



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Pwyllgor yr Economi, Seilwaith a Sgiliau](#)

[The Economy, Infrastructure and Skills
Committee](#)

13/07/2017

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on 19 July

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

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. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Hannah Blythyn Bywgraffiad Biography	Llafur Labour
Hefin David Bywgraffiad Biography	Llafur Labour
Russell George Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells Bywgraffiad Biography	Llafur Labour
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles Bywgraffiad Biography	Llafur Labour
David J. Rowlands Bywgraffiad Biography	UKIP Cymru UKIP Wales

Eraill yn bresennol
Others in attendance

Kate Faragher	Prif Weithredwr, BeSpokeSills Chief Executive Officer, BeSpokeSkills
Rhodri Griffiths	Dirprwy Gyfarwyddwr, Polisi, Cynllunio a Phartneriaethau Trafnidiaeth, Llywodraeth Cymru Deputy Director, Transport Planning, Policy and Partnerships, Welsh Government
Sheena Hague	Dirprwy Gyfarwyddwr yr Is-adran Rheoli'r Rhwydwaith, Llywodraeth Cymru Deputy Director of Network Management, Welsh Government

Simon Jones	Cyfarwyddwr, Trafnidiaeth a Seilwaith TGCh, Llywodraeth Cymru Director, Transport and ICT Infrastructure, Welsh Government
Mick McGuire	Cyfarwyddwr Sectorau a Busnes, Llywodraeth Cymru Director, Sectors and Business, Welsh Government
Dean Medcraft	Cyfarwyddwr, Cyllid a Gweithrediadau, Llywodraeth Cymru Director, Finance and Operations, Welsh Government
Ken Skates Bywgraffiad Biography	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith) Assembly Member, Labour (The Cabinet Secretary for Economy and Infrastructure)

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

Dan Collier	Clerc Clerk
Sean Evans	Y Gwasanaeth Ymchwil Research Service
Robert Lloyd-Williams	Dirprwy Glerc Deputy Clerk
Martin Jennings	Y Gwasanaeth Ymchwil Research Service
Andrew Minnis	Y Gwasanaeth Ymchwil Research Service
Gareth Price	Clerc Clerk

Dechreuodd y cyfarfod am 09:30.
The meeting began at 09:30.

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

[1] **Russell George:** Croeso, bawb. **Russell George:** Welcome, everyone. Croeso i Bwyllgor yr Economi, Welcome to the Economy, Seilwaith a Sgiliau. Infrastructure and Skills Committee.

[2] I'd like to welcome Members to the Economy, Infrastructure and Skills Committee this morning. We have got a session with the Cabinet Secretary, Ken Skates, at 10 o'clock, but we will propose to go into a private session for the first half an hour. I will take item 1 first.

[3] There are apologies from Adam Price this morning, and all other Members are present.

09:31

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
ar gyfer Eitem 3
Motion under Standing Order 17.42 to Resolve to Exclude the Public
from Item 3**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in 17.42(vi).

accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[4] **Russell George:** So, if Members are happy, under Standing Order 17.42, I resolve go into private for item 3. Are Members happy with that? Thank you.

Derbyniwyd y cynnig.

Motion agreed.

*Daeth rhan gyhoeddus y cyfarfod i ben am 09:31.
The public part of the meeting ended at 09:31.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 10:00.
The committee reconvened in public at 10:00.*

**Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith—Craffu Ariannol
yn Ystod y Flwyddyn
Cabinet Secretary for Economy and Infrastructure—In-year Financial
Scrutiny**

[5] **Russell George:** Yr eitem **Russell George:** The next item:
nesaf:

[6] I'd like to invite this morning the Cabinet Secretary, Ken Skates, to be with us for our next session on financial scrutiny. I'd be very grateful, Cabinet Secretary, if you could introduce your colleagues.

[7] **The Cabinet Secretary for Economy and Infrastructure (Ken Skates):** Thank you, Chair. I have Mick McGuire, I have Simon Jones, and Dean Medcraft. Dean takes care of finances; Simon, transport and infrastructure; and Mick, business and sectors.

[8] **Russell George:** Thank you, Cabinet Secretary. Just if I could ask the first question: I notice in your paper that you're saying that you liaise with the Future Generations Commissioner for Wales to ensure that your approach is correct in a number of aspects. Now, the future generations commissioner has criticised the M4 relief road. What the commissioner has said is:

[9] 'I do not believe that the proposed scheme appropriately applies the principle of taking decisions in a way that benefits future generations.'

[10] How are you changing the scheme as a result of the advice from the future generations commissioner?

[11] **Ken Skates:** Thanks, Chair. Can I begin, because this is my first opportunity to do this, by putting on record my thanks to this committee for the report that you recently published on the next rail franchise? It was an excellent report, very thorough and comprehensive, and officials are now

working through the recommendations, but my thanks to you for such an outstanding report. In terms of our liaison with and engagement with the commissioner, since that statement was made we've met, and I've met with the commissioner. A good deal of work has taken place, and I'm very grateful for the way that she has clearly articulated her expectations on us, concerning not just the M4 project but other major projects that we are taking forward. I'm pleased to say that since February of this year, we've been working together on a joint appraisal of the Welsh transport appraisal guidance scheme, which will be launched this summer. I think Simon can outline the work that's taken place, but given that work, we will be able to refresh the approach taken to the Well-being of Future Generations (Wales) Act 2015 and how it's incorporated into the decision-making process for major infrastructure projects. But if I ask Simon to go through the work that's taken place, and that will be launched this summer.

[12] **Russell George:** And perhaps, also, if I could ask if you've got an example, perhaps, of how a project or a scheme has changed following advice from the commissioner—.

[13] **Mr Jones:** Okay. I'll scoot through the WelTAG stuff, if I may. As you know, it's appraisal guidance, which looks at how we determine whether to take a transport scheme forward, and it looks at the problem and the range of solutions, and then identifies the best solution, agnostic of mode for delivering that solution. The guidance has been rewritten with the future generations Act in mind. We've spent quite a lot of time with the commissioner talking through that. I think—without wishing to put words into her mouth—she seems to be quite pleased with the way that that's turned out, as an exemplar of how we should be doing this kind of work, because after all, these transport schemes are there for the long term. As the Cabinet Secretary says, that will be published in the autumn, and we'll set out that detailed methodology for how we deliver schemes—how we deliver schemes, and actually it's guidance for how the entire public sector in Wales delivers schemes, with all of that future generations piece baked in.

[14] **Ken Skates:** Sustainability is at the heart of the decision-making process that we operate, and I can identify a few examples where changes are being made or have been made, if the committee so wish. For example, we're refreshing the Welsh transport strategy and incorporating decarbonisation into that strategy. We have looked at the development bank, ensuring that the move from Finance Wales to the development bank is an all-Wales offer, and as a consequence will ensure that there is a better

degree of involvement of the entire business community in Wales in the development bank operations, in terms of—and I know it's softer, but it's still very important—the fusion programme. As a consequence of the degree of involvement, engagement, collaboration that's taken place in pioneer areas, we've now extended that programme out and that is critical in bringing people together in a collaborative way, involving people, particularly with protected characteristics, in programmes that they otherwise would not be engaged in. The infrastructure commission, of course, we've consulted on widely to make sure that, again, there is a good degree of involvement in that process by society in general, but also stakeholders.

[15] **Russell George:** So, in terms of the M4 relief road scheme, are there any changes that can be made as a result of the commissioner's views, or is it too late in the process?

[16] **Mr Jones:** We've reviewed the evidence that the commissioner submitted, and that's all sitting now on the public inquiry website. We've responded to that in detail and, again, that's part of the evidence that we presented to the public inquiry. The commissioner has chosen not to follow that up with a personal presentation to the public inquiry, so we feel that we've dealt with the issues that were raised in the evidence, as part of our own submission, against what the commissioner put forward.

[17] **Russell George:** Okay, that's fine. Thank you. Jeremy Miles.

[18] **Jeremy Miles:** Thank you. When you came before the committee in the autumn of last year, you said that you were planning to review the evidence base that you take into account in making decisions, and you helpfully set out in the note some of the evidence that has been taken into account. I'm just wondering what's new about the approach that you take now, which wasn't the case then.

[19] **Ken Skates:** I have given this particular area of work a lot of consideration and checked that procedures are sufficiently robust. I am confident that they are. I think it's worth saying that, in terms of value for money, which essentially underpins the evidence base, we've seen cost per job decreasing year on year. So, there's been an improvement in value for money in terms of investment year on year. We've been operating three Wales economic growth funds, which, again, have improved year on year, or fund on fund, and we've been working as well with the Public Policy Institute for Wales and the Organisation for Economic Co-operation and Development

in examining further improvements. We've also introduced, for major projects, bespoke arrangements. Mick might be able to give some detail on what we've done, for example, for the life sciences hub. Members will also be aware that we introduced a new, additional system to ensure that the Circuit of Wales deliberations were given thorough assessment as well, across departments. But particularly with regard to the life sciences hub, as an example, it's quite interesting how we've strengthened the system.

[20] **Mr McGuire:** Well, three years in, we did an efficiency review. We had an external body in to look at it and to consider how the life sciences was performing, and they concluded that it wasn't delivering against the outputs that were originally expected when the project was put together. And as part of that, a review, then, of its future purpose has had it be repurposed towards benefits for NHS care and health outputs, and it's currently in the process of being repurposed, as we speak, into a hub that focuses on three primary areas: one is improved patient outcomes for the NHS in Wales; two is better value for money and more efficient treatments within the NHS in Wales; and the third one is for Welsh-based life science companies to grow on the back of providing new and innovative solutions for the NHS in Wales.

[21] **Jeremy Miles:** So, that describes a review of effectiveness, essentially, but are you using a new evidence base or are there any new practices that you've discovered that needed to be introduced, or were you broadly comfortable?

[22] **Ken Skates:** I was broadly comfortable, but I think there are other initiatives that will strengthen the evidence base, for example the creation of an independent infrastructure commission that will be able to offer crucial advice. I think that will strengthen decisions on infrastructure, for example. But, in addition, on the business side, we've also introduced those bespoke new measures for major projects.

[23] **Jeremy Miles:** Okay, thank you.

[24] **Mr McGuire:** But to that question, the management will change because the outputs were disappointing, relative to the expectations, and management will change.

[25] **Russell George:** Mark Isherwood.

[26] **Mark Isherwood:** When I raised this question with you last November,

it was in the context of a Finance Committee recommendation that greater evidence setting out the rationale behind budget decisions be published. So, you've explained some of the internal workings that have been going on, but how would you comment on that recommendation on the publication of that evidence?

[27] **Ken Skates:** Okay. There is a huge amount of work that takes place in terms of gathering and presenting the evidence for decisions to be made. I am confident—. I know what the committee report stated, but I am confident that the evidence base is presented in a satisfactorily robust way and that it does present every factor that needs to be considered for ministerial decision. The process is quite extensive for reaching a decision and, prior to that, gathering the evidence and presenting the business case. There's a rigorous internal financial approval process that's undertaken. Our assessments are based on value for money as set out in the Treasury's Green Book. And, as I've said, we've already started working with PPIW and the Organisation for Economic Co-operation and Development to improve methods. Mick, are there any other—? Or, Dean, are there any other forms of assessment that you can identify that demonstrate—

[28] **Mr Medcraft:** Yes. For me, value for money goes from policy inception, basically, to project delivery, and we look at it at all key stages. So, for example, when a project is up and running, we go through gateway processes as well, where they report back to us to make sure that value for money, for example, is being delivered. Even after a project has been delivered, we actually go back in and do some post-implementation review as well, to make sure that, even though value for money has been explained to us, it is actually delivered on the ground as well.

[29] Going back to the future generations commissioner as well, I'm doing some work on behalf of the Minister, with the Cabinet Secretary for Finance and Local Government, sitting down with the future generations commissioner, basically to understand where she's going on some of this stuff. So, we work in collaboration with her as well, which I think is important as we set budgets going forward. So, we're looking at participatory budgeting as well.

[30] **Ken Skates:** Yes. Also, in terms of additional benefits that stem from decisions, we don't just look for, for example, cost per job, we also look at the social benefits that emanate from a decision as well. So, the evidence is gathered to demonstrate the additional benefits that an investment or an

intervention might be able to make.

[31] **Mark Isherwood:** But publication—so, for the purpose of scrutiny in response to the Finance Committee’s recommendation, you’re explaining the processes, and that’s quite encouraging—. But what about publication so that the scrutineers have a better understanding of the basis for the decisions reached?

