

Cynulliad Cenedlaethol Cymru
Y Pwyllgor Menter, Arloesi a Rhwydweithiau

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

Dydd Mercher, 22 Tachwedd 2006
Wednesday, 22 November 2006

Cynnwys
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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: Gwyn Griffiths, Cynghorydd Cyfreithiol i'r Pwyllgor; Gareth Hall, Cyfarwyddwr Adran Menter, Arloesi a Rhwydweithiau; Mark Osland, Pennaeth Cyllid a Chynllunio; Bob Macey, Swyddfa Cyllid Ewropeaidd Cymru; Robin Shaw, Cyfarwyddwr Trafnidiaeth Cymru.

Eraill yn bresennol: Simon Pickering, Rheolwr Cyswllt Teithwyr, Passenger Focus; Stella Mair Thomas, Cynrychiolydd Cymru, Passenger Focus.

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: Gwyn Griffiths, Legal Adviser to the Committee; Gareth Hall, Director of the Department of Enterprise, Innovation and Networks; Mark Osland, Head of Finance and Planning; Bob Macey, Welsh European Funding Office; Robin Shaw, Director, Transport Wales.

Others in attendance: Simon Pickering, Passenger Link Manager, Passenger Focus; Stella Mair Thomas, Wales Representative, Passenger Focus.

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

Dechreuodd y cyfarfod am 9.30 a.m.

The meeting began at 9.30 a.m.

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

[1] **Christine Gwyther:** I welcome you all to this meeting of the Enterprise, Innovation and Networks Committee. I remind the public and Members of the availability of headsets for translation and sound amplification, if anyone is having trouble hearing with the echo in this room. The translation is available on channel 1 and the verbatim proceedings are on channel 0. Please ensure that all mobile phones, BlackBerrys and pagers are switched off completely. If there are any problems and we need to evacuate the building, please follow the directions of the ushers. The fire assembly point is at the rear of the Pierhead building. We have had no apologies, so we will move straight on.

9.31 a.m.

Cofnodion y Cyfarfod Blaenorol a Materion yn Codi Minutes of the Previous Meeting and Matters Arising

[2] **Christine Gwyther:** This item requires us to ratify the minutes of two previous meetings, the first being on 5 October. Could I have Members' agreement to the minutes? I see that you agree, thank you. The second meeting was on 18 October. Do you agree with the minutes of that meeting? I see that you do. Thank you.

[3] Do you have any comments on actions outstanding from those minutes? As there are no comments, we will move straight on.

*Cadarnhawyd cofnodion y cyfarfodydd blaenorol.
The minutes of the previous meetings were ratified.*

Adroddiad y Gweinidog The Minister's Report

[4] **Christine Gwyther:** I invite the Minister to introduce his report.

[5] **The Minister for Enterprise, Innovation and Networks (Andrew Davies):** We all heard the disappointing news yesterday from Alcoa that it is planning to close the Swansea aluminium factory. We are entering into discussions with the trade unions on a 90-day consultation period with plans to close the plant in March 2007. I have spoken to the plant manager, Alun Griffiths, and to the trade unions representatives, Paul Collier of Amicus and Gareth Jones from the Transport and General Workers' Union. I said how disappointed I was by this decision. We have helped the company substantially over many years. In fact, in 2002, I announced a financial offer of £4.5 million of regional selective assistance to the company, and it has drawn down around £2.5 million of that funding. The company says that due to rising energy costs, particularly electricity, oil and raw material costs, the plant is no longer profitable, although, as a global company, Alcoa is highly profitable.

[6] There has been an increase in profitability at local plant level in recent months, and I have told the company that I will seek an early meeting with it and the trade unions to leave no stone unturned in seeking to keep the operation going in Waunarlwydd and to keep as many jobs as possible in the Swansea plant. Given that around £2.5 million of RSA has been given to the company, we have made it clear that it still comes within the conditions and, therefore, a substantial amount of RSA grant is repayable. The company was aware of that fact, but I have reinforced the point. I have told the Business Minister that I am prepared to make a statement to Members, written or oral, depending on Plenary time this afternoon.

[7] Members will also be aware of my announcement of the offer of funding to Network Rail to construct a new railway depot at Wrexham. That would be available to all train operating companies, but is particularly relevant given the open-access route proposed by the Wrexham, Shropshire and Marylebone Railway Company. I was constrained, as Minister, in the financial assistance that I could give through traditional funding routes such as regional selective assistance, because Wrexham is not in an assisted area. I have asked Robin and the railway team headed up by Tim James to consider all funding possibilities, and I am delighted to be able to make this announcement, which is good news for railway in the north east of Wales and, I hope, will remove any impediment to the WSMR running a service. The company will now have to make an application to the Office of Rail Regulation to get permission for the new service to go ahead. Once that application is made, I understand that we will be formally consulted as a Government, but we are, in principle, in favour of the route. We have already made that commitment, but a decision will be made by the ORR in April or spring next year. So, once again, there will be further investment in the rail infrastructure of Wales, particularly of north-east Wales.

[8] Members may not be aware of the latest figures from the Office for National Statistics on the labour market. Once again, it is extremely good news for Wales. Employment was up, not just over the last few months, but over the last year. The unemployment rate in Wales is below that of the United Kingdom. It is 5.4 per cent here as opposed to the UK average of 5.6 per cent, reflecting the remarkably robust position of the labour market in Wales. That is good news for Wales.

[9] Later today, I will be announcing a report commissioned by the Countryside Council for Wales, the National Trust, WWF Cymru and the Wales Coastal and Maritime Partnership, which shows how important the Welsh coastline and marine environment is to the Welsh economy. More than 92,000 jobs are currently supported by activity on our coastline, which contributes just under £7 billion every year to the economy of Wales. Obviously, it is a precious asset, one in which we see great potential for further development, as long as it is in line with our sustainable development remit. We want to ensure that we protect our precious asset.

[10] I reinforce the announcement that I made on Monday with William McNamara, the chief executive, on the launch of the Bluestone project. It is a unique and special project for west Wales, at the heart of the Welsh economy, involving a £110 million-worth green holiday village in Pembrokeshire. It will be vital to the tourism industry, as it will be unique. I am delighted that, as a Government, we have made £18.5 million of financial assistance available for what will be an iconic development.

[11] **Christine Gwyther:** I welcome that last point, as the constituency AM. It is a fantastic announcement—and only about three or four years overdue, due to planning difficulties. I will now bring Members in on that oral update, before I ask you to comment on the substantive written report.

[12] **Kirsty Williams:** I begin by returning to the Alcoa issue. Minister, could you give us an indication of the discussions that you have had with Alcoa in the most recent months regarding its position? Did it give you any warning of the announcement yesterday? In addition, what will you do now to look to maintain employment at the site with this company? You mentioned the fact that the grant that was given to them is still under conditions. Can you estimate how much of that grant will be repayable? You also said this morning that some of the £4 million that was initially offered to the company is still on the table. Could you outline how that money could potentially be used to keep the jobs in Swansea? In the longer term, however, there seems to be little point in offering that money if we will just find ourselves back where we are now in a year's time, for instance. If these jobs do go, can you outline what help you will give to the trade unions and the workers at the factory to seek alternative employment?

[13] **Christine Gwyther:** Does anyone else want to ask about Alcoa before I ask the Minister to respond?

[14] **Alun Cairns:** At this early stage, what core reasons has the Minister established for the operation? I know that the plant manager is cited as saying that it has not made any money over the past couple of years. Bearing in mind the RSA grant that was offered at the time, what projections were in place, and what is not making it fit, effectively, in terms of its plans? As a starting point, what has made it uncompetitive in comparison with its plans, and what changes have there been in the meantime?

[15] **Christine Gwyther:** Thank you. Janet will come in first and then Leighton, if it is on Alcoa.

[16] **Leighton Andrews:** It is.

9.40 a.m.

[17] **Janet Davies:** Following on from what Alun asked about the core reasons for the company going, has there been any suggestion that the fact that redundancy rules are more lax here—if I can put it that way—than elsewhere in the European Union had any influence on the company's decision to close? Is the company taking this production elsewhere or is it closing down that part of the firm entirely? I am greatly concerned about more jobs going from the Swansea area, as I am sure everyone is.

[18] **Leighton Andrews:** Minister, those of us who are fighting potential factory closures in other constituencies will sympathise with the position in which the workers in your constituency find themselves. Do you agree that it is important in these situations that all political parties rally behind the unions in the factory, in defence of those jobs? The last thing that workers in such a situation need to see is party-political point scoring. The most important thing when these situations arise is a united campaign to protect jobs in factories.

[19] **Andrew Davies:** It is always disappointing whenever redundancies or, as in this case, factory closures are proposed. We have a good record as a Government and I think that, as a Minister, I have a good record in terms of responding to the needs of those affected. The case of Alcoa is different from that of Burberry in the sense that this is the closure of the company's operation; the company has made it clear to me that it is exiting the European market for this product, so it is not moving production to elsewhere in Europe or the rest of the world.

[20] To answer Alun's question, the reasons for the closure are the rising costs of energy—electricity and oil—and raw materials. For a company such as Alcoa, like a lot of the heavy industry that we have in Wales, energy is a major part of its cost base. It is the same for Corus, the aluminium industry and many others, so any increase in costs will have an impact on those companies' bottom lines.

[21] I am aware that the company has been in discussion with the unions over many years and, in recent months, the issue of reducing costs at the Swansea plant was raised. A cost-cutting package was put to the trade unions back in April, I believe, but the local workforce rejected it. It is a general dilemma for unions and workforces. We are now faced with lots of manufacturing companies with similar difficulties: it is happening at TRW Steering Systems Ltd in Resolven and it has happened elsewhere, such as at Continental Teves UK Ltd in Ebbw Vale, where cost-reduction packages have been put to the workers. It is an awful dilemma for those workers: to reduce their pay and conditions to protect jobs or not to accept revised terms and risk losing their jobs or, in this case, the factory. It is an awful dilemma, and I do not think that anyone would wish to be in that position. What is happening in other parts of the European Union, as in one of the German factories of Continental Teves, for example, is that the union has voted for, and accepted, a cost-cutting package. These are some of the competitive pressures that the manufacturing industry faces within the European Union, let alone the pressures of competing with the Chinese and Indian markets.

[22] In terms of Kirsty's question, I met the company late last year, and my officials meet with the company regularly. The south-west team, based in Penllergaer in Swansea, has been in regular discussions with the company about its operation to see whether there is anything that we can do to help. There is obviously constant dialogue about the regional selective assistance offer. I meet the unions regularly, both Amicus and the Transport and General Workers' Union, and I spoke to their full-time officers yesterday.

[23] At the moment, we are not talking about redundancies, but about whether there is anything that we, as a Government in collaboration with the unions, can do to keep the operation going. There is a substantial amount of RSA still on the table. However, I do not know whether it would be possible to re-examine the cost-cutting package that was on the table earlier in the year. I have been discussing that with the unions and I will be discussing it with the plant manager, Alun Griffiths. I am hoping to set up a meeting with him later this week.

[24] **Christine Gwyther:** Are there any further questions on Alcoa?

[25] **Alun Cairns:** One point that stems from the issue regarding Alcoa is that, since April, there have been more than 3,500 manufacturing job losses. Has the Minister identified a trend, does he have concerns about that, and, coming back to the core reason for the job losses, is there a common factor regarding the 3,500 jobs that have been lost since April?

[26] **Andrew Davies:** I think that there are common themes. One is obviously the relentless pressure to reduce costs, particularly in manufacturing, and that is happening within the European Union, as well as globally. We have seen lots of manufacturing job losses, and not just in Wales. I think that we have been particularly successful in slowing down the loss of manufacturing jobs; in fact, if you look at the figures for Wales, the proportion of jobs that we have lost has been significantly smaller than in the rest of the United Kingdom. However, there is pressure to reduce costs, as in the case of Alcoa, Burberry, and many other facilities. There is constant pressure, and all companies who operate globally are seeking to reduce their costs, whether in terms of energy, raw materials or labour.

[27] The other big change is the move from high-volume, low-value-added production to low-volume, high-value-added production, which is similar to Sony's closing of a television production plant in Bridgend in June 2005 while also investing in high-definition TV and video-camera production at Pencoed. Those are the two broad themes that are affecting us in Wales.

[28] **Christine Gwyther:** Are there any other questions on the oral update before we move on to the written update?

[29] **Janet Davies:** I have two issues. The first is the statement on coastal paths by the Countryside Council for Wales, the National Trust and WWF. There are areas where, for various reasons, there is great difficulty in opening coastal paths. Has there been any progress on that? Secondly, a considerable amount of grant is going into the Bluestone project—£18.5 million. There have been problems with systems of control regarding companies and organisations that receive money from the European structural fund. Are you satisfied, in this case, that you have sufficiently robust systems of control to cope with that amount of money going into the project?

[30] **Andrew Davies:** I will have to come back to you with an update on the coastal paths, which I will make available to all Members. On Bluestone, I think that the way in which we have worked with William McNamara and his team is a good model of the Team Wales approach. The funding package that we put together comes from a wide range of sources: regional selective assistance, the former Wales Tourist Board, which is now Visit Wales and is part of my department, and Finance Wales, which provided a substantial loan. It is a good example of Team Wales getting involved early and everybody working together to help a company. We have good financial controls in place, and whenever we make a decision to invest in a company, it is only done on the basis of a sound and robust business case. We will work with the company to ensure that public investment is an investment well-made, and to ensure that we get the returns.

[31] In terms of regional selective assistance, it is not drawn down all at once, but only as the private-sector investment is made—in this case, by Bluestone and its backers, Mansford Holdings plc. The company can then draw down support from us. As we have found with Alcoa, if an operation does not create the number of jobs that are agreed as part of the business case, then, of course, we have the option to withdraw or reclaim grant.

9.50 a.m.

[32] **Christine Gwyther:** As a local member who has pressing on behalf of Bluestone for years, I wish to say that the financial investment so far has been under the strictest control. I can assure you of that. It is very welcome, nonetheless.

[33] **Kirsty Williams:** With regard to the investment in Wrexham and the rail infrastructure, in order for you to be able to announce this money, you must have done further research on the viability of the proposed service between Wrexham and London. You would not be prepared to put your money upfront into this infrastructure project otherwise. Will you outline whether you are satisfied that any revenue concerns regarding the ability to run that service have been considered and that you are convinced that revenue funding will be available, which will make that service viable and enable it to run? Are you also satisfied in terms of other track infrastructure issues, so that running services between Wrexham and London will not have an adverse impact on other services that currently use Shrewsbury station? As you know, there is a great deal of congestion on our tracks, and any new service timetable has the potential to have an impact on existing services. I am concerned that you have satisfied yourself that investment in this service will not have an adverse impact on rail passengers.

[34] **Andrew Davies:** Obviously, the business case is not based only on the Wrexham-Shrewsbury-Marylebone service. This facility will be open to any other train operating company—primarily Arriva Trains Wales. Yes, we believe that it is a sound business case; we would not be making the investment otherwise. It goes together with the substantial investment that we have made across a whole range of infrastructure issues. Only last week—and I did not mention this in my oral update—I opened the British Transport Police station in Pontypridd, and we have made an extra investment in 21 community support officers for the whole of the Wales and borders franchise, to improve staff and passenger safety and comfort. We also invested in CCTV for stations in north and south Wales. So, a very substantial investment is being made with Arriva Trains Wales and Network Rail. We believe that there is a robust business case for this, because we feel that it will benefit all train operating companies.

[35] The other point to make is that WSMR still has not received approval from the Office of the Rail Regulator to run the service. We have supported the proposal and we will be consulted on it by the ORR, and I am sure that we will be able to give the proposed service our full support—we would not be making this investment otherwise. Nevertheless, as you have highlighted, there are issues to be addressed. The proposed service from Wrexham to Marylebone will run on some of the most congested lines in the West Midlands, and there are concerns that that will add to congestion. The Office of the Rail Regulator will need to be satisfied that those issues can be resolved amicably.

