

Cynulliad Cenedlaethol Cymru
Y Pwyllgor Menter, Arloesi a Rhwydweithiau

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

Dydd Mercher, 18 Hydref 2006
Wednesday, 18 October 2006

Cynnwys
Contents

[Cyflwyniad, Ymddiheuriadau a Dirprwyon](#)
[Introduction, Apologies and Substitutions](#)

[Adroddiad y Gweinidog](#)
[Minister's Report](#)

[Cofnodion y Cyfarfod Blaenorol a Materion sy'n Codi](#)
[Minutes of Previous Meeting and Matters Arising](#)

[Network Rail a Threnau Arriva Cymru](#)
[Network Rail and Arriva Trains Wales](#)

[Rhestr Is-ddeddfwriaeth](#)
[Secondary Legislation Schedule](#)

[Tuag at e-Gymru—Ymgynghoriad ar Ddefnyddio Grym Technoleg Gwybodaeth a Chyfathrebu yng](#)
[Nghymru](#)

[Towards e-Wales—A Consultation on Exploiting the Power of Information and Communication](#)
[Technology in Wales](#)

[Ymgynghoriad ar Gynigion ar gyfer Cynllun Rhyddhad Ardrethi Busnesau Bach Cymru Gyfan](#)
[Consultation on Proposals for an All-Wales Small Business Rate Relief Scheme](#)

[Dadansoddi Galw am Gyflymder Ffibr](#)
[Fibre Speed Demand Analysis](#)

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

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

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

Swyddogion yn bresennol: Michael Eaton, Pennaeth Is-adran e-Gymru; David Fletcher, Cyllid Llywodraeth Leol; Gwyn Griffiths, Cyngorydd Cyfreithiol i'r Pwyllgor; Gareth Hall, Cyfarwyddwr Adran Menter, Arloesi a Rhwydweithiau; Paul Harrison, Cyllid Llywodraeth Leol; Tim James, Pennaeth yr Uned Rheilffyrdd; Robin Shaw, Cyfarwyddwr Trafnidiaeth Cymru.

Eraill yn bresennol: Robbie Burns, Cyfarwyddwr, Llwybr Gorllewinol, Network Rail; Mike Gallop, Rheolwr Gwella Llwybrau, Network Rail; Bob Holland, Rheolwr Gyfarwyddwr, Trenau Arriva Cymru; Mike Hurley, Pennaeth Rheoli Masnachfreintiau a Deiliaid Budd, Trenau Arriva Cymru; Paul Plummer, Cyfarwyddwr, Cynllunio a Rheoleiddio.

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

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

Officials in attendance: Michael Eaton, Head of e-Wales Division; David Fletcher, Local Government Finance; Gwyn Griffiths, Legal Adviser to the Committee; Gareth Hall, Director of the Department of Enterprise, Innovation and Networks; Paul Harrison, Local Government Finance; Tim James, Head of Rail Unit; Robin Shaw, Director Transport Wales.

Others in attendance: Robbie Burns, Director, Western Route, Network Rail; Mike Gallop, Route Enhancement Manager, Network Rail; Bob Holland, Managing Director, Arriva Trains Wales; Mike Hurley, Head of Franchise and Stakeholder Management, Arriva Trains Wales;

Paul Plummer, Director, Planning and Regulation, Network Rail

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

*Dechreuodd y cyfarfod am 9.03 a.m.
The meeting began at 9.03 a.m.*

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

[1] **Christine Gwyther:** Good morning, and welcome to this meeting of the Enterprise, Innovation and Networks Committee. I remind Members and anybody in the gallery of the availability of headsets for translation and for sound amplification. We are in a slightly different formation this morning, so you might need to get used to that. Translation is available on channel 1 and verbatim proceedings are on channel 0. If there are any problems, the ushers will assist us to the nearest exit. Should Members experience any difficulties, please do not start pushing buttons; just indicate to the deputy clerk and we will sort it out. Please ensure that all mobile phones, BlackBerrys and pagers are switched off completely. We have had no apologies, so we will move straight on.

9.04 a.m.

Adroddiad y Gweinidog Minister's Report

[2] **Christine Gwyther:** Do you have an oral update, Minister?

[3] **The Minister for Enterprise, Innovation and Networks (Andrew Davies):** As I reported in Plenary yesterday, there has been significant investment by G24i, at Wentloog. This is a very exciting project for Wales and it places us again at the forefront of developments in green or renewable energy as well as being a high-value-added manufacturing investment. Later this week, there will be another announcement on another very high-tech manufacturing facility in the Newport area.

[4] Tomorrow, I will launch the Môn a Menai programme, which is a long-term economic development programme to address particularly the issues that might arise from the closure of the Wylfa power station and any implications that that will have for the economy of north-west Wales. I will make that available to Members tomorrow.

[5] I will also be opening the Holyhead Celtic Gateway bridge—the gateway infrastructure at the port of Holyhead—during my visit to Holyhead in the morning.

[6] As I have advised Members previously with regard to the tourism advisory panel, it is with a great deal of regret that I announce that Keith Brooks, the chair of the tourism advisory panel, had to stand down with immediate effect for personal reasons. On the back of that, in order to ensure continuity, I have asked Ieuan Evans, who is currently a member of the tourism advisory panel and a former member of the Wales Tourist Board, to act temporarily as the chair of the advisory panel and also to sit as an observer on the VisitBritain board and the ministerial advisory group. Obviously, we will then move, as soon as possible, to appoint a full-time permanent replacement for Keith Brooks.

[7] **Christine Gwyther:** Has Keith Brooks stepped down from the panel completely, or just from the chairmanship at present?

[8] **Andrew Davies:** Yes.

[9] **Christine Gwyther:** In that case, if Members are willing, we will write a letter of thanks to Mr Brooks for the work that he has done.

[10] First, are there any matters arising from the oral update? We will then move onto questions on the Minister's report in sections, as usual.

[11] **Alun Ffred Jones:** Diolch i'r Gweinidog am gyfeirio at y cyhoeddiad yfory ynglyn â rhaglen Môn a Menai. Gan dderbyn nad yw'r Gweinidog mewn sefyllfa i roi llawer iawn o fanylion gan mai yfory y mae'r cyhoeddiad, a ddaw arian ychwanegol gyda'r rhaglen hon fel sydd wedi'i glustnodi ar gyfer strategaeth Blaenau'r Cymoedd? Os gall roi ffigur, gorau oll, ond, yn bennaf, hoffwn wybod a oes arian ychwanegol penodol wedi'i glustnodi ar gyfer y rhaglen. A oes unrhyw arwyddocâd i'w galw yn rhaglen? Yn y llythyr a welais, fe'i gelwir yn 'programme' yn hytrach na 'strategaeth'. A wnaiff y Gweinidog esbonio rhywfaint ar hynny? Hefyd, beth yw dalgylch Môn a Menai? Mae Môn yn weddol amlwg, ond beth yn union ydyw dalgylch Menai yn y cyswllt hwn?

Alun Ffred Jones: I thank the Minister for referring to the announcement tomorrow of the Môn a Menai programme. Although I accept that the Minister is not in a position to give much detail, as the announcement is to be made tomorrow, will there be additional funds for this programme like those that have been set aside for the Heads of the Valleys strategy? If he can give us a figure, that would be even better, but, primarily, I would like to know whether a specific sum of additional money been earmarked for the programme. Is there any significance to its being called a programme? In the letter that I saw, it is called a programme rather than a strategy. Will the Minister explain that a little? Also, what is the catchment area of Môn a Menai? 'Môn' is fairly obvious, but what exactly is the catchment area of 'Menai' in this context?

[12] **Andrew Davies:** There is no specific funding attached to it at this stage because, obviously, it is still very early days. It is very much about preparing for the eventuality of Wylfa closing and the possible impact that that would have on Anglesey Aluminium Metal Ltd, in particular, and the whole of north-west Wales, given the importance of both those operations. Clearly, we do not currently know what the implications will be for Anglesey Aluminium, because it is still four years away, and we will be working with the company to identify alternative energy sources when Wylfa is decommissioned. So, at this stage, to identify any specific funding would be premature, because we do not know what the implications will be. Nevertheless, the programme will be looking at what the challenges are and what, exactly, will be necessary. However, that is not to say that there will not be funding in the future for it.

[13] On the naming of it, it is currently a programme. We are often criticised for having too many strategies, so it could be a case of 'What is in a name?'. Once we have the development document it may well be that we will call it a strategy. However, at this stage, I think that it is too early to do that.

[14] In terms of the catchment area, it is primarily Anglesey and Gwynedd, although given the importance of Wylfa and Anglesey Aluminium, it has wider repercussions; so, it will also include other parts of north-west Wales, such as, Conwy.

[15] **Alun Ffred Jones:** I would like to press you a little further on that, Minister. The Môn a Menai programme does not cover a specific area in the county of Gwynedd; you are not specifying, for example, the old Arfon area, which is adjacent to the Menai straits, because you then mentioned Conwy. Would that also be part of this wide-ranging programme?

9.10 a.m.

[16] **Andrew Davies:** This is being taken forward in the context of the Wales spatial plan. It is early days yet and we will be working with all the partners—the local authorities and others—to identify which area it will cover. It is very much like the Heads of the Valleys programme area. The initial definition of that area has been expanded to include Treorchy and Treherbert, following Burberry's decision to cease manufacturing. It is still early days and we will be looking at which areas will be affected.

[17] A key point is that I am determined that my department should look at outcomes, not inputs. One of the major priorities for the programme, and the programme board, will be to identify the key outcomes that we will be expecting from the Môn a Menai programme.

[18] **Alun Ffred Jones:** Lastly, you mentioned a programme board, and I would like to know whether that has been identified. Have the members and so on been chosen? I do not expect you to tell me the names.

[19] **Andrew Davies:** Initially, it will be the local authorities and my officials who have been taking the lead on this, particularly Vanessa Griffiths, the north Wales director of my department and the director of enterprise, and Piers Bisson, who is the head of transport and infrastructure policy in the policy and strategy group. They have been driving this forward, but the membership of the board is yet to be fully determined. It will include the local authorities, and Anglesey and Gwynedd councils will be key players. On the funding, with convergence funding starting next January, it will be a key source of funds that we will be able to use to underpin the delivery of the programme.

[20] **Christine Gwyther:** I see that there is nothing else to add on the oral update, before we move on to the report. The first section in the report is on supporting enterprise, paragraphs 1 to 16. Does anyone wish to ask anything on that?

[21] **Janet Davies:** On item 2, I think that it is good news that Wales is the first nation within the European Union to sign a contract of confidence, and we are pleased with that. I would also like to say how pleased I am that Wales is recognised as a nation on its own in this part of the report.

[22] **Andrew Davies:** The commissioner has said on many occasions, during her visits to Wales and in other parts of Europe, that she regards Wales as an exemplar in the use of structural funds. To get this final vote of confidence, as you said Janet, is something to congratulate people on. I would particularly like to pay tribute to the team at the Welsh European Funding Office as well as all the other stakeholders who have made this possible. I think that this is a huge vote of confidence.

[23] **Janet Davies:** There is also the Government's recognition of Wales as a nation.

[24] **Christine Gwyther:** I think that is three times that you have got that on the record, so well done, Janet. Is there anything else on paragraphs 1 to 16?

[25] **Kirsty Williams:** Despite the First Minister's assurances yesterday about discussions with local government and the voluntary sector, I continue to receive representations from local government and the voluntary sector about the approach that will be taken with the new convergence funding. Despite the work to try to reassure people, which I acknowledge has been going on, there are still concerns that the programme will be dominated by projects that have been sent down from your department and agencies into communities. You have just said that the programme in Ynys Môn will be underpinned by the new convergence funding and that your department has taken the decision to do that.

[26] We have asked previously whether you have any idea about how the money will be divided between the different types of projects. What percentage of the programme do you imagine that you will have some direct influence over and be able to dictate, rather than being projects coming up from the grass roots? You have said in the past that it was impossible for you to do that, but you must have some idea, if you are already looking at specific programmes, about how much you will be directly responsible for targeting and spending, rather than your just receiving bids, accepting them and taking them on board.

[27] **Andrew Davies:** On the concerns of local authorities, I had a meeting with the leader of the Welsh Local Government Association, Councillor Derek Vaughan, and his director, Steve Thomas, last week to address these issues. I think that they were reassured by what we said. A lot of their concerns have arisen out of a misunderstanding. The consultation ended on 6 October, and, in the consultation document, in talking about existing partnerships and taking them forward into the next round under convergence we did not specify the members or the stakeholders of the various partnerships. Perhaps we should have done, but we just took it as read that those partnerships would just be rolled forward. We were able to reassure the WLGA that that was a sin of omission rather than commission, and that we certainly expect the local authorities to play, as they do now, a huge role in taking forward the delivery of European funding.

[28] Similarly, in my regular meetings with the voluntary sector, I have tried to reassure it that the voluntary sector is key in terms of delivery, and that this is not about centralisation, but more about agreeing priorities at the centre or in the document. Therefore, in terms of delivery, it would be done on the basis of partnership. The Môn a Menai programme is an example of where we would agree priorities falling from the programme, and convergence funding could then be used to deliver the outcomes. That would be a model; it is not about centralisation. My understanding is that local authorities understood that position and were reassured, and, in fact, the First Minister wrote to them subsequent to that meeting, just to confirm our mutual understanding of the position.

[29] On the allocation of funds, it is too early to say, because, until the negotiations with the European Commission have been completed, we do not know what the allocation of funds will be against each of the priorities. There is still a great deal of work to be done on that, and we would not be able to prejudge that until we have had those discussions. My officials have had a recent meeting with the European Commission—I think that it was on the Monday before last—and the feedback that we have had from it, and from people like Graham Meadows, has been positive. I think that the phrase Graham Meadows used was, ‘Keep up the good work’, so there is broad agreement. At a general level, clearly, there will be a harder Lisbon-agenda edge to the programme, with a greater emphasis on European social funds and the skills and innovation agenda, and, as the First Minister has said, less emphasis on infrastructure. However, apart from those general principles and themes, it is too early to say what the funding allocations will be.

[30] **Kirsty Williams:** Forgive me if I have this wrong, but the programme kicks in in the new year, so am I the only person who is concerned that it is almost the end of October and we are still in negotiations? Is that unusual? Should we be concerned that we are just a few months away from the new programme and that we still do not know what the allocations will be in the programme? It seems to me that if we are to make the most of it and not make mistakes, and if we are to harness what the money can do for us, then we should know that by now and be planning for it, and it is difficult for you to do so.

[31] **Christine Gwyther:** I will take other Members’ questions on this. Alun, is your question on this?

[32] **Alun Cairns:** Yes, it is. I want to go back to what the Minister implied, if he did not expressly state it, at the last meeting, which is that local authorities were comfortable with the approach last time. I spoke to a number of local authority leaders and it is quite obvious that they were not comfortable with it—the word ‘fury’ was used by one local authority leader, and ‘anger’ was used by another. That suggests quite obviously the feelings within local authorities. So, when the Minister now says that they are more comfortable—or whatever phrase he used—following his meeting with the leader and director of the WLGA, perhaps he would like to be a little bit more explicit about the nature of that conversation and how it went, and whether they are more comfortable now. It clearly is a major worry for local authorities—therefore, what analysis has the Minister conducted?

9.20 a.m.

[33] If we are getting to a position where centrally agreed projects take a percentage of around 60, 70 or 80 per cent—that was Kirsty’s question, and was included in some of the questions asked at the last meeting—surely we need to know the spend level in this scheme. So, what was that spend level? We are being told that there are far too many projects this time and that we need to be more strategic—some people interpret that as being more central. What analysis have you conducted of what formed the regional plan for west Wales and the Valleys this time?

[34] **Alun Ffred Jones:** Nid wyf yn cyfeirio'n benodol at ogledd-orllewin Cymru, ond mae gennyf gwestiwn mwy cyffredinol yn debyg i'r hyn yr oedd Kirsty yn dechrau sôn amdano. Nid wyf yn deall y berthynas rhwng y partneriaethau lleol, sef y pwyllgorau economaidd blaenorol, a'r rhaniad tair rhan gyda'r grwpiau cynllun gofodol. Yng ngogledd-orllewin Cymru ac ym Mlaenau'r Cymoedd, mae gennym gynllun arall sy'n eistedd mewn dwy ardal yng Nghymru sydd, fel petai, yn cymryd drosodd i ryw raddau neu'n cydweithio â'r grwp gofodol. Ond, yng ngweddill Cymru, gyda phwy mae'r awdurdodau lleol yn cydweithio ar eu cynlluniau? A ydynt yn gwneud hynny o fewn y grwp gofodol? Ai dyna'r endid y byddwch chi, fel Gweinidog, yn mynd ato i feithrin syniadau, ynteu a fyddwch yn mynd at y pwyllgorau sirol fel yr oeddent, gan eich bod wedi awgrymu y byddant yn parhau mewn rhyw ffordd? Nid wyf yn deall y berthynas rhwng y pwyllgorau hynny a'r grwpiau gofodol ac unrhyw gynllun arall sy'n dod ar ben hynny. Mae'r darlun yn aneglur iawn i mi.

