction, do we have to live with the contradictions between the stability and growth pact and the Lisbon 2020 strategy?

[45] **Mr Klom:** Yes, but we will have to make efficient use of the funding and the budgets available, and target them at the same growth objectives, such as creating a greener economy and more employment, which we will want to share, so that there is no contradiction.

[46] **Rhodri Morgan:** This is my last question. Do you get the opportunity, as the head of the European Commission Office in Wales, to carry back to Brussels the views expressed in Wales about the importance of not losing this cohesion or the territorial or regional angle to this whole issue of smart, sustainable and inclusive growth?

[47] **Mr Klom:** That is a part of my mandate, and I have done so over the past five years.

[48] **Rhodri Morgan:** Good, I am glad to hear it. Thank you, Andy. We will see you before too long, I am sure. We may see you on Europe Day, but you will be the host, not us.

[49] Diolch yn fawr am eich tystiolaeth. Thank you for your evidence.

10.05 a.m.

**Ymchwiliad Craffu—Blwyddyn Ewropeaidd Trechu Tlodi ac Allgáu
Cymdeithasol 2010: Gweithgareddau yng Nghymru
Scrutiny Inquiry—European Year for Combating Poverty and Social Exclusion
2010: Activities in Wales**

[50] **Rhodri Morgan:** We move on now to the next witness, Victoria Winckler. I can hardly see you up there, Victoria. Please settle in. The sun is shining in my eyes this morning and I cannot see a thing. The Richard Rogers design did not cover the eventuality of bright sunshine shining in the Chair's eyes. I will ring him up.

[51] **Michael German:** The blinds can go up.

[52] **Rhodri Morgan:** The committee welcomes Victoria Winckler. I am not sure what your title is, Victoria; is it director of the Bevan Foundation? I see that it is. The Department for Work and Pensions has awarded the Bevan Foundation funding for activities in Wales to promote the European year for poverty 2010. I am not sure how you promote poverty; you can see possible misinterpretations of what that means—taking money out of people's pockets and so forth. Today's session is an opportunity to hear more about what the foundation is going to do with the contract that it has won, and what the terms of the contract are. Congratulations on winning it in the first place, Victoria. That is very good news. Would you like to introduce what the Bevan Foundation is going to do to fulfil its DWP contract, and how that fits in with the rest of the Bevan Foundation's ongoing work? Members will ask you questions after your initial remarks, and you will get a draft transcript of the meeting afterwards, so you can check accuracy in the usual way. The floor is yours.

[53] **Ms Winckler:** Thank you. I am sure that you know that the Bevan Foundation is a think tank concerned with social justice in Wales. We have had a longstanding concern with poverty and social exclusion. We have undertaken a number of different activities over the years in terms of research, conferences and events, and publishing think pieces and so on. We are about to sign a contract with DWP, though there have been no signatures yet—

[54] **Rhodri Morgan:** Some last-minute haggling is going on.

[55] **Ms Winckler:** Yes.

[56] **Rhodri Morgan:** As we speak.

[57] **Ms Winckler:** As we speak. That contract will give the Bevan Foundation a contribution towards the costs of organising a conference, with associated activities around it. We have planned for the conference to take place in the last week of September, which is the week in which the European Year for Combating Poverty and Social Exclusion is marked. The plan is that we will have around 100 delegates, with a mixture of policy makers and decision makers, but also people who are experiencing poverty, coming along. We were very mindful in—

[58] **Rhodri Morgan:** What is the balance between the two? You can see possible problems if it is a 70:30 split one way as opposed to a 70:30 split the other way.

[59] **Ms Winckler:** We are aiming, realistically, for a 60:40 split: 60 per cent policy makers, which would be about 50 or 60 people, and 40 or so people from different walks of life. We will be working with partner organisations to make sure that they are engaged. We are also trying to construct the programme in such a way that it is relevant and meaningful to them. We understand that not everybody wants to sit all day and be talked at, so we are going to be using a mixture of workshops and evidence sessions, as well as screening a film. We hope that the event will be attractive and accessible to people from all backgrounds. We can only try.

[60] As a legacy of the conference, we will be publishing a book featuring the conference papers. These will not just be the words of the great and the good; they will be the words and experiences of people experiencing poverty as well. The film will live on through DVD

distribution, and we will also upload segments onto YouTube.

[61] Regarding how that fits with the Bevan Foundation, it is part of our ongoing programme of work on poverty and social exclusion. It is a big event for us. It will be taking a chunk of our time between April and the conference in September. We see it as an integral part of what we do.

10.10 a.m.