[32] **Ken Skates:** In terms of publication for an investment panel or for the general public?

[33] **Mark Isherwood:** Well, the Finance Committee recommendation was that Welsh Government should publish greater evidence setting out the rationale behind budget allocations. By releasing it to us, you’re effectively releasing it to the public, anyway.

[34] **Ken Skates:** Is that for all decisions? Sorry, I just need to clarify in my own mind whether that would be evidence for individual decisions or general evidence gathering.

[35] **Mark Isherwood:** The recommendation was ‘behind budget allocations’. I also noted that references to specific spending priorities falling within your portfolio in the strategic impact assessment had not met that commitment at that time, for example.

[36] **Ken Skates:** Okay. I think it might be worth a note from ourselves to the committee outlining what we can publish, what is published, and the process as well.

[37] **Russell George:** Will we see more of this in the next draft budget?

[38] **Ken Skates:** I need to go back and check on that, Chair.

[39] **Russell George:** Okay, that’s fine.

[40] **Ken Skates:** I’ll need to check on the extent of the evidence that we are able to present to you.

[41] **Mr Jones:** It might just be worth adding that, for some of the major schemes that we’re delivering, which are clearly responsible for a huge amount of the budget, there is a huge amount of evidence that’s put out into

the public domain. So, we've talked about the M4 already today, but the public inquiry is scrutinising all of the evidence that sits behind the decision to take the scheme forward. So, to a pretty significant extent, we are putting that information out into the public domain. For schemes that don't have that kind of public inquiry—. Most of our highway schemes do go through that public inquiry route where that information is rigorously assessed in the public domain anyway.

[42] **Russell George:** Okay.

10:15

[43] **Mr McGuire:** And an example, perhaps not specific to the whole of the budget process, would be the development bank of Wales, which the Cabinet Secretary referred to earlier. In their business plan, which will be published and will be shared, it explains that more funding is going to them because the need for grant support is reducing and that, for commercial finance, the leverage in private finance will follow.

[44] **Ken Skates:** It's possibly an issue that would be relevant for the finance Minister as well, to consider across all budgets.

[45] **Russell George:** Okay.

[46] **Ken Skates:** But I'm conscious that our answers may not fully satisfy members of the committee, so I think it would be worth us providing additional notes on this.

[47] **Russell George:** We'd be grateful for that. I'm just a bit conscious we are a little bit stretched for time now. Are you happy, if Members are not quite hitting what they want, they can interrupt you?

[48] **Ken Skates:** Sorry, yes.

[49] **Russell George:** That's fine. Vikki Howells.

[50] **Vikki Howells:** Thank you, Chair. Cabinet Secretary, you've said that the Welsh Government's 'prosperous and secure' strategy will involve a regional approach to ensure that growth and prosperity are spread across Wales. How will this regional approach be reflected in the department's budget?

[51] **Ken Skates:** Well, this will be an exciting piece of work. Traditionally, there's been a tension between whether you take a sectoral approach to economic development or a spatial approach. What we're trying to do is to fuse the two together so that you can apply a spatial approach, but identify key sectors at a regional level where there are existing capabilities. That said, what I don't want to see happen is for value for money in our interventions be compromised because we have a budget-setting process that would enable resources to be allocated without due regard to the impact of interventions. So, we will maintain a structure whereby interventions are determined on the basis of their impact. So, there won't be the ring-fencing of funding at the regional level within that economic development unit within the proposals. Instead, regional teams will be responsible for identifying and developing programmes, but they will still be determined on the basis of impact.

[52] **Vikki Howells:** Thank you. Could you clarify for us the timescale for the publication of the 'prosperous and secure' and the 'united and connected' strategies?

[53] **Ken Skates:** Okay. It may be worth my just clarifying the Government's strategy, 'prosperity for all', captures four chapters, if you like, in which I'm responsible for 'prosperous and secure'. Colleagues—Kirsty Williams is responsible for 'ambitious and learning', Julie James 'united and connected', Vaughan Gething for 'healthy and active'. They are truly cross-cutting and cross-Government, so each strategy, or each component of the strategy, has had to be approved by all Cabinet Secretaries and Ministers. So, it's gone through a rigorous process of engagement across Government to ensure that it is truly supported by all departments or Ministers, and we expect to be in a position to be able to publish 'prosperity for all' soon after the Assembly returns in September.

[54] **Vikki Howells:** Thank you. And, finally, I appreciate the point you made there about not ring-fencing funds on a regional basis, but, particularly as we move to leaving the EU and the loss of regional funding that will result from that, I was just wondering whether you will be seeking additional resource to support the delivery of those strategies.

[55] **Ken Skates:** That's a really important question, actually. Again, the finance Minister has been leading on major pieces of work concerning regional economic policy in the context of Brexit. But we won't be seeking

additional resources to deliver 'prosperous and secure'. What we are aiming to do, though, with the cross-cutting strategies, is to make sure that there's a greater degree of collaboration and that we squeeze, from every investment, the maximum benefit for the public purse. So, instead of—. This is not a method for me to capture more money for my department; this is a way of me offering to the rest of Government opportunities for us to work more closely together to achieve a combination of priorities with every decision that we make.

[56] **Vikki Howells:** Thank you.

[57] **Russell George:** Can I just clarify, Cabinet Secretary—? I think you mentioned to Vikki that you'll be publishing your 'prosperous and secure' strategy in September, but I notice that, in the external affairs committee last week, you mentioned that it'll be published this term—or are we talking about something different?

[58] **Ken Skates:** No, I think it's likely that it'll be published once we return, after the summer recess, because, as I say, it has required approval right across Government. So, it's more likely to be in the new term, in early autumn.

[59] **Russell George:** Is that something that's changed since you gave evidence to the external affairs committee?

[60] **Ken Skates:** I think I was probably hopeful and keen that I could get something published before recess, but, given the significance of the work, I think it's more important that we get it right rather than rush it to publication.

[61] **Russell George:** Can I just clarify as well: when you do publish that in September, is that going to be a hefty, bulky document? Is it going to be a framework where we expect other areas to come after that? Can you just explain that a little more?

[62] **Ken Skates:** I think that's a really important question as well. The First Minister's been very clear that we cannot act as a strategy factory, and that we have to be working collaboratively across Government and indeed with partners outside of Welsh Government. So, the strategy—one strategy, cross-cutting—will be as concise as it possibly can be, setting out clear visions and expectations across Government, but there will be, potentially, a small

number of action plans, if you like, that will complement the ‘prosperity for all’ strategy, and, particularly with regard to economic development, I expect that an action plan will be published soon after prosperity for all.

[63] **Russell George:** So, the action plan—there will be other parts to—

[64] **Ken Skates:** It will be more substantial.

[65] **Russell George:** More substantial. And when would we be likely to see those?

[66] **Ken Skates:** Soon after. Prosperity and secure—. Sorry, ‘prosperity for all’ will come first, and then the action plan for ‘prosperous and secure’ will come very soon after. That’s my aim.

[67] **Russell George:** Okay. And when would you expect that? Is that September?

[68] **Ken Skates:** Again, I’m aiming for early autumn with the action plan.

[69] **Russell George:** Early autumn.

[70] **Ken Skates:** Yes.

[71] **Russell George:** Okay. What about with regard to an industrial strategy? For my own mind, will we be having an industrial strategy that sits within it? Is it going to be called an industrial strategy? Is it part of ‘prosperous and secure’?

[72] **Ken Skates:** Again, I think it’s important we don’t—. There have been calls for strategies for all manner of economic development and economic activity. I think it’s really important that we capture as much as possible in a coherent package. For that reason, the ‘prosperous and secure’ action plan will deliver a vision for industry, for regional growth, for fair growth, and for resilience and productivity.

[73] **Russell George:** So, you’re not going to have a separate industrial strategy—

[74] **Ken Skates:** There won’t be a standalone—

[75] **Russell George:** —or plan; it will all sit within ‘prosperous and secure’.

[76] **Ken Skates:** I can assure Members there will not be a separate industrial strategy. There won’t be a separate rural development strategy; there won’t be a separate retail strategy or a separate strategy for productivity. It will all be captured.

[77] **Russell George:** Right. Okay. Thank you. Hannah Blythyn.

[78] **Hannah Blythyn:** Thanks, Chair. Just moving a bit towards business and finance, although not in too much detail, because I know other Members are going to cover that after me, back in 2010, which I appreciate was before your tenure, the economic renewal programme looked to move away from grants to more repayable finance. Do you envisage that’ll be part of the next budget and the strategy going forward?

[79] **Ken Skates:** Yes. We’re already moving towards a greater degree of repayable support. Economic renewal was put together in the very early years of the recession, and very soon after the financial crash, and so, during its development and at its publication, the true degree of impact of the global downturn had not been appreciated, nor had austerity. Direct support for businesses can act as an automatic stabiliser, and I’ll be saying more about this in the strategy. What I’m keen to do is to ensure that when times are good, if you like, we do develop an environment in which we support skills provision and infrastructure and a general environment in which business can grow and prosper. But when there are events and occurrences beyond our control that lead to a financial crash or recession, we then initiate those automatic stabilisers in the form of direct support. So, back in 2011–12, I think it was less than 1 per cent of finance that was on a repayable basis. Last year, it was up to about 30 per cent. So, there has been an improvement as the economy has stabilised and emerged from the recession. But I’m keen to make sure that, provided the economy remains stable, we continue on that pathway to more repayable finance.

[80] I think it might be worth, Chair, if I may take liberties here, offering up another paper on the progress that’s been made since publication of economic renewal in terms of the shift from non-repayable to repayable, if I may.

[81] **Hannah Blythyn:** Yes, that would—. Obviously, I’m not speaking for the Chair, but that would be useful because, in your paper, I think, in the six

years—it's around 24 per cent now. So, it would probably be more useful for us to see how that is improving—

[82] **Ken Skates:** Yes, and it's increased—

[83] **Hannah Blythyn:** —and the direction that it's going and how you project it to develop in the next few years as well.

[84] **Russell George:** Yes, the committee will welcome any additional information.

[85] **Ken Skates:** I'm happy to provide that with the details of how it's improved year on year.

[86] **Russell George:** Jeremy.

[87] **Jeremy Miles:** Maybe the reply to this question is also something to be picked up in that, but, although the figure is 24 per cent, if you look at the element of repayable grants, over that period, they amount to about £23 million and about £3.5 million has been repaid, effectively, of that figure, which is about a 15 per cent repayment rate. So, it would be good to understand in what sense they are repayable—what that means and what your assumptions are about actual repayment going forward.

[88] **Ken Skates:** I'm happy to provide further detail and also to reflect on evidence given recently by the Deputy Permanent Secretary regarding what has been somewhat confusing with non-repayable and repayable.

[89] **Jeremy Miles:** Okay, that would be very helpful.

[90] **Russell George:** Thank you. David Rowlands on a new subject area.

[91] **David J. Rowlands:** As you know, we've been very much involved in the scrutiny of the change from Finance Wales to the development bank for Wales. Could the Cabinet Secretary provide an update on the latest position with regard to the creation of the bank, given that the Welsh Government said it would be in place by the second half of 2017?

[92] **Ken Skates:** Absolutely. This is another exciting piece of work, and I am pleased to tell Members that I'll be making a statement on Tuesday regarding the latest developments.

[93] **David J. Rowlands:** Fine. The Cabinet Secretary states that the development bank will address the funding gap for micro, small and medium-sized businesses. Can he clarify the extent of the funding gap? It's said to be between £350 million and £500 million per annum. Can he make any comment on those figures?

[94] **Ken Skates:** Yes. Of course, that's the key point of developing a new means of increasing finance for SMEs. We estimate that the gap is something between £300 million and £500 million, but that incorporates a significant proportion of projects and investment potential that is simply not viable and could not or would not be supported. So, you could never close the gap completely because some propositions would never be supported. Notwithstanding that, there is still a very significant funding gap, and Finance Wales, as it evolves into the development bank, will be tasked with increasing investment levels from about £50 million as it is today up to £80 million within five years. That, combined with the private sector resource that will be leveraged in, will amount to about £170 million per year by 2021–22—so, a very significant increase in finance that will plug a substantial amount of that gap that exists at present.

[95] **David J. Rowlands:** It's also very crucial, obviously, that the ability to obtain those funds and the transparency and the actual organisation of that bank will make it much easier, because this is crucial, particularly in the area of research and development for small businesses.

