



**Cynulliad Cenedlaethol Cymru
Y Pwyllgor Menter, Arloesi a Rhwydweithiau**

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

**Dydd Mercher, 7 Mehefin 2006
Wednesday, 7 June 2006**

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

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 Cynulliad yn bresennol: Christine Gwyther (Cadeirydd), Leighton Andrews, Eleanor Burnham, Alun Cairns, Andrew Davies (y Gweinidog dros Fenter, Arloesi a Rhwydweithiau), Janet Davies, Alun Ffred Jones, Carl Sargeant.

Swyddogion yn bresennol: Tracey Burke, Pennaeth y Tîm Strategaeth ac Adolygu; O. Gwyn Griffiths, Cynghorydd Cyfreithiol i'r Pwyllgor; Gareth Hall, Cyfarwyddwr, yr Adran Menter, Arloesi a Rhwydweithiau; Patrick Lewis, Cyfarwyddwr, Rhaglen Blaenau'r Cymoedd; Jonathan Price, Prif Gynghorydd Economaidd, yr Is-adran Cyngor Economaidd; Julian Revell, Ystadegau Economaidd a'r Farchnad Lafur; Robin Shaw, Cyfarwyddwr, Trafnidiaeth Cymru; Ben Stokes, Gwasanaeth Ymchwil yr Aelodau.

Gwasanaeth Pwyllgor: Claire Morris, Clerc; Leanne Hatcher, Dirprwy Glerc.

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

Officials in attendance: Tracey Burke, Head of Strategy and Review; O. Gwyn Griffiths, Legal Adviser to the Committee; Gareth Hall, Director, Department for Enterprise, Innovation and Networks; Patrick Lewis, Director, Heads of the Valleys Programme; Jonathan Price, Chief Economic Advisor, Economic Advice Division; Julian Revell, Economic and Labour Market Statistics; Robin Shaw, Director, Transport Wales; Ben Stokes, Members' Research Service.

Committee Service: Claire Morris, Clerk; Leanne Hatcher, Deputy Clerk.

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

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

[1] **Christine Gwyther:** Good morning, everyone, and welcome to this meeting of the Enterprise, Innovation and Networks Committee. I remind committee members and the public that headsets are available for amplification and translation; the translation is available on channel 1 and the verbatim feed is on channel 0. Please remember to switch off all mobile phones and BlackBerrys completely. The final housekeeping note is to say that if it becomes necessary to evacuate the room, an alarm will sound, followed by a bilingual message. Therefore, please listen carefully to it and, if there is a need to evacuate, the ushers will direct us to the assembly point, which is at the rear of the Pierhead building.

[2] We have received apologies from Kirsty Williams and Eleanor Burnham is substituting for her. On the forward work programme, a paper to note has been tabled, inviting you to comment on other committees' forward work programmes. If Members have any comments to make, I ask them to please send them to us by 16 June.

[3] As far as the microphones are concerned, you do not need to touch the buttons on them, but I remind you to please wait for the red light to come on before starting to speak. We have changed the order of the meeting slightly this morning; we will take the minutes of the previous meeting and any actions outstanding before the Minister's report.

9.04 a.m.

Cofnodion y Cyfarfod Blaenorol Minutes of the Previous Meeting

[4] **Christine Gwyther:** Would Members like to agree the minutes of the previous meeting? I see that they do. Do any Members want to comment on the action points that are outstanding? No? I have a query on an action point from 3 May. This is in the context of the streamlining of enterprise support agencies post merger. Gareth Hall will provide the targets set for this year compared with those for last year. It says in the schedule that you are awaiting information, Gareth. Is that now available?

[5] **Mr Hall:** I can update Members. As you said, in terms of streamlining enterprise support, in the middle of last year, as we discussed when we last met, we brought together the previous new business start programme and the general business support programme in a new programme called 'general support for business'. You asked me about the targets that we have set for this new programme for this year compared with last year. The background, as we explained when we last met, is that, in setting the target and the budgets for this financial year, priority was given to targeting businesses with growth potential, and the principle of targeting businesses with growth potential in particular is one of the fundamentals of 'Wales: a Vibrant Economy'.

[6] So, looking back to the performance for the last financial year, and the outputs achieved for the new business starts programme, we see that 60 per cent of the businesses supported were defined as lifestyle businesses, with the balance, the 40 per cent, being split between businesses that were classified as low-growth or growth businesses. So, there was a 60:40 split. For the other programme last year, the general business advisory service, just under a third of the businesses supported were classified as having little or no potential for growth, over half had low or average potential for growth and the balance of 20 per cent was made up of businesses with average or good potential for growth. So, looking back at the performance in previous years, much of the support that was being provided by these programmes was to businesses that had only little or average potential for growth. So, in setting the target for this financial year, we asked the providers to focus their efforts on targeting businesses with potential for growth. That is not to say that businesses would fall out of the system, but we are streamlining Business Eye so that businesses coming for support from the public services are directed to the most appropriate body to provide the sort of services and support that they need. So, in setting the targets for this year, in the light of our experiences in previous years, we have reduced the targets so that the companies that are providing the general support for businesses programme target fewer businesses, but those fewer businesses have the potential for higher growth and for making a greater contribution to the economy of Wales.

[7] It is interesting that, since we last met, the Federation of Small Businesses has undertaken a comprehensive review of its membership across the UK. It has had a specific survey for Wales and the conclusions of the survey are interesting. The feedback from its members shows that only 7.5 per cent sought what was described as Government-funded business support. That compares with the 48 per cent of people starting up and running new businesses who go to their accountants and the 20 per cent who go to their solicitors. Other key sources of advice were family and friends, customers and other businesses. So, this independent research by the Federation of Small Businesses reinforces the point that support for new start-ups and small businesses is far from being the exclusive domain of the public sector.

9.10 a.m.

[8] The conclusion that we have drawn, based not just on this survey but on ongoing discussions with the Federation of Small Businesses, the Confederation of British Industry,

the Professions Group Wales and the chambers of commerce is that they want access to business support that directs them to the most appropriate place. That is why we have built up and are further developing Business Eye, which gives independent, impartial signposting and directs many of these inquiries to organisations other than the Assembly Government. It works very closely with these third-party private firms and other providers so that businesses are directed to the most appropriate advice.

[9] **Christine Gwyther:** You said that there would be a more focused and directional approach. I think that we would all support that. If the cake is not going to be spread as thinly as it is now, does that mean that each applicant will get more?

[10] **Mr Hall:** We are ensuring that we put together a criteria for the companies that come to these providers so that providers do not automatically put them on their scheme, but go through a test to see if their scheme is the most appropriate one for that company. If it is not, the providers direct the companies to other sources of support that are more important. That could be banks, the Prince's Trust or local enterprise agencies. So, those companies that then go forward for support will get a better quality and more bespoke service for the needs of their businesses.

[11] **The Minister for Enterprise, Innovation and Networks (Andrew Davies):** Further to that, the National Audit Office has just conducted an in-depth review of the UK Government's Small Business Service, which is quite critical of business support, particularly in England, that is provided by the regional development agencies. It was felt that there was too much duplication and confusion for businesses that wanted to access support. When I met the chief executive of the SBS two years ago, he acknowledged that Wales was quite well ahead of the game at that stage. That was with the setting up of Business Eye. I think that the NAO report confirms our thrust to simplify business support and to target it more at the businesses that really need it. We can add value as a public sector rather than confusing the market.

[12] **Christine Gwyther:** Are there any comments on that point or any other actions outstanding? I see that there are none. We will move on.

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

9.12 a.m.

Adroddiad y Gweinidog Minister's Report

[13] **Andrew Davies:** There are a couple of items on transport. I will give colleagues an update on the Glyn Bends issue on the A5. As Members are aware, I try to keep people up to date with the latest developments in addition to the statement that I made in Plenary a few weeks ago. A considerable amount of work has been done by Robin and his team, particularly headed up by Robert Cone. In addition, Jo Jones as head of VisitWales on the tourism side has been helping in terms of communicating a clear message to those affected by this unfortunate occurrence.

[14] As I said in my previous statement, the overwhelming priority is public safety and ensuring that users of the road network in that part of north Wales can travel as safely as possible. The diversionary routes that have been established seem to be working well and we are monitoring the effectiveness of those through our agents. We are considering whether or not to provide directional signs for larger businesses and attractions, which may be most

directly or adversely affected by this situation. In terms of a temporary solution, we have been actively considering the former route of the A5. Considerable work has been done in terms of resurfacing and other work by our agents. We have been in negotiation with four landowners who own the land over which the road runs. Technically, the road has been declassified as a road and therefore has the same legal status, as I understand, as any other piece of land. Three of the landowners have given their agreement for the use of the route, and we have been negotiating with the other, Mr Evans. We have involved the district valuer in discussions. If we were to pay compensation for the use of the land and we would need to be guided on its value by the district valuer. The district valuer's final offer was made to Mr Evans, and he was due to respond to that final offer before we commenced a compulsory purchase order and side road order procedures by 2 p.m. yesterday. I do not believe that we have had any communication from Mr Evans to date.

[15] All preparatory works have now been completed on the sections of the old A5 to which we have access—namely, the land owned by three of the four landowners. Only the works on Mr Evans's land remain. That work consists, in the main, of clearing vegetation and cutting back trees; it is estimated that that work will take up to three days. Therefore, that is the current position on the old A5.

[16] On the more permanent works, we need to remove the potential for rock fall on the new road. The emergency procedure for the procurement of a contractor for the permanent remedial works continues on the basis that Mr Evans, who also owns that land, will give his consent for the use of the old road and the land required to get access to remove the rock on the lower cutting.

[17] We have approached four contractors currently working for the Assembly Government. They have confirmed verbally that they would wish to carry out the works, and would like to take part in the required limited competition on the basis of quality. Because of the urgency of this issue, we have had to take unusual measures, but we have had legal advice that, given the urgency and seriousness of the matter, we can take forward the procurement in this way. We hope that all contractors who still wish to be considered will attend an interview next Wednesday—14 June—and we hope that we will be able to award the contract for the work soon afterwards. If a compulsory purchase order is necessary, the timescales involved dictate that we revert to our normal competitive procurement procedures. However, we hope that we can get agreement from Mr Evans, because that will help us to open up the old A5 and to start on the remedial works on the cutting.

[18] **Christine Gwyther:** I feel as if I know Mr Evans personally—he has had about eight name checks in the last few minutes. I do not want to go into the personal negotiations, because this is not the forum to do that, but I will take Members' questions—first on the A5, and then on the report.

[19] **Janet Davies:** There was, presumably, a reason for replacing the old A5. It will not be of the same standard as the part of the road that is no longer in use. You obviously do not want to go into what is happening with the landowners, but you are having some problems there, which perhaps needs to be noted. I will not go any further than that—I do not know any of the people involved. Is there a fair degree of confidence that the potential for rock fall can be dealt with satisfactorily, because, once rock starts falling, it is not always simple to deal with it?

[20] **Andrew Davies:** The old road—and it is an old road; it was built by Telford 200 years ago—is much narrower than modern standards would expect and demand for a trunk road. It is also winding. That is why the new road was built. However, as a temporary solution, while the remedial work is being done on the rock face on the new stretch of the A5, we believe that it can be managed safely. Obviously, there will be a need for traffic lights; it

will not be open to normal traffic in that sense—it will be traffic-light-controlled.

[21] On the new road, I understand that the anchors that were drilled in to stabilise the rock face, which is standard engineering practice, have proved defective in some cases. That is why the work has been monitored; it was realised that these were defective, and monitoring by Robin's team, and by our agents, indicated that it was a significant issue.

9.20 a.m.

[22] The risk assessment carried out more recently said that clearly there was a significant risk—a 1 in 63 chance—of a catastrophic rock fall, with a very high risk that that would lead to serious injury or, regrettably, death. That is why I made the decision to close the road. In order to deal with the situation, the contractors will have to remove the rock and reduce the gradient on the rock face. That means that they will have to have access to the top of the rock face—hence the issue of access—and the rock will be taken from the top first. The engineers, who are my advisors, tell me that that should eliminate the risk of a catastrophic rock fall in the future.

[23] **Janet Davies:** Will you come back on the original contractors?

[24] **Andrew Davies:** That is obviously what Robin and his team are looking at.

[25] **Alun Ffred Jones:** Mae gen i dri chwestiwn. Yn amlwg, mae cau'r ffordd hon yn cael effaith sylweddol, nid yn unig ar fusnesau lleol ond hefyd ar y bobl sy'n byw yno. Deallaf fod rhai o'r busnesau sydd yn ymwneud â thwristiaeth yn gweld colledion yn barod. Hoffwn gadarnhad fod eich tîm, o dan arweiniad Jonathan Jones, yn ymchwilio i effaith cau'r ffordd ar y busnesau hyn, a hefyd i weld beth y gellir ei wneud i'w helpu yn y tymor byr. Yna, o ran yr amserlen, gan gymryd eich bod yn cael caniatâd, erbyn pa bryd y byddwch yn gallu agor yr hen A5? Hefyd, os cewch fynediad i'r tir, faint o amser y bydd yn ei gymryd i wneud y gwaith adfer ar wyneb y graig?

Alun Ffred Jones: I have three questions. Obviously, closing this road is having a significant effect, not only on local businesses but also on the people living there. I understand that some tourism businesses are already seeing losses. I would like confirmation that your team, under the leadership of Jonathan Jones, is carrying out research into the effects of the road closure on those businesses, and also to see what can be done to help them in the short term. Then, in terms of timescale, when will you be able to open the old A5? Also, if you get access to the land, how long will it take to complete the remedial work on the rock face?

[26] **Andrew Davies:** Clearly, the impact on businesses has been one of my major considerations. That is why, for example, in terms of the diversionary routes, great care was taken to try to reduce and minimise impact on local businesses. My officials have been working with the tourism sector, and also other businesses were obviously involved. We are seeking to minimise the impact, and, obviously, we have been in contact with local businesses to monitor the situation. That is why we are looking, for example, at the diversionary routes and at signage, to see whether any businesses are impacted upon and whether we need to do anything to reduce that impact. We are also seeking to keep communication open. One thing that we learned from the foot-and-mouth disease crisis a few years ago was that an invisible sign went up that Wales was closed for business. I have been at pains to make sure that that is not the case for businesses in this part of north Wales.

[27] On the use of the old A5, my understanding is that, if Mr Evans gives his consent or agreement, work on cutting back the vegetation would take around three days. I will ask Robin to answer the third question, on dealing with remedial work on the new cutting.

[28] **Mr Shaw:** As the Minister has already said, if we get agreement to enter the additional land that we require, I would anticipate that we can have contractors on site within about 10 days. However, I think that it will take months rather than days to do the work, as it is a substantial piece of engineering to reprofile that face. If we do not get agreement, we will have to use compulsory purchase powers in order to acquire the land; it would then be several months before we could start the work. So, you can appreciate that there would then be quite a long timescale before the new road will be open again.