[62] **Rhodri Morgan:** Thank you, Victoria. I will bring Rhodri Glyn and Jeff Cuthbert in in a minute, because their hands have been raised, but I would like to ask you a few questions first. I am sure that you will have heard of the distinction between those who like to admire a problem and those who like to solve a problem. How do you think the European year will assist authorities in Wales or the communities or families afflicted by poverty to solve the problem, as distinct from conducting a seminar about it, which almost gives you a vested interest in the preservation of poverty, because you have it to talk about? How can you focus on what works best, or what appears to work best, in solving the problem so that you would not need another European year of poverty in 2020?

[63] That almost gets back to my initial interruption to your talk on the balance between the views of professors of social policy and so on, and perhaps even Assembly Government civil servants, who run various anti-poverty programmes on the one hand and people who you might say are afflicted by poverty on the other. It is not for me to tell you how to do your job, but with anything more than 50:50 in terms of social policy wonks and experts on the one hand and people who are poor on the other, you are in danger of admiring the problem and not solving it. I must admit that, when you said that the ratio was 60:40, I was hoping that it was the other way around. However, that is my view.

[64] **Ms Winckler:** The 60:40 ratio is not set in stone; it is not mentioned in the contract with the DWP; it is the art of the possible. We will be in discussion with partner organisations about getting the representation. What we have learned from experience and from some excellent work undertaken by the Joseph Rowntree Foundation is that you cannot just run an event and expect people to come along and engage on the same terms as policy wonks, as you put it. You have to ensure that it meets their needs in the same way that we would make every effort to ensure that a conference met the needs of the policy wonks and the politicians. So, you need to look at the structuring of the day and at small things like making sure that people are treated with respect and dignity—that they are not looked at because they are not dressed in suits, for example. All of those practical things make a big difference, so we will be doing all of those things. There is some excellent work to point you in the right direction.

[65] The focus of the conference is solutions. The Bevan Foundation is totally committed to getting change. There has to be one session at the beginning that looks at what we are dealing with. We are particularly keen to get away from this fragmentation of different types of poverty, where we are almost into having a competition between who is the poorest—whether it is children, pensioners, those in work, those who are out of work, those in fuel poverty, or those in transport poverty. My view is that that is unhelpful.

[66] However, after that, we will have some in-depth sessions looking at what we believe are the key areas where more action is needed, such as worklessness, getting people into jobs; education, making sure that people have the skills and qualifications they need; and it is about making sure that people who are disabled or who have a health condition are also enabled and empowered to work if that is appropriate for them. We feel that those three areas are the deep underlying causes of poverty in Wales. We will be looking at what works for those. The idea is that we will have short presentations in those sessions so that it is not just the views of one expert, but that we move towards consensus building and mapping out where we need to go.

[67] **Rhodri Glyn Thomas:** Yr ydych wedi cyfeirio at y gynhadledd yr ydych wedi ei threfnu ar gyfer mis Medi. Beth yn union yr ydych yn gobeithio ei gyflawni? Yr ydych wedi cyfeirio at waddol o'r gynhadledd honno ac yr ydych wedi sôn am gynhyrchu llyfr a DVD. Mewn gwirionedd, sut yr ydych yn gobeithio y bydd y gynhadledd honno yn dylanwadu ar bolisi Llywodraeth ganolog y Deyrnas Unedig, polisi Llywodraeth y Cynulliad, a'r hyn sy'n digwydd ar lawr gwlad yng Nghymru? Pa effaith uniongyrchol fydd y gynhadledd hon yn ei chael ar dlodi yng Nghymru a sut yr ydych yn mynd i gyflawni hynny?

Rhodri Glyn Thomas: You have referred to the conference that you are organising for September. What exactly are you hoping to achieve? You have mentioned a legacy from that conference and the production of a book and a DVD. In all honesty, how do you expect that this conference will influence the policies of central Government in the United Kingdom, the policies of the Assembly Government and what happens at the grass-roots level in Wales? What direct impact will that conference have on poverty in Wales and how are you going to achieve that?

[68] **Ms Winckler:** In terms of influencing decision makers, that is the Bevan Foundation's bread-and-butter work. We will do that in our usual ways, by talking to you and your colleagues, in both formal and informal ways. We hope that AMs and their staff will come to the conference. We will be disseminating a lot of information—not just a book—and we will try to get media coverage. We will be talking to the BBC to see if it will link some of its programming to what we are doing. To that extent, it is like any event that the Bevan Foundation or anyone else like us does: we achieve our impact through influence. We just hope that we will manage to have that influence.

[69] On the conference itself—in itself and of itself, and on its own—I will put my hand up and say that, as an event, it will not have any impact on poverty. What we hope to do is to contribute to and shape the policy debate. I do not think that there is a clear understanding of what works in terms of tackling poverty and that is why we are trying to move the debate on. That is the best that I can do to answer your question.