[96] **Ken Skates:** I think the Member's absolutely right. We need to ensure that the development bank is very obviously transparent, accessible—I think that's absolutely essential—and that the development bank works very closely, aligns very well with Business Wales's activities. I've said before that, in my view, whether you're an individual or an existing businessperson looking to expand, you shouldn't have to go to multiple resources to find the support that you require—one port of call should be sufficient. And, no matter how complicated the wiring that goes on within organisations such as the development bank or Business Wales, you shouldn't need to be concerned with that confusing and complicated arrangement; you should just have one point of contact. So, I'm very keen to see the development bank work very closely with Business Wales and, likewise, Business Wales work increasingly closely with Careers Wales. So, whether you're a person in work or out of work, whether you're wanting to start a business or are already running a business or looking for career advice, there's just one point of

contact that you should have and then signposting can take place thereafter.

[97] **David J. Rowlands:** Fine. And, lastly, will the bank have a regional focus, and what benefits does the Cabinet Secretary expect to see as a result of locating the bank's headquarters in north Wales?

10:30

[98] **Ken Skates:** Well, again, a regional focus is crucial. As we move towards a regional dimension of economic development and align the footprints for local government reorganisation with city and growth deal areas and with Welsh Government economic development activity, I think it's important that both Business Wales and the development bank also have a regional focus too, with, potentially, funds that are bespoke for the regions. So, that will be necessary; I'm in no doubt about that. I'm also excited by the prospect of the development bank and Business Wales working more collaboratively, and potentially we could see some co-location of services, which would be hugely beneficial to the customer.

[99] In establishing the headquarters in north Wales, we'll be delivering on a number of objectives, not just objectives that have been outlined very clearly and articulated very clearly by the future generations commissioner, but also by Welsh Government in the development of the new strategy—primarily, the need to make sure that we iron out the lumpiness of the Welsh economy by decentralising and deconcentrating investment and decisions. I think it's going to be important for the development bank, as it establishes its headquarters in north Wales, to truly reach out to all parts of Wales, particularly those parts of Wales that have sometimes felt too remote and, indeed, sometimes somewhat isolated.

[100] **Russell George:** Jeremy Miles.

[101] **Jeremy Miles:** On the question of the integration of Business Wales and the development bank functions, have you done an analysis of potential budgetary benefits of a full merger between Business Wales and the development bank?

[102] **Ken Skates:** Not of a full merger. We've not analysed the potential benefits of a full merger. I think it will be important to establish the development bank, look for ways that the bank and Business Wales can collaborate and share some functions, but I think that would be—. In terms

of a full merger, that would be a decision for a later time, I think, once we've had evaluations of performance and so forth.

[103] **Mr McGuire:** There are steps today that are happening that are effectively realising some of that synergy and efficiency improvement. So, for example, the development bank have decided that the Business Wales website is more famous than their own website, and is a better way to provide a one-stop shop, so they will drop their enabled technology access onto the Business Wales website, with a subsidiary hanging off it, if you like, for the development bank of Wales, and that will facilitate what the Cabinet Secretary said: customers coming to one website and finding their way through to the advice and support.

[104] **Jeremy Miles:** So, it remains a longer term option, but that depends on how things unfold over—

[105] **Mr McGuire:** There are more synergies to come—absolutely right.

[106] **Ken Skates:** This is a journey, but whether we actually reach the point of a full merger would be a decision that would have to be taken, I think, once evaluations have taken place.

[107] **Jeremy Miles:** Okay, thank you.

[108] **Russell George:** Will the development bank be self-financing?

[109] **Ken Skates:** Yes.

[110] **Russell George:** Okay.

[111] **Ken Skates:** Yes, based on the increased fees that they're able to charge because of the increased size of funds.

[112] **Russell George:** Okay, thank you. Mark, if you have questions on this, do you want to ask them and then move on to your subject area?

[113] **Mark Isherwood:** Thank you. Actually, the reference to self-financing leads me into the supplementary question I was going to ask. As you know, commercial and mutual banks are statutorily required to hold capital adequacy, or meet capital adequacy requirements, to offset risk. Clearly, with the sort of lending you're doing, some of it, in those terms, would be

deemed higher risk. How are you going to underwrite that risk within a self-financing model, rather than see it offset against your broader departmental reserves? I have a second question as well. Do you want me to put them both together or—?

[114] **Ken Skates:** Yes, absolutely.

[115] **Mark Isherwood:** In terms of your one point of contact, you'll be aware that there are a number of other funding sources such as the Responsible Finance network, who are lending in this sector and creating jobs at quite a low unit cost. Yesterday, at the cross-party group on small shops, one of the businesspeople spoke about how they had raised money for their business from a credit union, and so on. So, to what extent, where either the application doesn't meet your criteria or you can see the individual need might be better met elsewhere, might you be able to signpost outside?

[116] **Ken Skates:** Yes. That's going to be very important. There will have to be collaboration, not just between the development bank and other Welsh Government forms of support, but also support that exists in the third sector and, of course, in the private sector. It'll be a duty of the development bank to help businesses lever in private sector support. So, I'd expect, absolutely, for that signposting to take place. In terms of the first question that you raise, Mick—.

[117] **Mr McGuire:** On capital adequacy, Finance Wales have been provided by the Financial Conduct Authority the ability to use the term 'bank'. So, the development bank has been awarded, but they will not be private finance raising, so they won't raise money from private investors. So, the capital adequacy rules, which are designed to protect private investors' money, won't apply in the way that they do apply across the rest of the financial services sector. In terms of their own performance, however, they lend money to recover the money to lend it again. Their business plan is built on a sustainable model of recovering the funding that they lend and to give it back, and the board have a duty to ensure that the risk associated with the lending that they provide enables them to do that. I think it's fair to say that they have been repaying European moneys as they go along, and they have consistently met all the European repayments required ahead of schedule. So, they have a proven track record in terms of that sustainability. But, in terms of the capital adequacy requirements, they don't apply because they don't raise private investment.

[118] **Mark Isherwood:** My question was: because capital adequacy requirements don't apply, were they to take a hit, were there to be a downturn and borrowers were unable to meet commitments and what have you, what provision is in place to prevent that pressure being placed on wide departmental budgets?

[119] **Mr McGuire:** That is a fundamental requirement of the board of Finance Wales, to look at the risk assessment that they provide to the various loans that they provide to ensure that their business model is sustainable. And, to the extent that our own central finance function then overview and review that, we are reasonably relaxed that on their past record, and on the risk profile within their lending portfolio, they are likely to be sustainable. But you are right, you don't know what you don't know, so you have to manage against the unforeseeable.

[120] **Mark Isherwood:** It's really down to underwriting criteria rather than provision.

[121] **Mr McGuire:** A balanced, risk-assessed portfolio. And that's a fundamental requirement that the board look at, at Finance Wales, and they have a responsibility to ensure that the risk they take across the whole portfolio is commensurate with the viable sustainability of the business.

[122] **Mark Isherwood:** Clearly, this isn't applying to the current personalities involved whatsoever, but I'm sure the board of the Royal Bank of Scotland would have said that before 2008. That's the underwriting consideration. However, I'll move on to my other questions. What consideration have you given to potential inflationary pressures impacting on your provision for road and rail schemes?

[123] **Ken Skates:** Well, road and rail schemes are captured within the national transport finance plan, which is, if you like, a list of aspirations based on the knowledge that there is no certainty of future-years funding. So, the impact of inflation can be factored into the plan, and any projects that are taken forward from that plan go through a series of gateways where inflation is factored in on their viability. So, the actual process has a consideration of inflation built into it.

[124] **Mr Jones:** Shall I just add to that? We have this key stage approval process for all of our major projects, from feasibility right through to delivery, and there are various stages in between and there are gateway

reviews, as the Cabinet Secretary describes. At each one of those key stages, the budget for the scheme is recalibrated in the light of new knowledge. So, as we develop greater understanding about the scope and extent of the scheme, about the technical solution that we're going to be adopting, and then, further, as you get into the scheme, about things like ground conditions, which can have a huge impact on the outturn price, we refine the estimate and we adjust our optimism bias within the budgets to take account of all that lot. But, as part of that process, we're also adjusting for inflation. So, we look at the budget, if you like, from the ground up, based on where we are within each one of these major schemes. But, before we press—or before the advice goes to the Minister to press the button on 'I want to proceed with the scheme', that final approval, if you like, will take into account what the forecast inflation is going to be during the construction period of the scheme. The construction contracts themselves also have an allowance for inflation built into them using construction inflation indices. So, there is both a budgetary piece that takes place at our side through the various key stage approval processes, and then, within the contract itself, there is a mechanism for adjusting for inflation as well.

[125] **Mark Isherwood:** You just referred there to construction inflation indices. Can you confirm what you mean by that? Do you mean something other than the consumer price index, which is what the Deputy Permanent Secretary referred to previously?

[126] **Mr Jones:** So, this is the specific mechanism within the contract that we use. The national engineering contract refers to some specific construction indices. I can drop you a note of what those indices are based on, but there won't just be, if you like, a vanilla CPI or retail price index, because they'll relate to the cost of materials and the cost of labour in the construction industry.

[127] **Mark Isherwood:** Okay. Thank you. My final question here relates to trunk roads and the TRA, trunk road agents. The Minister or Cabinet Secretary's paper concludes that the performance of the trunk road agents is not compromised by the, I think, statements of £14 million by April 2018 that they're required to meet. How is the impact of those statements being evaluated?

[128] **Ken Skates:** Well, the evaluation is going to be taking place at the end of this year, and we'll assess the impact. In terms of the savings that are being made, the agents are making very good progress and they're on target

to achieve the savings that are necessary. The savings can be attributed to reining in on some of the grass-cutting procedures, bringing in consultants in-house, establishing consistent fees arrangements across Wales—Simon can probably talk about the fees arrangements—and in ensuring that there's a new approach to the procurement of maintenance services.

[129] **Mr Jones:** So, it's perhaps just worth reflecting on, if you like, the journey that we've come on with trunk road agents. The Public Accounts Committee did an inquiry on the trunk road agents a few years ago, where all of this was covered. But, 25 years ago, if you like, the Welsh Government, or the Wales Office, as it was then, would have asked local authorities to manage the bits of the trunk road that were in their local authority area, and, over time, there were various exercises to consolidate the reach of or the work that was being done by local authorities. So, now we have an arrangement where we have two local authorities, one in the north and one in the south, that are managing the network on behalf of Ministers. But they're still reaching out into the local authorities as part of their supply chain to directly deliver particular activities.

[130] One of the key things that we've done through the trunk road agents review is to shine a light on the rates that are being charged by the individual authorities. So, we've got much more of a standardised schedule of rates—a rates card, if you like—from the different authorities, so that we can do a comparator of how much it costs to clean out a gully or put down an amount of salt in the different authority areas across Wales, and then we're able to use that information to go and talk with the different parts of the supply chain to harmonise those numbers and take out the outliers so that we're able to drive costs out that way. So, there is a considerable amount of, if you like, unsexy back-office work that has taken place to try and drive costs out of this thing, which don't—. They are not about compromising safety; they're about making sure that we are getting absolutely best value for every £1 that we're spending.

[131] **Mark Isherwood:** So what are the key performance indicators?

[132] **Mr Jones:** There's a whole range, which are set out in the management agreements that we have with the trunk road agents, and we can set those out, if you like, in a paper that describes the performance indicators that we hold the agents to.

[133] **Ken Skates:** That's based on the Act.

[134] **Mr Jones:** Yes.

[135] **Mark Isherwood:** Okay. Thank you.

[136] **Russell George:** We've got a few more areas to cover, but if I could just ask a question in regard to what you said on inflation, is there no possibility that, when it comes to large annual projects such as the M4 relief road, there will be an overspend during delivery of the project?

10:45

[137] **Mr Jones:** I guess if we get through the public inquiry and the report from the inspector is positive, and Ministers then decide that they want to proceed with the scheme, they will be presented with advice that looks at a range of inflation options, and they will make a decision based on assessment of inflation at the time they come to make that decision, at whatever point that will be in the next period of time.

[138] **Russell George:** Okay. Jeremy Miles.

[139] **Jeremy Miles:** In your evidence, you speak about there being £90 million available in the economy and infrastructure main expenditure group for bus services, but there's also funding from the local government, health, and education budgets. Do you have a sense of what the scale of that additional funding, if I can put it like that, might be?

