



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

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

**Dydd Mawrth, 23 Tachwedd 2010  
Tuesday, 23 Tachwedd 2010**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi 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'r pwyllgor yn bresennol**  
**Committee members in attendance**

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

**Eraill yn bresennol**  
**Others in attendance**

Dr Alastair Davies	Uwch-reolwr Gwyddoniaeth, Ymchwil a Datblygu a Throsglwyddo Gwybodaeth (Adran yr Economi a Thrafnidiaeth), Llywodraeth Cynulliad Cymru Senior Manager for Science, Research and Development and Knowledge Transfer (the Department for the Economy and Transport), Welsh Assembly Government
Susan Edwards	Uwch-reolwr Polisi Sgiliau, yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Llywodraeth Cynulliad Cymru Senior Skills Policy Manager, the Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government
Lesley Griffiths	Aelod Cynulliad, Llafur (y Dirprwy Weinidog dros Wyddoniaeth, Arloesi a Sgiliau) Assembly Member, Labour (the Deputy Minister for Science, Innovation and Skills)
Yr Athro/Professor John Harries	Prif Gynghorydd Gwyddonol Cymru Chief Scientific Advisor for Wales
Carwyn Jones	Aelod Cynulliad, Llafur (Prif Weinidog Cymru) Assembly Member, Labour (The First Minister of Wales)
Andy Klom	Pennaeth Swyddfa'r Comisiwn Ewropeaidd yng Nghymru Head of the European Commission Office for Wales
Chris Miles	Pennaeth Dros Dro Ysgrifenyddiaeth Polisi'r Undeb Ewropeaidd, Llywodraeth Cynulliad Cymru Acting Head of European Union Policy Secretariat, Welsh Assembly Government
Tom Smithson	Uwch-swyddog Polisi, Swyddfa Cyllid Ewropeaidd Cymru Senior Policy Advisor, Welsh European Funding Office

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

Lara Date	Clerc Clerk
Gwyn Griffiths	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Sarita Marshall	Dirprwy Glerc Deputy Clerk

Rachel O'Toole

Gwasanaeth Ymchwil yr Aelodau  
Members' Research Service

*Dechreuodd y cyfarfod am 9.17 a.m.  
The meeting began at 9.17 a.m.*

### **Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions**

[1] **Rhodri Morgan:** Os yw pawb yn barod, croeso i'r bobl sydd yn yr ystafell bwyllgora ac i'r bobl sydd yn yr oriel gyhoeddus. Mae clustffonau ar gael i glywed y cyfieithu ar y pryd; gallwch eu defnyddio hefyd i chwyddleisio'r sain os ydych yn drwm eich clyw. Mae'r gwasanaeth cyfieithu ar y pryd ar sianel 1, a gallwch chwyddleisio'r sain ar sianel 0. Diffoddwch eich ffonau symudol ac unrhyw ddyfeisiau electronig eraill, os gwelwch yn dda, gan eu bod yn amharu ar yr offer darlledu.

**Rhodri Morgan:** If everyone is ready, I welcome those in the room as well as those in the public gallery. Headsets are available for interpretation; they can also be used to amplify the sound if you are hard of hearing. Interpretation is on channel 1 and channel 0 is for amplification. Please switch off mobile phones and any other electronic devices, as they interfere with the broadcasting equipment.

[2] Os bydd larwm tân, bydd yn rhaid inni ddilyn cyfarwyddiadau'r tywyswyr, a fydd yn ein harwain i fan diogel.

If you hear a fire alarm, you will need to follow the instructions of the ushers, who will lead us to safety.

[3] I have been notified of no apologies, although I understand that one of the officials, Gary Davies, is unable to be here today.

9.18 a.m.

### **Prif Weinidog Cymru: Ymchwiliad i'r Adolygiad o Gyllideb yr UE a Dyfodol y Polisi Cydlyniant a Datblygiadau eraill yn yr UE First Minister for Wales: Inquiry into EU Budget Review and Future of Cohesion Policy and other EU Developments**

[4] **Rhodri Morgan:** I extend a very warm welcome to Carwyn Jones, the First Minister, and his official team. Carwyn, would you like to introduce the other members of your team and make comments on your paper or any other matters that you wish to raise with us this morning?

[5] **The First Minister (Carwyn Jones):** Thank you, Rhodri. I have Chris Miles on my left—I suppose that that is stage right for you—and Tom Smithson on my right.

[6] It is worth mentioning that, since the written evidence was submitted to the committee, three significant events have occurred. The budget review, obviously, has taken place. Although it is fairly light on detail, it is a review that we would broadly support. The main detail, of course, will come in June/July next year, when the multi-annual financial framework and the financial perspectives are made available to us, but the review is particularly significant in terms of cohesion policy. One point of debate, of course, within the Commission was whether structural funds should be made available to all member states or simply to the poorer member states. I am glad that our position has been confirmed, namely that they should be available to all members states and distributed according to regional levels

of poverty.

[7] The cohesion policy report was published on 10 November, which was the day that this report was submitted to the committee. Again, there is no question of repatriation of structural funds. It retains the focus on funding at regional level, which is of assistance to Wales. It does talk about arrangements for transitional funding, although the detail is not quite there yet, in the depth that we had hoped. Further proposals are being suggested in that report on macro-regions/urban areas, without there being necessarily a definition of what 'urban' means, but clearly we, as a Government, broadly welcome the direction of travel of that report.

9.20 a.m.

[8] Finally, on 18 November, the Commission published its proposals on common agricultural policy reform. It was broadly good news for Welsh farmers with an emphasis on supporting food production wherever it is, not just in the most favourable areas, and also, we believe, a move away from the idea that there should be a single EU-wide flat hectare payment, which would not be of benefit to Welsh farmers.

[9] In the main, the three documents that have been published recently are going in the right direction as far as the Government is concerned, and no doubt as far as many Members, if not all here, are concerned.

[10] **Rhodri Morgan:** Okay, thanks very much for that. I have three questions to begin with, and I see that Jeff Cuthbert has a question, and Nick Bourne and Rhodri Glyn. That will do us for now.

[11] There is nothing in the cohesion report to say whether it will stay at seven years, be shortened to five, or be lengthened to 10 with an option out at five, so we still do not know. All we know is that, broadly speaking, it will be multi-annual, which is one of the attractions, as it is longer than a comprehensive spending review. Do you have any later information on what multi-annual is likely to mean in EU budget terms? Is it likely to be still at least a five-year programme, or even a seven or 10-year programme?

[12] **The First Minister:** There is no further information on that. As I mentioned earlier, the devil is in the detail, and we will not know until the framework is published the size of the budget or which areas will get the largest share. Beyond that, there is no further information.

[13] **Rhodri Morgan:** There is one hell of a negotiation going on as we speak between the 27 members of the Council of Ministers and 27 Members of the European Parliament, sitting opposite each other, to finalise the budget over the 2.9 per cent increase. I understand that the 2.9 per cent figure is pretty much agreed. The European Parliament has agreed that it shall not exceed 2.9 per cent, but it wants some sort of reserve power to go above 2.9 per cent or to vary the content of the budget as enhanced by a 2.9 per cent general increase if a particular EU budget line simply runs empty because of some unexpected crisis.

[14] Britain apparently is a little isolated among the 27, with occasional support from the Dutch, so I understand. If there is this agreement to stick at 2.9 per cent, but without any reserve power to dip into the bank, as it were, if something does go wrong, could that impact on the structural funds' mini victory that we appear to have got in the cohesion report? Things are going our way on that, but could they then not go our way if things go wrong in this negotiation between the 27 and the 27?

[15] **The First Minister:** There are a lot of variables there, which are difficult to nail down.

[16] **Rhodri Morgan:** It is horrendous.

[17] **The First Minister:** If it is suggested that the UK is isolated in that argument and, therefore, that isolation may cause the UK's position to be weakened across the board—and, of course, the UK position on cohesion policy is not the same as ours; the UK's position is that UK structural funds should be available only in the poorer member states and not in the richer member states—I am not sure that it would lead to a disbenefit as far as Wales is concerned.

[18] **Rhodri Morgan:** Yes, it is a bit of a mystery to me. However, given that you appear in front of this committee only once a term, it would be quite useful for us if we could get an interim paper from you on the implications of this when the budget negotiation between the Parliament and the Council of Ministers is finalised, on whether there could be implications for what we think of as things going in our direction on cohesion. If the European Parliament does not manage to persuade all the Council of Ministers, including Justine Greening, the British Minister, to enable some sort of access to a reserve pot of money above the 2.9 per cent, or if the 2.9 per cent really is just 2.9 per cent, does that threaten the whole issue of structural funds, as we think that we have won that battle? If you could manage to get that to us at some point, whenever that information is available, we would find that very useful.

[19] **The First Minister:** When the negotiations are concluded, if there is an effect on cohesion policy, I will of course let the committee know as soon as possible.

[20] **Rhodri Morgan:** Okay. Turning to the last question from me, we have all agreed that regional policy needs to be smart and sustainable, in the context of the research and development knowledge economy and Lisbon Treaty-oriented regional policy, not the old-fashioned, 'Let us get a branch factory in manufacturing 5 million widgets a year when a coal mine closes'. That is how we have done it in Wales for 50 years but we know that that is not the way of the future. However, is the current negotiation over Ireland and how to repay its debt relevant to that, in that Ireland has collared the market and been hypercompetitive in the smart, sustainable, high-IT-content regional policy to get the pharmaceutical, software and IT companies into Ireland and form this big cluster of Microsoft, Google, Intel and likewise for the pharmaceuticals? It is because of its hypercompetitive low corporation tax rate, which is half the level of that in any other EU country.

[21] Do you believe that, if Wales in the future is to get a reasonable, decent share compared with Ireland of this smart, sustainable, research and development knowledge economy, high-tech-oriented regional policy, it will mean that Ireland will have to cease to deprive itself of corporation tax income in the current negotiations to avoid bankruptcy in its banks?

[22] **The First Minister:** Are you asking me to set the corporation tax for the Republic of Ireland?