[36] This issue was raised in the first meeting that I chaired of the cross-border rail forum, which we agreed, with the Department for Transport, to establish. Given that the Wales and borders franchise services run through the English border counties, there needs to be a mechanism for listening to the concerns of stakeholders in the English border counties, as well as passengers. The first meeting of that forum was held in Hereford a few weeks ago, and the issue came up at the time. It was raised by, for example, Shropshire County Council. The Office of the Rail Regulator will obviously need to satisfy itself that this service will not have an adverse effect on existing franchise services. This will be an open-access service, and, therefore, the commercial environment in which it will operate will be significantly different to, for example, the environment of Arriva Trains Wales. Perhaps Robin would like to add something.

[37] **Mr Shaw:** I do not have a great deal to add. Obviously, the company has carried out a detailed assessment of the route and believes that it can demonstrate that the service is viable and that it will not have an adverse effect on it, but it has to prove that point to the rail regulator. That is what that process is there for. The other train operating companies and Network Rail will review that proposal and will feed in their comments, and concerns if they have them, and the regulator will then be the impartial judge, if you like, regarding whether or not it is in the public interest to run it, as these are, effectively, competing commercial enterprises.

[38] **Alun Ffred Jones:** Gofynnaf gwestiwn am rywbeth nad yw'r Gweinidog wedi gwneud datganiad yn ei gylch, sef yr addewid a roddwyd gan y Trefnydd y byddai'r Gweinidog yn gwneud datganiad ar Gomisiwn Sgrîn Cymru a'r penderfyniad ynglyn â hynny. Yr oeddem wedi gofyn am dystiolaeth ac ynghylch y rhesymeg y tu ôl i'r penderfyniad hwnnw. Nid wyf am fynd i fanylder yn awr, ond pryd mae'r Gweinidog yn bwriadu dod â'r mater hwn gerbron y pwyllgor?

Alun Ffred Jones: I will ask a question on something that the Minister has not made a statement on, namely the pledge made by the Business Minister that the Minister would make a statement on the Wales Screen Commission and the decision related to that. We asked for evidence and about the rationale behind that decision. I do not want to go into detail now, but when does the Minister intend to bring this issue before the committee?

[39] **Andrew Davies:** I am more than happy to deal with the issue now, but it has been discussed before and Eleanor Burnham raised it in questions to me in Plenary last week or the week before. There has been a wider issue of how we as a Government support business. There have been many discussions in this committee—and the Welsh Affairs Committee has also considered this—on business support generally needing rationalisation in Wales. There is too much business support funded by the public sector, which is often confusing to the business user, and is often contradictory and duplicated. So, there is a great need to rationalise and streamline the position in terms of support for business and that is the general thrust of how the Government is working. It was one of the principles that underpinned the rationale for the ASPB merger and, since then, the north Wales director of my department, Vanessa Griffiths, who is also director of enterprise, has been undertaking a review of enterprise support. She will come to committee with that in due course to highlight what we are doing.

[40] On the Wales Screen Commission, creative industries are of huge importance to us in Wales but, again, we want to ensure that the support that we are funding is what the business needs and that it reflects a business case. I was asked a question about the business case for Bluestone on the one hand and the Wrexham rail depot on the other hand. The role of Government is to support business where appropriate and to ensure that that is done in line with a sound business case. Until recently, the Wales Screen Commission comprised several differently constituted bodies throughout Wales, offering a service to film and television companies looking to film in various locations in Wales. Until recently, that was done through differently constituted bodies and there was conflict in terms of who provided what service and there was a great deal of duplication. Looking specifically at the work done by the commission—and, again, I can make this information available; I wrote to Eleanor Burnham about it yesterday and I can make the figures available to all Members—the number of inquiries across the whole of Wales was 336. One hundred of those, or 16 per cent, were for north Wales. The value of productions, across the whole of Wales, equated to £8.8 million. The bulk of that was in south-east and south-west Wales. Of that £8.8 million, just under £70,000, which is 0.7 per cent of the total, was work that was brought in by the Wales Screen Commission in north Wales. There has been a lot of misinformation about this issue, and there is an allegation that we are stopping the promotion of north Wales as a location; there is nothing further from the truth. There is also an allegation that we are closing down the operation of the Wales Screen Commission in north Wales; again, there is nothing further from the truth. It is based on a sound business case, and it is a reflection of where you put scarce resources in terms of helping the industry. So, in terms of staffing, there are six members of the Wales Screen Commission on an all-Wales basis, and one will continue to be based in north Wales.

10.00 a.m.

[41] **Alun Ffred Jones:** Yr hyn yr oeddwn yn gofyn amdano oedd y dystiolaeth a'r rhesymeg dros hynny. Sonioch am ffigurau, a'r ffigur cyntaf a glywsom oedd fod £18 miliwn wedi ei wario yng Nghaerdydd a fawr ddim mewn lleoedd eraill. Mae'r ffigur wedi newid i £8.8 miliwn. Fel un sydd yn gyfarwydd â'r diwydiant, hoffwn wybod beth yw sail y ffigurau hynny, a pha fath o gynrychiadau ydynt. Mae'r comisiwn ffilm, at ei gilydd, wedi bod yn helpu pobl sydd yn dod o'r tu allan nad ydynt yn gyfarwydd â'r ardal. Nid yw'n cynnig gwasanaeth i'r diwydiant cynhenid, gan fod y cwmnïau hynny'n gwneud eu cysylltiadau eu hunain, neu ni ddylent fod yn gwneud y gwaith. Felly, yn sicr yn y gogledd, mae gwerth ychwanegol i'r prosiectau. Os mai gwerth £70,000 yn unig o fusnes a gynhyrchwyd gan y comisiwn ffilm yn y gogledd, mae gennych achos cryf. Yr wyf eisiau gweld y dystiolaeth a'r rhesymeg, ar ddu a gwyn, er mwyn gweld yn union beth yw natur yr £8.8 miliwn a'r £70,000 honedig yn y

Alun Ffred Jones: I was asking for the evidence and the rationale for that. You mentioned figures, and the first figure that we heard was that £18 million was spent in Cardiff and not much anywhere else. The figure has now changed to £8.8 million. As one who is familiar with the industry, I would like to know what those figures are based on, and what kind of productions they refer to. The film commission, to all intents and purposes, has been helping people from outside who are not familiar with the area. It does not offer a service for the indigenous industry, because those companies make their own connections, or they should not be in that line of work. Therefore, certainly in north Wales, there is an added value to the projects. If the film commission in north Wales generated only £70,000-worth of business, then you have a strong case. I want to see the evidence and the rationale, on black and white, in order to see the exact nature of that £8.8 million and the alleged £70,000 in north Wales.

gogledd.

[42] **Christine Gwyther:** Before you respond, Minister, Alun also wants to come in on this point.

[43] **Alun Cairns:** Basically, I am trying to understand the rationale. When the Minister made the statement previously, he said that he would be more than happy to present the case to committee. We have not seen any evidence, and just listening to oral evidence is not satisfactory for us to scrutinise. He said that he needed to make a commercial business decision, so, on that basis, I assume that officials would have provided him with the data and the scenario, for him to make a judgment on what he does in terms of reorganisation. That is the sort of information that we need, in order to support or scrutinise the decision that he made. That will then reassure people who have found themselves affected and, potentially, give a better reason to those people with better opportunities.

[44] However, at the moment, I am not convinced in any way at all, bearing in mind the sorts of statements that are made outside the committee, that we have had a chance to scrutinise it. I ask, Cadeirydd, that a paper, at least, is presented at the earliest opportunity—the next meeting, if possible. That should be the sort of paper that he would have considered in order to have made this decision, so that we can comment on it. If it is not possible for us to comment, then the data should be made available. It is extremely urgent, because the decision has been taken and if we want to seek to influence that decision then we do not want too many actions to have fallen out of that decision at the earlier stage.

[45] **Andrew Davies:** I am more than happy to prepare the paper, as I have always been to make information available. For clarification, there is no conflict in terms of what I said about the £18 million, in terms of business being created and adding value by the Welsh Screen Commission. The £18 million referred to last year, and the £8.8 million refers to business generated so far this year. I am more than happy to provide the information, but this committee and its predecessor were constantly berated by Alun and others about the fact that there is too much business support; it needed to be streamlined, as the committee's own work in terms of business support said. Clearly, rationalising it and bringing it together under the auspices of the creative business Wales hub has done exactly that. It is about focusing what we do as a Government on the needs of a very dynamic sector.

[46] **Alun Ffred Jones:** In Cardiff.

[47] **Andrew Davies:** The base of the creative hub is in Cardiff, but there will still be a base for the Wales Screen Commission in north Wales, because a staff member will be based in Caernarfon, in your constituency, Alun Ffred. So, I do not see any contradiction with that. If you look at the bulk of the business won by the Wales Screen Commission and where most of the businesses based in the creative industries are located, they are in south-east Wales. Some of the most dynamic companies are based in this area, such as Green Bay and Boomerang, but other dynamic companies are based in other parts of Wales. I visited such a company in your constituency a few weeks ago, namely Griff Films in Caernarfon. Similarly, one of the largest independent TV companies in the UK is Tinopolis, which is based in Llanelli. It is about working with the industry, because that is what the industry tells us that it wants. It is about focusing on its needs, and not on what the Government or the public sector thinks that it needs.

[48] So, this is being done after a huge amount of consultation with the industry and businesses in a wide range of sectors, but it is about adding value. For too long in Wales, there have been companies based in the creative industries that have been too complacent. They have been based on long-term contracts with some of the broadcasters, whether in television or music, and they have been far too complacent just sitting back and accepting royalties year on year. The music industry is one such industry, and independent television production companies are also an example where they have been too complacent and have happily worked with broadcasters such as S4C and have not exploited the commercial opportunities provided by the industry, whether it is in music, film, television or animation. We will not build a dynamic economy based on that rather complacent attitude that has been demonstrated by too many companies for too long in Wales. As I said, I would be more than happy to bring a paper to committee to give all the details that you need, and the rationale behind this decision.

[49] **Christine Gwyther:** Thanks, Minister, and I would like to—

[50] **Alun Ffred Jones:** May I respond?

[51] **Christine Gwyther:** I am speaking, Ffred, do you mind? I would like to commission a paper from the Welsh Assembly Government on the Wales Screen Commission, but also on the wider issues that you have raised.

[52] **Alun Ffred Jones:** All that I was going to say was that the work of the Wales Screen Commission has very little to do with the television industry, as such, in Wales, and that the two issues are separate. I know that very well from my own experience. The companies that I was involved with did not work a great deal with the Wales Screen Commission—it worked with those from outside. So, your remarks were irrelevant to the point that I made about the Wales Screen Commission. All that we ask for is the evidence and the rationale. There is nothing peculiar about that. I could disagree with other things that you said, but that is irrelevant to the point that I made about the Wales Screen Commission.

[53] **Christine Gwyther:** Okay. Are there any other points on the oral update before we move on to the report?

[54] **Alun Cairns:** I have one brief point, because I suppose that the information that the Minister can share is very limited, but it is important to note, and I have one other more pressing point. The first point is on the CSN bid for Corus. Does the Minister have any additional information to that which was made available to the stock exchange on Friday, bearing in mind that there seems to be some sort of bidding round? Does he have any information about the implications and the plans that CSN has for Corus, compared with the Tata bid? I know that it is early stages and that it is difficult for the Minister to comment, but any information would be useful.

[55] The second issue is exceptionally pressing and has been raised with the Minister in the Chamber, and with the First Minister. We want to know the latest about First Great Western's links with Swansea, and the 5.18 p.m. train from Cardiff. It sends out every wrong message about Wales' second city. It is a disastrous decision. I know that the Minister opposes the decision, but we want to know what action he has taken. Has the Minister raised the issue with the Ministers in Westminster, because they have the responsibility? What response has he received, and will he share that data? What can we do in order to press the matter even further? This decision must be reversed—there is no alternative. It sends every wrong message about west Wales to the business world, and it is a practical distraction for any business traveller who must get off in Cardiff and catch an Arriva train the rest of the way. Some large organisations will be able to provide a chauffeur, but if you have to provide a chauffeur to take you an hour down the road, it is absolutely the wrong message to send about Swansea.

10.10 a.m.

[56] **Christine Gwyther:** Also, Minister, it is a complete pain in the neck for people who cannot afford chauffeurs—if I can make that rather socialist point in committee. [*Laughter.*] For people further west than Swansea, this is becoming a real issue. Janet?

[57] **Janet Davies:** I did not think that the trains issue was going to come up now, but as it has come up—

[58] **Christine Gwyther:** It was not supposed to come up now, but as it has—

[59] **Janet Davies:** I will ask the Minister to comment on the issue of what appears to be a loss of services at Severn tunnel junction, because it is very important in terms of the increase in the number of cars on the motorway.

[60] **Andrew Davies:** On Alun's first question about CSN, it is my understanding that it has not actually made a formal bid. If you recall, when I made my statement about the Tata bid for Corus, I was very clear to say that that bid was subject to approval by the shareholders. Obviously, the board is recommending acceptance, but that did not preclude other bids coming in. Clearly, it would be a matter for the company and the shareholders to deal with. That is my understanding although I am obviously open to correction. However, it is my understanding that no formal bid has been made yet.

[61] On the First Great Western issue, I am glad that Alun is supporting my stance on this. I have been extremely robust with the company. We were consulted on the timetable changes earlier this year and we objected to them at that time. I put on record that this is not just about the service from Cardiff to Swansea; there are other timetabling issues, to which Janet has referred, namely between Severn tunnel junction and Bristol Temple Meads. In fact, there is a public meeting tonight in Caldicot, which I cannot attend, but Robin will be there.

[62] I have had more representations on that issue than I have had on the Cardiff-Swansea issue, which is about the proposal by First as part of the new franchise and the taking over of the Wessex operations. The company is reducing, at peak periods, what is now a half-hourly service to an hourly service. I have said again that that is, frankly, not acceptable.

[63] As you will be aware, First is also proposing to withdraw buffet cars from some trains. I had a conversation last week with Moir Lockhead, the chair of FirstGroup—the parent company for First Great Western as well as its bus operation. I pointed out that, again, this was not going to lead to an improved service for passengers and Moir Lockhead informed me that that was due to a survey that the company has done of customers, which revealed that, apparently, customers preferred a trolley service rather than a buffet car. First is doing this because, if you take a carriage away, the train is lighter and can accelerate quicker; that gives the company more of an opportunity to meet performance monitoring targets and avoid being penalised. I do not feel that that is in the interests of passengers; it is more about First Great Western's operation and its aim to avoid penalisation.

[64] I do not know whether or not Members will be aware, but I was certainly aware—I met with the transport unions the other evening and the rail unions were informing me again of their concerns—of the fact that First Great Western is removing the part that operates the maintenance of its fleet from the Canton depot and moving it to Bristol, which may well be one of the factors that underlines the changes to the timetable affecting Severn tunnel junction. I said that this is, frankly, not acceptable; we said so in response to a consultation, and I said so very clearly earlier this year when I met Moir Lockhead, Alison Forster, the managing director of First Great Western, and Chay Blyth, the chair of the group. I said that these are not acceptable changes, and that they are running a UK franchise, not an English franchise. However, the company has been completely intransigent so far in its attitude. I have raised this issue at a meeting with the Secretary of State for Transport, Douglas Alexander. Again, I said that this was not acceptable for the reasons that Members have already outlined, that this was a UK franchise and not a matter for the Assembly Government. There is a provision that we could pay for enhanced capacity on existing services run by Arriva Trains Wales. I have said, frankly, that that is not acceptable; it is a UK franchise, not a Welsh franchise. We are responsible—and I am responsible—for the Wales and borders franchise. I would like to point out, as Arriva Trains has come in for a great deal of criticism over the last year, that its performance has significantly improved. There are still issues to be addressed, particularly with regard to rolling stock, but the latest public performance measures show that Arriva is performing at over 90 per cent, well above its benchmark target of 85.5 per cent. First Great Western is performing below its performance target. I know that the committee invited Arriva Trains Wales and Network Rail to a meeting recently; the committee

may well wish to invite First Great Western to appear, for it to answer these questions, rather than me.