[29] **Christine Gwyther:** On the redirectional signs for businesses, what criteria are you using to judge whether they will be adversely affected? Businesses do not always know exactly where their customers are coming from, and it could be too late when you have made that assessment in that they could already have lost significant business.

[30] **Andrew Davies:** Jonathan Jones and his team have been in contact with local businesses to find out what impact it is having. I am sure that colleagues will know that local businesses are already e-mailing Members and keeping local Members involved, giving feedback on the immediate impact. We are looking at what we can do to help specific businesses with specific signage if it is proving to have a seriously adverse effect on their business.

[31] **Christine Gwyther:** Okay. Do you want to come back on that, Ffred?

[32] **Alun Ffred Jones:** No, except to say that there is a great deal of concern, even from as far away as my constituency with regard to the use of the A5. It may have a larger impact than it seemed at the start, and that is why no stone should be left unturned to try to get the service back to normal.

[33] **Eleanor Burnham:** We cannot look back too much but I hope that lessons will be learnt, because when I visited the area on the Sunday before the proposed closures, my understanding was that the locals had warned the Highways Agency that it should have kept the old bit open in case of emergencies. So, I hope that that is a lesson that will be learnt. For instance, how do we know that there is a guarantee that it will not happen again? Should we perhaps be asking whether a tunnel should have been built there rather than what they have done? This beggars belief. As a regional Member, I constantly use the road to trot around north Wales, and there have been traffic lights on the road for a whole year. Why has not anything been done in good enough time? I find that appalling. The cafe owners, in particular, are terribly concerned, because you cannot just redirect people and hope that they will come to the little cafe, which obviously has passing trade. The cafe owners are extremely worried. They have been there for 14 years; they bought it from Little Chef, so it was obviously in a good spot to begin with. Whatever you say, Minister, it is of no comfort to the owners because they cannot hang around. Will you be able to compensate them, in particular, because the impact is biggest on them, which they cannot alleviate? Obviously, it goes nowhere for them.

[34] I do not understand the engineering problem. If you look at the A55 and the tunnels around Penmaenmawr and Llanfairfechan, in particular, I do not remember the height, but they are no more than about 15 feet. What is it about this particular area that is causing so much trouble? The traffic lights have been there for at least a year. Could they not shield the road to do the work, keeping at least one lane open, as they have done for the last year?

[35] **Andrew Davies:** I repeat what I said earlier about the work. It is being monitored. It was identified that some of the rock anchors were defective, and that is why the traffic lights were introduced on the new road. The road was reduced to one carriageway with traffic lights, and it has been constantly monitored. Robin can come in on some of the technical details, but it would be considerably more expensive to build a tunnel than to produce the cutting. The

monitoring has revealed that a significant number of these anchors were defective or not working, which I understand is unusual. It is a standard engineering solution which has been used not just in Wales but across the UK and elsewhere. It was as a result of that work that has been monitored over the last 12 months and the risk assessment undertaken by engineering consultants, that it was identified as a very significant risk. It was because we applied a principle of monitoring and putting public safety at the top of our agenda that this research identified that there was such a significant risk. As an Assembly Government, we have acted in the best interests of the public. The contractors have carried out this work, and that will be done in the future to see how that work was done. We will then look at how we take forward that work.

[36] In terms of compensation and the effect on business, as I said earlier, we regret any impact on local business, but my primary aim as Minister is to ensure public safety. If I had ignored that advice, I would have been culpable if there had been a catastrophic rockfall. As I said in Plenary, I am sure that you and other AMs would have criticised me for taking an irresponsible attitude, and I am not prepared to compromise public safety, even though others may be willing to do so.

9.30 a.m.

[37] In terms of compensation, we are not able to compensate business for this action. Nevertheless, we hope that the impact on the business will not be as severe as was feared. As I said in my response to the Chair, I will do everything that I can to mitigate this unfortunate circumstance. Maybe Robin can come in on some of the more technical issues.

[38] **Mr Shaw:** To take the last question first, no, it is not possible, physically or from a safety point of view, to screen the existing road while you take down the material. It is very substantial amounts of rock, and it would be totally impossible and untenable to do that.

[39] The traffic lights were put up on the basis that we had hoped that we would be able to do much less drastic repair works when some problems were identified. The traffic lights have allowed the engineers to do the detailed survey and analysis, which they have now completed, to determine just what had to be done and what risks there were. As a consequence of that process, we have found ourselves in the situation wherein we had no alternative but to close the road.

[40] A rock cutting of this type is the normal engineering solution to a situation such as this. Building a tunnel would not normally be considered; as the Minister said, it would be very expensive to build and maintain, and given the sort of depths that you are talking about, it would not normally be justifiable. On the old road, again, we were confident that the design was a good one and was the best solution. It was therefore the replacement road, and the practice is therefore to stop up and lose the liability to maintain and keep the old road. So, that, again, is normal practice.

[41] As you say, with hindsight, it would have been useful to have had this as an option, but it is not the normal practice to do so, and if we were doing the same thing again, we still would not do it, because it would not be considered necessary to do that. We would not have anticipated a problem of this ilk. It is down to defects with either the installation or the manufacture of the anchors, as far as we can see, and we will take that issue up with the contractors and the designers. However, it is clearly not a problem that we would foresee or design in to a solution.

[42] **Eleanor Burnham:** I am very concerned about the cafe, as it is now on a road going nowhere. You say that you will not compensate the owners, but that leaves them in a very difficult position, as they could go out of business because, as I said, the road goes nowhere.

[43] The other issue is about local contractor tendering. I have been approached by a north Wales company that seems worried by the fact that it does not get in on the tendering. Can I talk to you privately about that?

[44] **Christine Gwyther:** I think it appropriate to do that outside the meeting.

[45] **Andrew Davies:** One of the four—[*Inaudible.*]

[46] **Christine Gwyther:** Okay. You are welcome.

[47] **Alun Cairns:** I apologise for my late arrival, and so forgive me if this question has been answered. Initially, when the traffic lights were set up, there would have been a risk assessment, and a worst-case scenario would surely have been identified then. That being the case, that could have allowed for preliminary negotiations to take place with regard to land purchase. So, it needs to be established whether we are in compulsory purchase order territory or whether we would have been in negotiated agreement territory. Was an initial risk assessment conducted? Also, was there a contingency plan for the worst case?

[48] **Mr Shaw:** A risk assessment was, of course, carried out, which is why the traffic lights were put in. It is not possible, unless you test each of the anchors installed, to see whether they are overloaded or overstressed and whether they are still effective. That work took place during the intervening time.

[49] Based on that initial analysis, it was not anticipated that what we now know is the worst-case scenario would be the requirement; in fact, that was considered to be very unlikely. It was not possible to determine to what extent the works would be required and, therefore, to try to cover a range of scenarios to ascertain how much, if any, additional land you required. It might have been possible simply to re-anchor the rock and to carry out further works without needing land acquisition. Therefore, no, it was not a process whereby we said, 'Okay, in a year's time, we might need to allow for the worst possible scenario and therefore we should be going through the processes'. However, we are obviously doing that now. We would hope that we can get agreement on access to the land; if we cannot, we will have to use compulsory purchase powers, as we would have done in any of these circumstances.

[50] **Alun Cairns:** You mentioned using compulsory purchase powers, which could take months. However, is that not being optimistic? Given the right of appeal and the rights of the person involved, it could take years.

[51] **Mr Shaw:** No, not in these circumstances. To object to a compulsory purchase, you have to object on the grounds of principle; you cannot object on grounds of competitive compensation.

[52] **Andrew Davies:** Using the anchors is a standard engineering solution. I am not sure of the exact number used on this rock face, but it is standard engineering practice and it has been used hundreds of times across the UK. I do not know how many times there has been a failure of this sort; I would imagine that it is very rare indeed.

[53] **Mr Shaw:** It is very rare; I think that it probably has happened. Someone mentioned the rock cutting at the tunnels at Penmaenbach, and hundreds of similar rock anchors were used in that situation. They are a very effective tool; we have certainly not had problems like this before, and I am not aware that it has been a general problem anywhere else. We share such intelligence with other highway authorities in the UK and across the world. I think that it was perhaps not a one-off, but a very rare event.

[54] **Christine Gwyther:** Thank you. We will go on to the substantive report now, which I will take in sections, as I have done before. The first section will cover numbers 1 to 4, which are all on economic data. If Members have questions on the quarterly economic report and the quarterly statistical report, this is probably the best time to bring all those in as well. I will now take Members' questions.

[55] **Alun Cairns:** I am quite surprised that the Minister has highlighted a number of statistics—some of them positive—but has failed to include the latest Eurostat figures in his report. I would have thought that they were probably the most significant statistics in terms of economic data that have been published. They are not included in the report and therefore I would ask that the Minister—

[56] **Christine Gwyther:** They have been included in our briefing papers.

[57] **Alun Cairns:** Yes, but I am talking about the Minister's report.

[58] **Christine Gwyther:** Okay, but just for Members to know, if you want to discuss them, they are in the brief that was provided to us.

[59] **Alun Cairns:** They are included in the brief that was provided by the Members' research service, but, with the greatest respect, members of the public do not receive that brief. I would have thought that, bearing in mind that the Minister has chosen to highlight a number of statistical areas, it would have been common sense to include the Eurostat figures that were published on 18 May, which are pretty damning, in all senses, regarding the lack of progress that we have made in relation to our counterparts.

[60] **Andrew Davies:** As I said, I did not give them because they are not new figures; these are the figures that were published in December last year by the Office for National Statistics.

[61] **Alun Cairns:** However, this is the first opportunity to compare the figures with those relating to our European counterparts and our peers across the continent.

[62] **Andrew Davies:** As the Chair said, you have the opportunity to do that. However, as I have said, these figures are not new.

[63] **Alun Cairns:** Can the Minister at least give us an interpretation of the figures, bearing in mind the data that is now available for the European nations and regions and the poor progress that we have made in competing against them in terms of raising our GVA? That is the reality and that is what it comes down to. We are in a relative worse position now than we were previously.

[64] **Andrew Davies:** Not at all; our GVA is at its highest level, relative to the EU average, since the start of the series in 1995. Do not forget that these figures relate to three years ago, and certainly, since then, there has been considerable progress. If you look at employment growth, reductions in economic inactivity and the growth of domestic household income and average weekly earnings, for example, particularly in the Objective 1 area, Wales has outperformed the UK and other parts of Europe on a whole range of those significant indicators. Therefore, I do not accept your premise for a moment, but then it is not a new one.

[65] **Alun Cairns:** Minister, we are in a position wherein the employment rate has dropped, the unemployment rate has risen, the claimant count has risen, inactivity has risen, we are relatively poorer, and we are the poorest region or nation of the United Kingdom. The Eurostat figures have been published, which show how badly off we are in comparison with the former eastern bloc countries. You are keeping your head in the sand and you have come

out with some quite novel statistics. If you look at the trends of the ministerial reports since the first economic development committee was formed seven years ago, you will notice the desperation in the Minister's mind as he looks for statistics to provide some sort of positive spin on what we have. These are devastating figures. We can see all of the hard data in terms of the manufacturing output index, productivity and other issues, and by burying your head in the sand, you are not going to come up with the right answers to the devastating problems that we are facing. If you treat the committee with utter contempt by not reflecting on those problems and not considering them in context—the Minister might smile and laugh but west Wales and the Valleys, and South Wales West is a part of that region, is now poorer, in relative terms, than it has been for a generation in comparison with the rest of the United Kingdom. I do not think that it is a laughing matter, Minister.

[66] **Andrew Davies:** I remember some years ago, when I was younger, that there was a person who was tone deaf and could sing only one song who was known as Johnny One Note. This is what we are hearing from Alun Cairns week in, week out. It is the same diatribe. Why are we qualifying for Objective 1? It is because when your party was in power, mass unemployment was the lot of many areas, particularly those in west Wales and the Valleys, and it is because of Labour Government policies that we now have economic stability and unprecedented economic growth—never in British history has there been such a long period of economic growth—and we are benefiting in Wales. The east Wales gross domestic product figures relate to three years ago, namely 2003. Since then, and certainly since 2002, there has been substantial progress. In terms of employment growth, I will give you some figures, Alun, if you want. Average full-time weekly earnings in west Wales in 2005 were 11 per cent higher than those in 2003, which are the GDP figures that you referred to, compared with an increase of 9 per cent for Wales and 8 per cent across the UK as a whole over the same period. That is substantial progress. You said that they were arcane figures, but the people whom I represent, and I am sure the people whom most people around this table represent, are interested in jobs and their income and earnings. Gross disposable household income per head in west Wales and the Valleys in 2004 was up 2.3 per cent on that in 2003, which is a bigger increase than that in Wales and in the UK as a whole, which saw increases of 3.2 per cent and 2.7 per cent respectively. Those are not arcane figures; that is the income that people are receiving. Do not forget that that was in 2004, so those figures are two years old.

[67] On employment, this is a very tangible issue for people in Wales, especially for those in areas that suffered mass unemployment when your party was in power. Taking the most recent data, employment in west Wales and the Valleys is up by 57,000 since 1999. The equivalent increase for east Wales is 28,000 and, over the same period, employment in west Wales and the Valleys increased by 3.5 per cent. That compares with 1.1 per cent in east Wales and 0.6 per cent in the UK. That is tangible progress. The people who benefit from that change recognise the benefits of it. You quote GDP figures, but they are the narrowest that they have been since your Government was in power. That is tangible progress and people recognise that.

[68] **Alun Cairns:** Does it not come down to one simple analysis? Is it not the case that we were not the poorest nation or region in the United Kingdom and now we are the poorest region or nation of the United Kingdom? Secondly, if things are going as well as you say they are—and, speaking of Johnny One Note, I have heard the same message, Minister, with the greatest respect, from you and your predecessors for some time, so I would have expected some sort of progress by now, seven years into your administration in the Assembly, and that you would have come up with better gross value added figures relative to the rest of the United Kingdom, but that is not the case, is it? We are now the poorest region or nation of the United Kingdom.

[69] **Andrew Davies:** Not at all. I do not accept that for a moment. If you look at gross disposable household income, you will see that, in fact, Wales is not the poorest. If you look

at tangible—

[70] **Alun Cairns:** Minister, are you not—

[71] **Andrew Davies:** Sorry, Chair, am I allowed to respond?

[72] **Christine Gwyther:** I thought that you were responding; yours was the only voice that I could hear, Minister.