[23] **Rhodri Morgan:** Do you think that, as Britain is contemplating a loan to Ireland, that should be one of the conditions, as an act of two-way solidarity? 'You want our solidarity and here is the money, but you have to show some solidarity, so you cannot expect to develop a monopoly by being hypercompetitive in the high-profit, low-weight, low-transport-costs sector'. That is what has led to this almost monopoly position, because it is not possible to compete with that hypercompetitive corporation tax rate, remembering that in any bankruptcy proceedings, you cannot artificially deprive yourself of an income.

[24] **The First Minister:** There is no doubt that the low rate of corporation tax in the Republic of Ireland has been a difficulty for us in Wales, and particularly for Northern

Ireland.

[25] **Rhodri Morgan:** Yes, even more so.

[26] **The First Minister:** That is why there were proposals by the UK Government to look at offering the Northern Ireland Executive the power to vary corporation tax, for reasons that I can understand. I think that it would be difficult to explain to the public of Britain that a loan should be made to the Republic of Ireland without something being done to remove the competitive disadvantage that the UK is at compared with the Republic of Ireland because of varying tax rates. I have put it as diplomatically as I can.

[27] **Jeff Cuthbert:** The first part of my question follows on from what the Chair has just said. We are aware of the situation in Greece, which has been ongoing for some time now, but more recently we have the situation in Ireland, and I am just wondering whether you have any feel for whether that could affect the future availability of structural funds.

[28] Secondly, on the cohesion report, I think that it is good for Wales that we are still in line to qualify in the sense that it could be applied to the regions of otherwise wealthier member states. The one area that has not yet been resolved as far as I am aware is the threshold. For convergence, for example, and Objective 1 before that, the threshold has been 75 per cent of the average European gross domestic product. That, as I understand it, has not yet been resolved. We do not know whether it will continue to be 75 per cent or a higher figure or a lower figure. Clearly, there are implications for Wales depending on which way that moves. Is there any feel yet for how that argument is likely to be settled?

9.30 a.m.

[29] **The First Minister:** No. I think that the first part of the debate revolved around whether there should be transitional funding. Of great interest to us, of course—and not just for west Wales and the Valleys, but for competitiveness funding for the east as well—is that we do not detect that the argument has moved on to what the threshold should be in terms of GDP. I met Commissioner Hahn at the beginning of this year and, from that meeting, it was clear that no changes were proposed at that time. In particular, there was no suggestion that the measure of average GDP per capita would be changed, or that GDP would not continue to be at the measure that was used to determine whether a region qualified for structural funds. Other measures, such as gross domestic household income, are not being looked at. On how the economic situation in Greece and Ireland, and possibly in other eurozone countries, will affect structural funds and their availability, that is difficult to predict. The hope is that, if Ireland is stabilised, then the contagion, if I can put it that way, will not spread to other eurozone countries.

[30] **Nick Bourne:** Thank you, First Minister, for the presentation. My questions are on the external affairs part of the portfolio, rather than the European part. Could I press you for some more information about the Indian consulate idea, which seems very exciting and potentially very beneficial?

[31] Linked with that, somewhere in the paper there is something about focusing our external interests in Hong Kong, or rather in China, India and the United States of America. Does that mean that the other overseas offices are destined to close? Could you give us a bit of information on that?

[32] Thirdly, briefly, there is mention of the visit of the Latvian ambassador and the visit to Tredegar and so on. I just wonder, for your quarterly visit to us, or your termly visit to us, since we have, I think, links with Latvia, Katowice and Chongqing, if we could perhaps have something in the paper on each occasion about how that link is proving to be mutually

beneficial and an update on that as well. Perhaps, as it is not in this paper, we could have a note for Members on that so that we can see how that is progressing.

[33] **The First Minister:** On the third point, that can certainly be done.

[34] On the Indian consulate, I always take the opportunity, whenever I meet an ambassador or high commissioner, to promote the case for Wales to have a full-time consulate. We do not have one at the moment, following the sad closure of the Irish consulate. There is a significant Indian community in Wales. I think that it is probably fair to say that we are not about to get an Indian consulate—I should make that clear—but it is something that we want to continue to talk to the Indian high commissioner and the Indian Government about. The same is true of China. We have made the case for a Chinese consulate in Wales as well. It was very encouraging to see the Indian high commissioner, the US ambassador, the Chinese ambassador and others come here for the Ryder Cup. It was a great opportunity to speak to all of them in one place, as it were. Certainly, the feedback that we received from them about Wales and, indeed, about the Ryder Cup, was extremely positive.

[35] We are going through the process of examining our overseas offices at the moment. It is right to say that we are very keen to make sure that we target our overseas representation at the most promising markets that we can, but there will be more information on that in due course.

[36] **Rhodri Glyn Thomas:** Fel y dywedaso, Brif Weinidog, mae'r datblygiadau o ran y polisi amaethyddol cyffredin, ar y cyfan, yn galonogol iawn i Gymru, ac y maent yn mynd i'r cyfeiriad y byddem yn dymuno iddynt fynd. Cafodd yr Is-bwyllgor Datblygu Gwledig gyfle i fynd draw a thrafod gyda'r Comisiwn, ac yr oedd yn galonogol i weld mai dyna'r cyfeiriad yr aent. Yr ydych yn sôn yn eich papur am y polisi yn cael ei ddatblygu yn unol â strategaeth 2020, ac yr ydych yn cyfeirio'n benodol at dwf call, sef technoleg—cymerodd ychydig amser imi weithio allan beth yn union oedd 'twf call', ond mae'n debyg mai 'smart growth' ydyw—twf cynaliadwy, sef yr amgylchedd, a thwf cynhwysol, sef y potensial lleol mewn ardaloedd gwledig. Sut ydych yn gweld hynny fel her i'r economi wledig yng Nghymru ac, yn benodol, y diwydiant amaethyddol?

**Rhodri Glyn Thomas:** As you said, First Minister, on the whole, developments with regard to the common agricultural policy are very encouraging for Wales and they are going in the direction that we would like them to. The Rural Development Sub-committee had an opportunity to go over and discuss it with the Commission, and it was encouraging to see that that was the direction in which things are going. In your paper, you talk about the policy being developed in accordance with the 2020 strategy, and you specifically refer to 'twf call', that is, technology—it took a while for me to work out exactly what 'twf call' meant, but it apparently means 'smart growth'—sustainable growth, that is, the environment, and comprehensive growth, that is, the local potential in rural areas. How do you see that as a challenge for the rural economy in Wales and, specifically, the agriculture industry?

[37] **Y Prif Weinidog:** Mae'n bwysig dros ben bod technoleg yn cael ei ddefnyddio nid yn unig yn y sector amaethyddol ond yn y sector bwyd hefyd. Gwn fod y sector bwyd yng Nghymru wedi tyfu'n sylweddol dros y ddegawd ddiwethaf, ac y mae'r Llywodraeth wedi cyllido canolfannau megis yn Horeb a Phorthaethwy, lle gall pobl fynd â syniad ynglŷn â bwyd a gweld sut y gellid troi'r syniad yn rhywbeth masnachol. Mae hynny

**The First Minister:** It is extremely important that technology is used not only in agriculture, but also in food production. We know that the food sector in Wales has grown significantly over the past decade, and the Government has funded centres such as Horeb and Menai Bridge, where people can take food concepts and see how they can be commercialised. That has been extremely successful.



wedi bod yn llwyddiannus dros ben.

[38] Mae hefyd yn bwysig sicrhau bod band eang ar gael i'r rhan fwyaf o bobl yng nghefn gwlad, ac mae'r strategaeth y mae'r Llywodraeth wedi'i dilyn wedi gwneud hynny o ran manau gwan. Fodd bynnag, mae'n bwysig yn awr bod gwaith yn cael ei wneud gan Lywodraeth y Deyrnas Unedig i sicrhau bod band eang cyflym ar gael i'r rhan fwyaf o bobl sy'n byw yng Nghymru, ac i'r rheini sy'n byw yng nghefn gwlad dros Brydain Fawr.

[39] Mae'n bwysig inni sylweddoli na allwn ni gynhyrchu cig a llaeth yn unig. Mae'n rhaid i ni sicrhau bod sector cryf gennym sy'n troi cig a llaeth i mewn i gynhyrchion eraill, megis iogwrt, caws ac yn y blaen, oherwydd dyna lle mae'r arian yn cael ei wneud. Mae'n hynod bwysig bod mwy o werth yn cael ei gadw yng Nghymru, ac nad ydym yn cynhyrchu cig a llaeth yn unig, ond ein bod yn troi'r pethau hynny i mewn i bethau arall, mewn ffordd sy'n creu swyddi hefyd.

[40] **Rhodri Glyn Thomas:** A welwch fod her yno o ran y taliadau traddodiadol y mae ffermwyr wedi'u derbyn? Mae'n rhaid iddynt dderbyn bod yr agenda bellach yn un amgylcheddol yn Ewrop, ac felly bod y taliadau ar sail cynhyrchu yn dod i ben, a bod yn rhaid i ffermwyr newid eu harferion o ran hynny.

[41] **Y Prif Weinidog:** Mae hynny wedi digwydd yn barod, mewn ffordd, oherwydd bu i'r taliadau ar gyfer cynhyrchu—y cynllun premiwm arbennig eidion a'r y cynllun premiwm blynyddol defaid ac yn y blaen—newid yn 2003. Felly, yr ydym wedi newid i system lle nad yw ffermwyr yn cael eu talu o ran nifer yr anifeiliaid y maent yn eu cynhyrchu. Credaf fod yr ansawdd wedi codi oherwydd hynny, gan fod ffermwyr bellach yn cael y cyfle i ganolbwyntio ar ansawdd ac nid ar niferoedd yr anifeiliaid y maent yn eu cynhyrchu. Mae'n wir dweud bod y duedd yn gwyro tuag at daliadau amgylcheddol ac nid at daliadau yn ymwneud â chynhyrchu. Mae'r diwrnodau hynny wedi mynd.