[140] **Ken Skates:** It's considerable. It's over £200 million that we provide for bus services—

[141] **Jeremy Miles:** Between your MEG and the other Cabinet Secretaries'—

[142] **Ken Skates:** Yes, cross-Government. It's a considerable amount of money. I'm on record as saying that I don't believe that the amount that we're spending is delivering the sort of benefits that we would expect for that quantum. For that reason, we've consulted during the spring and early summer on reform and change that I think would deliver improvements for passengers, because essentially it's passengers that must come first. I've been frustrated at times when I've heard that the solution, the silver bullet, to all of the problems with bus services is simply to pour more public money

into buses. It just isn't the case.

[143] The key to a sustainable future is in driving up the number of fare-paying passengers. To do that, services must be affordable, buses must be of sufficient quality for people to want to actually take them, and they have to be reliable. As we'll be discussing this afternoon, people need to be able to know that they can get to and from their place of work or to and from the services that they're looking to access in time and on reliable transport. So, simply pouring more public money into the system is not the answer. A sustainable system requires an increase in the number of passengers who are paying fares.

[144] **Jeremy Miles:** And is part of the work that you're doing then, given the points you made earlier about the cross-cutting strategies, to look at how the totality of that £200 million can be used to have more impact, if you like, so that—

[145] **Ken Skates:** Absolutely. Yes, absolutely. And how bus services can be aligned more with other service provision, integrated more with other forms of public transport, and how we can utilise the considerable sum in public funding to drive behavioural change away from private vehicles and toward public transport. So, for example, we're piloting a scheme over the next year concerning long-distance bus services, the TrawsCymru network, from which we'll be able to make informed decisions on the future of concessionary travel and how that can impact and benefit, potentially, modal shift.

[146] **Jeremy Miles:** So, can I ask you about that, the TrawsCymru scheme you've put in place over the summer, for free weekend travel, which has £1 million allocated to it? Where is that £1 million coming from in terms of the other aspects of your budget?

[147] **Ken Skates:** Okay. That's new money, it's not within our budget, based on discussions, ongoing discussions, with the finance Minister. It wouldn't be coming from our existing provision.

[148] **Jeremy Miles:** So, nothing's been cut to make room for that. Okay. And what analysis was undertaken before the First Minister announced this, to ascertain the cost of it?

[149] **Ken Skates:** A good degree of analysis took place. We estimate that

an additional 33,000 passenger journeys will take place as a consequence of this pilot scheme. Our hope is that it will deliver behavioural change and lead to sustainable increases in passenger numbers, not just at weekends but during the week. We also hope that it will lead to an increase in on-travel journeys as well.

[150] **Jeremy Miles:** What if it's very successful? What provision have you made for cost overruns?

[151] **Ken Skates:** We've made provision, yes. And we do hope it will be very successful, so we've made provisions with local authorities to deploy additional buses if the service is particularly popular, and we've also made arrangements with other bus operators if they're left out of pocket.

[152] **Jeremy Miles:** And is that all within the £1 million?

[153] **Ken Skates:** I believe it's all captured within the £1 million, including about £70,000 that's going to be attributed to the marketing and promotion of the scheme and about £30,000 to monitoring.

[154] **Jeremy Miles:** Okay, thank you.

[155] **Russell George:** Hefin David.

[156] **Hefin David:** Cabinet Secretary, with regard to the south Wales metro, you came to this committee during our inquiry on 6 April, and you said:

[157] 'DfT will contribute £125 million, as I've outlined, at 2014 prices, to be used towards the capital costs of the Valleys lines scheme.'

[158] The same day, earlier on in the day, Stuart White from the UK Department for Transport said:

[159] 'we've not made a decision on whether the £125 million would still be available if the proposal is no longer to electrify the Cardiff Valleys lines'.

[160] You then said in the committee:

[161] 'I'll be interested to learn exactly what they said, because I don't think the £125 million can be wiped out if there's no electrification'.

[162] What's happened since?

[163] **Ken Skates:** Okay. Discussions have taken place, progress is being made. In fact, the Deputy Permanent Secretary is meeting with the Department for Transport officials today to discuss the £125 million. Details of the mechanism for drawing down that funding will be influenced by the approach that we ultimately adopt and the timescales for delivery, but I can update committee members and, indeed, the Assembly as a whole when these discussions have concluded. Simon, do you want to—

[164] **Hefin David:** You say they're meeting today to discuss it?

[165] **Ken Skates:** Yes.

[166] **Mr Jones:** Yes, so there is a series—

[167] **Ken Skates:** Simon was meant to be that official.

[168] **Mr Jones:** Yes, I was meant to have been there today.

[169] **Hefin David:** You should have been there. [*Laughter.*]

[170] **Mr Jones:** Not at all. So, we've met over recent weeks on a weekly basis with senior officials, including Stuart White, who you mentioned, but also the director general of rail on a face-to-face and a telephone basis. We're meeting on a weekly basis now to deal with that issue, but that is one of a number of issues that you've highlighted in your report, and they're all intertwined. So, the £125 million is also related to the wider funding package, it's also related to the transfer of functions, it's also related to the transfer of the core Valleys lines asset. So, all of those conversations are being worked through and we're making good progress, actually, on all those—

[171] **Ken Skates:** And Network Rail.

[172] **Mr Jones:** —and I can give you an update on where we are with those if you would like. So, the core Valley lines, we've got to a position where, essentially, we've agreed with Network Rail how that transaction should take place and what the conditions around that will be—the hold harmless arrangements that Network Rail were keen to put in place, how we manage that, and also dealing with the mitigation of catastrophic risks, and all those

kinds of issues have been discussed. The outstanding issue is a financial one, which is why it's tied in with the £125 million and other things because Network Rail, in their accounts, have allocated—they carry substantial debt, as you know, and they've allocated a proportion of that debt to the core Valleys lines. So, the question is about how that debt is treated. So, we're in discussions with the Department for Transport and with Her Majesty's Treasury about the treatment of that debt and how that works out in the new world.

[173] **Hefin David:** So, with the discussions specifically with regard to the £125 million, would they be around the use of light rail on the Valleys lines and the alternative—? Because it appeared to me that it was about electrification.

[174] **Mr Jones:** We can't get into the technical solutions that are being put forward by the bidders.

[175] **Hefin David:** But it was a simple—. They said they weren't sure

[176] 'whether the £125 million would still be available if the proposal is no longer to electrify the Cardiff Valleys lines'.

[177] Have they changed their view or—

[178] **Mr Jones:** I suspect that the question is—. The point is slightly to the side, really, because that's assuming there won't be electrification.

[179] **Hefin David:** Right. Well, if there's light rail, there wouldn't be.

[180] **Mr Jones:** Well, but if it's electrified light rail, then it would be.

[181] **Hefin David:** Okay, fair enough. So, progress has been made since then, since 6 April.

[182] **Mr Jones:** Yes. There's work still to do, so I don't want to give the committee the impression that we've concluded this. There is work still to do on that, but that is ongoing and being treated at the highest level. Our Permanent Secretary has met with the Permanent Secretary in the Department for Transport in recent weeks about this issue as well, so this is being treated very seriously by both us and the UK Government.

[183] **Hefin David:** Well, the final tender process is due to begin imminently.

[184] **Mr Jones:** Yes, so—

[185] **Ken Skates:** It will begin.

[186] **Mr Jones:** Our target date is 18 August. I have to say that the UK Government general election was not helpful because all of these discussions that I'm talking about were impinged upon by officials in Whitehall being less able to talk to us during the purdah period and the election period than we would have liked. But we've made it absolutely clear to the UK Government that 18 August is our target date.

[187] **Hefin David:** Okay. And has the franchise procurement exercise made it more complicated than—?

[188] **Mr Jones:** Sorry, in what way?

[189] **Hefin David:** Has the whole process of procurement made it more complicated than necessary and delayed things? Or has the delay purely been down to—?

[190] **Mr Jones:** We're not in delay but the UK Government were kind of hibernating, if you like, for six weeks, and that's made dealing with some of these issues harder than it would have otherwise been.

[191] **Ken Skates:** I don't think it can be attributed at all to the procurement process. It's more the fact that we've had a general election, which has inhibited the ability to engage both at an official level and at political level.

[192] **Hefin David:** Okay.

[193] **Russell George:** David Rowlands.

[194] **David J. Rowlands:** Are you saying that you're taking out specifically those two electrification projects, with the Maesteg line and the Ebbw Vale line—that they're still willing to pull over that £125 million and it hasn't impacted on that at all?

[195] **Mr Jones:** So, the scope of electrification didn't ever include those two lines. The scope of electrification was focused on the core Valleys lines; so,

the lines north of Cardiff Queen Street rather than the Ebbw Vale or Maesteg lines.

[196] **David J. Rowlands:** So, when you had that overall plan at the beginning, which included the Maesteg and the Ebbw Vale lines for electrification, that's when the figure was given to you—the £125 million. Is that right?

[197] **Mr Jones:** So, I think that subsequent conversations have talked about the core Valleys lines, and that's been the thrust of our conversations with the Department for Transport over the last two years.

[198] **David J. Rowlands:** So, there's been no discussion about taking out those two lines where we've got this electrification.

[199] **Mr Jones:** Not directly with the DfT in that regard because we've been focusing our attention on the core Valleys lines, and DfT have been absolutely sighted on that. They know what we're proposing there.

[200] **David J. Rowlands:** But it seems strange to me that those two particular lines have not come into the conversation at all given that the overall plan, at the beginning, was that you were including those two lines in the electrification programme, and the £125 million was probably given on the basis of that total electrification.

[201] **Mr Jones:** I guess it's perhaps worth reflecting on the fact that what we're talking about with the core Valleys lines is that they will become Welsh Government assets and therefore it's right for the Welsh Government to invest in electrifying those lines. Those other two lines you describe are Network Rail assets and, actually, the UK Government has steadfastly refused to devolve responsibility and budget for rail infrastructure. So, actually, that question really perhaps would be better raised with the UK Government about electrification of those lines.

[202] **David J. Rowlands:** Right. Thank you.

[203] **Russell George:** Can I just come back to my question on inflation? Simon answered the question in regard to the M4 relief road, but what happens if there are unmanageable costs during the delivery once the project has started, because that's a cross-year project as well? What are the consequences there?

[204] **Mr Jones:** So, the budget that we have for the next phase of the metro works, which is primarily focusing on the core Valleys lines, is the £738 million. That has got a considerable optimism bias amount in there, and I think, on average, that's about 40 per cent, although it's varied for different types of activity. But I think 40 per cent of that money is essentially set aside as a contingency pot for dealing with exactly the kinds of issues that you are describing.

[205] **Ken Skates:** Likewise the M4.

[206] **Russell George:** So, you don't see any possibility of there being a potential problem of a cost overrun during the delivery of a project that is unmanageable.

[207] **Mr Jones:** We've been very clear with the bidders that we have a cap on the amount of capital money that's available, and there isn't a penny more. So, the bidders are tailoring their solutions to delivering what is affordable to us.

[208] **Russell George:** Yes, but in my mind I'm thinking about the M4 relief road. Is there no possibility that there'll be unmanageable costs during the delivery of the project or cost overruns that you just can't manage?

[209] **Mr Jones:** Well, I guess there's always an opportunity that something will arise that is unexpected, but that's why we use the ECI process—the early contractor involvement process—which seeks to design those issues out. We are working with the joint venture contractor at the moment, and part of what they're being paid to do is to deal with those unmanageable risks.

11:00

[210] So, they've done a huge amount of ground investigation surveys, which is often where these things go wrong. They have been incentivised to design out all of those risks, and we've got a good track record, over the last 10 years since we've been using the ECI process, of delivering projects on time and to budget, because we use this particular process, which allows us to get into these problems before they become an issue on site.

[211] **Russell George:** Okay. My last question is: in regard to the industrial

strategy, I'm aware that you responded to the UK Government's consultation. You know what I'm going to ask. I know you're very reluctant to let Members have a copy of your response to the UK Government from the Welsh Government. What are the reasons for that?

[212] **Ken Skates:** There are some sensitive discussions taking place regarding some of the project proposals captured within the response that we've made. I would be happy to publish the appendix to the letter as soon as I can, but first of all we have to satisfy ourselves that all sensitivities have been dealt with regarding some of the projects that are contained within it.

[213] **Russell George:** So, there are sensitivities in your response.

[214] **Ken Skates:** In the greater detail, yes.

[215] **Russell George:** Okay.