[73] **Andrew Davies:** You should look at people's income as opposed to gross domestic product, because if you ask most people, they will tell you that GDP is a rather technical and academic exercise and is a crude measure as it does not include transfer payments such as pensions, for example. However, if you look at income, you will see that Wales is not the poorest part of the UK. In fact, Northern Ireland and the north-east of England are poorer in terms of gross disposable household income. You want to choose a figure or indicator that paints the blackest picture, but if you look at tangible, economic progress across the whole of Wales, particularly in west Wales and the Valleys, you will see that there has been very substantial progress.

[74] **Leighton Andrews:** I am glad that we are looking at the figures for disposable income, as I did ask for those when we discussed the 'WAVE' document some months ago. It is interesting to see that, in the centre of the Valleys, gross disposable household income was 76 per cent of the UK average in 1997, but it is now 82 per cent. That is a very significant increase, so I am slightly surprised by the negative approach that has been adopted towards gross disposable household income. I thought that the new Conservative agenda was about happiness, and the amount of money that people have to spend clearly has a bearing on the quality of their lives and, presumably, on the 'happiness' agenda.

[75] I wanted to ask a question on the area of economic inactivity. It is useful to have this, but can we break down economic inactivity more precisely into different groups, as it were, because it is all-embracing, in the sense that it affects pensioners and others and so on? Those data are not contained in this and it would be quite useful in future to have those data coming through, to see where the movements are really happening.

[76] **Andrew Davies:** Obviously, they can be aggregated.

[77] **Mr Revell:** We produce quite detailed predictions and we would be able to provide breakdowns on economic inactivity. So, we would be able to produce quite detailed breakdowns. The last was in relation to 2003, so we will probably do another one this year. So, there will be a much more detailed picture of economic inactivity.

[78] **Christine Gwyther:** That will probably be very important as we move into the convergence years. So, I ask that we receive that as soon as possible. Leighton, do you have anything else to add? I see not.

[79] **Alun Ffred Jones:** 'Lies, damned lies', 'sticks and stones' and all the rest of it. [*Laughter.*] You mentioned that gross disposable household income was a better measure, though I must say that I have observed that GDP and GVA have always been used by Government Ministers as the benchmarks, and so I am surprised that you now seem to be dismissing them. However, even if you take the gross disposable household income as a better indicator, I am afraid that if you look at Anglesey or Gwynedd, you see either no movement at all or even a slight drop, if you believe the figures. It is very interesting that, if you look at the GVA figures for Gwynedd, you will see quite good progress over the past couple of years. You could say that Gwynedd was a success story, but yet, the household income figures seem to tell another story. I am no statistician, so I do not know how to

interpret those figures, but to say that there is excellent progress throughout west Wales and the Valleys is a slight exaggeration.

[80] Many of the statistics in the report reflect a downturn in the manufacturing industry, in production and increases in unemployment. They are very slight and I concede that they may not be very significant, but they are slightly worrying. The GDP figures for 2002-03 show a slight decrease. Again, that may not be significant, but it is worrying. So, do you have any explanation for the slight increase in unemployment and economic inactivity?

9.50 a.m.

[81] Secondly, since we are comparing other areas of the United Kingdom, Cornwall and the Isles of Scilly seem to have made substantial progress since 1999 in terms of their GDP figures, whereas, in west Wales and the Valleys, whichever way you look at it, there has not been significant increase. You can point to a 1 or 2 per cent increase, which is fine, and is better than going the other way, but why the difference? Why do Cornwall and the Isles of Scilly seem to have made more progress as far as GDP figures are concerned?

[82] **Andrew Davies:** On GDP, one of your predecessors on this committee, Phil Williams, admitted on many occasions that GDP, as was, now GVA, is a crude instrument, particularly when you get down to sub-regional or even local authority areas, because it does not take into account transfer payments, such as benefit and pensions, or commuting patterns. He admitted that it was a crude indicator. However, it is an indicator, and it has its strengths. We discussed in the former Economic Development and Transport Committee having a range of indicators, because one indicator on its own is not robust enough. However, GDP—now GVA—is used, because it is an international comparator, and there is a long-time series of figures, so you can track development. However, it is only one of many; nevertheless, it is one of the tracking indicators that we use in ‘Wales: A Vibrant Economy’. We have not abandoned GVA in that way; it is one indicator, but there are others. People are interested in indicators such as jobs, incomes, weekly earnings, and a range of others, which is why they are included in this report and why I have referred to them.

[83] On relative progress in terms of growth, Jonathan and Julian may want to come in on the specific point about west Wales and the Valleys. However, we are finding on economic development, and it is reflected in the analysis in ‘WAVE’, that there seems to be an agglomeration effect in that big cities, on the whole, have tended to grow at a faster rate than smaller cities or rural areas. There are many explanations why that may be the case, but that, to a large extent, is why other parts of the UK, particularly around cities and city regions, have grown quicker than other non-city regions, or rural areas. Maybe Jonathan can come in on the specific point about Cornwall and the Isles of Scilly.

[84] **Mr Price:** It is an interesting comparison, in many ways. It is probably important to note the different histories, in that west Wales and the Valleys were on a sharply declining trend in the mid to late 1990s, which was not seen in the other three English comparator areas. In the late 1990s, south Yorkshire and Merseyside were already in a recovery phase, which then continued in the early years of the new millennium, so it is essentially a continuation trend. That reflects what the Minister said about there being recovery in major cities. Cornwall and the Isles of Scilly were not locked in a declining trend in the 1990s either. They were not on an upward trend; they were more or less stable over the latter part of the 1990s, and they have then recovered. So, essentially, they were not faced with the depth and nature of the problems that we saw in west Wales and the Valleys, particularly in the unique and deeply entrenched nature of the problems in parts of the Valleys, which were in fundamentally quite a different situation. So, you are turning around a decline, which was the position, particularly in the Valleys.

[85] **Alun Ffred Jones:** That does not alter the figures for Cornwall and the Isles of Scilly, and I also quoted the figures for disposable household income for Anglesey and Gwynedd, for example, which show that, comparatively, there has been no progress. I would say that that is because of the nature of the jobs created—they are either part time or very low paid. Cornwall and the Isles of Scilly seem—and I say ‘seem’—to have recovered remarkably over the past four years, or at least up to 2003.

[86] **Mr Price:** As I say, there is a recovery in Cornwall and the Isles of Scilly, but it is not in the context of a sharply declining trend, which is what you saw across west Wales and the Valleys in the late 1990s.

[87] **Christine Gwyther:** I think that we are getting in a little deep there.

[88] **Janet Davies:** Was there not a big problem when the tin mines went out of use in Cornwall, which, in their context, was a really sharp decline for them?

[89] **Mr Price:** Yes, it is a question of relative scale. I think that large parts of the south Wales Valleys have been in a position of relative decline for decades in terms of the employment structure, the number of jobs and so on. You are quite right about the tin mines. I do not have the numbers with me, but they show that the numbers of those employed and their contribution to the economy of Cornwall and the Isles of Scilly was not equivalent.

[90] **Christine Gwyther:** I would be slightly disturbed if you did have the numbers for the decline in Cornwall and the Isles of Scilly. It would mean that you were completely obsessed, which would be a bad thing. [*Laughter.*]

[91] **Mr Price:** I will quickly pick up on another aspect of the question, which was about the overall employment numbers and the relatively modest downturn over the last year. I think that what basically happened was that consumers reined in their spending quite a lot over the last year and investment and export spending did not really pick up. GDP dropped below trend, and when that happens, you normally see deterioration in the employment position and an increase in unemployment—and that is what we saw. It was relatively modest. In the first quarter of this year, GDP growth in the UK has returned close to trend, and the latest information on the broader economy, exports, manufacturing, prospects and so on, are pretty good. I think that the signs are grounds for cautious optimism in respect of the employment position, though it is a fraught business making predictions in this kind of area.

[92] **Eleanor Burnham:** I have never understood, because I am not an economist or a statistician either, why it is called gross disposable household income. Apparently, it represents income available for consumption, expenditure and savings, and it is less taxes, so why is it not called net disposable household income? I would like a quick explanation of that. Having said that, I notice from the Royal Bank of Scotland figures that the Welsh economy gathered pace during April, with ‘outward’ expanding at its fastest rate for 18 months. Does that mean the service, the manufacturing industry or what? Could you analyse that for me briefly?

[93] I find the UK economy quite baffling. I was talking to someone at the Confederation of British Industry dinner a couple of weeks ago, and I asked him to try to demystify it for me. Apparently, we are all doing so much better, but we are also probably the most taxed in all of Europe. We have the biggest pensions crisis and the highest levels of personal debt in Europe. So, I do not think that the garden is all that rosy.

[94] I refer you to page 17 of our papers, ‘Table 10: Gross Disposable Household Income: Wales Sub Region’. Could you explain to me why Flintshire and Wrexham, if they are doing so well—which we obviously want them to do, with the wonderful Deeside park—are at no.

91 in the table, which is one below Conwy and Denbighshire, which do not have that advantage? What is it about Conwy and Denbighshire that puts them higher up the scale than Flintshire and Wrexham?

[95] **Andrew Davies:** On the economy and your reference to the RBS data, I think that they reflect what Jonathan just said. While economic growth was slower last year, nevertheless, the British economy was still growing. I made reference earlier to the fact that we are now, I hope, in the middle of a period of unprecedented sustained economic growth. You would therefore indicate your expectation if, as Jonathan said, there was lower consumer demand that that would have an effect on the economy in terms of demand for goods and services. That will almost inevitably have a part effect on the other indicators, such as jobs.

10.00 a.m.

[96] My understanding is, certainly from the RBS data and other indicators, and the work that has been done by the Bank of England, that the demand has picked up and that there is growth across all sectors. There is a piece in today's *Western Mail* that says that job prospects in manufacturing firms are more positive, with companies expecting to increase output in the coming months. That is based on research done by the Engineering Employers' Federation. If the demand and the economy grows, you would expect that on the back of that other indicators such as employment would also reflect that, but there will be a delay in the impact on the employment figures. To put it into context, there are short-term fluctuations, but if you look at the period since 1999, as I said to Alun Cairns earlier, there has been substantial development and growth in employment, gross disposable household income, average weekly earnings and other direct economic indicators. Perhaps Jonathan can come in on the specific questions.

[97] **Mr Price:** In terms of the specific areas, you would have to look at the particular explanations for numbers in particular areas in detail, but the key point is that gross domestic household income reflects the incomes of people who live in an area, whereas gross value added reflects the incomes and the output that are generated in an area. It is possible for the incomes of the people living in that area to be different from that. The location of particular facilities will be reflected in the income of the people who work there, but who may live somewhere else. Given the extent of commuting patterns, particularly when you have relatively small local authorities, it is perfectly explicable that these things will give you different answers.

[98] **Eleanor Burnham:** You have not answered why it is called gross disposable household income rather than net disposable household income.

[99] **Mr Revell:** It is like gross domestic product. 'Gross' means that it has been—*[Inaudible.]*—the consumption capital or depreciation, so it is—

[100] **Eleanor Burnham:** It is quite misleading.

[101] **Mr Revell:** I suppose that is why 'disposable' is in there: it is to at least give you a hint that it is net of taxes, but it does not take account of depreciation of assets.

[102] **Christine Gwyther:** You understand now, do you not, Eleanor? *[Laughter.]*

[103] **Eleanor Burnham:** People listen in and need to know what we are discussing. The other issue that you have not addressed is the Royal Bank of Scotland's assertion about the Welsh economy gathering pace during April? Which part of the economy is it? Is it the service sector, the manufacturing sector, or both?

[104] **Andrew Davies:** It is the economy generally. I do not think that it breaks down like that.

[105] **Mr Price:** I do not have the details of the survey with me, but my understanding is that if you look across the range of information, you have relatively positive signals across all sectors of the economy. A number of surveys have been more positive about manufacturing over the last couple of months than they have been for quite a long time at a Welsh and UK level.

[106] **Alun Cairns:** I have a brief point. You say that it is positive. Is that in relation to what has happened in the previous 12 months, or in relation to the rest of the UK?

[107] **Mr Price:** It is positive in terms of what has happened in the past and in terms of expectations relative to the future.

[108] **Alun Cairns:** Is that in Wales, and not necessarily compared to the UK level?

[109] **Mr Price:** At the moment, we are seeing positive signs at both levels. I am not sure that I would want to make a relative judgment.

[110] **Andrew Davies:** The RBS figures are broken down on a regional basis. On the EEF research, I was referring to a press comment this morning. I do not know whether that was on the UK or Wales generally, but the RBS figures are on a regional basis.

[111] **Christine Gwyther:** Okay. We have got through paragraphs 1 to 5, and we have about another 60 paragraphs to get through in the next 10 minutes. The next chunk is paragraphs 5 to 22, on supporting enterprise. You do not have to give me an answer now, Minister, or Gareth, but paragraph 22 says, under EU structural fund progress, that there have been over 366,000 beneficiaries and that over 10,000 SMEs have been created. In terms of the 10,000 new business start-ups, I would like a breakdown of those that have failed, because that ties in with the report you gave us at the beginning of this meeting about where we are perhaps not targeting our support in the most effective way.

[112] I do not think that you can give me the answer now, but a written response would be great.

[113] **Mr Price:** Okay, we will look into that.

[114] **Alun Ffred Jones:** On paragraph 5, on the ministerial advisory group, can the Minister explain the process by which he, or whoever, appoints to this team? Just to make an observation, unless I am mistaken, there does not appear to be anyone from north Wales on the group. That may or may not be relevant, but it is a pity in terms of the perception of people outside the Assembly.

[115] **Andrew Davies:** Maybe colleagues should not read Tory press releases for their information. The chair—

[116] **Alun Ffred Jones:** I have not read any Tory press releases.

[117] **Andrew Davies:** The chair lives in north Wales, was born in north Wales, and he has a house there. Also the tourism advisory panel has at least two members who live in north Wales.

[118] On the process, I was clear that I wanted the ministerial advisory group and the tourism advisory panel to provide high-level business expertise. In the nearly 100 meetings

that I had with a range of business interests with regard to the merger, it was clear that they felt that there was a need—and I share that belief—for high-level, independent, expert advice. That is why we went through a process of appointment that was fully compliant with Nolan principles—all the positions were advertised openly. Senior civil servants, with an independent assessor, were involved in the sifting, shortlisting and interviews. There was no ministerial involvement, and the Chair and Janet Davies, as representatives of the committee on appointments, have been fully involved in the consultation and the process, and, at each stage, they have been asked for their approval of the outcome. So, it was conducted according to the appointments procedure.

[119] I am absolutely delighted, as is the First Minister, with the quality of the people whom we have managed to attract for the overarching ministerial advisory group and the tourism advisory panel. To get people of the calibre of Richard Parry-Jones, who is a senior vice-president of Ford globally, and who has a huge commitment to Wales, and of Keith Brooks, former chief executive of TBI, the company that used to own Cardiff international airport, as well as the other members, is a huge boost. I am very much looking forward to working with them, and the early indications are that the advice and expertise that we will be able to use will be second to none.