[65] **Christine Gwyther:** That will happen—Members do not need to request that, because this is becoming a matter of urgency. I understand that the Welsh Assembly Government does not have direct control, but what lobbying are you doing on behalf of Wales, Minister, of the UK Government?

[66] **Andrew Davies:** As I said, in the consultation on the timetable, we have made our position crystal clear—the proposed changes, and the diminution of the service, are not acceptable. We have made that clear to the Department for Transport at official level, and to the Secretary of State. The First Minister and I have raised this with the Secretary of State for Wales, and with the junior Minister, Nick Ainger, and they have also made representations to the DfT. I have also discussed with south Wales MPs the implications of this for their constituents, and I understand that they have been actively lobbying the DfT on this issue.

[67] **Alun Cairns:** I asked the Minister what response we have had from the DfT and the Secretary of State. We have not heard their responses yet.

[68] **Andrew Davies:** Their view is that they have taken this up with First Great Western. It was also put to me that, if it was an issue of travel between Cardiff and Swansea, it was a commuting service. I said that it was not a commuting service—it was an inter-city service, and therefore a UK franchise matter. Therefore, we are continuing to make the strongest representations to the DfT, and my understanding is that it has been in active discussions with First Great Western about this.

[69] **Kirsty Williams:** It would be a good idea to try to get First Great Western here. I would also like to see the DfT here, because I would like to ask it first hand what exactly it has been discussing with First Great Western. The Minister can make representations, but the DfT needs to know that, collectively, we are unhappy with what is happening, and we expect it to take action, given that it is its responsibility. Therefore, could we have the DfT here too?

[70] **Mr Shaw:** For information, the DfT has declined to attend this evening's meeting in Caldicot.

[71] **Kirsty Williams:** What a surprise.

[72] **Mr Shaw:** It has indicated that it is a matter for the First Great Western train company, not it.

[73] **Christine Gwyther:** That is a public meeting, but we will still ask it to attend a meeting here.

[74] **Janet Davies:** I do not know whether the Minister has raised the issue of the open fares between south Wales and London. While you can get cheap fares if you book in advance—you may get a fare as cheaply as £11 for a single—for businesses that need to travel at peak times, the standard fares are very high: a standard, open ticket is £171 return from Swansea to Paddington, and it is well over £200 for first class. That may be okay when one of us travels, and the Government pays—well, it is still not okay, but it happens. However, if you have a relatively small business, or a medium-sized business, that is a terrible amount of money if you have to go back and forth to London. So people go by car instead.

10.20 a.m.

[75] **Andrew Davies:** I have made this point repeatedly, and I raised it with First Great Western when I met it earlier this year—what it proposes is not helping in terms of modal shift. I have pointed out—and we have made the point repeatedly to the DfT as well—that the increase in rail use is significantly above that of the rest of the UK. I think that there has been an increase of 25 per cent on the Wales and Borders franchise, for example, over the last three years. On the Cardiff Valleys lines, there has been an increase of 10 per cent in the last year alone. So, we are not talking about an area where rail is a minor consideration; we are talking about a major growth area. Over and above that, rail is a significant issue for us in terms of, for example, the point that Alun Cairns made about inward investors. In Scotland, there is the alternative of flying to London from Glasgow and Edinburgh; we do not have an air alternative in Wales. There are negative perceptions about the distance between London and Wales in any case, and we deplore and we will try to overcome anything that enhances that negative perception. There are issues about the reliability and performance of the service as well as about the fares. These are all issues that we have taken up with First Great Western and with the Department for Transport.

[76] **Mr Shaw:** I would like to add something on the fares. I hesitate to be defensive of First Great Western in this circumstance, but currently those peak-hour services are full; the capacity is exceeded and the new fare structure that it has introduced—and you touched upon the low-cost tickets that you can purchase—are targeted at persuading people to travel outside of the peak periods where they can do so. It has made significant reductions in the cost of travelling outside of the peak period, which is to the benefit of the travelling public, although I appreciate that not everyone can travel outside the peak period. However, it does not have the physical capacity to increase the number of seats on the peak services and, therefore, it is looking to facilitate and encourage people to use services other than the peak services and to fill those seats that are currently empty on trains between London and south Wales.

[77] **Andrew Davies:** On the peak period, this is our particular concern about the withdrawal of the 5.18 p.m. service from Cardiff to Swansea. Earlier this year, I had practical experience of what will happen when the new timetable is implemented when a service from Paddington to Swansea ended at Cardiff. The train was running late; it got into Cardiff just before 5 p.m. We were informed that there was a service that would take us on. This was the Manchester to Carmarthen service, run by Arriva, which was a two-carriage train. There were at least 200 people waiting on the station by the time that the train came in. It was one of the most uncomfortable and unsatisfactory train journeys that I have had to experience. That will happen not only on an irregular basis, as in my case, unfortunately, but on a daily basis in the future. I told First Great Western and the Department for Transport that this is during the peak travelling period and not off-peak, and that is why it is particularly unacceptable.

[78] **Christine Gwyther:** I have seen figures that suggest that that particular train is 120 per cent full on a regular basis. So, it is clearly not sustainable.

[79] **Leighton Andrews:** Do you want to stay on the subject of trains, because I wanted to move on to something else?

[80] **Christine Gwyther:** Is it on the oral update or on the written report?

[81] **Leighton Andrews:** It is on the written report.

[82] **Christine Gwyther:** We will move on to the written report. Are there any points on paragraphs 1 and 2, on supporting enterprise? We will start with Leighton.

[83] **Leighton Andrews:** I will just endorse what everyone else has said about the First Great Western situation, because my constituents will face additional overcrowding at Cardiff at peak times if people are being dropped off there.

[84] On supporting enterprise, I wanted to ask a question on Business Eye. Can we have an update on how the business support services are working since the merger of the Welsh Development Agency into the Department for Enterprise, Innovation and Networks? There have been two cases in my constituency in the last six weeks of two businesses not been given the information that they needed. In one case, it was due to a private consultant and in the other case, it was a question of, I thought, relatively inadequate advice from Business Eye. I found that I was telling them things that I thought they ought to have been told by the support services. I have subsequently, with regard to both cases, corresponded with Gareth.

[85] I am pleased that things, certainly on the first point, have moved along. I only e-mailed you on Friday about the other one, so it would be a bit harsh to expect you to have done much about that.

[86] However, I have a concern, which colleagues may share, about how that structure is working and where people can expect to go. If businesses subsequently come to us that feel that they have not had a satisfactory experience with Business Eye, say, how and where do we feed that back in? That would be valuable.

[87] **Andrew Davies:** Without commenting on the specific issue, I said in response to a question on the Wales Screen Commission that we will bring a report to the committee on the enterprise review. That may provide an opportunity to look at the bigger picture at that stage. Business Eye is a signposting service, so I am not sure whether the specific issue lies with Business Eye or with one of the organisations to which your constituent was referred.

[88] **Leighton Andrews:** I think that it was with Business Eye.

[89] **Andrew Davies:** We will deal with that specific matter, but when we present the report may be the appropriate time to look at this.

[90] **Christine Gwyther:** Certainly.

[91] **Alun Ffred Jones:** Mae gennyf gwestiynau am raglen Môn a Menai. Croesawaf y cyhoeddiad; bwm yn y lansiad gyda'r Gweinidog ym Mharc Menai. Ynglyn â ffiniau'r rhaglen hon, a elwir Môn a Menai, a yw hynny'n golygu Môn a Gwynedd i gyd, neu Fôn a'r rhan honno o Wynedd sydd ar lannau'r Menai, sef Arfon i bob pwrpas? A gawn hynny'n glir?

[92] O ran arian, mae cyfeiriad yn 'Creu'r Cysylltiadau' at strategaeth Blaenau'r Cymoedd ac at raglen Môn a Menai. Y gwahaniaeth yw bod gan strategaeth Blaenau'r Cymoedd gyllideb o £140 miliwn dros gyfnod penodol. Pam nad yw'r Gweinidog yn teimlo bod angen rhoi cyllideb ar gyfer y rhaglen hon?

Alun Ffred Jones: I have questions about the Môn a Menai programme. I welcome the announcement; I was at the launch with the Minister at Parc Menai. With regard to the programme's boundaries, it is called Môn a Menai, so does that mean Anglesey and all of Gwynedd, or Anglesey and that part of Gwynedd that lies the Menai straits, which is Arfon to all intents and purposes? Can you clarify that for us?

With regard to funding, there is reference in 'Making the Connections' to the Heads of the Valleys strategy and the Môn a Menai programme. The difference is that the Heads of the Valleys strategy has a budget of £140 million over a specific period. Why does the Minister not feel the need to provide funding for the programme?

[93] **Andrew Davies:** As to the area covered by Môn a Menai, it is similar to the spatial plan, in that the boundaries are fuzzy, and that is largely deliberate. Yes, Anglesey is included, but I would argue that Gwynedd, as well as parts of Conwy, may well benefit from the programme. However, that is to be determined as we take the Môn a Menai programme forward. It is still early days, and the reason why I made the announcement of setting up this programme is to be proactive in preparing for the decommissioning of the Wylfa power station in 2010 and the implications that that will have for the local economy. So, issues such as the area covered by the programme, and the key action points that will come from the programme, are yet to be determined. We are still very much at the early stages. Many of these matters are to be determined, such as the precise area or areas that the programme will cover.

[94] That is also true of the funding. At this stage, we do not know what the priorities will be. To compare the programme with the Corus regeneration programme that the Government set up, that was a specific response to a specific event, which was Corus's announcement of over 3,000 redundancies in 2001. Therefore we knew what the issues were in that case: we knew the scale of the investment and where the redundancies would fall, and, on that basis, we were able to offer a considered package. Clearly, we do not know the precise implications of the decommissioning of Wylfa. For example, we do not know whether Anglesey Aluminium Metal Ltd will be able to secure an alternative energy source. Therefore, will we be dealing with just the decommissioning of Wylfa, or are we also talking about the possible closure of Anglesey Aluminium? We are still very much at the early stages of planning, so it would be premature to talk about precise funding packages. As we take this forward, working with the key local authorities of Gwynedd and Anglesey and other stakeholders over the coming months, we will have a much clearer picture of the priorities and the funding implications.

10.30 a.m.

[95] **Christine Gwyther:** Ffred, are you content with that answer for the moment?

[96] **Alun Ffred Jones:** Yes.

[97] **Carl Sargeant:** On Leighton's point on business support, it is important that we see what the new structures have brought to us. I supported the shake-up of business support and the fact that we need to be more focused on what the industries needed.

[98] On point 4 on the Business Eye website, I see that it has done particularly well by getting 3 million hits from businesses. Would it be possible to have a breakdown of advertising costs and placements in the report? I have seen contact details for Business Eye support in some areas in north Wales, but they are limited. It would be useful to see the process for advertising and where money is allocated and so on. So, if you could include that in the report, it would be useful.

[99] **Alun Cairns:** To add to that, I would probably take the opposite view. Millions of pounds are spent advertising Business Eye and I am not convinced that we are getting value for money. So much money is being spent on advertising it during peak periods of television viewing, for example, during commercial breaks in soap operas and so on, that I would question the contacts and the value for money that we get in promoting Business Eye during those periods.

[100] **Andrew Davies:** We would be happy to provide that information.

[101] **Janet Davies:** I have two points on item 12, concerning the meeting with Graham Meadows. The first, and smaller, point relates to the part where you state the need to be prepared to take risks in the use of structural funds, and Graham Meadows specifically encouraging that. Clearly, we want some reassurance from the European Commission so that, if the Assembly Government is going to take risks, it provides guidelines on managing those risks and does not come back afterwards and say that you should not have done that. My second, and main, point is on the convergence programme and the negotiation of details on that with the commission. Will you bring that to committee?

[102] **Andrew Davies:** To deal with your first point, it was an extremely positive meeting with Graham Meadows. He said that he thought that Wales was ahead of the rest of Europe in terms of the management and success of the programmes. We discussed the risk issue and I presume that he will inform the audit regime, for which he has responsibility—along with other commissioners because do not forget that the European social fund is handled by the Directorate-general for Employment, Social Affairs and Equal Opportunities, whereas the European regional development fund is handled by the Regional Policy Directorate-general. So, there needs to be an equal understanding of what is meant in terms of risk, risk assessment and management, so that different parts are not saying different things.

[103] On the negotiations, I brought forward the convergence programme to committee recently, which gave you an opportunity to discuss it. We will keep Members up to date with negotiations, either in committee or in Plenary. The First Minister and I will keep Members informed where possible, bearing in mind that some of those discussions and negotiations will take place behind closed doors. Perhaps Bob would like to come in at this point.

[104] **Mr Macey:** On those two points, I accept Janet Davies's first comment on risk. I am acutely conscious that what the auditors say is not always what you get from elsewhere. The Minister has rightly pointed out that Regional Policy Directorate-general auditors are accountable to Graham Meadows. Behind them is the European Court of Auditors, which is a further law unto itself. So, risks must be considered and we have to look to manage those risks, where and when we take them. We are looking for some comfort. We have had a contract of confidence recently, so they do have some faith in our systems. I do not think that we are reckless in general—or at all, I hope. [*Laughter.*]

[105] **Christine Gwyther:** That was just a slip of the tongue rather than a policy statement, I hope.

[106] **Mr Macey:** That is right. We have 2,800 projects, and sometimes they will go wrong, but I would hope that that is never due to recklessness; sometimes, systems can fail. We have clearly had the comfort of the contract of confidence recently, which states that systems here compare reasonably favourably with those elsewhere. It was the first one to be issued.

[107] **Janet Davies:** I spent yesterday evening looking at the financial audit of central Government bodies for last year, so that is why I am asking all these questions.

[108] **Alun Cairns:** The Environment, Planning and Countryside Committee has led the way by holding a video-conference with the European Commission. We need to look at that as an absolute priority. Ideally, instead of asking the Minister whether he will make representations to the commission on this, that or the other, we could have Graham Meadows on screen and ask him directly. He would know that we were all united in our call—or not, as the case might be.

[109] **Christine Gwyther:** Okay, thank you very much.

[110] **Alun Cairns:** Can I have a response, as that was a question to you?

[111] **Christine Gwyther:** Okay, go on.

[112] **Alun Cairns:** That was the question. As Cadeirydd of this committee, do you think that we should have a meeting with the commission?

[113] **Christine Gwyther:** Of course. I did not think that that needed to be said; it is clear enough. So, that does not need a response from you, Minister.

[114] If everyone is finished on that section, we will move on to paragraphs 12 to 21, 'Promoting Innovation'. Does anyone want to come in on that? I see that no-one does. Let us move to paragraphs 22 to 30, 'Investing in Networks'. I know that we have already started to make a few points on this, but is there anything in the written report that anyone wants to raise?

[115] **Kirsty Williams:** On rail again—sorry to go back to it—there is significant investment going into platform capacity, which is to be welcomed, so that we can ensure that the numbers travelling down from the Valleys do so in comfort, and that they have that choice. However, there seems to be concern in some quarters about whether there will be additional carriages on those trains to make use of that new platform capacity. Can Mr Shaw confirm that that will happen?

[116] **Christine Gwyther:** We have touched on that before. Janet, is your point on the same issue?

[117] **Janet Davies:** It is not on rail.

[118] **Christine Gwyther:** Carl, is your point on rail?

