



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Cynaliadwyedd  
The Sustainability Committee**

**Dydd Mercher, 10 Mehefin 2009  
Wednesday, 10 June 2009**

**Cynnwys**  
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi 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'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mick Bates	Democratiaid Rhyddfrydol Cymru (Cadeirydd y Pwyllgor) Welsh Liberal Democrats (Committee Chair)
Angela Burns	Ceidwadwyr Cymreig Welsh Conservatives
Alun Davies	Llafur Labour
Lesley Griffiths	Llafur Labour
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales
Brynle Williams	Ceidwadwyr Cymreig Welsh Conservatives
Leanne Wood	Plaid Cymru The Party of Wales

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

Nigel Annett	Rheolwr Gyfarwyddwr, Dŵr Cymru Managing Director, Welsh Water
Gareth Hall	Cyfarwyddwr Cyffredinol, yr Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director General, Economy and Transport, the Welsh Assembly Government
Chris Jones	Cyfarwyddwr Cyllid, Dŵr Cymru Finance Director, Welsh Water
Ieuan Wyn Jones	Aelod Cynulliad, Plaid Cymru (y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth) Assembly Member, the Party of Wales (the Deputy First Minister and Minister for the Economy and Transport)
Chris Mills	Cyfarwyddwr, Asiantaeth yr Amgylchedd Cymru Director, Environment Agency Wales
John Mosedale	Rheolwr Strategaeth a Pholisi, Asiantaeth yr Amgylchedd Cymru Strategy and Policy Manager, Environment Agency Wales
James Price	Cyfarwyddwr, Trafnidiaeth ac Adfywio Strategol, Llywodraeth Cynulliad Cymru Director, Transport and Strategic Regeneration, the Welsh Assembly Government
Phil Rothwell	Pennaeth Strategaeth Perygl Llifogydd, Asiantaeth yr Amgylchedd Head of Flood Risk Strategy, the Environment Agency
Steven Spode	Pennaeth Datblygu Cynaliadwy a'r Amgylchedd, Llywodraeth Cynulliad Cymru Head of Sustainable Development and Environment, the Welsh Assembly Government
Martin Stevenson	Prif Gyngorydd, Polisi Trafnidiaeth, Llywodraeth Cynulliad Cymru Principal Adviser, Transport Policy, the Welsh Assembly Government

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

Dr Virginia Hawkins	Clerc Clerc
Meriel Singleton	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 9.08 a.m.  
The meeting began at 9.08 a.m.*

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

[1] **Mick Bates:** I will start by making the usual housekeeping announcements. In the event of a fire alarm you should leave the room by the marked fire exits and follow the instructions from the ushers and staff. No test is scheduled for today. Please ensure all mobile phones, pagers and BlackBerrys are switched off as they interfere with the broadcasting equipment. The National Assembly for Wales operates through the media of Welsh and English, and headsets are provided through which a simultaneous translation can be received. Those who are hard of hearing can also use the headsets to amplify sound. Please do not touch the buttons on the microphones as this can disable the system. Please wait for the red light to show before speaking.

[2] I have received apologies from Lorraine Barrett and Karen Sinclair.

[3] It is a great pleasure, as ever, to welcome the Deputy First Minister and Minister for the Economy and Transport to committee, and this morning we will again look at how sustainability is being mainstreamed into his portfolio. Later in the meeting, we will look at the draft flood and water management Bill and take evidence from the Environment Agency and Welsh Water on it.

9.10 a.m.

**Prif Ffrydio Cynaliadwyedd ym Mhortffolios y Llywodraeth: Economi a  
Thrafnidiaeth  
Mainstreaming Sustainability in Government Portfolios: Economy and  
Transport**

[4] **Mick Bates:** I welcome Ieuan Wyn Jones, the Deputy First Minister and the Minister for the Economy and Transport, Gareth Hall, James Price, Steven Spode and Martin Stevenson. I invite the Minister to make some opening remarks, and I also thank you for the papers that you presented to the committee.

[5] **Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth (Ieuan Wyn Jones):** Diolch yn fawr, Gadeirydd. Yr wyf yn falch o'r cyfle unwaith yn rhagor i ymddangos gerbron y pwyllgor, ac yr wyf yn ymddiheuro nad oeddwn yn gallu bod yn bresennol yn eich cyfarfod diwethaf. Deallaf fod James Price wedi'i drin fel y Gweinidog ar gyfer yr achlysur hwnnw—nid yw wedi bod yr un **The Deputy First Minister and Minister for Economy and Transport (Ieuan Wyn Jones):** Thank you, Chair. I am pleased to have the opportunity once again to appear before the committee, and I apologise that I could not attend your last meeting. I understand that James Price was considered to be the Minister on that occasion—he has not been the same since. [*Laughter.*] In addition to the initial evidence that we

fath wedyn. [*Chwerthin.*] Yn ogystal â'r dystiolaeth wreiddiol y bu inni ei hanfon, yr ydym hefyd wedi anfon llythyr swmpus i chi sy'n egluro pethau ymhellach.