[70] **Jeff Cuthbert:** Thank you, Victoria, for what you have said and for the written paper. I agree with you that you should focus on tackling the underlying causes of poverty. I daresay that if you ask most people what they understand by 'poverty', they will say, 'People who haven't got enough money'. That would probably be the most common response and I think that that would be a very fair response. You single out a few things in terms of what you mean by poverty, such as worklessness and a lack of education. You mentioned those just a few moments ago and I would agree with you that they are linked. Clearly, what prepares young people best for work is the education system. In the years to come, particularly through the foundation phase and the 14-19 learning pathways, I am convinced that we will end the scandal of young people leaving formal education without any qualifications or next-to-no qualifications and having the very worst start to adult life in having to face the enormously difficult task of getting a decent job with a decent wage without qualifications.

[71] You focus on educational difficulties, which may be the single biggest contributor to poverty. This is the Committee on European and External Affairs, and I do not know if you heard the earlier session with Andy, but I understand the issues of subsidiarity, genuine additionality and identifying a member state's responsibility, which formal education clearly is, and where Europe can play a role. I am talking not just about identifying the academic distinction between the two, but how they can work together so that there can be an input from, say, European structural funds, to help bridge that gap for younger people. We hope that they will not be needed so much in future because of other educational initiatives. There is a scheme called Youth on the Move, which we talked about earlier. Do you anticipate that that will be a key focus of your work? How will you contribute in terms of understanding

where Europe can play its part, together with the member states?

10.20 a.m.

[72] **Ms Winckler:** There will be a focus on the achievements of young people because that is absolutely critical, but we will also be looking at adult learning. I have been talking to the National Institute of Adult Continuing Education about how we can highlight the importance of adult learning because adults are the bulk of the population. So, we are talking about achievement throughout the school period, but also in terms of adults. Our focus is on what is happening in Wales. This is the Welsh activity that is being funded. So, we will not look explicitly at what the European Union might learn, but, clearly, if it has things to learn, that would be helpful, but the focus of this is what we are doing in Wales to tackle poverty here.

[73] **Nick Bourne:** Thank you, Victoria, for the presentation and for all that you do. I am a member of the Bevan Foundation and I strongly support what you do. I have a couple of points to make. I do not know whether we have a date for this conference yet, but we are already half way through March and I am sure that it would be useful for all of us to have the date so that it can be put in the diary.

[74] Secondly, in support of Rhodri—and this is not something that I have thought about before, and, again, I should not be telling you how to do this, but I will—I think that a unique selling point would be if a higher percentage of young and old people who are affected by poverty framed the conference agenda as well as participated in it. That would make it more attractive to others because they would feel that we were getting to some root causes and were, therefore, helping to deal with some of the issues and to provide solutions. The second bullet point in paragraph 8 is the important one; the first and third are great, but it is the second that we should be looking at. Is that not something that would be attractive? I accept that we need people who are experienced in the sector, but we can discuss all of these things until we are blue in the face, and from my experience of looking at projects in my area, the most successful ones are those where there is strong input and leadership from the people who are affected by poverty rather than leadership from elsewhere.

[75] **Ms Winckler:** I will address your question in two parts, if I may. The project that we have been funded to deliver starts on 1 April. Unfortunately, the Bevan Foundation survives on project funding. If I spend time now making arrangements for the project, I cannot get that time funded. So, come 1 April, when we have signed a contract and the project starts, I already have my to-do list, but I am not in a position to do anything before that date because it will not count as part of the project funding. Very early on, the whole of April will be devoted to that set-up time, so you will have a date sooner rather than later.

[76] I noted and agree with the comments on participation. I am not sure what your question was on the idea of bringing all of this together—

[77] **Nick Bourne:** To put it in question form: would it not be more effective if, for example, three quarters of the people participating in this conference and those helping to frame the agenda were people directly affected by poverty rather than people who work in the sector? That is not said in any antagonistic way; I just think that you are more likely to get effective outcomes if you do it that way.

[78] **Ms Winckler:** That may well be the case, but we need to have civil servants there and senior people from local authorities. We think that the message has more impact if they are there to hear it rather than if I put yet another report on their desks and which gets put alongside all of the other reports. I will reflect on your comments on the proportion, which is not set in the contract. That is very helpful, but if this is about influence, then we need the

decision makers there.

[79] **Rhodri Morgan:** Okay; thank you. Professors of social policy are the only ones who never wear suits as far as I know. [*Laughter.*] Mike, do you have a question?