[119] **Carl Sargeant:** It is. It is very parochial of me but, given that we have been parochial already this morning on some issues, I will proceed. Network Rail has closed a bridge in north Wales that goes over the north Wales coast line. It is a safety issue really, and I totally understand that, but it has isolated a whole community, which cannot get out of the area by public transport, as local buses are prevented from going over the bridge. I think that this is in Saltney. I would like the Minister to look at this with Network Rail as a matter of urgency, as there are many pensioners in the area to consider.

[120] **Mr Shaw:** I am not aware of that situation. I assume that it is on a local authority road. It is obviously not on our trunk road network. I will take that up with Network Rail and get some information back to you.

[121] As far as the rolling stock is concerned, the investment in the platforms must come first, but it has to be followed by a progressive increase in the rolling-stock capacity to meet demand. We are working with Arriva Trains Wales to acquire additional rolling stock. There are severe constraints on the available rolling stock of the right type in the UK. However, at the moment, I am optimistic that we will be able to provide the additional rolling stock that we need to provide those enhanced services when the platform works are finished.

[122] **Christine Gwyther:** The next section is 'Visit Wales'—

[123] **Janet Davies:** Could I just—

[124] **Christine Gwyther:** Sorry, Janet. I forgot that we had not finished on transport. Go on.

[125] **Janet Davies:** I see that the bids for the transport grant budget amount to considerably more than the money available. What criteria do you use to decide which ones get the money?

[126] **Andrew Davies:** This is not a new position; it has been true for many years. In the bidding round, the amount bid for has exceeded the pot available. That is why we have not invited any new bids to the programme. It has been over-programme for some time.

[127] **Mr Shaw:** On the assessment for things like road schemes, at the moment, there is a nationally agreed assessment regime called COBA, which looks at the financial benefits of the scheme. That was extended and enhanced by a regime that took on board the environmental, social and accessibility benefits as well.

10.40 a.m.

[128] We are currently finalising a new assessment tool called WelTAG, which is a Welsh assessment framework. It is out for consultation at the moment and that is the tool that will be used in the future for assessing all such grant applications. At the moment, we are using the well established ones that exist at a UK level; each scheme is rated against those and compared, so that a decision can be made on the appropriate priorities.

[129] **Christine Gwyther:** The next section is on Visit Wales and International Business Wales, paragraphs 31 to 38. Are there any questions on that?

[130] **Alun Cairns:** On paragraph 33, I appreciate that it will be difficult for the Minister to comment on part of it, but I want to talk about the wider context of the planning decision committee's decision on the Royal Fern golf project at Penllergaer, Swansea. The inspector's recommendation was very much in favour of it and there were no objectors at the inquiry, but the planning decision committee, for its own reasons, recommended against the approval of the project. We should bear in mind that the complex was going to provide 5-star accommodation and a high quality golf course. I am worried about that specific project, for the sake of Swansea, but I am also worried about the wider message that this decision sends to any potential developers regarding investment in Wales. There was almost universal support for the project and even the independent planning inspector recommended in favour of it, yet a planning decision committee overturned the recommendation for whatever reason. Will the Minister comment on that? I have another question that relates to paragraph 33, but it would be useful if he answered that one first.

[131] **Christine Gwyther:** Minister, I think that you can comment on the generality of the issue only.

[132] **Andrew Davies:** I cannot comment on a planning committee's decision; I have no locus in that at all, and it would not be appropriate for me to comment.

[133] On the general issue of how we maximise the benefit of golf tourism and the Ryder Cup, I chair a group of officials from my department, from the sport side of Alun Pugh's department and the external affairs group, and we consider those issues. One way in which we can maximise the benefit of the Ryder Cup is to increase the number of golf courses in Wales. We have been quite successful on that in recent years, working with, for example, Jim Anderson and the team in Llanelli at the Machynys Peninsula Golf Club course, which is increasingly recognised as one of the emerging international golf courses. My team is working with a range of developers, looking at proposals across the whole of Wales for developing golf courses. However, I cannot comment on this specific proposal.

[134] **Alun Cairns:** I was not asking the Minister to comment on the specific proposal; I was asking him to comment on the risk posed by the message that that decision has sent out. There was universal support for the project, yet any developers from across the border who are thinking of investing in Wales must consider what else they need to do to justify a project when the decision can go against them despite there being no objectors and despite absolute support from all parties—from AMs, MPs, councillors from the local authorities, and the independent planning inspector. Do you think that that will send a message to potential developers that could lead them to question whether it is worth investing in Wales, if the planning decision committee is so unpredictable?

[135] **Andrew Davies:** I am not sure that the decision does send out that message. I am aware of some recent successes, but I am also aware of the substantial list of proposals in the pipeline for possible consideration. There are various stages of development to be taken through the planning process. The feeling that I get from developers, whenever I meet them, and officials, is that the Ryder Cup is seen as a huge opportunity. However, there are clearly planning issues that need to be addressed. Gareth has also been involved in this matter.

[136] **Mr Hall:** There are a number of proposals in the pipeline. We are not just talking about new courses that have hotel residential developments to go with them as part of a mixed development; we are also looking at upgrading facilities on existing courses, such as nine-hole courses that can be expanded to 18-hole courses, and so on. That it is part of a mix that we are looking to develop.

[137] **Christine Gwyther:** Alun, is this something that you would want the committee to feed in to the Committee on Standing Orders?

[138] **Alun Cairns:** I am just desperately worried about what any potential developer will think. What else would a developer need to do to convince people, if it has everyone on board—even the independent planning inspector, who would be judging it according to policy—and it is still turned down? However, that is a wider issue; it is up to the committee to decide what it wants to do.

[139] **Christine Gwyther:** What is your substantive issue?

[140] **Alun Cairns:** Secondly, a lot of work is going on in terms of developing golf for wellbeing, economic regeneration and so on, in view of the Ryder Cup. What is the Minister doing in relation to the Ashes coming to Sophia Gardens?

[141] **Andrew Davies:** My department has been very actively involved in looking at the proposal, along with Alun Pugh's department. Perhaps I can ask Gareth to come in on this. We see this as a huge opportunity for us and one that we are determined to maximise.

[142] **Mr Hall:** With the sponsorship of a major event, be it the Ryder Cup or the Ashes, it is not just about the event itself; it is about maximising the benefits for Wales in the run-up to it and getting a legacy afterwards. So, part of the negotiations on the sponsorship for the Ashes is about ensuring that we maximise the benefits for Wales, and we can provide details of the benefits that we are going to derive from the teams, the event and the run-up to the event and from the period afterwards.

[143] **Alun Cairns:** It would be useful to have in that paper information on the specific activities that we are undertaking to grow cricket throughout the rest of Wales and the economic activities that will hopefully take place as a result.

[144] **Andrew Davies:** There will be a similar paper/update/briefing on the Ryder Cup and what is being planned on that.

[145] **Christine Gwyther:** Thank you. I will take the next few sections together because they are all about job gains or job losses.

[146] **Kirsty Williams:** Sorry, I just have a question on point 35.

[147] **Christine Gwyther:** Certainly.

[148] **Kirsty Williams:** The bedrock of any walking strategy has to lie in our national paths, whether that is in Pembrokeshire or whether it is Glyndwr's Way or Offa's Dyke path. There has been some angst regarding the employment of national path officers who are there primarily to promote those paths and ensure that they are suitable for visitors to walk on. Would the Minister bring a paper to the committee on national paths and how they are being promoted and developed as part of his walking strategy?

[149] **Leighton Andrews:** If we are going to have a paper on national parks, could it also look at how you can extend the boundaries of national parks?

[150] **Kirsty Williams:** Not parks—paths.

[151] **Leighton Andrews:** I thought that you said ‘parks’. Apologies.

[152] **Christine Gwyther:** I thought that you said ‘parks’ too.

[153] **Kirsty Williams:** No, paths, as in Glyndwr’s Way, Offa’s Dyke path—

[154] **Christine Gwyther:** And the Pembrokeshire coastal path. Some would pronounce it ‘paths’.

[155] **Kirsty Williams:** I pronounce it ‘paaths’. That is what a good-quality education does for one.

[156] **Christine Gwyther:** Really? Minister, would you reply to Kirsty’s question?

[157] **Andrew Davies:** Yes. I am more than happy to come back with a paper on that.

[158] **Christine Gwyther:** Are there any issues on the next section, namely paragraphs 39 to 49? I see that there are not.

[159] I am going to leave the secondary legislation schedule until after the break.

10.48 a.m.

Adroddiad Chwarterol Swyddfa Cyllid Ewropeaidd Cymru Welsh European Funding Office Quarterly Report

[160] **Christine Gwyther:** Minister, do you want to say a brief word before I move on to Bob?

[161] **Andrew Davies:** This is part of our commitment to regularly report to committee. In fact, 100 per cent of all programmes have now been committed, which means a total projected investment in Wales of over £3.8 billion. One hundred per cent of Objective 1 funding has been committed, with a total investment of £3.2 billion, and, in terms of the hard outcomes, between 2001 and 2006, average earnings in the Objective 1 area increased by 24.5 per cent, compared with an increase of 23.4 per cent across Wales as a whole. That was above the UK average earnings growth of 21.4 per cent.

[162] In the year to March 2006, the employment rate in the Objective 1 area was 4.3 percentage points higher than in 1999, compared with an increase of 2.8 per cent across Wales and a UK figure of 0.5 per cent. Over the same period, the unemployment rate in the Objective 1 area fell by 2.1 per cent, compared with a fall of 1.9 per cent across Wales, and compared again with the UK figure of 0.9 per cent. The number of VAT registrations between 1999 and 2005 increased by 7.1 per cent in the Objective 1 area, compared with a rise of 5.1 per cent across Wales as a whole, and compared with the UK figure of 0.6 per cent. So, in terms of total investment and economic impact, the European programmes have been very successful.

10.50 a.m.

[163] **Christine Gwyther:** Bob, do you have anything to add to that?

[164] **Mr Macey:** I will be brief, Chair. The report is in a format that the committee has come to expect—the key data are upfront and it moves on to some of the issues of the day. At this time of year, N+2 tends to be a focus of attention for the aficionados of structural funds. There are nine separate targets, and we report where we expect to be against them. We are having to work hard on one target, but usually we have to work harder than this on quite a few targets, so we feel more comfortable this year than we have felt in other years in terms of progress against those individual targets. The Objective 2 target, because of the nature of the coverage, requires us to take action to ensure that we make it, and we are reasonably optimistic, but we are not quite as comfortable as we are with the other targets.

[165] I have mentioned the contract of confidence and the situation report on the next round of programmes. We had a draft report on the customer satisfaction survey, which suggests in general that we are going in the right direction. We know where some of our weaknesses lie, and we hope to develop some of those in the next round with our new information technology system. To come back to some of the complexities of European funding that Janet Davies has highlighted, we will never be totally free of those. Finally, we are open for business in Merthyr Tydfil, and we have been for the last five weeks.

[166] **Andrew Davies:** I have just one last point to make. I pay tribute to Bob and the WEFO team, because not only was it a huge management challenge in terms of managing the existing programme, but the team has also been at the heart of planning the new programmes. So, it has been a major challenge, and I pay tribute to Bob's work, and the work of his senior management team and all his officials in terms of managing both issues. It has been a remarkable achievement.

[167] **Christine Gwyther:** I am sure that we would all agree with that.

[168] **Kirsty Williams:** On paragraph 11, how do we solve a problem like Objective 2? It states that Objective 2 remains an issue, but it is more than that. What is it about that programme that continually presents you with these difficulties, and how do we get around that?

[169] On paragraph 15, it says that the response to the consultation on the convergence programme has been generally positive, but not overwhelmingly positive. It also points to less consensus around how resources might be allocated, and I think that this is further evidence of why the Assembly as a whole should be debating this document, before it goes on to Europe.

[170] **Mr Macey:** In terms of Objective 2, the issues of geographical territory and the constraints in terms of the nature of activities, which are relevant, mean that you have a smaller suite of programmes. So, we are working hard with the rest of the Department for Enterprise, Innovation and Networks to ensure that the projects in those areas are being properly picked up, and that we are pushing them through the structural funds system. It will continue to be an issue that we must actively manage in the future—it will be the issue that is most at risk most of the way through. So, I cannot give you any comfort that we will not be saying much the same thing this time next year about Objective 2, but we are looking to see whether we can address the issues earlier so that we can be more comfortable with it by this time of year.

[171] In terms of the responses to the consultation, it partly depends on what issues you look at. A wide variety of people have responded; over 1,000 people were consulted on it, and we received 129 formal responses to the consultation. There was much engagement by WEFO, in terms of organising events and WEFO staff appearing at events that other organisations have organised. There is a high degree of support for the broad strategies, priorities and themes. There was some support for some of the key principles, such as simplification.

[172] When we come to the issue of how the resources are spent, you will have a considerable range of interest groups out there—it is a zero-sum gain at the end of the day—whose interests are in conflict. Therefore, I do not think that we expect to get much unanimity in terms of how the actual money will be apportioned out between the various priorities and themes. It is a judgment that the Assembly Cabinet is making in terms of proposals that go to the European Commission, and they clearly have to be negotiated with the commission.

[173] In terms of the commission's own priorities, particularly the Lisbon agenda, there has been a constraint. The area about which there has been most concern—and I understand why, because, in reality, the consultation document was less developed in this area—is the delivery side. The consultation document was quite well developed in terms of priorities and themes, and there have been many discussions with interested parties about that. Indeed, there has been a great deal of engagement by the private sector, the voluntary sector and local authorities in various workstreams, and those engaged in those discussions will not have been very surprised by what they saw in the final document, because they will have contributed substantially to its drafting. On the delivery side, and how we move to ensure that we have more strategic delivery without excluding partners and without all the detail being there, I can understand why some of them are slightly nervous and concerned, but we are continuing to work with them on that process. In terms of the responses, you look at different areas and you will get different measures of responses. However, there is a high degree of consensus around the main priorities. How we take them forward is slightly more of a challenge for us.

[174] **Andrew Davies:** On the Objective 2 issue, I think that it is about the scale of the programme, as Bob said, but also the intervention rates. I think that that has been a big issue because many organisations are asking, 'Well, what is the point?'. As Bob said, in terms of the competitiveness programme, given the substantially reduced amount of money, although we have done very well on the UK level—we are well above our population share—there will be challenges. By having a more strategic approach to the use of European funds generally, we want to have a much more streamlined approach so that, where possible, we can, for example, propose to have one programme monitoring committee for all the programmes so that you get a joined-up approach and a more strategic approach to convergence and competitiveness funding, which is now Objectives 1 and 2.

[175] The idea is that we can get greater synergy. There will be communities in some areas, such as Ystradgynlais in the upper Swansea valley, that can be considered on a much more strategic level for joint programmes, for example. They may be funded from two different programmes but, in terms of strategy, it may be a single approach.

[176] On the consultation, I have had regular meetings with local authorities, individually, and collectively through the Welsh Local Government Association. I have met with the voluntary sector, and clearly there are concerns. We have said that, in terms of the consultation document, we were probably not as specific as we could have been. For example, one of the big concerns is that the private sector, the voluntary sector and local authorities somehow feel that they have been excluded. In those cases, we held our hands up and said, 'We got it wrong'; we should have been more specific about the fact that we are looking to take forward the convergence programme through partnerships. We should have said, 'Right, the specific partners are local authorities, the voluntary sector and the private sector', but we took it for granted that existing partnerships will carry on. We have been at pains to say to the voluntary sector, local authorities and the private sector that we want to work with them. I think that the current programme has been very successful, and we want to build on that success. As Bob said, it about implementation and resources.

[177] On resources, higher education representatives say that we should be spending much more on research and development, while the voluntary sector says that we should be spending more on community regeneration. You will always have those differing views, but we now have pretty broad consensus. I think that we have managed to satisfy most of the concerns that have been raised.