[6] Mae gennym amrywiaeth o ymatebion sydd i'w gweld yn y cyflwyniad, ac fe welwch ein bod wedi hen ymrwymo i brif ffrydio datblygu cynaliadwy. Yr ydym wedi datblygu nifer o drefniadau a chanllawiau penodol ar gyfer datblygu cynaliadwy i'w rhoi ar waith, ac mae gan Gareth Hall, sydd ar y chwith i mi, record hir o ymrwymiad personol a phroffesiynol o ran datblygu cynaliadwy, a bydd yn gweithio gyda'i gydweithiwr, Clive Bates, i sicrhau bod cydweithio ar draws adrannau. Bydd Steve Spode, a oedd hefyd yn y cyfarfod diwethaf i roi tystiolaeth, yn rheoli rhwydwaith o arbenigwyr datblygu cynaliadwy. Mae gan bob un ohonynt arbenigedd mewn agwedd benodol ar ddatblygu cynaliadwy.

[7] Yr ydym o'r farn y dylai datblygu cynaliadwy fod yn ystyriaeth ar ddechrau pob proses benderfynu, ac yr ydym wedi datblygu erfyn ar gyfer integreiddio datblygu cynaliadwy yn nechrau prosesau llunio strategaethau a chynlluniau. Yr ydym wrthi ar hyn o bryd yn adolygu a diweddarau'r dechneg o greu lleoedd cynaliadwy. Mae hyn yn gysylltiedig â'r cyfarwyddyd ymarferol manwl a fydd yn llywio ac yn dylanwadu ar gynaliadwyedd ein gwaith adfywio. Yr ydym hefyd yn gweithio ar y strategaeth swyddi gwyrdd. Yr ydym wedi derbyn dros 60 o ymatebion defnyddiol iawn i'r ymgynghoriad, ac yr ydym yn gobeithio y gallwn gyhoeddi'r strategaeth honno yn ystod yr wythnosau nesaf.

[8] Ar fater trafnidiaeth, yr wyf yn benderfynol o sicrhau ein bod yn manteisio'n llawn ar drafnidiaeth i arafu'r newid yn yr hinsawdd. Mae lleihau allyriadau carbon yn ganolog i'r strategaeth drafnidiaeth y cyhoeddais y llynedd, a byddaf yn cyflwyno fy rhaglen drafnidiaeth cyn bo hir mewn cynllun trafnidiaeth cenedlaethol sy'n cael ei baratoi law yn llaw â'r cynlluniau rhanbarthol. Bydd y cynlluniau hyn, ynghyd â'r strategaeth newid yn yr hinsawdd, yn dangos sut y byddwn yn mynd i'r afael â'r agenda carbon mewn trafnidiaeth ar lefel

provided, we have also sent the committee a substantial letter that further clarifies matters.

We have a number of responses that can be seen in the presentation, and you will see that we have long committed to mainstreaming sustainable development. We have developed a number of specific arrangements and guidelines to be implemented, and Gareth Hall, who is sitting on my left, has a long record of personal and professional commitment to sustainable development, and he will work with his colleague, Clive Bates, to ensure that there is joint working across departments. Steve Spode, who was also in the last meeting to give evidence, will manage a network of sustainable development specialists. They all have expertise in a specific area of sustainable development.

We believe that sustainable development should be a consideration at the beginning of every decision-making process, and we have developed a tool to integrate sustainable development at the beginning of the process of drawing up strategies and schemes. We are currently reviewing and updating the technique of creating sustainable places. This is linked to the practical detailed directions that will steer and influence the sustainability of our regeneration work. We are also working on a green jobs strategy. We have received over 60 very useful responses to the consultation, and we hope to publish that strategy within the next few weeks.

On the issue of transport, I am determined to ensure that we take full advantage of transport to slow down climate change. Reducing carbon emissions is central to the transport strategy that I announced last year, and I will present my transport programme soon in a national transport scheme that is being prepared in parallel to the regional schemes. These schemes, as well as the climate change strategy, will show how we will tackle the carbon agenda in transport on a national, regional and local level. Many transport measures are in progress, such as

genedlaethol, rhanbarthol a lleol. Mae nifer o fesurau trafndiaeth wedi symud yn eu blaenau, megis yr ymrwymiad i drafnidiaeth gyhoeddus, gyda buddsoddiad o £22 miliwn i gynyddu'r gwasanaeth trenau rhwng Caerdydd a Merthyr Tudful. Yr oeddwn ym Merthyr yn ddiweddar i lansio'r gwasanaeth trenau bob hanner awr. Yr wyf yn ymwybodol o'r angen i leihau allyriadau carbon cerbydau cludo nwyddau, ac yr ydym yn gweithio ar hynny hefyd.

the commitment to public transport, with an investment of £22 million to increase the train services between Cardiff and Merthyr Tydfil. I was at Merthyr recently to launch the half-hourly train service. I am aware of the need to reduce the carbon emissions of goods-carrying vehicles, and we are also working on that.

