



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

## [Y Pwyllgor Menter a Busnes](#)

## [The Enterprise and Business Committee](#)

24/02/2016

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mick Antoniw	Llafur
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Labour
Rhun ap Iorwerth	Plaid Cymru
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	The Party of Wales
Mohammad Asghar	Ceidwadwyr Cymreig
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Welsh Conservatives
Jeff Cuthbert	Llafur
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Labour
Yr Arglwydd/Lord	Plaid Cymru
Elis-Thomas	The Party of Wales
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor)
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Welsh Conservatives (Committee Chair)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Welsh Liberal Democrats
Joyce Watson	Llafur
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Labour

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

Ella Davidoff	Pennaeth Datblygu Polisi a Rhaglenni, Llywodraeth Cymru Head of Policy and Programme Development, Welsh Government
Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (the Minister for Economy, Science and Transport)
Teresa Holdsworth	Dirprwy Gyfarwyddwr, Ymgysylltu a Chyflogaeth Ieuencid, Llywodraeth Cymru Deputy Director, Youth Engagement and Employment, Welsh Government
Julie James	Aelod Cynulliad, Llafur (y Dirprwy Weinidog Sgiliau a Thechnoleg) Assembly Member, Labour (the Deputy Minister for Skills and Technology)

James Price                      Dirprwy Ysgrifennydd Parhaol, Llywodraeth Cymru  
Deputy Permanent Secretary, Welsh Government

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

Rachel Jones	Dirprwy Clerc Deputy Clerk
Andrew Minnis	Y Gwasanaeth Ymchwil Research Service
Gareth Price	Clerc Clerk
Anne Thomas	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd rhan gyhoeddus y cyfarfod am 10:24.*  
*The public part of the meeting began at 10:24.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon**  
**Introductions, Apologies and Substitutions**

[1] **William Graham:** Welcome now to the formal session of our committee. I have apologies from Gwenda Thomas and Keith Davies. The meeting is bilingual and headphones can be used for simultaneous translation from Welsh to English on channel 1, or for amplification on channel 2. The meeting will be broadcast and a transcript of the proceedings will be published later. In the event of a fire alarm, I ask people to follow directions from the ushers.

10:24

**Craffu ar Waith y Dirprwy Weinidog Sgiliau a Thechnoleg**  
**Scrutiny of the Deputy Minister for Skills and Technology**

[2] **William Graham:** Our first item is scrutiny of the Deputy Minister for Skills and Technology. I might ask the Minister just to give her name and title for the record.

[3] **The Deputy Minister for Skills and Technology (Julie James):** I'm Julie James and I'm the Deputy Minister for Skills and Technology.

[4] **Ms Davidoff:** I'm Ella Davidoff, head of policy and programme development.

[5] **Ms Holdsworth:** I'm Teresa Holdsworth, deputy director for youth engagement and skills policy.

[6] **William Graham:** Thank you very much. Part of this is an opportunity to follow-up the inquiry on assisting young people into work. So, on that basis, Deputy Minister, could I ask you—? In terms of the numbers and percentage of young people who are not in education, employment or training, they've decreased in the last two years, which is clearly welcome. However, over 10,000 young people aged 16 to 18 and 47,300 young people aged 19 to 24 were still not in education, employment or training at the end of 2015. So, what more do you think you can do?

[7] **Julie James:** The two age groups are very different in fact in the approach that we have. We're very pleased with the decrease in numbers and we do think that it shows that a large number of our programmes are working. They are travelling in the right direction, though everybody would like to see them travel faster. So, in terms of the 19–24 age group, that's a much more difficult group because they're the ones who have largely left compulsory education and it's difficult—a large part of the problem we have is with data. So, we've been developing some data tracking tools.

[8] As part of the younger cohort and the youth engagement and progression framework, we've developed some really good information sharing data protocols with all of the local authorities, and it's a question of extending some of those good practices up into the later cohort of people. The problem is that a lot of it will be down to them—whether they want to stay in touch. So it's about having the lead assessors from the youth engagement and progression framework, as these young people move through into the 19–24, staying in touch with them really and making sure that they want to stay in touch with us and that we have good systems in place for tracking them on that basis.

[9] It's partly an issue about how you keep them engaged. So, what we're looking to do is to extend some of the things that have worked really well with the younger cohort up into that older age group. I will say that one of the big things about the data is how reliable it is. We've done a great deal of work on the data here in Wales to make sure that it is as reliable as we can

make it. We're a bit frustrated by the fact that that data isn't being tracked in England to the same extent, so the comparability is lost to us. The committee will know that we've had some argument with the English systems about the comparability data and the fact that they're not tracking it in quite the same way as us. So, that's been a bit of an issue for us.

[10] But we're also developing—I think I shared an early copy of it with the committee—our skills and employment route-map. Do you remember the thing that looks a little bit like a tube map? That was an early version. We're very much developing that. The idea of that is to give a streamlined picture to everybody involved—the people who are involved as lead workers and assisters, but also the training providers, the education establishments and the young people themselves—as to how that system works, with a view to keeping people much more engaged. I'm sure we'll go on to talk about that a bit later on.

[11] **William Graham:** On the reduction in funding for both local government—well, particularly for local government—any particular impact on your—

[12] **Julie James:** We directly fund the youth progression and engagement framework work in order to keep it there, because we want it to underline the importance of it to us. The committee will also know that we've been doing a review of youth work, which I'm hoping will report very soon now, about how we can ensure that youth work funding stays in place. One of the reasons that the youth progression and engagement framework works is that it's just rearranging existing resources and giving better guidance to local authorities as to how to use their resources. So, the lead workers, for example, can be a youth worker, a careers advisor, a specialist teacher or a carer. It can be a large number of people. Numbers of them aren't actually in the Welsh—we don't fund them directly. So this is much more about corralling your resources, if you like, and making sure we're all going in the same direction. Our youth work review will be part of that as well. Obviously, everything is affected by diminishing resources, but in as much as you can say it isn't affected, then it isn't.

[13] **William Graham:** Though your programme is, as you say, very flexible, there are some, shall we say, local authorities who could do better. How are you going to influence those?

[14] **Julie James:** Actually, all the local authorities have now implemented

the youth progression—I always get it the wrong way around—the youth engagement and progression framework. I always say it backwards for some reason. [*Laughter.*] They've all implemented. We've had some really good conferences where we've shared good practice and so on, and actually I think it's demonstrable that the system works. The better authorities have been assisting the authorities who are slightly further back on the track. But we're very happy that good progress has been made, that it's embedded, and that everybody accepts that it's a good framework. It's been well received. It's clearly giving results and so we're happy that people are moving along that route well.

10:30

[15] **William Graham:** Thank you very much. Jeff.

[16] **Jeff Cuthbert:** Thank you. Linked to this question, I appreciate the issue of data and the importance of getting that as well as you can, but, of course, there's then, also, the offer of opportunities for young people. I noticed the enhanced offer for apprenticeships that's been made. What's the current state of play with the apprenticeship levy that the UK Government is planning to introduce, because that could undoubtedly impact on our offer?

[17] **Julie James:** Yes, that's undoubtedly the case. Unfortunately, I'm not really in a position to give you any particular detail of it. We know what's been announced. I have had recently a meeting with the three Ministers from the devolved nations, and Nick Boles, the Minister who's in charge of the apprenticeship levy for the UK Government. We had a useful conversation, the four of us, about some of the impacts that this is having. They continue to develop the way that they will roll it out in England, but it has to be said that all three devolved nations are very unhappy about the fact that we hadn't been consulted in advance and that we are unclear to this minute as to how the money will be redistributed back into Wales.

[18] Big employers who know that they are caught by the levy—and there are still a few at the edge who aren't entirely certain—can work out to the penny how much it will cost them because it's levied as an employment tax through HM Revenue and Customs. Indeed, Nick Boles was referring to it as an employment tax in the meeting that we had, and that's clearly what it is. We've already had raised expectations from employers in Wales that the amount of money that they pay in will come back to them via some distributive system, which we still haven't got any real clarity on. We've had

to tell them that we don't actually know that that will happen in Wales, because we don't know what the redistribution system will be. If it's Barnettised, for example, and it's Barnettised into the same line as business, innovation and skills, we know that BIS's budget has been cut by about 17 per cent, so this money might just net it off. We might end up with no more money than we had in the first place. It's just been raised, instead of out of general tax, through this employer tax. But I'm not in a position to say that either, because I don't actually know that yet, and it's deeply frustrating to us—that's the truth.

[19] So, the committee will see that I made the announcement that we were going to go ahead with our apprenticeship framework anyway because we've waited for some time to get some clarity on this, and we decided that we weren't going to get it and we were fed up with waiting for our own framework to go ahead. So, we've said that now. It's been very well received. This is the framework that allows all-age higher apprenticeships to go ahead and which allows our training providers to start working with our further education and higher education providers to put that in place.

[20] Our apprenticeship frameworks are well recognised and well liked in Wales. We've had a lot of interaction with our big employers on this, who are very unhappy about where they are, especially the cross-border employers—if you imagine the big supermarkets, the creative industries, Airbus and people like that—who are still not really clear how the digital voucher system the UK Government talks about will work and whether they can—well, we hope they'll be able to spend it in Wales. I think, as I said in the Plenary session where we discussed this, we continue to hope that it will work well, but, frankly, this is not a position any of us would've wanted to be in. I don't think it's the UK Government's finest hour in terms of not having consulted with any of us in advance.

[21] **William Graham:** Mick, on this point.

[22] **Mick Antoniw:** It's just a very short point. How, then, are you actually engaging with somebody? I've had very serious concerns raised in my constituency by GE Aviation, one of the big employers. They say that it's going to cost them £388,000 and they say that that's a significant factor in terms of the way that they present their profitability and viability. So, it's clearly going to have an impact. They're going to be looking carefully at their programme. How are we actually engaging with them to keep them on board for the moment while we try to resolve whatever we can on this?