[178] **Christine Gwyther:** I think that we would want those different views to be expressed, because you will then have a rounded programme. You do not just want it to be focused on one particular sector. Therefore, that is a good thing, and it should be welcomed.

[179] **Alun Cairns:** Retrospective applications, to my mind, are just an act of desperation to ensure that targets are achieved. Retrospective applications are nothing more than displacing funds that have already been committed from other sources because, effectively, that project is going ahead without the European element. It shows a lack of interest and motivation in order to apply for it, for whatever reason, be it the bureaucracy, the structure or the plan, or whatever other reason there may be for projects not coming forward.

11.00 a.m.

[180] I notice that you talk about retrospective applications in Objective 2. Are any retrospective applications going ahead in Objective 1? If there are, will you list them for the committee? If you cannot give them all now, it would be useful to have them in writing afterwards. I repeat the point that retrospective application is desperation, to ensure that we at least spend the European money. However, we are not spending it strategically through retrospective applications; we are spending it just to spend it on something, which is hardly good practice for an administration.

[181] That leads on to the second point. More and more evidence is coming forward of fraud in some claims; that is, sadly, inevitable in some cases. However, would the Minister bring any serious cases of fraudulent claims to the committee's attention, so that we can at least seek to monitor whether there is any trend in that, and particularly learn the lessons for the new round of structural funding? Many broadcast and print journalists have highlighted examples of fraudulent applications; that is worrying, and comes back to the desperation because of retrospective applications.

[182] **Mr Macey:** On retrospection, I believe that I am correct in saying that we have no such applications in Objective 1 this year. If I am incorrect, I will correct that and provide the relevant schedule.

[183] **Christine Gwyther:** Am I right in saying, Bob, that retrospective applications would have to go before the programme monitoring committee anyway, so that should be easily available for you?

[184] **Mr Macey:** No, retrospective applications do not have to go through the PMC, but we are acutely conscious of the audit difficulties that they would raise and the additional processes that we have to go through with retrospection. We are trying to avoid this, and we are doing it less than in the past. I believe that I am right in saying that there are none in Objective 1 this year, but if I am wrong on that, I will provide the relevant information.

[185] **Andrew Davies:** On retrospection generally, I am much more confident that, in the next round of European programmes, by taking a more strategic approach and working with partners, either at the local, the sub-regional or even an all-Wales level, we will have a greater degree of collaboration and agreement on what the priorities are for projects. We are where we are with the current programme, but it was very much of its time, when it was very much a bottom-up approach. To be fair, I remember a lot of talk about inclusive politics at the start of the Assembly, and it was very much a bottom-up approach in terms of projects; but we also did not have our major policy strategies in place, such as 'A Winning Wales' or, now, 'Wales: A Vibrant Economy', or the skills and employment action plan. In terms of transport policy, we did not have national transport plans, or regional transport plans. To a large extent, all those will now be in place. Therefore, I suspect that retrospection will be less of an issue. However, retrospection is an accepted practice across the European Union.

[186] **Alun Cairns:** That does not make it right.

[187] **Andrew Davies:** What I am saying is that it is a valid use of European funds; if it was not valid, it would not be allowed by the European Commission, or the European Court of Auditors.

[188] On fraud, I know of no evidence of an increase in fraudulent activity. We need to say that clearly. That is true, whether it is European funding or the use of regional selective assistance. What is remarkable is how little malpractice there has been. Where there is malpractice, it is picked up through the auditing process. There have been very few occasions, for example, with regional selective assistance or the Assembly investment grant, where there has been evidence of fraudulent activity; where there has been evidence, that is a criminal activity, and the people or the organisation guilty of that will be taken through the criminal courts, as ever.

[189] On Objective 1, there may be a case where money has been claimed inappropriately or an amount of money has been claimed against outcomes that have not been delivered. That is picked up through the normal audit process that we talked about earlier, with reference to regional selective assistance. The same processes are in place for picking that up. Ultimately, the Assembly's Audit Committee takes a rigorous view in terms of public expenditure, as is appropriate. I do not know if Bob wants to add anything.

[190] **Mr Macey:** Briefly, we get allegations of fraud, which we take seriously. However, I have been in post for 12 months, and I am not aware of any that have been substantiated during that time. It is territory where you do not get into individual issues.

[191] **Alun Cairns:** Chair—

[192] **Christine Gwyther:** Is your point on a different issue, Alun?

[193] **Alun Cairns:** It is on this point. Will the Minister and Mr Macey make the committee aware of issues of fraud or inappropriate claims at a significant level—by that, I mean claims in the tens of thousands of pounds—so that the committee is aware of that at the earliest possible stage?

[194] **Mr Macey:** There are issues here that can relate to commercial confidentiality. However, within certain constraints, we could do that. Some of those disappear with time, but when you are in discussions, that is a very live issue. Under freedom of information legislation, such information would not be available. Perhaps I could come back with a short note explaining what we could provide and in what format. Time does change that, because what can be provided at one point in time might change. You can sometimes provide more further down the track.

[195] **Christine Gwyther:** That would at least give us a starting point.

[196] **Alun Ffred Jones:** Mae gennyf ddau gwestiwn. Mae'r cyntaf yn ymwneud ag adran 6. Mae cyfeiriad at gysylltu 61,000 o swyddi gyda rhaglen Amcan 1. Cyfeiriodd yr asesiad annibynnol at rhwng 25,000 a 40,000 o swyddi, os cofiaf yn iawn. A yw hwn yn ddiweddiariad ynteu ai hwn yw nifer y swyddi a oedd ynghlwm wrth y ceisiadau unigol fel y daethant i mewn? Mae'r ail gwestiwn yn un llawer mwy cyffredinol. Rhestrod y Gweinidog nifer o ffigurau a oedd yn dangos cynnydd uwch yn ardal Amcan 1 nag yng ngweddill Cymru, a rhai ohonynt yn uwch na gweddill Prydain, sydd i'w croesawu, wrth gwrs. O gofio nod neu amcan y Prif Weinidog, Rhodri Morgan, ynglyn ag ardal Amcan 1—y byddai, rhywdro yn y dyfodol, yn cyrraedd lefelau cynnyrch mewnwladol crynswth y pen o 80 y cant—faint o amser fyddai hynny'n ei gymryd, ar y raddfa bresennol? Gwn nad yw'n darged bellach, ond, gan ei fod yn nod, faint o amser fyddai hynny'n ei gymryd? A ydych wedi meddwl am hynny?

Alun Ffred Jones: I have two questions. The first relates to section 6. There is a reference to 61,000 jobs being linked to Objective 1. The independent assessment referred to between 25,000 and 40,000 jobs, if I remember correctly. Is this an update or is it the number of jobs that were linked to individual applications as they came in? My second question is more general in nature. The Minister listed a number of figures that showed increases in the Objective 1 area that were higher than those for the rest of Wales, and some that are higher than the rest of Britain, which is to be welcomed, of course. Bearing in mind the aim or objective that the First Minister, Rhodri Morgan, gave about the Objective 1 area—that sometime in the future it would reach a gross domestic product level per capita of 80 per cent—how long will it take, at the current rate, to achieve that aim? I know that that is no longer a target, but, as it is an aim, how long would that take? Have you thought about that at all?

[197] **Andrew Davies:** Bob will come in on the detail on the first point, but on section 6, the evaluation, which projected a range of jobs created—up to 40,000—those were for net jobs, and the figures that we include here are for gross jobs. So, to some extent, there is duplication or double counting. Bob may want to come in on that.

[198] **Mr Macey:** You are absolutely right, Minister. I am afraid that Alun's comment is right too, in that the mid-term evaluation update talked about 26,500 to 40,000 jobs as the net impact, taking account of issues of double counting, displacement, and the activities of other firms. So, that was trying to look at the extent to which employment in west Wales and the Valleys, in aggregate terms, is higher than it otherwise would have been, whereas this is project-based data.

[199] **Andrew Davies:** It was also based on a sample. I cannot remember how big the sample of projects was, but it was an estimate based on a particular evaluation of a sample around two years ago, I believe.

[200] **Mr Macey:** It came to a conclusion last year.

[201] **Andrew Davies:** That was an estimate at the end of the programme, 2008-09, of what the impact would be. The estimate may be right, or it may be an underestimate or an overestimate; we do not know. We will obviously need to look at that. As I said, the aggregate figures, in terms of official statistics, show that Objective 1 has been outperforming the rest of Wales on some major indicators: employment, unemployment, VAT registration, average weekly earnings, and gross domestic household income. On a range of hard outcomes, Objective 1 has outperformed not just the rest of Wales, but the rest of the UK.

11.10 a.m.

[202] **Alun Cairns:** What about gross value added?

[203] **Andrew Davies:** I believe that we have turned a corner in the relative per capita GVA. It bottomed out in 1999, and there has been an increase since. I am on record as saying that I expect that trend to grow. However, when you compare Wales with the average figures for the UK for per capita GVA, the figures for the UK—as I have said in committee and Plenary—are grossly distorted by the performance of London and south-east England. If you take those figures out of the aggregate figures, Wales has performed as well as, if not better than, most other parts of the UK.

[204] **Christine Gwyther:** Thank you, Members. We will now break for tea and coffee. We will resume the meeting in 15 minutes.

*Gohiriwyd y cyfarfod rhwng 11.11 a.m. a 11.36 a.m.
The meeting adjourned between 11.11 a.m. and 11.36 a.m.*

[205] **Christine Gwyther:** Welcome back. If Members can make themselves comfortable, we will crack on with part two of the meeting. If Members agree, I would like to discuss the secondary legislation item that we deferred from the first part of the meeting because I thought you all looked too cold to continue.

11.36 a.m.

Rhestr o Is-ddeddfwriaeth Secondary Legislation Schedule

[206] **Christine Gwyther:** The paper outlines new or emerging items of secondary legislation that can be picked up for scrutiny, if Members so wish. For your information, the only new item on this list is the Road Traffic (Permitted Parking Area and Special Parking Area) (County of Gwynedd) Order 2007. So, if Members want us to scrutinise that, we can.

[207] **Alun Ffred Jones:** I have had a look at it, but I do not think that the committee needs to scrutinise it. I need to look at it, but I am sure that it is completely benign and very useful.

[208] **Christine Gwyther:** Thank you, that is very magnanimous of you.

11.38 a.m.

Cyllideb Ddrafft yr Adran Menter, Arloesi a Rhwydweithiau 2007- 08
Enterprise, Innovations and Networks Draft Budget 2007-08

[209] **Christine Gwyther:** Will you introduce the paper, Minister? Then I hope that you will be able to answer questions along with your officials.

[210] **Andrew Davies:** I am aware that there was a briefing session earlier today and Gareth, my director, and Mark Osland have gone through some of the issues with colleagues. The paper addresses two basic issues. First, it provides an opportunity for the committee to examine and scrutinise my final budget proposals for the financial year 2007-08. Secondly, it informs the committee of proposals for restructuring some of the spending programme areas and budget expenditure lines within my main expenditure group.

[211] The Finance Minister made her announcement on the draft 2007-08 budget allocations on 17 October. Those proposals were largely based on those indicative budgets that were approved as part of the block budget planning round back in 2005, which were debated by committee this time last year. These draft proposals did, however, reflect changes to those indicative allocations set last year, which resulted from certain budget amendments that have been made in the current year, and that continue into future years, to properly reflect the outcome of the ASPB merger process. For example, the former WDA land division activities, which were brought into the budget after they were approved last December.

11.40 a.m.

[212] Furthermore, there is the transfer of funds from the Department for Transport at UK Government level in connection with our responsibility as a Government for the Arriva Trains Wales rail franchise, which came into effect in April this year. Thirdly, there is a change in the accounting treatment of EU funds to reflect a change in the classification from non-budget to departmental expenditure limits and an additional allocation to transport that was approved by the Cabinet in July. Following the draft budget announcement, I am recommending that further changes are made prior to the final budget announcement in early December, and these further changes are shown in table 1 and are fully explained in the paper that you have today.

[213] The second part of the paper proposes certain changes to the structure of my spending programme areas and to budget expenditure lines in my main expenditure group. This is primarily to allow the department to better align the budgeting framework within delegated functional responsibilities and to provide better clarity for planning, monitoring and reporting purposes, in the first instance, to this committee, but more widely to the Assembly. Those are my opening remarks, Chair.

[214] **Christine Gwyther:** As in previous years, we will ask officials and the Minister questions and then come to some agreement in the committee, if we can, about what our priorities might be, and if they differ as a result of the discussion this morning, we will formulate a letter that will be passed to Members by e-mail for clearance. So, do Members have questions?

[215] **Janet Davies:** Perhaps some people will want to ask questions about more fundamental things, but I would like to know, under your lines, both revenue and capital, for improving rail and air services, can you separate out how much you are spending on rail and how much on air services? I also wanted to ask a question about sustainable development, but I shall ask that afterwards.

[216] **Andrew Davies:** I will ask Robin to come in on the detail, but the overwhelming majority of that is for rail development. The amount that we are investing in supporting air services is minute in comparison. We are looking at the north-south air service, and also the route development fund, but, proportionately, the figures are small. I will ask Robin or Mark to disaggregate that, if possible.

[217] **Mr Shaw:** I do not have the figures down to the pound, but the revenue support for Arriva is around £141 million out of the £147 million. So, that is the scale of that particular one. That is the current contracted requirement; we are also looking to provide some additional revenue support to strengthen services out of that. So, on the revenue side, the amount for air services is, as the Minister said, very small. We have made a provision there for the north-south service, and we are also making resource available for the route development fund, but that will be demand-led. It is not defined and we will release it as and when there are calls for it.

[218] In terms of the capital, the only element to be spent on air service is the small amount going to the enclave in RAF Valley, which, from memory, is about £1 million. The rest will be invested in rail infrastructure.

[219] **Janet Davies:** I noticed that, certainly in terms of revenue, there is less money for improving the quality of the local environment. The capital budget for that stays the same. Given climate change and the fact that the Assembly has a particular responsibility for sustainable development, how have you built into the budget expenditure to achieve what we need to achieve with regard to climate change?

[220] **Mr Shaw:** The particular element of this in revenue was targeted towards the UK programmes for cleaner vehicles. We have been unable to use all that resource. Again, it is a demand-led programme, but the UK programmes fell foul of state aid requirements and we had to put all of that on hold, so, we have, effectively, underspent in that area in recent years, which is why we have reduced that contingent budget. We are hoping that some of those issues have been resolved and that those programmes will start up again. We are also in discussion with colleagues in other portfolios about bringing together the climate change budget—Gareth, you have some involvement with this. Our view is that this should not be run as a discrete, small programme within the transport portfolio, but that it should be part of an overall Assembly Government agenda addressing climate change, and emissions and cleaner vehicles would be merely one part of that. That is our agenda for the future.

[221] **Mr Hall:** Officials are coming together from the Department for Enterprise, Innovation and Networks, the Department for Environment, Planning and Countryside and from spatial planning to apply a joined-up approach to the issue of climate change. Sustainable development should not be seen as one particular budget line; sustainability impacts on everything that we do, so we have introduced a new framework to be much more sustainable in the way that we plan for capital investments. We also sustainability-proof our activities and our policies as part of the business planning process.

[222] **Janet Davies:** Is it likely that there will be a need for a change in the budget or will you find the money for climate change issues out of what is included under these headings?

[223] **Mr Hall:** We met yesterday to look at how we can bring this group together. We would be looking to get the synergies from bringing the budgets together, but if there are policy implications, that has to be fed into the budget process that would go before the Cabinet. By definition, it is going to be long-term work.

[224] **Janet Davies:** Yes, but it also needs to be in the short term.

[225] **Mr Hall:** Yes.