Alun Ffred Jones: I am not referring specifically to north-west Wales, but I have a more general question along the lines of what Kirsty started to mention. I do not understand the relationship between the local partnerships, namely the former economic committees, and the three-part division with the spatial planning groups. In north-west Wales and the Heads of the Valleys, we have another plan that sits in two parts of Wales, which takes over, as it were, to some degree, or works with the spatial group. But, in the rest of Wales, with whom do the local authorities co-operate on their schemes? Do they do so within the spatial group? Is that the entity to which you, as Minister, go to generate ideas, or will you go to the county committees as they were, because you have suggested that they will continue in some way? I do not understand the relationship between those committees and the spatial groups and any other scheme that comes on top of those. It is not clear to me.

[35] **Andrew Davies:** On your last point, we do not have clarity on many issues for the reasons that I have outlined. For example, we do not have clarity on the allocation of funds, because that is a process of negotiation with the European Commission. The consultation process has only just ended. It is always a dilemma when you consult as a Government, because people say that they want greater clarity, and if you provide that, you end up being much more prescriptive and people then complain that the Government is too prescriptive. So, we are trying to strike a balance between it being a genuine consultation and getting the views of partners, whether they are local authorities, the voluntary sector, higher education or whoever they might be. Inevitably, in the middle of the consultation process, or when one has just finished, you cannot have exact clarity, because that does not exist, by the very nature of the process. So, we need to put that in context.

[36] Kirsty made the same point as you on delays. We are further advanced than we were in the previous round. When the Assembly was set up in 1999, we were negotiating with the European Commission over what was then called the single programming document. We are further ahead than any other part of the UK. We will be the first part of the UK to submit our proposals to the European Commission for the use of European funds. The convergence programme will be the first programme to be submitted. We believe that we will be one of the first nations and regions of Europe to submit our plans to the European Commission. We want to get in early, because with the enlargement of the European Union to 25 countries, there will be more beneficiaries, so we want to be at the head of the queue. We are confident that the process is on track in order for us to do that. However, we have already said that, given the timescale, until we get approval from the European Commission, we will not be in a position to start. So, we are not different from any other part of the European Union in that respect. Clearly, our management of the current funding round has been recognised by the European Commission as best in class, and the fact that we were the first part of the European Union that was allowed to self-audit shows that the commission has confidence in our ability to manage.

[37] I know that there are many concerns about projects being dictated by the Government; that is not true. We do not have a secret blueprint behind our backs that will suddenly be brandished on 1 January, with us saying, 'These are the projects that will get the funding'. A great deal of work has been done in Government, among local authorities, in the Wales spatial plan area groups, for example, and a range of others. I know that work is being done by universities—by what the institutions themselves call the west coast group, namely the University of Wales institutions at Bangor, Aberystwyth and Swansea. These have done a great deal of work on how they might use convergence programmes for enhancing, for example, their research base. I know that because I met the three vice chancellors of those institutions earlier this year.

[38] So, there is no magic list that will be brandished at the beginning of next year. Projects will be approved, as they are now, by the Welsh European Funding Office, so there is no change there. Projects can broadly come through three different routes. The first route is through the development of the strategic frameworks. I accept that there are tensions among local authorities and others, but everyone agrees that we have to be more strategic, because the current programme was too fragmented and too bureaucratic. Those strategic frameworks will be an opportunity. For example, Môn a Menai or the Valleys, or other parts of Wales, may come forward with proposals for projects within the strategic frameworks. Secondly, there will be projects that the Government will want to take forward. These may be regional or sub-regional, or may cover the whole of the convergence programme area. The third category—last but by no means least—is local projects. There is nothing to stop individual local authorities, voluntary groups, or, indeed, universities or any other partner, from coming forward with specific projects for their locality. We have been at pains to point this out. As I said, there is a lot of uncertainty and discomfort, because, by the nature of the process, we do not have certainty at the moment. However, we hope to have that shortly once the negotiations with the European Commission have been completed.

[39] **Kirsty Williams:** I appreciate the clarity, but I come back to the point that you must have some idea in your mind about what the strategic frameworks will be commissioning and spending, what you as a Government will commission and spend on potentially large areas, and what local projects will come up. I cannot believe that you are sitting there thinking, 'I do not know'. You must have some broad thinking in your department about what the split will be. I appreciate that what you say now might change when we get to it, but you must have an idea of whether it will be 30:30:40 or that 50 per cent of the money will be spent on local projects.

[40] **Alun Cairns:** That is useful, because I wanted to build on what was raised a little earlier. You did not answer my question, Minister, about what percentage was allocated for Wales-wide Government-run programmes last time through the quangos. Was that a larger or smaller proportion than you planned? That is your starting point in analysing the split that Kirsty is looking for. Your argument is that there were too many local projects that did not have the impact. Do you have that answer, because I have an indication of the figures through an analysis that I have done? Last time, more than half of the European money was spent through Government-run programmes through the quangos. So, if your concern is that we were not strategic enough, more than half of the money in this programme was spent by the former ELWa, Wales Tourist Board or Welsh Development Agency, which are now in your department. You said that there was not enough strategy involved and that it was not specific enough, but they were quangos under your control, Minister. You have commented that we need to be more strategic and that priorities need to be agreed at the centre, but you were the Minister—or the First Minister was the responsible Minister at the time—who would have set and agreed those priorities, and they would have been charged with implementing them. So, what you said about too much being done locally last time does not add up, when most of it came from national or regional projects, namely west Wales and the Valleys—that is the region that I am talking about.

9.30 a.m.

[41] **Leighton Andrews:** I find this discussion rather odd. The Minister has said repeatedly that good local schemes will still be supported. I have raised questions in the past, having had representations, particularly from the voluntary sector, and I have been satisfied with the responses that local schemes that work will continue to be supported. We have good examples locally where they have happened in the past, and I hope that they will continue. However, it has been clear from things that have been said before at this committee, and in Plenary, that one reason for taking those quangos within the overview of the Assembly Government was a feeling that they had started to run agendas of their own, which were out of line with the Government's agenda. Mr Cairns says that they spent half the money last time, and, frankly, that is one thing that worried me. I was never convinced that the WDA, for example, really had an interest in major development projects in some parts of the Valleys. Therefore, if, in future, the money that would previously have been spent through the WDA will be more strategically used, then I say 'hear, hear' to that.

[42] **Alun Cairns:** May I respond to that?

[43] **Christine Gwyther:** No—this is not a debate; we are supposed to be questioning the Minister.

[44] **Andrew Davies:** I wholeheartedly agree with Leighton. Alun is trying to create almost a scandal out of the fact that Government does not somehow have a grip on this. We are being told that we should know exactly what is going to happen, and at the same time we are being accused of being too prescriptive. I come back to the point that it is about outcomes, and not about inputs. I am being asked to give clarity. For example, I was asked a question earlier by Alun Ffred about Môn a Menai. Until that programme's work has been done, we will not know what potential projects will be eligible and feasible for that area.

[45] Therefore, on being able to give clarity about what the split will be between centrally commissioned projects, local projects, or those emerging from strategic frameworks, I am sorry, Kirsty, we do not have those figures, for the very reasons that I have pointed out. Part of the process is that we want to work with local authorities and the voluntary sector. Until we know what projects and ideas they have in mind, it would be premature to give any sort of figure.

[46] On Alun's question about the split between local projects and centrally commissioned ones, I am not sure whether we have those figures for the current programme. However, it was roughly a 50:50 split between local projects, for example, and regional projects. That is not to say that those regional projects do not have local effects. One of the most successful programmes has been Opportunity Wales—a partnership with BT, the Wales Trades Union Congress, and others. However, while that has been successful over the whole Objective 1 area, it has had considerable local effects.

[47] Alun mentioned the WDA, ELWa, and the Wales Tourist Board, and, yes, many of their projects were all-Wales, or certainly all-Objective 1, but, as I said, the beneficiaries were local. They also supplied, as did the Assembly Government and my department, a considerable amount of match funding for local projects. However, that does not mean that that is central direction—I would say that it was facilitating a successful local project. Therefore, I understand where you may be coming from, Alun, but you are trying to make a mountain out of a molehill.

[48] **Alun Cairns:** The Minister misinterprets what I am saying. We are being told this time that more will be done on a Wales-wide regional basis—or a west-Wales-and-the-Valleys-wide regional basis. Another way of putting it is that local projects had too much of a say, or too much of an influence, or ran too many things themselves last time. However, the reality is that 56 per cent of the funding was west-Wales-and-the-Valleys-wide, run from either the Minister's department or from the quangos. Therefore, they had the largest slice of the cake last time. We are giving the impression that local projects had a much bigger say last time, but it was less than half. So, this time, when you talk about being more strategic, which many local authorities interpret as being central, they will be squeezed from at least 46 per cent to a much lower level. That is the split that I, Kirsty and others, and local authorities, are worried about—if they had less than half last time, how much will they get this time?

[49] **Andrew Davies:** You are really straining at a gnat on this, Alun. If, for example, the Môn a Menai programme comes forward with a project that we as a Government, or my department or others, may take forward, in terms of helping to deliver it, is that a local or regional project? I do not think that people on the ground care whether it is local or regional. They want to know whether it is making a difference to their communities. What you are talking about is academic and arcane. The whole point is whether we can do it in partnership. If, for the sake of argument, Isle of Anglesey County Council and Gwynedd Council came forward with a project, on the basis of the Môn a Menai programme, it might well be that my department could sponsor that, but would it be local or regional? I do not think that it really matters. What really matters is that it is about delivering for local people and local communities.

[50] **Christine Gwyther:** The next section is 'Promoting Innovation'. We will really have to hurry up now, because we only have 10 minutes for the rest of the report. Who wants to comment first on paragraphs 17 to 29?

[51] **Janet Davies:** This is a very specific question, so I hope it will not take too long. It is on paragraph 28, about turning food and packaging waste into electricity. What sort of technology is the Minister, or the company, talking about here? I notice that the company is based in Bridgend, which is not that far from the waste-to-energy plant at Port Talbot, which we are all aware of. I want to know whether it is the same sort of plant or whether you are talking about a different sort of technology.

[52] **Andrew Davies:** Can I provide a note for Janet and the committee on that?

[53] **Janet Davies:** Okay.

[54] **Christine Gwyther:** That was quick, was it not? Does anyone else have questions on this? I see that no-one does. We move to 'Investing in Networks', which is paragraphs 30 to 37.

[55] **Alun Cairns:** Paragraph 35, on the tidal energy study, seems to suggest a slight shift in one of the elements included in it. Can we have some more detail on what is mentioned there, namely the specific plans, funding and projects that are being looked at?

[56] **Andrew Davies:** I will provide a note on that.

[57] **Kirsty Williams:** On paragraph 31, is the Minister any further forward in his negotiations with regard to the type of rolling stock that will run on the Ebbw Vale line?

[58] On paragraph 36, is there any way of monitoring what happens after the broadband exchanges have been enabled? There is some anecdotal evidence that, even when an exchange has been enabled, it does not necessarily mean that the community has access to the quality of broadband and connectivity that it would like to have. Is there any follow-up work, once the exchange has been enabled, to see how that has been rolled out in a community?

[59] **Andrew Davies:** On the rolling stock, my understanding is that Arriva Trains Wales will be using refurbished 150s for the service. I do not know whether Robin wishes to add anything.

[60] **Mr Shaw:** That is the initial proposal, but obviously the long-term rolling-stock strategy is still to be agreed with the company. However, that will be the case when the service opens next year.

[61] **Andrew Davies:** On the regional broadband infrastructure study project, I turn to Michael Eaton, who is the director of e-Wales and Broadband Wales.

[62] **Mr Eaton:** Once an exchange is enabled, it is like any other exchange in the UK system, in that some lines in the first enablement can be reached in the same way that lines have been reached in the past three or four years. That still leaves some parts that cannot be reached, and they are being covered by the remainder of the RIBS activity, which tends to require more civil engineering work to take place. That fits much more into what is now the not-spot strategy, which looks at the economics and the issue regarding the state of the copper lines that have existed in Wales for the past 100 years. So, this is known and we continue to take feedback from people in the area as to what they are getting and what they are not getting, and what we can do, in terms of the RIBS project, to solve those problems. So, we are aware that there are still some issues once you have an exchange enablement.

[63] **Christine Gwyther:** Thank you, Mike. This issue came up some years ago when you started the project. How do you obtain that feedback?

9.40 a.m.

[64] **Mr Eaton:** We run the Broadband Wales Observatory website. That is the mechanism that we try to persuade people to use as the consolidating point. However, we also take feedback directly from people working in the economic development department, local government, economic fora and individuals. For the past two years of the programme, we have had broadband taskforce people going out to engage with communities. However, we keep the observatory website open and up to date, and we still market it in order to get consolidated information.

[65] **Christine Gwyther:** Is that okay, Kirsty?

[66] **Kirsty Williams:** Yes. I shall send some feedback the gentleman's way.

[67] **Janet Davies:** In paragraph 35 on the tidal energy study, please could the note include the details of the brief and the environmental criteria in it? On paragraph 33, with regard to the Trago Mills development, I am not quite sure how this fits in with the aim of supporting retail in town centres. I see that it is expected to bring 350 jobs to Merthyr Tydfil, but can anyone tell me how many jobs could be lost from Merthyr Tydfil town centre as a result of the development? My last point is a bit naughty. With regard to paragraph 30 on the Ebbw Vale railway line, I notice that Llanharan station is to open next year. What stage is the work at?

[68] **Christine Gwyther:** I think that Llanharan is mentioned somewhere else in the report.

[69] **Andrew Davies:** Network Rail will be reporting later on in the meeting. Perhaps Robin has something to add.

[70] **Mr Shaw:** It is in the detailed design stage.

[71] **Andrew Davies:** With regard to Merthyr Tydfil, we hope that there are no job losses and that the investment at Trago Mills, like the one at Cyfarthfa park, will be extremely successful. The developers and the local authority have been pleasantly surprised by the success of the Cyfarthfa park development. The growth there has been far greater than what they expected at the outset. The new Assembly Government building in Merthyr Tydfil is now operational, which will give a huge boost to the area. With regard to the tidal energy report, we will include that in the note.

[72] **Leighton Andrews:** In the section on action outstanding, with regard to wireless broadband, I have received several complaints, particularly from schools, about the capacity of wireless broadband, in which Rhondda Cynon Taf has invested. It was a bizarre decision, taken a few years ago, to go for wireless broadband. Frankly, it is not much use to schools if it goes down when the weather is a bit rainy. I accept the need to be technology-neutral; I understand the rationale behind that. However, there are clearly certain types of frequency that will be necessary in order to deliver certain kinds of content on a consistent basis. I am surprised that we did not lay down any guidelines before. I approve of the fact that you are going to the Office of Communications, because it will relieve the pressure. Wireless is not suitable when trying to ensure that schools provide a consistent service. Have you looked at what is suitable for certain kinds of public sector activities and what standards ought to apply? This problem means that the system will have to be re-engineered, which means spending more money than would have been spent if we had got it right at the beginning.

[73] **Andrew Davies:** I think that you are referring to the standards for what was called the lifelong learning network. Rhondda Cynon Taf and other authorities—including Anglesey, I believe—chose the wireless network for the delivery of the lifelong learning network. I think that it was an early and imaginative use of public sector and Government intervention to get a unique network in Wales. However, we are reaching the end of the current contract, and we are looking at this, particularly with regard to the development of the public sector broadband aggregation project and all public sector networks and how they fit into the overall vision. Perhaps Michael can give an update on that.

[74] **Mr Eaton:** Originally, the relationship in terms of the independence of local authorities to choose the technologies, as they did for the local distribution, has obviously existed, traditionally, over many years, in fact, across the whole of the UK. Many of them have learnt about the issues associated with different kinds of wireless technology, and that is the crux of the matter, in that different technologies behave differently.

[75] As the Minister said, the public sector broadband aggregation activity is more informed by the history of all those different networks, and now, in taking that forward, we are sitting down with the IT directors, the chief information officers, in local authorities, and discussing their local options and, therefore, the choices that they will make, as well as where the points of integration make more sense within the context of meeting the requirements of, if you like, 'Making the Connections' in terms of more joined-up behaviour. However, as you appreciate, many of these networks have contracts that were let many years ago, and they all expire at different times. So, one of my tasks is to try to align them as best I can and, effectively, to get better value for money out of it, which includes an improvement in quality, if that is feasible.

[76] **Christine Gwyther:** I will take the Visit Wales and International Business Wales items together, which are paragraphs 38 to 44. Are there any questions from Members?

[77] **Janet Davies:** Paragraph 41 mentions shark fishing in Pembrokeshire. How environmentally friendly is shark fishing? I thought that we were trying to create a profile for Wales as a very environmentally friendly country, and that does not seem to me to be the case.

[78] **Andrew Davies:** I will write to the Minister for Environment, Planning and Countryside and ask for his views on that.

[79] **Janet Davies:** Well, it is in your report, Minister.

[80] **Christine Gwyther:** When you write, tell him to ask Cerys Matthews, because she goes there all the time, apparently. Are there any other questions on these items? I see that there are not. Let us turn to jobs created and safeguarded, in paragraphs 45 to 51. I will also allow questions on job losses, as Members might have questions on that subject as well under paragraphs 52 to 58.