[42] **Eleanor Burnham:** Nodaf o'ch adroddiad eich bod wedi cael derbyniad

It is also very important to ensure that broadband is available to the majority of people in rural areas, and the strategy adopted by Government has done that with regard to not spots. However, it is important now that work is being done by the UK Government to ensure that fast broadband is available to the majority of the population in Wales, and to the rural population throughout Britain.

It is important that we realise that we cannot just produce meat and milk. We need to ensure that we have a strong sector that develops meat and milk into other products, such as yoghurt, cheese, and so on, because that is where the money is made. It is very important that more of the value is retained in Wales and that we do not simply produce milk and meat, but turn those products into other things, in a way that also creates jobs.

**Rhodri Glyn Thomas:** Do you believe that there is a challenge there in relation to the traditional payments that farmers have received? They must accept that the agenda is now an environmental one in Europe and therefore that production-based payments are coming an end and farmers will have to change their practices in that regard.

**The First Minister:** In a way, that has already happened, because payments made for production—the beef special premium scheme, the sheep annual premium scheme, and so on—changed in 2003. Therefore, we have moved to a system where farmers are not paid in relation to the number of animals that they produce. I think that quality has increased as a result, because farmers now have the opportunity to concentrate on quality and not on headage. It is true to say that the trend is now moving to environmental payments, rather than production-based payments. Those days are gone.

**Eleanor Burnham:** I note from your report that you have had a Meat Promotion Wales

Hybu Cig Cymru gyda'r gwmselydd dros fasnach yn llysgenhadaeth Tsieina. Cofiaf i chi sôn am allforio cig oen, er enghraifft, i'r Dwyrain Canol flynyddoedd yn ôl. A allwn ni gael diweddariad ar hynny?

reception with the marketing counsellor from the Chinese embassy. I remember you talking about exporting lamb, for example, to the Middle East some years ago. Can we have an update on that?

[43] Gofynais gwestiwn yr wythnos diwethaf ynghylch y problemau gan rai ffermwyr ynglŷn â Glastir, a fydd hwyrach yn golygu y byddant yn cwtdogi'r nifer o wyn neu o gynnyrch yn gyffredinol y byddant yn gallu cynhyrchu. Felly, sut fyddwch yn sicrhau y bydd digon o gig ar gael i'w allforio, nid yn unig i'r Dwyrain Canol ond hefyd i Tsieina? Gwn fod Tsieina braidd yn fawr o'i gymharu â Chymru.

I asked a question last week about the problems that some farmers are having with Glastir, which could mean that they will cut down on the number of lambs or produce in general that they can produce. Therefore, how are you going to ensure that there will be enough meat available to export, not just to the Middle East, but to China? We know that China is a rather large country in comparison with Wales.

[44] **Y Prif Weinidog:** Os bydd y pris yn iawn bydd pobl yn cynhyrchu, fel sy'n wir am bob marchnad arall. Dyna'r hyn yr wyf wastad wedi'i ddweud wrth ffermwyr dros y blynyddoedd.

**The First Minister:** If the price is right then people will produce, as is true of any other market. That is what I have always said to farmers over the years.

[45] Yr oeddwn yn rhan o'r ymgais i gael cig oen o Gymru i mewn i Dubai, ac yr oedd yn allweddol bryd hynny bod gennym rywun yn gweithio i Lywodraeth y Cynulliad yno. Heblaw hynny, ni fyddem wedi bod yn llwyddiannus. Ar ôl llawer iawn o waith, cawsom gig oen i mewn i Dubai. Mae'r un peth yn digwydd yn awr o ran Hong Kong, ac yr ydym yn gobeithio y bydd yr un peth yn digwydd o ran Tsieina.

I was part of the efforts to get Welsh lamb into Dubai, and it was crucial at that time that we had someone working for the Welsh Assembly Government in Dubai. Without that, we would not have been successful. After a great deal of work, we got lamb into Dubai. The same thing is now happening with Hong Kong, and we hope that the same will also happen with China.

[46] Yr wyf wedi ysgrifennu at y Prif Weinidog yn Llundain i ofyn am ei gefnogaeth ef ynghylch hynny. Nid wyf wedi derbyn ateb eto, ond ni welaf y bydd problem fawr rhwng y ddwy Lywodraeth yn hynny o beth.

I have written to the Prime Minister in London to ask for his support in relation to this. I have not received a response as yet, but I do not see that being a major problem between the two Governments.

[47] Mae'n wir dweud y bydd yn rhaid inni dargedu'r marchnadoedd yr ydym eisiau allforio iddynt, oherwydd nid ydym yn cynhyrchu ar raddfa fawr, fel Seland Newydd. Nid yw'r bosibl inni wneud hynny yng Nghymru. Yr ydym wedi targedu'r marchnadoedd hynny, ond mae'n bwysig dros ben bod y pris yn iawn. Os oes mwy o farchnadoedd ar gael i ffermwyr Cymru i allforio neu i werthu iddynt, yna mae mwy o gyfle iddynt gael pris teg ar ddiwedd y dydd.

It is true to say that we need to target the markets that we want to export to, because we do not produce on a large scale, like New Zealand. We cannot do that in Wales. We have targeted those markets, but it is very important that the price is right. If there are a greater number of markets available for Welsh farmers to export or sell to, they will have a greater chance of getting a fair price at the end of the day.

9.40 a.m.

[48] **Eleanor Burnham:** Felly, yr ydych

**Eleanor Burnham:** So, you are quite

yn eithaf hyderus?

[49] **The First Minister:** Ydwyf. Mae enw da gan gynnyrch o Gymru, yn enwedig cig oen—nid cig oen yn unig, ond cig oen yn enwedig. Mae llawer o ofyn am gig oen o Gymru, yn enwedig, dros y byd. Mae'n bwysig felly ein bod yn allforio i'r marchnadoedd hynny lle mae'r pris yn uchel, er mwyn sicrhau bod mwy o arian yn dod yn ôl i ffermwyr Cymru.

[50] **Eleanor Burnham:** Nid ydych wedi ateb fy nghwestiwn. Deallaf fod rhai ffermwyr yn pryderu, oherwydd cyfyngiadau Glastir—fel y maent hwy yn gweld pethau—na fyddant, efallai, yn gallu darparu cymaint ag yr hoffent.

[51] Yr ydych wedi sôn am fand eang. Bûm mewn cyfarfod â chwmmi ddydd Gwener diwethaf sy'n honni nad yw'r Llywodraeth yn gwneud digon i fynd y tu hwnt i'r hyn sydd wedi ei ddarparu ar hyd yr A55, a lawr i Bwllheli, a bod mwy o waith i'w wneud. Dywedodd cynrychiolwyr y cwmmi y dylech wneud hyn, nid yn unig gyda BT, ond gyda chwmmiau fel hwy hefyd. Yr oeddent mewn cyfarfod yr wythnos ddiwethaf gydag Ofcom yn y Cynulliad, a dywedasant nad oedd digon yn cael ei wneud gan y Llywodraeth.

[52] **The First Minister:** Ni allaf ddweud unrhyw beth ynglŷn â barn un cwmmi fwy na chwmmi arall. Fodd bynnag, nid yw'n bosibl, nac yn gall mwyach, i barhau i gyllido ffermwyr ar sail cynhyrchu mwy a mwy o anifeiliaid. Y cyfan y mae hynny yn ei wneud yw gostwng yr ansawdd a'r pris. Dyna pam yr wyf yn falch ein bod wedi symud oddi wrth y system honno. Nod taliadau amaethyddol yn awr yw sicrhau bywoliaeth i gymunedau'r ucheldiroedd, yn ogystal â sicrhau bod ffermwyr yn cael eu talu er mwyn creu buddiannau amgylcheddol. Mae hynny wedi digwydd, a gwn bod ffermwyr eisiau gwneud hynny.

[53] **Rhodri Morgan:** Mae gen i rai cwestiynau ychwanegol. Hoffwn fynd yn ôl at y telerau a fyddai'n weddus ar ddiwedd y trafodaethau â'r Gronfa Arian Ryngwladol, Banc Canolog Ewrop a Llywodraeth Prydain Fawr. A yw hi'n deg i Iwerddon barhau i fod, nid yn unig yn gystadleuol, ond yn dra

confident?

**The First Minister:** Yes. Welsh produce has a very good reputation, especially lamb—not only lamb, but especially lamb. There is great demand for Welsh lamb especially across the world. It is therefore important that we export to those markets where the prices are high, to ensure that more money comes back to the farmers in Wales.

**Eleanor Burnham:** You have not answered my question. I understand that some farmers are concerned that, because of the restrictions in Glastir—as they see things—they may not be able to provide as much as they would like to be able to.

You mentioned broadband. I met a company last Friday that claims that the Government is not doing enough to go beyond what has been provided along the A55 and down to Pwllheli and that there is more work to be done. The company's representatives said that you should do this not only with BT, but with other companies such as theirs. They were at a meeting with Ofcom in the Assembly last week and they said that not enough was being done by the Government.

**The First Minister:** I cannot comment on the opinions of one company over the opinions of another. However, it is not possible, and it would no longer be wise, to continue to fund farmers on the basis of the production of more and more livestock. All that does is bring down quality and the price. That is why I am pleased that we have moved away from that particular system. The aim of agricultural payments now is to ensure that the upland communities are viable and that farmers are paid in order to protect environmental interests. That has happened and I know that farmers want to move in that direction.

**Rhodri Morgan:** There are a few extra questions from me. I would like to return to the terms that would be appropriate at the end of the discussions with the International Monetary Fund, the European Central Bank, and the British Government. Is it fair for Ireland to continue to be not just competitive,

chystadleuol, o ran lefel y dreth ar fusnesau, sy'n golygu ei bod yn anodd i Ogledd Iwerddon, yr Alban, gogledd Lloegr, Cymru ac yn y blaen, gystadlu am fuddsoddiadau newydd mewn diwydiannau ysgafn ag elw uchel, megis TGCh, meddalwedd, cynhyrchion fferyllol, ac yn y blaen? A fyddai'n weddus i Brif Weinidogion yr Alban, Gogledd Iwerddon a Chymru gael trafodaeth ar hyn, er mwyn dylanwadu gymaint ag y bo modd ar Lywodraeth Prydain Fawr, ac ar yr awdurdodau Ewropeaidd, er mwyn dweud beth sydd yn deg, gan fod Iwerddon wedi penderfynu gofyn am gymorth?