[9] Dywedais yn fy ymateb i'r pwyllgor y byddwn yn ystyried yr argymhelliad yn eich ymchwiliad diweddar i leihau allyriadau carbon trafndiaeth ar yr angen i adolygu fflydoedd gwyrdd. Yr wyf yn awyddus iawn i leihau allyriadau carbon fflydoedd ceir a faniau, gan eu bod yn un o'r ffynonellau carbon cludiant sy'n tyfu gyflymaf. Mae'n dda gennyf gyhoeddi fy mod wedi penderfynu bwrw ymlaen gyda'r rhaglen gynghori ar drafnidiaeth, sydd wedi ei hanelu at gwmnïau sy'n rhedeg fflydoedd o geir a faniau. Yr Ymddiriedolaeth Carbon fydd yn gweinyddu'r rhaglen, a bydd yn cynnwys adolygiadau o fflydoedd gwyrdd a bydd yn cynnig gwasanaeth ymgynghori i ymdrin â phob agwedd ar redeg fflyd o geir, yn ogystal â mesurau eraill.

I said in my response to the committee that I would consider the recommendation in your recent inquiry into reducing carbon transport emissions on the need to review green fleets. I am very keen to reduce the carbon emissions of car and van fleets, because they are one of the fastest-growing sources of carbon emissions. I am pleased to announce that I have decided to proceed with the consultation programme on transport, which is aimed at companies running fleets of cars and vans. The Carbon Trust will administer the programme, and it will include reviews of green fleets and it will offer a consultation service to deal with every aspect of running a fleet of cars, as well as other measures.

Diolch am y cyfle i wneud y cyflwyniad. Yn naturiol, os oes cwestiynau pellach, byddaf yn hapus iawn i'w hateb, gyda chymorth fy swyddogion, os bydd angen.

Thank you for the opportunity to make the presentation. Naturally, if there are further questions I will be happy to answer them, with the assistance of my officials, if necessary.

[10] **Mick Bates:** I welcome the more detailed submissions that you have made to committee today, because I must emphasise that, as a committee, we are deeply concerned that the principles of sustainable development should be embedded in all portfolios. While we understand the enormity of the task, your own document, 'One Wales', outlines carbon reduction targets of 3 per cent per annum, which have to be achieved in view of what we need to implement to avoid the drastic effects of climate change.

[11] In your opening remarks you mentioned the green jobs strategy. Could you give us a little more detail on the green jobs strategy, and in particular what you would see as the wider benefits to the Welsh economy? How would you relate that to carbon reduction?

[12] **The Deputy First Minister:** The green jobs strategy was always an important policy driver for us as a Government; it was included in the 'One Wales' agreement. To be honest, it has assumed greater importance in view of the recession. We want to position the economy, when it comes out of the recession, to be more sustainable—more sustainable in the wider sense, not just on green jobs, but in having an economy that can withstand the impact of a recession much better—and the green jobs strategy will be very important indeed for that. It will be important for us in two ways: we want to make sure that we are able to capture the

new technology that is coming on stream with regard to green jobs; we also want to make sure that, where there are opportunities for us to assist companies that want to develop that new technology, we will be able to help them. Within Flexible Support for Business, which preceded the green jobs strategy, we have brought together all the assistance that we can provide to companies that wish to do that. It is equally important that we try to green existing jobs by making it clear that if companies want to, for example, reduce energy consumption through improving their buildings, using more sustainable buildings and so on, we want to help them to do that as well. That is the twin-track approach that we are following.

[13] It is difficult for me to go into any detail today, because the strategy will be announced in the next few weeks, jointly with the Minister for Environment, Sustainability and Housing. However, I can assure you that we regard it as a very exciting document, which is pretty important now as we move out of the recession.

[14] **Mick Bates:** In your preparations, have you included targeted carbon reductions in the green jobs strategy?

[15] **The Deputy First Minister:** I do not think that it includes that. We have to remember that there is a range of things happening across Government. The green jobs strategy will be a proposal to develop green jobs within the economy and to green existing jobs. However, there is a range of other things happening. We now have the sustainable development scheme, which has been agreed across Government, and the climate change strategy is currently out to consultation, which will be the tool with which these things will be looked at. Each department is making a contribution to all these documents as we go forward. On the transport side, we have the national transport plan, which will be part of all that. You have to look at the whole picture.