[226] **Alun Cairns:** My first question is a general one in relation to the commitments that have already been made following historical patterns or other formulae. How much of this money is now discretionary in relation to the whole budget? That is the first question, but I have more specific ones.

[227] **Andrew Davies:** As I said in my introductory remarks, the majority of the budget has been allocated on an indicative basis. I do not have the figures with me. I do not know whether Gareth or Mark can comment on that or whether Robin can comment more specifically on transport.

[228] **Mr Osland:** Are you talking about the levels of commitment that have gone into that?

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

[230] **Mr Osland:** I do not have the specifics on the levels of commitment, but I think that it is fair to say that historically, and I see no reason why this should be any different—I am not including transport in this, I should add—we tend to run the capital area at around 40 per cent to 50 per cent of the funds that have been allocated prior to the commencement of the financial year. There are fewer commitments on the revenue side, but there are elements of commitment there also. I am afraid that I do not have the specific numbers.

[231] **Alun Cairns:** Will you give the committee further information on that because I think that it is pretty important to know what discretion the Minister has? In fairness to us as a committee, if we are making demands on the Minister to support a certain area and not to support another area, as the year goes on, we need to know what influence he really has on the budget without having to absolutely slash some of the programmes that may well already exist. It is only reasonable for us to have that information in respect of both capital and revenue funding. On capital funding, I appreciate that delays may well take place in terms of contracts and so on, which can change the situation as it goes along. It would be useful to know, for example, that, 'At this stage, out of the £700 million revenue, £500 million is absolutely committed because we have prioritised these sorts of projects, but that leaves me with a slush fund of £200 million that I can push around as I like'. That is the sort of answer that I am looking for.

[232] **Mr Shaw:** To put that in the context of the transport budget, I have reviewed it and grouped it into three categories. The first category is that which is required to fulfil our statutory requirements: about a quarter of the transport budget is required to do that. The bulk of the rest is committed contractually, as you say, quite long term—if you think about the rail franchise, we have another 13 years to pay that. So, for this financial year, the discretionary amount in the transport budget is about 4 per cent of the budget.

11.50 a.m.

[233] **Alun Cairns:** That is the sort of information that we need. Can we have a breakdown on that in order to make ourselves aware of the situation? We now come to the more detailed questions. In the revenue budget, tourism promotion is allocated £12.2 million. Is it fair to interpret that as what would formerly have gone to the Wales Tourist Board for its spend? In 1999, when the Assembly was formed, tourism was seen as the poor relation, with funding, from memory, of some £12 million to £15 million. It then had a cash injection from European structural funds and that figure was grown, with all-party support, to some £30 million. That is part of the reason why tourism has grown in Wales disproportionately to its growth in the rest of the UK. Good progress was made. However, we now see £12.2 million as the tourism promotion spend, and that is pretty worrying if my interpretation is right that that could be allocated, under previous projects, as WTB spend. Do you want me to pursue other issues at this stage?

[234] **Christine Gwyther:** Yes, if you would.

[235] **Alun Cairns:** This has partly been touched on, but could we have a detailed breakdown of the £147 million for improving rail and air services? Can we see what is for air and what is for rail? That is pretty general. I would also like information on the trading activities of the former Welsh Development Agency and, prior to that, the land division. Is that income retained in the budget? Could the figures be demonstrated as separate trading figures, or has that sum now been amassed by the Finance Minister and taken as income to the Assembly as a whole? Could they show which changes have taken place in that respect? I may have more questions depending on the answers.

[236] **Andrew Davies:** On the tourism spend, perhaps Mark will come in on the detail, but you are right in your broad analysis that the former Wales Tourist Board had its income substantially increased, both on the marketing side and with financial assistance in terms of section 4 grants, through considerably enhanced support from European funds, particularly Objective 1, although there was also an Objective 2 programme. It was always made very clear that, at the end of the current programmes, there would be a marked reduction in its overall income.

[237] Nevertheless, tourism is a very significant industry and is one of the largest, certainly in terms of employment; it employs one in 10 of the workforce. On the enhancement of the current budget, given the way in which the priorities have been established for the convergence programme, for example, there may be less flexibility with the next round of European funding to give support for marketing in terms of tourism and tourism support. We are exploring this issue very actively, as tourism is a very significant industry, and we want as much flexibility as possible in the programme to be able to support that activity.

[238] This is one of the huge advantages of the merger. The former tourist board—now called Visit Wales—really was a world leader in marketing expertise. Rather than Visit Wales just marketing Wales as a tourism destination, under Jo Jones as director and particularly Roger Pride as head of marketing, it is now fully involved in marketing Wales for business. For example, we are now using the Ryder Cup for our overseas marketing of Wales as a destination for investment and not just in terms of golf tourism. So, we think that we can get huge added value from taxpayers' money by using that expertise more generally.

[239] On the land division, my clear understanding is that we now have a separate trading account, which is just within my department; it is not managed by the financial planning department. Given the success of what was the land division, which is now part of my department, it is now a separate trading account, and any revenue or income generated from land sales will be recycled in my department for future development.

[240] **Mr Hall:** Just to add to that, Minister, the former land division used to have a separate trading account for trading in land. That trading account in the new EIN department has been expanded to our land and property activities, so it also includes property development which gets recycled within the department. It reflects the long-term nature of assembling sites' infrastructure and building them, and eventually selling them on.

[241] **Christine Gwyther:** I do not think that you have answered the question about any merger benefits that have accrued, and whether they have gone back into the Finance Minister's general pot or whether they have been re-circulated within your budget.

[242] **Mr Osland:** As the Minister said, the activities of the former WDA land division have now been incorporated into the wider property-related infrastructure activities of DEIN. This was one of the budget amendments made following the approval of the budget last December, when the land division activities were not visible in that budget at that time. The planning process of that area had not concluded. When it was concluded, we brought in all of the expected activity of the land division, that is, £40 million of receipts and £40 million of expenditure within the enterprise, innovation and networks main expenditure group. It is budgeted on the basis that the whole property-related infrastructure activity is self-financing, and that is expected to be in the current year and also in future years. So, no income has been surrendered or transferred out of the EIN main expenditure group which previously existed in the ex-WDA.

[243] **Alun Cairns:** That is fine. That is simple and factual, but what I am desperately worried about is the tourism promotion figures. Effectively, it is a cut from some £30 million to £12 million. The Minister said that we may not have the opportunity to use European funding in this area as we have had previously, but that is precisely why the committee needs to talk to the commission directly, or through a video link as an absolute minimum. If it cannot be arranged in a committee session, it should be arranged at another time, because that is the sort of issue that we need to clarify and press. Can you confirm whether the section 4 grant comes out of that £12.2 million?

[244] **Mr Osland:** No, it does not. It is shown in the capital budget allocations within the support for employment creation spending programme area, and that amounts to about £3.5 million.

[245] **Alun Cairns:** So, a section 4 grant would be £3.5 million, which effectively brings us back to where we started, at the figure of £15 million, despite seven years having passed in the meantime. The tourism budget is still the same as it was seven years ago; that is what it comes down to.

[246] **Mr Osland:** This also excludes European money, as was referred to earlier. This is just Assembly money, as opposed to any additional receipts.

[247] **Alun Cairns:** Yes, but the point is that the Assembly core spending on tourism is the same as it was seven or eight years ago.

[248] **Mr Hall:** Section 4 is a capital grant for tourism projects. To reinforce the point that the Minister made about the advantages of the merger, what we are looking to do—and we will explain this further when we come back next month—is group together all capital funding into a single investment fund. So, rather than seeing tourism projects being eligible for just what is within the budget allocation for section 4—again, this is down to the individual merits of each proposal—a very good tourism project would be able to get money from a wider source than the section 4 grant, and we would be able to tie it into the wider capital grants.

[249] **Alun Cairns:** It may well be in the interests of the Minister or his officials to merge the section 4 element with a wider investment fund, but I ask the committee to place on record our requirement that a section 4 grant be kept absolutely separate within that wider investment fund, for us to identify it on an ongoing basis. The successor of this committee or the finance committee will be back here in a year or two's time seeking to compare one with the other. It is uncomfortable reading for the Minister to be reminded that £15 million is roughly what we spent seven years ago on tourism and that that is what we are spending now. There may well have been a bit of a boost in the interim, but that is exactly the position that we are proposing to be in, which is absolutely unacceptable bearing in mind the emphasis placed on tourism in 'A Winning Wales' and within a wider area.

12.00 p.m.

[250] **Andrew Davies:** I know that Alun has a tendency to get excited about things, but I will just point out, for operational purposes, that section 4 is a notified scheme through the European Commission. so it will have to be dealt with separately at that level. Nevertheless, the point is—and you have made it on many occasions, Alun, concerning streamlining the public sector support—that we see huge advantages in operating on a more strategic level so that investments through a hotel, restaurant, or visitor attraction can be dealt with strategically. Earlier today, we were talking about the Bluestone project, for example. I said that that was an early example of how you could get collaboration between my department at that time and what was the WDA and the Wales Tourist Board. It was a joint Team Wales approach, which was very rare. I felt that there were many advantages to streamlining that approach, and that is exactly what we are doing, including the fact that very significant section 4 grants now go to the Welsh Industrial Development Advisory Board, which is a first. I think that we are seeing the advantages of greater integration.

[251] However, to come back to the point, there has been a very substantial increase in tourism spend, in terms of marketing and the enhancement of the section 4 grant budget, but that was always going to be time-limited owing to the substantial enhancement through Objective 1 and Objective 2. That was always clear. I remember having similar discussions in this committee and its predecessor committee about that very point. It applies to any project or fund that European funds support. They are time-limited, and we cannot guarantee that they will roll forward in the future. I have already outlined some of the difficulties that we will have with the convergence and competitiveness programmes given the priorities. We want to have as much flexibility as possible, and we will discuss that as part of the negotiations with the European Commission.

[252] **Christine Gwyther:** I think that we welcome the flexibility, Minister. However, in terms of budget scrutiny and from the very good training presentations that we have had on this issue, we always knew that it would be difficult to scrutinise a budget that is simpler and that does not go into the same detail that we are used to. Therefore, a commitment from the Government that there will be levels of detail that we can drill down to is all that we are asking for at this stage, I think.

[253] **Andrew Davies:** To clarify, we have absolutely no problem with keeping these issues separate for scrutiny reasons. However, from an operational point of view, there are obvious advantages for our customers—a company or an investment coming forward, whether it is St Brides Hotel, Bluestone, or whatever—in streamlining what we do. We have no problem with dealing with scrutiny by reporting separately.

[254] **Alun Cairns:** My closing point is that it does not get away from the £15 million that was spent seven years ago and the £15 million that has been spent now, despite seven years' inflation in the interim. I think that it is certainly an area that the committee may well want to consider and express a view on.

[255] **Christine Gwyther:** Does anyone else want to come in specifically on that issue? I know that you all have other issues that you want to raise. I see not. Okay, we will pick that up as we get into the discussion.

[256] **Andrew Davies:** I will just clarify that the tourism promotion is only one element of tourism expenditure. As Mark said, the section 4 grants come under capital.

[257] **Alun Cairns:** Yes, and that is why I said £15 million rather than £12.2 million, as it is identified there.

[258] **Andrew Davies:** I am just looking at the Members' research service briefing on table 2. I am not sure whether these figures are correct, but it says £12.2 million and then a proposed change of £8 million. I am not sure where that comes from.

[259] **Mr Osland:** I think that the reason for that, which is slightly misleading and is not comparing like for like, is that the 2007-08 column in the Members' research service briefing is a budget that is proposed under the new format, whereas the 2006-07 column is under the old format. Therefore, if you take the tourism figures, the tourism and marketing figure of £20 million would include £8 million of ex-WDA marketing activity, which has been shown in that proposed structure column. Therefore, it is not comparing like for like; we transfer £8 million over.

[260] **Andrew Davies:** It makes the point that I made earlier that a substantially greater pool of marketing resource is now available, not just for promoting Wales in terms of tourism, but for business and investment purposes. You then have the section 4 grant on top of that, so there is still a significant amount of investment going into promoting tourism and the industry in Wales.

[261] **Carl Sargeant:** On that point, while Alun said that we might have a view as a committee, his comments did not allude to the massive investment that has gone in over the years in terms of the original funding and the European funding that went on top to boost tourism. On these figures, it is concerning that we are not comparing like with like, which makes it more difficult to understand them. As a committee, that does not make our job of scrutinising these figures any easier, and it makes it easier for Alun to make the general comments that he has made. We do not have the data to back that up.

[262] The paper presented mentions the additional £15 million for local road maintenance. The document suggests that the Welsh Local Government Association and county surveyors have undertaken laser testing and the conditioning of roadways. I have some concerns that the allocation of money, while not hypothecated, will go to local authorities that perhaps have not, or have failed to, maintain their roads. This is rewarding authorities for failure to deliver. I am concerned that this should be done on a formula block basis, and those people who have kept up with their maintenance should also be eligible for additionality in funding. Could you clarify the position, and how this will be distributed?

[263] **Andrew Davies:** I will ask Robin to come in on the detail on the second point, and I may ask Mark to add a few points on the presentation of figures and the scrutiny.

[264] On local road maintenance, there is a strong view in local authorities and the WLGA that this is a priority area. We commissioned a report with Halcrow to look into the backlog of local road maintenance, and there is a significant backlog. The decision that I came to with my colleague, Sue Essex, is to invest an additional £15 million in improving the local road network; that is a significant investment, which will start to address the backlog issues. We want assurances as a Government that this is being done strategically, that it addresses strategic priorities, and that it will not be—and I do not wish to be disparaging—used for potholes and pavements; it must be used strategically. With the WLGA, we are looking at how this will be implemented and monitored, particularly in terms of asset management. Therefore, there will be a clear criterion by which the funding will be allocated, and then allocated in terms of expenditure, and monitored by Robin and his team.

[265] **Mr Shaw:** To add to that, the £15 million will be hypothecated. It is specifically to add to the resources that local highway authorities already use; that will be a requirement of the grant, as it was previously. As you indicate, in conjunction with the WLGA, we have completed a comprehensive survey of the local road network, and have identified the present condition. It is intended that that process will be repeated annually, to ensure that we have a rolling programme of information on local road condition, which the local highway authority is therefore answerable to and for in that respect. We still have to agree the basis on which the money will be allocated, but it will not be on the basis of rewarding authorities that have failed to maintain their roads; it will be on the basis of the need, as seen and reflected in the condition survey, but it will also reflect commitments and the resources that the local highway authorities already invest in their highway network, based on their assessment of need. The detail is still to be agreed. There is a meeting on Friday between my officers and the WLGA to start that process. However, you can be assured that it will be allocated on that basis.

12.10 p.m.

[266] **Mr Osland:** If I can just come in on the issue of the presentation of the figures and comparing like with like, I am obviously conscious that that is exactly what we need to do in any tables that are presented here. In the Minister's paper, that is exactly what tables 1 and 2 do—they compare like-for-like figures. I will just explain that briefly. I mentioned earlier that a number of budget amendments were made in the current year that are also reflected in future years. An example that we have mentioned is the land division. There were other budget amendments, for example, to bring in a consistent treatment of accounting for staff costs, so there were some transfers into the central administration main expenditure group. Those have been amended in the current year and are also reflected in the 2007-08 budget proposals, as they should be. So, the figures do compare like with like. When I said earlier that they were not comparing like with like, I was referring to the Members' research service paper, which picks up the 2006-07 budget prior to its being amended in the current year. It shows those against the 2007-08 proposals, which reflect those in-year amendments going forward. So, the Minister's report compares on a like-for-like basis. I just wanted to clarify that point.

[267] **Christine Gwyther:** Was that helpful?