[23] **Julie James:** Yes, indeed, and, obviously, they're not paying it yet, and we've had many conversations with GE Aviation and, as I say, a number of other large employers who are in this position. We support their programme at the moment. It's one of our flagship apprenticeship programmes, in fact. GE has contributed in the past many of our apprenticeship-of-the-year award winners, for example, and a large number of their apprentices go on to be apprenticeship ambassadors in our schools and so on. So, we work very well with them. They are very unhappy about it, because we aren't in a position to tell them whether they will get an equivalent sum of money back or not. We can work out what our current programme costs in terms of the support to GE, but it feels differently to them when they can see themselves paying it directly like that and not out of the general taxation, which is how it was done in the past. So, you know, I share your concerns, Mick, to be honest. We're very, very worried about how this will work. We obviously worry that they should be able to access the English system but still spend it in our system, and we haven't got clarity about that at the moment. This was discussed in the meeting between the four Ministers, and we were promised some further detail, but they've got until 2017 to implement it. And I will say—I'm sorry to be rude about a compatriot in another administration, but it really did not seem clear to me that they understood that our elections are now, that this was interfering with our systems and that we weren't in a position to do anything in the devolved nations. They kept saying, 'Well, we've got a year to think about it.' Well, we haven't got a year to think about it, and that's why we've gone ahead with our system. But, no, we remain very unhappy about it.

[24] **William Graham:** Jeff.

[25] **Jeff Cuthbert:** Thank you. One of the issues that we've all been concerned about for a long time is the transition from school to work, and I wonder if you could tell us what impact you think Professor Graham Donaldson's review, especially in terms of work-ready essential skills, is likely to have.

[26] **Julie James:** Well, we think it will have a profound impact. The curriculum review has been very well received right across Wales by the business community in particular, and one of the reasons it's been so well received is because of the four purposes set out in that curriculum. One of them is around engagement and employability, and that will become a central part of the new curriculum and its purpose. The committee will notice

that we are saying that we will not now review the curriculum separately. It will go into the pioneer programme and be very much part of the core offer of the curriculum. Of course, it's our very serious hope that that will be taken forward after the elections by the new Government because it has proved extremely popular right across the community in Wales, and we are in the process of embedding it.

[27] Part of that offer, of course, includes the enhanced employee engagement material that I think the committee discussed with me the last time I came. I think we'd just let the contract when we spoke last. It's been rolled out to 18 or so schools now as a pilot. It's going very well, it's been very well received there, and Business in the Community are working very well with it. Obviously, our proposal is that it's rolled out by 2018 right across the whole of Wales. And you know that that's a completely different kind of work experience. It's about immersion in the world of work—businesses engaging with the school on a regular basis so that children become very familiar with the workplaces around them in their locality and so you don't get the sort of—well, it's a cartoon a little bit, but the week's work experience where you make coffee in an office where you don't really understand very much about what they do. We've all had those stories given back to us.

[28] Many employers do a much better job of their week's work experience than that, but you need to be a relatively big employer with a good engagement programme really to be able to deal with people who are in your workplace on work experience. It's very hard to do that as a small company, and we know that very large numbers of our companies are small companies. So, we're hoping—. Well, we know, actually, already from the Business in the Community pilot that this increased interaction between the school and the workplace works much better and gives young people a much better idea of what that workplace will look like in the future and actually the opportunities around them. We couple it with our regional skills partnership and better labour market intelligence, and so the idea is that each school has a cluster of employers around it that work with the school to enhance the programme, coupled with the Donaldson review, because this is a revolutionary change, really, in Welsh education that we're talking about here. We're talking about a completely different approach to this element of the curriculum to anything we've had before.

[29] **William Graham:** Thank you. Mick, do you want to ask about careers?

[30] **Mick Antoniw:** Yes. We've obviously had evidence from a lot of young people on their experience of work experience, and there's been diversity in the views in terms of quality, effectiveness and how it's all sort of worked out. So I was wondering really about two things. How are you reviewing that so that we ensure that work experience is actually a really valuable, purposeful experience? Secondly, what perhaps is the impact with Careers Wales pulling the careers service—pulling back in terms of the organisation of work experience? Is that going to have an impact on the organisation of work experience, but also the quality of work experience?

[31] **Julie James:** Okay. That's quite a complex set of issues there. In terms of Careers Wales pulling back, as you call it, what we've done there is: Careers Wales no longer does the health and safety assessments that used to be undertaken. A very simple reason for that is because they're not necessary. Actually, we thought they were presenting, often, an artificial barrier to work experience for people. It's actually the employer's responsibility to ensure that everybody in their workplace complies with health and safety, and doing an additional assessment doesn't actually add anything to that at all, and, actually, was perceived as a barrier by quite a lot of the small companies in terms of their offer. So, actually, we think that's a good thing rather than a bad thing.

[32] As I say, our whole approach to this area is completely different. What we're talking about is the business clusters around each school, aligned to the regional skills partnerships, with the youth engagement and progression framework engaged as well so that people who are furthest away get the best opportunity via their lead workers to make sure that their engagement happens. Also, it's part of our pupil offer—the enrichment offer that we have in schools to make sure that people have a wider experience outside the curriculum in the transition phase to Donaldson. The pioneer schools are looking at some of this stuff to make sure that we get it right as well. Also, of course, we have it as part of the Welsh baccalaureate. So, it's a sort of multifaceted approach.

[33] In terms of careers, then, in itself, I know the committee has taken evidence from young people about their experience of careers advice, but our experience has been that a large number of young people can't differentiate between the careers advice they get off a teacher in the school and the careers advice they get off a careers adviser. Our research shows that they're qualitatively different. So, often, when you speak to a young person about bad careers advice, when you dig beneath the surface and say, 'I'm

sorry; I haven't seen what you've had in front of you', sometimes that's because it's been given by a teacher as part of a careers and the world of work curriculum, and that's why we're changing that curriculum in a manner—. I won't repeat what I've just said about changing it.

[34] In terms of Careers Wales itself, we're offering a much more blended service. We've got really good evidence to show that that's growing really well. The webchat system, for example, is growing exponentially. People get used to it and they take advantage of it. So, that's a one-to-one chat, but over the web; so, a careers adviser isn't having to go around all the schools and so on. The idea is that people get a sort of much more personalised service. So, for those young people who need a general set of careers guidance about their best options going forward, that's what they get. If they're identified as being at risk of disengagement, they get a much, much higher level of service face to face and so on.

[35] So, that seems to be working well. There's a little way to go yet. Some of the digital stuff needs to be worked through with Careers Wales, and Careers Wales is in the process of renewing its board and we're in the process of interviewing for a new chair at the moment. It may well be that the present chair carries on—he's done a good job—and it may not be. But we're in the process of redoing some of the offer from Careers Wales. I've specifically asked them to look at what they could offer in terms of a careers service and all of the other little bits and pieces we ask them to do, because they're involved in a lot of the youth work progression framework stuff—'Activate your Potential'.

[36] So, you know, there's a lot of other stuff as well. We've specifically asked them to come back and say, 'If you were freed of the sort of shackles of the annual remit letter from the Minister and so on, what could you do?', just to have a much better sort of blue-sky piece from them about: you've got this much money, what can we have for that? It's more complex than that, but that's effectively what we've asked. We're hoping that that piece of work will come back at some point later this year. Whoever the new Government will be will have the benefit of that to see how they want to take careers forward. They've embraced that opportunity, I think it's fair to say, because the whole of this landscape is changing. So, there's no point in keeping a careers service as was if you're changing the entire landscape in which it operates.

[37] **William Graham:** Thank you. Rhun.

[38] **Rhun ap Iorwerth:** There are so many issues that I'd like to pick up on there, but I'm sure that others will want to ask about careers. One point in particular: you say that the taking of Careers Wales out of the delivery of work experience was down to health and safety more than anything. Aren't you throwing the baby out with the bathwater there, though, in that, by cutting that link between Careers Wales and work experience, you've also thrown away the huge work experience database that Careers Wales have developed and could have developed further as a means of linking young people up with potential employers?

10:45

[39] **Julie James:** No, because Careers Wales works really well with the regional skills agencies, and the labour market intelligence databases that the regional skills agencies have will be available. The idea is to develop, as I said, the business clusters around each school, so that we have a lot more engagement directly with the school with the businesses. Careers Wales needs to concentrate on being Careers Wales, not all things to all people. Although, having said that, I'm really interested in seeing what their blue-sky think piece comes back with.

[40] But, the thing that most—. The trigger, if you like, for some complaint about what happened with Careers Wales—and I must say that, from my point of view, I don't know about other members of the committee, but from my point of view, it wasn't very much in terms of a complaint—was this business about the fact that we used to do a health and safety check for employers and that was taken away and some schools were not happy about that. But it's been explained to them, as I just said to the committee, the reasons that we did that. Actually, I really do strongly feel it was a barrier to some firms participating, and, anyway, putting somebody in the place of the employer in terms of their health and safety is not a good thing to do. Any health and safety executive would tell you that.

[41] So, I'm quite happy that we did that. That's not to say that we've taken away the databases or anything else, but we are using them in a different way and the regional skills partnerships, also fairly newly formed, are a really major part in this and, as they grow and develop—the one in north Wales, actually, being the most developed of them, the north Wales economic ambition board—they step into the shoes of a lot of this and they're a really, really good vehicle for pulling together disparate elements of the economic

community, if you like, right from schools through to big employers and little employers. You know, their strategy has been really good and I'm sure, Rhun, you're familiar with the work of the north Wales economic ambition board; I know that Dafydd Elis-Thomas is. You know, they're very impressive in terms of what they've been able to do and we feel that that's a better way forward.

[42] **William Graham:** Thank you. Eluned.

[43] **Eluned Parrott:** Thank you. You'll know that I've been concerned about the unintended consequences of moving from a proactive to a more reactive source of careers information on some of the other strategic targets we might have, for example in making sure that young people are presented with all of the options available to them. For example, if we are moving to a system where there's more reliance, then, on peer recommendation, on what teachers are suggesting to people, there's an inherent bias in the system where teachers, of course, have been through a university route—all of them have been through a university route—and almost none of them have been through an apprenticeship, and there may be a lack of proactivity around encouraging young people through alternative routes into employment and work-based learning. So, what activity are you taking to make sure that those proactive encouragements to redress the balance between academic routes and vocational routes are effectively covered?

[44] **Julie James:** We've been rolling out our common error prospectus for quite some time and it's now out to all schools, and that allows young people, at the age of 16, to have a really good offer for both vocational and academic routes. We've got really good evidence that that's working, that young people are choosing those different routes. I'll have to ask one of my officials to tell me exactly how many vocational qualifications you've got to take at each stage, because I can never remember. It's three at one stage and five at the other. I can never remember which way around it is. But we've got good evidence that that is working. The idea is that the offer to each young person, locally, is made in a way that allows them to have the best access to information about the courses available and what those courses might lead to. That sits inside some of the labour market intelligence we were talking about as well.