[216] **Ken Skates:** But I will give an undertaking to publish that as soon as possible.

[217] **Russell George:** Thank you.

[218] I don't think there are any other questions. Can I thank you, Cabinet Secretary, for your time with us this morning and your comments on our rail report? Thank you for that. We look forward to receiving acceptance of all our recommendations. I think you're due to report on that by mid August, if I'm right, so we look forward to that. Of course, you are back with us again this afternoon, so we'll see you later. Thank you, Cabinet Secretary.

[219] **Ken Skates:** Thanks.

11:01

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
ar gyfer Eitem 6
Motion under Standing Order 17.42 to Resolve to Exclude the Public
for Item 6**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to

gwahardd y cyhoedd ar gyfer eitem 6 yn unol â Rheol Sefydlog 17.42(vi). *exclude the public from item 6 in accordance with Standing Order 17.42(vi).*

Cynigiwyd y cynnig.
Motion moved.

[220] **Russell George:** In that case, I move to item 5 and, under Standing Order 17.42, ask if Members are happy if we resolve to go into private session for the next item. We are. We'll be back in public session at 1.30 p.m. Thank you.

Derbyniwyd y cynnig.
Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 11:02.
The public part of the meeting ended at 11:02.

Ailymgynullodd y pwyllgor yn gyhoeddus am 13:30.
The committee reconvened in public at 13:30.

**Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith—Effeithiau
Tagfeydd ar y Diwydiant Bysiau yng Nghymru
The Cabinet Secretary for Economy and Infrastructure—Impacts of
Congestion on the Bus Industry in Wales**

[221] **Russell George:** Can I welcome Members and members of the public back after our early morning session this morning? And can I welcome back to the committee today the Cabinet Secretary, Ken Skates, and, just for the record again, could I ask you just to introduce your officials?

[222] **The Cabinet Secretary for Economy and Infrastructure (Ken Skates):** I'm joined today by transport and policy officials Rhodri Griffiths, Simon Jones, Sheena Hague.

[223] **Russell George:** Great. Thank you very much, and I thank witnesses for attending this morning as well. Can I just ask, in regard to bus congestion, do you the Welsh Government have a full understanding of the issues around bus congestion?

[224] **Ken Skates:** I'd say we do have an understanding, but further work needs to be carried out, and we have Transport Focus, who have submitted to us a proposal to conduct further work concerning passenger behaviours and the other factors that lead passengers to make certain decisions. I do think that we have a solid understanding of the causes of congestion, the root causes of congestion, and the impact that it has on bus services. We know at the moment that 85 per cent of surveyed services currently meet the traffic commissioner's standards. That means that it's 10 per cent less than the target. A lot of that can be attributed to congestion causing problems. We also know, through work that's been carried out by Bus Users Cymru, who we fund, that dissatisfaction with bus services is often caused by congestion causing problems, i.e. buses not turning on time or arriving at a destination on time. But that further work will be valuable, I think. And we've also introduced real-time passenger time information on buses through investment by bus companies and local authorities working in partnership. And I think those data will also help in providing us with a clearer picture of where the problems are concentrated and, again, the causes. The causes are multiple, and I think, given that there is an alignment between the intensity of traffic and congestion, you can't apply a single solution to every congestion pinch point. They have to be place-based and case-by-case resolutions.

[225] **Russell George:** And you spoke about the fact that you've already commissioned some further research yourself. Have you got some further information on timelines and when you expect that to report to you?

[226] **Ken Skates:** That's been proposed by Transport Focus. So, we're currently considering the proposal. I don't have a time frame on that, but, as soon as we reach a decision over the proposed work, I'm happy to inform the committee of the time frame and delivery, and I'd be happy to make that information available to the committee if Transport Focus were to agree.

[227] **Russell George:** Okay. So, Transport Focus have suggested that further research is required, but have you accepted that, and that's your intention?

[228] **Ken Skates:** No. I need to determine whether to accept their proposal.

[229] **Russell George:** Okay. Simon.

[230] **Mr Jones:** I was just going to tee Rhodri up to talk about modelling, because accurate modelling of the way the network behaves is really

important to us. We've done a substantial amount of work, particularly in the south-east around the metro, but, actually, we're looking more broadly around modelling to get a comprehensive understanding of the way traffic actually flows around the network. Perhaps Rhodri would like to say something on that?

[231] **Russell George:** Okay. Can I just clarify first? Are you accepting that further work does need to be carried out?

[232] **Ken Skates:** Yes.

[233] **Russell George:** You are. It's just about how you're going about it.

[234] **Ken Skates:** That's right, and Transport Focus have basically made a proposal. I think that's very welcome. We're just running through the detail now. I think it would be really helpful—additional data, additional information would be very welcome indeed. And that's why I think the real-time passenger information systems are going to be beneficial as well.

[235] **Russell George:** So, you're looking at the Transport Focus proposal, but if you don't like their proposal, what happens then? Are you going to go back to them?

[236] **Ken Skates:** We may look then at commissioning something.

[237] **Russell George:** Commissioning something yourself. So, one way or another, you will do some research.

[238] **Ken Skates:** Yes.

[239] **Russell George:** And when would you expect that research to be completed by and come back?

[240] **Ms Hague:** We had the proposal from Transport Focus a couple of weeks ago now. So, we're just looking through it to make sure—. It's not just bus users we want to get the information from; we want non-bus users as well because we want to understand why they're not getting on the bus. So, that proposal, we're just looking through it. We'll work through it with Transport Focus and get the questions right. Only yesterday, I was in the Traveline Cymru board with all of the industry and members there and I said, 'Would you like to check the questions before we send them out because

they're our focus for the information for bus users?' So, that process is probably going to take us a couple of months and I would be hopeful that then, maybe around the autumn time, we'd be able to get something out to start to get that research under way.

[241] **Russell George:** So, by the end of this year—

[242] **Ken Skates:** This calendar year.

[243] **Russell George:** —this calendar year, you'd hope to have some agreement on what work you are going to be carrying out.

[244] **Ms Hague:** Yes.

[245] **Russell George:** And what about reporting back?

[246] **Ms Hague:** If we get to the end of the year and actually get the data in, they will need to be analysed, so I would imagine that early next year, we'll get a report out, but if it's sooner, that would be great.

[247] **Ken Skates:** Chair, would you like me to keep you updated on this piece of work?

[248] **Russell George:** Yes, please; absolutely. Sorry, you were going to talk—I think Rhodri was going to come in on something as well about modelling, I think.

[249] **Mr Griffiths:** Yes. Just to reiterate, I suppose: I think the issues, the causes, the effects and the potential mitigation interventions that you could apply to bus congestion are generalised and well known. I think a lot of countries, not just the UK, have really struggled with understanding the day-to-day issues, because a lot of those are localised. So, they're not just about—. Wales has a certain typography, particularly in the Valleys, with narrow streets and narrow lanes; so, double parking has a really big effect there. There are issues in terms of how the public are incentivised to take up and increase demand supply for bus journeys. There's also the traditional methodology that people look at supply side to consider congestion. So, there's a lot of research out there, but there are very few concise pieces of research that are definitive, and there's a lot of conjecture about what are the right kind of potential mitigating solutions that you can put in place to do that.

[250] Modelling is absolutely one of those key factors that we need to use. They can be really, really expensive, particularly on buses. They've tried some work in Manchester, for instance, which actually looks at putting cameras on lamp posts to take pictures of buses on the top deck and bottom deck and count how many people are actually using those buses. So, you can imagine that that is a lot of detailed work. There are various other methodologies there as well. You'll probably be aware that our statistics people have just put out a report on speeds—average speeds—particularly on our three motorway trunk networks. That kind of evidence also gives us an idea of the sort of congestion problems that are faced. But, again, there are limitations and caveats to that because that's very much about those things that carry GPS, so they are commercial operations and they don't actually extend to private vehicles and the day-to-day car user. So, there are a lot of methodologies out there to look at some of this.

[251] Mobile phone data—that's another really useful tool that we've incorporated into some of the local transport models that we're building as part of the metro process, particularly at the moment, and its most advanced in the south-east Wales transport model. That model helps people to plan and look at, particularly, infrastructure developments in their areas and look at what future demand needs and future infrastructure changes are needed to respond to that. It's less useable on service delivery; it's more about infrastructure at the moment. It sounds quite strange, but this is quite a new science and it's not as sophisticated as you might think.

[252] **Russell George:** And, I don't require a long answer, but—

[253] **Mr Griffiths:** Sorry.

[254] **Russell George:** No, no, I'm looking at other Members who've got to come in with other questions, but if I could have just a very quick answer on this: what about the scale of congestion in rural Wales? Is there an issue in rural Wales?

[255] **Ken Skates:** There is. I think it's partly seasonal and is attributed to a number of factors. The factors tend to be different to urban areas, because, of course, the vehicles will be different that are causing congestion, or potentially causing congestion. The impact of congestion is dependent on the intensity of traffic as well. So, as a consequence, it is more likely to be experienced in urban centres than it is in the rural areas. Nonetheless, we are

aware of many factors that cause congestion in rural areas.

[256] **Russell George:** Okay, thank you. Hannah Blythyn.

[257] **Hannah Blythyn:** Cabinet Secretary, long time no see in this committee. In the day session we did on this inquiry recently, I think one of the things that came up was the lack of cross-boundary collaboration and a need for co-ordination that goes across, not just local authority boundaries, but, if you're looking at areas of mid Wales and north-east Wales, collaboration that goes across the border as well. So, I was wondering, in terms of future regional transport planning, following the consultation on local government reform, what plans are there to encapsulate, to address that aspect of transport planning, particularly in relation to bus travel?

[258] **Ken Skates:** Yes. We fully support a regional approach to transport planning and the development of joint local transport plans, which are being developed for south-west Wales, part of south-east Wales, north Wales, and for mid Wales, and you're absolutely right that a very significant number of bus services cross local authority boundaries and, indeed, national boundaries. So, there is an absolute need to work beyond local authority borders and to work on a regional basis. So, we very much welcome the development of joint local transport plans.

[259] I think it's essential that we have a strong degree of local leadership in this regard as well, and a determination to work across boundaries in those parts of Wales where we have experienced best practice. We've noticed that there is a concerted effort by local leaders to ensure that they are collaborating across borders, and that's absolutely crucial.

[260] **Hannah Blythyn:** Hefin, did you—?

[261] **Russell George:** Hefin, did you want to come in?

[262] **Hefin David:** Just with regard to local development plans, they're going to have a huge impact on all of this, and one of the problems is that local development plans in each local authority are almost developed in isolation from each other, often with very different strategic transport objectives. That's not helping, is it?

[263] **Ken Skates:** No. I'd agree entirely that it's important that different departments speak to one another about the development of transport plans

and infrastructure plans. As an example—actually, as a comparison—you could look at what happened following deregulation in 1985, and what it led to was a split, specifically with regard to buses, but it led to a split of infrastructure and services, which then left both exposed, because there was a potential for mismatch, and there was a potential for cost cutting in one area that would impact on another. Likewise, as you say, if you don't have development plans that are designed in line with transport plans, then you can have an unhealthy and unhelpful mismatch in priorities and service provision as well.

[264] **Hefin David:** It's my feeling that the Welsh Government, to its credit, introduced strategic plans in the Planning (Wales) Act 2015, but since then, there's been very little direction from Welsh Government to encourage strategic cross-border planning. It's been very much saying to local authorities, 'You must meet', for example, 'your housing land supply; get your LDPs passed and we'll deal with it later.' Well, that's not helping this situation.

[265] **Ken Skates:** That's one of the reasons why I think the contents of the White Paper on local government reform are so important, and the concerted effort now that's going into regional working, both in terms of local government reform and in terms of the development of city and growth regions as well. Simon, you've got experience of this.

[266] **Mr Jones:** Yes. So, I've attended meetings of the shadow regional transport authority in south-east Wales on a few occasions now, and I'm actually seeing them again on Monday of next week. And that's a process of evolution, and, working with that body, you can see that they are talking much more about how they do things as a holistic solution for the whole region. I guess it will take time for that to bed in for them to be able to deal particularly with these issues of congestion on a regional basis, rather than just on a local authority basis.

[267] **Hefin David:** I really like what you're saying there, Simon and Cabinet Secretary; really good. However, I've also sat in meetings with civil servants and local authority leaders in which they've said, 'You've got to get your LDP done', and that's the priority above everything else. Given that that's the priority above everything else, these very, very good aspirations will be totally swamped by the fact that these LDPs have got to be done first.