[54] **The First Minister:** Deallaf fod Ffrainc a'r Almaen wedi penderfynu dweud wrth Iwerddon bod yn rhaid iddi godi lefel ei threth gorfforaethol. Pe bai lefel treth gorfforaethol Iwerddon yn codi, buasai hynny yn help i Gymru, yn ogystal ag i'r Alban ac i weddill Prydain Fawr. Mae'n amlwg felly bod yn rhaid trafod lefel treth gorfforaethol Iwerddon yn rhan o'r drafodaeth ynglŷn â'r telerau a fydd yn dod gydag unrhyw fath o fenthyciad y bydd yn ei gael o Brydain Fawr a gweddill yr Undeb Ewropeaidd.

[55] Mae'n deg rhoi Iwerddon mewn sefyllfa lle y gall gystadlu, fel y gall dyfu ei hun allan o'i sefyllfa economaidd bresennol, ond mae cwestiynau i'w gofyn ynglŷn ag a ydyw'n deg bod y lefel isel hon o dreth corfforaethol yn aros yn Iwerddon, o gofio'r ffaith y bydd yn cael arian o'r tu allan, oddi wrth y Deyrnas Unedig a'r Undeb Ewropeaidd.

[56] **Rhodri Morgan:** Felly, nid ydych yn ymwybodol hyd yn hyn o safbwynt Prif Weinidogion yr Alban a Gogledd Iwerddon. Mae modd tybio, ond nid ydych yn gwybod i sicrwydd gan nad oes trafodaethau wedi'u cynnal hyd yn hyn.

[57] **The First Minister:** Nid oes trafodaethau wedi'u cynnal. Fodd bynnag, credaf y buasai Prif Weinidog, a Dirprwy Brif Weinidog, Gogledd Iwerddon eisiau gweld yr un lefel o dreth gorfforaethol ar draws yr ynys.

[58] **Rhodri Morgan:** A oes unrhyw beth arall y gallwch ddweud wrth y pwyllgor am y cytundeb gyda Gogledd Iwerddon yn yr adolygiad cynhwysfawr o wariant i ystyried

but hypercompetitive, in terms of its level of taxation on business, which makes it difficult for Northern Ireland, Scotland, northern England and Wales and so on, to compete for new investment in high-profit light industries such as IT, software, pharmaceuticals and so on? Would it be appropriate for the First Ministers of Scotland, Northern Ireland and Wales to have a discussion on this in order to have as much influence as possible on the British Government and the European authorities, in order to say what is fair, given that Ireland has now asked for financial assistance?

**The First Minister:** I understand that France and Germany have taken a position where they are telling Ireland that it has to raise its corporation tax. If the level of corporation tax in Ireland were to rise, it would help Wales, as well as Scotland and the rest of Britain. It is therefore obvious that we have to discuss the level of corporation tax in Ireland during the talks on the terms that will come with any kind of loan that it will receive from Britain and the rest of the European Union.

It is fair to put Ireland in a position in which it can compete so that it can pull itself out of its current economic situation, but there are questions to be asked about whether it is fair for this low level of corporation tax to remain in Ireland when we remember that it is to receive external funding from the United Kingdom and the European Union.

**Rhodri Morgan:** So, you are not aware to date as to what the views of the First Ministers in Scotland and Northern Ireland are. One could assume, but you do not know for certain because there have not been any discussions so far.

**The First Minister:** There have not been any discussions. However, I think that the First Minister and Deputy First Minister of Northern Ireland would like to see the same level of corporation tax across the entire island.

**Rhodri Morgan:** Is there anything else you can tell the committee about the agreement with Northern Ireland in the CSR to consider how it could better compete with the low

sut y gallai gystadlu'n well gyda lefel isel y dreth gorfforaethol yng Ngweriniaeth Iwerddon, a sut gellid helpu Gogledd Iwerddon i ymdopi? Yr oedd hynny'n rhan o'r adolygiad cynhwysfawr o wariant, os cofiaf yn iawn, ond nid ydym yn gwybod unrhyw beth am y manylion. A yw'r cyswllt wedi newid nawr o achos yr argyfwng ariannol yn y Weriniaeth?

[59] **The First Minister:** Yr oedd sôn am hyn yn ôl ym mis Mai, ar ôl cytundeb y glymblaid.

[60] **Rhodri Morgan:** Nid oedd yn y CSR, felly; mae'n ddrwg gennyf.

[61] **The First Minister:** Na, yr oedd ymhell cyn hynny. Ar y pryd, y sôn oedd y byddai llywodraethau datganoledig yn cael pŵer i ddelio â threth gorfforaethol. Newidiwyd hynny wrth gwrs i ganolbwyntio ar Ogledd Iwerddon. Ers hynny, hyd y gwn i, nid oes unrhyw beth wedi digwydd. Yr oedd sôn am hyn ym mis Mai a Mehefin, ond nid oes sôn wedi bod ar ôl hynny.

[62] **Rhodri Morgan:** Fodd bynnag, hyd y gwyddom, mae'r astudiaeth yn parhau?

[63] **The First Minister:** Hyd y gwyddom, ond nid oes rhagor o newyddion ynglŷn ag i ba le byddai hynny'n mynd.

[64] **Rhodri Morgan:** Daw hynny â mi at fy nghwestiwn olaf ynglŷn â'r argyfwng ariannol presennol yn Iwerddon. Wrth gwrs, nid dim ond yn Iwerddon y mae'r argyfwng; yr oedd argyfwng yng Ngroeg, mae yn Iwerddon yn awr, ac fe allai symud i wledydd eraill, megis Portiwgal, Sbaen a'r Eidal. I ba raddau yr ydych chi'n credu bod risg i'r pla ariannol ledu o un wlad i wlad arall, a sut mae hynny'n bygwth bodolaeth yr ewro neu ardal yr eurozone, neu'r holl syniad o Ewrop yn parhau i dyfu a datblygu? A fydd hyn yn cymryd drosodd o'r holl flaenoriaethau eraill a sgubo popeth arall oddi ar y bwrdd fel ein bod yn dweud, 'Dyna i gyd yr ydym yn mynd i'w wneud yw delio â'r cwestiwn mawr o oroesiad yr eurozone, yr ewro, ac efallai'r prosiect Ewropeaidd'? A fydd popeth arall, fel cronfeydd strwythurol, yn mynd allan drwy'r ffenestr gan nad ydynt yn gallu cystadlu â'r flaenoriaeth sy'n gorfod cael ei rhoi i atal y pla hwn?

level of corporation tax in the Republic of Ireland and how Northern Ireland could be assisted in dealing with that? That was part of the CSR, if I remember rightly, but we do not know anything about the details. Has the linkage changed now because of the financial crisis in the Republic?

**The First Minister:** This was discussed back in May, following the coalition agreement.

**Rhodri Morgan:** So, it was not in the CSR; I am sorry.

**The First Minister:** No, it was long before then. At the time, there was talk that the devolved governments would have the power to deal with corporation tax. That was changed of course to concentrate on Northern Ireland. Since then, as far as I know, nothing has happened on that. This was mentioned back in May and June, but there has been no talk after that.

**Rhodri Morgan:** However, as far as we know, the study is to continue?

**The First Minister:** As far as we know, yes, but we have no further details as to how that will progress.

**Rhodri Morgan:** That brings me to my final question about the current financial crisis in Ireland. Of course, it is not just in Ireland; it was in Greece, it is now in Ireland, and it could move on to other countries, such as Portugal, Spain and Italy. To what extent do you believe that there is a risk of the contagion moving from one country to another, and how does that threaten the existence of the euro or the eurozone, or the whole concept of Europe continuing to grow and develop? Is that going to take over from all the other priorities and sweep everything else aside, so that we just say, 'All we can do is deal with the big question about the survival of the eurozone, the euro and perhaps the European project'? Will everything else, such as structural funds, go out of the window, because they cannot compete with the priority that has to be given to stopping this contagion?

[65] **The First Minister:** Nid wyf yn credu bod dyfodol yr ewro mewn perygl. Y wlad gyntaf a gafodd y problemau hyn oedd Gwlad yr Iâ, sydd y tu allan i'r ewro. Nid oes unrhyw broblem ynglŷn â'r ewro. Ni fyddai unrhyw wlad fel yr Iwerddon am ddod allan o'r ewro ar hyn o bryd, a chynhyrchu ei arian ei hun, oherwydd byddai'r gyfradd gyfnewid mor wael byddai pethau'n gwaethygu yn y wlad honno. Mae'n gryfder i'r Iwerddon ar hyn o bryd i fod yn rhan o'r ewro. Nid wyf yn credu bod problem gyda'r ewro ei hun.

**The First Minister:** I do not think that the future of the euro is in danger. The first country to have these problems was Iceland, which is outside the eurozone. There is no problem with the euro. I do not think that any country like Ireland would want to come out of the euro at present and produce its own money because the exchange rate would be so poor that things would get worse in that country. It is a strength for Ireland to be a part of the euro at present. I do not think the euro itself is in trouble.

[66] Mae'r ffaith bod mecanwaith yn bodoli i helpu gwledydd fel Iwerddon a Groeg wedi dangos cryfder, ac nid gwendid, yr ewro i'r gwledydd hynny. Rhaid cofio hefyd am yr effaith ar wledydd eraill. Byddai'r Deyrnas Unedig yn gweld yr effaith yn gyntaf, yn enwedig Gogledd Iwerddon.

The fact that there is a mechanism in place to help countries like Ireland and Greece shows the strength of the euro to those countries, not its weakness. We must also remember the effect it would have on other countries. The UK would see the effect first, particularly Northern Ireland.