[45] I share your concern that people need to know, at the point in time at which they start to narrow their education, what that narrowing might mean for them. I, too, have met the young people who say, 'Well, I always wanted

to be this, but I didn't realise until I started taking my A-levels that not having taken that meant that I would have to go back and do it.' We've all met those young people and part of the point of this prospectus is to make sure that that information is available to you. It's available at 16 at the moment. I would very much like to see it available at 14, which is the point in time that most people start to narrow their education down from the broad base that we all start with. I would very much like to see it pushed down to 14, but, anyway, we've rolled it out at 16 and that's a good start. The idea is that, in the same way as a young person who does want to go up through the higher education institution route, you have a good idea of what's available, what you need to do that and what you need to go on with, and that that information is available to you impartially, through a system that allows you to see it for yourself, albeit, of course, that you'll have access to advice—you'll have access to the online blended careers service advice, you'll have access to your teachers' advice, and you'll have access, hopefully, to the business in the community enhanced employer engagement advice. Part of that is around making sure that the employers in those clusters make sure that the young people in their schools, as they grow up, understand what it is they need to go on to do the roles that are on offer.

[46] One of the other big issues is to make sure that people understand what's on offer locally. So, we also struggle with a mismatch between young people's aspirations and ambitions, which are great—good ambitions, good aspirations; it lifts your heart, sometimes, to talk to them about what they want to do, and so on. But sometimes they have a mismatch between what they want to do and what they understand is available in their locality. So, you meet a young person who wants to be something, but actually they don't know that to do that they'll have to move from where they are, whereas there's a very good opportunity in the agri-industrial industry, to be a technician in a local agri-industrial business, for example, which would give them very much the same kind of life opportunities.

[47] You can characterise that, but I always say it in all the places I go around: you can't want to be something you don't know about. You can't have an ambition to be a technician in an agri-industrial business if you don't know that that person exists. The biggest one that we talk about always is—and Joyce is here, she's a big advocate for this—Women into Construction, for example. As soon as you say the word 'construction', people think of the trades. I'd like to get women into more trades, but actually of course the construction industry has an enormous number of other roles—project management, quantity surveyors, blah blah. Lots of

people just don't see those roles, and so they don't see that they could be one of those people and stay local to them. That's what we want. We want to line up the ambition with the right educational route to that ambition at the earliest point in time that you start to narrow your education. That's the ambition. We've got a way to go with that, but the common area prospectus is a start along that route.

[48] **William Graham:** Okay. That brings me to Joyce's question.

[49] **Joyce Watson:** And, in order to do that, we need to have—for the pupils and also the teachers and influencers—the accessibility of good-quality labour market information, which you've started to touch on. How content are you that that is available everywhere at the moment?

[50] **Julie James:** I'm not content that it is available everywhere at the moment, but we are working very hard on making it available. The regional skills partnerships are all in place now—some of them are a little bit behind, but they're catching up quickly. We've got, for adults, our skills gateways in place and they're accessible to everybody. They're targeted at adults, but obviously it's just online, so you can get hold of it just now at your desk. The whole point about that is to make that information freely available to the influencers, and we know that, actually, the biggest influencers are our parents and grandparents. So, it's about making sure that the parents and grandparents also have access to that information, because often they're as surprised as anybody else to find that you can have these careers locally to you, or that they're available to as many women as they are to men, and so on.

[51] Joyce, you've been at many of the programme events that I've been at, where you've got examples of young women who've just qualified as quantity surveyors, and so on, in the construction industry, with their proud parents beside them, and they will tell you that they had no idea that that was a role that you could have on a construction site, and how proud they are of their son, often, but more often daughter these days. I just think that that ambition needs to get out into the communities that we have as well, because it is about making sure that your ambition matches your life chances. If you want to travel the world and be whatever it is that you need to—if you want to be an astrophysicist and travel the world, for example, that's great, but you need to know, if you're interested in being an astrophysicist, what opportunities there are for you if you also want to live on Ynys Môn or in Gower or wherever it is. I do think it's that mismatch of



information and getting those ambitions lined up that we want to concentrate on.

[52] I'll just say one more thing, and that is that we still have a large number of youngsters who want to do traditional things. The one that always comes up is hairdressing. There's nothing wrong with training to be a hairdresser; it's a great route, and for many young women it's a brilliant route into running your own business, and actually it's the business skills that are the most valuable to them, not just the hairdressing skills. But we're in danger of training so many hairdressers that each individual hair on all of our heads would have a hairdresser to go with it. So, actually, it's about making sure that people understand what their opportunities are, and that if what they're really interested in is running small business, that they take the right courses for that. If they learn hairdressing as a sideline to that, well that's fantastic, and if they really did want to be a hairdresser, that's also fantastic, but we want people not to fall into these things as a default, when actually we have a huge shortage, for example, of qualified technicians in a large number of our businesses right across the whole of Wales.

[53] **Joyce Watson:** One of those, of course, is computer programming, and I know that's an area of interest for you. I did read an article very recently about the massive shortfall in computer programmers in the UK and that if we actually worked towards training individuals to take that occupation up, we could probably write off anybody that's unemployed at the moment, because that is how big the gap is between those needed and those available. Of course, that will come in your higher level apprenticeship programme, which is fantastic. How are you engaging with young people, whatever gender they are, whatever ethnic background they come from, to see those opportunities? It would come under science, technology, engineering and mathematics, but it wouldn't necessarily translate in their minds into computer programming.

[54] **Julie James:** No, that's a very good point. A large part of the enhanced employer engagement programme is around people understanding how very fundamental digital literacy and coding, and all other forms of that kind of digital environment, are to most employers in most parts of Wales, actually. If you're running a farm business, you have to be pretty digitally literate to be able to do that these days. To go on to be a high-level coder is a progression, isn't it, along that route? So, what you need to do is make sure that people stay engaged with the STEM subjects that they need, particularly maths, at an early stage. Of course, that's a large part of what we're doing

with the Donaldson review of the curriculum; it's about making sure that people stay engaged and actually understand that.

[55] There's a really interesting report that I'm happy to share with the committee. It's about England, but it's an interesting report about some of the mistakes that we make in engaging young people in STEM and why people are turned off. One of the interesting things in that report, which I was very struck by, is the mixed messages we give about getting very good grades at school and how difficult a subject is. So, if you're given both these messages, that you must get three good A\* or A grades to get into a good university, and it's easier to get them if you take English, history and geography than it is to take biology, chemistry and maths, you have inadvertently diverted a large number of people into taking—. It's about being careful about what the messages are that we put out. So, you can have two different conversations and have an inadvertent message attached to that conversation. I think we need to have a really good look at making sure that we're not doing that as part of our curriculum offer and the way we channel young people. The study, as I said, was done in England. They just took a lot of evidence from a lot of recent A-level candidates about what advice they'd been given and, overwhelmingly, that was what was coming back, that the most important thing was the grades, it didn't matter what subjects you took them in and therefore you took them in the subjects you were most likely to get the grades in. Well, you can see that that's entirely the wrong message from our point of view. I don't have a study in Wales, but it would be very interesting to see if we'd get something similar.

[56] It just rings very true on an emotional level, doesn't it, that that message is working? We know at primary school level, for example, inadvertently—. We send out science enrichment teachers to the primary schools to assist with primary school teachers' learning of STEM subjects and, inadvertently, we give the impression that it's too difficult for the regular teacher, you need a special teacher to come and do it, and then, even worse, often the special teacher is a man when the ordinary teacher is female and you inadvertently give the message that you need a clever man to be able to do it. So, we've put a lot of work in to try to make sure that isn't happening, but you can see how inadvertent messages, social messages, can matter almost as much in this debate as some of the things that we put in place. We must be careful that our systems work within that system to make sure we're not reinforcing those poor messages. That sits alongside all our STEM enrichment activities, which we've talked about at great length in the committee.

[57] **William Graham:** Our last question—just two minutes—is from Rhun.

[58] **Rhun ap Iorwerth:** What you're stating in terms of matching people up with local job opportunities is an aspiration. I don't disagree with a single word you're saying, but with respect, it is an aspiration and not what the Government is actually doing. I know from my experience in my constituency that it is not happening on the ground, that people are being matched up with the opportunities. We have a crisis in the hospitality industry. I'm having to try to organise roadshows in hospitality.

11:00

[59] We know that people still aren't engaged with opportunities in the energy industries. Careers Wales used to run maths and STEM courses in schools precisely in order to do this; they haven't got the resources to do it anymore. Whatever Government thinks it's doing, it's not working on the ground. How do you respond to that?

[60] **Julie James:** Well, you're not part of the pilot programme for the enhanced employer engagement, but we can make sure that you're, you know, very high up on that list. I don't know about the specifics, Rhun; I'd be more than happy to talk to you about them, so I can understand those very specific things. But you're engaged with the economic ambition board, I hope—

[61] **Rhun ap Iorwerth:** Very much.

[62] **Julie James:** —in terms of what they're doing, and with the local colleges. We've funded the local colleges; we've given them quite a lot of extra money to do just that, actually, just as you've been discussing: to get people into the hospitality industry, which is a major big issue for the north, and also into the—well, we hope—burgeoning nuclear industry on Ynys Môn. We're all rather hoping to have some announcements made about that soon. But you know that we've put a lot of money into the local colleges in order to do exactly that—that enhanced activity inside the schools to make sure that people stay there.

[63] So, I'm disappointed to learn that it's not working as we'd like it to on the ground, and I'd like to understand a bit more about that; it's not possible in the few minutes we've had here. It's certainly not our intention to do that,

and perhaps we can have a conversation about the exact nature of it because I'd like to get to the bottom of that and put it right. That's certainly not what we'd like to have happen, and I've seen it not happen elsewhere, so I'd like to understand it a bit better.

[64] **William Graham:** Thank you very much. We are most grateful for your attendance today. Thank you very much.

11:02

### **Craffu ar Waith Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth Scrutiny of the Minister for Economy, Science and Transport**

[65] **William Graham:** Can I welcome the Minister for Economy, Science and Transport, if we go to item 4 on our agenda today? Minister, can I ask you and your official to give your names and titles for the record, please?

[66] **The Minister for Economy, Science and Transport (Edwina Hart):** Thank you, Chair. Edwina Hart, Minister for Economy, Science and Transport.

[67] **Mr J. Price:** James Price, Deputy Permanent Secretary of Welsh Government.

[68] **William Graham:** Thank you very much for your attendance today. I'll start the questions, if I may, in terms of investment priorities for the Welsh rail network—priorities for control period 6, particularly how far these are likely to be identified for delivery and principally funded by the UK Government. Could I have your comments on that, Minister?