[16] **Mick Bates:** We do not deny that you are looking at the whole picture, but there has to be awareness of carbon budgeting now. That is why I asked you what thought has been given within the green jobs strategy to carbon reduction. That would, of course, contribute to the carbon budgets that you will be allocated.

[17] **The Deputy First Minister:** I would regard the monitoring of the carbon reduction targets as something that would happen through the sustainable development scheme and the climate change strategy. Those are the methods by which we will be judged.

[18] **Mick Bates:** We will be scrutinising that. Alun, I think that you wanted to come in.

[19] **Alun Davies:** Diolch, Ddirprwy Brif Weinidog, am y papur yr ydych wedi ei roi inni y bore yma; mae'n gymorth mawr gyda'r gwaith yr ydym wedi bod yn ei wneud. Yr ydym i gyd yn gwerthfawrogi hynny. A gaf gadarnhau rhywbeth yn gyntaf? Dywedwch eich bod yn lansio'r strategaeth hon yn ystod yr wythnosau nesaf. A yw hynny'n golygu y byddwn yn gweld y strategaeth hon ac yn cael cyfle i'w thrafod cyn diwedd y tymor hwn?

**Alun Davies:** Thank you, Deputy First Minister, for the paper that you have presented to us this morning; it is a great help in the work that we have been undertaking. We all appreciate that. First, could I just confirm something? You say that you are launching the strategy within the next few weeks. Does that mean that we are going to see the strategy and to have an opportunity to discuss it before the end of this term?

[20] **Y Dirprwy Brif Weinidog:** Yr wyf yn gobeithio hynny. Mae ymgynghoriad wedi bod ar y strategaeth, felly pan fyddwn yn ei chyflwyno, bydd ar ei ffurf derfynol. Yn naturiol, yr wyf yn hapus iawn i ddod

**The Deputy First Minister:** I hope so. A consultation has taken place on this strategy, so when we do present it, it will be in its final form. Naturally, I am happy to come before the committee to discuss its contents, but that

gerbron y pwyllgor i drafod ei chynnwys, ond dyna fydd y strategaeth a gaiff ei chyhoeddi.

is the strategy that will be published.

9.20 a.m.

[21] **Alun Davies:** Yr oeddwn am gadarnhau eich bwriad.

**Alun Davies:** I wanted to confirm your intention.

[22] **Y Dirprwy Brif Weinidog:** Fy mwriad yw ei chyhoeddi cyn diwedd y tymor.

**The Deputy First Minister:** My intention is to publish it before the end of term.

[23] **Alun Davies:** Diolch yn fawr am hynny. Mae nifer fawr o'r penderfyniadau hyn yn rhai personol o'ch eiddo chi. Hoffwn drafod eich agwedd tuag at y materion hyn a pha mor bwysig y gwelwch yr economi gynaliadwy. Pe baech yn cael cynnig buddsoddiad mawr gan gwmni a oedd yn dod i Gymru am y tro cyntaf ond ei fod mewn diwydiant a fyddai'n creu llawer o lygredd ac a fyddai'n ei gwneud yn anodd iawn inni gyrraedd ein targedau carbon, a fyddech yn fodlon gwrthod y cynnig hwnnw oherwydd yr economi gynaliadwy? Sut ydych yn gweld y cydbwysedd hwnnw? Weithiau, rhaid buddsoddi mewn diwydiant i gynnal swyddi, er enghraifft.

**Alun Davies:** Thank you very much for that. Many of these decisions are personal ones of yours. I want to discuss your attitude towards these matters and the importance that you attach to the sustainable economy. If you were to receive an offer of considerable investment from a company coming to Wales for the first time but in an industry that would generate a significant amount of pollution and which would make it very difficult for us to meet our carbon reduction targets, would you be prepared to refuse that offer because of the sustainable economy? How do you strike that balance? Sometimes, one has to invest in industry to sustain jobs, for example.

[24] **Y Dirprwy Brif Weinidog:** Mae'r llwybr yr ydych yn gyrru ar ei hyd yn un diddorol, Alun, ond ni allaf roi barn bersonol unigol arno gan fy mod yn aelod o'r Llywodraeth ac yr wyf yn rhannu polisi'r Llywodraeth. Yn ogystal â hynny, yr ydym wedi cytuno ar 'Cymru'n Un'. Felly, rhaid i unrhyw beth yr wyf i'n ei wneud ffitio i mewn i bolisi'r Llywodraeth ac nid polisi unigol Ieuan Wyn Jones. Dyna fy mhwynt cyntaf.