[67] Mae sawl rhan o Ogledd Iwerddon yn dibynnu'n fasnachol ar y Weriniaeth er mwyn gwneud bywoliaeth, gan gynnwys trefi a dinasoedd fel Newry, Strabane a Derry. Mae llawer o bobl yn dod mewn o'r Weriniaeth i siopa yn y trefi hynny, er enghraifft, ac maent yn dibynnu ar y bobl hynny er mwyn gwneud bywoliaeth masnachol. Pe bai'r niferoedd sy'n dod mewn i'r lleoedd hynny o'r Weriniaeth yn disgyn, byddai effaith mawr ar economi Gogledd Iwerddon hefyd. Mae'n werth cadw llygad felly ar beth sy'n digwydd yng Ngogledd Iwerddon er mwyn gweld beth fyddai'r effaith ar rannau eraill o'r Undeb Ewropeaidd. Byddai'r problemau'n dechrau yng Ngogledd Iwerddon, nid ym Mhortiwgal a Sbaen.

Several parts of Northern Ireland depend commercially on the Republic in order to make a living, including towns and cities such as Newry, Strabane and Derry. Lots of people come in from the Republic to shop in those towns, for example, and they depend on those people to make a commercial living. If the number of people who visit those places from the Republic were to fall, there would be a big impact on the economy of Northern Ireland as well. It is worth keeping an eye on what happens in Northern Ireland in order to see what the impact would be on other parts of the European Union. The problems will start in Northern Ireland, not in Portugal or Spain.

[68] **Rhodri Morgan:** Okay; I have finished now. There is time for a few more questions before the First Minister has to leave.

[69] **Nick Bourne:** May I come in briefly on that comment about the euro? It is not a question of whether Ireland and the weaker countries will want to remain in the euro, is it? I guess that you are right on that as, clearly, they would. The question is whether the stronger economies like Germany and the Netherlands will want to remain if this continues. Is that not the real issue?

9.50 a.m.

[70] **The First Minister:** There are issues within the euro at the moment, but I do not think they are issues that jeopardise the future of the euro. For example, business is very reliant on the existence of the euro, particularly in mainland Europe, to make it easier to trade.

Most businesses now, even those that, although not based in the UK, have outlets or factories in the UK, tend to account in euros—Ford does it. So, there would real problems for business if the euro were to splinter into small currencies once more. I do not think that there is a problem with the future of the euro, but we should be careful of thinking that the difficulties that Ireland and Greece have experienced will be experienced only by countries within the eurozone. We know that Iceland has already experienced difficulties, and as I mentioned a little earlier, Northern Ireland will be the first to be affected, because it is so dependent, particularly in the border areas, on trade with the south. For example, if you go to the city of Newry, you will find that there are two currencies effectively in use, the euro and sterling—four different types of sterling in fact—and that has been the case now for some years. I think that it is worth examining what the effect is on many of the towns and cities in Northern Ireland to see if they are—which they will be—adversely affected by Ireland’s economic condition.

[71] When the Irish Government sets a budget, it always has to keep an eye on the situation in the north. For example, when it comes to fuel duty, many people live within striking distance of the border, and if the fuel duty is too high in the south, they will just drive over the border to buy petrol. It is an old situation.

[72] **Nick Bourne:** That is true whatever the currency. You are right, and the same applies to Enniskillen, but it is not dependent on it being the euro, so much as the fact that it is a different currency.

[73] **The First Minister:** I made the point simply to say that there will be an effect on countries that are outside of the euro. The effect will not just be in the eurozone, and the UK, or part of the UK, may see the greatest negative effect.

[74] **Nick Bourne:** On Ireland, certainly.

[75] **Rhodri Morgan:** Just to follow on from Nick’s point, the line being taken publicly by Ministers for finance from Austria, Germany, Holland and, to some extent, France seems to be not quite punitive, but certainly implying that there is almost a two-tier eurozone emerging of strong euro countries and weak euro countries on the western and southern fringe. I do not know whether the eurozone can become a two-tier eurozone, in some way according to whether you are strong horses or weak donkeys—to go back to a playground activity, now banned under health and safety regulations, that caused great amusement in my school 50 years ago, and which some might remember. You are almost into that strong euro/weak euro two-tier eurozone, emerging at the moment.

[76] **The First Minister:** It is difficult to see how that would work. The euro needs Germany. Germany is so large and its banking system is so robust that the savings that are put in German banks by German people have often paid in the past for the credit available to other countries in the eurozone. It is difficult to imagine there being a two-tier eurozone because, without the Germans, and to a lesser extent perhaps the French, I do not see how it would work.

[77] **Rhodri Morgan:** No, but it seems to be emerging almost by accident currently, does it not? There is a fear of contagion, a fear on the other side of the table that the overall strength of the euro is being undermined by the weaker currencies, as there was at the beginning of the euro in January 1999, before the Assembly came into existence. Currency speculators at the time liked the deutschmark because it was rock solid, but they did not like the euro, because it was a rock-solid deutschmark undermined by a fatal association with the Irish punt, the Portuguese escudo, the Italian lira or the drachma—they just did not like it. That is why sterling became so strong for a while, because people preferred it to the base-metal deutschmark that was the new euro. The euro is now stronger than sterling, but then

again, this fatal undermining of the euro by association with the punt and the drachma and the escudo under the surface—the drachma above all—is still there mentally, is it not?

[78] **The First Minister:** Well, I think that the financial markets are very keen to see action being taken to deal with countries in the eurozone that are in financial difficulties. The euro did weaken when there was uncertainty over the future of Greece. Once that was dealt with, the euro strengthened again. The same thing has happened with Ireland. The markets and investors need to see strong action being taken to stabilise economies that are within the eurozone. It was easier to do it with Greece and Ireland; if Spain and Italy find themselves in the same situation, then it becomes exceptionally difficult.

[79] The question then arises of whether the euro—in other words, the Germans and, effectively, the German banking system—can actually provide the same level of financial support to the bigger economies in the eurozone as they have to Ireland and Greece. I think that the answer to that has to be ‘no’. However, that is why it is crucial, as the ECB have seen—that is the European Central Bank, rather than the England and Wales Cricket Board—to contain the economic difficulties in the smaller eurozone economies. Portugal is probably in that category, but Spain is not. If the difficulties spread to Spain and Italy, then there will be some serious issues with regard to how the eurozone can be stabilised.

[80] **Rhodri Morgan:** We have seen this finger-wagging tendency among the ministers for finance of Germany, Austria and Holland towards the Greeks, the Irish and so on. You cannot really run the euro on the basis of finger-wagging by the strong against the weak.

[81] **The First Minister:** No, is the simple answer to that. I think that what will happen is that those countries that are stronger financially will want to see some kind of commitment by the weaker countries in the eurozone to deal in the longer term with their economic difficulties. In other words, no loan will come without strings attached. I think that that is inevitable. It is very difficult to see the single currency zone operating at two speeds, and I hope that that does not come about. I hope that we see a situation in which Ireland is the last country where these difficulties are witnessed, and that the zone will stabilise so that the contagion, as it is being called by other people, does not spread, particularly not to Spain, although there is talk of Italy going the same way. Italy, of course, is a G8 country, and if it finds itself in the same economic situation as Ireland, then there are consequences, not just for Europe, but potentially for the economy of the whole world.

[82] **Rhodri Morgan:** Are there any other questions? I am sorry that we have not enabled your officials to make a contribution this morning. I do not know whether any of them are desperate to say anything before we finish.

[83] **The First Minister:** I do not think that they have a view on the rate of corporation tax in Ireland.

[84] **Rhodri Morgan:** Diolch yn fawr, Brif Weinidog. Os oes sylwadau munud olaf yr hoffech eu gwneud ynglŷn â'r trafodaethau rhwng Cyngor y Gweinidogion a Senedd Ewrop ynghylch y gyllideb ar gyfer y flwyddyn nesaf a'r blynyddoedd i ddod, byddai'r pwyllgor yn ddiolchgar iawn o'u cael.

**Rhodri Morgan:** Thank you very much, First Minister. If there are any last minute comments that you would like to make about the discussions between the Council of Ministers and the European Parliament on the budget for next year and subsequent years, the committee would be very grateful to have them.

10.00 a.m.



**Ymchwiliad: Cyfranogiad Cymru yn Rhaglenni Cyllido'r UE: Rhaglenni Dysgu  
Gydol Oes: Casglu Tystiolaeth  
Inquiry: Welsh Participation in EU Funding Programmes: Lifelong Learning  
Programmes: Evidence Gathering**

[85] **Rhodri Morgan:** Thank you, Deputy Minister, for coming along this morning to contribute at a critical moment to our inquiry into the non-CAP, non-structural funds aspect of European funding and how Wales is performing, or has been performing, and how we might be able to conspire to do better than that in the future, especially in the context of the intention of transformation of the Welsh economy in the direction of becoming more of a knowledge economy and less of a top-slice economy.

[86] We have seen your paper, but we would like you to introduce your team and make any provisional comments or opening comments, supplementary to your paper, before we start opening it up for questions.

[87] **The Deputy Minister for Science, Innovation and Skills (Lesley Griffiths):** Thank you, Chair, and thank you also to members of the committee for the opportunity to participate and contribute to your inquiry.

[88] On my left, as requested, is Professor John Harries, the first Chief Scientific Adviser for Wales, who was appointed earlier this year. Also with me are policy officials from both the Department for the Economy and Transport and from the Department for Children, Education, Lifelong Learning and Skills; on my right are Dr Alastair Davies and Susan Edwards.

[89] I will just say a few words to introduce the Welsh Assembly Government's written evidence, and then I will hand over to John, who I think will be able to offer a very useful insight from his own professional experience.

[90] Members will probably be aware that I chaired a research and development review panel earlier this year, which made a number of recommendations on how research and development in Wales could be developed. One of the recommendations was that we should ensure that there was an increase in Welsh participation in the EU framework programmes. Officials are currently working through the recommendations, and I will be monitoring progress on a quarterly basis. The Welsh Assembly Government is an active player in ensuring that take-up improves, by raising awareness between academia and businesses about available support and funding, along with information about calls for bids for research funding. Within the economic renewal programme, we said that our role would be to increase the level of research and development in Wales, and that we will focus on developing the infrastructure to enable businesses to flourish.

[91] Thank you again for the work that you are undertaking. I look forward to your recommendations being given to the Welsh Assembly Government in due course.