[69] **Edwina Hart:** Well, obviously, of course, the committee is aware of where our responsibilities lie in terms of rail, and the prime responsibility, of course, is with the UK Government on particular issues. Obviously, we have key areas that we want to deal with. One of them, of course, is to ensure the electrification down to Swansea, and there's been great disappointment because, of course, it's only going as far as Cardiff at the moment. As a result, we think, because there's been severe overspends, as we move into control period 6, it's about the level of investment and funding that will be available to ensure that further work is done, and we have no guarantees on the timescales of that further work.

[70] We also want to press ahead, obviously, with the north Wales

electrification project, which we see as absolutely essential across that line, so that we can have the appropriate links into the Northern Powerhouse. That is, of course, an area that the committee's also been very interested in in terms of our links across into Ireland as well, which are also very important.

[71] We've also got the metro and the Valleys lines electrification, which are also key for delivery and for the economy of south-east Wales. And one of the key areas I've been particularly interested in is continuing the good work we've done in terms of mid and west Wales in terms of additional services, and looking at that very important network that links across from Aberystwyth into the midlands, which I think is equally important as some of the other areas.

[72] Most of our transport priorities are set out in the national transport finance plan, but these will develop as we get a clearer understanding of what the UK Government will be doing in terms of finance and relevant issues. I don't know if there is anything you want to add, James.

[73] **Mr J. Price:** I think, really, Minister, you've covered everything.

[74] **William Graham:** Thank you very much for the outline there. Minister, we heard in evidence not so long ago some comment that Network Rail's draft plans for Cardiff Central station do not do enough to improve the capability of the track. I know that you've had some discussions on this. Would you care to tell us how far you've got?

[75] **Edwina Hart:** Yes. I think that the evidence that you've had was absolutely correct. We've raised concerns with Network Rail that if we are to really make Cardiff the hub that it should be in terms of rail, we're going to have to do a lot more work. We understand that there are issues, of course, around the whole area of capacity and around the relationship with Queen Street station and the main line, but James can update you on some of the technical issues.

[76] **Mr J. Price:** We've been making representations to Network Rail on this for quite a long time and the committee, I'm sure, will be well aware and will have heard of this from other people, better technically placed than I am to talk to it. But both sides of Queen Street have significant capacity constraints. Even though we've got an additional platform there, the capacity constraints remain. There are currently 12 trains per hour. And then, once you go west of Cardiff Central station, there again are significant capacity constraints,

just in terms of physical track space. People have been talking about maybe having overpasses or bridges put in there. One of the things that, I guess, might revolutionise all of this in a different way would be digital railway—if that was to be brought forward significantly. But it remains to be seen how quickly that can be delivered.

[77] **William Graham:** Thank you very much. Jeff.

[78] **Jeff Cuthbert:** Thank you. You've already begun to answer this, but the delivery of the Great Western electrification—. Whether you're getting good vibes from the DfT in terms of securing completion as early as possible in control period 6.

[79] **Edwina Hart:** We did have an indication early on, when we raised, of course, the issue of our disappointment that it wasn't all going to be done to Swansea, that they would look at it, obviously, at the beginning of that period. We haven't got anything solid in that regard. I'm actually meeting rail Ministers, I think, next week, and this will be one of the issues that I'll be taking up, because it will be an uncompleted task. I have grave concerns, you see, about the way that Network Rail overruns on projects and how that can impact into another period in terms of public cash and how that could impact on the Swansea project. That's my concern there. I think everybody's committed to the principle that it's got to go to Swansea to benefit further west, but then how, if we don't have that, do we then deal with some of the problems further west, unless we have electrification through?

[80] Also, as well, the whole issue around electrification and transport also impacts on things like the city bid that's coming in from the Swansea city region and everything about getting the right transport issues dealt with. So, I think there are a number of key areas. We'll continue to press the point and I think it's important, Chair, that across parties, we are pressing the point in the Assembly about it being done at the earliest time that they can in the next control period in terms of getting the electrification through to Swansea. I don't think it's any technical issue, but there are issues, I think, of cash, really, because of the project overruns that have happened elsewhere.

[81] **Jeff Cuthbert:** Yes, thank you. We had evidence at a previous session from Stuart Cole and his view was that if it's done—the electrification between Cardiff and Swansea—in a phased way, with Paddington to Cardiff, then the cost could be considerably more. Is that your view as well?

[82] **Edwina Hart:** Yes. Stuart Cole is obviously an expert in this area to do with transport costs and I wouldn't doubt that he had something to say on that, because our concern is that if it had been run as a straightforward project down, you could have had greater control, I think, on the cost and everything. The whole history, which Professor Cole will be aware of, is that when you have these changes in things, the costs do escalate.

[83] **Jeff Cuthbert:** May I finally ask you about the electrification of the north Wales main line and the business case for it? Where are we now as far as you're concerned?

[84] **Edwina Hart:** We've been working with the North Wales Economic Ambition Board to develop the wider case, because we looked at services and timetabling and all those issues. We'll also be using the North Wales Economic Ambition Board together with Mersey Dee Alliance and the Cheshire & Warrington Local Enterprise Partnership. They're all involved in the development of the business case, because the funding is very important. We've got the issues around HS2 to Crewe, which has to be fully exploited as part of this business case. We've also got the memorandum of understanding—is it with Transport North—

[85] **Mr J. Price:** It is, yes.

[86] **Edwina Hart:** —about how we should develop the case. So, we are doing quite well in terms of the development and trying to strengthen the case, looking at the wider economic issues. I've said to Claire Perry, and I will be re-emphasising with her, that it's important to look at the wider case in terms of economic development in terms of the north Wales case and to deal with it. But in terms of the work, it is proceeding quite well, isn't it James?

[87] **Mr J. Price:** It is, yes. I think an important point that shouldn't be overlooked is that the cost-benefit ratio is obviously affected by two things, the benefits and the costs. A significant issue is the cost of upgrades currently with the way that the rail industry is run. So, we'll be looking at maximising the benefits of that scheme but also reducing the costs. Put simply, if you reduce the cost by half, the cost-benefit ratio would double.

[88] **William Graham:** Thank you very much. Eluned.

[89] **Eluned Parrott:** Thank you. With regard to the Great Western main line going forward to Swansea, rail freight operators have expressed to us the

absolute necessity of electrifying the Vale of Glamorgan line in parallel with that, because it is the relief line—it's the diversionary route for passengers, but it is vital for the freight network. Can you tell us that you will definitely electrify the Vale of Glamorgan line to full specification when that electrification to Swansea moves forward?

[90] **Edwina Hart:** Well, it'll be a matter for the UK Government, who are currently responsible for rail. Let us be absolutely frank; we have our wishes and we would like to control this. However, currently, this issue is a matter for the UK Government in terms of what they've decided to on their electrification project, Eluned. That's always been our understanding, hasn't it, James? I actually agree with the recommendations from the Wales freight group around this particular issue. I think it's absolutely essential. We've accepted a lot of their recommendations, which now form part of the national transport finance plan. They are very keen that we look at how we deal with freight in that area because freight is actually very key to have the modal shifts that, of course, the committee would like us to have. So, as far as we're concerned, these are issues that do have to be looked at.

[91] **Eluned Parrott:** But it was in your business case before the electrification of the Valleys lines—

[92] **Edwina Hart:** Yes it was.

[93] **Eluned Parrott:** And it was within the portfolio of lines that you asked to be given responsibility for. Is that now no longer the case then?

[94] **Edwina Hart:** Well, it's not no longer the case. I've got to look now at the financial issues—haven't we—which we haven't got the final clarity on.

[95] **Mr J. Price:** I think there's two things here and they do overlap. But I think, as a Government department, we need to be clear not to confuse them. So, there's the UK Government's responsibility for—. UK Government still have responsibility for all network in Wales. We still haven't reached final agreement with them about how we will deal with the infrastructure elements, even of the Valleys. We know what we want to do, but DfT need to, mainly at official level, come to the table to agree that. That's of pressing importance. But, set aside that, even if we get what we want—which I really hope we will and, you know, there's no reason why we won't get that—the UK Government will still have responsibility for the main line and it's very important that they don't keep de-scoping the main line.



[96] So, there's been lots of moves made to de-scope things. The VOG line is one that could be confused and people could say, 'Well, upgrading that to full electrification for freight and everything else is a Welsh Government responsibility as per the previous agreement'. That would be one interpretation. Another interpretation would be that, if the UK Government don't do that as part of their main-line work, they have in effect de-scoped something, and we need to hold them to account for doing that. So, it's still subject to negotiation.

[97] **William Graham:** Joyce.

[98] **Joyce Watson:** Of course, one of the concerns about de-scoping really follows on from the overrun, perhaps, in terms of delivery and cost, particularly, which has already been mentioned by the Minister. But the rail freight group particularly raised concerns about Newport, Cardiff Tidal and Margam finding themselves de-scoped within this electrification programme. The consequences would be pretty dire, not only for them but for us. So, is there anything you can say this morning that can allay those fears?

[99] **Mr J. Price:** At official level, I think only that we're continually making that case to the UK Government. I guess I would call on anyone else to make that case as well.

[100] **Edwina Hart:** Because I think it is important, Chair, when the committee consider their report, that they might want to focus on some of these difficult issues around freight and the importance, if we are to make the modal shift, that we do protect freight if it has electrification et cetera.

11:15

[101] But we also recognise that there is a difficulty because we haven't got the powers devolved, we don't know what we're going to have, and we haven't finalised what we want to do. There's the reality, of course, of the finances around this other work, isn't there?

[102] **Mr J. Price:** Absolutely. A big linked thing on de-scoping—and I think we've now sorted this—was, I think it's called, W10 gauge clearance on the tunnel, which would have been a significant issue for freight, which was de-scoped. The Minister has intervened, and it's back in.

[103] **Edwina Hart:** Yes, we wrote to the UK Government and it's now back in. It's quite easy, sometimes, when they are looking at these projects, to do things like de-scoping, which have a massive impact, then, elsewhere.

[104] **Joyce Watson:** Yes. I think that's covered everything.

[105] **William Graham:** Thank you very much. Dafydd.