13:45

[268] **Ken Skates:** It is a challenge, but it's not insurmountable. Through good communications, the difficulty in aligning the time frame on developments, I think, can be overcome, but it does require cross-departmental working at a local authority level and it also requires partnership working with us, of course.

[269] **Hefin David:** And working between yourself and the Cabinet Secretary for Environment and Rural Affairs.

[270] **Ken Skates:** Absolutely, yes. But, just on a regional basis as well, I think the other advantage of regional working is that you can then establish place-based bus quality partnerships, which can drive improvements in services as well. So, there are huge, huge wins to operating on a regional basis.

[271] **Hefin David:** Chair, I did have one more question, which perhaps would be appropriate after Hannah comes back, with regard to buses.

[272] **Russell George:** That's fine. So, I'm going to go back to Hannah, then Mark wants to come in as well, and I'll come back to Hefin. Hannah, okay.

[273] **Hannah Blythyn:** Thanks. In your response just now, you touched on not just the local government aspect of the reform, but also regional working through the city and growth deals. How do you foresee that will help in terms of addressing bus congestion and the issues facing the industry?

[274] **Ken Skates:** There's a regional approach that's been embedded now in terms of transport planning, but I do think, particularly in south-east Wales, the development of the city region will enable the six local transport plans to be brought together, and I think that could lead to considerable improvement. So, the city region initiative certainly does complement the regional working that's proposed within the White Paper—something that I'd very much welcome.

[275] **Hannah Blythyn:** How would that work outside, in those parts of Wales that aren't going to be covered by city or growth deals?

[276] **Ken Skates:** Simon.

[277] **Mr Jones:** I think the local government reform White Paper talks about

regional working across Wales. So, although the south-east is the forerunner for that, because the catalyst for that was the metro, actually, the other regions of Wales will end up in the same place. It's just that they've had a head start because of the metro, if you like.

[278] **Russell George:** Mark Isherwood.

[279] **Mark Isherwood:** Yes. Although we heard in evidence that regional partnerships—city deals, growth deals, or otherwise—should be informed by LDPs and then feed back into LDPs to reflect that cross-border collaboration working, we heard that wasn't the case. There are six local authorities that still don't have an LDP for varying reasons, and therefore there's that missing link. We know that although there are, certainly in north Wales and in the city deals, shared visions for large-scale transport infrastructure, when it comes to things like bus services, counties are still going ahead and designing on their own, often with very different systems. You know, closer to home, we've got the counties in north-east Wales with very different county proposals to their neighbours. How can you help them square that circle when there's no LDP to refer to?

[280] **Ken Skates:** So, as part of the five-point plan, one of the points was to establish two co-ordinators to do just that. One is in north-east Wales, one is in south-east Wales—the two metro areas, essentially. So, that's how we're going to drive it. Their initial work is focused on the establishment of bus quality partnerships to try to address the challenges that the Member's outlined.

[281] **Russell George:** Hefin.

[282] **Hefin David:** Just following on from that, we took evidence from RCT and they said—. I said, 'How do you ensure that bus services are incorporated into your strategic transport planning and into your development planning?', and they said, 'Well, we wait to hear from them. We wait for them to get in touch with us, and, if they do, we'll make sure that their views are represented.'

[283] **Ken Skates:** Wait to hear from the commercial operators?

[284] **Hefin David:** Yes. And they said, 'Look, we've got a lot of people to satisfy: there's the car lobby too. It's ultimately up to the councillors.' I found that unsatisfactory. I think bus services should be prioritised. What can you

do as a Government to make that change?

[285] **Ms Hague:** If I go back to the example with south Wales, I know we've talked a lot about that, but we've also formed an integration alliance board. That has all of the industry members on it and it has local authority members on it as well. One of the things we're looking at there, cross boundary, is bus corridors. We're starting to form, as a team, what we would like to see in the region. We would like to extend that as well. It started in south Wales—the catalyst, as Simon said earlier, was the metro—but we'd like to see that across Wales as well, and bring people together so they have those regional boards. The industry sit on those boards, so they're actually party to the kind of improvements and infrastructure improvements we'd like to see on the network.

[286] **Hefin David:** Okay. I just fear that, without some strategic direction with regard to bus services, local authorities will not be prioritising bus services.

[287] **Mr Jones:** I'll just make a point about Transport for Wales, which I think has potentially got a role to play in this. Within the next few days, there will be an advert put out for a bus integration director to be appointed into Transport for Wales, to begin to deal with some of these issues that you're talking about. Now, the responsibility still lies with the local authorities to deal with these things. They have statutory responsibilities, but the recognition is that Transport for Wales can help to provide some guidance—

[288] **Hefin David:** Strongly help? Strong guidance?

[289] **Mr Jones:** —and some inspiration and some leadership.

[290] **Ken Skates:** A good steer.

[291] **Hefin David:** Okay.

[292] **Russell George:** Jeremy Miles.

[293] **Jeremy Miles:** Thank you. As a result of the UK Government's infrastructure spending decisions, there will be a Barnett consequential coming to Wales of around £400 million. What part of that do you envisage being available to spend on tackling congestion and bus priority?

[294] **Ken Skates:** Of that, £33 million has been allocated towards addressing congestion and pinch points, but there's an additional £15 million towards the local transport network fund, which will target improvements that'll lead to more reliable bus services as well.

[295] **Jeremy Miles:** So, that £15 million is in addition to the existing transport fund allocations. That's new money, basically.

[296] **Ken Skates:** That's new money, as a consequence of the Plaid Cymru deal, of £15 million.

[297] **Jeremy Miles:** Okay, and over what period will that be spread?

[298] **Ken Skates:** That is over four years.

[299] **Jeremy Miles:** Okay, great. Obviously, we've got local government and industry calling for more transport funds for congestion, generally. Do you envisage it being possible to change the assessment criteria in order to encourage those sorts of schemes?

[300] **Ken Skates:** We are reviewing at the moment the schemes and the criteria, so I think it's fair to say that, yes, we could incorporate a stronger degree of congestion criteria within that fund for bus services.

[301] **Jeremy Miles:** Okay, and do you envisage the visibility of funding over more than one year becoming a reality, or is it too ambitious a prospect?

[302] **Mr Jones:** Well, I think it's desirable. It's clearly desirable. I guess it's harder to achieve because it's not entirely in the Cabinet Secretary's gift to be able to do that.

[303] **Ken Skates:** But it is part of the review as well. This was a message that came through very clear at the bus summit earlier this year, as well, so it will form part of the review, but it's not necessarily something that I can gift.

[304] **Jeremy Miles:** Okay. All right. Thank you.

[305] **Russell George:** Hefin, did you want to come in here?

[306] **Hefin David:** Yes, okay. With regard to marginally viable services, is your patience unlimited when it comes to funding the services that may not

be viable?

[307] **Ken Skates:** Viable in the sense that they're being operated on a commercial basis where the competition is such that they are being driven out or—?

[308] **Hefin David:** And relatively low utilisation.

[309] **Ken Skates:** Now, there's a role for the subsidy in ensuring that people are well connected to jobs, goods and services. What does frustrate me is unhealthy competition leading to the duplication of route services, misalignment of timetables and the failure of operators to accept tickets from other operators. What I get frustrated by most is service provision that places profit motive ahead of passenger service. So, in terms of the viability of services, I am certainly patient when it comes to ensuring that communities that are more isolated are well connected. I am less patient with operations that are based purely on commercial motive but that are not sustainable because of a certain model that is being operated.

[310] **Hefin David:** Is that duplication you're referring to?

[311] **Ken Skates:** Duplication, largely.

[312] **Hefin David:** And what can you do to solve that problem?

[313] **Ken Skates:** Well, we've been consulting and we've put forward a number of ideas and proposals as part of the consultation that ended in May. We've been gathering evidence and opinion from passenger groups and the industry itself. I think what we need most of all is commercial operators to work more closely together on timetables, on routes, on ticketing arrangements, so that passengers' interests are placed first and the provision of bus services is such that it meets with passenger needs, rather than with the optimisation of profits.

[314] **Hefin David:** And on balance, would you say this is more of a problem than congestion, or are they—?

[315] **Ken Skates:** It's difficult to separate the two, and this is why I think that work that could take place by Transport Focus—or if we commission other work—might be able to present us with robust data that demonstrate what is most likely to cause the bus sector to become more vulnerable in the

future. Congestion is part of the problem—there is no doubt about that—because it impacts on the confidence that people have in bus services. But so too quality of buses is a major factor that deters people from taking buses, and equally the lack of available and reliable services at key times of the day, or where routes don't align with routes by other operators. There's a whole range of factors, but I think it's important that we continue to work with passenger groups and get that further work commenced so that we can have a better understanding of the, if you like, hierarchy of threats to the industry.

[316] **Hefin David:** I think you've outlined the boundaries of your patience there.

[317] **Mr Griffiths:** I was just going to add: obviously, community transport, private hire vehicles and taxis also have a role to play here, particularly in those rural areas where larger vehicles just wouldn't prove economically viable from both an operational point of view and from a revenue generation point of view as well. So, those are some of the other reforms that the Cabinet Secretary is taking forward as well.

[318] **Hefin David:** Thank you.

[319] **Russell George:** Vikki Howells.

[320] **Vikki Howells:** Thank you, Chair. Cabinet Secretary, based on your previous answer, then, I take it that you disagree with Professor Begg, who said in his report to Greener Journeys that

[321] 'congestion is a disease which if left unchecked will destroy the bus sector.'

[322] You obviously see it is a significant issue, but there are other issues there as well.

[323] **Ken Skates:** Yes. Left unchecked, it would. I'd concur with that, and that's why we don't want to leave it unchecked. That's why it's our view that you can't just pour more taxpayers' money as revenue into the sector in order to subsidise services more. You actually need to get to grips with the root cause and causes of passenger dissatisfaction. We know that there are several factors that dissuade people from taking buses as opposed to using their own private vehicles. I think the sector and commercial operators themselves have a role to play in addressing some of these problems.

[324] The quality of buses needs to be such that they are desirable modes of transport rather than a mode of transport of last resort. They also need to ensure that they are fit for use in terms of having the latest audio-visual functions on board. I could point to some really responsible commercial operators. A couple of weeks ago, I launched the Sapphire service, which is being operated by Arriva Buses Wales: Wi-Fi, audio-visual, stop buttons right on your seat, USB charging points, panoramic sunroof, all of the functions, leather seats—really good high-quality buses that I think anybody would enjoy using. Contrast that with some of the older vehicles that are being used across the country, and it's no wonder that some people feel that buses are not for them. We've got to change the perception of buses, and you can't do that without having the commercial operators investing in them.

[325] **Vikki Howells:** Okay, thank you. So, the Welsh Government's going to be undertaking a review of the Wales transport strategy. Is there scope to include a greater focus on the issue of congestion in the bus industry within that?

[326] **Ken Skates:** I think it will, and this is a timely review, given that the strategy was published nine years ago, and given that we've got a cross-cutting strategy that includes a united and connected Wales soon to be published. So, I think it's very timely and I think congestion should be a focus of that review.

[327] **Vikki Howells:** And when will the review be completed?

[328] **Ken Skates:** Do we have a time frame on the completion?

[329] **Ms Hague:** I think it was—. The Wales transport strategy is for publication in 2019.

[330] **Mr Griffiths:** That will need to go through a strategic environmental assessment and there are a few—. We want to actually have a collaborative process, so one of the processes that will be put in place is engagement with a wide range of stakeholders before we start to develop the kind of optioneering that we need to do. So, it's envisaged that it might take 12 to 18 months to come up with a complete refresh of the Wales transport strategy. As the Minister said, it was 2008 when it was last produced. There's been a lot of development and there have been a lot of changes in terms of the transport sector since that point. So, it's important to encapsulate all

those things within a new transport strategy.

14:00

[331] **Vikki Howells:** Okay, thank you. Finally, moving on to the issue of the level of public subsidy, we took some evidence last week from the bus industry that said that each bus journey is subsidised by Welsh Government to the tune of 29p but that, for the average rail journey, I think it was just over £6 per journey. Obviously, there could be some disparity there because the average rail journey is likely to be far longer than the average bus journey. So, would you be able to provide some comparative figures for the level of subsidy for bus versus rail per passenger kilometre?