**The Deputy First Minister:** The road down which you are travelling is an interesting one, Alun, but I cannot give you an individual, personal opinion on that as I am a member of the Government and I share Government policy. In addition to that, we have agreed on 'One Wales'. Therefore, anything that I do has to fit in with Government policy and not the individual policy of Ieuan Wyn Jones. That is my first point.

[25] Yn ail, nid polisi'r Llywodraeth yn unig sy'n gyrru penderfyniadau am fuddsoddiad, ond hefyd reoliadau ynghylch yr hyn y gallwch ei wneud o ran yr amgylchedd. O ran penderfynu ar fuddsoddiad, byddai'n rhaid i'r cwmni ymateb nid yn unig i bolisi'r Llywodraeth ond hefyd i reoliadau ac, yn aml iawn, reoliadau Ewrop na fyddai'n caniatáu'r math o lygredd a welwyd yn y gorffennol. Felly, mae'r fframwaith o ran gwneud penderfyniadau wedi newid yn llwyr. Nid mater o ddewis mohono bellach. Ni fyddai rhai o'r pethau a ganiatawyd 10 neu 15

Secondly, it is not only Government policy that drives the decisions on investment, but also regulations regarding what you may do in relation to the environment. In making an investment decision, the company would have to respond not only to Government policy but also to regulations and, very often, European regulations, which do not permit the kinds of pollution seen in the past. Therefore, the whole decision-making framework has altered completely. It is no longer a matter of choice. Some of the things that would have been permitted 10 or 15 years ago would not be permitted now, not



mlynedd yn ôl yn cael eu caniatáu bellach, nid oherwydd polisi'r Llywodraeth ond am fod rheoliadau sy'n gwrthod caniatâd i gwmnïau. Felly, ni fyddai'r math o benderfyniadau a oedd, yn y gorffennol, yn eithaf hawdd i'w gwneud bellach yn bosibl oherwydd polisi'r Llywodraeth a rheoliadau.

[26] **Alun Davies:** Diolch yn fawr am hynny. Yr wyf yn awyddus i ddeall eich safbwynt chi. Mae gennych lawer o ryddid fel Gweinidog ac fel Dirprwy Brif Weinidog, wrth gwrs, i lunio polisi eich adran. Deallaf hefyd yr angen i chi ystyried 'Cymru'n Un' a pholisi'r Llywodraeth. Fodd bynnag, un peth diddorol yr ydym wedi ei weld yn ystod yr ymchwiliad hwn yw bod Gweinidogion yn gweld eu cyfrifoldebau mewn ffyrdd gwahanol. Hoffwn ddeall pwysigrwydd polisi cynaliadwy i'r Llywodraeth ac i Weinidogion unigol. Yr wyf yn ceisio deall sut mae'n effeithio ar eich penderfyniadau chi. A yw'r economi werdd yn bwysicach na chynnal swyddi, er enghraifft? A ydych yn ei gweld yn llai pwysig?

[27] **Y Dirprwy Brif Weinidog:** Mewn gwirionedd, nid wyf yn siŵr bod gwrthdaro erbyn hyn. Os ydych yn dweud bod cynnal swyddi yn bwysicach nag economi gynaliadwy, nid wyf yn siŵr ymhle mae'r gwrthdaro. Dros y tair neu'r bedair blynedd diwethaf, mae'r fframwaith gwneud penderfyniadau wedi newid yn llwyr. Yr ydych yn awgrymu bod gan Weinidog ben rhyddid i wneud penderfyniadau, ond nid yw hynny'n wir. Yr ydym yn gweithio o fewn fframwaith eithaf caeth o ran polisi Ewrop, polisi ym Mhrydain sydd heb ei ddatganoli, a pholisi ein Llywodraeth ni. Felly, rhaid mesur unrhyw benderfyniad yn unol â'r canllawiau hynny a'r rhyddid sydd gennym o fewn hynny.

[28] Fodd bynnag, mae'r Llywodraeth wedi ymdynghedu i symud ymlaen o ran cael economi mwy cynaliadwy, ac nid yn unig o safbwynt yr amgylchedd, ond o safbwynt cynaliadwyedd swyddi, yn yr ystyr ein bod am weld Cymru yn dod allan o'r dirwasgiad hwn mewn sefyllfa gryfach. Felly, pan fydd yr economi yn wynebu ergydion yn y dyfodol, bydd yn fwy gwydn ac yn gallu wynebu hwnnw'n well. Credaf fod polisi'r Llywodraeth yn eithaf clir ar hwn: yr ydym

because of Government policy, but because there are regulations that refuse permission to companies. Therefore, the kinds of decisions that, in the past, would have been fairly easy to make are no longer possible because of Government policy and regulations.