[92] **Rhodri Morgan:** Do either of the officials or John Harries, as chief scientific adviser, want to make some opening comments?

[93] **Professor Harries:** Yes, very briefly, Chair, if I may. First, thank you for inviting me. It is very interesting to be here; my first experience of this sort of torment. The first point that I wanted to make was that we are setting up a new Science Advisory Council for Wales to advise me, as chief scientific adviser, and then the Government. The issue that you are dealing with now will, of course, be one of the issues at the top of our minds in that council. It is an independent body made up of scientists, engineers and industrialists from around Wales

and from parts of England, and it will be coming forward with something of an independent view about the issue that we are addressing during the next six months. That is worth pointing out to you.

[94] The second point that I would make is that I have done an amount of work so far on analysing several aspects of research and development in Wales. I have performed a small analysis on the figures that you have available in the documentation, which shows Wales performing in terms of income gained per head of population, or income gained divided by the number of universities—I can give you these numbers later if you are interested—on a par with north-east England and Northern Ireland. It also shows Scotland, with roughly just under twice our population, gaining 4.5 times the income. When you work out the ratios, you see that it is doing 2.5 times better than we are. One of my propositions to the new council, and to you, will be that we should use Scotland as the model that we are trying to aspire to, not north-east England or Northern Ireland—nothing against either of them.

[95] The third point is this: what can we do? I am sure that your questions will cover that, so I will not say too much, but from my experience, there are processes and procedures that we can hope to apply, which should make a difference. It may be inappropriate to go through those now, but to wait for your questions. I am not sure how—

[96] **Rhodri Morgan:** I am sure that it will emerge in questions. I have a couple of questions to open with, and then Jeff Cuthbert, Nick Bourne and Rhodri Glyn will come in. We will see how it opens up.

[97] Could we get a feel from you as to the divide between academia and the private sector, insofar as the private sector does, or is capable of doing, research and development in Wales? Sadly, it is not a big tradition in Wales, where there has been a production-oriented economy, rather than a research-and-development-focused economy, in the past, going back hundreds of years. Where is the big, biggest or bigger deficiency? Is it that our higher education institutions do not punch above their weight, or that the research-and-development-capable private sector, whether that is small and medium-sized enterprises or large multinationals, like EADS, are underperforming? Which is underperforming the most? Where should we be paying most attention to try to jack up the Welsh share?

[98] Secondly, I have a question on the bits that are not directly involved in science—the lifelong learning areas of these non-structural funds, non-CAP European programmes. On the lifelong learning side, we seem to be doing okay, but of course you are only talking about pennies rather than mega-bucks there. However, are there any comments that you want to make about how lessons to be learnt from how reasonably well we are doing on lifelong learning might possibly lead across into the more STEM-oriented parts of the subject of the inquiry?

[99] **Lesley Griffith:** I think that it is probably a mixture of both. Certainly with HEIs, one thing that came out in the research and development review panel was that they need to collaborate more. We do not want to see two of our largest universities, Cardiff and Swansea, competing against each other. It would be much better if they collaborated. We have seen some evidence of good collaboration, particularly between Cardiff and Bristol universities. We could punch above our weight a bit more by collaborating, having much more high-quality bids and much larger bids. I think that that is what the framework programmes want.

[100] In relation to the private sector, again, we need to see academia and business working together much better. There are examples of such collaboration; in EADS and Tata we have two really big companies that do such work. However, I think that we need to focus on that. I will bring John in on that issue, and perhaps Susan on the lifelong learning programme, on which, as you say, we have had some success.

[101] **Professor Harries:** Briefly, on the HEI/industry split, the HEI picture is very variable, depending on which university we are talking about. Cardiff University is doing better—I think that the numbers support that—than some of the others. However, there are things to bear in mind and note about some of the figures. For example, in the case of Cardiff, which is, I am sure, doing very well, a lot of the income, or a lot of the cases, are quite small value cases—they are Marie Curie Fellowships, which are very good and eminent, but do not bring in a lot of cash. Cardiff is, undoubtedly, well engaged with Europe, and knows, or is beginning to understand, the games that you have to play and the techniques that you have to use in order to succeed. So it is a success, but I would like to see it becoming a success with the big projects, where we work with Cambridge, Edinburgh or whoever—the good people—on very large research programmes. It is not, in my view, doing enough of that, although I am sure that it wants to.

[102] I cannot go into too much detail on the other universities, but my impression is that they are a step further back and they need to be helped more in order to get into EU activity and success. Success really does breed success in this area. Once you are successful, you start to know the tricks that you play and how to approach things; you know people and you make contacts, which should go on. So, I think that there is a difference there.

10.10 a.m.

[103] As far as industry is concerned, I think that the Deputy Minister has said it all. From my touring of the country so far and speaking to hundreds of people, I would say that there are some really hot centres of excellence. I made a visit to EADS last week, and I could go on about that for a long time. It is extremely good and world class. However, we are not coupling those centres of excellence with universities as well as we ought to. I have a slight feeling that HEIs are possibly resting on their laurels slightly, because other ways of funding may be somewhat easier to get. This research and development business with framework programmes 7 and 8 is hard work, and so you really have to go through it with the right sort of team structure and be committed to the huge bureaucracy and all the other things.

[104] **Rhodri Morgan:** I do not think that anyone doubts that it is a pain in the backside to get FP7 and FP6 funding, and that it requires a willingness to go through all the painful hoops of getting two other member states involved and so forth.

[105] **Professor Harries:** It is the same for everyone, and we just have to accept that.

[106] **Rhodri Morgan:** However, we all recognise that the bureaucratic process is painful, so why is it more painful for Wales than it is for Scotland?

[107] **Lesley Griffiths:** It is not. There is a level playing field and I think that it is just a matter of using best practice and learning which phrases it wants to hear. It is specific about the language to use in preparing the bids, and I think that it is just a matter of getting used to that.

[108] **Ms Edwards:** I think that it is true that we need to get smarter as you said, and the lifelong learning programme is peanuts compared with some other European funding. There is some good work out there. For example, Deeside College has had Leonardo funding to do transfer of innovation, and Cardiff University has had funding from the programme in the past for work on nanotechnology. However, there is more, and the bottom line is that there is a lot more that we can do to understand where the lifelong learning programme, in its small way, can plug the gaps or help to support. It is actually an easier ride than applying for FP7, but it is about how we can support the research and development agenda, and I think that that is essentially through closer working between the officials who deal with the other programmes.

[109] **Rhodri Morgan:** Okay. My last question is on pump-priming, and what the Assembly Government, through its higher education funding or through some other funding mechanism, can do to assist—by taking the horse to water, as it were. Is there a case for a pump-priming fund of some description, which could make it easier for the private sector to meet its costs for unsuccessful bids or even the overhead costs of preparing a bid that is successful? If you win only one in three, five, seven or whatever, that means quite a lot of lost expenditure. In Scotland, they do extraordinarily well out of research council funding, and the research councils do fully refund overhead costs. Is that one reason why they are able to carry the high bureaucratic application costs for FP6 and FP7, because they do exceptionally well—twice as much as their population share would lead you to expect? The full overhead recovery from research council funding means they have a little money in the kitty that they can use to speculate on FP6 in the past, or FP7 funding. The college or university finance officer is not going to be saying, ‘Hey, I do not want you to be applying for too many of these European funds because you win only one in six, and there is a huge amount of wasted effort here, which we cannot afford’.

[110] **Lesley Griffiths:** We could look at that. Under the LLP, my colleague Leighton Andrews, the Minister for Children, Education and Lifelong Learning, has just agreed to pump-prime a mobility co-ordinator at further education level, so it might be worth seeing how that pans out, and then maybe we could look at the issue.

[111] **Rhodri Morgan:** Does anyone else want to come in on that?

[112] **Dr Davies:** Scotland has been quite successful at removing some of the barriers to applications, especially with smaller businesses, and we do have an equivalent here in Wales—

[113] **Rhodri Morgan:** Through a pump-priming fund, do you mean?

[114] **Dr Davies:** Yes, it is a pump-priming fund. It is a small fund, called the Wales/European collaboration fund, and I believe that Cardiff University might have brought this committee’s attention to it. That is designed to help people to travel to meet partners, and it can also provide funding to get expert bid writers in to increase the chances of success.

[115] **Lesley Griffiths:** It is also to enable overseas travel to meet people, but it is a very small fund.

[116] **Rhodri Morgan:** Somebody ought to do a degree in bid writing—script writing and bid writing. Script writing for *Doctor Who* and bid writing for FP7. I think that that would be a very good degree course.

[117] **Professor Harries:** Fictional writing, perhaps.

[118] **Jeff Cuthbert:** Or creative writing.

[119] **Nick Bourne:** That would do for *Doctor Who*, as well.

[120] **Professor Harries:** I know that the EU is concerned about these overheads, and is talking—but only talking so far—about cutting down on the bureaucracy. It recognises that, pan-Europe, this is a heavy cost to bear of the lack of success and wasted effort. The pump-priming activity that you are talking about strikes me as one of the most cost-effective things that we could think of doing.

[121] **Rhodri Morgan:** It would give leverage, so that the few pennies would produce

pounds.

[122] **Professor Harries:** Yes. As far as Scotland and Wales are concerned, they have various schemes in Scotland, they do quite a lot of imaginative things, and they have a new scheme for powering up physics across all their universities, for example, which we could look at.

[123] **Rhodri Morgan:** Sorry, I did not quite catch that—powering up what?

[124] **Professor Harries:** They have got a pan-Scotland initiative in physics, and they regard all their physics departments—

[125] **Rhodri Morgan:** Oh, ScotCHEM, SUPA for physics, and something similar for maths.

[126] **Professor Harries:** Yes, exactly. So, they are being imaginative about it, but—

[127] **Rhodri Morgan:** Well, those titles are not that imaginative but never mind. We will live with that. The idea is imaginative.

[128] **Professor Harries:** The point that I wanted to make was that, as far as Scotland and Wales are concerned, I think that it is partly what you said about creating a bit of reserve out of the research council money, which they can use, but more importantly, it is about their attitude of mind, their mental approach. They are not frightened to go for the EU things, and success breeds success. I feel very strongly that we have a job to do in Wales to turn around some of the attitudes within academia, so that they are better prepared to have a go at this big megalith. If they succeed, the rewards can be very considerable.