[332] **Ken Skates:** We've got certain figures. The problem that we face is that the bus operators themselves don't necessarily share their income data with us—so, we are inhibited to great degree because of that—unlike the train operators, who do. So, trying to establish a like-for-like comparison is very difficult given that restriction. I can certainly provide committee with the figures that we have available to us.

[333] **Vikki Howells:** That would be very useful, I'm sure.

[334] **Mr Jones:** It's perhaps also worth noting that the word 'subsidy' is a bit loaded as well as far as some of the bus operators are concerned. So, for example, they resist the use of 'subsidy' when it comes to describing the compensation that they get for carrying concessionary fare passengers, which is £70 million a year. So, they may not have included that. I don't know; I haven't seen the data that they provided to you.

[335] **Ken Skates:** It's a big omission, if £70 million isn't included in the calculation.

[336] **Mr Jones:** Forgive me; they may have included that. I don't know. But we have had conversations with them in the past about the use of the word 'subsidy' as far as that money is concerned. So, they may not have included that, which would completely change the numbers.

[337] **Vikki Howells:** I think based on the evidence that we took last week, it would certainly be useful to have some further data on that.

[338] **Ken Skates:** Yes, we'll provide what we have.

[339] **Mr Jones:** Sure. There are quite a lot of data, actually, in the preamble to the consultation that we published earlier this year, so we'll signpost that to you.

[340] **Russell George:** We're grateful for that additional information. Have you finished, Vikki?

[341] **Vikki Howells:** Yes.

[342] **Russell George:** Hannah Blythyn.

[343] **Hannah Blythyn:** Very quickly, just on the back of that, is it—? Do they claim that it's for commercial reasons that they won't provide those data to you?

[344] **Ms Hague:** Yes. So, in terms of funding from Welsh Government, we're quite clear about how much we put out for buses in terms of transport, but, with up to about 80 bus operators within Wales, obviously, they have their own fare box on top as well after concessionary fares. So, what we'd really like to do is get to the bottom of that as well and understand how much money is going through. There are ways we could look at, like Companies House, and we could look at turnover. But with some companies, how they sort of split up their accounts is quite difficult. So, really, I think our plea would be—obviously from the Minister—if the industry could work with us and we could truly understand the cost of bus services within Wales, we could then start to see exactly what the rate is per passenger kilometre.

[345] **Ken Skates:** I've tried myself repeatedly to get to that final figure, but without knowing the data that Sheena's just pointed to, it's impossibly difficult.

[346] **Russell George:** Have you asked the bus operators to provide those data to you?

[347] **Ms Hague:** I've taken a look at Companies House. I've had a good go myself and with the team. I have asked in various meetings, and one of the other questions I like to ask is about how much, in terms of their turnover, does the concessionary fare amount to, because we'd like to just understand where the money is coming from so that we can get the true cost for providing bus services within Wales.

[348] **Russell George:** It sounds like you've not actually asked them directly. Do you think there's a reluctance from them to give you that information, and what would that reluctance be?

[349] **Ms Hague:** I suppose a possible reluctance would be about, obviously, in the commercially run urban areas, the amount of profitability that's there because, obviously, Welsh Government gives out various grants. So, obviously, we have the reimbursement with concessionary fares but, on top of that, we also put in annually £25 million of bus support services grant as well. Really, all we want to do—I take your point, Russell—is to get to the bottom of exactly how much these services cost in Wales. So, I think maybe, perhaps, if the Minister can write to the industry and find out—

[350] **Russell George:** You could do that, yes.

[351] **Ken Skates:** We'll ask them again for transparency—for figures.

[352] **Russell George:** Okay. Simon—. Sorry, did you want to come in, Jeremy, or were you going to comment, Simon, on what was said?

Mr Jones: I was just going to say that any discussion about subsidy also needs to think about the public contracts that the industry is awarded, because they're paid to provide services over and above what we would see as subsidy. So, they win contracts to deliver services to schools, for instance, and run some of the kinds of routes that you were talking about. There are marginal routes, and they win those through a kind of open tender process. But if they didn't have those supporting, underpinning their overheads, would those organisations continue to exist in the way they do? I think any discussion about this needs to look at subsidy and income from the public sector in the round, not just at what you might classically define as subsidy.

[353] **Ken Skates:** So—

[354] **Russell George:** Sorry, did you have a further comment, or Sheena?

[355] **Ken Skates:** Sorry. Sheena's got one, and then I've got one.

[356] **Ms Hague:** Another piece of work that we're actually looking at as well, and, obviously, under the Well-being of Future Generations (Wales) Act 2015, is that we fund from Welsh Government transport bus services. Education

also fund school transport, and also health for non-emergency transport as well. So, we know how much we're giving out, but we don't know the breadth of all the services out there through the bus operators. There's a piece of work under way at the moment just to see how much all of these services across Wales actually cost. Rob mentioned earlier about taxi private hire, CTA, the community transport. So, we're having a whole look at how much money is actually being placed to provide bus services throughout Wales.

[357] **Ken Skates:** Can I just come back on the point that was raised by Vikki Howells, I think? Was it 29p they were quoting? Rough calculation, I think the latest data show that there were around 104 million km travelled by buses, and the subsidy that we offer, excluding health and education, comes to £25 million for the bus services support grant, £70 million for concessionary passengers, and then there's another £16 million or so from within the revenue support grant that local government offers. So, in total, that's over £110 million. I'm not sure that that figure of 29p is therefore accurate.

[358] **Russell George:** And, Jeremy, before I come to Mark.

[359] **Jeremy Miles:** Just on the same point, could you make it a criterion of eligibility for the BSSG that operators provide open-book accounting effectively, firstly?

[360] **Ken Skates:** Yes.

[361] **Ms Hague:** Yes, yes. We could do it.

[362] **Jeremy Miles:** And, secondly, do you happen to know whether they provide the information that you're seeking to the Governments of Scotland and England in that capacity?

[363] **Ms Hague:** We'd need to do some further research on Scotland and England and what they're doing, but, obviously, when somebody buys a ticket on a bus, there's the electronic ticket machine, so we've got those data and, obviously, that's how we get the concessionary fare.

[364] **Jeremy Miles:** I mean more in terms of sharing information about profitability and so on.

[365] **Ms Hague:** Oh, yes, yes. Sorry. Yes, we could. Yes, we could link up with them.

[366] **Jeremy Miles:** It's probably useful to know what the comparative position in the other—*[Inaudible.]*

[367] **Ms Hague:** Yes, and we visited Transport Scotland as well, and we'll continue to do that as well to see what they're doing.

[368] **Russell George:** Mark Isherwood.

[369] **Mark Isherwood:** I'll come on to my supplementary first, and then—*[Inaudible.]*—question. By coincidence, this afternoon at 3.45 p.m. I'm hosting an event upstairs on making transport services and technology work for inclusion and well-being—ESP, who does work with the Welsh Government on concessionary passes and so on. Presentations include London councils, Scotland, because they do work with the Scottish Government on projects such as working with dementia-friendly communities—

[370] **Ken Skates:** Absolutely.

[371] **Mark Isherwood:**—helping older people through transitions away from car ownership, a scheme designed by young people to meet their changing travel needs, and a scheme co-designed with people undergoing cancer treatments and their carers, for example. So, in addition to the broader engagement and partnerships we're talking about, how will you ensure that this is built upon engagement and co-design with passenger groups in the communities?

[372] **Ken Skates:** That's a really important point, Chair. I gave evidence several months ago to the Petitions Committee, and that stemmed from a petition that Whizz-Kidz had generated. Excellent petition. I gave evidence there. I'd suggest perhaps taking a look at the evidence that I gave, and indeed the evidence from the whole of the Petitions Committee's work regarding co-production and the way that user groups across all demographics, and particularly amongst people with protected characteristics, are being engaged. You'll be aware that we've already changed the criteria for bus services support grant eligibility to include the need for audio-visual functions on buses. There was pushback on that, but we remained quite steadfast and said that was essential for many passengers. I think it might be worth reviewing that evidence that was given to the Petitions Committee because I think it was really valuable and directly

relates to the work that you're doing.

[373] **Russell George:** Thank you.

[374] **Ken Skates:** It was quite extensive as well.

[375] **Mark Isherwood:** Because I think the key message we're going to hear is that some areas—London, Scotland and so on—have now very much built this into the model.

[376] **Ken Skates:** Yes.

[377] **Mark Isherwood:** It's an integrated part of it. It's not just an add-on to the system.

[378] **Ken Skates:** And I think, under the well-being of future generations Act, it should be here as well, and it will be. It must be.

[379] **Mark Isherwood:** Okay. You recently had a consultation on local bus services.

[380] **Ken Skates:** Yes.

[381] **Mark Isherwood:** Why did the consultation document not mention congestion?

[382] **Ken Skates:** It contained a range of issues, many of which directly related to congestion. So, the question of establishing quality bus partnership schemes was raised within the consultation. The ability of local government and our other partners to be able to contribute to improving infrastructure that will lead to a reduction in congestion was also incorporated into the consultation, so, for example, the potential to introduce designated bus lanes. I do believe that it was contained within it. There may not have been a specific reference to congestion, but I think the range of issues that were contained within the consultation more than adequately covered the factors that lead to congestion, and also addressed some of the potential solutions for congestion.

[383] **Mark Isherwood:** Okay. You've referred already to the metro of south Wales and the north Wales model for integrated transport. How do you believe this could be applied more broadly across Wales to address

congestion impacts on the bus industry?

[384] **Ken Skates:** I think what we learn from the metro blueprint will enable us to take best practice and to potentially capture it in guidance to local authorities. As Simon said, south-east Wales has stolen a march because of the metro, and that enables us then to learn from south-east Wales and apply best practice.

[385] **Mark Isherwood:** And what timescale—sorry, Simon, you wanted to come in.

[386] **Mr Jones:** I was just going to say there are key principles that we're delivering for the metro that are not exclusive to delivering in urban areas. So, setting up bus services so that they interact with rail at a time when people are getting on and off the trains is obviously important, but that's not the way that the bus industry has behaved over the last 20 or 30 years. There are relatively few railway stations with bus stops nearby. So, that principle isn't just about sorting out the metro, although that would perhaps be an area that we'd want to concentrate on early on. But, actually, that principle should apply across all of Wales, but that requires us to work with the traffic commissioner and with the bus companies themselves to get them to change their routes and their stops and their timetables, and then to deal with integrated ticketing issues, which we've already touched upon. So, I think all of those things are in train. When we talk about the integrated ticketing approach, it won't be that we end up with an integrated ticketing solution for just the metro area, or metro areas; we'll end up with an all-Wales integrated ticketing approach. So, actually, the work that is taking place in metro will have benefits across Wales.

[387] **Mark Isherwood:** And, again, what are the timescales? I refer to your earlier responses regarding, for example, different schemes developing in different counties in north-east Wales and your plans to now intervene to address that. In order to get that right, there's going to be a time delay, and then, to spread this out further across Wales, presumably further time delays. So, in your mind, what sort of timescales are you thinking of?

[388] **Mr Jones:** I would guess that we will see the benefits of some of this stuff happening—the initial benefits of this stuff happening—within the next couple of years, but actually, to be realistic, there are likely to be legislative changes that will come on the back of the consultation. So, that's going to take several years to come through. Then there will be a whole load of

commercial relationships to put in place. There'll be technical solutions to put in place around integrated ticketing, which is going to take time. That won't happen at the snap of our fingers. So, I would think that we'll maybe start to see some of the benefits of this within the next two years, and perhaps for the full suite of it, maybe within six or seven years.

[389] **Mark Isherwood:** Okay. What progress specifically has been made on solutions to tackle congestion outlined in the Wales transport strategy and the national transport finance plan?

[390] **Ken Skates:** I think there's a good story to be told here, and some good examples of progress that's been made. Sheena, I know that you've captured quite a few of them.

[391] **Ms Hague:** So, I can run through the list if you wish to study the list of these successfully delivered bus priority schemes. So, metro phase 1, Cardiff airport—St Athan bus priority corridor, the A470 Pontypridd—Cardiff bus priority corridor, Crumlin junction on the A472, on the A469, roundabout junction improvements, and at Fiddler's Elbow as well.

14:15

[392] And, then, there are a number of studies across Wales that have just started—lots of corridor studies, pretty much on all the main strategic corridors: on the M4, A55, A470—and I think the most important thing is that we're working with all the partners with this. So, on the A470, for example, we're working with RCT. It's a joint study. So, we make sure that anything that we do on the strategic road network, and with the local road network, we join and that we're not just displacing traffic to the wrong place. So, all of those are under way, and they'll start to report now over the next year.