**Alun Davies:** Thank you very much for that. I am keen to understand your position. You have a great deal of freedom as a Minister and as Deputy First Minister, of course, in formulating your department's policy. I also understand that you have to consider 'One Wales' and Government policy. However, an interesting thing that we have found during this inquiry is that Ministers view their responsibilities differently. I want to understand the importance of sustainability policy to the Government and to individual Ministers. I am trying to understand how it influences your decisions. Do you believe that the green economy is more important than supporting jobs, for example? Do you see it as being less important?

**The Deputy First Minister:** I am not sure that there is a conflict by now, to be honest. If you are saying that supporting jobs is more important than the sustainable economy, I am not sure whether there would be a conflict. Over the past three or four years, the whole decision-making framework has changed completely. You are suggesting that a Minister has free rein to make decisions, but that is not the case. We work within a fairly tight framework of European policy, policy within Britain on areas that are not devolved, and my own Government's policy. Therefore, it is necessary to consider any decision within those guidelines and the freedom that we have within that.

However, the Government has vowed to move forward with regard to creating a more sustainable economy, and not only in relation to the environment, but also in relation to the sustainability of jobs, in the sense that we want to see Wales coming out of this recession in a stronger position. Therefore, when the economy faces shocks in the future, it will be more resilient and better equipped to face that. I think that the Government's policy is quite clear on this: we want to see a

am weld economi mwy cynaliadwy ac mae more sustainable economy and low carbon is carbon isel yn rhan allweddol o'r polisi a crucial part of that policy. hwnnw.

[29] **Brynle Williams:** Good morning, gentlemen. Following the publication of 'Wales: A Vibrant Economy' in November 2005, did the Welsh Assembly Government develop an environmental satellite account and an index of sustainable economic welfare for Wales? If so, will they be used to measure the level of progress made by the green jobs strategy?

[30] **The Deputy First Minister:** Sorry, but what was the document that you referred to initially?

[31] **Brynle Williams:** 'Wales: A Vibrant Economy'.

[32] **The Deputy First Minister:** That was published before I became a Minister, so it may be more useful for Gareth to answer that question.

[33] **Mr Hall:** Yes, that was an earlier economic strategy. No satellite account on the economy was established. We measure our contribution to the economy through standard methodology around gross value added, and there is one set of satellite accounts relating to tourism, but it is an amalgamation of the different classifications of how you score these things. So, we have not done that. However, as part of taking forward our sustainable development integration tool, we will look to see how we measure the impact of our interventions with business. I know that Steve will want to say something about that.

[34] **Mr Spode:** Yes, we have already been using the integration tool in much of our work on master planning for business development sites and those sorts of things. We will also take the new integration tool forward to look at this in more detail. As part of that, there is a way of collecting data from that process. Furthermore, for Flexible Support for Business in our sustainability programme, we are collecting data on the reduction of carbon-dioxide emissions and the amount of emissions saved. So, we are looking to develop this area of work as we speak.

[35] **Mick Bates:** Before we bring Alun in on the sustainable integration tool, no-one responded to Brynle's question on the index of sustainable economic welfare, which is a different measure from gross domestic product and one that is promoted in some European countries because it is a much better indicator of sustainability. It is a measurement, like GDP and GVA, but it is understandable across a set of indicators. Are you developing that to try to assess how we are getting on in Wales?

[36] **The Deputy First Minister:** No, I am not aware that we are.

[37] **Mr Spode:** No, we are not. We will work with the Department for Environment, Sustainability and Housing and other parts of the Assembly on the roll-out of the sustainable development scheme to consider how we can contribute to that from the point of view of the Department for the Economy and Transport. So, we will look to develop that work with DESH.

[38] **Mick Bates:** When we come to scrutinise what the Government does on sustainability, there will be a series of indicators, but the index of sustainable economic welfare is one indicator, just like GVA and GDP. Do you think that a single indicator offers the public a way of assessing how successful a Government is in reaching a certain target—in this case, sustainability?

[39] **The Deputy First Minister:** I am not saying that we should not provide such an

indicator, because I have not yet considered that in the context of your question, but we measure our progress through the two documents that I mentioned. I suppose that we could consider whether we need a third method of assessing it, but I cannot make a promise on that today.

[40] **Mick Bates:** Papers have been written by the previous Government on that. It may be worth comparing those with what you currently have.

[41] **The Deputy First Minister:** Yes, we will certainly do that.

[42] **Mick Bates:** Leanne, did you wish to come in on this?

[43] **Leanne Wood:** I wanted to know whether ‘Wales: A Vibrant Economy’ has now been superseded or whether we are still looking at the targets outlined in it.

9.30 a.m.