[120] **Christine Gwyther:** Anything else on that, Ffred? No? Eleanor, and then Alun.

[121] **Eleanor Burnham:** Thank you for that clarification. Is this Dai Davies the same person as the one who is acting chair of the arts council? Obviously, there may be more than one Dai Davies in Wales.

[122] **Andrew Davies:** You are thinking of Dai Smith.

[123] **Eleanor Burnham:** Oh, it is Dai Smith. Thank you, that is fine.

[124] You have asked for an analysis of the 10,000 SMEs created, but how many of them are still in existence?

[125] **Christine Gwyther:** That is exactly what I have just asked for.

[126] **Eleanor Burnham:** You have just asked that, have you?

[127] **Christine Gwyther:** Please do not answer that again, Minister.

[128] **Eleanor Burnham:** Fine, thank you.

[129] **Alun Cairns:** In paragraph 5, Minister, on the ministerial advisory group, you say in your last but one sentence,

‘I attach to MAG and the key role it will play in challenging, informing and shaping future policy development and direction’.

[130] Can I assume that its meetings will be held in public, and that minutes will be made available for committee to analyse, interpret and assimilate?

[131] **Andrew Davies:** No, it will not be meeting in public. It is an advisory group for me as Minister and the Assembly Government more widely. However, in terms of the advice and information, we are looking at how we might accommodate that because, for example, we have other advisory structures in the Assembly Government, such as the Welsh industrial development advisory board, which advises on investment decisions. The board’s reports are made public, but its members’ deliberations are not made public because we want to maintain

a balance on the basis of the advice that they are able to provide, and to make it public would constrain their ability to be fully frank in the group's debates. The principle is that I am more than happy to come forward with their recommendations or their advice, but not necessarily the deliberations. I have said to the Chair on many occasions, and to the committee, that the process of scrutiny will be as open, if not more open, than before.

10.10 a.m.

[132] **Alun Cairns:** That is the commitment to open government, for which, obviously, we are grateful. May I ask why, under this section, we do not have the details on the enterprise agencies, which it was agreed would be provided on 3 May? That information has not yet been provided.

[133] **Christine Gwyther:** We discussed that before you arrived, Alun.

[134] **Alun Cairns:** I apologise for that, therefore.

[135] **Carl Sargeant:** Briefly, I think that we should welcome the ski jump centre in Gresford. It is hoped that it will be finished in the summer—the summer is a good time for a ski jump centre. Could you write to us giving more details on that, particularly on the funding element provided to establish it?

[136] I am not sure what numbers you stated, Chair, regarding what paragraphs we could interact with, but I think that it is appropriate that I raise Iceland Foods Ltd in this section. I have great concerns about the prospects of the company in Deeside. I have made representations to you on this and I have also met the company's representatives. I think that we will come to the point in the next week or two where 400 jobs could move across the border to Warrington. Do you have an update on that? Could you give a commitment to support the workforce at Iceland Foods Ltd in Deeside?

[137] **Andrew Davies:** On the ski jump centre, I am more than happy to provide information about the funding package provided for that. On Iceland, clearly there are concerns about the situation in Deeside. As you know, Carl, I have been in touch with the trade unions about this issue. Vanessa Griffiths, the north Wales regional director of my department, has been in contact with the head of the company, Malcolm Walker, and the local Transport and General Workers' Union to offer our services, as the Government, in terms of any assistance that we can provide to try to resolve these issues. This is a matter for the company and the trade unions to negotiate on. However, as I said, we have made it clear to the company and the unions that we stand ready to help in any way that we can.

[138] **Christine Gwyther:** The next section is on promoting innovation, namely paragraphs 24 to 34. Do you have any technical-type questions? I see that you do not. The next section is on investing in networks, paragraphs 35 to 38.

[139] **Leighton Andrews:** One of the biggest networks in which we invest is Arriva Trains Wales. Could the Minister tell us what is going on at Arriva? The managing director of Arriva Trains Wales left his job two or three weeks ago and there has been a lot of speculation about that. I always found him to be co-operative; I had lots of issues to raise with him, but he was always co-operative in trying to answer them at least. This has been a bit of mystery to people. One can understand that a company will not go into the details of individual employment issues or that there may be agreements in place and so on, but the new managing director has not exactly been visible in Wales, as far as I am aware, in the three weeks or so since he was appointed. He did not substitute for Mr Bunker at the South Wales Central Regional Committee meeting, which was specifically called to discuss commuter services in South Wales Central. However, under pressure, Arriva subsequently provided someone to

come to the meeting. At the end of the day, we are spending £140 million with this company and I want to know that you have confidence, Minister, that the new managing director will take the National Assembly seriously.

[140] **Andrew Davies:** There are concerns, which I expressed strongly to the new managing director, Bob Holland, the morning after the announcement of Graeme Bunker's departure. We were informed of the departure that afternoon. As we are responsible for the franchise, the company was required to inform us. I cannot speculate on the reasons for it.

[141] However, I pressed Bob Holland very hard because I wanted assurances that the departure of Graeme Bunker and his appointment would not signal any reduction in the company's commitment to rail services in Wales and the performance on the franchise. There has been significant improvement since the turn of the year and I said that I wanted that improvement to continue. Bob Holland gave me assurances that it did not signal a reduction in the company's commitment and that it remains as committed as ever to improving services. I pointed out that £140 million subsidy this year was going into the rail services run by Arriva and that, over and above that, the Assembly Government and my department are investing a considerable amount of additional resource into the services and that I would be looking very closely at the performance. He assured me that there was not a reduction in commitment but Robin, as director of transport, will follow those meetings up with Arriva at an operational level. I had serious concerns about the departure of Graeme Bunker. It has not been an easy time with the franchise transfer and the introduction of the standard pattern timetable, so I would like to put on record my appreciation of Graeme Bunker's work. I am closely monitoring this.

[142] **Leighton Andrews:** Will Mr Holland be based in Wales or in Bristol?

[143] **Andrew Davies:** His work is based in Cardiff. I understand that he lives in Bristol. I think that he has been living there for some time.

[144] **Mr Shaw:** His office will be in Cardiff. To confirm what the Minister said, I have the first meeting with him at 2 p.m. this afternoon and the points that you have made will form part of my agenda, in no uncertain terms.

[145] **Leighton Andrews:** To confirm, there is a review process within the franchise, is there not?

[146] **Mr Shaw:** Yes.

[147] **Leighton Andrews:** Is it a five-year process?

[148] **Mr Shaw:** Yes.

[149] **Leighton Andrews:** So, there is another three years to go.

[150] **Robin Shaw:** Yes.

[151] **Andrew Davies:** I made that clear to Arriva when I met representatives at the UK management level and I made it clear to Graeme Bunker and to the new managing director. I have made it clear that, while it is a 15-year franchise, I will be looking very closely at value for money and performance and I have reminded them of these five-year reviews.

[152] **Leighton Andrews:** There has been some speculation privately that the reason for the change in management may be that Arriva, centrally, wants to squeeze more profit out of the franchise. You will be aware of that speculation. Have you had any indication that that is

part of the reason?

[153] **Andrew Davies:** No. I pressed the company on this. I have no objection, in principle, to companies making more profit but I do not want that to be at the expense of the quality of the service in Wales or the company's performance on the franchise. Again, that has been made clear to the company. I am sure that Robin will reinforce that this afternoon.

[154] **Eleanor Burnham:** In the Committee on Rail Infrastructure and Improved Passenger Services recently, Graeme Bunker took up a challenge to come with me on the north-south trains because, despite your optimism, the rolling stock is in a state. On the odd occasion we are lucky enough to have the newer—and I do not say 'new' because they are only newer—stock. Wales has this tendency to have to have second, third or fourth-rate stock in the franchise. It was very embarrassing a couple of weeks ago when an international businessman was sitting opposite me and we were on the old stock, which is absolutely appallingly and mind-bogglingly dirty. It was disgusting. One loo was locked and the other was blocked and, for a four-hour trip, that is just not on and is a real embarrassment. It gives a very poor impression of Wales.

10.20 a.m.

[155] I am not saying that just because I travel from north to south regularly; many people have to do so. The rolling stock has deteriorated over the last few months. Some of it should be scrapped because it breaks down and for the reasons that I have just outlined. It is a complete joke. Quite frankly, I think that Arriva is taking us for a ride and is not taking us seriously. It is about time that you did something about it. I challenge the new managing director, as Graham Bunker did take up my challenge in words, to come here. Let us ensure that they see what is not happening. The new train is fairly clean, but the rest is an embarrassment and has deteriorated over the last few months.

[156] **Christine Gwyther:** I would like to challenge the new managing director to come to Tenby station with a pot of paint and a bottle of Domestos or something similar, because it is certainly the case that the state of our stations has deteriorated since Arriva has had the franchise.

[157] **Alun Cairns:** On a point of information, Leighton Andrews mentioned that he had not seen the new managing director in Wales since his appointment, and I am not a defender of Arriva, but there was quite a robust briefing session to stakeholders in the Wales Millennium Centre during the week before recess. It was the new managing director's second day in the job and he was made aware of many of the issues highlighted in a very robust session by Ministers as well as opposition Members.

[158] **Andrew Davies:** Clearly there are concerns about the rail services in Wales, but it is intemperate to say that the services are a joke or are embarrassing. There are considerable areas of improvement. For example, on the recent performance on the line, the figures that we have received show that there has been considerable improvement in the performance and reliability of services and a reduction in cases of failure to provide services. There are concerns about the quality of the rolling stock, which Arriva Trains has acknowledged. We have been working with the company and looking at options on how we might resolve those issues. I also accept that there are cleanliness issues. The reliability of services has improved and I have raised cleanliness issues with the company and Robin will do so this afternoon. It is a consistent complaint and one that we expect Arriva to address.

[159] On the other matters of the stations and infrastructure, we are working with Arriva on considerably upgrading many of the stations on the franchise, in particular, improving accessibility and safety, as we do with the rolling stock with the use of closed circuit

television by paying for CCTV on all the trains. To reiterate what I said to Leighton in my first response, there has been considerable improvement, but we recognise, as does Arriva, that significant improvements are still required and we expect it to deliver on those.

[160] **Christine Gwyther:** Thank you. The next section—

[161] **Alun Ffred Jones:** May I comment?

[162] **Christine Gwyther:** I am sorry. Can your comment be on something non-Arriva?

[163] **Alun Ffred Jones:** Okay.

[164] Manteisiaf ar y cyfle i gyfeirio at eitem 35 ar BT. Gwelaf fod y Gweinidog yn croesawu'r datblygiadau hyn yng Nghaerdydd, ond mae BT yn rhedeg ymgyrch gref ar hyn o bryd lle mae'n cynnig gwasanaeth i gyfuno band eang gyda galwadau arferol. Yn anffodus, mewn rhannau helaeth o Gymru, gan gynnwys y gogledd orllewin a'r canolbarth, mae BT yn dweud nad yw'r gwasanaeth ar gael. Yr wyf yn poeni ei fod yn enghraifft arall o ardaloedd gwledig ar eu colled. Derbynïaf nad oes gan y Gweinidog gyfrifoldeb uniongyrchol dros hyn, ond mae'n enghraifft lle nad yw'r math o wasanaeth a fyddai o fudd i bobl a busnesau yn cael ei gynnig yn gyffredinol drwy Gymru.

I take this opportunity to refer to item 35 on BT. I see that the Minister welcomes these developments in Cardiff, but BT is currently running a strong campaign where it offers a service to combine broadband with normal calls. Unfortunately, in large parts of Wales, including the north west and mid Wales, BT states that that service is not available. I am concerned that this is another example of rural areas losing out. I accept that the Minister has no direct responsibility for this, but it is an example where a type of service that would benefit people and businesses is not being offered generally throughout Wales.

[165] **Eleanor Burnham:** I would like to know who will be paying for this. Will it be the poor customer yet again or are you putting pressure on BT about the Wi-fi, which is point 35? I agree with Alun Ffred.

[166] **Andrew Davies:** I find it rather peculiar to use the phrase 'poor customer'; you are talking about a private company providing a service. Would you say that to a mobile phone operator, or to anyone else who was providing you with a service? It is rather strange to say 'poor customer'. The customer is buying services from a private company; BT is a private company.

[167] Alun Ffred's point is valid. One problem that we have in Wales, which is why I set up the Broadband Wales programme in July 2002, is market failure. There was an effective monopoly in most parts of Wales—BT had an effective monopoly on the provision of telecommunications, particularly broadband. Therefore, I felt that the role of Government, and my role as a Minister, was to make up for market failure, precisely because areas such as yours, as much of Wales, were not able to access a modern telecommunications infrastructure. We have moved a considerable way in providing first-generation broadband. Nevertheless, in many parts of Wales, we still do not have an effective market. The role of Government and our policies is to try to engender a more effective market. In some areas of Wales, the market is still not providing that, so I have come forward with the regional innovation broadband support scheme. That has had approval from the European Union, and is a market intervention to provide broadband where it is currently not available. I hope that, on the back of that, you will then get much more competition, because we know that, where there is competition, the prices of services fall, and therefore the citizen, or the customer, is able to get a better service and greater value for money.

[168] BT has introduced this in Cardiff because it has critical mass—it is a large population, and therefore it can get a better return on its investment. I hope that, over time—and I hope that it is not that long—it will be able to roll out similar services across other parts of Wales, in particular, Gwynedd.

[169] **Carl Sargeant:** The A494 and the A55 are as important in north Wales as the M4 is in south Wales. I know that you are aware of local issues on the A55. On phase 2 of the A494 development, are there any up-to-date figures on road traffic counts? I believe that road counters is the correct term. I am at a loss to understand why we are considering retrunking a road that was detrunked back in the 1960s. Your comments on that would be appreciated. On phase 3 of the A55 improvements, I was shocked that people learned about the potential of their houses being demolished from a poster on a wall. The only notification that they received was two days before by post, which did not tell them that their properties were under threat—they found that out from attending the venue, which is disturbing. I hope that you could look into that case. To put it on the record, I question whether we need a bypass in Alltami, which is parochial, but it is part of the trunk road agency and the trunk road work.

[170] **Andrew Davies:** There is a lot of detail there; I will write to Carl, and make that letter available to other Members. In general, what often happens is that, when we come to the point of taking a road scheme forward, starting to build it, and going through the procedures, it is at the end of a long process, whereby there may well have been an earlier process in terms of consultation and public meetings, which may be more than 10 years previous to that. Therefore, many people who may now be affected by a road scheme may not have been living there when the road scheme was first mooted, and options and routes were considered. That may have been the case, or it may not—I do not know—but that is the general situation that we often find when we come to taking forward particular road schemes.