[393] **Ken Skates:** But I've also met with many of the operators to seek guidance and opinion from them concerning pinch points, and where we need to address their particular concerns. I'm pleased that they've fed back now ideas on what we can do across Wales. There are a number of schemes that we're now taking forward as a consequence of the engagement with the operators. They cover schemes in relation to the M4, the A55, the A483—pretty much across the whole of Wales—and, of course, mid Wales as well, with the pinch-point north-south routes.

[394] **Mark Isherwood:** Okay. You've carefully or cleverly answered my next question somehow there. I just would ask: you mentioned a number of programmes on the ground now, and—[*Inaudible.*—]monitoring. Are all those schemes monitored to measure their impact on congestion, as well as displacement?

[395] **Ms Hague:** Yes, they are. And that's part of our project management. So, we do feasibility, design, construction, and then we do audits afterwards to see whether or not that outcome has been achieved. And one of the things with that also, as Rhod mentioned earlier, is about the traffic models. So, we like to see where the traffic is going and what's actually happening. And, as part of the south-east traffic model, what we'd ideally like to do, in the future as well, is build in rail layers and bus layers so that we have the whole package for a region, rather than just looking at private vehicle or HGV traffic. So, that's something else that's being built up, but it's quite a timely process to get all of those data together.

[396] **Mark Isherwood:** And, finally, will the work of the working group that was established following the bus summit incorporate addressing impacts of congestion on the bus industry, and, if so, how will progress be measured?

[397] **Ken Skates:** Okay. So, within the next few days, actually, details of the workshop dates will be issued, and congestion will be part of the work of the groups that are being formed. We're going to meet in the autumn, and congestion will be a focus of that work. In terms of feedback, that will be captured, and that will be presented to me and to partners, and then, if change needs to take place, we would seek to implement recommendations, and then we'd monitor any implementations that stem from it.

[398] **Mark Isherwood:** So, you said feedback will be captured.

[399] **Ken Skates:** From the workshops, yes.

[400] **Mark Isherwood:** That's how—. Progress will be measured through that feedback. Is that systematic?

[401] **Ms Hague:** Yes. So, following on from the bus summit that the Minister held this year, in January 2017, we're now having the workshops in the autumn. We then collect that feedback, and the intention then is that we can get a date in the Minister's diary and have another bus summit next year to feed back to everybody who attended this year. So, everybody gets sighted

on that information and the progress that we're making as well.

[402] **Ken Skates:** We're already in the process of arranging the next bus summit as well, so that there is a clear progress report available to everybody who took part in the first one, so that we can check against delivery.

[403] **Russell George:** Is the bus summit likely to be an annual event?

[404] **Ken Skates:** I think so. I'd like it to become an annual event. I learnt a lot personally from the bus summit that took place earlier this year. I know it was very valuable to bring together all stakeholders as well. It led to a number of questions and themes being incorporated into the consultation. I think it would prove valuable to make it an annual event. I did consider holding it twice yearly, but I thought that might be a bit too much.

[405] **Russell George:** David Rowlands.

[406] **David J. Rowlands:** Can I look at the Welsh Government's strategic leadership role and in particular whether the Welsh Government are doing enough to promote public transport, and active travel, of course? Is there a specific budget for that?

[407] **Ken Skates:** Well, I think we've got quite a good story to tell about active travel and the determined focus that we've placed on encouraging modal shift towards active travel. We've invested considerably in the development of cycle ways. We're reaching a pretty critical point now insofar as the Active Travel (Wales) Act 2013 is concerned, with the mapping processes being undertaken by local government partners. We'll expect—I think it's by November the next round of maps—. September.

[408] **Mr Griffiths:** September.

[409] **Ken Skates:** —the next round of maps to be submitted. I do think, in terms of promotion of active travel, a good degree of work is taking place, but, insofar as promotion of bus services is concerned, this is a sector-wide challenge, I do feel. We recently agreed with the Confederation of Passenger Transport UK to allow them to market the mytravelpass in order to drive up the number of young people who have mytravelpass cards. One of the concerns that I know you know I have about the scheme at present is the low proportion of young people who currently have the card. So, I agreed with CPT for the sector commercial partners to better market it. I think that there

is a task for the entire sector to make bus travel more attractive, to challenge poor perceptions. Some in the sector are doing, I think, a very good job in that regard, others less so. But I think that a combined commercial sector approach to marketing and promotion is very much needed.

[410] **David J. Rowlands:** Yes, because we've seen a particular emphasis on rail travel and active promotion of rail travel. The bus service seems to be a bit of a cinderella as far as that's concerned, doesn't it? We have to change that, don't we?

[411] **Ken Skates:** And Transport for Wales potentially offers an opportunity to help change and challenge perceptions in terms of some of the new buses that are coming into operation. We've seen improvements, increased usage, but, in order to get a step change, I think a series of interventions are required and I think Transport for Wales may be able to assist in terms of being able to offer assistance in providing a consistent message about public transport, whether it be rail or bus services, so that you don't have a cinderella service, you don't have a second-class service, which is, I'm afraid, what some people feel bus services are, compared to rail.

[412] **Russell George:** Simon wants to come in, I think.

[413] **Mr Jones:** Can I just make a wider point about the strategic leadership, if I may? I think that—. The Government is quite active in this space. We were talking earlier about the role that Transport for Wales has played and the Cabinet Secretary's just amplified that. But there are things that we've already put in place that our colleagues in local authorities are not perhaps making enough use of. So, we've got some legislative tools that would really help in this space around congestion and only one local authority in Wales is making use of the ability to fine people blocking bus lanes and yellow boxes.

[414] **Ken Skates:** They're very effective at it.

[415] **Mr Jones:** If we talk about congestion in cities, in particular, that's a big area where local authorities could take up the mantle that's been set out by Welsh Government. Legislation is there for people to use to be able to deal with some of these problems. In other broader senses around strategic leadership, the Cabinet Secretary has talked about the summit and we've talked about some of our future plans—so, the consultation and where that goes next. So, actually, I think the Government has been quite active in this space in terms of setting an agenda, but, as we said earlier, as things stand,

the local authorities are the statutory bodies that are responsible for delivering a lot of this stuff on the ground—they are the highway authority for their location for the local roads, so they've got to take some responsibility for sorting this out, particularly when it comes to congestion.

[416] **David J. Rowlands:** There's a little concern with the committee that a number of witnesses have pointed out that they need a greater strategic direction from the Welsh Government. Is it the fact that you're not conveying exactly what you're doing? You've given us some very direct and comprehensive answers to the earlier part of my question. Is there a problem—

[417] **Ken Skates:** I'm not sure why they claim that, because we've offered the strategic leadership; we've given local government the tools. We, I think, made a clear impression in terms of what we aim to achieve in the coming years with reform. I think it's now for our partners to ensure that they can rise to the challenge and use those tools that are already in existence. I think it's only Cardiff that are using those civil enforcement tools, and they're using them to very great effect. They exist for all local government authorities, and it would be good to see more councils taking up the use of those enforcement powers. Sheena.

[418] **Ms Hague:** Yes, it was just, really, to summarise, if you like, what we've done over the past 12 months in terms of just bus services, as I take your point about rail. And, in September last year, the Minister issued the five-point plan for bus services in Wales. We then formed an integration alliance board, so we could get all partners into the room to start to look at bus corridor studies, with the bus summit in January this year. Then there was the bus reform consultation, running from March to May. We've also continued the trial with mytravelpass, as the Minister's mentioned. We've just started the TrawsCymru free travel on weekends—we're just going into the second weekend now. And we're also starting, in the background, a five-point business case as well to look at the future of bus services in Wales, and we will be inviting people to help us with those. And then we've got the working groups in the autumn, and then we're looking forward to another bus summit early next year as well. So, there's been quite a lot going on in the past 12 months, but maybe we haven't conveyed—

[419] **Ken Skates:** We also—just touching back on points raised by Mark Isherwood, we set up the accessible travel panel as well, to represent groups, disabled groups in particular, who don't feel that they can use buses or other

forms of public transport. A huge amount of work has taken place. As I say, the tools are there for many of our partners to use and to utilise. There's a very clear direction of travel that's been outlined. We now hope that reforms can take place and that our commercial partners can come with us on that journey.

[420] I think it's worth, as well, pointing out that we will see a more visible leadership role emerge for Transport for Wales as well.

[421] **Russell George:** Could I ask: what's your view on congestion road charging in terms of combating the congestion, as a solution?

[422] **Ken Skates:** Congestion charges and congestion zones—

[423] **Russell George:** Congestion road charging as a solution.

[424] **Ken Skates:** I think it could be a solution, but it's a solution for local government to consider, and it may well be a test for transport authorities—an early test for them—given that most roads are managed by local authorities; the trunk roads, of course, by us, but, certainly, I think, if it's going to be—. If we're talking about congestion zones of the type that London has and the type that Bristol have speculated over, and Manchester and so forth, it would be for local government to determine. But, certainly, it'd be an early test, I think, for those transport authorities.

[425] **Russell George:** I know it's for local government to determine. Would you have—? I mean, what would your view be on that? I think Simon wants to come in as well.

[426] **Ken Skates:** I wouldn't necessarily wish to interfere in a democratic decision that would be taken at a local level.

[427] **Mr Jones:** I'd just emphasise the point that I made earlier on: there are tools that are already available to local authorities that they're not using yet, and I think that, before anybody starts thinking about some kind of new regime, perhaps the existing tools should be fully tested to see what difference they make.

[428] **Ken Skates:** That's a really good point, because, at the moment, it's just the one local authority that's using civil enforcement, as we've enabled them to. Before considering congestion charges or congestion prices,

perhaps it would make more sense to use the existing powers that are available.

[429] **Russell George:** Would that be your view, then, in regard to trunk roads as well? Because a trunk road is still quite significant. There could potentially be part of a trunk road that you could introduce charging on to reduce congestion.

[430] **Ken Skates:** We've not considered that, and it's not under consideration, either.

[431] **Russell George:** And, in terms of bus operators themselves, are they doing the best they can to improve quality of service?

[432] **Ken Skates:** Quality of service is dependent on so many factors, of which congestion is one. Many factors are out of their control. For some factors that are within their control, I think we could see a greater effort in addressing. I—

[433] **Russell George:** What's in their control that they could address?

[434] **Ken Skates:** Quality of buses, for one. Adopting and embracing quality partnership standards is a second. Working with us in terms of accessible travel, making sure that nobody is deterred from using bus services. Again, I'd like to see more operators embrace the principles of the well-being of future generations Act as well. There are some very, very good, proactive, incredibly responsible commercial operators who I would warmly applaud, and, as I said just a couple of weeks ago, I was with Arriva Buses Wales at the launch of their new Sapphire service—a huge investment, huge investment. Each bus is £0.25 million, and I think they've got 10 or 11 of them.

14:30

[435] That's a massive investment in the best quality buses. But, in order to get best value from the significant sum that the taxpayer, the passengers themselves, either directly or indirectly put into the service, we do need to see the sector working more collaboratively in terms of integrated ticketing, in terms of alignment of schedules, in terms of integrated travel, so people can get to the trains that they need to get to in time, making sure that routes are delivered in a way that meets passenger needs and also ensuring that, as I say, those voluntary partnership standards, as they are at the moment, are

embraced.

[436] **Russell George:** So, are you saying that you don't think that bus operators are doing all they can in order to bring about change?

[437] **Ken Skates:** I think it's variable and more could be done.

[438] **Russell George:** Okay. All right. In that case, I'd like to thank the Cabinet Secretary and your officials this afternoon—grateful for your time and we hope to conclude our final deliberations on this report next week. So, thank you very much.

[439] **Ken Skates:** Thanks, excellent, very good.

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod a Chyfarfod Nesaf y Pwyllgor ar 19 Gorffennaf
Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Remainder of the Meeting and the Next Committee Meeting
on 19 July**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod, a'r cyfarfod ar 19 remainder of the meeting, and the
Gorffennaf, yn unol â Rheol Sefydlog meeting on 19 July, in accordance
17.42(vi). with Standing Order 17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[440] **Russell George:** I move to item 8 and ask Members if they're happy, under Standing Order 17.42, to resolve that we go into private session for the remainder of the meeting. We're happy.

Derbyniwyd y cynnig.

Motion agreed.

*Daeth rhan gyhoeddus y cyfarfod i ben am 14:31.
The public part of the meeting ended at 14:31.*