[106] **Lord Elis-Thomas:** Thank you very much, chair. We have encountered some criticisms of your Government's national transport finance plan. Some of these criticisms I certainly couldn't recognise, especially the attention that—in my view—mid and west Wales and the Cambrian lines have had from you personally and, indeed, from colleagues. But I would like to ask you, and it follows on from the discussion that we have just had: what is your response to these criticisms, and would it be fair to say, from the point of view of this committee, that it is obfuscation—if that's the right word—or lack of clarity about the responsibilities of both the UK and Welsh Governments in this field that brings about these criticisms?

[107] **Edwina Hart:** Yes. I think we need greater clarity about our responsibility, and we need the devolution of powers that we require to deal with this matter. We have the position of the Scots, who have absolute clarity in terms of their powers, and we don't have it. Also as well, I think we've got to remember, when we talk about the national transport finance plan—it is a live document. We have got to put it in context. That's a document that sets out the interventions that we will take to 2020. But of course, as I don't have responsibility for rail infrastructure, it has gone, I think, as far as it can. Where there aren't specific projects that people would like in there, it is because the proposals need to be assessed and we have to look at the business case that justifies it. Also as well, I think it's important to recognise that we've taken a lot of interest, actually, in mid Wales, the Cambrian line and all those areas, trying to improve issues. Also as well, I've actually asked my freight group now to look at the freight issues around the reopening of Aberystwyth-Carmarthen, as well as the reopening of passenger services. So, we are trying to take an integrated approach to what we can do within the areas of rail. So, I think it's very important for us to recognise that the issue of rail is becoming more and more alive in terms of what people require. People are talking about going back to rail, really, when for years, people were happy to be in their cars. There seems to be far more of a move towards rail, which is good news for us from an environmental and sustainability point of view as well. So, we've got to catch up. But we won't

have clarity, in my opinion, until we know exactly who has what powers where.

[108] **Lord Elis-Thomas:** Can you tell us then: what is the real state of these negotiations? As we sit and watch fiscal and devolution solutions flowing towards Scotland on a daily basis, it seems to me, from Westminster, there seems also, from my perspective, to be a logjam, especially in relation to transport policy, which can only lead to an inability for the incoming Welsh Government to have a proper integrated transport system that has a financial plan with it that makes sense.

[109] **Edwina Hart:** Politically, we have quite amicable discussions about the issues around the devolution of powers and what is required, and there is an understanding. At the high level, we think there is also an understanding. But, sometimes, the people that undertake the daily work around this are devolution-blind, don't understand the necessity and are very focussed on a different type of agenda. So, that's the honest response to this. I think that, in terms of Government Ministers, we are raising further points when we're up again—I think I'm due to speak to Patrick very shortly about a number of issues—but we do seem to be the last ones to be considered in all of this, you know. You are right: when things happen in Scotland, they don't necessarily look at us, and it has been difficult. But, where we have managed to get agreement, we've been pleased with the agreement we've had, particularly on the financial settlement to do with the money that came out of the Valleys electrification and all those particular issues. James obviously has the context there. We don't see much opposition in the higher areas of Network Rail to discussion either, with Peter Hendy, who has actually been very good in terms of his understanding—I think because of his history and where he has run things. He's been good. We've had a fair run and crack at that, and he's got a very open door policy. But we are still having days where we think it's proceeding well, James, and other days—.

[110] **Mr J. Price:** I think things have evolved a bit, in truth. So, the agreement we reached, which the Prime Minister announced post the NATO conference, still stands and that would see powers transferred to us, in the words of the Department for Transport, in time for us to let the next franchise, which means from a DfT perspective by 2017. We, of course, want the powers before that—

[111] **Lord Elis-Thomas:** Exactly.

[112] **Edwina Hart:** Exactly.

[113] **Mr J. Price:** —to enable us to get on with upgrading the Valleys lines and we want to start the capital work ahead of the next franchise in terms of rolling stock starting, if that makes any sense. And, that is where the technical problems are now and I think it comes down to us wanting to do something that in the UK yet hasn't been done. So, DfT are seeking reassurances on a whole number of issues from us, some of which we know that we don't know the answers to and that's why we want to use a procurement approach to answer them. So, for example, 'What particular signalling system are you going to use?' We've said that we want to adopt a completely different approach where we go to the market and ask the market what the best signalling system is to use. So, the negotiations at this stage are around saying, 'Is there a way that contractually the Welsh Government can protect the UK Government from anything that we would do that might come back on them?' Because up until the transfer of powers, we will be using the Secretary of State for Transport's powers and, of course, that gives him proper locus in one way to say, 'I don't like what you're doing there.' We need to get into a position where we can do what we need to do as devolution implies: take decisions in Wales and take the benefits and the costs of those decisions.

[114] **Lord Elis-Thomas:** I've never heard anything as appalling as this, even in this committee, about the devolution of transport because what you're saying goes right to the heart of the whole devolution discussion, in that the Secretary of State, acting in what appears to him or her to be a capacity of accountability to the UK Government, is able to indicate that a Welsh Government cannot proceed along a route of devolution that it seeks to do, including participation with the commercial sector in coming to a decision, because of the regulation capabilities and responsibilities of the UK Secretary of State in relation to England. Is that a fair summary?

[115] **Mr J. Price:** I'll let the Minister speak, but I think that is a fair summary. The only thing I would say is that in all the meetings that I have been in with the Secretary of State for Transport, he has been very clear to the Minister that he wants these things to happen. The trouble with a very highly regulated industry, with people like the Office of Rail and Road and Network Rail safety experts, is there are 101 people who can throw a spoke in the works and that seems to be—

[116] **Lord Elis-Thomas:** But when ORR were sitting talking to us they

sounded very amenable.

[117] **Mr J. Price:** Yes, and ORR have been very effective.

[118] **Edwina Hart:** And, they are very amenable when you talk to them.

[119] **Mr J. Price:** We've signed a memorandum of understanding with the chief executive of Network Rail. He has put significant resource on it. Nicola Shaw, as an individual, has been very supportive in the Shaw review about what we're doing, and at senior official level and ministerial level the DfT is supportive, but the challenge now is to just, frankly, fight through the morass of detail to get it done. But, it's vitally important that we get this done quickly because we want to get on with letting the award and getting the upgrade work started.

[120] **Lord Elis-Thomas:** Last question from me: which is your preferred date then for a handover of full responsibility?

[121] **Mr J. Price:** I'd say as soon as possible.

[122] **Edwina Hart:** ASAP. We need it.

[123] **William Graham:** In correspondence we've had from the Secretary of State for Transport he's indicated that he hopes to be able to make decisions—hopefully favourable ones—in the line that you've indicated, Minister, once he's been able to consider the reports he's commissioned. Would you feel that's the impression that you get?

[124] **Edwina Hart:** Yes, that is the impression I have from the Secretary of State for Transport. He has never actually raised any obstacles in any discussions with us about what we're doing and, of course, there's enormous interest in what we're trying to do because it might be very useful for DfT, in due course, to look at how they might be doing work elsewhere in the UK. I think the difficulty is that there are so many people involved. The question was raised of ORR. They're receptive to our issues on Network Rail, but they can't help on certain fronts. Their own function is different. They can only help, can't they, in a certain—

[125] **Mr J. Price:** Their powers don't cover us.

[126] **Edwina Hart:** Their powers don't cover us, so, there are issues around

that. There are obviously big issues around Network Rail as well. So, that's the difficulty of it. This is an extremely complex area and to the outside world looking in it's as if we're not trying to get somewhere, but there are several different bits in this.

[127] **Mr J. Price:** The positives are that we're continuing to work up the detail of what we want to deliver anyway. We've got technical plans being drawn up. We're working those up with Network Rail and with ORR. So, as soon as we get the agreement, we're ready to go.

[128] **Edwina Hart:** We're ready to go.

[129] **Mr J. Price:** But it will start to hold us up if we don't get that very soon.

[130] **William Graham:** Okay. Thank you. Oscar.

[131] **Mohammad Asghar:** Minister, my question relates to cross-border issues, really. Engagement with English devolved bodies, such as Transport for the North, and their suggestion that the engagement with Wales is, in their words, not, at this stage, as developed as the interaction they would have with their colleagues in Scotland. What do you say about that?

[132] **Edwina Hart:** Well, they have an opinion. There is a level of engagement. As I indicated in answer to a previous question, we do have an engagement with all the bodies across our border, particularly as we move ahead for the north Wales electrification case.

[133] **Mohammad Asghar:** [*Inaudible.*] Thank you.

[134] **William Graham:** Mick.

[135] **Mick Antoniw:** I think all the questions on Network Rail and ORR have been answered.

[136] **William Graham:** So, you're happy with that. Just on Network Rail, Minister, you've long told us of your difficulties.

[137] **Edwina Hart:** It's terrible.

[138] **William Graham:** Do you see any light at the end of the tunnel, as it were, without wishing to be too awkward?

[139] **Edwina Hart:** If I was Secretary of State for Transport in the UK, I think I would have dealt with Network Rail in a very different way to how it's currently being dealt with, if I'm absolutely honest with you. I think it was an organisation that was ripe for fundamental change, in terms of the way it has dealt with public money and its overspends, and the fact that it's hardly ever kept to a commitment. But, of course, it's not devolved to us, so we continue, obviously, to deal with them on a day-to-day basis, but they fail to deliver across the piece in Wales. The majority of our projects have had cost increases all the way through. There is a cumulative delay, I think, of over 14 project years on the projects that we've got. At the end of the day, we need clarity, really, about what's going to happen with Sir Peter Hendy's review and how that's going to impact on us. It's not that we don't understand the issues regarding those, because they're also as well looking at Network Rail's assets for sell-offs currently. So, we need to know what's going to happen with all of this. I think it's a very difficult period, actually, in the rail sector, because there's no certainty about Network Rail's role and function now. They've had all the reports done, and it'll be interesting to see how the work's taken forward by DfT. I don't know, James, if you want add anything.

[140] **Mr J. Price:** I don't think, particularly, Minister. The only thing that has been suggested to me is one of the reasons why we're being paid a bit long is that the conclusions on all of that work haven't yet been reached. The final Shaw report hasn't been published.

[141] **William Graham:** Yes, which we touched on earlier—the receipt by the Secretary of State of these reports. Have you any indication of when you hope that—? Has he indicated to you, or his officials, when he might be able to make a decision?

[142] **Edwina Hart:** No, he hasn't indicated, but we do have meetings next week up in DfT. But one of the difficulties, which is a key issue for us on Network Rail, is that I don't have any statutory powers like Scotland does to direct Network Rail. This is really difficult for us from that point of view—at least the Scots can do something about it. It's very inflexible for us in terms of the way that they deal with us. With their guide to rail investment process and everything, we have no real involvement, do we?