[268] **Carl Sargeant:** It was. I would like to come back on a point that Robin made. Some of the comments that you made, Robin, underline my fears. If we are going to allocate funding on the basis of road condition, if I heard you right, you said that it should also be based upon figures that had been allocated through budgets from here. We can align that to indicative baseline assessment figures in transportation that are allocated from the Assembly to the authority, but if roads are going to be repaired on the basis of bad condition, that highlights the fact that they have not been maintained.

[269] **Mr Shaw:** I agree; we have to recognise that, but it will not be done on the basis of rewarding those authorities and, if you like, giving them additional resources over other authorities simply because the road condition in their areas is poorer. In fact, without going into the detail, I was quite surprised by some of the information that we got out of the detailed survey. First, local road condition was nowhere near as bad as local highway authorities had indicated. There is a significant backlog, but of an order of magnitude that was less than they were indicating. There is no consistent pattern between the 22 authorities in relation to the condition survey and the level of grant or the resource that they use compared to the allocation within the standard spending assessment. So, there is no pattern; it is not transparent. We will make sure that the allocations reflect both the need and the resource that authorities already put into it so that there is not a reward process for those who do not do it.

[270] **Christine Gwyther:** Let us move on, because we have covered this.

[271] **Alun Ffred Jones:** I will just make a general point. You talked about comparing like with like, which I find impossible to do, but I do not blame anyone for that. I presume that the figures are muddled with lines such as the roads depreciation line, which I do not want you to try to explain to me again, or with the transfer of money for rail. If you were able to compare like with like, disregarding that type of disruption, what is the general uplift in the overall budget? It appears to be less than inflation at the moment, but then I am not sure what I am comparing it with. Can anyone give me an answer to that? That is the first question. I also have two specific questions, which I hope that I am—

[272] **Christine Gwyther:** You are talking about the overall budget for the Department for Enterprise, Innovation and Networks, are you not?

[273] **Alun Ffred Jones:** Yes, I am talking about the overall global sums.

[274] My first specific question is about the Minister's report, which refers to the value of walking and the use of pathways, and the fact that £66 million is coming to Wales from associated activities. The supporting walking and cycling budget, which is not large anyway, seems to be taking a hit of around £1.5 million. Whatever the amount, it is certainly significantly lower. What is the thinking behind that?

[275] The revenue of the regeneration packages also seems to be significantly down in the 2006-07 plans. What would that affect, and what is your reasoning behind it?

[276] **Andrew Davies:** The overall uplift is £16.5 million. Is that right?

[277] **Mr Osland:** Yes. In terms of the overall uplift, £16.5 million was approved in Cabinet in July, but also approximately £3.5 million on top of that was approved as an uplift when the budgets were approved last December.

[278] **Christine Gwyther:** What is that in percentage terms, because I think that Alun Ffred is after that figure as well?

[279] **Mr Osland:** Basically, it is about £20 million in total.

[280] **Christine Gwyther:** Sorry?

[281] **Mr Osland:** It is £20 million in total of the £1.2 billion DEIN budget.

[282] **Andrew Davies:** I do not know what the percentage is. [*Laughter.*] I do not have a calculator on me.

[283] **Christine Gwyther:** I am not even going to try to work it out. We will work it out afterwards.

[284] **Mr Osland:** It is about 1 per cent.

[285] **Andrew Davies:** We have been very clear in my department—and we have been driving this in terms of the budget process—that the situation is like that of any company; it is not the amount of money that you have but what you do with it that is important. It is about outcomes. Too often, in the public sector generally, it is a matter of people looking at the size of the budget, when it is more about what you get in hard outcomes, as Gareth knows. He may want to come in to explain how we are making sure that, in terms of transparency and key performance indicators, which we want to bring to the committee, it is about the added value that we bring to what we do, and not how much money we have at our disposal.

[286] **Mr Shaw:** On the specific point about walking, the £1.5 million relates to schemes that are within the trunk road forward programme. That budget is adjusted annually, depending on what schemes are in the programme and what demands there are. We separate it out from the trunk road programme. In terms of the SPAs and the money being spent within that programme to promote walking and cycling, be it on cycle routes or walking routes parallel to the trunk road network, for this coming financial year, there is neither the need nor the demand in the current programme for that facility in terms of the schemes that are under construction. We have therefore reduced that budget, and it is elsewhere in the programme. It is not a reduction in commitment; it simply reflects the actual need of the schemes in the programme in a particular financial year.

[287] **Alun Ffred Jones:** Are you encouraging authorities, or whoever is responsible for these schemes, to put in cycling routes?

[288] **Mr Shaw:** We are the responsible authority, and where it is appropriate, yes, of course we do that.

[289] **Alun Ffred Jones:** But is it not appropriate in most cases?

[290] **Mr Shaw:** It is not in all cases. It depends on what other facility is adjacent or parallel. When we build a bypass, we are often paralleling an existing road that goes through the community, and that is where you would want to keep people walking and cycling. It would not always be appropriate to provide a dedicated facility on a new trunk road.

[291] **Andrew Davies:** I will just mention another added advantage of the merger. Across the whole department, when it comes to the development of a business park or an area such as SA1, for example, in terms of mainstreaming sustainable transport issues, we are now embedding that in the thinking. That was always a separate activity by the WDA or the tourist board. Now, by bringing them together, and by working with colleagues in the Department for Environment, Planning and Countryside on planning issues, we are mainstreaming this sustainable transport principle in everything that we do.

[292] **Christine Gwyther:** Okay. I do not think that we need go into key performance indicators and such things. We will come back to that at another time.

[293] **Alun Ffred Jones:** I did ask about the regeneration packages' revenue.

[294] **Christine Gwyther:** Yes, you did. It seems that we have lost £2 million.

12.20 p.m.

[295] **Mr Osland:** I am not sure of the specifics—

[296] **Christine Gwyther:** I think that Alun Ffred is talking about the revenue spend on the capital. It has increased slightly has it not and the revenue seems to have decreased. Could you explain why that is?

[297] **Alun Ffred Jones:** If you cannot do it today, maybe you could provide us with a note.

[298] **Mr Osland:** As you rightly point out, there is an overall £1.5 million reduction in the regeneration packages spend, although there is significant money there—£75 million. However, that budget reduction was approved last December in Plenary for the 2007-08 budget allocations. I will have to come back to you on the effect on specifics.

[299] **Christine Gwyther:** That would be great. Thank you. We will prepare a letter based on this morning's discussion, which will be e-mailed to Members for agreement. You will receive that very soon.

12.21 p.m.

Passenger Focus—Y Sefyllfa Ddiweddaraf gan Gynrychiolydd Cymru
Passenger Focus—An Update from the Wales Representative

[300] **Christine Gwyther:** I now invite Stella Mair Thomas, the Wales representative on Passenger Focus, and Simon Pickering, who is the passenger link manager for Passenger Focus, to the table to present our last item. Stella Mair will give us a brief introduction of the work that they are doing and then take Members' questions.

[301] **Ms Thomas:** Yes, thank you, Chairman. Prynhawn da and good afternoon. I am Stella Mair Thomas and I am very proud to be the National Assembly for Wales's representative on the board of Passenger Focus. I took up my duties earlier this year, in May, and I welcome this first opportunity to meet you and give you some information on Passenger Focus and the work that we are undertaking. With me is Simon Pickering, the Passenger Focus manager for Wales. He joined Passenger Focus in January, so he is a few months ahead of me. We have also established a close working relationship with the rail unit of the Welsh Assembly Government, led by Tim James. We meet with Tim and members of his team regularly.

[302] Passenger Focus's board members met in Cardiff in October when meetings were held with the Minister, Tim James and representatives of Arriva Trains Wales and First Great Western. We took them out and about to look at services in and around Cardiff. They travelled on the Vale of Glamorgan line and met members of the British Transport Police and community officers in Pontypridd. We held a reception here at the Senedd for stakeholders and we would like to thank Andrew Davies for addressing our guests and Christine Gwyther for sponsoring the event.

[303] In the report that I submitted, I refer to the national passenger survey, which, in effect, is the backbone of Passenger Focus's work. The data also provide the measure for all train operating companies, including Arriva. They measure passenger satisfaction on the train and at the station. The most recent NPS, published in June, indicated that overall passenger satisfaction with rail services in Wales is high, with 79 per cent stating 'satisfied' or 'good'. However, passengers were very dissatisfied with many aspects of Arriva's operation compared with other train companies. Those included cleanliness of the trains, both inside and outside, upkeep and repair of the trains, toilet facilities on trains, upkeep and repair of stations, cleanliness of stations, facilities and services at stations and the overall environment at the stations. Furthermore, only 28 per cent of passengers were satisfied with how Arriva dealt with delays.

[304] Mae teithwyr yng Nghymru yn haeddu
gwell—llawer gwell.

Passengers in Wales deserve better—much better.

[305] We have a regular dialogue with Arriva about these problems and other important issues for passengers such as punctuality, value for money and safety on trains and on stations, in car parks and on the approaches to stations. Passenger Focus also wants to see better access and facilities for the disabled.

[306] It is true to say that there have been visible improvements in Arriva's services over the last few months. So, we await the results of the next wave of the survey in January. Let us hope that there will be an improvement to at least the average performance of similar train companies.

[307] Security is a hugely important issue for passengers and we welcome the work of the British Transport Police and the recently appointed 21 community support officers. I was pleased to be at the opening of a new police station at Pontypridd by the Minister last week. The national passenger survey will be an important element of the Welsh Assembly Government's five-year review of Arriva's franchise agreement in 2008. It is vital, therefore, that we liaise closely with Tim James's team in tracking Arriva's performance.

[308] In terms of investment, Passenger Focus welcomes the Welsh Assembly Government's additional support of the ATW franchise and further funding for projects such as additional trains to accommodate high demand in peak times on the Valleys and Cambrian lines. Overcrowding, capacity and growth are big issues for service providers in Wales. We also welcome the station upgrade programme in north Wales, the installation of closed circuit television cameras on trains, the reopening of the Vale of Glamorgan line and the future reopening of the Ebbw valley line. We are delighted that better and more comfortable trains—the 175s—will be arriving in December for travellers on longer journeys from north to south Wales.

[309] In Passenger Focus's submission to the Committee on Rail Infrastructure and Improved Passenger Services in March, we highlighted other projects that are in the pipeline that we consider important for Welsh passengers. These are, briefly, in south Wales, improvement to station facilities generally, the development work at Cardiff and Newport stations and improvements to services to Swansea and west Wales. In mid Wales, they are additional capacity on the Cambrian line, ideally an hourly service and extra carriages, and a fifth daily train on the Heart of Wales line. In north Wales, they are increased regularity of services to London, enhancing services around Wrexham by the doubling of track on the Wrexham-Chester line and through the electrification of the Wrexham to Bidston line. We were pleased to hear the announcement this morning of the Welsh Assembly Government's funding for Network Rail to construct a new depot at Wrexham. This will greatly enhance services from north Wales to London and increase flexibility for the delivery of local services. There is also the potential for healthy competition.

[310] I have concentrated on rail services within Wales, in particular those provided by Arriva, but rail services into England—particularly to London—are of great importance to Wales's rail users. We are currently supporting the Welsh Assembly Government on the issue of the impending changes to First Great Western services, which will disadvantage Welsh passengers, namely the termination of the 3.15 p.m. train from Paddington to Cardiff; it currently runs to Swansea, leaving Cardiff at 5.18 p.m., which is a crucial time for commuters. We are also involved and working hard on the reduction of services between south Wales and the west of England, which will affect commuters from Severn tunnel junction to Bristol. Simon is raising passenger concerns at a meeting of the Severn tunnel junction action group this evening. In terms of Virgin's west coast mainline franchise, we shall, in the new year, be facilitating a meeting with Assembly Members in north Wales to discuss the implications for passengers of Virgin's new timetable, to be introduced in 2008.

[311] We believe that any transport strategy for Wales needs to consider rail issues in the wider rail network, such as developments at pinchpoints and interconnecting stations at Swindon, Reading, Paddington, Manchester Piccadilly and Birmingham New Street. When Wales's transport users committee is established, Passenger Focus looks forward to supporting it in its work. We will, for example, be able to provide information and share valuable data from our research projects. In the meantime, we will continue collaborating and sharing information and knowledge with the rail unit of the Welsh Assembly Government.

[312] **Christine Gwyther:** Thank you, Stella Mair. We have already given the First Great Western issue a bit of an airing this morning and we have decided, as a committee, to invite the company to the committee. When we do that, I hope that you will also be able to attend to put across the passenger point of view on what is, clearly, an issue of concern for us all at the moment. So, thank you for that. I will now take Members' questions.

12.30 p.m.

[313] **Carl Sargeant:** Thank you, Stella, for that presentation. As Members, we also represent passengers and we try to influence the decisions that companies and the Minister make on delivering services for people in Wales. How do you think that you are getting on in terms of influencing the decisions that are being made? Are you able to influence us—do not take this the wrong way—or are you just reiterating the issues that other people are bringing up?

[314] **Ms Thomas:** Would you like me to take that question first?

[315] **Christine Gwyther:** If you would not mind doing so; the question is on the added value of the organisation.

[316] **Ms Thomas:** We obviously do our best and fight very hard and we have already had a number of significant wins throughout Great Britain, and in Wales. Perhaps I can ask Simon to outline one or two of the wins that we have had for passengers. We definitely share your concerns and we want to have a real impact. Passenger Focus is a new organisation that was set up in January, but we feel that we have already had a significant impact.

[317] **Mr Pickering:** There are two aspects to this. The first one that I would stress is that Passenger Focus is a Great Britain body and, as part of that, we have strong policy backup from London, through dialogue with the Department for Transport and the other train operating companies in England and Scotland, as well as in Wales. Through that, we are able to identify best practice, bring aspects of that best practice to the table in Wales and co-ordinate areas of joint improvement. That is certainly one area where I think that we can give additionality to local actions. I will give two examples of the work that we are doing in that area at the moment: one is around working with the rail team in the Welsh Assembly Government on identifying measurements by which we can better assess cleanliness and other aspects of train services, and the second is around on-board communications. A pilot scheme is being run at one of the London-commuter train companies on developing messages that will best communicate breaks in services to passengers and so on. We can learn from that and I have already had discussions with Arriva on how we can roll that out through its organisation.

[318] We can bring those benefits forward because we are a unit that is dedicated to rail, which is active in Wales, and we have a widespread network of contacts with various people, so we can often join things up and bring partners together. I think that we have demonstrated that in our small wins, such as getting corrections on automatic help points and getting car park machines working and so on. As we build and move forward, I think that we will see bigger wins as well, in terms of corrections to some of those issues relating to First Great Western. I am confident that we will see some services reinstated as far as that is concerned and I guess that that is where I would see the additionality.

[319] **Andrew Davies:** Passenger Focus adds a great deal of value to what we do. It is obviously a separate organisation and that separation is important. The work that Passenger Focus does in terms of regular surveys, for example, gives us a benchmark to work with. As a Government, we obviously have other sources of information, but it tends to be ad hoc. We tend to respond to passenger complaints over particular issues or services, whereas Passenger Focus is able to provide a strategic approach and it gives us a benchmark from which to work. The fact that the chair of Passenger Focus, Colin Foxall, lives in Wales, that he was the chair of the former Rail Passengers Committee Wales and that he has regular meetings with the Department for Transport and the Secretary of State gives us other ways of seeking to influence the decisions that are made at a UK level.

[320] **Ms Thomas:** I think that we are also able to stand back and see issues that have existed for quite some time, because of a lack of communication, and we can step in and perhaps act as enablers. I will mention in particular that I am a director of the Millennium Stadium and I have been concerned for some time about the lack of communication regarding services to and from Cardiff when we have large events at the stadium, with crowds of 72,000 people. On 5 December, we are chairing a meeting of the train operators, Network Rail and the Welsh Assembly Government with Paul Sargeant of the stadium, at the stadium, where we will sit down and get to grips with what the problems are and see whether, at times, Network Rail perhaps need not take possession of the line when we have these huge numbers coming in and out of Cardiff. It is affecting the marketing of the stadium, the marketing of Cardiff and the marketing of Wales and we are very concerned about that.