[44] **The Deputy First Minister:** It has been superseded, in part, by ‘One Wales’, which has introduced new targets on carbon dioxide emissions. How shall I put it? We have not removed the document, but I suppose that you could say that it has been revised—although it has not actually been rewritten. I felt that it was important for us to be getting on with the job rather than to be engaged in rewriting strategy documents. Since ‘One Wales’ gave us a proper assessment, as I saw it, of what we needed to do about carbon dioxide emissions, we just needed to get on with it.

[45] **Leanne Wood:** So, we should not really take much notice of the measurements and indicators in the ‘WAVE’ document?

[46] **The Deputy First Minister:** No.

[47] **Mick Bates:** So, it is halfway to the bin then.

[48] **Mr Hall:** To the recycling bin.

[49] **Mick Bates:** Oh, no. I do not want it to be recycled. [*Laughter.*]

[50] **Alun Davies:** I was going to make an unkind comment about other policies.

[51] **The Deputy First Minister:** There are shelves and dust that we could all talk about. [*Laughter.*]

[52] **Alun Davies:** I am sure that there are, Deputy First Minister. It might be useful if you could revise that document, because it is important that we understand your strategy and that we have a depth of knowledge about your intent so that we can hold you to account in the Assembly. Therefore, from our perspective, it might be useful if you were to revisit the document.

[53] Your paper is fascinating and comprehensive, I must say, and, as a committee, we are very pleased to see it. On the sustainable development tool that you have outlined, we are anxious to understand how it is used within your department. Would it be possible for you to describe how you use it to manage the department, and how it influences and guides policy direction in the department?

[54] **The Deputy First Minister:** We need to make it clear that this is not a policy driver; it is a delivery driver. This is the sustainable development integration tool, and there is

another document, which I think is the policy driver, which is called—

[55] **Mr Hall:** It is a policy integration tool.

[56] **The Deputy First Minister:** There is a policy integration tool, which is the policy driver, and there is the sustainable development integration tool, which is the delivery driver, which I think was explored at the last committee meeting. Steven needs to tell us how the sustainable development integration tool is managed in the department, but, in essence, it means that, if we are delivering against the policy, before a delivery mechanism can be used, it has to go through this process of assessment, using the tool. It would be useful if Gareth could start on that, and we can direct more detailed questions at Steve.

[57] **Mr Hall:** The secret of this is to translate policy and rhetoric into actions, as the Deputy First Minister said. It is quite detailed and complex, but I think that I can explain it in simple but robust terms—and this is how we get staff engagement with this. We have policies, which are informed by the principles set out in ‘One Wales: One Planet’. So, those principles inform the Deputy First Minister’s policy. You cannot have a one-size-fits-all approach to policies, because their impact and implications in different parts of Wales vary. So, those policies are informed by our engagement through the spatial plan process, and how the policy is delivered in certain parts of rural Wales may be different from how it is delivered in urban Wales. Those policies are translated into a spatial context, which informs what we do at the area level. That is why, when we set up the department, we established strong regional offices, so there are people out there who have contact with all the stakeholders and businesses, local authorities and all the players. To use the Heads of the Valleys work as an example that typifies this process, we then work on an area basis, and so that is translated into a set of coherent actions for the regeneration of the Heads of the Valleys. Then, it is done for specific sites. So, we are drilling down; it is like a funnel.

[58] In the Heads of the Valleys, a major site that we have been regenerating is the former Corus steelworks. We created a masterplan, engaging with the local communities and local authorities to see how we could deliver a mixed development that met the particular needs of that part of the Heads of the Valleys. The final part of that process of drilling down is to deal with individual buildings on that site to ensure that they comply with Building Research Establishment environmental assessment method ‘excellent’ standards. That is so that they, tie-in with the public transport investment, such as that on the Ebbw vale rail link, and public transport access to things like healthcare. It is a mixed development, so we need to ensure that we develop BREEAM excellent buildings that provide space for jobs to meet the particular needs of that community. That is why we will work with our colleagues in Department for Children, Education, Lifelong Learning and Skills to ensure that the education and skills are geared towards the jobs and employment opportunities provided to those people.

[59] So, in a nutshell, that shows you how policy goes down to real sustainable actions at a local level.

[60] **The Deputy First Minister:** I would add that, if you look at the letter that we sent to you on 4 June, under ‘evidence of achievements’ in paragraph 2, there is a comment on sustainable buildings, the carbon pathfinder programme, the Valleys partnership and flexible support for business. These are, basically, the things on which Gareth has expanded.

[61] **Mick Bates:** It is the different tools that are confusing. To add to the confusion, TAN 22 is also being—

[62] **The Deputy First Minister:** The policy tool is a corporate tool across Government, so every department needs to have that policy tool to judge the development of policy. However, the tool that we have mentioned is a departmental tool that we use internally.