[80] **Michael German:** On the roles of the Welsh Assembly Government and the National Assembly for Wales, it seems, from my colleagues here, that one of their roles should be to keep away from this conference. Do you have a message for the National Assembly for Wales about what we might do and what the Welsh Assembly Government might do to raise awareness about the year?

[81] **Ms Winckler:** Keeping poverty at the top of the agenda is absolutely crucial, and that is partly what we want to do with this conference. Given the concern about cuts and in the run-up to an unsettled political time, we must not lose sight of the fact that considerable numbers of people in Wales are living in poverty. So, the first message is that you should not forget. The second message that I would give is that evidence is now emerging about what works. It is not a case of throwing our hands up in horror, but, in education terms, we now know some of the things that help children to learn in schools and some of the things that are effective in helping adults. I am sure that you will learn from that and be able to implement it in policy. In terms of support for the European year, there needs to be a little more joining up between the Department for Work and Pensions and you. The European year is being launched in Bristol today. I did not know that, and it seems that many other people did not know either, so there could be more joining up regarding the year. That may well just have been an administrative hiccup; it probably was.

[82] **Rhodri Morgan:** I have one final request. When the haggling is over and you have the contract—I know that it is not a devolved issue, but I presume that the detail will be publicly available—could you supply us with a copy of the contract? Is that permissible?

[83] **Ms Winckler:** Yes, but the only thing that I would be reluctant to supply is the part on the costings, because they are based on staff salaries, so revealing them would reveal all our earnings.

[84] **Rhodri Morgan:** We are not interested in that side.

[85] **Ms Winckler:** We will supply everything else, of course.

[86] **Rhodri Morgan:** Thank you very much for all your evidence this morning, Victoria, and for that undertaking. We look forward to not attending the conference. [*Laughter.*] *Pour encourager les autres.*

10.27 a.m.

**Ymgynghoriad Comisiwn Ewrop ar Strategaeth ‘EU 2020’—Ymateb
Llywodraeth Cynulliad Cymru
The European Commission’s Consultation on the Future ‘EU 2020’ Strategy—
Welsh Government Response**

[87] **Rhodri Morgan:** Bore da, Ieuan, a **Rhodri Morgan:** Good morning, Ieuan, and chroeso cynnes i Phil Bird. I extend a warm welcome to Phil Bird.

[88] We are grateful that the Deputy First Minister is here today, and I cannot let this occasion go by without mentioning that Phil Bird is about to step down. This is possibly his last attendance at an Assembly committee, because, after almost four decades in public

service, he will be retiring soon. As I remember working with you on the other side of the table, I have to express my huge admiration for your dedication not only to Wales as an adopted son, but to Wales in the European context. Our best wishes for your retirement, Phil. We will miss you a great deal.

[89] **Mr Bird:** Thank you for that.

[90] **The Deputy First Minister and Minister for the Economy and Transport (Ieuan Wyn Jones):** By the way, Chair, I have decided to give him the starring role today.

[91] **Rhodri Morgan:** I did not want to overdo it, because the Deputy First Minister has the starring role this morning.

[92] **The Deputy First Minister:** It is because it is his final appearance.

[93] **Rhodri Morgan:** ‘*Chi ydy o*’ is the expression that I wanted to use, is it not?

[94] I want your take, Deputy First Minister, on this fluid period, with a new commission and a new policy buffeted by the storm winds of the recession, and the need to achieve stability, the growth pact and so on, and where that will leave Wales in its not unique, but not terribly normal, position of being a less well-off part of a better-off member state. Therefore, if the territorial angle is played down, where does that leave Wales. If you want to make any introductory remarks, please do so, and then we will come on to questions.

10.30 a.m.

[95] **The Deputy First Minister:** Thank you very much for that. It is a great pleasure to be here. Things have moved on since I was first asked to give evidence to you, because that was in response to a consultation document, and the publication of the proposal has now come forward, so we seem to have been overtaken by events.

[96] Our general feeling about the initial paper—and I just want to touch on a couple of things in that respect—was that it seemed to be based on some of the key themes that we feel should be included in a post-Lisbon strategy, but it did not take full account of the role of regional and local government. It was pretty much what the member states had been asked to deliver, and there was not really a recognition of the role that Wales and other small countries would have. Therefore, we had a feeling that was shared among most of the regional governments that it tended to suggest that the role of regional policy and cohesion policy could be downplayed in the new commission. So, we wanted to make clear in our response that we had to set a marker down that we believe that cohesion, regional, and social policy should play a continuing role in it, although there was much talk around the reduced regional policy, and a reduced role for Directorate-General for Regional Policy, for example, which would concern us. So, we needed to make some kind of statement in our response that would set the scene, as it were. Although the proposal that has come forward has marginally moved in our direction, by at least recognising the role of regional governments and local authorities, the delivery of some of the key instruments, particularly relating to education, skills and research and development, we believe that there is still a lot more work to be done there and we still have some concerns about how these things are developing. Some of the targets in the new document seem to be extremely ambitious, bearing in mind that we are coming out of a fairly major recession.