[143] **Mr J. Price:** No, and it's significant money that's been invested, as well. So, as part of preparing for this committee, I asked how much money we've invested in infrastructure over the last couple of years and I asked for the

figure to be checked, because, originally, I didn't believe it. It's just shy of £200 million, which has either been committed or is being spent. This is in an area where, technically—

[144] **Edwina Hart:** We have no responsibility.

[145] **Mr J. Price:** —we've got no responsibility. So, it's very difficult.

[146] **William Graham:** It's a difficult one. Eluned.

[147] **Eluned Parrott:** Thank you. Clearly, we've got the Bowe review, the Shaw review and the Hendy review looking at various aspects of the operations of Network Rail. Can I ask, perhaps particularly with the Shaw review as we're looking towards a future opportunity to establish a better working relationship in the future, what engagement you've had with that review process?

[148] **Edwina Hart:** Yes, in terms of the Shaw review, we have had engagement with the process—a lot of engagement. In fact, she's been very good in terms of the time and the discussions. The officials have reflected our views quite clearly into the review. We think it's going to be produced alongside the budget in March, her review, and it's been clear that we've discussed with her that more accountability in Wales for rail infrastructure needs to be with us. So, there has been a good engagement in terms of the Shaw review, I would say.

[149] **Mr J. Price:** We've had three or four proper discussions with her. I'd say, regardless of what comes out of the report, she has listened. In fact, she wrote to me only last week asking for an update of where we had got to on Valleys lines. I think I'm meeting with her next week on that.

[150] **Edwina Hart:** Yes, you are.

11:30

[151] **Mr J. Price:** So, it feels to me like she fully understands what we want to do. Her view is that there ought to be more competition in the rail network more generally, that some form of closer vertical integration—I don't think she'll go as far as saying that vertical integration is the right answer, but I think she'll say that some form of vertical integration is the right way—that different methods should be tried, and I hope she's going to say that the



proposition from the Welsh Government on particularly the Valleys would be a good thing to try. That's what I'm hoping for.

[152] **Edwina Hart:** We do feel that we're using an opportunity—and Peter Hendy feels the same—of actually showing how to do something differently that would be useful as they're undertaking all these reviews. I'm always criticised by Assembly Members for my task and finish groups. We could be criticising the Department for Transport for all these reviews coming together at one time, couldn't we? [*Laughter.*]

[153] **Eluned Parrott:** One of the other review processes, though it's an ongoing one, obviously, is the periodic review process and how that works. Clearly, in terms of a long-term strategic framework, its great failure is that it's not long term, it's short term, isn't it?

[154] **Edwina Hart:** Exactly.

[155] **Eluned Parrott:** Can you give me your view, if the periodic review process were to change, on what you would like to see it become?

[156] **Edwina Hart:** In terms of the periodic review, one of the issues that really irritates me is that we receive less than 1 per cent of the funding for railway enhancements that is actually spent across England and Wales—1 per cent in Wales. That, to me, is a really serious issue for us. It's consulting on some things currently. It's got this review, and, to be honest with you, what we need is effectively to have a proper route study to have control of, and we need to look at investment priorities and all of that. That's the type of control we need in terms of this period, James, isn't it?

[157] **Mr J. Price:** I quite agree. The biggest thing I would say is that I don't think it works, basically. I don't know whether anyone's set out for the committee, simply speaking—

[158] **Edwina Hart:** How it works.

[159] **Mr J. Price:** —how it works.

[160] **Edwina Hart:** Can you do so?

[161] **Mr J. Price:** Just in one minute, I'll talk it through. But you can see why there are some inherent problems. I don't think I'm glossing over this too

much, but, in simple terms, Network Rail sets out what they think the plans for a route would be, and then you've got these various statutory industry groups, where the industry's meant to respond to that and say what they think. Both of those—and I think this might then be a bit of a problem—go into the UK Government DfT machine, which looks at all of it, and it then becomes a high-level output specification and a statement of financial activity, a so-called SoFA. Then, it comes back to Network Rail, who then say how they're going to deliver it. When you look at that—and I had another look at it last night in preparation for this—Network Rail might arguably say that half of the problems they're dealing with are caused by the fact that they didn't actually agree what they were then going to deliver. And I think Mark Carne has said that.

[162] So, I would say that we need something that Highways England has got in place in terms of how they build roads, and which Welsh Government have had in place longer than Highways England for how we build roads, where it's much more—. You can have a planning process, which ought to be thinking about what you want to achieve, but then it needs to go into a technical due diligence process and a financial due diligence process, where you can be assured that you can deliver what you say you're going to deliver. And I think this is all too mixed up and it leads to planning aspirations being turned into delivery plans that will never happen.

[163] **Edwina Hart:** That's what's causing all their financial problems and their overruns and everything.

[164] **Mr J. Price:** So, I think it needs to be, personally, something completely different.

[165] **Eluned Parrott:** Can I ask, in terms of the weaknesses, whether or not Wales is disadvantaged by the current system? Clearly, there's a huge amount of bureaucracy, and we recognise that there are very large sums of money involved and that there will, of course, be a significant amount of work required to make sure that those are properly managed. However, there are concerns from a number of people that Wales is disadvantaged by relatively low passenger numbers on some routes and that, perhaps, the appraisal process is too focused then on a very narrow range of outputs around things like line speed and around things like immediate return on investment, and doesn't look at the wider social case for rail investment. So, if we look, for example, at the Borders route that was opened by the Scottish Government, that wouldn't have passed the DfT tests by any stretch of the

imagination. How would you wish to see that balance struck between making sure that the process is rigorous, but making sure that it happens in such a way that that broader case can be made?

[166] **Edwina Hart:** If the system was to change, as we would like it changed, as James has indicated, you could actually take those issues into account when you are looking at the financial arrangements, the economic benefits and everything. That would make a difference. But, if it's not, and there's not going to be a great change, ahead of that periodic review we actually need a commitment on the cash, in terms of the Secretary, to give fair funding for enhanced schemes and services within Wales. So, when we do the Welsh route study, which will be undertaken by Network Rail, I think we've got to be able to say that we want other factors taken into this—the fact that we are dealing with rurality, we are dealing with different things—when you do the cost benefit, and I think that is possible, James, if you had a different type of system emerging.

[167] **Mr J. Price:** Absolutely. Well, you could start with the capital funding, couldn't you, and then work out what you want to deliver within that envelope. A 5 per cent population share might be a starter for 10.

[168] **Eluned Parrott:** But still within a kind of capital first and then build outwards kind of approach: you're still looking, really, at envelopes of five years, 10 years. You're not necessarily looking for a long time—

[169] **Mr J. Price:** We'd want a longer term envelope, really, yes.

[170] **Edwina Hart:** We don't think that the way that they look at it currently is good, because I think you've almost got to look at things with a generational approach in terms of the delivery of public transport. That is never the way that it's been done within the UK; they're look at it very differently in continental Europe, in the way that they run their railways. So, we would want that. So, I think the battle for us is to try and get changed the way it's done and then get further change all the way along.

[171] **Mr J. Price:** Another significant—well, potentially significant—issue that might fall into this is that the DfT is currently looking at how it appraises transport schemes, and I believe they're going to reduce the cost of time that they apply to schemes. That will, in effect, benefit schemes that have got a significant number of people travelling on them, and disbenefit schemes with lower. So, you'd imagine a natural bias towards south-east England as a

consequence.

[172] **Eluned Parrott:** Okay. Thank you.

[173] **William Graham:** Rhun.

[174] **Rhun ap Iorwerth:** Yes, I just wanted to ask a few questions on the current assessment of risk, looking at various lines with the preferred option of devolution of funding, along with responsibility for Network Rail along a Scottish model: firstly, your assessment of the risk that adequate funding would come alongside the devolution of responsibility, especially considering that we know that devolution on franchising is not going to be accompanied by extra money.

[175] **Edwina Hart:** Can I say this is—? One of the areas that do concern us will be what will happen in terms of the transfer of resource. Of course, as a Government we've had other things transferred to us, and it has always been a battle to get the appropriate transfer in terms of resources across the piece. I think, historically, if you look at some transfers, the appropriate amount of money didn't come across. So, I think there is a risk in that, and that's a risk that we're going to have to work through to make sure that we know exactly where we want to be in terms of cash, and argue the case well. I think that's all we can do, James, isn't it?

[176] **Mr J. Price:** It is. It's quite difficult.

[177] **Edwina Hart:** It's hard.

[178] **Mr J. Price:** Because Network Rail's view of their condition of their asset—

[179] **Edwina Hart:** Is very different to ours.

[180] **Mr J. Price:** This would be one element of it: are you going to have catastrophic failure or are there parts of the network that are particularly expensive to maintain, et cetera, et cetera? Network Rail's own assessment of their own assets I don't think is sufficiently good enough. So, we have already started working with Network Rail to assess the quality of Valleys lines, because that's the first place we were looking at for a potential concession. We will have to do that, and have to take a view on the risk that we would be prepared to accept and whether we would either want the UK

Government to retain some of the risks or whether we would take a risk payment from them if we took them on. I don't think that bit will be easy at all. However, if we want to take devolution, I think we're going to have to take some of these risks, but we need to make sure that we take them in full knowledge of what we are taking.

[181] **Edwina Hart:** And the risk will be dependent upon the nature of the settlement for us.

[182] **Mr J. Price:** Yes, absolutely.

[183] **Edwina Hart:** And recent experiences and discussions we've had about routes around Wrexham and the state of the track and Network Rail assets: they might think they're sufficient, but we already know that there's a fundamental amount, or a large amount, of work that would have to be done, and that would be an enormous risk, taking some of that on. So, we are doing preparatory work, I think, in this area, but this is very difficult. It goes to the heart of what you do when you have the settlement; it's to make sure that the risk is apportioned properly.

[184] **Mr J. Price:** If you look at what Scotland have done—and I've tried to kind of get into the detail of this, but I don't know if I've quite fully understood it—I think Scotland are, in effect, taking all of the risk with the model that they have, including—. They're paying for the borrowings that are associated with the tracks in Scotland, but that that was paid for in the financial settlement that Scotland have had from the UK Government.