[81] **Leighton Andrews:** Minister, has Burberry responded to what you said to its representatives about the support that could be available should the company wish to take it up? Has it indicated any desire to take forward the offer of regional selective assistance that is already on the table?

[82] With regard to the Royal Mint, there is a story running in a newspaper today that suggests that a document is floating around predicting the loss of 200 jobs there. Somebody who works at the Royal Mint, and who is in a different union to that involved with the leaked document, came to my surgery on Saturday to raise questions about the future status of the Royal Mint. I have discussed this matter with Amicus, so I am reassured on some of the issues, but have you had any indication of the veracity or otherwise of the story today? In general, can we have a note, perhaps, from the Assembly Government on how it sees the status of the mint, and what discussions it is holding with central Government about that?

[83] **Andrew Davies:** On Burberry, I will double check, but to the best of my knowledge, we have not had a response from the company. However, as I said, I will confirm that with the account manager for Burberry in my department and get back to you if there has been any change.

[84] On the Royal Mint, I know that there have been changes at senior management level there and, in fact, some months ago, I had a letter from the new chief executive. I do not know the veracity of the accounts in the media, but I will contact the account manager for the Royal Mint and get back to Members with a note.

9.50 a.m.

[85] **Leighton Andrews:** I think that it involves more than talking to the account manager in this case. It would be helpful if there were some discussion with the Treasury, just to clarify what is going on.

[86] **Andrew Davies:** Will do.

[87] **Carl Sargeant:** It is not mentioned in the report, but I think that it is worth flagging up the issue of Airbus at the Broughton plant and at a UK level. There are troubles with the A380, as reported in the press. The company is having difficulties at the moment with the 18-month delay in the process. In addition to the importance of the A380, more important is the A350, which is the new technology of the aircraft industry in Wales. The company and the workforce need some reassurances that the Government is doing everything that it can on the basis of the change in ownership of the company, with regards to its main-part French owners, and how the influences of the Government can interact with that division of the company. I hope that you will accept an invitation to meet with the unions and me, Minister, to discuss these issues, and also to talk directly with the company officials about the issues that they are facing at the moment.

[88] **Andrew Davies:** I am more than happy to give that assurance, and to take up your offer to visit and meet the company. As you know, I visited the Broughton plant earlier this year when I announced the £5.2 million-worth of regional selective assistance. So, we have a regular series of informal and formal meetings with the company to talk about its plans. I also met the convenor and the deputy convenor recently with the regional secretary of both the Transport and General Workers' Union and Amicus to talk about these issues. We are working with the Department of Trade and Industry very closely on this issue, and we support what is not just a key company, but also a key industry and sector for Wales and the UK. So, I would be more than happy to visit the plant.

[89] **Christine Gwyther:** Finally, on other announcements in paragraph 59, there is a section on the Minister's dealings with the voluntary sector.

[90] **Alun Cairns:** I have a question in relation to the Minister from the DTI's statement, which is not in the report.

[91] **Christine Gwyther:** That is fine. Are there any questions on paragraph 59? I see not, so we will go on to other matters.

[92] **Alun Cairns:** The Minister from the DTI is making a statement in the House of Commons today on the future of post offices. It touches on your portfolio, Minister, as well as Edwina Hart's. Is the Welsh Assembly Government considering a separate scheme or separate potential support in Wales, because the clear message that was given this morning by the UK Minister is that the current level of subsidies cannot be—

[93] **Leighton Andrews:** What statement?

[94] **Alun Cairns:** There will be a statement in the House of Commons today.

[95] **Leighton Andrews:** There is a statement on Monday.

[96] **Alun Cairns:** No, this one is in the House of Commons today.

[97] **Leighton Andrews:** There is a petition being handed to the Minister today.

[98] **Alun Cairns:** Look—

[99] **Christine Gwyther:** It does not really matter, because I am allowing the question in any case. Let us just have the question.

[100] **Alun Cairns:** Thank you, Cadeirydd. So, does the Welsh Assembly Government have a plan for a separate scheme, because the clear message from the UK Minister this morning was that the network cannot be maintained at the current levels in terms of outlets and subsidy? So, there will obviously be post office closures over the coming period, and the purpose of my question is to find out whether Wales will take a different angle or not.

[101] **Andrew Davies:** Edwina Hart is the Minister who takes the lead on this issue, so she will be responding to any announcements that the DTI makes.

[102] **Christine Gwyther:** We will be discussing post offices later when we come to the rate relief scheme, so perhaps we will come back to it.

[103] Thank you for finishing almost on time, Members. Our next item is to discuss the work of Arriva Trains and Network Rail, so please could someone fetch the witnesses.

[104] Claire has efficiently asked me whether, while we are waiting for the witnesses to arrive, we could go to the item on the minutes. That will save us a few precious moments at the end of the meeting.

9.55 a.m.

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

[105] Christine Gwyther: Are Members happy to agree the minutes? Are there any matters or actions outstanding? I see that there are not, and that everyone is happy.

*Cadarnhawyd cofnodion y cyfarfod blaenorol.
The minutes of the previous meeting were ratified.*

9.57 a.m.

**Network Rail a Threnau Arriva Cymru
Network Rail and Arriva Trains Wales**

[106] **Christine Gwyther:** I ask our visitors to make themselves comfortable. This is a no-smoking, mobile-phone-free compartment, so please respect that for the next hour and a bit. Welcome to the meeting. We are going to spend a bit of time on this. We will have a presentation from Arriva Trains Wales first and then a presentation from Network Rail. They will be about five minutes each, if that is okay, and then we will go straight into Members' questions. We expect this to be fairly informative but interactive. There may even be some questions that you want to pose to each other. So, first is Arriva Trains. Bob, would you like to introduce yourself and whoever is with you? We can then have five minutes from you and then from Network Rail.

[107] **Mr Holland:** Good morning, everyone. Thanks for the invitation. I am Bob Holland, managing director of Arriva Trains Wales. I am a long-serving employee of all of five months. On my right is Mike Hurley, who is head of franchise in the business. I have a few words of introduction to the paper that I submitted, and I hope that everyone has been able to read that in advance of the meeting.

[108] I will summarise the position by saying that we have made extremely good progress in the last three or four months on improving performance in all areas. That is in terms of the public performance measure, which I think that you are aware of, and reducing delay minutes and our cancellations. We are outperforming our franchise commitments significantly on PPM and cancellations.

[109] The report that I prepared had several purposes. The first was to update you on recent performance. I hope that the graphs gave you something that you have not seen before, as they are trying to break down performance by service group. It takes out the averaging of our performance and lets you see where we are particularly good and where we are not so good. The very latest update is that, in the last four weeks, ending last Saturday, we achieved a PPM of 90 per cent, which, for everybody in the company, is a really good achievement. It has never been done before over a sustained period, certainly not since the start of the franchise. I publicly thank my colleagues at Network Rail for their involvement in that, because it was truly a joint effort. The infrastructure has failed less frequently, as have our trains, so it all contributes to having a punctual railway, which I am sure that everybody wants.

10.00 a.m.

[110] Secondly, I wanted to emphasise the position at the start of the franchise. I do not think that it has always been clearly understood just how onerous the terms of the franchise were when we took over. There was a lack of potential to develop the business, a lack of ability to invest in the future, and a lack of funding to cope with any growth, if any occurred. We were saddled with the same units with which we started the franchise for 15 years. Truly, the best news for Welsh railways was the creation of the Welsh Assembly Government, because the investment in rail since 2003 has been significantly greater than would have been the case had the franchise just carried on under the auspices of the Strategic Rail Authority and the Department for Transport.

[111] Finally and most importantly, in my view, I have tried to get away from just looking at the past and at current performance, and I have tried to look strategically to the future and ask, 'What are the real issues for the future?'. In my view, the biggest issue is the growth; we have seen a 25 per cent to 30 per cent passenger growth in three years, and it is very difficult to cope with that growth. Clearly, there are issues for everyone in this room and for many outside it. My focus has to be on operating the railway on a day-to-day basis as reliably as I can, and improving the quality of what I have, where I can. However, in the long term, we have to find a solution to this capacity problem together. It is a national issue, but it is also a particular issue for Wales.

[112] My message, through that report, and today, is that it is all about partnership. Network Rail, passenger groups, we and the Welsh Assembly Government must work together. It is clear to me that every additional passenger that we carry on rail is a great benefit to the economy, to social issues and to the environment. I do not think that there is any dispute about the sense of operating a good railway and an improving railway. Funding, of course, is the biggest issue. Unfortunately, I cannot do too much about that; it is mainly a matter for the politicians.

[113] **Christine Gwyther:** Okay. Who will lead for Network Rail?

[114] **Mr Plummer:** I will say a couple of words from a UK perspective, and Robbie will say something about the Welsh-specific issues.

[115] I would like to highlight the distinction between the current regulatory control period that runs to 2009, and the next control period, which starts then. With regard to this control period, in March, we publish an annual business plan, which sets out what we are seeking to achieve. So, the next one will be published next March. One of the key issues is that we are substantially outperforming most of the measures at a UK level. There are clearly some specific issues that we need to focus on locally, particularly areas of spend and measure and so on. However, the outperformance is the overall picture. The other key challenges, I think, are well recognised. They are to become far more responsive to local requirements in terms of delivery and integrating our work on renewals and enhancements far more effectively. I think that we have made great strides in all of those dimensions. In addition, as Bob mentioned, we are now working far more collaboratively across the industry to deliver all of those things.

[116] In terms of the next control period, again, it is a story of much greater collaboration. In June, we produced our initial strategic business plan, which sets out our initial view of some of the key challenges. As Bob said, the absolute issue across the UK is capacity, and responding to growth in the most efficient and affordable way. We will be able to do that only by working together effectively, and we are doing that much more than in the past. We are doing a series of route utilisation strategies. One that is particularly relevant here is the freight route utilisation strategy, which is out for consultation at present. We will shortly be starting a route utilisation strategy in relation to Wales, specifically.

[117] One thing that we are really trying to do is to specify far more clearly at a local level what we are seeking to deliver from the railway. That is fundamental to the route utilisation strategies and is also fundamental to the review process for the next control period. That is one of our key priorities and today I have meetings with Arriva and the Welsh Assembly Government to ensure that we are, collectively, clear on what those priorities are.

[118] **Mr Burns:** To add to what Paul was saying, I have four points to make. First, to reinforce Bob's point on the performance of Arriva Trains Wales, in period 6, which was the month before last, we achieved 87.9 per cent against a target of 85 per cent, and, in period 7, up to 90 per cent. Ninety per cent is the best public performance measure that Arriva Trains Wales has ever delivered.

[119] In Wales, we are spending some £123 million between 2006 and 2009 on maintenance, which represents an 8 per cent increase on last year's spend; on renewals, we are going to spend £182 million, which is a massive 40 per cent increase on the 2005-06 spend; and, on enhancements, we anticipate spending around £40 million in 2007-08 and £100 million in 2008-09. Again, these are much bigger numbers than we have spent in recent years in Wales, which is good news for Wales.

[120] **Christine Gwyther:** Can you explain how much bigger that spend is in percentage terms?

[121] **Mr Burns:** I cannot, but I know that it is significantly more than we have spent in the last few years.

[122] Finally, on the major scheme that we are working on in Wales, which is the south Wales re-signalling scheme, £450 million is being spent. The first phase of that, the Port Talbot re-signalling, will finish on 1 April 2007 at a cost of £70 million; it will come in on time and to budget and will transform the network in south Wales.

[123] **Christine Gwyther:** Thank you. Minister, do you want to say a few words, before I throw this open to Members for questions?

[124] **Andrew Davies:** To just take the headline figures, I think that it is creditable that Arriva, as Robbie has just pointed out, has reached the 90 per cent public performance measure. As he said, it is the first time in the franchise's history that this has been achieved and that is a tremendous achievement and a tribute to the work that Arriva has done with Network Rail and my officials on improving the reliability of the service. There are still some considerable issues to be addressed, as Bob has outlined, including funding issues, but I am grateful for his thanks to us as a Government for our commitment to increase funding. However, there are some issues to be addressed, one of which is the state and cleanliness of the rolling stock; we are working with Arriva on addressing that.

[125] **Christine Gwyther:** I will now hand over to Members.

[126] **Janet Davies:** We are all aware, from our own experiences, that train services are improving. We appreciate that, but we are still impatient to see further improvement. My first question is to Arriva. In your report, and orally, you mentioned the fact that the conditions that the Strategic Rail Authority set up for the franchise are not quite what any of us would have liked to have seen. We read in the press about the problems that the Great North Eastern Railway is having, but I am sure that you do not want to go into that. The franchise system was set up in 1993 by the Conservative Government and I must say at this point that I think that it is quite odd that it is the Conservatives who are criticising the franchise system at the moment—those comments were in parentheses, Chair. In order to make the franchise work well, you are reliant upon quite a considerable financial contribution from the Welsh Assembly Government. Could you quantify that and tell us to what extent you are reliant on the Assembly Government to improve train services in Wales?

[127] Secondly, I note that your performance is much better, but it seems that you have built a lot of extra time into the timetables. This hit me a couple of months ago when I was coming down from Crewe to Cardiff. The train left Crewe an hour and five minutes late, due to a road accident further down the line—I do not have any complaints about that—and it arrived in Cardiff only 10 minutes late. In other words, the driver made up 55 minutes between Crewe and Cardiff, which suggests to me that the timetabling needs to be looked at, and that the time scheduled should be shorter. I wonder, therefore, whether you built in extra time in order to achieve these targets.

10.10 a.m.

[128] The third issue that I wanted to raise was your alcohol policy, which I have printed off from the web, after having had a nasty experience. To what extent do you ensure that this policy is implemented? If you are aware of events such as football matches, when there may be late-night drinking and drinking on the trains, do you take steps to ensure backup from the transport police for the guards, because a single guard on his or her own cannot possibly cope with large numbers of drunk people on the train? How do you implement that?

[129] To Network Rail, on a question that I asked earlier, can I confirm that the Llanharan station is at the design stage? Secondly, you talk about Gowerton Junction and, as we know, a feasibility study is being carried out this year on what can be done in that area. To what extent will you rely on Assembly Government financial contributions to get anything done about whatever comes out of the feasibility study? Lastly, could you give me any information on capacity at Shrewsbury? It affects north-south services, because we have been told that there is not the spare capacity to run fast trains between the north and the south without disrupting Arriva's timetabling.

[130] **Christine Gwyther:** We will start with Bob. Have you cut yourself some slack to look good?

[131] **Mr Holland:** May I answer the questions in order?

[132] **Christine Gwyther:** Yes, if you want.

[133] **Mr Holland:** First, I can assure you that we do not have a GNER problem. We are not scheduled to pay anyone £1.2 billion. To emphasise or highlight the financial situation of the business, we are making an adequate profit. It is a very small return, but we do not have any financial issues. To give you one simple sum, we pay Network Rail £85 million a year for track access and station rent, and passengers pay us £70 million, so, before we put a train on the track, or man any of the stations or trains, we are losing £15 million. Therefore, the massive subsidy that you pay, of £140 million, is the reason that there are trains running in Wales. Nothing is commercial, and, in terms of future investment, you will see from that illustration that it is impossible for any incremental investment that we make to achieve any sort of commercial return. I think that that answers the point. We are fully dependent on the Welsh Assembly Government, or any other public funder.

[134] In terms of recovery, I think that the train that you were on must have grown wings—there must be something wrong with the timetable, because I cannot imagine how a train could have picked up that amount time. However, the general question was about recovery time and how we extend the journeys. One of the principles of a standard pattern timetable is to produce a timetable that is predictable and convenient for customers and one that you can deliver. There is no point having onerous end-to-end times, so that if the slightest thing goes wrong you are late every day, so you try to build in some recovery time. However, my experience of travelling around Wales—and it is increasing now—is that the timings are fairly tight, and that we just about make those times. There are some areas of recovery, and I will hand over to Mike, if I may, just to finish that point, and then talk about the alcohol issue.

[135] **Mr Hurley:** In terms of alcohol consumption and the effect that it has on our operations, we share the concern about the context in which you asked the question. The British Transport Police is very supportive in what we try to achieve in terms of a common policy, particularly during event working. We have two contexts in event working. We look at whether it is a football or a rugby event and, at the moment, football events are generally considered to be a high priority, whereas rugby events are not, in terms of alcohol consumption. Having said that, there is a shared realism within the industry, and particularly the train operating companies that we work with, that alcohol is not just a football problem, if that answers your question.

[136] On the effect that it can have on our staff and customers, we have certain contingencies in place to deal with it and we would like to be more stringent on how we control alcohol consumption, but given the fact that, of the 237 stations that we have, only 55 are staffed, it is particularly difficult to police. However, we will police it as best we can, in conjunction with the British Transport Police, but usually at the bigger hubs.

[137] **Christine Gwyther:** Do you want to come back on that before I bring Network Rail in, Janet?

[138] **Janet Davies:** No, thanks.

[139] **Christine Gwyther:** Robbie, will you lead?