[97] **Rhodri Morgan:** To open the questioning, I will now be slightly more specific. For at least the life of this third Assembly, and possibly even earlier, there has been a constant undercurrent of anti-regional policy. It is a minority view, but it erupts occasionally. We have always thought that perhaps the UK Treasury is not terribly keen on European regional policy

but that we can handle the UK Treasury—well, we have tried to—but when that view comes from Europe itself, it gets a bit more worrying. In Brussels, when we had committee informal and formal sessions, we sensed that undercurrent again. People were saying that regional policy was getting terribly boring and they wanted to look at broader themes. They thought that the urban theme should be given a bit more welly-boot, and what about the big cities like London, Paris and Vienna? They have poor areas, and so they need some European assistance. That kind of thinking tends to undermine the regional agenda. Social policy has been chafed from being pushed into a regional policy corset. People say that social policy is far more important than that and is about a much wider inclusion agenda, including ethnic minorities, Gypsies and Travellers, and the young and old, regardless of where they live, and that those people are just as important as those living in regions that are struggling. So, that constant undercurrent now seems to be erupting more often and we have to fight back. How do you envisage yourself fighting back against that undercurrent?

[98] **The Deputy First Minister:** That sort of undercurrent was quite evident in the meeting of REGLEG, the Conference of European Regions with Legislative Power, held in Marseilles towards the end of last year, where I represented the Government. It manifested itself in two ways. First, in relation to the budget, how it would be framed, and where regional policy would sit within the budget. There was a clear feeling of unease among the regions represented there. Secondly, even if you operated within a more constrained budget, what would the role of regional policy and cohesion be within the new commission, as it were, as it develops?

[99] There was some concern that those wider issues that you mentioned could be reflected. That was the first time that there was a real sense of unease that regional policy would be downplayed, looking at it from the commission end rather than the Treasury end. That was a matter of some concern. Collectively, as regions—and I really think that we can only do it together—we agreed to make it absolutely clear at the initial stage, which was the initial response to the first consultation document, where we felt that these discussions should be taken in the new proposal for Europe 2020. Secondly, we wanted to make sure that the DG Regio maintained the status within the commission that we believed it should have. There was a feeling that the Directorate-General for Employment, Social Affairs and Equal Opportunities would become more important, and that the DG Regio would be downplayed. I do not think that that will necessarily happen, because there is still a considerable body of support for regional policy, but we have to be careful about it and get together to lobby for it. There is an understanding among the regional legislatures that we must work together to do it. We have already started to do it. I wrote a letter to Barroso, and others did the same. We need to keep lobbying and do it together.

[100] **Rhodri Glyn Thomas:** Gan symud o wledydd sy'n rhanbarthau neu sy'n rhan o aelod-wladwriaeth at y strategaeth ddrafft, mae cyfeiriad ynddi at saith o brosiectau mawr—neu'r '*flagship projects*' fel y cyfeirir atynt. A fydd yr agwedd honno o fudd i Gymru, ac a oes unrhyw un neu fwy o'r brosiectau hynny yn arbennig o berthnasol i Gymru?

Rhodri Glyn Thomas: Moving from countries that are regions or that are a part of a member state to the draft strategy, there is a reference in it to seven 'flagship projects', as they are called. Will that aspect be beneficial to Wales, and is one or more of those projects specifically relevant to Wales?

[101] **Y Dirprwy Brif Weinidog:** Mae rhai ohonynt yn berthnasol i Gymru. Yr ydym yn gyfforddus iawn ynghylch y symudiad i fuddsoddi mwy mewn ymchwil a datblygu yn sicr, ac yr ydym fel Llywodraeth yn symud tuag ato beth bynnag. Fodd

The Deputy First Minister: Some of them are relevant to Wales. We are very comfortable with the move to invest more in research and development, certainly, and we as a Government are moving towards that in any case. However, whether the target that is

bynag, mater arall yw a yw'r darged y ceir sôn amdani yn y ddogfen yn gyraeddadwy.

mentioned in the document is achievable is another matter.