10.30 a.m.

[171] **Mr Shaw:** On traffic counts, we obviously have them frequently. If you have particular locations for which you would like figures, let me know and we will provide those.

[172] **Carl Sargeant:** If that is possible, I will talk to you after the meeting. Will that also include current accident statistics? Can you access those?

[173] **Mr Shaw:** We can.

[174] **Christine Gwyther:** Is there anything on paragraphs 39 to 48 on VisitWales, bearing in mind that we have talked about the process with the tourism advisory panel under a previous section? Is there anything on paragraphs 49 to 52 on International Business Wales, on paragraphs 53 to 59 on job gains and jobs safeguarded, or on paragraphs 60 to 68 on job losses?

[175] **Alun Ffred Jones:** Cyfeiriau at baragraffau 61 a 62 am golli swyddi yn Grampian Country Foods a Cig Môn, ac wrth gwrs hoffwn gysylltu'r hyn a ddigwyddodd yn Cig Môn gyda'r lladd-dy yng Nghaernarfon. Ar wahân i'r colli swyddi, mae pryder cyffredinol yn y diwydiant lladd-dai. Mae'n cael ei wasgu o'r top gan yr archfarchnadoedd, sy'n ei wasgu o safbwynt prisiau hefyd. Credaf fod sefyllfa'r lladd-dai sydd yn weddill yng Nghymru—a chredaf

Alun Ffred Jones: I refer to paragraphs 61 and 62 on the job loss at Grampian Country Foods and Cig Môn, and of course I wish to link what has happened at Cig Môn with the abattoir in Caernarfon. Apart from the job losses, there is general concern in the slaughterhouse industry. It is being pressed from the top by the supermarkets, which are also pressing it in terms of prices. I believe that the situation of the remaining abattoirs in Wales—and I believe that there are only five,

mai dim ond pump sydd, gyda thri chwmni yn unig yn berchen arnynt—yn argyfyngus. Os bydd gogledd Cymru yn colli un lladd-dy arall, yna bydd yn cael effaith wirioneddol ddrwg ar hyder y diwydiant. O gofio ein bod yn ceisio tynnu'r diwydiant twristiaeth yn nes at y diwydiant cynhyrchu bwyd, credaf fod hynny'n neges anffodus.

which are owned by only three companies—is in crisis. If north Wales loses one more abattoir, then it will have a truly detrimental effect on the confidence of the industry. Bearing in mind that we are trying to bring the tourism industry closer to the food production industry, I think that that is an unfortunate message.

[176] Derbyniaf mai'r Gweinidog dros yr Amgylchedd, Cynllunio a Chefn Gwlad sydd â chyfrifoldeb uniongyrchol dros hyn, ond mae wedi dweud ei fod eisiau cynnal rhyw fath o ymchwiliad i sefyllfa'r lladd-dai. A yw'r ddau Weinidog yn cydweithio, oherwydd mae'n amlwg i mi bod hwn yn fater sy'n ganolog i'r economi yng ngogledd-orllewin Cymru a hefyd drwy ganolbarth Cymru? Mae llusgo anifeiliaid ar draws gwlad i Loegr i'w lladd yn nonsens llwyr, ac yn chwerthinllyd, o safbwynt hanes Cymru a'i heconomi. Felly, hoffwn ofyn i'r Gweinidog beth y mae'n ei wneud i ymateb i'r argyfwng yn y diwydiant prosesu cig.

I accept that the Minister for Environment, Planning and Countryside has direct responsibility for this, but he has said that he wants to conduct some kind of inquiry into the situation of the abattoirs. Are the two Ministers collaborating, because it is clear to me that this issue is central to the economy of north-west Wales and also throughout mid Wales? Dragging livestock across the country to England to be slaughtered is complete nonsense, and laughable, considering the history of Wales and its economy. Therefore, I would like to ask the Minister what he will do in response to the crisis in the meat processing industry.

[177] **Andrew Davies:** Carwyn Jones and I are working together on this, as are our officials. Gareth Hall, as director of my department, is working with Gareth Jones, the director of the Department for Environment, Planning and Countryside, and also with officials on regional and local level, such as Vanessa Griffiths, the north Wales director, and her team will be working with them. If a company comes to us for financial or regional selective assistance, for example, officials in north Wales, and members of Vanessa Griffiths's and Bill Atwill's teams, will deal with the application. Therefore, the short answer is, yes, we are and will be working with Carwyn on this.

[178] **Alun Ffred Jones:** I know that you did not make the promise, but Carwyn Jones said in the Assembly that he will be conducting a review or an investigation. I would like to know whether you will be part of this review, and when it will take place, if it has not started already. I think that it is very relevant because time is short.

[179] **Christine Gwyther:** I think that we will need a written note on that.

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

[181] **Eleanor Burnham:** In view of what we were discussing earlier about manufacturing, I noticed a reference in paragraph 64 to Nypro Wrexham Ltd. It does not look like a lot, but the loss of 35 jobs in Wrexham is very meaningful. Did your department or the WDA know about this, and is this the kind of company that we should be saving, or is this the kind of loss that perhaps we are experiencing due to attractive rates of pay in other parts of eastern Europe or globally?

[182] **Andrew Davies:** I do not have that much detail on this. If there is a job-loss announcement, then officials will find out about it directly through their account management system, or, if Nypro Wrexham Ltd was, for example, a customer of ours and had received support in the past, there will be an account manager, or we will be notified through other public agencies, trade unions or other sources of information. I do not know the specific

customer that it was supplying and what happened to the loss of that contract, but I can get more information and provide it for the committee.

[183] **Christine Gwyther:** Okay. I will move on to the other announcements, covered in paragraph 69 to the end.

[184] **Alun Ffred Jones:** Diolchaf i'r Gweinidog am ymweld â Bangor i agor y technium. Gwn iddo gyfarfod â swyddogion o Gyngor Gwynedd ac iddo o leiaf wrando ar y pryderon sydd ynghylch y cysylltiadau rhwng y de a'r gogledd o ran rhai o'r cynlluniau ffyrdd sydd yn yr arfaeth, a'u pwysigrwydd i ddatblygu economi a chymdeithas y gogledd-orllewin. Diolch iddo am ei bresenoldeb.

Alun Ffred Jones: I thank the Minister for visiting Bangor to open the technium. I know that he met with officers from Gwynedd Council and that he at least listened to the concerns about the north-south links in terms of some of the proposed road schemes, and their importance to the development of the economy and society of north-west Wales. I thank him for attending the meeting.

[185] **Andrew Davies:** I found it a very useful and productive meeting, and the officials, and Richard Morgan in particular, who was at the meeting, will follow it up.

[186] **Alun Cairns:** Will the Minister advise us if there is any further information in relation to the Metrix bid for St Athan, which is referred to in paragraph 70?

[187] **Andrew Davies:** My understanding is that it is still going very well, and the consortium is quietly optimistic that its bid is the best. That is the main reason why we are backing it. Gareth has been much more involved in this as he had a meeting recently about it.

[188] **Mr Hall:** I was at a meeting all day with the Ministry of Defence in London on Monday, and the Assembly Government is entering into an option agreement with the Ministry of Defence as regards the land at St Athan. We have been set a deadline of 15 June to enter into the option agreement. Having an option agreement relating to the land puts the Metrix bid on an equal footing with the other bidders. If we cast our minds back to the original tender action, the specification related to benchmark sites, all of which were in current MoD ownership, including the sites at Cosford in the west midlands, for example. Metrix came along at our behest to promote St Athan, which was not included as an original benchmark site. So, in entering into an option agreement with the MoD, it puts the St Athan bid on an equal footing or a level playing field, as it were, when it comes to the very important process of the evaluation of the Metrix bid vis-à-vis the other bids. So, I can only assume that that is a positive action.

[189] **Christine Gwyther:** Thank you for that very comprehensive report, Minister.

10.38 a.m.

Strategaeth Blaenau'r Cymoedd Heads of the Valleys Strategy

[190] **Christine Gwyther:** I welcome Patrick Lewis, the director of the Heads of the Valleys programme. Minister, do you wish to introduce your paper?

[191] **Andrew Davies:** In many ways, the paper relates to the discussions that we held earlier in the meeting about how we deal with some of the results of long-term economic decline in parts of Wales. For example, Wales was compared with other parts of the UK in terms of relative performance. As has been pointed out, some parts of Wales, such as the

south Wales Valleys, have experienced quite long-term economic decline, particularly with the loss of coal mining, engineering and other heavy industries.

[192] As colleagues will know, it is a long-term strategy, and it is about producing a shared vision, produced in consultation with a wide range of stakeholders from other parts of the public sector, the private sector and the voluntary sector. It is very much set within the context of the Wales spatial plan and, in particular, the developments in south-east Wales, and involves my division for south-east Wales, but also other parts of the Assembly Government and other public sector bodies, such as the five local authorities, the voluntary sector and the private sector, as well as local communities in the area.

[193] Accompanying the strategy will be a three-year action plan showing how the Assembly Government will invest the £30 million of additional funding between now and 2009 in the area. Of course, this is the first stage of the longer-term package of special funding for the Heads of the Valleys programme, with £140 million being provided over the 15 years of the programme.

[194] We estimate that there is £1 billion of annual investment by the public sector in aggregate in the Heads of the Valleys area, and we believe that there is significant opportunity, over and above the additional £140 million investment from my department's budget, to lever in an additional £360 million of private sector investment. We now have the opportunity, due to the success of the Prime Minister's negotiation of a deal on the EU budget, for another six years of European funding through the convergence programme. I feel that the Heads of the Valleys, south-east Wales and the Wales spatial plan give us the policy context for a strategic priority for the use of European structural funds.

[195] I will chair the next meeting of the programme board on 15 June, at which the draft strategy will be discussed and, hopefully, approved.

[196] **Christine Gwyther:** On a process note, we do not have a document before us, but I think that it is important for Members to have an input at this early stage, before the consultation goes live. That is the purpose of the current item.

[197] **Andrew Davies:** Just on the process, once the draft strategy has been approved by the programme board, we will bring it back to committee for full consideration as part of the wider consultation.

[198] **Christine Gwyther:** When will that be?

[199] **Andrew Davies:** I think that it will be negotiated with the committee clerk.

[200] **Christine Gwyther:** Okay. We will have to do some of this work out of committee, by e-mail, but we will certainly make our response to you at the appropriate time.

[201] **Leighton Andrews:** Chair, it is actually rather difficult to engage in this when the documents will be published in three weeks' time. This is not really the opportunity to make an input.

[202] However I deal with this, I am going to sound ungracious and ungrateful, so I am going to just do it. This is a strategy for the Heads of the Valleys road area, frankly; it is not a strategy for the south Wales Valleys. We need to put that on record. I am glad that a couple of wards at the top of the Rhondda Fach are included, but, as far as I am concerned, I still do not really understand why this area was ever designated in the way that it was. Ultimately, the Objective 1 programme is far more important to the communities that many of us represent in the central Valleys areas, as that is where the real money is and where the real opportunity

will come through the convergence funds. All that I will do today is reiterate my argument to the Minister that a wider range of wards should have been included in this programme, and I hope that he will look, as he launches the strategy, to find ways in which to address the needs of areas that bear on this programme but which are not necessarily included in it.

[203] **Christine Gwyther:** Can you respond to that? How will it fit in to the convergence programme?

[204] **Andrew Davies:** Leighton and I have had discussions about this issue privately and publicly. The reason why we are taking a spatial approach to the Heads of the Valleys is that, if you look at a wide range of indicators—I accept that it is by no means perfect, as it has been argued that some areas should be included, and, as I said, we can look at that—and specific issues such as economic inactivity, unemployment and a range of other indicators, you will see that there is a higher concentration of communities in the Heads of the Valleys area than there is in other south Wales Valleys communities. For example, those parts of the south Wales local authorities that are close to the M4—parts of Caerphilly, Rhondda Cynon Taf and other local authority areas—have benefited very significantly from the economic development, growth and employment that has occurred since the late 1990s and since the Assembly was established. However, those benefits have not been as significant in the Heads of the Valleys areas as in other areas. That is why I think that there is a recognised need to concentrate on that area.

[205] The boundaries may well be imperfect. I have had this discussion with Leighton. I am sure that there are ways in which we can negotiate or discuss the coverage of the Heads of the Valleys area. It is not just about money, and it is not just a matter of saying, ‘We have European money and therefore that will be more important than the Heads of the Valleys’. They are complementary. One of the problems that we have found is that there has been difficulty in getting the capacity to use the current European funding programme. Local authorities have openly said that they have struggled to come forward with regeneration programmes for individual projects. That is why one of the identified failings of public sector intervention in the last 10 to 30 years is that it has often been short term; secondly, there has not been an integrated or joined-up approach. There has not been a strategic approach. So, my view is that we should take a long-term strategic approach that gets all stakeholders—public, private and the voluntary sector—to agree on the framework, which will then give us the opportunity and the context for using convergence programme funding, for example. I think that it would allow us to be much more effective in the way in which we address the issues and use the considerable resources that are, and will be, available under the convergence programme.

[206] **Mr Lewis:** On the specific question of the area just outside, we are fully aware of the issues and they are very similar across the top of the Heads of the Valleys, all the way along the road. To a certain extent, we can use this as a way of dealing with the problems collectively, through the five authorities and the Assembly, getting together with the other agencies to deal with some of the problems systematically, to bring as much attention to bear as possible, to learn from the lessons, and then to distribute them. It would make more sense to deal with some of the communities very close to the edges of the Heads of the Valleys as if they were part of it, to a certain extent, so that we can share best practice and chair joint projects together. We are talking about some of the villages right at the western edge of the area, which would benefit greatly from a joint approach being taken with them on where we could target resources and work to make a real difference. That is already in train because it would make sense to do nothing else but that.

[207] **Leighton Andrews:** I agree with what Pat has just said, and I accept what Andrew said, but I actually think that it would be better to talk about this as a Heads of the Valleys road scheme, because, in reality, that is the driver for it. Everything that you list in terms of

development—your five priority themes—is related to the fact that this is an important transport route in Wales. It is important in terms of its economic and other links, and its ways in. In presenting this strategy, Minister, I suggest that you emphasise the fact that you are exploiting a great asset for Wales, which has not been properly exploited in the past—the Heads of the Valleys road. That is why investment is concentrated around that. I certainly accept that there are huge opportunities with that road—which, for some reason, I appear to have been travelling up and down constantly over the past week or two. However, it seems to me that it really is about that road just as, in a sense, we have seen a huge amount of development around the M4 corridor, which has benefited the southern ends of the Valleys, if you like.

10.50 a.m.

[208] It is about this road, and it should play a bigger part in your promotion of the strategy, because that would make it clear to people what it is really about.