[140] **Mr Burns:** Yes, but I will ask Mike to deal with the third question. Llanharan station is on track for completion by May 2007 and it is in detailed design. On Gowerton, and the financial contribution, we are in the early stages of developing this. We are working closely with the Assembly Government. I would not want to put a number on how much it might cost, but it will certainly be a significant project. In the PowerPoint pack that we provided to support the executive brief, you will see that we have put some numbers in against 2008-09, including an anticipated round figure cost for Gowerton. You asked how that money will be provided. We need to first understand the total quantum of the likely cost. There may be an opportunity for us to assist, to some degree, through the Network Rail discretionary fund. Bids against that fund are taken on merit and Paul and the board deal with those. Indeed, this year, £8.5 million from that fund is supporting projects in Wales. So, that is for negotiation down stream. We would wish to support it in any way that we could, but I suspect that the majority of funding would have to come from the Assembly Government. The third issue was capacity at Shrewsbury.

[141] **Mr Gallop:** Just to build on Robbie's comments on the Network Rail development fund, Shrewsbury, and the capacity constraints around it, has been a recognised problem. I can confirm that we are currently in a pre-design phase to restore the signalling from the Hereford line into platform 3 at Shrewsbury, which will allow north-south trains access to platform 3 rather than having to cross over south of the station, which obviously has significant impact on performance, particularly when we are in a time of perturbation. So, I can confirm that we are addressing the issue at Shrewsbury. We are funding it as a Network-Rail-funded enhancement.

[142] **Christine Gwyther:** Do you want to come back on that, Janet?

[143] **Janet Davies:** No. I assume that reconsideration will be given to providing a fast train, if capacity at Shrewsbury is sorted out.

[144] **Mr Holland:** This issue is about capacity and the ability to provide a fast train and if anything changes, we will be straight back to the officers to discuss it.

[145] **Christine Gwyther:** Thank you, Janet. The running order, just so you know, is Ffred, Alun, Kirsty, Carl and Leighton.

[146] **Alun Ffred Jones:** I will concentrate on the north-south service provided—the two-hourly service has certainly been welcomed. Can you confirm what the plans are for new rolling stock on this service? I have a series of questions; I do not know whether you want to answer them one by one.

[147] **Mr Holland:** I will answer that question first.

[148] **Christine Gwyther:** Sorry, can you ask all your questions in one go? Otherwise we will be here until midnight.

[149] **Alun Ffred Jones:** Okay. Coming back to the issue that Janet raised, it takes four hours and 20 minutes to travel from Bangor to Cardiff, which is quite a leisurely pace, so are there plans to introduce a faster service either in the morning or in the evening from north to south or vice versa? That would certainly benefit those of us who work in the Assembly as well as others.

10.20 a.m.

[150] If I may digress briefly, I was recently at a junior school and I asked the pupils how many of them had been to Cardiff. Practically all of them said that they had been. I thought that they had been on a school visit, but that was not the case; they had family in Cardiff and there were all sorts of connections. People travel to Cardiff far more now for various reasons, partly the Millennium Stadium, the Wales Millennium Centre and so on. Therefore, there is great potential here. However, rolling stock is one issue and speed is another. I would be interested to hear whether you have any plans to improve that service and make it quicker. Connected to that is the issue of football and rugby games, especially on Saturdays; can you provide longer trains so that people do not have to stand for four hours and get ratty by the end of the evening? The road is so bad that the train is a viable alternative, but not if you just run the normal service with only two coaches. Those are my questions to Arriva.

[151] With Network Rail, I was interested to note that there is a feasibility study for the possible enhancement of the Ffestiniog Railway with regard to the slate waste scheme. I know that there has been a great deal of discussion about this, but there is a new report by Atkins and I wondered whether that makes the scheme more feasible. If the figures add up, would it be the type of scheme that could be suitable for convergence fund support? I am not asking whether it will be, but would it be suitable for that sort of support if it gets to that point?

[152] **Christine Gwyther:** On a more general point, to follow that up, it would be interesting to know what discussions are ongoing about structural funds generally with regard to our infrastructure operators. Bob, you go first.

[153] **Mr Holland:** On the Cardiff to Holyhead service, I agree that the two-hourly service has been a great success and has probably exceeded everyone's expectations. On the issue of new rolling stock, from 10 December, we will receive the remaining class 175 trains that are in the UK, which will be an extra 12 units to replace older 158 units. They are only seven years old, which, to us, are very new trains. They are good trains, which provide a good travelling environment. Within that, there will be more three-car units, improving capacity, even if only to a limited degree. As I said in response to an earlier question, new rolling stock is all about funding and we are unable to fund brand-new rolling stock. We constantly talk to Tim and to Robin Shaw about what can be done between us to get the best future increase in capacity. However, we are mainly looking at second-hand stock at the moment. On that route, from December, five out of the eight journeys will definitely be 175s and three will still be 158s. On the Cardiff to Manchester service, almost every journey during the day will be on 175s; two will not. There will be a significant improvement in quality on journeys going north. They are inter-city journeys; they are not regional journeys in our view.

[154] In terms of speed, our experts, and those of Network Rail, have looked for months for a way of trying to speed up, for example, an early-morning journey and an afternoon journey. We have also spoken to many Assembly Members individually about that. However, it has been impossible to find any massive improvement simply because, if you reduce the number of stops, you are catching up other trains, including freight. The paths are not there to make a significant improvement on overall journey times. We will not give up on that one; we will continue to try to find a way to do it and will discuss it with the Assembly.

[155] We run a lot of extra trains for special events at the Millennium Stadium; Mike is the expert on this, so I will pass that question to him.

[156] **Mr Hurley:** I have come up with a few timetables in the past. With regard to trains for special events, we will use as much as we possibly can of the rolling stock available to us. We lengthen trains that we believe will be heavily populated. Football may have more of an effect than rugby; it could be that, because of the trains that we now run between Holyhead and Cardiff, it makes it more attractive from a journey opportunity point of view, and we need to look closely at how we monitor the traffic from that respect. We have ticket gates at Cardiff Central station and at various other locations. They tell us where people are travelling from and to, so we can be fairly accurate in predicting the numbers of people that we could expect for certain categories of events. If we have that data, we will tailor the service accordingly.

[157] **Christine Gwyther:** Okay. Who will lead for Network Rail—is it you, Robbie?

[158] **Mr Burns:** Yes, I will say a few words, then Mike will follow me.

[159] The Atkins report is helpful. We are developing the scheme to what is called grip stage 3, which is single option development. There is one further stage of development, which is the detailed design for the scheme, which can take between nine months and a year to work through. We are currently at grip stage 3. The scheme costs have been a source of huge debate, as we all know, as has the scope and exactly what we want from the scheme. However, I believe that we now understand the scope more accurately—the costs seem to be in the order of £20 million to £22 million, but there is still some work to be done on that figure. How the contributions are closed out, in terms of contributing to the £22 million, is still to be finalised, as I understand it. A further £8 million is probably needed for the freight rolling stock for the scheme, and we anticipate that a freight facilities grant will be needed for that additional £8 million. Mike can put some flesh on those bones.

[160] **Mr Gallop:** Just to confirm, the Atkins report, which was commissioned by the Welsh Assembly Government, is a useful piece of work. We have reviewed the Atkins document, and we are now funding a substantial pre-design study to capture the information in the Atkins report, to validate it against our own asset information, and, basically, to own the costs required for the enhancement of the branch to take 1 million tonnes a year of slate waste. That is to say that we can recognise the costs that Atkins has quoted; where we do not agree with it, we can go back to Atkins, and to you, and say, ‘We do not agree with you, because of X, Y and Z, so let us reach a common position, so that we can understand each other’. What is vital for this scheme to go forward is that we all have a common understanding and a common benchmark of the costs. That is what we are doing at present, and, by Christmas, we will be able to report back to you on our work to validate the costs, and achieve a cost benchmark for this scheme to go forward.

[161] **Alun Ffred Jones:** I do not know whether the Minister wanted to comment about the suitability of such a scheme.

[162] **Andrew Davies:** There will be constraints about what you can use European funding for. Obviously, there will be limits in this programme area, beneficiaries would have to be within the convergence programme area, and we would need to look at how the priorities are framed with the European Commission. With all those caveats, it might possibly be something that could be considered, but we would need to look at the costs, which are still significant.

[163] **Christine Gwyther:** Are discussions ongoing with transport operators regarding convergence funding in the round?

[164] **Andrew Davies:** Yes. On the development of the Wales transport strategy, and the regional transport plans with the four transport consortia, they are all included—it is not just local authorities, but transport operators as well. Therefore, I believe that all that work is being done, as well as specific projects, perhaps, such as the Conwy valley line.

[165] **Alun Cairns:** Mr Holland, I believe that, within a week of your taking on your new post, Arriva provided a presentation to several Assembly Members, which was alarming at the time, because it offered many positive issues that Arriva was seeking to highlight. However, as an organisation, you had a battering of questions that revolved around punctuality, which has partially been touched upon, rolling stock, which has also partially been touched upon, and train stations and so on. It is useful that Network Rail is represented here today, because I want to pursue that a little further.

10.30 a.m.

[166] Before I do that, I want to return to rolling stock. You mentioned that the new-to-us models, which are seven years old, will be coming in before the end of the year, which is no doubt positive, compared with where we were. The simple question is: why are we not having new ones? It might be a simple question, but it would be useful to have an answer. Seven-year-old rolling stock that receives an absolute battering, day in, day out, will be tawdry and tired. On that basis, will it have been refurbished? What optimism can you offer in terms of the new rolling stock? What are the difficulties that you are having as an organisation in terms of meeting our demands and those of consumers? That is my first point.

[167] Secondly, and I hope to bring in Network Rail on this, I have sincere concerns about train stations—not only in terms of cleanliness, convenience, comfort and surrounding things, but in terms of safety. That particularly bothers me, with regard to lighting, accessibility and car parking nearby, and also with regard to safety very early in the morning. If someone is catching an early-morning train in the winter months, to travel to London, for example, it is pretty dark. It will be lonely on the early trains and I know of some people who do not use the train because of that—they are intimidated by walking between the car park and the train station in those dark, early hours, when there is no lighting or the comforting elements that they need. To take that to the next level, comparing railway stations with airports—obviously they are different animals—people expect that modern comfort and retail experience when they are hanging around for some time. That might be something that we could look at for the longer term, but I would like your immediate reaction.

[168] **Christine Gwyther:** A working toilet that is actually open is what some people aspire to, at the moment.

[169] **Mr Holland:** This is mainly for me; I think that Network Rail will bat it back at us, to be fair. The first point that you made was about new trains, and, clearly, that is the focus for everyone in the room. It is certainly a focus for me and for Andrew Davies. It is a massive issue. We suffer greatly from the perception of our trains, because they are not new, and people see other train operating companies with new trains. The big issue is that the funding agreement on their franchises allowed for the purchase of new trains, either funded by the operating company, because it could get a return by generating additional people, or by some authority paying for them. Our franchise, as I have said, does not allow for any investment—it assumes that we will operate with 30 to 35-year-old trains to the end of the franchise. So, the simple answer is that we cannot get a return on new trains. A two-car unit would probably cost £3 million, and we would need 40 or 50 over the life of the franchise, in an ideal world. So, it would mean a huge investment at some stage.

[170] You then mentioned refurbishment of the 175s, which are seven years old. Again, under the franchise, we must maintain the interior and exterior of the trains to a reasonable condition. We must spend money on repairing damage and replacing parts that fail in the train. We do that, and we have already spent a lot of money on the 175s in their first seven years. However, there is no provision in the franchise agreement for a full refurbishment during the life of the franchise. Their condition at the moment is good, and over the next two or three years, we intend to ensure that they stay good and we will try to improve them if we can. However, that will be a long-term issue, and it will certainly be an issue with the 158 units, which are probably our least passenger-friendly units, at the moment, and which need refurbishment at some point. Much of the justified criticism of ATW in the recent past has been about the cleanliness on the 158 trains and the lack of working toilets. It is something that I focused on from day one. Indeed, the presentation that you referred to was made on day one, when I joined the business five months ago. The truth is that I have focused on the problem from the beginning, and I know that our trains are now cleaner. For three days last week, I was travelling on a large number of trains in north Wales. Although some people knew that I was there, most did not, and the trains were clean and well presented. So, I know that we are making progress, but there is an issue with perception, and in some cases we get it wrong. You have my assurance that we are making progress and improving.

[171] To move on to stations and safety issues, if anyone has any particular issues with stations, we would like to hear about them. We have made a significant investment in CCTV cameras for car parks. One of our few franchise commitments, in terms of capital expenditure, was to improve car parks.

[172] **Mr Hurley:** We have expanded the franchise commitment to include many more stations than it was our remit to deal with. That will give us a Park Mark award, which is a security enhancement. With regard to the security of stations, let us not forget that a number of our stations now have secure station status, which is no mean feat. Going back a couple of years, Cardiff Central station was probably the first to achieve that status. With regard to CCTV coverage, we have about 800 CCTV cameras across the network. With the Assembly's help, we have provided additional CCTV cameras for north Wales stations, where there were none before, in Holyhead, Colwyn Bay and Llandudno Junction stations. We have provided extra help points for emergencies, and a raft of other schemes are being considered, using a combination of CCTV and help or information points.

[173] You mentioned retail opportunities. We will exploit those where we can, but they depend on the suppliers and whether they consider it viable to operate in certain locations. I recognise the airport analogy. I would not say that terminal 3 at Heathrow was that inviting, but that is a personal view.

[174] **Alun Cairns:** At least it would be clean and bright, which is the point.

[175] **Mr Hurley:** To be fair, we have some examples of stations that are clean and bright. I should say that Cardiff Central is probably the best example. There is a Marks and Spencer outlet there, which is a very viable operation that is growing every day. We are looking at opportunities, not just for Cardiff station, but for Newport station, when we redevelop it, for Chester station, in the north, when it is redeveloped, and for various other places on the north Wales coast.

[176] **Mr Holland:** I wish to emphasise that we are responsible for 250 stations, the majority of which are unmanned. I think that Mike is saying that, with the manned stations, and in some cases with unmanned stations, we have installed CCTV. It is very difficult to provide the facilities that are needed for all of them. We spend a fortune on providing proper shelters. They get vandalised; we replace them and rebuild them. There are many social issues involved, which I touched on in my paper. We can always do more, and we welcome suggestions from Assembly Members. We get a lot, and we try to deal with them. Please let us have any suggestions that you might have.

[177] **Christine Gwyther:** The frustration for some communities is that there are people who would be prepared to open retail outlets at stations, but it is considered to be too difficult. At Tenby station, retail outlets have offered to open the toilets and serve refreshments, but that, again, has been considered to be too difficult to do. As Members, that situation is difficult for us to reconcile with something that is seen as a public service.

10.40 a.m.

[178] **Mr Holland:** If I am made aware of any specific examples such as that one, I can look into them and see whether we can do something. I am not aware of anything in particular in Tenby.

[179] **Christine Gwyther:** You are, actually; perhaps not personally, but Arriva and Network Rail are very aware of the issue there.

[180] **Mr Hurley:** I can confirm that discussions of options with regard to the situation at Tenby are still ongoing in terms of trying to staff it.

[181] **Alun Cairns:** When I talked about the issue of car parking and safety, the core issue was safety. The retail experience creates comfort in that it is a familiar environment and people are there. That will resolve some of the other safety issues, which might well stem from the car park, but if you have only a short distance to go to reach a shop that is open and is selling coffee, and where a lot of people are waiting, that makes people feel more comfortable.

[182] However, thanks for your answers. On the rolling stock, that is easy, because, in fairness, Arriva has had a kicking over the quality of the rolling stock, and if it is not in the franchise agreement, then, as a private company, frankly, you do not have to do it, and that may be something that needs to be considered for the next franchise negotiation in terms of what obligations will be placed on the next successful bidder. It is useful to have that frank answer.

[183] It is good to know about the CCTV improvements, but in my experience of using train stations, I am not necessarily aware that they are there. Some sort of advertising to show that that CCTV is around would tie in with the retail issue of how customers feel and the focus on them, which we highlighted. You do not need to answer that now, necessarily, but that sort of communication is useful.

[184] **Mr Hurley:** The signage may need to be more obvious in certain areas. The signage should be there, because that is a legal obligation in any case.

[185] **Alun Cairns:** Finally, I am also worried by the fact that some of the stations that you highlighted as examples of best practice are some of the stations that I have had complaints about. Maybe we can talk about this again.

[186] **Christine Gwyther:** Is there anything else?

[187] **Mr Plummer:** I would like to make a couple of general points, and then Robbie will come in on the specifics.

[188] First, the reality is that there is very little funding that we and Arriva have for stations, but that makes it even more important that we work closely together to use the funds that we have and to do that more efficiently. That includes the money that we have for renewal and other sources of funding from other people who are willing to invest, and that is particularly important. There are issues around integrating those areas of spend where we need to do better, and there is a need to be opportunistic where there is an opportunity for a development and to get improvements on the back of that. I will ask Robbie to say something about Newport in that context. There are opportunities if there are improvements that do actually provide payback, but over a longer period, we can work with the operator to try to facilitate that. There are things that we as an industry need to try to do around developing more of a modular approach to stations, which means that the ongoing operability and maintainability is much more sustainable, and we can make better use of the money that is in the industry as a whole to get more from it—I will ask Robbie to say something about that as well.