[102] Yn ail, mae'r prosiect gyda phobl ifanc yn hynod o bwysig, oherwydd yr ydym wedi sylweddoli yn ystod y dirwasgiad bod pobl ifanc rhwng 16 a 24 oed wedi dioddef yn fwy na phobl mewn sectorau eraill, er bod rhai ardaloedd daearyddol o Gymru wedi dioddef mwy nag eraill. Yr ydym yn awyddus iawn i weithio ar fater yr isadeiledd digidol, ynghyd â'r holl agenda sgiliau a swyddi. Ni fyddwn yn pryderu am y themâu cyffredinol hynny, ond mae rhai o'r targedau yn uchelgeisiol tu hwnt. Nid wyf yn siŵr a fyddem fel Llywodraeth eisiau eu gweld yn cael eu mabwysiadu yn y dull presennol.

Secondly, the project with young people is very important to us, because we have realised during the recession that young people between the ages of 16 and 24 have suffered more than people in any other sector, although some geographical areas in Wales have suffered more than others. We are very keen to work on the issue of the digital infrastructure, as well as the skills and jobs agenda. I would not be too concerned about those general themes, but some of the targets are very ambitious. I am not certain whether we as a Government would wish to see them adopted as they currently stand.

[103] **Rhodri Glyn Thomas:** Yr ydych newydd gyfeirio at bobl ifanc. Bu Rhodri a minnau mewn cynhadledd ym Mharis yn ddiweddar, a chlywsom ystadegyn brawychus am ddiweithdra ymysg pobl ifanc, ac yn Sbaen yn benodol. Yr oedd y ffigur bron yn 40 y cant, os cofiaf yn iawn, a oedd yn syfrdanol i mi. Nid oeddwn yn ystyried fod pethau cynddrwg yno. A yw'r un duedd yn bodoli yng Nghymru?

Rhodri Glyn Thomas: You have just referred to young people. Rhodri and I attended a conference in Paris recently, and we heard a shocking statistic about unemployment among young people, specifically in Spain. The figure was nearly 40 per cent, if I remember correctly, which shocked me. I had not realised that things were quite so bad there. Does the same trend exist in Wales?

[104] **Y Dirprwy Brif Weinidog:** Nid yw'r union ffigurau gennyf, ond gwn fod lefelau diweithdra ymysg pobl ifanc yn y categori hwnnw yn uchel, ac yn uwch nag ar gyfer rhannau eraill o'r gweithle. Y broblem i'w goresgyn mewn unrhyw ddirwasgiad yw y gallai hynny arwain at anweithgarwch fwy cyffredinol os nad ydym yn ofalus iawn.

The Deputy First Minister: I do not have the exact figures, but I know that unemployment levels among young people in that category are high, and higher than for other parts of the workforce. The problem to overcome in any recession is that that could lead to more general worklessness, if we are not very careful.

10.40 a.m.

[105] Yr hwyaf yr ydych yn ei adael a'r pellaf o'r gweithle yr ânt, yr anoddaf yw hi i'w cael yn ôl i mewn. Yr wyf yn cydnabod hynny, ac nid wyf yn anhapus bod y ddogfen yn cyfeirio'n benodol ato.

The longer you leave it, and the further away from the workplace they get, the harder it is to get them back in. I acknowledge that that is an issue, and I am not unhappy about the document making specific reference to it.

[106] **Michael German:** I want to take you back to your dialogue with Rhodri about whether regional-based support would emerge from this 2020 document. When I asked Andy Klom about the commission's intention, he said two things, one of which is that it is looking for political support for this document. The second—and I hope that I do not misrepresent him—was that the door was open as regards whether it would take a regional-based approach or a thematic approach. In other words, the door was still open via this document. If that is the case, the arguments have to be made, presumably by everyone concerned, and there are three areas that I want to explore with you to see how you are working in them.

[107] The first is REGLEG. What do you think its influence and pull will be in this political debate, and how does it move forward? The second is the role of the European Parliament, which, from what we have heard, may be more likely than not to be on our side, although we do not know for certain. How does that work for you? There is a balance to REGLEG in the Assembly, of course, which is CALRE, the Conference of European Regional Legislative Assemblies. Would it be worth getting some dialogue between REGLEG and CALRE, to see how the work that you are doing is emerging and to see whether we can bring some form of synergy, to get a more common approach?

[108] Finally out of that, where do you think we as an Assembly could be making the case, which we will all share together?

[109] **The Deputy First Minister:** It is still an open question. These concerns are around, but the question as to the direction—that is, where it will eventually lead to—is still open. There will be considerable support for the retention of regional policy at some level. What we have to understand is that there are likely to be significant budgeting pressures that will possibly overshadow the whole thing. Given that as the case, the question then is how, within a reduced budget, we can ensure that it goes in our preferred direction.