[129] **Jeff Cuthbert:** Thank you for the paper, Lesley. This inquiry is not about structural funds. We have made that clear. Nevertheless, what has been said to us on a number of occasions by presenters on FP7, thinking of the future on FP8, is that because all of Wales is covered by structural funds to one degree or another, whether convergence or competitiveness funding, the eye has been taken off the ball of other funding streams, particularly in higher education and indeed some of the larger private companies. Do you think that that is a factor and what lesson does that hold for us? For example, on the application process, the Welsh European Funding Office has to follow the rules laid down by the Commission but it has nevertheless been able to improve the process considerably for structural funds. So, do you think that there could be scope for greater collaboration and shared experiences to get the very best out of structural funds and schemes such as FP7 and FP8?

[130] **Lesley Griffiths:** Yes, I do—that is the short answer. I think that going for structural funds builds HEIs' capacity to go for further funding, so I think that it is useful in that respect. We were talking about this very issue before, and I think that Alastair is probably better able to answer you on that one.

[131] **Dr Davies:** It is undoubtedly easier to compete for a pot of funding within Wales than with the rest of Europe. That much is obvious. So, perhaps there is a case for saying that if you have only five chances to apply for funding, you should probably consider structural funding a top priority rather than research funding, which is harder to win. However, structural funds could undoubtedly be used better to increase capacity within facilities and to get experienced people within universities to give groups a better chance of being successful in the future. That is possibly a lesson that could be taken on board, with a view to what the HEIs and perhaps businesses will do with that funding once it stops? How will it put them in a better position to win supplementary sources of income in the future?

[132] **Lesley Griffiths:** We have done very well from FP6 and FP7, just not as well as we should have done. If you look in the field of biosciences, where we have 15,000 people working in Wales, you would see that a lot of the funding for research and development has come from there. However, 2.1 per cent is not good enough, and we appreciate that. We do have to up our game, and collaboration is definitely the way forward.

10.20 a.m.

[133] **Jeff Cuthbert:** Okay, on that point, we have had excellent evidence of some very good projects from individual HEIs, but as you say, the overall figure of just over 2 per cent is not acceptable. We do not want to repeat that in FP8. Structural funds could come to an end. We do not know about transitional arrangements yet, but that funding stream may not be available to Wales after 2013. Nevertheless, a lot of expertise has been built up in dealing with that, and it would seem to me eminently sensible that we tap into that expertise. I know that there are differences with FP7 and FP8 and that they are not just restricted to collaboration with organisations within Europe; it can be worldwide. Nevertheless, in terms of the application process, there have to be lessons that can be learned, particularly in promoting the STEM subjects, which, as you know, form part of a project that is going on with the Enterprise and Learning Committee right now.

[134] **Lesley Griffiths:** I absolutely agree with you. We will be looking in the research and development review panel recommendations at how we can keep that expertise because, as you say, we do not know what is going to happen after 2013. So, we need to be aware of that.

[135] **Professor Harries:** I have a brief comment from a structural point of view that you raised earlier. I have studied what has gone on so far, and I wanted to emphasise again Alistair's point. It is possible that structural funding, although extremely important—I would not for a minute want to do without it at the moment—is easier to get in an absolute sense. If you are talking to an academic about how they are going to get money to support their research group, they will probably say that they are tending not to go for the much tougher competition of FP7, FP6 and FP5 if they have an alternative route to funding. It is just human nature. So, to some extent, we have to try to get the hearts and minds of scientists and engineers in Wales, to get them to understand the importance of going for these additional funds in the research programmes.

[136] **Nick Bourne:** Thank you very much, Lesley and the team, for your presentation. I want to follow on from the point that you mentioned about collaboration between HEIs and how important it was for it to be agreed, including agreement with business. When Aberystwyth University came to speak to us, its representative made great play of what the university thinks is a need for a special vehicle, involving the Welsh Assembly Government, to bring all those people together. It strikes me that that might be quite useful, because it probably does need a bit of a nudge.

[137] Secondly, following on from John's comments, I am sure that it is absolutely right that we make the comparison with Scotland, and not with Northern Ireland or the north-east of England, for very obvious reasons. I understand that they are in a competitive position, but there is a UK dimension and the possibility, presumably, of collaboration with HEIs and businesses in Scotland. Are we talking directly to Scotland, learning their lessons, and trying to find out how it is that they are so successful, because they are punching above their weight and we are punching below ours?

[138] **Lesley Griffiths:** The idea of a special vehicle is something that we could look at. I mentioned Tata and EADS, so perhaps we should be doing more to encourage, as you say, a special vehicle. The problem is also that much of the research and development done in Wales is not accounted for in Wales. EADS is an example, as it is accounted for in England,

so we probably need to look at that issue a bit more. I think that John could say something about Scotland.

[139] **Professor Harries:** One of the themes that I have tried to adopt, and which will go into the council debate starting just next week, is the fact that, quite frankly, we should be more impressed by a proposal from a Welsh university that is with top class universities elsewhere, such as Cambridge, Oxford and Imperial—I will not go into the other possible arrangements. So, we really have to get our top universities looking outwards and working with the best. I hear an awful lot of people saying, ‘What we are doing is world class’. Some of it truly is world class, though some of it is not. There is too much playing with semantics going on. It is just a waste of words. To prove that we are world class, the proof of the pudding—and this is also extremely useful in getting into FP7 and FP8—is to go into large collaborative research and development programmes—not fellowships, but programmes—with the best in the world. I think that some of our universities and some parts of our universities are at that level. They can do that, but they have actually to do it. They have got to get into bed with or work with—whatever phrase you want to use—the top-class people on a big, important programme that has overheads, go for it, and succeed that way.

[140] **Nick Bourne:** That is great, and I do not disagree—I am sure none of us would—but how do we facilitate that contact with Cambridge, Oxford and the Imperial?

[141] **Professor Harries:** We have to create an atmosphere. The short answer to your question is: it seems to me the support that is already given by the Assembly departments can, in a fairly minor way, be expanded and work with the universities to make these liaisons. They can do a lot of it themselves if they recognise that this route is being encouraged. They should have contact with people in—

[142] **Rhodri Morgan:** I will come in on this, and I see Eleanor wants to come in on this, too. It is Rhodri Glyn’s turn, but I will just follow this up, if Rhodri Glyn will excuse me for doing so.

[143] What you are told to do as regards FP7 and FP6 is not first of all to look at tying yourself in to or becoming a part of a Cambridge-led, Imperial-led, Oxford-led project, but to become part of a Sorbonne-led, a Göttingen-led or a Tübingen-led project. In other words, a top-class university, but in another European country. What you may have in mind is that you should ally yourself with Imperial College London on a big bid, which also has a hook-up with at least one other member state, through either a private sector company or a university.

[144] **Professor Harries:** I think that I may have misled you. I did not mean to say that this was limited to England. I was just using Cambridge as an example of a body external to Wales that is undoubtedly world class, and that is my only criterion. They can, and should, come from all over Europe—

[145] **Rhodri Morgan:** They have to. You do not get anything under FP7 unless you have at least two, and preferably three or four, member states involved.

[146] **Professor Harries:** I agree. I am not disputing that, but you also have got to bear in mind the true excellence of the institutes, and there are not a lot of universities in the rest of Europe that are as good as Cambridge.

[147] **Lesley Griffiths:** As Nick asked, I, too, would ask how we can do it. I think that the Welsh Assembly Government has a role as an enabler, and I think that John’s appointment was very important. We are the only region that did not have a chief scientific adviser. Scotland has got two, and I know that the Chair was previously very keen on having one in Wales.

[148] **Rhodri Morgan:** Eleanor, is your question specifically on this, because—

[149] **Eleanor Burnham:** Forgive me; I had to do something else with another committee this morning, so I apologise that I have not heard your words of wisdom. Looking in as a layperson, it is a chicken-and-egg situation, is it not? Basically, many institutions in Wales probably do not have the money that the larger institutions of global capacity that you have described have. That is the whole point, is it not? How do you break into this circle of excellence? You are talking about China and India now, and all those global players. Are you here to help them, to hold their hand even?

[150] **Professor Harries:** The council, which is to meet for the first time next week—perhaps you missed that—is to advise me. That is one of the issues on our agenda.

[151] **Eleanor Burnham:** Fantastic. So, we are going to break into that circle and elevate the global—

[152] **Professor Harries:** It is also important to add that there are these quite heavy bureaucratic costs. You need to have a certain amount of money to start with, but the costs are not that great. The paper has a figure of £40,000 for the bureaucracy associated with preparing a big proposal. Compared with the millions that we can win in these contracts, we should not think that they are overwhelmingly large sums of money. They need to be there, I agree, and we will work with the universities to try to identify how they can get that sort of support.

10.30 a.m.

[153] **Rhodri Glyn Thomas:** In terms of this scenario of excellence that you are describing, I can see that as being relative to Cardiff and maybe Swansea, but I am not sure about the other universities in Wales. When you look at some of the newer universities, including Glyndŵr and Trinity St David, surely that scenario is not something that you would look at in terms of their participation in framework programme 7.

[154] **Professor Harries:** I understand your point entirely. There are horses for courses when we are talking about the HEIs in Wales, and some of the universities are excellent at communicating with industry—Glyndŵr is one such university. It is doing a fantastic job of working with industry, but it is probably not going to produce Nobel prize winners. I hope that it will prove me wrong, but I doubt it. As far as the major research universities—if you want some way of describing them—are concerned, Cardiff is clearly out in front, but there are substantial centres in Swansea, Bangor and Aberystwyth. I know all of these universities from before and I have visited them all. There are some genuine centres of excellence and more than one in each institute that, with fostering, would be quite capable of playing the game at the top table, which is what I am talking about.