[209] **Andrew Davies:** I can understand the argument, but the problem with saying that it is essentially about the road is that the concentration of effort will be about the road. That is the problem. We have to challenge stakeholders to see economic development in a wider context than just infrastructure, whether it be road, rail or even sites and premises, which has been a public sector obsession, often at local authority level. What we are looking at is taking a much more holistic approach to regeneration over a longer period, which is as much about skills as it is about infrastructure, and as much about community regeneration as it is about transport, for example. So, while I understand the argument, there are real dangers of going down the route of saying, ‘It is about development around the road itself’.

[210] **Eleanor Burnham:** You say that there is insufficient take-up. Do you know why exactly? There are obviously complex reasons and, if you do, what sort of strategy is in place to overcome that to ensure that the money is well used? Surely, there must be enormous benefit, and it is a terrible waste if all the money is not used adequately.

[211] **Andrew Davies:** As I said earlier, one problem that has been identified—particularly, though not just, at a local authority level—is the lack of capacity for using Objective 1, for example. Local authorities will admit that they have struggled to deliver—to identify projects, to take them through the application and assessment process, and, even when it has been approved by the Welsh European Funding Office, to deliver on them. They will openly say that they have often struggled in that area. So, that is why I have been talking about take-up. Two major thrusts of the Heads of the Valleys programme, and the team headed by Patrick, are to provide leadership, and to drive a collaborative agenda, thereby bringing all the people together to realise the opportunities provided by what is now Objective 1 but will soon be the convergence programme, as well as a range of other investments. We estimate that £1 billion a year is invested from the public sector in those communities. One problem is that we know that that investment can be made much more effectively than at the moment, so we believe that a collaborative approach, based on a strategic assessment of the priorities, is the best way forward. All the stakeholders agree with that: local authorities, other public sector bodies, the private sector and the voluntary sector.

[212] **Alun Ffred Jones:** Some of your comments are an indictment of these local authorities, but I will let that pass. I certainly do not want to come between you and Leighton Andrews, though I have a lot of sympathy with what Leighton has said. However the idea of targeting resources is obviously a good one, and that approach is to be applauded whatever the boundaries—whether they are correct or not. However, the truth of the matter is that the long-term decline of these communities is due to a lack of economic strategy over the decade at the end of the 1960s, when everyone knew what was happening in the Valleys and the refusal of successive governments to adopt a plan for various parts of Wales—in this case the

Valley communities and the previous coal mining communities. It is a failure of government in Wales, and this is at least an attempt to remedy that.

[213] I cannot comment on the report in front of us, but the Government should also be taking a similar approach in other parts of Wales, and the spatial plan gives you a way into that at least. Although the problems differ, there are many similarities between what has happened here and what happened on a smaller scale in the quarrying villages of north-west Wales. This sort of strategic approach must be replicated. You have already set up a structure here to deal with it, which crosses boundaries, and the same thing should happen in other parts of Wales in order to deal with European money and get that local input, which is so essential.

[214] **Andrew Davies:** Thank you for that, and for your earlier comments about the meeting with the local authority in Gwynedd. I could not agree more. In fact, we are now explicitly using this approach in the context of the Wales spatial plan, for example, for the convergence programme. On using the Heads of the Valleys approach in the north-west Wales context, and following up on Leighton's point about why do we not make it much more explicitly about the road, if we were to say that, a north-west Wales development would be about the A55.

[215] **Alun Ffred Jones:** I did not say that.

[216] **Andrew Davies:** No, but my point is that if we were to say, 'It is about development around the A55 corridor', I know that you and your colleagues in Gwynedd would feel strongly that there is a perception of an overconcentration in some parts. We are trying to take a balanced approach, but based on a spatial analysis of the needs and the potential of any particular part of Wales.

[217] **Christine Gwyther:** We are all getting a bit esoteric now. This will only work if the local authorities want it to work, so what is your assessment of their buy-in to this project? They will have to release officers to work across the patch. From my experience of working for local government, I know that once you have made that leap of working across boundaries, it works really well, but getting the political or the administrative support to do that is really quite difficult. So, what do you think?

[218] **Andrew Davies:** One of the most gratifying things about the process so far is the fact that the leaders and chief executives of all five local authorities are fully buying into this. In the next programme board, for example, as with previous programme boards, the five leaders and five chief executives will be present, as well as other public sector bodies. So, I am gratified by the level of engagement. Maybe Patrick can talk about some of the more specific matters of secondments and other practical ways in which the project is going ahead.

[219] **Mr Lewis:** The team that is driving it forward and that has created the strategy is made up of the agencies and all the local authorities. So, secondees from each of the local authorities work in the current team. We have the expert in town-centre renewal from one of the authorities working on it, so that we can share experience with the other four. That is working, because people understand, they know some of the experts in the field, they are peers of theirs and they want to get involved on that basis. So, we have buy-in at a very senior political level from the authorities, but also at the level of delivery. This project is very much a partnership; it is made up of the local authority staff who deal with it, along with me. That makes a big difference, because, as the policies and programmes develop, there is discussion all the time with the authorities as to whether it will work or deliver and so on. That is a different way of working from that which I expected to be doing over the past few months, but it has worked, and there is a real buy-in.

[220] **Christine Gwyther:** Okay, thank you very much. Once the document is published, in about three weeks' times, we will have the chance to make our individual inputs. We will collate those as a committee and you will receive them in due course. This has been an interesting first stab at it. We will now break for some 15 minutes.

*Gohiriwyd y cyfarfod rhwng 10.59 a.m. ac 11.21 a.m.
The meeting adjourned between 10.59 a.m. and 11.21 a.m.*

Blaenoriaethau'r Gyllideb Budget Priorities

[221] **Christine Gwyther:** This item relates to the budget priorities for 2007-08. We have a paper from the Minister outlining his priorities. We might support some or all of them, or we may have our own priorities. Minister, I ask you to introduce your paper, and then perhaps you and your officials can take questions from us.

[222] **Andrew Davies:** The Finance Minister has written to each of the subject committees, as part of the normal budget planning round, in order for you to comment on the priorities contained in my paper and to respond to me and the Finance Minister on what you think the priorities should be. 'Wales: A Better Country' and, more recently, 'Wales: A Vibrant Economy' have formed the policy context for my decision on budget priorities. 'WAVE' will inform the business plan for the new department. This business plan will be the operational plan under 'WAVE'. In terms of priorities, it will also help to inform future expenditure on the convergence programme.

[223] The key priorities are innovation, targeted regeneration and transport, along with—as was indicated by the question to Gareth earlier on business support—making sure that we get maximum value from our current expenditure and existing resources. However, we invite the committee members to give their views.

[224] **Christine Gwyther:** I would like to invite views or questions from Members.

[225] **Leighton Andrews:** I will start by declaring my normal interest, that is, that my wife is British Telecom's director for Wales. Having looked at the budget, there are one or two areas that I would like to comment upon. In line with a number of the elements that we have been talking about, and will be talking about later in respect of science and engineering policy, I would like to be clear that the budget reflects the need for Wales to be investing in areas where future technologies may bring economic, social, and environmental benefits, in other words, areas of significant development.

[226] The second area that I wanted to ask about was the significant amount in the budget for telecoms infrastructure. I do not normally ask about this, but I am going to today, because the depreciation and costs of the capital are significant. My concern about what we are doing about information and communications technologies is that the emphasis is too often on infrastructure, equipment and kit and less on the uses of the technologies. I was surprised to see the size of that investment; it may be that it is connected to the specific programmes that you are running in terms of rolling out broadband, I do not know, but I wanted to be clear as to what that is.

[227] **Andrew Davies:** On the first part, investment in emerging technologies, that is something on which I have worked closely with Jane Davidson, for example, with regard to investment in the research and development capacity at the Institute of Advanced Telecommunications at the University of Wales, Swansea. That has attracted a great deal of interest from companies such as Motorola, and British-based companies such as BT, which

are very engaged in identifying new applications and services that could lead to new products and services that we hope will generate wealth. That has been done in the past, but we have to be frank and say that it was not done in a sufficiently strategic way, which is what we were talking about earlier in the context of the convergence programme and the Wales spatial plan. The emerging science policy will give us a greater insight into the potential of new technologies and investment in them.

[228] On telecommunications, I take your point about the infrastructure: it is an important part of the equation, but it is, as you said, only part of it. The problem that we have faced in Wales, to a large extent, has been market failure. We had to have a broad and balanced approach, which was about providing the supply, that is, the basic connectivity, for the many communities that did not have it, as well as stimulating the demand for services. The Broadband Wales programme has been a joint supply-demand driven programme. However, you are quite right that driving up demand is one of the major challenges.

[229] If you look at the take-up of broadband, the growth in demand in Wales has been significant. I think that we are not far off from achieving the figures seen in the rest of the UK; in fact, in some areas, we are ahead. My concern is that, yes, we are increasing demand, but I do not want us to experience what is called the Canadian syndrome, whereby you have good infrastructure and connectivity, but the economic benefits of the telecommunication services go elsewhere—in the case of Canada, to American companies. I am concerned that we maximise economic potential, which relates back to your first question about science policy and research and development priorities in terms of investment. That is why we would be looking, in the next convergence programme, at strategic investment such as that which we have made in the Institute of Advanced Telecommunications and the Institute of Life Sciences, and other investments in collaboration with higher education. That would be only part of the solution. Tracey may like to come in on this.

[230] **Ms Burke:** When you talk about the scale of it, the sorts of activities that we are trying to take forward are the public sector broadband aggregation work and also the work on fibre speed to business parks, which is trying to provide broadband between business parks across Wales, to name two quite capital-intensive programmes. However, there are also other activities, such as the intelligent cities initiative, that you are probably aware of.

[231] **Leighton Andrews:** I asked some time ago about demand analysis for the fibre speed to business parks and I just wonder what that has resulted in.

11.30 a.m.

[232] **Mr Hall:** As well the demand analysis and feedback that we are getting from customers, we also called on the services of the economists in the Assembly Government. There is a demand out there for high bandwidth at attractive and competitive prices and we are looking to take that forward in a phased manner, starting off in north Wales, where there is identified latent demand. However, to take your point about this not all being on the supply side, in tandem with all this, we have programmes and advice that promote the take-up by business. It is one thing connecting; it is another thing getting businesses to use this broadband capability. The two go hand in glove. You have to intervene where there is market failure or shortcomings on the supply side, but the other side of the coin is that you have to be there promoting the demand so that you get the two to reconcile.

[233] **Leighton Andrews:** I would like to see this demand analysis. The reality of life, as far as I can see, has always been—and this was certainly true when I was at the BBC—that people interested in technology and engineering always want the latest kit and they will always want to be involved in bringing the latest kit out and buying it, when the real test of it is usage and consumption. I am worried that we are being driven along paths that, ultimately,

are not productive in terms of the use of public spending and I would like to see the demand analysis on that. I will ask questions about the public sector aggregation issue on another occasion.

[234] **Andrew Davies:** I could not agree more, and this relates to my response to Eleanor Burnham earlier. The role of the public sector and Government is to make up for market failure, but if the market is working, my fundamental position would be to ask what the public sector is doing intervening in it. As a Minister and as Government, we are trying to create that market. If that is working, there is not any need for a significant intervention. However, you are right that there is a danger that technology drives this agenda rather than business need or consumer demand and that is why we are looking at this and are being very rigorous in asking whether there is need and demand. If the answer to that is 'yes', then how is that best supplied? If there is latent demand, is it likely, in the foreseeable future, to be met by the market in some way? That is part of the demand analysis that we would undertake. However, I agree with your view about the dangers of being technology driven. Broadband Wales has taken, to the best of my knowledge, a unique approach by defining what first generation broadband is. We are often criticised, as a Government and in Wales, for not investing in our own bandwidth, as has happened in Japan and, I believe, in South Korea. Our view is that there is no indication that there is demand for that very significant bandwidth. At the moment, people are generally content with first generation broadband and the speeds and capacity that they can currently access. It may be that in the future there will be demand for greater bandwidth, and we will need to look at what the demand for that is and how it can best be supplied.

[235] **Christine Gwyther:** Ffred, do you have a question?

[236] **Alun Ffred Jones:** Are we on the budget?

[237] **Christine Gwyther:** Yes.

[238] **Alun Ffred Jones:** Sorry for being late.

[239] **Christine Gwyther:** Would you like me to bring you in later?

[240] **Alun Ffred Jones:** Yes, if you would.

[241] **Christine Gwyther:** Alun Cairns will ask a question then, followed by Eleanor Burnham.

[242] **Alun Cairns:** Leighton Andrews made a point about the policy review and I want to emphasise that there may well be calls for funding as a result of that, so I ask the Minister to bear that in mind. The Minister is also looking at his own science policy, but I am sure that if they can be dovetailed, there will be a funding issue that will come out from that.

[243] Can the Minister give an indication of the worst-case scenario? If private funding cannot be used as match funding for the next round of structural funds, what consequences could that have on the budget and what indication can he give of how the budget will cope? At this early stage, the Minister has a right to change the budget as he wishes, and rightly so, but would he bring any significant changes to this committee at the earliest possible stage so that we are not in the situation that we were in with the enterprise agencies? In that case, the budgets were changed at a relatively late stage; an indication of the changes was given in committee—I accept that—but individual Members did not, perhaps, gain a full understanding.

[244] **Andrew Davies:** I have some difficulty with the last point, if I make the information

available, it is up to Members to come up with their own understanding of its significance. Last October, I flagged up the budget on enterprise support programmes and there was an opportunity then for colleagues to raise the issue. I think that there was some discussion at the time about it, but the impact that that will have is part of the process of Government and how we take that forward. On match funding, it is too soon to say what the implications will be. The early indications show that there has been a change in emphasis in the European Union, and its position on, for example, the inclusion of private sector match funding, which we believe is more favourable. It is still too early to say what the outcomes of that will be, but we are looking at a range of scenarios. It is not just within my budget; it is across the whole of the Assembly Government's provision of match funding. It is not just my department or our budget that is involved in European funding.

[245] **Christine Gwyther:** On that point, it is good to hear that the commission might be slightly more flexible on the private sector match funding issue than it was a couple of months ago. I am very pleased to hear that, but the indications still are that, when we submit our application, we will not be able to have private sector match funding in the financial tables. Is that assumption correct? So, I am slightly perplexed that there is no indicative match funding increase in the tables that we have before us this morning. Clearly, there is an understanding in the Government that match funding might have to be found and I would have expected some sort of indicative assumptions in these budget tables this morning.

[246] **Ms Burke:** I know that a tremendous amount of work is going on through the central finance department of the Assembly Government at the moment, which is looking at this issue. It is important to point out, because this issue might be raised in another question, that the budget here attached to the paper is the draft budget and does not reflect recent Plenary changes to the budget. That would not affect the match funding point, but in case that point comes up, a lot of work is being done at the moment with central finance right across the Assembly as we come to terms with this private sector issue. Do you have more to say on that, Gareth?