[189] **Mr Burns:** First, on Newport station, we are really excited about it; we are on site and we are going to build platform 4 first. To do that, we had to move English, Welsh and Scottish Railway Ltd away from Godfrey road to Alexandra dock junction, and that has cost my budget about £300,000. To build platform 4 requires a further £4 million, and that is phase 1. Phase 2 is the new station itself, which will be fantastic, and it will be built in time for the Ryder Cup, with the work starting in 2008 and finishing in 2009. With a new north terminal, a new car park, and an inter-modal exchange for buses and rail, it will be a fantastic station. So, there are some good news stories here, and that is certainly one of them.

[190] Secondly, in our drive to be a world-class company, which we are driving hard to be, one of the things that we are trying to do is to introduce modular stations, the first of which we are trialling in Kent. We have been to the continent to look at stations in Holland, Germany and Scandinavia, and we are trying to find the best of those kinds of inter-modal, bright and safe stations. I have asked the Welsh Assembly Government for a list of its top priorities in terms of who will be the early receivers of those stations. I have a list of several stations, which I have taken back to Network Rail. I would like to see those as high as possible on the list of stations that we are introducing across the country. You will be impressed with what we are considering.

[191] **Christine Gwyther:** That is a challenge. Alun, are you happy with that?

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

[193] **Kirsty Williams:** While I am sure that we would all enjoy a retail experience on Knucklas station, we would enjoy even more a train being there on time and getting to its destination. I acknowledge the progress that Arriva has made with regards to punctuality, but we still have issues around the number of trains that are failing to reach their destinations, or the number of trains that are cancelled before they even start. On Sunday, it was particularly ironic that the southbound train on the Heart of Wales line was unable to bring travellers to the anniversary celebrations of the Heart of Wales Line Travellers' Association; they had to come by car because the train failed. It happens more regularly than we would like, not just on the Heart of Wales line, but also on lines across the country. I would be interested to know how you are going to try to improve even more on what you have been able to achieve so far. Given the large amounts of money that you give to your colleagues next to you in terms of access to the trains, as you stated earlier, I assume that it gets frustrating that a large percentage of the punctuality problems that you have lie with infrastructure problems, which are the responsibility of Network Rail. Given that you pay a lot of money to use its tracks, which often cause you problems, can you explain how you work with Network Rail to overcome some of those issues, because you get the blame, but it is often not your fault?

[194] To return to the issue of rolling stock, while I am sure that people in north Wales will be very glad to see the arrival of the 175 trains, we would sell our grannies in mid Wales to have a 158 train on our line. Can you give an indication of how you are addressing some of the rolling stock issues in other parts of Wales, rather than the parts that you have already mentioned?

[195] You say in your paper that you have experienced problems with driver recruitment, and the availability of drivers. That is key—if you have no-one to drive your trains you cannot run a service. How have you addressed that problem? Do you anticipate that driver recruitment will continue to be a problem for you?

[196] If you have problems with regards to rolling stock and drivers, does your company operate a system whereby you will move rolling stock or drivers and staff on to what you would regard as key services, to the possible detriment of other services? I am just asking whether you say, ‘Well, we will not worry about the Heart of Wales line today, because it is more important to get that train to Cardiff’. I am just wondering whether your company operates such a system.

[197] You talk about information on stations, but I am not sure whose responsibility it is. In some unmanned stations, it is very difficult to get information to passengers who are on the platforms if there is a problem. In some of the stations on the Heart of Wales line, there are information points at which you can pick up a handset and you should be able to receive information. My understanding is that that system does not always work, and I do not know whether that is Arriva’s or Network Rail’s fault, but I would be interested to know how you can improve information to passengers.

[198] Perhaps we could hear more from Network Rail about how it is addressing some of the problems that Arriva is having because of your network issues. How do you work with communities around some of the track issues? Obviously, your track runs through vast swathes of the country and many landowners and communities are potentially affected by issues around the tracks going through those communities. In my dealings, I have always felt that I am hitting my head against a brick wall in trying to get clarification on whose responsibilities some issues are, or trying to get Network Rail to take constituents’ problems seriously when they are affected by a track going through their community or land. How do you liaise with communities or landowners who express problems to you, because it does not seem very satisfactory, at least in my experience?

10.50 a.m.

[199] **Mr Holland:** There are many questions there.

[200] **Kirsty Williams:** Sorry, but at least I did not mention the toilets, which my colleague would have done if she were here.

[201] **Christine Gwyther:** Can we just get on with the answers?

[202] **Mr Holland:** Yes, sorry.

[203] **Christine Gwyther:** No, it is not your fault; it is Kirsty’s fault.

[204] **Mr Holland:** It is true that we always get the blame. If I can, I would like to separate the general issues about reliability from those specifically relating to the Heart of Wales line. On cancellations generally, I must clear up a misunderstanding regarding our reliability. In recent months, our full cancellation rate has been at 0.6 per cent. That is an industry-leading percentage. We are almost the best in the country at not cancelling trains. So, we are proud of that record. Of the 400 full cancellations that took place in that period, over the last three months, 25 per cent of them were down to one incident, when we had the severe lightning strikes in Cardiff in August, and 25 per cent are down to police issues such as trespassing, suicide and severe vandalism of signalling equipment. So, we think that we are very good at that, and I will not be defensive on that issue.

[205] On part cancellations, when we do not quite complete the journey, we start at the next station or when we run fast, missing some stations, those all count as part cancellations, but 99 per cent of passengers on those journeys complete their full journey. We try to recover the service as best we can. A reason why we do so is to achieve our high punctuality rates. So, we think that we are good at that, and we have a large control team in Cardiff, controlling all of Wales. We think that we do a good job of doing the best that we can for passengers. That is whether or not it is a Network Rail issue or a Arriva Trains Wales issue—obviously, our trains break down.

[206] The other general issue is that, unlike a bus, which I am quite used to, a train is on a fixed track and so if we get even the slightest fault, safety becomes an issue. So, we tend to stop and, if we stop, everything else stops around us. So, there are cancellations for the most ridiculously small reasons. However, it is absolutely right that we do that because safety is the most important matter for us. That is a general point in response to your question.

[207] On the Heart of Wales line, you mentioned last Sunday. It is typical that I come to a committee like this when we had a problem like that on Sunday. All that I will say is that we made a special effort because we knew that there was a special event on. We put a two-car train on especially, we went to all that trouble, and it broke down. Not only did it break down, but, because it is so difficult to get a bus replacement for the Heart of Wales line, it caused further problems. So, everything to do with the Heart of Wales makes it a major issue: it is a remote line, with a single track, and it uses class 153 units, which the franchise gave us to operate with—we were not given anything else. The reliability of that line is not as good as we, or you, would like it to be, as I mention in the report. It is an important tourist route, so we accept all genuine criticism on it and we are working hard to improve it.

[208] We would like to see class 158 trains on that line because we think that they are the right sort of train to use, but they are incredibly more expensive than the class 153 trains. We have been discussing with Tim James whether we can use those trains. The route has not been passed for use by class 158 trains. We have talked to Network Rail about what someone needs to do to make it suitable. Those discussions continue. So, we are trying to do something that will improve reliability significantly as well as improve the type of environment that you get.

[209] Toilets are also a problem on the Heart of Wales line, but we recently dedicated three class 153 trains to it for most of the time, so we are trying to put on the units that are in the best condition, and we are try to clean them and ensure that all toilets are always working. So, we are focusing on that, but it is just that class 153 trains are inherently less reliable. So, that is the Heart of the Wales line and the general issue on cancellations.

[210] Driver shortage is not an issue; we are fully staffed throughout Wales. It has never been a problem, and certainly not as long as I have been here. I mentioned in one section that we had some driver issues and that is mainly to do with voluntary work on Sundays. We have had some issues with the Cosford Air Show, which attracted a lot of publicity that we hope will not be repeated. However, we do not generally have issues with drivers. If we pull them away from this ‘unimportant’ Heart of Wales route, which I am sure you will have heard rumours about, it is certainly not done consciously. To us, it is an important route and, if it has been done—and I do not know whether it has—it is because drivers have not reported for work. It is not a shortage issue. So, there is no issue with recruitment.

[211] On information, I have to sympathise. We have 40 stations on the Heart of Wales line, most of which are unmanned, so it is very difficult. I will hand over to Mike, who can talk about the automatic system.

[212] **Mr Hurley:** We are bound to provide information at all of our stations. With the variety of equipment that we have across the network, it is difficult to co-ordinate all of these systems. We are currently looking at a different long-term solution with regard to unmanned stations. I will not go into the detail now, but there are certain devices on the market that we can use to replace some of the systems that we currently have, because they are becoming old and will, possibly, be life-expired in a few years’ time. So, we need to consider a long-term action.

[213] **Mr Holland:** Finally, on Network Rail relationships, infrastructure problems do cause us difficulties. I meet Robbie formally every month and we speak on the phone most days. Our dialogue is improving and we are finding solutions all the time. However, there will always be a signal failure or a track problem somewhere; that is the nature of the railway, I am afraid. We must to strive to minimise that. I think that the relationship is good and is getting better.

[214] **Christine Gwyther:** What about Network Rail?

[215] **Mr Burns:** On the infrastructure side, it is self-evident that we are spending an increased amount of money on maintenance and renewals because we need to catch up. Our predecessors—and theirs—did not invest in this railway line as they should have done. The average age of rail on the western route is 28 years, the average age on London north-western—not this route, but the route up to Manchester—is 19 years, and the average age of the rail on London north-eastern is 22 years. So, we have a job to do and that is why the numbers in the executive brief indicate that we are ramping up our work. That has a number of implications: we need more access to do this work, and we need to work closely with Arriva to ensure that that does not disrupt passengers.

[216] However, we do have some good news. One of the key indicators of how the infrastructure is performing is the number of temporary speed restrictions that we have. On my part of the network, last year, we had 73. I had an initial target this year of bringing that down to 63. We have said that that is not nearly aggressive enough, and we are going to try to go below 36, which is previously unheard of on this route. To achieve that by 1 April next year, we have an aggressive plan of removing temporary speed restrictions. For example, from Swansea to Pilning, by February next year, we will have no temporary speed restrictions on the main lines except for at Newport station, which does not affect trains because they stop there anyway. So, for the first time in a long time, we will be in a position where there are no temporary speed restrictions on the main lines from Swansea to Pilning. In addition to that, coming into England, if you are going up to Paddington, we will be in a position where the only speed restriction for the rest of the journey will be at Swindon station. I can also say that the Cambrian line has been a nightmare and has a great deal of poor performance, but a lot of work is going on and we anticipate that we will have no temporary speed restrictions on that line by the end of November. You will know that, this weekend, we have a five-day blockade there.

11.00 a.m.

[217] I will give you another good example. Five years ago, we had 80 broken rails in Wales—and a broken rail tends to occur in cold weather, as it gets brittle—but so far this year, up to period 6, we have had none. So, we are making a step change, and Arriva is working closely with us. There are issues, and parts of the railway line are not performing as we would like. However, everyone in my organisation is focused on it.

[218] **Christine Gwyther:** I am not sure whether we had an answer on the communities issue.

[219] **Mr Burns:** Your second question was on communities. Jane Terry, who looks after our public affairs, is here in the audience, and she would be the principal point of contact for any concerns that you have. With Jane, I have a chap called Christian Alexander, who works closely in answering communities' concerns. In addition to route support, big projects also have their own support structures, so that, if they are disturbing communities or are likely to do so, they should be doing leaflet drops and communicating closely with communities. If that is not happening in any specific area, I would like to know about it, and Jane and I will sort it out.

[220] **Carl Sargeant:** We are all being really nice today. I congratulate you on the public performance measure. That is remarkable.

[221] **Christine Gwyther:** Now get on with what you want to say. [*Laughter.*]

[222] **Carl Sargeant:** Okay. We have done the statistics, and the figures are great. However, the reality of the problem is people's perception. As Assembly Members, we hear about this from train users day in, day out. You are in the devil's chair a bit this morning, because I am sure that not many people come to you to pat you on the back and say that you are doing a good job—although, having said that, I received a letter this week from a constituent, saying what a good job Network Rail did in helping them with line problems at the back of their garden. So, well done. That is your first pat on the back—and the only one that you are getting. [*Laughter.*]

[223] Right, where do we start? You receive £140 million subsidy from the Government. What are the operating profits for Arriva, overall? Do you have a figure on that?

[224] **Christine Gwyther:** Ask all your questions now, please, Carl.

[225] **Carl Sargeant:** That is a significant question.

[226] **Christine Gwyther:** Do not worry. I will ensure that it is answered.

[227] **Carl Sargeant:** I will mention some of the comments that we have had. My question is to Network Rail, and is on Shotton station improvements—I am being parochial here. I was promised by Robin's department 18 months ago that improvements were planned there, but nothing has happened. Alun Ffred and Janet mentioned timetabling on the north-south, or south-north, route. I think that, if there was a will to make a change on timetabling, it could be done. However, you are the professionals. Apparently, there is a freight train in the way, or something that we cannot get around, but I do not believe that the will is really there. The rail infrastructure is as important to people in north Wales—or 50 miles outside Cardiff—as it is to the people of Cardiff, and we need to respect that, which I am sure the Minister does. However, we need to see some delivery on that. We talked about the work on the football and rugby trains, but, only last week, people in north Wales could not get back home following the Wales versus Cyprus football match because there were no trains. So, we talk about it, but let us see some action.

[228] Finally—and it is sad that Eleanor is not here, because, again, this point is about people's perceptions—

[229] **Leighton Andrews:** It is not sad.

[230] **Kirsty Williams:** I can go and get her, if you want.

[231] **Carl Sargeant:** No, it is all right; it is not that sad.

[232] It is about cleanliness, quality and simple things such as tea trolleys. I have travelled by train five times over the last month or so—and I would far prefer to travel by train than by car to and from Cardiff—but the simple things that people want from the service on these trains are just not being delivered. Of those five journeys, I had one successful, good-quality journey with which I was happy. One of the other four journeys was affected by vandalism on the track, which could not be helped. However, there are simple things that could be done that would make people much happier, and would mean that you would not get battered all the time for providing a bad train service, and I know that your staff work extremely hard. Sometimes, there is a problem with perception and reality, but there is a reason why people are moaning, and things need addressing. I would be interested in your responses on that. Sorry for being so aggressive.

[233] **Christine Gwyther:** I thought that that was rather nice, actually.

[234] **Mr Holland:** On operating profit, our operating margin is about 3.5 per cent. The cost of capital is about 7 per cent, so you would make more money if you put it in the bank. So, we do not make huge profits. The reality-versus-perception argument is exactly what I believe is happening at the moment. We have not had a good history in terms of the things that we have talked a lot about today—cleanliness, toilets and things such as that, but it is getting a lot better. There is some way to go, but things are a lot better. It will, however, take us a long time before we convince regular travellers, like you and Eleanor, that things are generally better. However, we are trying and trying.

[235] You say that the number of train journeys that you have made and are happy with is low. As a passenger, I have travelled on some journeys in Wales that I am not happy with, but I have been impressed with the majority of them in recent times, particularly in north Wales, because you have the best units up there. You may not think so, but you do. Again, that is about opinion, but you are opinion-formers and you are important people to us. It is fair to say that our complaints bag increased earlier this year, compared with last year. That is not an accident; that is to do with reality and perception. It is also fair to say that it has reduced in recent times. That is also an important measure of whether we are doing a good or a bad job, or an improving or worsening one, so we look at that carefully. Dealing with customer complaints is another area that we were not good at. I think that you have had experience of that, but I know that we are getting better at it.

[236] The south-north train is obviously an important issue for Members, but please do not underestimate the work that we have done to try to find a way. We have absolutely nothing against having a fast north-south train. If we could find a way of doing it, we would, in conjunction with you. We have not found a way yet, but we will keep trying.

[237] On trolleys, for information—it is not an answer to your question, but just so that you know—we think that our trolley service and our at-seat catering is pretty efficient, but it loses us £0.5 million a year, so that is another £0.5 million that we must cope with. We have no plans to reduce the service; we will try to maintain it. Again, my experience of using that service is variable—from very good, to wondering where the trolley is. Basically, we operate trolleys in the main part of the day—we do not operate them in the evenings or very early in the morning. On about nine journeys in north Wales last week, I only saw a trolley once, so we are taking action on these things. I think that you will see an improvement on that.

[238] One of the disadvantages of the 175s, for instance, is the gangway width. The seats are quite big and the trolleys are too big, so they smash the seats and it is difficult for passengers to get past. We are redesigning trolleys now, so that we can make them fit. So, we are trying to invest in that to improve the service. So we invest in some things and, as I pointed out in the paper, we have spent £10 million that is not a franchise commitment on various projects since we took over the franchise, so, we are not completely tight, but we have to be careful about getting a reasonable return on what investment we make. You do not want an operator that loses money any more than we do, because it causes problems for all concerned.

[239] What have I missed?

[240] **Mr Hurley:** An update was requested on station improvements at Shotton. We now have customer information systems at Shotton—we had a poor information system there previously. The long-term solution is looking at a much wider project to include extra car parking, because there is a desire to have extra car parking, certainly adjacent to Shotton Low Level. I inspected it last Friday and there are options that we can take forward, but we need to have Network Rail and the local authority on board. I know that discussions are ongoing for a complete project for Shotton.