[110] You mentioned a number of bodies there, and REGLEG is one of them. There is already willingness in that body to make a strong case. There was willingness to work together on it in a way that I found very encouraging. We have already started on that, and it has to be done in a way that maintains the momentum. Having started off with how we wanted to approach the initial consultation document, REGLEG said some things that have now been included in Europe 2020, but there is still an element of paying lip service more than reality, so we need to push even further for that. We will certainly continue along that line.

[111] The European Parliament will be an important body in that regard, and, working together, the current MEPs from Wales will put pressure on it, which is important. I think that you have met the Members together, which was an important step. We have met them, too, and, in his former role, so did Rhodri. That is a good way of working together. So, I see no reason at all why some of the initiatives taken by REGLEG should not be mirrored by organisations that represent the Parliaments and Assemblies. Clearly, I will await with interest your response to this particular document, because everything adds to the mix. My view, however, is that the best way of doing this is if all the regional bodies across Europe work together much more closely. It may well increase that cross-regional working a lot more effectively, and we should do it at each level.

[112] **Michael German:** There is the committee of the regions as well, of course.

[113] **Nick Bourne:** I will begin by wishing Phil all the best on his retirement. You are far too young to be going, given the figures that we have just been looking at. Ieuan, thank you for the presentation. The greatest threat to Wales, as I see it, is the regional spend. We will be squeezed whichever Government is in power, so we can ill afford to lose anything on the regional front. My question follows on from Mike's in a sense; I can understand that we have support among some of the other regions, but have we got support among any large member states? Is there a crunch date, or it is a movable feast, and we should continue to lobby rather than work towards a specific time when a view will be taken on these issues?

[114] **The Deputy First Minister:** I would hate for Phil's last appearance to pass without him speaking, so I will bring him in here to comment in particular on where we are in relation to other members states. My understanding is that the European council will take a first look at this document later this month, and the feeling is that it is unlikely to adopt some of these targets—it will probably defer a decision on that. Phil, over to you.

[115] **Rhodri Morgan:** Given that you are retiring, you can say exactly what you like because they cannot sack you now.

[116] **Mr Bird:** I will try to be factual, then. Thank you for your good wishes; they are very much appreciated. Thirty-eight years is a long time, and I have spent the last 25 years here in Wales, first with the Welsh Office and then the Assembly and the Assembly Government. I have enjoyed it immensely.

[117] The council meets next week on 25 and 26 March. Our understanding is that the document, which is still a proposal, is on the table, and will be the focus of the meeting. We expect there to be extensive discussion around the paper, particularly in respect of the targets. There is some anxiety, particularly on the part of the UK, about targets. Whether they will come to any decision on the targets remains to be seen. We will have to see how things progress, but the detailed look at implementation will certainly not happen before the June council. That is pretty safe to say. Alongside that—and this is where we come to the point that Nick made about finance—we have the White Paper that is due on the budget. The latest that we have on that is that it will probably emerge around July, so it will be interesting to see how the proposals that are contained in EU 2020 filter into the EU budget negotiations around the White Paper.

[118] **The Deputy First Minister:** Could you deal with the point about where the other member states line up in relation to the future of regional policy? Do you have any feel for that?

[119] **Mr Bird:** Are we talking about repatriation here?

[120] **Rhodri Morgan:** Yes, and the particular issue of less well-off regions of better-off member states.

[121] **Mr Bird:** On the repatriation issue, I think that it is pretty moribund now. The UK is pretty isolated on the question of repatriation. You might find some support from some of the wealthier member states, but as an issue of repatriation, if I were a betting man I would say that it is dead in the water.

[122] **Michael German:** A pretty good bet, then.

[123] **The Deputy First Minister:** I think that you are entitled to say that now.

[124] **Mr Bird:** I cannot see repatriation being on the agenda.

[125] **Rhodri Morgan:** To follow that up, when we were preparing to go to Brussels we thought that the focus would be on how to protect the access that west Wales and the Valleys had in previous periods if we were to move from being just below 75 per cent of average European GDP per head to being just above it, because the inclusion of new member states changed the average. Therefore, will there be access to transitional funding and, if so, what will it look like? Will it follow previous patterns that meant that Dublin, or rather eastern Ireland, came out with huge amounts of European money in the mid-1990s?

10.50 a.m.