[247] **Mr Hall:** No.

[248] **Christine Gwyther:** Might we expect to see alterations as part of the process?

[249] **Ms Burke:** I do not know the answer to that; I would have to come back to you on that and clarify with central finance how the budgets would be adjusted.

[250] **Christine Gwyther:** Okay.

[251] **Alun Cairns:** Thank you, Cadeirydd, for pursuing the point, because we need to prepare for the worst case and hope that we are better off. In the worst-case scenario, we need to be making plans and it appears from the noises that we have heard so far that there are plans in place for the worst-case scenario. So, it would be useful if any information on the work going on in the finance section could be provided, because an awful lot of money would need to be found in, no doubt, a tight budget spending round. Therefore, as a result, we need to think in terms of the worst-case scenario and hopefully we will be better off and we will not have to implement that.

11.40 a.m.

[252] I tried to raise the issue of changes in the budget in a neutral format, but the Minister, I am sure, is a master of including a pretty anodyne comment in his statements, which lead to significant changes in the emphasis that the Minister provides on various parts of reports, and so on, and can often be camouflaged or presented much more overtly, depending on how it is written and how it is said. I do not want to pursue it, and I do not want to get into an argument

about it. However, an anodyne sentence alone in a paragraph last October did not necessarily tell the enterprise agencies that their budgets would be cut by a third or more. Let us not go down that route in terms of the argument again, but if we are, potentially, to get to that situation, then something rather more overt may be helpful to the committee.

[253] **Ms Burke:** To add to that point, in this particular instance, things were compounded by the fact that we were going through a competitive retendering process at the time, and there was a limit to the extent to which we could make information available through a public committee.

[254] **Alun Cairns:** Tell the businesses out there that cannot get support but want it that that is the reason—[*Inaudible.*]

[255] **Mr Hall:** They get it from the right source as well.

[256] **Andrew Davies:** As I have said in previous meetings, there are lessons to be learned, and we have all learned those lessons about handling investment. On match funding, it is not to say that no planning is being done—a considerable amount is being done. I would not want the committee to feel that we are waiting for things to happen—that is not the case. However, we are not in a position to have any certainty of that, and there is no way that we could come to committee or Plenary with proposals until we know what the European Commission's proposals are and what it will allow in the new programme; we will then need to come forward in due course with that information. However, a huge amount of planning and work is getting done, with Tracey, WEFO, and Sue Essex's department.

[257] **Alun Cairns:** Tell us.

[258] **Christine Gwyther:** I have a few questions before we leave match funding—I am still slightly puzzled on the commission's thinking on this issue. We would still be able to use private sector match funding in the programme, but we cannot include it in the financial tables that form part of our application. Therefore, it seems that there should be an indicative allocation, which, hopefully, we would not have to spend because the private sector would be as confident as it has been over the last seven years, and be weighing in with its 38 per cent, or whatever it was.

[259] **Andrew Davies:** It is 35.5 per cent.

[260] **Christine Gwyther:** There we are—35.5 per cent; I am a glass-half-full person. Therefore, even though we might not have to draw on those indicative sums, they should be available at some stage for us to scrutinise. We are getting to a stage where the application will be going in reasonably soon—perhaps you can update me on the timetable for that as well. These are the sorts of things that we should know about as part of the budget planning process.

[261] **Andrew Davies:** I accept that; it is just that, until we get certainty from the European Commission, there is nothing that we can come forward with in terms of specifics.

[262] **Eleanor Burnham:** On broadband, I find the Minister's assertion that the present speed will do interesting. I am not technical, but I would have thought that we all—whoever we are—need to be able to have the most affordable latest speed, because it is in a competitive mode, is it not? That is true if you are running a small business, for instance, and cannot access broadband, to which Alun Ffred alluded earlier, when he said that parts of Wales are apparently having difficulty. Surely, there are huge disadvantages in business terms for a small or a big business if you cannot afford or cannot get the latest possible speed.

[263] On the £141 million transfer from the Department for Transport for the Arriva Trains Wales franchise, where does that appear in the budget? How and when will the budget be adjusted to take account of this transport strategy for Wales?

[264] On the science policy, and I know that we are discussing that later this morning, is that anything to do with education in science—are you discussing that with Jane Davidson? My understanding is that fewer and fewer people are now training to become science teachers, and that there are fewer and fewer science graduates, and so on. Are you aware of that, and what are you doing about it?

[265] There are commitments on sustainable development from the Assembly Government. How do you believe that the department performed against sustainable development commitments in previous years?

[266] Finally, on merger cost savings, £5 million in savings to the Economic Development and Transport main expenditure group does not seem a lot. That is what would be saved according to your paper in October 2005. You state in that paper that,

‘synergies flowing from the mergers will yield significant cash savings in coming years which will be re-invested...As an example, the new EDT will yield nearly £5m cash saving on management and other running costs by 2008-09’.

[267] Is that still your assumption? How much has it cost in redundancy and pension provisions, for example? Do you have a figure on that?

[268] **Andrew Davies:** The Arriva Trains Wales franchise does not appear as it is hypothecated or ring-fenced; it is purely and solely for that purpose. Obviously, that was part of the negotiation with the Department for Transport.

[269] **Christine Gwyther:** So we cannot fiddle with it, or withhold any of it.

[270] **Andrew Davies:** No.

[271] **Ms Burke:** We will be creating a new budget expenditure line within the budget. It is just a timing issue. At the time that the paper was prepared, there was a budget motion debate where this was discussed. It has been transferred; it is just not shown.

[272] **Andrew Davies:** On your first point about the operational market, as part of the European Union we must operate within European state aid rules. There are strict rules on public-sector intervention or using state aids to help the private sector. We are severely limited. It has to be pointed out that the European Commission has taken a particularly close interest in the operation of state aid rules in relation to broadband infrastructure. It has not taken the same close interest in mobile phone telephony, interestingly. As I have said on several occasions, if the market is operating, then the Government or the public sector should not be operating, because there is a danger that you distort the market; in any case, you would be wasting public money if the private sector was providing services.

[273] I find it interesting that, since I have been in this job, I have not been asked a question in committee or in Plenary about the fact that many parts of Wales are unable to get a mobile phone signal. There has never been a call for public sector involvement or Government intervention to make up for what is clearly market failure in many parts of Wales. There have been many calls for public sector intervention on broadband. I responded to that call four years ago with the launch of the Broadband Wales programme. There have been significant developments. If you look at broadband technology, the take-up is faster than with any other form of communications technology—whether that is mobile phones, televisions, landlines or

whatever. There has been significant market development. We need to ask whether there is a case for intervention in the future. That is why we have the fibrespeed project and why Leighton asked his question about demand analysis.

[274] Science policy is being considered at the moment. The First Minister leads on this issue, as the Minister responsible for science, although Jane Davidson and I have a close interest in it, as do other Ministers. The draft science policy has just been out for consultation. We are now considering the responses to the consultation. Clearly, one issue that has been identified by the Government and by those who have responded is the fact that fewer young people, in particular, are studying science and engineering. It is not a problem that is restricted to Wales; it is a problem that is experienced by many advanced industrial nations, not least America. We want to look at the issue to see how we can encourage more young people to undertake science and technology education, in schools and in further and higher education colleges.

[275] I will ask Gareth to come in on costs, efficiency savings and sustainable development.

[276] **Mr Hall:** To pick up on your last point about science, particularly among 14 to 19-year-olds, as part of our joint working with the Department for Education, Lifelong Learning and Skills, I have been talking to my opposite number, Steve Marshall, and we have been asking why children are not attracted to the sciences. We must make the link to the sort of job opportunities that are available to these people if they study GCSEs and A levels, and go on to be graduates. We want to make that link by using local businesses, and we have a meeting coming up with a group in the Newport area. We want to get into areas where there are hi-tech companies, so that businesses can go into schools and colleges and demonstrate to schoolchildren the connection between science in the classroom and career opportunities. When you start to make that link it then becomes attractive. So, that is part of our education and science policy.

[277] There were redundancy costs of £2.5 million associated with severance for 35 staff leaving the WDA, which was borne from the WDA budget in the last financial year, and that has a payback period of a year. So, that has already been accounted for and, therefore, it does not have an impact on this budget.

[278] On the merger costs, there will be £5 million in the upcoming financial year, and we will also be making a full commitment to the contribution of the efficiency savings that were spelled out in the 'Making the Connections' targets. That will be over the following three years.

[279] You also talked about sustainable development. Our whole approach to sustainable development is embedded in the way in which we formulate and deliver on these policies; it is not seen as a bolt-on. We have been doing two very important things on the sustainability front. One is embedding sustainability in terms of the property programme, not just in terms of how we procure more sustainable properties, but in being more sustainable in identifying the locations where developments take place, and then being more sustainable in terms of the developments on the site. It is not just about the buildings and energy efficiency; sustainability is as much about access, public transport and a whole set of other things. The principles of having a holistic approach apply in that respect.

[280] A major strand of our strategy is the uniqueness of Wales and the Welsh environment, and that makes the environment of Wales and its landscape attractive, not just for tourism, but for business, clean-energy technologies, and the science that you talked about, in terms of promoting those types of sustainable and clean-technology businesses.

[281] In terms of talking to businesses and advising them, either ourselves or through

contractors, we must start talking the language of business so that business does not see sustainability as another regulation or environmental cost, but as something that is good for business. For example, if you invest in an environmentally friendly building, which may have additional capital costs in its construction, over the life of the building you more than get your money back in terms of cheaper electricity bills and energy costs, which is a big issue these days. It also saves on absences from work in terms of sickness and so on, so we are developing advice that talks about sustainability from the point of view of business rather than the environment, and we are starting to press the right buttons.

[282] **Eleanor Burnham:** Good. My last point is about creative futures. Where does that appear in the budget?

[283] **Ms Burke:** Can you be a bit more specific?

[284] **Eleanor Burnham:** We do not seem to have it in the culture portfolio because it is in this portfolio.

[285] **Andrew Davies:** Are you talking about creative industries?

[286] **Eleanor Burnham:** Sorry, yes.

[287] **Christine Gwyther:** I thought there was a new buzzword—I seem to pick up on most of them.

[288] **Ms Burke:** It is contained within the innovation, design and technology budget; I cannot remember the specific—

[289] **Eleanor Burnham:** Is it under innovation and design on page 6?

[290] **Ms Burke:** Yes, it is in annex A on page 6—innovation, design and technology.

[291] **Eleanor Burnham:** Thank you, Chair.

[292] **Christine Gwyther:** We will be writing to you, Minister—

[293] **Alun Ffred Jones:** I am sorry, Chair, but I wanted to come in on this.

[294] **Christine Gwyther:** Yes. It really is not personal, or even geographic. A red tie would probably do it.

[295] **Alun Ffred Jones:** I just wish to reiterate your concerns about match funding and the absence of indicative figures if the worst comes to the worst in terms of the European rules and regulations that cover this. I presume that we will be updated on that regularly.

[296] On the issue of sustainable development, does the department use any performance indicators to measure its performance in this field, be it in terms of buildings, developments or whatever? If not, do you intend to adopt any at some future date?

[297] With that in mind, and just looking at the indicative budget for next year, can you confirm the exact reason behind the major expansion in the improving rail and air services budget line? I think that I know the answer. In terms of sustainability, two other budget lines seem to be suffering. How do you—what is the word that I am looking for?

[298] **Alun Cairns:** Reconcile?

[299] **Alun Ffred Jones:** That is the word that I am thinking of; thank you. It seems that there will be less money for the integration and delivery of local transport next year. Then there is the small, but important, budget line for supporting walking and cycling, which also seems to be taking a hit, and it is not a very large sum anyway. Can you make some comments on those issues?

[300] **Mr Hall:** Shall I kick off with sustainable development? I can provide the committee with details of our strategy, policy and guidelines on how we embed sustainable development in our activities. I would be more than pleased to forward a note on that.

[301] **Alun Ffred Jones:** Do you have performance indicators that you follow, or are they just guidelines?

[302] **Mr Hall:** They are guidelines that ultimately end up in performance indicators, but there is a whole process. In terms of substantial investment in infrastructure and property in particular, we do not want to jump in and have performance indicators for the properties that we build. The fundamental question that we ask first is about whether we are building those properties in the right place. If we are not, by definition, that is unsustainable. For the next stage in the process, once you have gone through that test, and if that is right—these tests are the equivalent of performance indicators—we consider how we ensure that the building that we then build is the most effective in terms of sustainability. We can send you details on how we follow that process, right down to the specifics.

[303] **Ms Burke:** We do not collect performance indicators, as we would on a monthly basis, but, obviously, as part of our commitment to the sustainable development action plan, which you referred to earlier, there are such things as the number of developments that come to Building Research Establishment Environmental Assessment Method standards, which we would look at as part of our commitment. Quite a bit of work is in progress, but it is not something that we have as a travelling forward performance indicator.

[304] **Alun Cairns:** Just to pursue that issue, the Minister highlighted the later detail of the Welsh investment strategic partnership programme; can we expect the design of that office space to perhaps meet BREEAM standards? Having said that, WISP is funded slightly differently, but that would be expected of them, would it not, as it is a flagship Government programme?

[305] **Mr Hall:** It is built in to the specification.

[306] **Alun Cairns:** Fine.

[307] **Ms Burke:** It is probably best that I come back to you on the questions about the air and rail services and walking and cycling, because I need to consult with Robin Shaw to make sure that I give you the correct answer.

[308] **Andrew Davies:** My understanding with regard to the point on rail and air is that by far the largest part of that investment is in rail infrastructure. A relatively small amount has been allocated for the route development fund to encourage more routes from Cardiff airport and the intra-Wales and the north-south air service. Those are relatively small amounts, which have been allocated for the route development fund to encourage more routes from Cardiff airport and also the intra-Wales and north-south air service. By far the biggest amount is the investment in rail services in Wales, over and above the Arriva franchise.

[309] **Alun Ffred Jones:** Is it over and above the Ebbw Vale rail link?

[310] **Andrew Davies:** I am open to correction, but I think that the Ebbw Vale funding is

actually included in this.

[311] **Ms Burke:** That was just what I wanted to check, and that is why I said that I would get back to you with a more detailed note on that.

[312] **Andrew Davies:** I will confirm that.

[313] **Christine Gwyther:** Okay. Are you happy, Ffred?

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

[315] **Christine Gwyther:** I will not attempt to draw together all of the strands, but there are obviously some very clear themes coming through, which are the priorities that we have traditionally listed in this committee. Match funding for European funds is obviously a very clear priority for us. Also coming through were the sort of new technologies that we are talking about and the need to ensure that they are underpinned by decent public support. Transport and sustainable-development-type issues were also coming through. So, we will draw all of those together into a letter, which we will circulate by e-mail for Members to approve. Is there anything that you think that I have missed? I see that there is not.