[241] You mentioned football trains. We have had some dialogue with certain people in the Assembly and with certain representatives. We would like to run such trains where we can. Sometimes, it is not physically possible for us to run them, because the stretch of line required is not available to us. Returning to how we monitor the flows, particularly, say, from Wrexham, which is a football location, it is about how we tailor that as we go forward. As I said, we can monitor more accurately now. We can perceive demand to be X, Y or Z, depending on the category of the event being held at the Millennium Stadium in Cardiff.

11.10 a.m.

[242] **Carl Sargeant:** I did not mention the Wrexham to Bidston line. I note in your paper the mention of the leaf fall this season. I assume that the performance is not going to get any better; it is on the way down. It may be felt that it is the end of the line in considerations for the company, but as it adjoins Mersey Rail, what thought are you giving to electrification, which is mentioned in the report, or to enhancing the facilities there, which are pretty poor?

[243] **Mr Holland:** I think that the Welsh Assembly Government is carrying out some feasibility studies with Mersey Rail and Network Rail. Perhaps I can pass it over to them to talk about the long-term future of the line. Please do not think that we have given up on it. I hate to harp on about the same thing, but it is true. We made representations before the franchise was let that you could not reliably operate that line with two units on a 57-minute running time. It is inherently unreliable. We do our best in that situation, and some of the cancellations that Kirsty referred to are on that line, where we terminate journeys early to avoid the whole service becoming later and later all day. We do intervene. Last week, some days were at 100 per cent, which is very unusual. Even yesterday, the Cambrian line was 81 per cent. That really is a record.

[244] We try to improve. We are in constant communication with users groups there, as I am sure that you know. Only last night we were talking to them about the provision of the bus service by Mersey Rail, which was not connecting with our last train. We are trying to change the time of our last train by a few minutes to accommodate that. We are responsive. We do not consider it to be the end of the earth. We really want to run a good service, and it is receiving some focus at the moment.

[245] **Christine Gwyther:** Perhaps Robbie or Tim wish to come in on this.

[246] **Mr Shaw:** Perhaps Robbie can talk about the work that is being done on the Wrexham to Bidston line.

[247] **Mr Burns:** Mike will speak about Shotton.

[248] **Mr Gallop:** I recognise the issues at Shotton. We are working with ATW, the local authority and the regional group of local authorities to find an acceptable solution, which is required at that station. I would like to set this in context, with regard to some of the station improvements along the north Wales coast, at Holyhead; at Bangor, at the transport interchange; at Prestatyn, where we are looking at improvements; and at Flint station, where the Railway Heritage Trust has been funding work that has made a significant improvement. There is obviously a great deal to do. There is an issue at Llandudno station that needs to be addressed. We are meeting Conwy County Borough Council next Tuesday to discuss how to take forward a scheme for Llandudno and for Shotton. It is on our agenda, and we are working to raise the bar along the north Wales coast.

[249] **Mr Burns:** We talked about communities, and Kirsty raised a question. I wish to make two points. First, we have a £3 million campaign running on level-crossing risks. The number one risk on the railway is not two trains colliding, but an accident at a level crossing. We have invested in a multi-media campaign, and we would welcome your support. You will have seen the campaign on television. It is in cinemas and on the radio, and it includes leaflet drops and advertisements in the paper. That is a key message for communities. Given the number of level crossings in Wales, the risk is considerable.

[250] The second point, which we could perhaps discuss at some point, is our concern about permitted development rights in relation to our new fixed telecoms network masts that are being built. I know that it was a subject of debate in Plenary last week. I would seek some clarity on that, because we are talking about a £1.2 billion programme. We have permitted development rights in England and Scotland to move forward. If we were denied those rights for this key safety venture on the railway line—it is not a commercial venture—it would have a significant impact on our safety performance.

[251] **Christine Gwyther:** Are you asking us to give you a view?

[252] **Mr Burns:** Yes. I know that Leighton was involved in that discussion last week, so, maybe before he fires a question he could just clarify that point.

[253] **Christine Gwyther:** Quite a few of us were involved in that discussion. We may be able to come back to this at the end. Okay?

[254] **Mr Burns:** Yes.

[255] **Christine Gwyther:** I will turn now to you, Leighton, and then, at the end of your contribution, we can just discuss that matter.

[256] **Leighton Andrews:** Okay.

[257] I have had plenty of opportunities to raise issues with Arriva over the course of this last year, so I will not focus on some of those, but I acknowledge that, from my postbag, things are better now than they were at the beginning of the year, and that seems to be borne out by the figures.

[258] I want to place on record that I was pleased to see that your adopt-a-station scheme is working well, particularly at the Trehafod station. The work done there by Porth County Comprehensive School pupils and Hafod Primary School pupils won an award last week, and it was great to see that.

[259] What progress are you making on fare enforcement on the Valley lines? You have put in place ticket-gating at several stations, and you have plans for that at several others, I think. Specifically on the special events, in November and the early part of the new year, I get quite a lot of complaints from frustrated constituents about trains to rugby internationals, and these focus first, I suppose, on the number of trains being run. The second complaint is about trains not stopping at some stations on the way out from Cardiff Central, which, I understand, is for safety reasons. I have discussed that with Arriva previously, and I was told that it was for safety reasons that trains may not stop at certain stations on the way out. I would welcome any information that you can give me on those matters.

[260] A feasibility study is being undertaken by the Assembly Government in relation to the possibility of six-coach trains stopping at stations on the Treherbert line. Should that feasibility study prove satisfactory, will you be geared up to do that from 2008?

[261] What progress are you making in addressing youth vandalism? You have raised that issue with me in the past. Also, have you done any analysis of what the impact would be on your services were Cardiff County Council to implement an £8-a-day congestion charge on drivers?

[262] On permitted development rights, I simply contributed to the debate on masts. I was aware that you were concerned, with regard to safety issues, about the UK-wide rollout of your mast programme, and I simply raised that because we were having a general discussion on the issue of masts, and it seemed to me that it was necessary to look at the points that you were raising. I would certainly welcome anything further that you have to say on that.

[263] **Christine Gwyther:** Bob, do you want to start?

[264] **Mr Holland:** Yes, I will kick off, if I can. Thanks for your comments at the beginning.

[265] On the enforcement of fares, we have invested heavily in ticket gates and ticket-issuing equipment—ticket machines—on stations, and that has had a very big effect, particularly in the Cardiff area, and certainly for people coming to the stations in the central area. Our revenue has significantly increased, and that has been good for all of us in the sense that we have captured revenue that should be paid. It is still an issue in those areas where we do not have ticket gates, but it is particularly an issue on the Cardiff-Valleys routes on short journeys away from the city centre. We are trying to assess the scale of that at the moment; we have teams that are trying to assess it, rather than tackle it on the day, because there are some issues in terms of that, and we generally working on a strategic plan for the future. We will be coming back to you to see whether we can get joint support for an initiative on that. That links to your question about vandalism and anti-social behaviour, which, in our view—and I refer to it in the report—is driving genuine passengers, particularly at certain times of the day and during the evenings, away from travelling because of fear.

11.20 a.m.

[266] At certain times of the day, trains are no-go areas for most of the public, and a lot of people are travelling without paying—we have conductors hiding in the end cab and keeping out of the firing line, as it were. You cannot blame them for that. We have increased security patrols and, jointly with you, we have paid for additional police community service officers and they have been successful, but it is tackling only a small part of the problem. So, we are now doing research and trying to quantify the scale of the problem and, hopefully, in a couple of months we will come back and sit down with everyone to see whether we can come up with a scheme to tackle it. A lot of it is about awareness and publicity, but we want to do it together rather than have any disagreement about it.

[267] Mike will talk about special events in a minute. You talk about station lengthening and six-coach trains, and I think that we all agree that that is one of the solutions to growth that I mentioned at the beginning. Extending existing trains is the most cost-effective way of doing things, so that you do not have additional crew costs; it is just the costs of leasing the train and the mileage costs that we pay to Network Rail. Those discussions continue with the Government. The Government determines the priority for investment in platform lengthening and that is moving ahead, certainly on the Rhymney line, which is first, I believe.

[268] **Mr Hurley:** That is a priority.

[269] **Mr Holland:** Yes, that is the main priority. Our task is to try to source enough additional units in the market to allow the trains to be strengthened and then to discuss it with the Government. We are hoping to be able to source additional trains for next November but, again, much of that depends on the goodwill of the Department for Transport and the release of trains from other franchises. So, we are focusing on that and talking all the time to your officials.

[270] The question of a congestion charge is interesting. I firmly believe that it will happen in the Cardiff area. It is not a case of when; it is a case of when political agreement is achieved. It will give everyone the opportunity to increase funding for public transport generally but, again, to me, the biggest issue is that you need to invest before you start seeing the revenue stream from the congestion charge, because, unless you have the public transport quality and capacity in place, there is a danger that the scheme will fall apart and will not achieve what it is designed to achieve. So, I fully support road-pricing and congestion charging, where appropriate, but I understand the difficulties in achieving it quickly. I will hand over to Mike to talk about special events.

[271] **Mr Hurley:** I think that the point was about trains running fast from Cardiff Central station or Queen Street station when people are going home in the evening. I was not aware that we were doing that any more; before we took the decision to close Queen Street station when there were major events, that may have happened occasionally, but every one is controlled through Cardiff Central station now. We load trains to a certain number, which gives everybody a chance to get to the station that they want along the Treherbert branch. I have no specific details of our missing stops out, certainly in recent times.

[272] **Leighton Andrews:** I will come back to you outside the meeting about that. The other issue on the trains is that there have been times when trains have been cancelled on days when there have been international matches, which people have quite rightly been particularly worked up about.

[273] On six-coach trains, as I understand it, there is an absolute commitment in relation to the Treherbert line. We reiterated this in the Assembly just last week. There is a feasibility study and we have had reports to this committee on money to make those six-coach trains happen, so I would be concerned to hear that that is not the plan. So, I am looking over to the other side of the table really.

[274] **Mr Shaw:** It is the plan, as you have said, and we are working with South East Wales Transport Alliance and Network Rail to take forward those extensions on the Valley lines, but as Bob and Mike said, the Rhymney line is likely to be the first one that will be operational at that level. That does not take away the issue of sourcing the rolling stock—not that you need to move to six-car trains straight away. The point of the investment is to facilitate the ability to do that, and it will then be a question of looking at demand to see how much rolling stock you need and whether you should strengthen a number of trains and how far you should go, whether you should move to four cars initially and then six. It is a rolling integrated programme. However, as Bob said, there is an issue in terms of the availability of suitable rolling stock. Going forward, while we believe that there is some capacity in the market, there is certainly not all the capacity that we would need. Therefore, we do not anticipate that we will be able to achieve full roll-out in the long term without the acquisition of additional trains.

[275] **Leighton Andrews:** I understand that. I would be concerned if the lack of availability of stock stopped you from making the improvements that would allow you to run those trains, and if it just became an excuse for not making that station investment.

[276] **Mr Shaw:** No, it is not an excuse for not making the station investment, but you are quite right that it is an issue in terms of sourcing the rolling stock, as and when it will be necessary, depending on the demand. Bob has talked about the huge growth in demand and we are working on the presumption that that will continue. You are quite right that the introduction of a congestion charge into Cardiff would have a significant impact on those forecasts. However, there is still an issue in terms of the availability of suitable rolling stock.

[277] **Mr Burns:** From Network Rail's point of view, we have had authority from the board to move forward with a £14.5 million contract, which delivers 41 platform extensions. That contract will be a design-and-build contract, through from grip stage 3 or 4 to completion, which is quite an unusual contract. It has telescoped the timescales in line with what the Welsh Assembly Government wants. Unusually, the board supported that, and we have authority to move on it.

[278] **Christine Gwyther:** In terms of permitted development rights, we are over time, but we have had a full discussion, so I think that it has been worth it. I do not intend to seek a committee view on this, because we would need a complete set of papers to work from: we are not going to give you a knee-jerk reaction. However, you would be welcome to spend a few minutes giving us your take on this, and if Members want to make a contribution, that would also be welcome.

[279] **Mr Burns:** I think that a question stems from maybe a misunderstanding last week. In answer to your question, Leighton, I think that the answer was that Network Rail was included in your desire to remove permitted development rights and we think the approach is that it would wish to exclude us, which is what we want. The first issue for us is a safety issue, because this will improve the ability for communication between the signaller and the driver, particularly when we move from track circuits to axle counters. Further down the line, with the introduction of the European rail traffic management system and no signal control of trains—the trial is on the Cambrian line—we will need those masts in place to move to that technology. Currently, the programme is scheduled to be completed by 2010-11 and it is a £1.2 billion programme. If we had to apply for planning permission in each case, as we need a mast every 6 km along the route—not for commercial gain; there will be no commercial access to these masts—the programme would dismantle and go into meltdown. We would have to regroup and think about how we could do it. It is a big issue for us and I just wanted to register it here today.

[280] **Christine Gwyther:** It is on public record now, so that is very useful. Do Members wish to say anything on this?

[281] **Janet Davies:** I will be brief, Chair. It was my Standing Order No. 31 legislation that started this, but I included an amendment that took the railways out of it. There has never been an agreement in the Assembly to remove permitted development rights for the railways. I actually said that during the debate, in answer to Leighton's point. When you start putting those masts along the railways, although I fully accept your points about safety, there will be public uproar. I think that there should be full consultation with the public because, otherwise, you will run into trouble.

[282] **Mr Burns:** I agree that there is huge interest in the matter and our relationship and dialogue with communities will be crucial. However, there is flexibility about where and how we put the masts and there will be local consultation as we site these masts.

[283] **Christine Gwyther:** It might be useful for the committee if you could provide us with a briefing note on how you will carry out that local consultation. That may help us, as individual Members, when we start getting letters on this matter.

[284] **Mr Burns:** Absolutely.

[285] **Christine Gwyther:** Thank you for your contributions this morning. We are now going to break for 15 minutes.

*Gohiriwyd y cyfarfod rhwng 11.30 a.m. a 11.47 a.m.
The meeting adjourned between 11.30 a.m. and 11.47 a.m.*

**Rhestr Is-ddeddfwriaeth
Secondary Legislation Schedule**

[286] **Christine Gwyther:** Before Members start coming in with bids, perhaps Gwyn could say a few words, if that is okay.

[287] **Mr Griffiths:** Mae gennych restr o ddeddfwriaeth sydd wedi'i pharatoi gan y Llywodraeth ar gyfer y tymor hwn, sydd bellach wedi ei phrosesu. O ran y rhai ar gyfer y flwyddyn nesaf, mae rhai a allai fod o ddiddordeb penodol, gan gynnwys y Gorchymyn i sefydlu'r pwyllgor defnyddwyr ar gyfer trafniadaeth gyhoeddus at yr haf nesaf, a, chyn hynny, y rheoliadau defnyddwyr ffyrdd er mwyn talu am ddefnyddio'r ffyrdd, a'r prosesau ar gyfer prynu gorfodol. Y mater yr oeddwn am ei godi'n benodol oedd y cyfeiriad yn yr atodiad i adroddiad y Gweinidog sy'n sôn am y Mesur Diwygio Deddfwriaethol a Rheoleiddiol a ystyriwyd gan y pwyllgor yn gynharach eleni. Fe welwch fod y Gweinidog yn sôn y bydd Gorchymyn yn cael ei wneud o dan Ddeddf Llywodraeth Cymru 2006 gan Ysgrifennydd Gwladol Cymru. Caiff y Gorchymyn hwnnw ei ddrafftio gan gyfreithwyr Llywodraeth y Cynulliad, a chan fod gan y pwyllgor hwn rai pryderon ynghylch y Mesur, efallai y byddai'n briodol i'r pwyllgor graffu ar ddrafft o'r Gorchymyn arfaethedig cyn iddo gael ei wneud gan yr Ysgrifennydd Gwladol, i weld a yw'n bodloni pryderon y pwyllgor.

Mr Griffiths: You have a list of legislation that has been prepared by the Government for this term, which have now been processed. In terms of the legislation for next year, some could be of specific interest, including the Order to establish a public transport users committee for next summer, and, before that, the regulations for road users and charging, and compulsory purchase processes. The issue that I wished to raise specifically was the reference in the annex to the Minister's report that refers to the Legislative and Regulatory Reform Bill, which was considered by committee earlier this year. You will see that the Minister notes that an Order will be made under the Government of Wales Act 2006 by the Secretary of State for Wales. The Order will be drafted by Assembly Government lawyers, and, because this committee has some concerns regarding the Order, it may be appropriate for the committee to scrutinise the proposed draft Order before it is made by the Secretary of State, to see if it alleviates the committee's concerns.

[288] **Christine Gwyther:** Thank you, Gwyn. Are Members in agreement that we should look at that? It would be useful if we did. The Legislation Committee will look at it in the usual way, but we have had an interest in it in the past, and I think that we can add value. Are there any other bids? There is a deafening silence. I see that there are no other bids. We have a fairly full programme in any case, but this is your opportunity to identify any other issues.

11.50 a.m.