[185] **Rhun ap Iorwerth:** And what about an assessment of liabilities in Scotland and the kind of assessment that we would need in Wales? Were there lessons—

[186] **Mr J. Price:** We're talking to Scotland about that and trying to do this in a proper way. The model that we're adopting, really, is the same model that we would adopt with a road, which I think is fundamentally okay, and we've got quite a lot of experience where you either transfer a road out of Welsh Government ownership into local government ownership, or from local government ownership into Welsh Government ownership. When you do that, you assess, basically, what you're inheriting and there'll be something that we call a commutable sum, which is paid to bring the road up to an acceptable standard. Beyond that, of course, if we're preventing future UK Government funding, because they do have to fund the railway in the future,

there needs to either be an ongoing agreement of a sum every year, or such a significant transfer of a sum in particularly.

[187] **Rhun ap Iorwerth:** Or a reservation of a part of the liability—

[188] **Mr J. Price:** Absolutely, yes.

[189] **Edwina Hart:** Yes.

[190] **Rhun ap Iorwerth:** What about the issue of the debt ceiling, which is in place in Scotland?

[191] **Mr J. Price:** Again, this is something that we're looking at. Right now, I think the biggest thing that would constrain us, if we were to take powers ourselves, would be the interaction of that with the Welsh Government's debt ceiling. So, if we were to take Network Rail, we would either need that to be outwith the kind of debt ceiling that Welsh Government has, or the debt ceiling that Welsh Government has would need to be uplifted significantly. The two can't co-exist. The concession approach that we're looking at attempts to kind of avoid that issue by the concessionaire holding the track rather than Welsh Government, albeit they'd be working for the Welsh Government, and hence the borrowing should be off the balance sheet.

[192] **Rhun ap Iorwerth:** But in Scotland, of course, it was designated a public body.

[193] **Edwina Hart:** Yes.

[194] **Mr J. Price:** Yes.

[195] **Rhun ap Iorwerth:** And that would have to be done.

[196] **Edwina Hart:** There are a lot of valuable lessons to be learnt from Scotland.

[197] **Rhun ap Iorwerth:** Do we have a timetable of where we're at? It's clear that those discussions are ongoing and that you are aware of the risks. When do you think you might be able to make a genuine assessment, having got the information that you need to measure the risk?

[198] **Mr J. Price:** We want to go out to procurement for an integrated Wales

and borders franchise, and potentially a concession for the Valleys line network in the summer of this year. That's the plan.

[199] **Edwina Hart:** That's the deadline.

[200] **Mr J. Price:** We wouldn't have to sign a concession agreement until we had prices back in, so you can look another year down the track. So, summer 2017 would be a period when all of this would actually have to kind of come together, but we need the UK Government to allow us to go out to start that procurement process to answer those questions.

[201] **Edwina Hart:** Because any further delays there are going to have a massive impact on where we're going.

[202] **Mr J. Price:** And impact European funding and everything—

[203] **Edwina Hart:** European funding and everything, which we'd factored into what we were doing.

[204] **Rhun ap Iorwerth:** You're clearly concerned that the timetable is tight. Is it achievable?

[205] **Mr J. Price:** It's definitely achievable if we can hit the timetables to get stuff started by a certain period of time. So, our position to the UK Government is that we need to get the procurement started this summer. There's some reasonable slack built into the process that you might imagine, but I think it's as tight as it can be in order to spend the European money and deliver the benefits, because that's what you have to do now; you don't just have to get the infrastructure in, you've got to be able to demonstrate that benefits are accruing to the people of Wales before, I think, 2022. So, if you think, work wouldn't start until 2018—physical works—you know, in anger, all of that's got to be complete, rolling stock's got to be running and benefits have to accrue by 2022.

[206] **Edwina Hart:** So, it is tight.

[207] **Mr J. Price:** It's quite tight.

[208] **Rhun ap Iorwerth:** Okay. Thank you.

[209] **William Graham:** As you've touched on franchising in the question, I'm

going to go to the questions particularly on franchising, if I may. Mick, could I ask you to deal with that question now?

[210] **Mick Antoniw:** Yes, certainly. I was actually going to ask about the transport company.

[211] **William Graham:** Yes, we'll come back to that and do franchising now.

[212] **Mick Antoniw:** You don't want to do that now, okay. Well, the issue, then, on franchising, really, is the funding issue that exists, and, basically, whether you believe that the devolution of franchising powers with no increase in the block grant is a good deal and also the implications of the financial situation. Perhaps what I might ask about there is perhaps what the implication is with regard to European funding in respect of the progression of any of these transport objectives.

11:45

[213] **Edwina Hart:** Well I think James has outlined that, in terms of transport, we're very reliant on the European stuff and money and getting this agreement in. We need the European cash, so we therefore need to be going out in the summer, and that's quite clear. But in terms of the franchising arrangements—

[214] **Mr J. Price:** In terms of the franchise settlement, I think our position was, and remains, that that was a reasonable settlement. So, on the basis that you can upgrade the network, bring in a significant proportion of electrification, which should bring the running costs of the network down, then keeping the block unaltered doesn't seem an unreasonable assumption. The Department for Transport's starting position was the block should be cut to reflect the lower costs of operating a franchise with upgraded infrastructure, which is still my fear, that they'll try and—well, that someone will try and do that by the back door. So, we need to be vigilant on that. I think that's why it's better to call it a settlement rather than going into significant detail and opening ourselves up to DfT trying to take money off of us.

[215] **Mick Antoniw:** So, you're positive and optimistic that we're actually going to make progress in terms of getting proper agreement on that.

[216] **Mr J. Price:** The infrastructure is the issue, I think, rather than the cost



of running the—.

[217] **Mick Antoniw:** So, it's not so much the franchise, it's all the other things around it that enable the franchise to actually operate.

[218] **Mr J. Price:** Yes.

[219] **Mick Antoniw:** Okay.

[220] **Joyce Watson:** Obviously, there has been discussion about remapping and the scope of the next franchise, and there's been discussion and stories about cross-border connections and all rail will start and end in Wales. Have you got any update on discussions that you've had with the UK since those comments first came to light?

[221] **Edwina Hart:** Yes, they were comments; those comments came out, as we're all aware of. At the highest level, in terms of discussion, they are not issues, so it's interesting where these issues have come out from in terms of Government. In terms of the Secretary of State, there's been some discussion in your high-level dialogue, hasn't there?

[222] **Mr J. Price:** Yes.

[223] **Edwina Hart:** Because people do understand the importance of having those links in and those being part of the franchise. So, we'll obviously be asking the questions on this and keeping up the pressure, but we've never had an indication from the Secretary of State at all that this was an issue. But you do start to worry when it comes out at a certain level about what ideas might be being fed into a system that might emerge further on. But I think that's the position with your discussions as well.

[224] **Mr J. Price:** Yesterday I was told I should appear hopeful on this, and that we are not that far off reaching an agreement. But, you know, things—  
[Interruption.] Well, it would be reasonable for me to appear hopeful.

[225] **Mick Antoniw:** How would your visage differ? *[Laughter.]*

[226] **Mr J. Price:** Well, I'm not convinced until I see it.

[227] **Edwina Hart:** When it's written in blood, it'll be fine.

[228] **Mr J. Price:** But your conversation with the Secretary of State was very positive on it, wasn't it?

[229] **Edwina Hart:** Yes, and I think it's important to recognise that there's so many issues in rail. I think, in many ways, because we are prepared to get on with it here, have clear plans, and know what we want to do, that is actually helpful to DfT as well.

[230] **William Graham:** Eluned, would you like to go on with the management model for rail franchising? Thank you.

[231] **Eluned Parrott:** Thank you. We've talked at length over the last couple of years about the procurement model and the transport company for Wales, but I wonder if you might like to think about the management model for actually running services under the new Wales franchise, and what kind of management model you envisage taking that forward?

[232] **Edwina Hart:** You're dealing with the company aspect of this, James.

[233] **Mr J. Price:** There's quite a lot of detailed work going on now on different options. As you'll be aware, we have already established a Welsh Government transport company, which is trading as Transport for Wales. There is an interim managing director appointed who's been in now for a few months and came in from Atkins, I believe—at senior level from Atkins. He's been very effective. We've got a structure that we're beginning to populate that we believe we need to get to the point of letting a contract that will enable us to deliver the infrastructure. The question that we're now working on is exactly how, beyond delivering the infrastructure, you deliver wider transport, I guess. Our fundamental view hasn't changed, which is that we need something like Transport for London and the basic Transport for Wales model will work, which, to set out what I've set out before, is a wholly owned, currently, Welsh Government company, which would then have a series of concession-type contracts below that, which might be for bus, certainly will be for rail, and certainly would also be for infrastructure improvements, and would also be highly likely to include integrated ticketing, marketing and control of revenue. In that way, it would act like Transport for London. It's quite interesting, Transport for London, I've noticed, have started to say, 'We don't run for profit. Every penny that we make goes back into the network.' I've seen posters running on that now, which is exactly what we've been talking to them about doing, and saying that we—. So, I don't know whether they've listened to us and said, 'We like what you're doing, because—.' But

I've noticed they're running that themselves.

[234] One of the technical difficulties is to do with the European regulations on running railways and how closely you can integrate infrastructure and operations, and we may need to create a couple of subsidiary companies below the one company, but they can be staffed by the same people, we believe. So, we're trying to create an integrated infrastructure and operations company that can act like Transport for London, limit profit to be made in the system, for the Transport for Wales to operate as a not-for-profit, not-for-dividend vehicle, but to do that within the European regulations around rail.

[235] **William Graham:** Mick has a short supplementary.

[236] **Mick Antoniw:** That's really encouraging, but I'm just wondering—. We're a year on since the company was set up and, of course, one of the difficulties always is looking at the resources, skills and expertise that are needed, but of course you don't want people sat around when you're uncertain what you're doing. I'm just wondering what progress has actually been made in terms of the resource side.

[237] **Mr J. Price:** Okay. I think we've made relatively good progress. So, in front of me, I've got the current structure, and I'll just read across the headings—not all of which are filled, but I'll tell you where we have filled and where we haven't. So, we've got a strategic advisory board, and the membership remains the same, as we talked about before, but some people from Transport for London will probably join; we've appointed a managing director; we have appointed a commercial director, who will deal with the procurement; we've appointed a franchise and operations director, who is ex-First Group, and that may or may not be a good thing, I don't know, but they know what they're doing. Below that, we have got people on rolling stock, on procurement, on commercial and on legal. The gaps we've got, which we need to fill very quickly, are health and safety, and the advice from the advisory board is we need to do that very quickly; communications and stakeholder management, which I think will become more important, and it's not just a communications job for the Government as this is a communications job to understand what do people want to get out of the new system; and a bit more on infrastructure, and more on the integration of different modes and ticketing. I think we're making progress, but the balance that we've got to strike is we do not want to be spending too much money ahead of knowing that we've got the full powers; equally, we don't want to

get the full powers without having something ready to go, and that's a constant discussion we're having, because we'll be in front of the Public Accounts Committee at some point, where the question will be, 'Have you spent too much money ahead of having the powers?' I imagine.