12.01 p.m.

**Archwiliad o Gyflwr Systemau Perfformio yr Adran Datblygu Economaidd a
Thrafnidiaeth, Awdurdod Datblygu Cymru a Bwrdd Croeso Cymru
Health Check of Performance Systems in the Economic Development and Transport
Department, the Welsh Development Agency and the Wales Tourist Board**

[316] **Christine Gwyther:** Again, Gareth and Tracey will take us through this item.

[317] **Andrew Davies:** By way of an explanation, I will just say that I promised the committee that I would come forward with the results of the health check. Members will remember that I called for this, particularly following the review, which Gareth initiated within the international division of the former WDA. I wanted assurances that, in terms of the way in which we compiled our performance indicators, our reporting mechanisms were robust so that when the merger took place we were confident that the reporting mechanisms and the indicators were fit for purpose.

[318] I am glad to say that the outcomes of the health check have been very positive. There are no major or in-principle issues that the merging bodies or the Assembly Government considered as ones that would need to be seriously addressed. They were all considered to be robust.

[319] The auditors who undertook this work found that the management action taken at the time, whether as part of the international division review or any other review, was appropriate. Clearly, it has been quite a considerable amount of work because the auditors needed to look in detail at each organisation's reporting mechanisms and the robustness of the figures. I think that the overwhelming and positive view is that they were all very robust.

[320] However, this highlights that the merged organisations used different bases, for example, where they can use a mix of forecast and actual figures, and where they may all validly claim the same outputs. Obviously, we want to avoid any duplication of reporting and ensure that we have absolute clarity and certainty about the figures. So, I think that it has been a very useful exercise. I do not think that Gareth or Tracey want to add anything.

[321] **Ms Burke:** Except to say that it has been quite an intensive and extremely detailed exercise. The level of detail that it has gone into is not for the faint-hearted. The reporting systems were shown to be robust while the organisations were as they were. Now that we have merged, there are some issues for us to address and to work through in terms of harmonization, terminology, and making sure that there is not a potential for double-counting or duplication. So, that is work in progress at present.

[322] **Alun Ffred Jones:** Can I just have an explanation on point 11 of annex A? It states:

‘The organisations each use different methods to calculate private sector investment leverage’.

[323] Obviously, that is important because of the figures that have been quoted in the past on this. Has that been addressed, or is it currently being addressed?

[324] **Ms Burke:** Yes; it is currently being addressed. It is actually quite immaterial in terms of audit and the scale of the difference, but it reflects three different ways of recording it. The former Wales Tourist Board used to record private sector investment by excluding all public sector sources, excluding lottery funding, whereas the former Welsh Development Agency used the Department of Trade and Industry-approved ‘development agency’ definition. Trade and Invest Wales records all the funds invested in projects other than its own as private sector investment. So, it is not a big job to sort through it, and that is work that is going on at the moment in the department, to go to the DTI-consistent definition.

[325] **Alun Ffred Jones:** Would it be useful for us to know what exactly is meant by ‘private sector investment’? If it includes public funds coming from the lottery, then it makes a difference even if the sums are not large. They could be large in certain projects, therefore, percentage-wise, it could be affected. When you have finished the work, I would like to know that.

[326] **Ms Burke:** It is not a big piece of work. It is something that we are doing at the moment to harmonise more towards the same DTI-approved definition.

[327] **Alun Cairns:** I have one general and one specific comment. Forgive me for being a cynic and a sceptic, but this provides a great opportunity for us not to compare historical data. Obviously, the merger of the quangos has been a pretty controversial political decision, and we need to analyse the outcomes in order to establish whether it has been successful or otherwise. Every individual in every party would, no doubt, want to do that. Going through this necessary process—and one of the alleged benefits would be to get common data—also poses a difficulty, namely in going back to say ‘Quite clearly, over the three years before merger, we have this, but in the three years post merger, we have that’. You are comparing apples with oranges instead of apples with apples. Being a cynic and a sceptic, I think that that is a way of burying bad news. It is just a concern that I have, so if there is any way of identifying the change and the weighting that that has brought about, it would be useful, because we could at least compare like for like generally—it would not be specifically the same. Now, I am not advocating running two processes or the old and new systems together, but we could use clever analysis. You said that the WDA’s and WTB’s output figures and measures do not compare because one conforms to the DTI’s definition and one does not, and one includes the lottery and one does not, but if those figures were broken down, in two or three years’ time, there would be the possibility of adding columns on how the figures would have been seen previously. That would be one way to compare. Proving that argument depends on the outcome. I am just raising that point as it is a worry of mine that, in three years’ time—if we are still here—the Minister and I will be having the same arguments that we have about GVA now. If they are good figures, he will highlight them and I will just say ‘Yes, but you are not comparing like with like, are you?’. So, I am trying to stave off that

argument, for all our sakes.

[328] **Christine Gwyther:** You have been having it for the past seven years; it would be tragic to stop it now. [*Laughter.*]

[329] **Alun Cairns:** It was agreed by the committee in the early days when the First Minister was Secretary for Economic Development that GVA was the best measure that we could use. I do not want to go over that argument again, although we now seem to be switching—but that is another issue. My specific point is on paragraph 18, which states that preliminary research has been carried out to explore client-centred performance with particular consideration to GVA. It would be useful, before any decision is taken as to the feasibility of this client-centred performance measure, for the committee to have an input to that. Forgive me for being a cynic, but it is because I have been here for seven years.

[330] **Christine Gwyther:** I think that Tracey wants to give you some words of assurance.

[331] **Ms Burke:** I will come back on a number of those issues. Your first point was about the success of the merger. The outputs that we report at the end of every year will be important, but, interestingly, from talking to the external stakeholders groups, such as the Confederation of British Industry, the Federation of Small Businesses and so on, with whom we have been working on the performance indicators, I know that their indicators of success are more around the impact on the economy and on our customer services rather than the details of our annual outturn.

12.10 p.m.

[332] That aside, it is funny that you should say that you do not want us to try to run two processes, because I am trying to look at the feasibility and the administrative cost of doing that at the moment. In a sense, we already did that a little bit over the last year with the international figures. We have moved to a new basis, as the committee knows—as we have been here a couple of times to talk on this—of scoring jobs when they are there, recorded and evidenced on the ground. It has been helpful for us to have the figures as they would have looked had we not done that, running in series. We have not found that too burdensome, so we will explore it on a measure-by-measure basis, and possibly try to run both together. It is probably only around the change of definitions that you will notice the difference; for example, regional selective assistance, which was reported separately prior to the merger, will not change as it reports according to certain UK conventions and we will continue to do that. So, it probably will not be as big an issue as you fear.

[333] **Andrew Davies:** As part of the merger, one of the key messages that came out was that business users of our services wanted to have some transparent way of measuring how effective we are. I believe that the first response that we had from a business organisation was from CBI Wales, which said that it believed that there should be some form of customer satisfaction. We are now done a considerable amount of work, as Tracey has indicated, working with the CBI, the Federation of Small Businesses, the Institute of Directors and many others. Under paragraph 16, you will see that we are working up a range of four different areas on which we can judge ourselves in the effectiveness of our service.

[334] Paragraph 18, in terms of GVA, is about the actual financial and economic impact that we can demonstrate by working with a particular company. How much added value will we have provided to that company, in the support that we have given, whether financial support, mentoring or whatever?

[335] **Ms Burke:** Currently, within the organisation, we measure performance against each programme rather than the impact on the individual company, which may receive a number of

different programmes. There are quite a lot of internal process indicators rather than our focusing on the end result.

[336] If we were to move to reporting company GVA, we would probably be the first part of the UK to do that, and we are very keen to do it. There is some tracking through things like Business Link, which has some online GVA models that we have been looking at, but it does not really do the job. So, at the moment, we are working with the regional development authorities and others to see how we could do it. The next step would be to talk to business representatives through the external stakeholders group about whether there would be an additional burden for companies if we were to collect the kind of metrics that we would need from them to judge GVA.

[337] **Alun Cairns:** That is good news; we are starting to agree on something. One issue that I have, though—because the Minister mentioned client feedback, effectively, or a performance measure of the Assembly Government’s support—is that most authoritative and objective reports should be done by an independent or intermediary agency. If an organisation feels that it has had particularly poor support and if it highlighted that in a blatant way, it would not do much for its relationship with officials or the Welsh Assembly Government thereafter. What consideration has been given to having an intermediary running that, to provide specific feedback on an honest basis?

[338] **Ms Burke:** We have already undertaken that on a pilot basis to try to establish how the methodology works. We have already done two surveys through an intermediary on a contract. One survey was of 500 businesses and one survey was of 2,000 clients. We do not know who those clients are, because that is regulated by data protection law, so, even if we wanted to, we could not influence that sampling. The results that we have had back are very good, but we did the two initial surveys to test the methodology, and we have found a couple of methodological issues in terms of the sample size and we did not really understand the answers to one of the questions. I assure you that that work is being done by an intermediary already.

[339] **Alun Cairns:** That is useful. Will you publish the results of those surveys?

[340] **Ms Burke:** We had not intended to publish the results, because we wanted to be sure of the methodological basis on which they were undertaken. The results are good, but it was established as a pilot.

[341] **Andrew Davies:** On the last question, I was going to offer to present the committee with a report that provides more detail, if that would be helpful. One of Gareth’s officials, David Pritchard—another David Pritchard—has been leading on this work. If it would be helpful, we could make a presentation to the committee on it.

[342] **Mr Hall:** We can also provide an update on the dialogue that we are having with the customer representatives.

[343] **Christine Gwyther:** I would be concerned if those results could not be made publicly available, because they comment on a public service.

[344] **Ms Burke:** Of course they can be made publicly available. What I was trying to say was that we undertook this in partnership with the external stakeholders’ group to develop the methodology. The two surveys that we have done to date have, in essence, been testing that methodology, and that was the basis on which we agreed that with our external partners.

[345] **Alun Cairns:** There is bound to be initial information that would be of use or of interest to us.

[346] **Ms Burke:** Yes.

[347] **Mr Hall:** We will gladly give you the information, but we will just flag up the health warning that it was to test the methodology that would be applied in future. So, we would not want any overinterpretation, or misinterpretation.

[348] **Christine Gwyther:** Well, we will be the judge of that.

[349] **Alun Cairns:** You may as well give it; otherwise, we will only have to argue about it. *[Laughter.]*

[350] **Eleanor Burnham:** On those points, as far as I am concerned, having spoken to various stakeholders, the big issue is the impact of harmonisation. How is the Assembly cutting the bureaucracy to ensure the best possible service? Tracey mentioned harmonisation; has the terminology swung towards civil service terminology or will we get more plain English and greater clarity for customers with, for example, simplified forms and so on? It is all part of the customer satisfaction issue. There has been a lot of scepticism, and I hope that you can allay those fears, and that customer satisfaction will be high. Will there be customers who have failed to get support? Are you looking at why they have failed and checking that they are going through the system as seamlessly as possible—that they are signposted elsewhere, and so on—so that they get satisfaction?

[351] On point 11 in annex A, which was previously alluded to, the third bullet point says,

‘WDA and WTB apply different methods to pro rata job creation’.

[352] I presume that that is being harmonised; I am sure that you will tell us that it is. This point also refers to RSA and WEFO, who

‘do not pro-rata since they adopt conventions from their different legislative sources’.

[353] How will you make that as plain as possible? This has been a difficult process for most of those who have been involved in it. We want to make sure that everyone who wants Government help—that is, customers—can see and access that help and get the job done as quickly as possible.

[354] **Andrew Davies:** On the first point regarding streamlining and simplifying, that was another key message that came out of the consultation on the merger, and was reinforced time after time in the meetings that I had with the business community. Its constant complaint was that dealing with the public sector can be a bureaucratic nightmare. There are too many organisations—the Assembly Government, the former Assembly sponsored public bodies, local government, and enterprise agencies—selling products and programmes. It wants a customer-focused system. We are looking at developing customer account management systems so that companies have a more streamlined approach to business support. As Gareth said, we need to bear in mind that, when most companies—particularly small companies—are looking for support, they go to their accountants, their bank, or their lawyers before they will go to the public sector. The private sector is part of the solution. The account management system will be based on analysing a company’s needs and then signposting that customer to the best solutions to their particular need. So, yes, we are streamlining and simplifying.

12.20 p.m.

[355] In terms of the public sector, I gave an example earlier of how the merger has already brought about benefits in terms of the unfortunate incident on the A5. The transport officials

are working closely with Jonathan Jones and the VisitWales officials. Previously, the Wales Tourist Board would not have been part of the offer to the local community—it would have been operating separately. We are now finding that, in terms of the work of the Welsh Industrial Development Advisory Board, when we are looking at investment projects, it is not only regional selective assistance that it is now looking at, but large applications for what is now the section 4 grant from the former Wales Tourist Board, as well as grants for training. Therefore, its role has been integrated and enlarged.

[356] **Mr Hall:** On that point, in the first month of the new organisation, WIDAB recommended approval of an application that covered a combination of RSA, the old WDA property development grant and training support from education and lifelong learning, which would have previously been in Education and Learning Wales's domain. That was in the first month of the new organisation. It was treated in totality, not separately. So whereas before you would have had three sets of due diligence tests and appraisals, it was all done as a single application with a single set of approvals.

[357] **Ms Burke:** On the pro rata point, there is a distinction to be made between some measures that are used by RSA, for example, which are predictive of what is going to be delivered, and other measures that are forecast to be delivered within the year. The terminology is a little bit precise here and I think that some of the terminology in the internal audit service reports is a bit confusing. The WDA and WTB formerly calculated the pro rata of their outputs on the basis of the amount of investment that they had put into the project, for things that were being delivered on the ground, so that there would not be any double counting. The RSA figures are calculated on a predictive basis, that is, on the number of projects that they hope to complete in a year. The jobs that they forecast are over the lifetime of the project, not only those that are to be delivered in-year. So, in a sense, we are trying to compare apples and pears. When the RSA jobs are delivered on the ground, it is at that point that we need to make sure that that is pro rata and that we are not double counting them. The jobs that RSA forecasts or predicts from this year's activities will not actually be delivered for two or three years. There is work in progress to try to harmonise that.

[358] **Christine Gwyther:** Thank you very much. That brings this item to an end.

12.23 a.m.

Cynnig Trefniadol Procedural Motion

[359] **Christine Gwyther:** Our next item is to look at the recommendations that we wish to put to the Welsh Assembly Government as part of our science policy review. We propose to go into private session for this item. I propose that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 8.24(vi).

[360] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion carried.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12.23 p.m.
The public part of the meeting ended at 12.23 p.m.*