Tuag at e-Gymru—Ymgynghoriad ar Ddefnyddio Grym Technoleg Gwybodaeth a Chyfathrebu yng Nghymru
Towards e-Wales—A Consultation on Exploiting the Power of Information and Communication Technology in Wales

[289] **Christine Gwyther:** I imagine that the Minister will want to introduce his paper. We will then move on to a discussion.

[290] **Andrew Davies:** Thank you very much, Chair. I am joined by Michael Eaton, the director of e-Wales and the former director of the Broadband Wales programme, which I think has been a phenomenally successful public sector intervention in terms of broadband coverage in Wales.

[291] Our previous ICT strategy, 'Cymru Ar-lein: Online for a Better Wales', which was established in 2001, was our vision for the use of ICT across Wales. There have probably been more significant changes in this sector and area of policy than in any other. We felt that there was a need to refresh and update the strategy to reflect the changing times. So, this sets out our vision as a consultation document for the use of ICT across the public and private sectors and how we can make full use of ICT in terms of delivering public services and improving life for communities and individuals.

[292] The consultation closes at the end of this month and we will be coming forward with an action plan in due course. However, Michael and I would very much welcome the views of the committee as part of the consultation process.

[293] **Mr Eaton:** I will just add that when we were putting this piece of work together, it became quite obvious just how broad the whole field of ICT now is, and its potential application across all walks of life became apparent, which is why the document became quite large. Also, different people's perceptions of what ICT represents now and will potentially represent in the future have changed quite dramatically, and, as a result, the nature of the consultation is very broad and open so that we can get feedback from many different communities. We have also made it visible around the world in order to get input, especially from companies operating in the ICT sector, to raise the awareness of what Wales is doing, and to make sure that we take notice of lessons learned and make certain that we are getting input from as wide a sphere as is possible.

[294] **Christine Gwyther:** Thank you very much. There is a list of questions; I will not torment Members by going through the list. I will just ask for contributions. We will start with Leighton.

[295] **Leighton Andrews:** I am afraid that I have quite a lot to say, Chair. I have to start by saying that I find the document pedestrian and unambitious, I am afraid. I will start where Mr Eaton finished. Mr Eaton said that part of this document comes from a sense of the fact that it is now clear how broad ICT is. That has been clear for 15 years. It is nearly 10 years since the European Union issued the Green Paper on convergence, which identified the ways in which the different communication technologies were interacting and the likely developments out of all that. People in the industry had been speculating for probably 10 years before that, or even 15 years before that if you go back to the original cable discussions in the early 1980s, about the ways in which these technologies would work together. So, I think that we are behind the times in this vision.

[296] Secondly, I am disappointed that there is no real market analysis of what is happening in Wales. There is hardly anything in terms of what provision is provided by different suppliers in different sectors of the market, there is very little on what consumers are actually using the technologies for in Wales, and there is only a sprinkling of evidence as to what public bodies are using it for. So, I would expect those issues to be covered in any strategy document that comes out of the consultation.

[297] You get the sense from the document that it is there to design what is already in place. There seems to be an underlying assumption, for example, that the Broadband Wales Observatory would continue because it talks more about how the observatory can be used and what research needs to be gathered in future than about whether or not it is making any impact. I suspect that the observatory is pretty much a waste of money and I see no evidence here to make me feel that we should continue with it.

[298] I have repeated my next point for over two years, namely that much of the work that we do in this area appears to be technology-hardware driven. It is overly focused on infrastructure and obsessed with bandwidth. For example, on the paragraphs that relate to high-definition television and the need for extra bandwidth in the home for the consumption of that, if people were going to be concerned about the nature and size of bandwidth and all of those issues, I would have expected some discussion of the role of compression technology. I raised this in discussions on broadband two years ago. Compression technology will make it easier, as we move along, to absorb the new content needs with existing or not-that-greatly-enhanced levels of bandwidth. People have always made mistakes down the years about the capacity of different technology forms. No-one believed, for example, that low-powered telecommunications satellites such as Astra could deliver television programmes until someone came along and proved, through Sky television, that they could. If we are to develop a strategy that is about embracing the whole of digital media, then, frankly, we must be far less focused on the engineering and infrastructure side of it.

[299] The document also introduces the phrase that we have discussed in this committee before, when it appeared in the convergence document, and which I hate, namely 'digital ecosystems'. People do not use such language. People use digital technologies and talk about the things that they use them for; they do not obsess about the infrastructure and nature of the pipes and the things that deliver them. They look at usage. That comes from the fact that we do not start with an analysis of the market—what the providers are offering and what consumers are using.

[300] The other question to be answered is: what is the role of the public sector in this area? We must be clear about what we expect the public sector to provide that the market is not already providing. You cannot do that unless you have started with an analysis of the market and what is available. Aggregation is working successfully in some countries and areas, but it has been a disaster in others and has led to a considerable waste of resources. I would like a better idea of what possibilities we think aggregation can offer. We have talked about the uses of ICT in the context of public service reform in Wales over the last few years, and we have discussed aggregation in the UK for a decade or more, but the overall evidence is quite limited as to where the hotspots are. Again, I would like to see some of that. All in all, we need a massive step-change in this area and a big shake-up. The thinking, as I say, is currently pedestrian.

[301] **Christine Gwyther:** I will bring Mike and the Minister back in now. In your presentation, Leighton, you said that there was an over-emphasis on infrastructure. Would you like to say what the emphasis should be on? Should it be people-focused?

[302] **Leighton Andrews:** Unless you start with an analysis of the market—an analysis of what consumers are currently using and what market providers are supplying into the market and what their predictions and forecast analysis for different kinds of use are—it is difficult to have any intelligent discussion of what the public sector might be doing. That analysis is not in this document. I accept that it is a consultation document at this stage, but if you want to guide people's thinking and think creatively around what we in Wales should be doing and what we should be aiming at, then you must start with an analysis of the market.

[303] **Christine Gwyther:** Minister, can you respond on why there is not that analysis?

12.00 p.m.

[304] **Andrew Davies:** I will ask Mike to come in later, but in response to Leighton, one of the last questions that he posed was: what is an appropriate role for Government? That is a fundamental issue. To what extent should Government intervene in the market? My overwhelming view for a long time has been that the legitimate role of Government and the public sector is to make up for market failure, and that is what we did with the Broadband Wales programme, which I launched just over four years ago.

[305] My view was that, to a large extent, we had swapped a public-sector monopoly for a private-sector monopoly in the telecommunications sector. There was no competition except in a few discrete areas, particularly in south Wales and the cities. That situation has moved on. We are working closely with the Office of Communications, the regulatory body, which has sent a clear message to BT to get its act together in terms of opening up the market, which has not existed until now. Our role with the Broadband Wales programme was to lever in significant investment where appropriate. We accepted earlier on that lessons were learned, for example, on the delivery of the lifelong learning network and the use of wireless technology, which we discussed earlier. There are lessons to be learned in terms of the public sector broadband aggregation programme, which is being taken forward at official level across the whole of Government, and Leighton's points with regard to the use of appropriate technologies and how we might take those forward.

[306] There is substantial public-sector investment; for example, in telecommunications and the various networks, there is the lifelong learning network, the NHS network, DAWN 2, and our own change management programme with Merlin and the Government. So, the public sector broadband aggregation project was looking at how we can get value for money with regard to our investment. However, Leighton quite rightly made the point about content; I have said for a long time that it is content that will drive the economic benefit of this, not the investment in the infrastructure as such, be that through the Creative Business Wales programme to encourage more companies, particularly in the independent sector, to derive cutting-edge content that can then be used to create value and employment across the industries, in terms of television, animation, film or other parts of digital media. What is the appropriate role for Government in that? Is it the role of Government to make up for market failure or is it the role of Government to drive a change through the skills and research and development sectors? These are all big questions and there is no single answer; it will depend on the sector.

[307] In terms of the wording and the style, when we discussed the convergence programme in committee, you highlighted the phrase 'digital ecosystems'. I said at the time that I did not think that it was a very user-friendly term. We need to look at how we phrase the policy. Nevertheless, the questions that need to be raised are substantial, but I think that the issue about the role of Government is appropriate. How do you challenge the monopoly position of one telecommunications supplier and get a market working across the board? In other sectors, such as creative content, how do you develop a critical mass, which we do not have in some key sectors?

[308] **Mr Eaton:** Can I come back on some of your points? I will come back to the point about it being unambitious later, if I may. To set the scene, the first thing to say is that the document was written on the basis of trying to separate the issues associated with the public sector and its ability to exploit ICT to improve citizens' services and value for money. That is related to looking at some infrastructure work, which is the public sector broadband aggregation project, the purpose of which is to link up more effectively the wider public sector, where you can, with a network or a set of networks. Playing that piece out is almost extending the public sector just as you would a standard ICT user. In the paper, that is different to and separate from the nature of the Welsh marketplace. Your comment about market analysis is what I am focusing on here.

[309] If you look at the Welsh marketplace, you will see that the role of the broadband observatory has been about trying to establish the real situation in Wales, associated with primary and secondary research. On a nine-monthly basis, we have been issuing our primary research figures for what the residential and business marketplace is like. We commissioned that primary research because every piece of research that I had seen, coming in, was a comment about Wales from the outside. That is, external people were saying, 'We estimate the Welsh market take-up to be X, Y, or Z'. There are some reputable names here, but, if you look at the small print of every piece of their research, you see that what they are saying is, 'We are sampling 200 to 250 people across Wales, applying a mathematical formula, and we look back five years to census data that were collected, and assume that Wales's take-up is therefore X, Y, or Z'.

[310] I was getting frustrated with that, because we were appearing on the world stage as though we were behind the ball, so we have invested in primary research, which is highly visible on the Broadband Wales Observatory site. We put it there, so it is in the public domain, and we even publish the methodology that we use. We take that, and we talk to those other suppliers of market statistics about Wales, and say, 'Look, we will share this with you'. That is as much as we can do as Government; whether the private sector chooses to use that information to inform its opinion of us is something that we cannot change. So, we have invested heavily on the broadband piece.

[311] The other reason for doing that was because most market statistics tend to come from the incumbent operator. That is true wherever you are in the world. So, we had to do the primary research to capture how many people were taking services from alternate infrastructure providers perhaps, such as NTL, wireless providers, or satellite; otherwise, the only thing that appears in the market and then becomes received wisdom is statements from the incumbent operator. That is true whether you are in France, Germany, or wherever. What makes the headline figures is what the incumbent operator is doing.

[312] On the broader question about ICT statistics, through different mechanisms, we have generated market reports, and the biggest is probably coming out of the eCommerce Innovation Centre at Cardiff University, on behalf of the Opportunity Wales programme. The centre is surveying the state of the Welsh marketplace across ICT dimensions. So, in that area, the one thing that is incredibly important is that no-one will survey the Welsh marketplace for us. That is a fact. Many people will say, 'We think that the Welsh marketplace is doing X, Y, Z', but I am of the firm opinion that Government has to invest in researching the Welsh marketplace, because the other statistics are meaningless. You cannot do evidence-based policy on the previous statistics that I have seen—and I come from a marketing background. Therefore, it is fundamental that the Government pursues that direction.

[313] The other problem with ICT and market statistics is that they go out of date incredibly rapidly. There is this awkward fact that, by the time you have surveyed the market, the world has moved on. So, we have been cautious about what kind of contracts we let, so that we are not paying for old news. That has been one of the dilemmas with the speed of change that has taken place here.

[314] On your comments about compression technology, bandwidth and an obsession with infrastructure, I will declare my background here. I used to work for BT when it was the General Post Office, so I used to lay cable and install phones, and I worked in a rural patch, so I know what it is like physically. On infrastructure in Wales, if people want higher bandwidth services—and part of this document talks about what people may want them for—our legacy in Wales, as across the rest of the UK, is the footprint of copper or aluminium circuits, which were laid down over the past 100 years.

12.10 p.m.

[315] That means that the detail of Welsh infrastructure does not look quite the same as that in Scotland or Northern Ireland or anywhere else on the planet, because the quality of copper and aluminium that was purchased over the past 100 years has been of different grades. So, when suppliers say that they think that they can reach x number of customers with a certain speed, that is based on knowledge on the ground. What we are seeing, and which many people are confused about, is that when suppliers talk about being able to provide a service at a certain speed—whether it is up to 8 Mbps, up to 16 Mbps, or whatever—they mean that it is ‘up to’ whatever speed, and people must recognise that. The small print says that, if someone is too far away or the quality of the copper is not good enough, they may get only 512 Kbps or 1 Mbps.

[316] My team looks at the infrastructure and infrastructure reports to see what the real world looks like, and not what the estimators do. At this time, Wales must, to a point, take an interest in infrastructure, especially in rural areas. Again, this is where the role of Ofcom and the interaction with the market players, including the incumbent operator, play out. The real issue is that, if, in the next decade, each of these operators is genuinely a private sector organisation, its economic models for return on investment in rural areas will get worse and worse. That situation is playing out in other parts of the world. In that area, Government does not need to intervene too early, but it needs to be aware that, unfortunately, at some stage in the next decade, Governments may find themselves having to intervene, especially in rural areas, because the natural economics do not play out.

[317] I used to work on compression technology for many years, specifically on voice compression technology. I agree that there is interplay with regard to the amount of bandwidth that you might want, for example, for a high-definition television signal, which we talked about. We talked about an uncompressed high-definition television signal of about 10 Mbps. I accept that you can use it at about 4.5Mbps and get reasonable quality. The issue is that, as fast as we invent new compression technology to keep the bandwidth down, the application requirements go up. We are not ignoring it, but, from a Government perspective, there is a continual interchange. You will notice that we reference UK and European reports on how much bandwidth a residential and a business customer might want.

[318] With regard to the term ‘digital ecosystem’, mea culpa. I have spent a great deal of my career going in and out of Silicone Valley and North America. I am afraid that it is a well known term; I accept that it is a well trodden term. It attempts to describe the fact that the way that people use ICT and the way that the ICT industry behaves is like an ecosystem. Intel can survive only because of what people want to design it into, whether that be laptops, set-top boxes or computers. Vendors’ survival depends on who purchases those. Perhaps the term ‘ecosystem’ is awkward to come to terms with, but I think that it is one that we will see more of. It is meaningful for a government to work out where in an ecosystem it should work.

[319] On the public sector role, there is a distinction between the public sector as an intelligent user and consumer of ICT—which, from a Welsh Assembly Government perspective, means working together in a ‘Making the Connections’ sense—and the other role, which concerns the question of where to intervene, either in terms of stimulating a market to exist, or in dealing with market failure issues. The only thing that I can say on that is that part of the action plan says that, as the marketplace evolves, Government takes decisions at pertinent points along that continuum.

[320] **Christine Gwyther:** Leighton, do you want to come back?

[321] **Leighton Andrews:** How long have I got?

[322] **Christine Gwyther:** Not long.

[323] **Leighton Andrews:** That is all right. I could get into a debate with Mr Eaton, to be frank, on most of the areas that he has talked about. The reality is that, in his response to me, he has confirmed my instinct that we are obsessed by infrastructure while I want us to be market-focused and user-focused instead. That is the difficulty.

[324] Of course, there are some good things going on, and no-one is trying to suggest that there are not. I am well aware that Andrew agrees that the content side of this is important. However, at the end of the day, when I hear what Mr Eaton has just said, I hear an emphasis on duplicating the role that Ofcom is meant to play in the public sector, to be blunt. Addressing market failure is one thing, but Mr Eaton says that he does not think that anyone else will provide objective statistics on what is happening in the Welsh market. I have seen Ofcom produce a very effective analysis of the Welsh media market, for example, which was better than anything that had been produced anywhere in Wales. I suspect that if Ofcom were charged with the Welsh telecoms market, it would probably give a better set of analyses than we have had out of the observatory or the Government.

[325] There is a real difference between addressing market failure, stimulating demand and all of those issues, and deciding that you are the people to make the market more competitive. That is the laid-down, legal role of Ofcom. As far as I can see, the Welsh Assembly Government, and this department, appears to be spending some of its time second-guessing that. Given that Andrew has said that he is cognisant of the need to focus on the end use of the technology, I hope that he will send a clear message down through his department that that is where he wants it to go. At the moment, too much of this resource is being spent second-guessing the competitive regulatory role of Ofcom, and not enough on analysing demand and the market, and looking at the usage of the products.

[326] **Christine Gwyther:** Do any other Members want to come in?

[327] **Andrew Davies:** I just want to say that I fundamentally disagree with what Leighton has just said.

[328] **Christine Gwyther:** Hang on, Andrew. Do any other Members want to come in?