[126] Then, this set of statistics came out from Eurostat in the intervening couple of weeks, showing this huge drop in the UK's position, which Wales, and west Wales and the Valleys in particular, reflected. I think that there was a drop of 3.6 per cent in the UK and 3.5 per cent in west Wales and the Valleys in one year between 2006 and 2007. Everyone was slightly

mystified by it and was thinking that it had to do with the drop in the value of sterling, but then realised that that did not happen until 2008. So, if it was not the drop in the value of sterling, what the hell caused this drop of 3.6 per cent in the UK's relative position on GVA per head in Europe, which was reflected in many other regions? However, it changed the strategy. I understand that there have been some discussions with Eurostat, asking it to explain this crash in the UK's relative position. I do not know whether that has come to anything. Secondly, it obviously changed our tactics, because now it is a matter of protecting the access of west Wales and the Valleys to full regional funding if the measure of 75 per cent GVA per head is still going to be used.

[127] **The Deputy First Minister:** On the first question, it is difficult to explain the full extent of it but I gather that it reflects in part the general upward economic performance of some countries in eastern Europe relative to the old EU countries of the UK, Germany and so on. In a sense, they have been dragged up and we have therefore been dragged down. The pattern of the drop in the UK is mirrored, although perhaps not precisely in the same percentages, in Germany and other member states. So you see the same pattern occurring, but whether it is at the same level is something that we need to delve into. I think that that is part of the reason, although other factors may come out of it.

[128] The second point that you make is clearly quite important. It does not really matter which way you look at it; if west Wales and the Valleys still qualifies or even if we qualify only for transitional relief, there is still the argument on the size of the budget and its relative impact. Our understanding currently, although we cannot be certain about these things, is that the regional policy and the regional budget are likely to be retained, although the budget is likely to be smaller. Therefore, I think that there is likely to be transitional relief, but it will not be at the same level as in the past. That is the position that we are currently in, according to officials who are in discussions. However, if these figures are confirmed, you are right that there is a question as to whether the commission will stick to the 75-per-cent rule or whether it will shift that because, as you rightly point out, there will be other member states that think that the poorer regions in the wealthier states should not continue to receive funding at the same level. One way of dealing with that is to shift a bit on the qualification criteria. Phil, perhaps you would like to say something about that. It seems to me that we are drifting towards a position where there will be a retention of regional policy and regional funding but not at the same level.

[129] **Mr Bird:** I think that that is right.

[130] **Rhodri Morgan:** I have a quick final question. We raised this issue in Brussels. If Mr Hahn, the new regional policy commissioner, continues to adhere to the view that he expressed before he became a commissioner and during his confirmation hearings in the European Parliament that the European regional funds should do something for the cities—he was not specific about what that should be—and presumably we are talking about cities such as London, Paris and Vienna as he was heavily involved in that campaign, given that these are not cities currently covered by convergence or any other form of European funding, it would mean that whatever money you were going to spend on urban initiatives in London, Paris and Vienna and so on would be taken out of the regional fund unless the regional fund itself expanded, which seems very unlikely. We could say, 'Let's go with the flow and try to get some money for Cardiff and Newport, which are not covered' or you can say, 'No, we're not playing that game because, net, we would be far worse off. We need to try to strangle this urban initiative at birth, although Mr Hahn is very committed to it'.

[131] **The Deputy First Minister:** I had heard that he might take this view with him to the commission, but I must confess that colleagues in REGLEG, who understood the position better than I did from having knowledge of him, were a bit more sanguine about it. Their thoughts were that at least he is committed to the continuation of regional policy and that the

view that he may have expressed about money for the cities would not carry much weight within the commission. That was the feeling, but we probably need to keep an eye on that.

[132] **Rhodri Morgan:** I would like to make a final request. I would be grateful if you could supply the committee with any interesting feedback from Eurostat that Jonathan Price and the other statisticians and economists that you have at your disposal get as to the reasons for this big drop across the UK between 2006 and 2007, and whether any doubt has been cast on the figure or any explanation given of the figures being so different from the 2006 figures.

[133] **The Deputy First Minister:** I will ensure that that is made available to you.

[134] **Michael German:** It would also be interesting to know whether the deliberations of REGLEG were related to this particular issue. We should also ensure that we get the Conference of the European Regional Legislative Parliaments' decisions before us so that we can share those back the other way.

[135] **Rhodri Morgan:** No REGLEG without CALRE; that is a very long-standing view.

[136] Diolch am eich presenoldeb a'ch tystiolaeth. Thank you for your presence and for your evidence.

[137] I would also like to congratulate Phil.

[138] You have seen the letter from the Spanish ambassador. I think that it is just too early for them to have any practical experience.

[139] The next meeting will be after the Easter recess, namely the first day that we are back, which is Tuesday, 20 April. I hope that you are in a position to confirm that the minutes published are a reasonably accurate representation of what was said. I see that you are. Thank you for your presence. Diolch yn fawr am eich presenoldeb. Happy Easter.

*Daeth y cyfarfod i ben am 10.58 a.m.
The meeting ended at 10.58 a.m.*