[155] **Rhodri Glyn Thomas:** The point that I am trying to make is that, side by side with that scenario, there is another one that we should perhaps be looking at. You have mentioned the four traditional universities in Wales as being centres of excellence. In terms of some of the other HEIs in Wales, should we be looking to those countries or regions with which we have a memorandum of understanding for opportunities to develop the research programmes that could be applicable to FP8?

[156] **Professor Harries:** Sure; that is one possibility. Another possibility is to come back to European programmes and recognise that many European programmes are not ones that are addressing front-ranked fundamental research in science or engineering. They are actually talking about how science and engineering attaches to some particular issue or problem, like



food production, clean water and so on. Our universities that are not necessarily top-ranked research universities—Glyndŵr is one example and Glamorgan is another—often have strengths in those areas that would make them a very good fit for some certain of the European programmes that are announced. The European programme is a very wide one; it is a very wide church. It is a lot of work, but, in principle, there is room for the best of our top-ranked research universities and the best of our universities that are working with industry or are predominantly teaching universities and so on.

[157] **Rhodri Glyn Thomas:** I have a question for the Deputy Minister. If we take the draft budget as the basis for looking at the potential settlement for HEIs in Wales, do you think that there are implications in terms of that settlement as to how those institutions will be able to compete in Europe?

[158] **Lesley Griffiths:** I am sure that it will have an impact. It will be up to them to decide how they use that budget. As John said, £40,000 is not a huge sum of money when you are talking about the millions that it will bring in, but if an institution that is looking at its budget very closely were short of £40,000, that could be a barrier to it.

[159] **Eleanor Burnham:** Again, I apologise for my absence; I had duties elsewhere. You might have alluded to this, but, dare I say, there was quite an intake of breath last week when another former Minister happened to mention something about techniums. We have one in north Wales, in St Asaph. How are you hoping to plug the gap, now that some of these techniums are going to be closed, in terms of continuing to develop research and development on a global scale, which you mentioned, Professor Harries? Some of these techniums are doing cutting-edge research and development work. Do you now believe that you are going to be able to entice some of the universities to work a little bit closer with industry? I am not criticising, I am just asking the general question, because it came as quite a shock to some of us that these techniums will be shut, having had, quite rightly, a considerable focus a few years ago.

[160] **Lesley Griffiths:** You referred to the one in north Wales, OpTIC Glyndŵr in St Asaph, which will be remaining open. We certainly need to do more to encourage businesses and universities to work with techniums and I will be making a further statement on that.

[161] **Rhodri Morgan:** Let us come back to the issue of Scottish success in this area, paralleling its success in obtaining research council funding, and some of the points that John Harries was making about allying some of the leading teams in Wales with world-leading universities, which may be the big four or five in the south-east of England. It seems to me that these alliances could be quite successful because the universities like Oxford, Cambridge, Imperial and UCL have a big cost problem in that they find it easy to attract world high-fliers because of their names, but they find it difficult to keep their post-doctoral researchers once they reach about 30 years of age because it is impossible to get onto the property ladder in Oxford, Cambridge or London on public sector salaries. Therefore, you can see that if you can provide the ability to recruit and to hold on to post-doctoral researchers who can then work with the world high-fliers, this has the potential to be quite a useful marriage. One of the reasons why Scotland is so successful is that it has at least two universities, namely Glasgow and Edinburgh, which can attract world high-fliers and there are reasonable property prices in the area. I know that prices in parts of Edinburgh are ludicrous, but, nevertheless, within reasonable travelling distance of Edinburgh you have low property prices that they cannot compete with in London, Oxford or Cambridge. They are probably the only universities of which you can say that they can attract world high-fliers and keep the 30-something post-doctoral researchers who want to have a couple of kids and have a foot on the property ladder on a public sector salary. Cardiff might be able to get to that stage of being able to attract world high-fliers, but it is possibly not quite on a par with Glasgow and Edinburgh as yet.

[162] **Professor Harries:** Yes, that is a very important point. Coming from Imperial College London, it is a major consideration. We have lost excellent people. It is particularly at the post-doctoral stage, as PhD students are somewhat insulated, and then the early lecturer stage. When we win a lectureship post at Imperial, it is only a tiny part of the battle. The battle is then to attract someone in at that young age, with young children and so on, partly because of the sheer cost and also the quality of life. So, I think that we have got a major advantage or selling point, but we need that to go along with the identification of centres of excellence in Wales. Let me say that I am Welsh—my father and grandfathers and so on were Welsh—and I feel that one of the reasons for this is that people in Wales are not bragging enough. They are not telling the world when they are good and they are telling people too much that they are world-class when they are not. I am being completely honest with you. Maybe I should not be. I am a complete novice in all this, so I am probably saying all the wrong things, but there is a real issue there. There are too many people who are not in the top category saying, ‘We are world-class.’ It is very easy to say. However, for those people who are top-class, we really have to get the message out. If you can get the message out that there is a centre of excellence in Bangor and Aberystwyth for ecosystems environment, which there is, but I do not think that the message has got out, and spread the message about the quality of life experienced living there, then you have a winning formula. I think that your point is quite right and I think that there are prospects.

[163] **Lesley Griffiths:** Following on, I think that it is a very good point that you raise. I was speaking to a professor in Cardiff in the cancer research centre who was from Cambridgeshire, and he came to Wales because of the very things that you mentioned: quality of life, the centre of excellence and the standard of living for him and his family. If we are to encourage more people to come, I think that it is an advantage that we are not playing to as fully as we should be.

[164] **Rhodri Morgan:** Indeed, we are too modest. The Welsh problem is the opposite of the famous statement about the conceited person who says, ‘Yes, my problem is that I am conceited, if it was not for that I would be perfect’. Our problem in Wales is that we have to turn that on its head, do we not?

10.40 a.m.

[165] You mentioned EADS and the campus in Newport, which is amazing, but we are also trying to encourage SMEs. Most SMEs in Wales would have forty fits if you were to suggest that they work with a foreign university somewhere in Europe that they have not heard of on an FP7 or FP8 application, but, somehow or other, similar SMEs in Holland and Germany do not seem to have that fear. How do we get the balance right between the big companies and the SMEs? How do we overcome the fears of SMEs that ‘Yes, I have this wonderful idea, but I am not bloody sharing it with anybody else because they will pinch it before I have got my patent sorted out’? What about intellectual property protection?

[166] **Lesley Griffiths:** Alastair wants to come in on this, but you are right. Again, the Government has a role to play in targeting communications, for instance, to tell SMEs what is going on, what bids are out there and what calls are out there.

[167] **Dr Davies:** Yes, it is a very good point; it is very difficult but it is quite possible. We have experience this year of working with a company at Cardiff Gate—Utility Partnership Ltd—which is involved in smart metering. We have helped it put together a 14-partner consortium FP7 bid worth, I believe, around €9 million in total, although not all of that, of course, goes to UPL. It is a small, very ambitious company, and the consortium, I think, spans six countries. So, it is possible. It takes quite a bit of work—

[168] **Rhodri Morgan:** How did you solve the question of who gets the IP protection

potential profits at the end of business emerging from all of this?

[169] **Dr Davies:** John might have another opinion on this, but the importance of ownership of IP is sometimes less of an issue for businesses than for universities. I think that the traditional issue has been universities perhaps over-valuing IP. For a number of sectors, where market conditions move very quickly, IP is not a big issue. In smart metering and smart telecommunications, things move so quickly that, by the time your patent has come through, you are on to the next generation of technology. So, it is not as important there as it would be in pharmaceuticals, where it is of critical importance.

[170] **Rhodri Morgan:** I was about to raise the issue of pharmaceuticals. I am aware—we are all aware—of press releases from the Cardiff University Welsh School of Pharmacy about cures for shingles, cures for Alzheimer’s, and other programmes, some of which are to go to market within the next two or three years, and some of which may be 15 or 20 years away. If you were working, like Professor McGuigan is working, in a pharmacy department in Cardiff on a cure for shingles, for instance, that is quite a near market project, which is trying to raise venture capital at the moment, what is the relevance of an FP7-type project? It sounds great—an ideal candidate for FP7, you would think—but is it really? They are concerned about whether they can raise venture capital, and whether they can keep all the knowledge that they are accumulating so that they make some profit to justify the research efforts. They are not concerned about sharing it. They want to share it with the patients when they have finished developing it, but they do not want to share it now, because a big pharmaceutical company would pinch it off them. How do you deal with IP protection when you have a pre-revenue that is in the venture-capital-raising stage?

[171] **Professor Harries:** It is really a balance. It depends. If it is very near term, the obvious thing is to preserve the IP and to go for commercialisation on a rapid basis. If it is very long term, I think that it is far more appropriate not just to go for EU funding but for research council funding in the UK. The new council has the deputy chief executive of the Medical Research Council as a member, which should be very useful. I think that it is somewhere in the middle; the call is much more difficult. We have to trust the companies and the universities to think for themselves, to some extent, to form alliances and to seek whatever funding is appropriate to their work. I do not think we can be too prescriptive in that very difficult area. I think that most countries have found the same thing.

[172] **Rhodri Morgan:** As there are no further questions, I thank the Deputy Minister, John, Alistair and Susan for their attendance and contributions this morning. We will send you a transcript for you to correct any problems of accuracy and so on.

[173] Diolch yn fawr am eich cyfraniadau. [174] Thank you for your contributions.

[175] Before we finish, we will just run through the issue of the appointment. Is there anything more that we need to say about the appointment of Liz Mills, Lara? It is all approved, is it? Fine, I am sure that she will be able to help us enormously.

[176] The only other thing that I wanted to mention was that we had a remarkably good attendance for an informal meeting on Thursday, 11 November for the briefing on the cohesion report. It was a very good attendance from Brussels but a good attendance by our membership as well, to hear what was said on cohesion and the points that were raised earlier by Jeff and others. Things seem to be going our way, unless it all gets washed over by the deluge from the financial crisis, which is possible—events are moving so quickly that you keep thinking ‘Oh well, all bets are off. Where are we going to be next week?’

[177] Are there any other points? No? Okay, thank you. The meeting is over. We will see you in Brussels the week after next.

*Daeth y cyfarfod i ben am 10.47 a.m.*  
*The meeting ended at 10.47 a.m.*