[329] **Alun Ffred Jones:** Hoffwn wneud un sylw, er nad wyf yn arbenigwr yn y maes hwn, ac er nad wyf yn yr un drafodaeth â Leighton. Yr wyf am ganolbwyntio ar y sector cyhoeddus, sef awdurdodau lleol a chyrrff cyhoeddus eraill. Yr oeddwn yn rhan o lywodraeth leol pan wthiwyd e-lywodraeth gan y Llywodraeth ganolog—a daeth i ddim yn y diwedd. Gwariwyd symiau sylweddol o arian ar wneud fawr o ddim. Gobeithiaf y bydd y strategaeth hon yn cynnig arweiniad i gyrff cyhoeddus o ran y defnydd gorau o'r dechnoleg ddiweddaraf. Mae'n faes y gallech wario biliynau arno a chael dim byd sy'n gweithio yn y diwedd—fel a welwyd gyda'r gwasanaeth iechyd gwladol yn Lloegr. Yr wyf yn siwr bod potensial mawr iddo. Fe'i defnyddir gan gyrff cyhoeddus, ond, gan sôn am awdurdodau lleol yn arbennig, nid oes arbenigedd gan y rhan fwyaf ohonynt yn y maes hwn ac mae angen arweiniad arnynt ynglyn â lle a sut y dylent fuddsoddi, neu fe fyddwn mewn perygl o wastraffu llawer o egni ac arian ar ddatblygu gwasanaethau nad ydynt yn effeithiol yn y pen draw.

Alun Ffred Jones: I would like to make one comment, though I am not an expert in this field and although it does not relate to what Leighton was discussing. I want to focus on the public sector, namely local authorities and other public bodies. I was in local government when there was that big push towards e-government from central Government—which all came to nothing in the end. Substantial sums of money were spent on doing very little. I hope that this strategy will offer guidance to public bodies regarding the best use of the latest technology. It is a field in which you can spend billions of pounds and yet have nothing to show for it at the end—as we have seen with the national health service in England. I am sure that this has great potential. It is used by public bodies, but, thinking specifically about local authorities, many of them lack the expertise required in this area, and they need guidance as to where and how they should be investing. Otherwise, we will be in danger of wasting a lot of energy and money on developing services that are, ultimately, ineffective.

[330] **Christine Gwyther:** Andrew, you may respond to Leighton and Ffred.

[331] **Andrew Davies:** To say that we are duplicating the role of Ofcom is just not true. We work within a regulatory framework that we have influenced significantly. I think that Ofcom would say that its telecommunications strategy framework has largely reflected the pressure that we have put on it, whether at a board level or at the contents board or through the consumer panel, through our representatives, as well as in direct meetings between Michael and me. Its view has shifted significantly.

12.20 p.m.

[332] There used to be a one-size-fits-all regulatory framework in the UK, and, in fact, we made the case very forcefully—and Michael has been in the meetings where we have done that—that one size does not fit all in Wales, and that a London or metropolitan view of the telecommunications network does not reflect our needs. We have seen this under previous regulatory regimes, with, for example, the Radiocommunications Agency. The predecessor to this committee, the Economic Development and Transport Committee, had vigorous debates about some of the spectrum auctions. The then regulatory body, the Radiocommunications Agency, and its sister organisations, did not take into account the needs of places like Wales. I think that Ofcom has now significantly shifted its view. We work closely with Ofcom at the UK level, and at the Wales level, particularly with the director, Rhodri Williams. For example, we have an item on the agenda later on fibre speed. Once again, we have worked very closely with Ofcom on that in terms of the appropriate public sector or Government intervention, and, clearly, the European Commission and Ofcom are comfortable with our position. So, I do not accept that we are duplicating the work of Ofcom; I just do not think that that is true.

[333] On Alun Ffred's point about leadership, we have come a long way, and I made the point earlier about the lifelong learning network. It was of its time, and, as Michael and I have accepted, if we were to do it now, we would do it very differently, as we are in fact doing with public sector broadband aggregation, both in terms of value money for the public pound and the effectiveness of the network. We were open in saying that lessons have been learned, for example, in relation to the use of wireless or other technologies. However, local authorities now look to the Assembly Government, and Michael in particular in this area, for an understanding, for lessons learned and for leadership. That will ensure that we not only get value for money, but have a broad consensus on the development of future networks and services, and get better delivery.

[334] **Mr Eaton:** I think, with regard to 'Making the Connections', that the whole area relating to the public sector's use of ICT to support improved access for citizens to services, as well as to improve performance capability across the public sector, is a growing one. I take your point that previous investments in e-government, made by governments around the world, have been fraught with difficulties. There is no doubt about that. Many of those difficulties, in the end, have been to do with business process engineering and cultural change, and those not interacting with ICT in the way in which one would ideally want them to. Our approach here is to look firmly at the business processes that are being performed in the public sector and at how ICT can improve them, rather than to think, 'Here's some ICT—it is bound to solve the problem, isn't it?'. However, that is a much bigger issue than the infrastructure, because it is much more about how you change public services. In that regard, I link quite extensively with my counterparts across Whitehall; so, we are linked into wider UK initiatives, especially to do with ICT in the public sector, and perhaps more so than we might have been a few years ago. So, we are treating that very carefully and trying to join up as many of those aspects as we can. However, many public services, of course, are delivered by local authorities or the NHS, and that is where the greatest impact can be felt. So, we are looking quite carefully at the capacity in the public sector to be able to exploit ICT—we reference this in the strategy—because you cannot just wake up one morning and say, 'I really understand how to use this stuff'. Basically, we are saying that there has to be capacity-building across the wider public sector in terms of ICT knowledge, expertise and understanding, in order to get a better business outcome.

[335] **Alun Cairns:** There are obviously strong feelings in the committee, and I am not sure whether the timetable would allow this, but I have heard some interesting things from Leighton Andrews and the Minister, and because the issue is quite detailed and there is no absolute answer, I would value the opportunity to perhaps conduct research in this area that could be brought back to the committee, so that the committee could consider it in depth. This is extremely important to the future economy and to the perception of Wales from outside and it would be useful to revisit it in some detail, and bring in presenters to make the case either way.

[336] **Christine Gwyther:** I agree. The closing date for comments is 27 October, which is why we have discussed it today but, consultation or not, the views of this committee are very important.

[337] **Leighton Andrews:** Just on what Alun said, I do not want us in any way to disturb the consultation. This is a consultative document anyway; it is not a strategy. So, it will bring in views. Can we just be clear on what happens after the consultation in terms of the future publication and so on?

[338] **Mr Eaton:** We are taking feedback from many different parties at present. The objective then is to start to build the action plan. What was originally stated here in terms of the timeline was that we would publish the action plan in autumn 2006. Given the feedback that we have had and the activities, the publication date for the action plan has now moved to early 2007. We want to get as much knowledge and understanding as possible in order to execute a good action plan. That is where we are, so there is no absolute date in 2007 when the action plan is due to be released. It will come as a result of the consultation feedback, to be honest.

[339] **Christine Gwyther:** I assume that consultation feedback will be collated in some way by early in the new year, if the closing date is 27 October.

[340] **Mr Eaton:** I think that the closing date is 31 October, but, yes, we are collating—

[341] **Christine Gwyther:** So, we can come back to this in the new year.

[342] **Andrew Davies:** I was going to suggest that we could do that.

[343] **Christine Gwyther:** Is everybody content with that?

[344] **Alun Cairns:** I appreciate that we have a tight schedule before the end of the year, but I would not want this to run on too far, otherwise our input will be lost.

[345] **Christine Gwyther:** It would be useful for us to see the consultation responses.

[346] **Alun Cairns:** I would guess that they would be available almost immediately. I would hope that we could have an input. We would not want to be too late in the game, otherwise some of the views will have been formed.

[347] **Christine Gwyther:** We will factor that in.

12.27 a.m.

Ymgynghoriad ar Gynigion ar gyfer Cynllun Rhyddhad Ardrethi Busnesau Bach Cymru Gyfan
Consultation on Proposals for an All-Wales Small Business Rate Relief Scheme

[348] **Christine Gwyther:** David Fletcher and Paul Harrison from the Local Government Finance Division are here. Minister, do you want to make any opening remarks?

[349] **Andrew Davies:** Given the time, I will just briefly say that the small business rate relief scheme was recently announced by the Finance Minister, Sue Essex. The paper is here for colleagues to discuss. We think that it is an equitable scheme and far better than the predecessor rural rate relief scheme, which benefited relatively few businesses. The beneficiaries of this scheme are much more evenly spread across Wales. David Fletcher and Paul Harrison are here from the Local Government Finance Division to answer any queries.

[350] **Alun Ffred Jones:** Yr wyf am wneud dau neu dri o bwyntiau. Croesawaf y gefnogaeth ar gyfer swyddfeydd post. Mae hynny'n bwysig iawn er, yn y pen draw, bydd angen gwneud llawer iawn mwy os ydym am warchod rhywfaint ar rwydwaith y swyddfeydd post. Fodd bynnag, mae hyn i'w groesawu.

Alun Ffred Jones: I want to make two or three points. I welcome the support for post offices. That is very important although, in the end, much more will need to be done if we want to protect the post office network to a certain extent. However, this is to be welcomed.

[351] Os edrychwch ar y tablau hyn, gwelwch mai'r unig sir lle fydd llai o fusnesau yn derbyn cymorth yw Gwynedd. Yn rhannol, mae hynny oherwydd bod Gwynedd wedi bod yn rhagweithiol iawn o ran manteisio ar y cynllun blaenorol. Nid wyf yn anghydweld â'r rhesymau dros newid y cynllun er bod colledion eithaf sylweddol yn fy etholaeth i.

If you look at the tables here, you will see that the only county where fewer businesses will receive support is Gwynedd. That is partly because Gwynedd has been very proactive in taking advantage of the previous scheme. I do not disagree with the reasons for changing the scheme although there are substantial losses in my constituency.

12.30 p.m.

[352] Fodd bynnag, mae'r Gweinidog yn dweud nad yw'n gweld y swm sydd ar gael i gefnogi'r cynllun yn symud o gwbl, er bod bron dwywaith cymaint o fusnesau yn y cynllun. Mae hynny'n awgrymu y bydd y cymorth i fusnesau yn cael ei haneru. Bydd y swm i gefnogi'r busnesau bach hyn yn llawer llai nag yr oedd o dan yr hen gynllun. Bydd hynny yn ergyd i lawer o fusnesau bach a oedd wedi dod i arfer â'r gefnogaeth o dan yr hen gynllun.

However, the Minister states he does not see the sum available to support the scheme moving at all, even though there are almost twice as many businesses in the scheme. That suggests that the support for businesses will be halved. The sum to support these small businesses will be much less than it was under the old scheme. That will hit many small businesses that had got used to the support that they received under the old scheme.

[353] **Christine Gwyther:** David or Paul, has that been addressed?

[354] **Mr Fletcher:** It has been addressed. You must consider the reason why the scheme has been introduced, and we consulted on it. You pointed out the fact that Gwynedd will receive less than under the existing scheme, although, if you look at the figures, Gwynedd still has more beneficiaries than any other local authority. The reason for the change to the scheme was that the rural rate relief scheme to which you referred was enhanced in 2002, when there was a very different climate in Wales. It was on the tail end of the foot and mouth disease outbreak. During those four years, we gave out £78 million in this relief to about 21,000 businesses across the rural areas of Wales. The foot and mouth disease disaster has gone away and we have looked again at what we see as a new climate.

[355] From a Welsh Assembly Government point of view, and from what was in the responses to the consultation, we could not condone those levels of relief to these companies. What we have done is to keep the cost envelope, which is about £17.5 million, and, essentially, redistributed it across more companies in Wales, especially small companies, and we have specifically looked at post offices. The result is that we have a scheme that is not application based. About 50 per cent of all businesses in Wales will get some relief, albeit, as you said, at a lower level—for example, Rhondda Cynon Taf has gone from 13 businesses receiving relief under the previous scheme to over 3,000. That shows that this is redistributing relief across not just the rural areas, but all areas of Wales.

[356] **Andrew Davies:** It is my experience that the way in which the rural rate relief scheme was working was perverse. It was brought to my attention when I was in Anglesey that businesses in Holyhead, which is among the poorest communities in Wales, were not eligible for relief, yet businesses in Beaumaris, which I do not think could be regarded as a Communities First area according to anyone's definition, were eligible. It was perverse in its operation and not transparent; each local authority operated it differently, as Alun Ffred pointed out; and it certainly was not equitable. I am delighted that after my discussions with Sue Essex, this scheme has now come forward. It will benefit businesses in local authorities such as Powys very significantly, far more than the old scheme did.

[357] **Christine Gwyther:** On that point, I take it that there will be no latitude for local determination and that the tables as we see them will be what will be operated.

[358] **Mr Fletcher:** We did a consultation exercise and we also carried out four workshops across Wales, which some committee members attended. The feeling was that the scheme was seen to be unfair because of the point that the Minister has just made, relating to boundaries. Some business would benefit from it and some would not, and it depended on how you drew up the rural settlement lists. Secondly, the other feedback that came back to us was that people did not want the scheme to be application based, as in England, where there is only about a 50 per cent take up of the scheme. So, in England, about 50 per cent of the small businesses benefit, whereas in Wales, 50 per cent of all businesses would benefit. Thirdly, respondents wanted a simple scheme, and the scheme that we have created is based on rateable values, so it is easy to understand.

[359] **Kirsty Williams:** Discussions in my county illustrate some of the problems with regard to settlement size: Llandrindod does not get any help, but Builth Wells does, just because of the number of people who live there. I am concerned about the cavalier paragraph in the paper that went to the Local Government and Public Services Committee that states that we had the relief because of foot and mouth disease, but as foot and mouth disease has gone away everything is fine. I do not know where the evidence is to support that statement in that document. Although we do not have the foot and mouth disease crisis, I do not know whether or not the robustness of some of the businesses and the economy in rural Wales is quite as rosy as it is produced in the paper. However, I acknowledge that the scheme allows more businesses in my constituency, and across Wales, to take advantage of this. Do you have an analysis?

[360] **Mr Fletcher:** Pre foot and mouth disease, we paid out about £600,000 in rural rate relief across Wales. Subsequently, the take-up has increased over the four year period to about £17.5 million. If you draw a comparison with England, where the scheme has not been changed, its scheme at the moment pays about £8 million. So, we are paying twice as much in rural rate relief. We are saying that the enhanced scheme was a result of foot and mouth disease. We had rural rate relief before, and one of the options was that we could have gone back to previous levels, which would have taken us up to £700,000 or £800,000 with inflation. So, the scheme has left costs as they are and redistributed it on a fairer basis.

[361] **Kirsty Williams:** Do you have an example? The tables show how many businesses will potentially benefit from the new scheme, but there do not seem to be any figures for any businesses that might, for instance, have been receiving relief under the old regime, and the levels of a potential drop—

[362] **Mr Fletcher:** The problem with that is that we cannot give individual examples, because of the way in which local authorities have administered the scheme. You mentioned that Gwynedd Council has a different scheme to Wrexham County Borough Council. For instance, in the rural settlement lists of Wrexham, no business is paying local taxation—there is 100 per cent relief for that. So, if there is a business at just under the £12,000 threshold, it will lose out. We believe that the business should contribute to local taxation at this stage, and that is why we have introduced these changes.

[363] **Andrew Davies:** On the foot and mouth disease issue, the rural rate relief scheme was part of the response. I am not sure what the global amount of money invested was, but it was very considerable. I believe that it was considerably more than the money allocated for the Corus response when it announced 3,000 redundancies. I do not know if David has a ballpark figure, but it was a considerable amount of money. For example, from my portfolio there are programmes such as the Adfywio scheme and others that give substantial support for companies, businesses and communities, not just for farming, but tourism and a range of areas.

[364] **Mr Fletcher:** I am told that, in addition to the £78 million that came from rural rate relief, about £65 million was paid as part of the rural recovery plan.

[365] **Kirsty Williams:** I am not arguing about the lack of support, but my point was that that support was needed at the time, and this cavalier statement says that rural communities do not need that continued level of support. I am arguing that, although foot and mouth disease has gone away, I do not know whether the economy in rural communities is as robust as is being assumed, just because foot and mouth disease has gone away. I acknowledge the huge amount of money that was put in during the outbreak of foot and mouth disease, which kept many businesses afloat. My concern is that, just because foot and mouth disease has gone away, are those businesses in as robust a state as this paragraph would lead us to believe?

[366] **Leighton Andrews:** The key question is whether this scheme is more fair and equitable than the previous scheme. Mr Fletcher read out the figures in relation to Rhondda Cynon Taf, and it is extraordinary that we have continued so long with a scheme that has not benefited some of the most deprived communities in Wales. From the conversations that I have had with people from 25 post offices in the Rhondda over the last couple of weeks, most will gain from this scheme, some by as much as £1,000 a year, which is a very big contribution to their ability to develop their businesses. We are trying to stimulate entrepreneurial activity in our poorest communities, and this will make a major contribution to it, so it is a scheme to be welcomed. I hope that the consultation bears out what is being offered, and that we start to implement it from next April.

[367] **Christine Gwyther:** Okay, thank you. Please do not disagree.

12.40 p.m.

**Dadansoddi Galw am Gyflymder Ffibr
Fibre Speed Demand Analysis**

[368] **Christine Gwyther:** If Members are willing, I will leave the fibre-speed item as either a paper to note or a paper to come back to at the appropriate time. Would Members like to give me a steer on that?

[369] **Leighton Andrews:** I am happy to come back to it next time, Chair, because I have quite a lot to say on it.

[370] **Christine Gwyther:** Maybe not even next time, but later on. Thank you.

*Daeth y cyfarfod i ben am 12.40 p.m.
The meeting ended at 12.40 p.m.*