[321] **Christine Gwyther:** Certainly. Please call me 'Chair', by the way, when you address me.

[322] **Ms Thomas:** Yes, sorry.

[323] **Christine Gwyther:** Janet, you are next.

[324] **Janet Davies:** Thank you, Chair. [*Laughter.*]

[325] **Christine Gwyther:** You can just call me 'boss' if you like.

[326] **Janet Davies:** It is a great pleasure to see you here and I hope that you will be able to come to many more committee meetings because it is important that we work together and get this extra value for improving rail services in Wales. You have mentioned many of the issues that we have had. I think that it is fair to say that every Assembly Member, not just members of this committee, have had the complaints that you have brought forward and have been pursuing them in their own way, directly with the companies. We have been very concerned today about First Great Western's changes to the December timetable, and I am sure that you have cross-party support on the issues that you have raised.

[327] I will raise a point about another service, which you have hardly mentioned, which is the service from south Wales to Birmingham. That service is of huge importance because it leads onto so many other services. On travelling to the north of England or Scotland, if we had a good-quality service to Birmingham, you would get a better service to Scotland. At the moment, it is a pretty dreadful journey. I do it quite frequently. The trains on the Birmingham service make Arriva look like the Orient Express. They are dirty, awful, old trains. They are really pretty unpleasant. I have been told that a new franchise is coming up fairly soon. What can you put into consultations on the new franchise to try to get a much better service from south Wales to Birmingham? We lost some of the trains a couple of years ago and not only would I like to see those restored but I would like to see good-quality trains that go at a reasonable speed and take a reasonable time to get there.

[328] You mentioned the British Transport Police, but if there is a problem on a train that you are travelling on, it would normally be the guard who would call out the British Transport Police. Could you put some pressure on train companies to ensure that that happens, because you can very occasionally get very unpleasant situations on some trains?

[329] **Ms Thomas:** Simon works very closely with passenger link managers in the west of England and I will ask him to come in in a minute on the work that he has been doing with his colleagues on contiguous areas. We are concerned. I have a sister in the north-east of England and I, like you, do that journey very frequently and I have seen the changes over the years, which have not been for the good.

[330] Two weeks ago I was at a franchise conference in Birmingham where the new plans for Birmingham New Street station were presented to us. The station is going to change dramatically in terms of its facilities, services, number of platforms and so on, which I am sure will help services from south Wales, but it will of course take many years for that to roll out.

[331] On the British Transport Police, when Bob Holland was here in October, he mentioned that he could quite understand why guards sometimes lock themselves in their cabin and are perhaps too nervous to go to sort out a problem. I would have thought that it would be normal practice—and Simon could perhaps pick this up with Arriva at his next meeting—for the guard to alert the British Transport Police if there was trouble on board or at stations. Do you have any examples?

[332] **Janet Davies:** I raised the particular issue that I had with Bob Holland. It was regarding a train waiting three quarters of an hour in Crewe. Drunks came aboard at the beginning of that three quarters of an hour with crates of lager, proceeded to get even more drunk, upset many passengers, and nothing whatsoever was done. I now have the phone number of the transport police, so if it happens again, I will be ringing them directly.

12.40 p.m.

[333] **Ms Thomas:** It is important that the phone number, which I think is 0800 405040, is prominently displayed. We will check that. I saw an incident at Taff's Well just a few weeks ago at 5 p.m. and I needed to ring the British Transport Police quickly and I now have the number ingrained in my memory. However, it should be there for all to see and we will ensure that we raise those points with Arriva.

[334] **Mr Pickering:** You raised some very good points there. I raise these topics regularly with Arriva but there was a renewed emphasis and examples there that I will certainly take forward. With regard to the new franchises, in particular, to give you a bit of information on our activity there, since its relaunch, Passenger Focus has taken quite a robust view on providing detailed responses to franchises and we go out and interview passengers and make detailed, evidence-based submissions on those franchises. Three franchises have been up for renewal in the last few months and, for those, we have interviewed a combined total of 32,000 passengers across Great Britain. The franchise that impacts primarily on Wales is the cross-country franchise, and we interviewed 600 or 700 passengers in Wales as part of that submission, so, hopefully, we have picked up on some of those issues.

[335] We raised a number of issues in relation to improving those franchises. We sought to rank what the customers' priorities were and, although it was a single Great Britain response, it, in large part, reflected lots of the concerns of, and priorities for, Welsh passengers in terms of capacity and not reducing the route of the network and, ideally, extending it. By 'capacity' I mean longer and more comfortable trains. There is also the issue about through journeys and, ideally, cutting down the number of times that people need to make connections, particularly at Birmingham New Street. That will, hopefully, get better in the future but it remains a less than ideal place for passengers at present. So, we contribute to those processes.

[336] I think that you are right in terms of the continuing need for development on the route from south Wales to Birmingham. We will certainly take that forward in terms of Arriva's network in improving the service from Maesteg to Gloucester.

[337] **Andrew Davies:** I will just add on the British Transport Police issue—as Stella Mair has just reminded us of it—that I opened the new BTP station at Pontypridd and that dedicated facility is helping its operations on the Wales and borders franchise. Interestingly, that, together with the 21 additional community support officers—which have meant a 33 per cent increase in the total staff resource that the BTP has for the franchise—has led to a reduction by about a third in criminal activity in the Pontypridd area. Clearly, there are issues about how you allocate that resource and work with the train operating company to deal with the issues that have been highlighted. Clearly, we are not going to have a BTP member of staff on every train that Arriva runs, but we take this very seriously and it will be part of our ongoing discussions with Arriva and Bob Holland, the managing director. The investment that we are making in closed-circuit television on all Arriva rolling stock will help to reassure passengers and staff, but there are issues that we need to address and we will take them up.

[338] **Ms Thomas:** I just have one other point. About three weeks ago, I attended a forum, which Andrew chaired, of the cross-border franchises. The Welsh Assembly Government is, I believe, committed to having two of these consultations every year, which Passenger Focus will attend. We had a very good half-day session of listening to the local authorities affected, that is, those in and around the service that you mention. So, we are aware of what our neighbours are saying about the service.

[339] **Alun Ffred Jones:** Mae gennyf un sylw a dau gwestiwn. Ynglyn â'r cyfeiriad at 'Improved rail services to and from major events'—ac edrychaf ymlaen at eich cyfarfod ynglyn â hyn—mae'r gwasanaeth o'r gogledd i'r de yn eithriadol o ddrwg ac mae mwyfwy o ddefnydd ohono oherwydd y gost o aros yng Nghaerdydd, yn enwedig yn ystod gêmâu pêl-droed a rygbi. Yn aml iawn, trê'n dau gerbyd a geir ac nid yw'n anarferol i bobl orfod sefyll yr holl ffordd o Gaerdydd i Fangor. Nid yw hynny'n wasanaeth teilwng os ydym am gysylltu'r brifddinas â gweddill Cymru. Byddwn yn eich annog i bwysu ar y cwmnïau rheilffyrdd i wneud rhywbeth i wella'r sefyllfa honno. Yr wyf yn derbyn hefyd bod problemau o ran teithio rhwng y Cymoedd a Chaerdydd.

[340] Ynglyn â'r gwasanaeth rhwng y gogledd a'r de, a fyddwch yn pwysu ar y cwmni rheilffordd hefyd i geisio cyflymu'r gwasanaeth hwn sydd, ar hyn o bryd—er yn welliant ar yr hyn sydd wedi bod—yn dal i fod yn eithriadol o araf ac yn aros am 10 munud neu chwarter awr mewn o leiaf ddau le rhwng y de a'r gogledd?

[341] Yn ail, yr ydych yn cyfeirio at y cynllun iaith Gymraeg. Hoffwn longyfarch y gwaith a wnaed yng ngorsaf Caerdydd i roi gwybodaeth ddwyieithog i deithwyr. Serch hynny, hyd y gwn i, nid yw hynny'n gweithredol mewn unrhyw orsaf arall yng Nghymru. Yn sicr, byddwn yn meddwl y byddai gwasanaeth felly yn rhai o'r gorsafod hynny—

[342] **Andrew Davies:** It does operate in Swansea.

[343] **Alun Ffred Jones:** Mae ar gael yn Abertawe hefyd? Mae'n ddrwg gennyf; yr wyf yn tynnu'r pwynt hwnnw yn ôl. Nid wyf yn mynd i Abertawe yn ddigon aml. Serch hynny, mae'n siwr gennyf y gellid ehangu'r gwasanaeth hwnnw mewn rhai lleoedd.

Alun Ffred Jones: I have one comment and two questions. With respect to the reference to 'Improved rail services to and from major events'—and I look forward to your meeting on this issue—the service from north to south Wales is extremely poor and there is more and more use of the service due to the cost of staying in Cardiff, particularly during football and rugby matches. Very often, there is only a two-carriage train and it is not unusual for people to stand the whole way from Cardiff to Bangor. That is not an appropriate service if we want to link the capital city with the rest of Wales. I would encourage you to put pressure on rail franchises to do something to improve that situation. I also accept that there are problems in terms of travelling between the Valleys and Cardiff.

Regarding the north-south service, will you also be putting pressure on the rail company to try to speed up that service which is currently extremely slow—although it has improved—and waits for 10 or 15 minutes in at least two stations between north and south Wales?

Secondly, you make reference to the Welsh language scheme. I congratulate the work that has been done in Cardiff Central station in providing bilingual information to passengers. However, as far as I know, that is not being implemented at any other station in Wales. I would have thought that such a service would be offered in some stations—

Alun Ffred Jones: It is also happening in Swansea? I apologise; I withdraw that comment. I do not travel to Swansea that often. However, I am sure that that service could be expanded to other areas.

[344] **Ms Thomas:** Gwn fod y gwasanaeth o'r gogledd i'r de wedi bod ar y rhestr. Bydd y Gweinidog yn ymateb i'r broblem o gyflymu'r gwasanaeth o'r gogledd i'r de i dair awr a hanner yn y pen draw, gobeithio. Yr wyf hefyd wedi bod yn edrych ar adroddiad Stuart Cole, sydd yn dweud bod angen buddsoddiad mawr—er nad yw'n fawr o'i gymharu â'r hyn sy'n cael ei fuddsoddi gan Network Rail—o ryw £100 miliwn i'r rheilffordd er mwyn cario'r trenau cyflymaf sy'n medru gwneud y daith yn gyflymach. Gwn fod y Cynulliad am ystyried yr hyn sy'n bosibl yn y dyfodol a chredaf fod hynny ar y gweill.

[345] Ynglyn â'r gwasanaeth dwyieithog, fel rhan o'r cynllun a rown gerbron, byddwn yn edrych yn fanwl ar yr hyn a gynnig eisoes yng Nghymru a'r hyn y gallwn ei gynnig er mwyn ymateb i'r diwydiant. Gwn fod First Great Western wedi cynnig cynllun iaith yn yr Eisteddfod y llynedd, a chredaf fod Arriva hefyd wedi cynnig cynllun iaith. Felly, yr ydym yn dal i fyny, ac fel rhan o'r holl gynllun rhwng y cwmnïau sy'n gweithredu'r gwasanaethau a ninnau, gobeithiwn y gallwn sicrhau bod gwasanaethau dwyieithog ar gael ym mhob gorsaf yng Nghymru.

[346] **Mr Pickering:** We would like to do more work on the north-south Wales service, in particular, in terms of research into passengers' interests and needs. I am fairly confident that we will be doing some quite detailed passenger research in the new year, which we are feeding into the Wales route utilisation strategy. In that research, we hope to statistically survey relevant numbers of passengers on particular routes. One route that I would imagine that we would probably target would be the north-south Wales route. I believe that that route has seen 17 per cent growth since the standard-pattern timetable came in. Therefore, we will be asking them about what their priorities for development on that route were; and how important are things like faster journey times and other issues, in which I know that Assembly Members, among others, have expressed interest, such as availability of business class facilities and so on. Therefore, in the new year, although some have not signed up for it yet, we hope to be doing some passenger priority research that, I think, might help elucidate some passenger priorities in that area.

12.50 p.m.

[347] **Andrew Davies:** Night-time services were mentioned, particularly in and around sporting events in Cardiff, and at the Millennium Stadium. We do not have any control, and neither do the train operating companies, over the timing of events. There will be a huge sporting event this Saturday—Wales versus the All Blacks, which I believe kicks off at 5.00 p.m.. We do not have any control over the timing of these events. There was also an international soccer match recently, which was held later than normal. These times are determined, increasingly, by television schedules, so the consideration of passengers in Cardiff comes way down the list, unfortunately, when it should be the primary consideration. Therefore, we need to look at this with Stella—perhaps wearing her other hat. On major sporting events, such as the rugby internationals, England internationals are played at Twickenham, and links from London outwards are much more extensive than they are from Cardiff outwards later in the evening. That may need to be taken into account in terms of scheduling.

Ms Thomas: I know that the north-south service has been on the list. The Minister will be responding to the need to speed up the service from north to south Wales and reduce the travelling time, eventually, to three and a half hours, hopefully. We have also been looking at Stuart Cole's report, which states that there is a need for great investment—although it is not a huge investment compared with the rest of Network Rail's investment—of some £100 million in the railway in order to carry the faster trains, which could make the journey quicker. I know that the Assembly is going to look at what might become possible in the future and I think that that is in the pipeline.

Regarding bilingual services, as part of the scheme that we are submitting, we will be looking in detail at what is already offered in Wales and what we can propose to respond to the industry. I know that First Great Western has brought forward its own language scheme at last year's Eisteddfod, and I believe that Arriva has also put forward a language scheme. Therefore, we are catching up; and as part of the whole scheme, between the companies that are providing these services and ourselves, we hope that we can ensure that there will be bilingual services available at all stations in Wales.

[348] On the north-south service, we made it clear that, in principle, there is nothing to stop having a fast, direct service from Bangor to Cardiff. If there were no stops in between then the service, by definition, would be much quicker. However, the problem is that it is a balance between that and the revenue that you get from ticket sales and fares, and many of those services have intermediate stops, including those in the English border counties. Therefore, we must take that into account, and Arriva is delivering on the franchise that it agreed from the beginning. Therefore, as has already been indicated, any service enhancement would have revenue implications, not least for us as a Government, as well as capacity issues on what is already a busy network.

[349] **Mr Pickering:** To expand again on the Millennium Stadium meeting, that illustrates some of the value that Passenger Focus can bring to the table. The train operating companies and the stadium already meet regularly, but, generally, those meetings are operational in focus and are concerned with planning how they will handle known events, and so on. To give credit where it is due, they have managed to put into place some robust procedures as far as that is concerned. However, the intent of that meeting is to identify strategic issues and concerns, and to build better services. Therefore, the sorts of thing that have been mentioned here, such as growing demand and interest from north and south Wales, are the types of issues that we are looking to put on the table. We also need to get dialogue going between train operating companies and other stakeholders, which is sometimes not as good as it should be in the deregulated industry; we need to get that going as well.

[350] **Ms Thomas:** To add to that, Network Rail is catching up. There has not been big investment in the rail structure in Wales for many years. We are in the middle of probably one of the most difficult periods, when £400 million is being spent on the structure of the railway. It will get better, and, hopefully, as that happens, it is inevitable that possession of the railway will decrease. Therefore, these problems will largely go away; obviously, there will be maintenance work, but we are now facing major work, which we all welcome. Therefore, we all have to make accommodations, but sometimes those accommodations should be and can be more flexible.

[351] **Christine Gwyther:** Thank you. This has been a productive first session, and we look forward to working with you in the future. That ends this morning's meeting.

*Daeth y cyfarfod i ben am 12.54 p.m.
The meeting ended at 12.54 p.m.*