[238] **Eluned Parrott:** Back to, specifically, the organisation or organisations that will be delivering services on the ground—not the management company, but the actual service delivery—if you are going towards a concession-type model, how does that work with the idea of a profit cap for operators, which you discussed previously? Is that a profit cap for those taking on concessions? If so, how is that likely to affect the attractiveness of the offer to people who might potentially wish to take on these services?

[239] **Edwina Hart:** We've had no difficulty in discussions with anyone. They don't see this as holding back anything regarding the attractiveness of the proposals that exist in Wales. We've had no indication that that would be a problem anywhere.

[240] **Mr J. Price:** And I think, to explain why that might be the case, clearly, there are very high profit margins being made by some parts of the rail industry, but there are significant risks also being taken by some parts of the rail industry in terms of revenue risk, for example. The main line to London has a massive revenue risk on that. What we're really offering people here is more akin, I think, to a pension-type investment proposition, whereby there's pretty certain demand here. I mean, the passenger numbers are growing, the prices are such that people are going to continue to use them and the subsidy level is very high, so people aren't going to take a massive revenue risk or a massive operational risk here. So, to take a lower guaranteed return is something that businesses are telling us they're prepared to do. And, of course, through the competitive process, we won't be putting a cap on at this stage, so we will make sure that we have people through the door.

[241] **Eluned Parrott:** Can I ask how this is going to work alongside things like, for example, the south Wales metro and the north Wales metro proposal that was announced over the weekend? How do these—. You have a management company and you have concessioners. Where do they sit with that because, clearly, a metro isn't just about rail franchising—it's about a number of other operations as well? Who's actually in charge of those metro projects?

[242] **Edwina Hart:** That will be all with the company.

[243] **Mr J. Price:** Who has to be the integrator of all of it.

[244] **Edwina Hart:** And I suppose as well, of course, that people are speculating a lot on what the city region deals will be like, and how local authorities are coming together to look at those issues. And, obviously, that will be dependent on whether, of course, they have the city deals. But I think they understand that, currently, there is no bus deregulation here. Rail will lie with us on devolution. So, if we did want to do anything with them, it would be the company deciding that they could be part and parcel of doing some things within their regions. So, that's all really to play for in terms of the future, but it is the company that will control.

[245] **Eluned Parrott:** And just finally, if I may, Chair, you've referred previously to poor modelling as being a factor in the failure of rail franchises in Britain. Can you tell me how you have ensured that your modelling is better than that?

[246] **Edwina Hart:** Well, I think the fact is that we've learned some lessons from the modelling elsewhere in terms of what is being provided. And, also as well, I think we've got good will—. In terms of you talking about the franchise.

[247] **Eluned Parrott:** Yes.

[248] **Edwina Hart:** Yes, franchise. I think the fact that we've got a public consultation exercise that's going to be fairly well run, that we have an excellent relationship with rail users groups as part of the dialogue and everything I think will make a difference in terms of how we model what is required.

[249] And one of the key areas—one of the big issues that has arisen on the modelling of the franchise—has actually been all of the issue about disability access and all those arrangements, which has come out as a key area. Because if things are accessible for disability reasons, they're accessible for everybody. That's been one of the key points that's come on. And I think we've invested a lot of time and money into the issues around the modelling, and getting the views of people who, after all, will be using the service, and we want more of them to use the service.

[250] **Mr J. Price:** And, in terms of the financial modelling, we've got to a kind of second stage on a business case now, and we're using the same team and a couple of the same external people that we use to model the broadband work, augmented with some rail experts. And we're having it tested externally; we've got a couple of gateway reviews coming up. So, we're doing everything that you would expect; it's still a risk, but we're trying to close the risk down as much as we possibly can.

[251] **William Graham:** On the franchise, if I may, and on rolling stock, Minister, you had hoped to have made an announcement some time ago. Everybody's had a briefing from the train-providing companies that we're a long way behind everybody else. What are your views?

[252] **Edwina Hart:** Yes, well, we had been hoping to do something further on that. I don't think there's anything imminent at the moment, James, in terms of this big problem.

[253] **Mr J. Price:** Unfortunately, it's caught up with what we talked about earlier. So, technically, still, this is a matter for the UK Government and not a matter for us. Our stated position is that we want the bidding process for the next franchise to set out a rolling stock strategy, and there might be a whole variety of different strategies proposed to us; well, I'm sure there will be, because different bidders will buddy-up with different rolling stock providers. But what we will be doing, I think fairly shortly but I don't know what the timing of it is, is to be clear what the Welsh Government wants to keep in terms of the current rolling stock, which won't be that much, I have to say, but there are some bits of rolling stock in Wales that are actually quite good.

[254] **Edwina Hart:** So, we'll keep that.

[255] **Mr J. Price:** The new stuff basically.

[256] **William Graham:** In terms of the approximate dates you alluded to earlier in terms of powers, really, are you confident that this can then come together so that there would be a proper franchise document?

12:00

[257] **Mr J. Price:** If we've got powers, yes.

[258] **Edwina Hart:** Powers, yes—if we get them.

[259] **William Graham:** Fine. Thank you very much. Could we go back now, if I may, to timescales for the Valleys electrification? Jeff.

[260] **Jeff Cuthbert:** Thank you, yes. We have talked a little bit about the Valleys lines and linking them to the metro. Arriva Trains have told us that one of the issues, in their view, that's holding things up is the lack of a decision on whether—or the balance between heavy rail and light rail. They've actually described that as probably the biggest risk. Now, those are their words. Do you have any feel now as to when you'll be able to announce the balance between light rail and heavy rail within electrification and the metro?

[261] **Edwina Hart:** Our procurement is the key to this because we've gone out to the market to say to the market, 'What do you think is feasible in running a metro? What are the best systems?' So, we haven't prescribed anything in terms of what they're doing. I'm quite startled by the comments of Arriva, because they're not comments that have been made to me in any of my ministerial meetings, about this being part of the problem. They haven't indicated that at all.

[262] **Mr J. Price:** There has been some noise from certain parts of the rail industry and I understand where it's coming from, where they're basically saying, 'Look, if you'd only be like the DfT and tell us exactly what you want to buy and specify the signalling and specify the rolling stock, then it would be easier for us and we could bid a whole lot more easily.' That is undoubtedly true, but I think it's also undoubtedly true that the same people would say that one of the reasons why the railway is so expensive and so messed up is that people who don't know what they're doing keep saying, 'That's the rolling stock you're going to use and that's the signalling we're going to use.' So, we're saying, 'You're the experts—you tell us what you want to do'. That extends to if you want to use all heavy rail or some light rail or something that we've never heard of, frankly, because what we have learnt is that the boundary between heavy rail and light rail is increasingly being blurred.

[263] **Edwina Hart:** Also what we've learnt, since we've started this whole process, is that the improvement in technology, in a way—

[264] **Mr J. Price:** Absolutely—in signalling.

[265] **Edwina Hart:** —in signalling and other issues, has been absolutely immense. If you'd started to talk about this 10 years ago, when we were looking at other—. The world has really changed in terms of the development that's going on within the sector. This signalling issue could really be excellent.

[266] **Mr J. Price:** Signalling could transform everything.

[267] **Edwina Hart:** The whole project.

[268] **Mr J. Price:** A lot has been said about digital railway, and most people are highly sceptical about getting that in in the UK, but the only reason they're sceptical about getting that in in the UK is because Network Rail says it's got to be done across the whole of the network. If you were to separate off an element of the network, and a bidder could come in and use the same system that they'd been using for five years in France, which is compliant with EU regulations, there's no reason why it couldn't be dropped in overnight. People have talked about costs of £7 million or £8 million for re-signalling the whole thing if you did it in that way. So, we really are pushing people to come up with that type of solution, but I think that part of the problem in dealing with Network Rail is that it's so different from their standard processes for doing things—how would you risk assess that?

[269] **Edwina Hart:** And also I think there's an issue with Network Rail, because we are procuring an integrated franchise and an infrastructure provider that could deliver without the necessity of using Network Rail. That also, I think, covers some of the comments that have come out as well.

[270] **Jeff Cuthbert:** Network Rail said,

[271] 'the jury's out in terms of what light rail will bring us'.

[272] I must say that I find that strange. I've been on many light rail systems and I thought they were first-class. So, in terms of rail technology, I would've thought that the case is well established.

[273] **Edwina Hart:** Yes, and it'll be horses for courses, because the development of the metro will be taking us to areas where there's currently no track, possibly, where we're going to be doing rapid bus transit. There are all those issues that come in, because this is not just a narrow scheme based



on the current railway lines; it's a much wider scheme about integration. I think that's why everybody signed up to the vision of metro, because it was different. I think that what comes across sometimes, when you're talking to these groups—and very nice some of them are—is that there's an awful lot of vested interest in what their future role and function will be in this. So, there are a lot of things around the edges that they want to try and influence. I think the fact that we are looking for procurement in the way we are has frightened the horses in some areas, because they're going to have to come up with the goods to actually say how this would work, what it would look like and what it would look like within that cost envelope. Therefore, the good bidders are the ones that are going to look at the technology advantages and going to look at what they could provide and what they're going to do. I think this is actually a challenge to the whole industry, which I think is worth taking.

[274] **Mr J. Price:** There are three or four big consortia who really want to bid for this. So there's enough of a field—who want to do that.

[275] **William Graham:** Thank you very much. Any other questions from Members? No. Thank you very much, Minister and Mr Price, for coming to us today. It's most helpful, your evidence, to the report the committee will be publishing.

[276] **Edwina Hart:** If there's anything further the committee would like, in terms of any technical detail, James will be happy to provide it.

[277] **William Graham:** Thank you very much, Minister, much obliged.

[278] **Edwina Hart:** It was funny being in here, wasn't it?

[279] **William Graham:** We had the video conference with the MEPs—that was the reason—earlier.

12:05

### **Papurau i'w Nodi Papers to Note**

[280] **William Graham:** Item 5, if I may, papers to note. Thank you very much. The public meeting is now closed.

*Daeth y cyfarfod i ben am 12:05.*  
*The meeting ended at 12:05.*