[63] **Leanne Wood:** Is that a sustainable development tool or is it a policy integration tool?

[64] **The Deputy First Minister:** It is a sustainable development tool. For example, on the Ebbw Vale site, the original policy would have been that we wanted to ensure that it was as sustainable a site as possible. However, you then ask about the building that is built there. Before the building was built, it would go through the development tool to ensure that it was built not only to BREEAM excellence, but also to low carbon standards.

[65] **Leanne Wood:** So, does it only go through two tools?

[66] **The Deputy First Minister:** Yes.

[67] **Mr Hall:** It is like a big tool box.

[68] **Mr Spode:** It is a voluntary thing that we have developed as a department, under our own steam. It is not mandatory across departments yet; we are still learning as we roll it out. We have been using integration tools, as a precursor to this, for a few years, and we are still topping and tailing the latest version. We will work with Simon Bilsborough and the sustainable development team to try to make it fit better with that.

[69] **The Deputy First Minister:** The sustainable development scheme has now been agreed. Our tool was developed in draft, so it needs to be tweaked a little. When the final document is produced, which is the tool that we are talking about, we can pass that on to you.

[70] **Leanne Wood:** Do you know when that will be?

[71] **Mr Spode:** Within the next two to three months, depending on some of the work pressures.

[72] **Mick Bates:** Alun, I think that you wanted to come back on this.

[73] **Alun Davies:** I was interested in Mr Hall's response. I have an interest in the works in Ebbw Vale, which I visited last week. It is a very impressive regeneration scheme and it reaches all of the aspirations that you have outlined—it is a very impressive project. How do you see that low carbon region in the Heads of the Valleys becoming a reality?

[74] **Mr Hall:** There are a number of things. To build on what the Deputy First Minister said in an earlier question, the two key strands of the green jobs strategy are about greening existing businesses. That is the first port of call, particularly in the Heads of the Valleys where there are many small businesses and manufacturing businesses. We must engage with those businesses so that they see low carbon and sustainability not as a regulatory pressure or burden on the business, but that it is good for their business and their business competitiveness. That is a message that we have been receiving from businesses through the whole series of economic summits.

[75] **The Deputy First Minister:** Just to confirm that, the green jobs strategy is one of the main items for the next economic summit in July.

[76] **Mr Hall:** So, we must talk a language that does not talk about toolkits and complexity. We must get the message across in a way that says that being green is good for your business, so that you do not automatically think of cutting costs when investing in an extension or new equipment; you should think of the cost over the whole life of the development. So, a bit more investment upfront may reduce your electricity costs, and so on,

and further down the line that makes you more competitive.

9.40 a.m.

[77] In addition, having a low-carbon building improves the health of the people who work in your factory or shop and that will reduce sickness absence levels, which again will have an impact on your bottom line. Our Flexible Support for Business was announced jointly by the Deputy First Minister and Jane Davidson in May. One of the things that businesses have been telling us is that we have too many programmes and incentives, so we collapsed all of our different business support programmes into flexible support for business. When we go to see a business, we do a diagnostic assessment and look at that business in the round and we saw a gap in provision that was about environmental and sustainability support. So, now, as part of the total solution through our flexible support, we can give them access to specialist advice on environmental and low-carbon issues.

[78] **Mick Bates:** Rhodri, since there has been mention of the economic summits and flexible support for business, would you like to come in on this?

[79] **Rhodri Glyn Thomas:** Dof at hynny mewn munud. Yr wyf wedi bod yn gwrando yn ofalus iawn ar y dystiolaeth ac yr wyf wedi darllen y papurau, ac y maent yn sylweddol ac yn swmpus. Yr ydym wedi clywed cryn dipyn am strategaethau ac eto yr ydych wedi pwysleisio gweithredu polisiau fel y nod. Ond, wrth sôn am y budd y gall cwmnïau ei gael o symud tuag at brif ffrydio cynaliadwyedd, mae'r budd fel pe bai'n fudd tymor hir. A ydych mewn gwirionedd yn credu, yn y sefyllfa o ddirwasgiad yr ydym ynddi yn awr, y bydd cwmnïau yn barod i gydweithredu ac i dderbyn hyn, pan maent yn ystyried sut yn union y gallant gael rhyw fath o fudd tymor byr o'r sefyllfa bresennol?

**Rhodri Glyn Thomas:** I will come to that in a minute. I have been listening very carefully to the evidence and I have read the papers, and they are substantial and voluminous. We have heard quite a lot about strategies and again you have emphasised that the aim is the implementation of policies. However, in discussing the benefits to companies from mainstreaming sustainability, it seems as if the benefits are in the long term. Do you honestly believe that, in the current recession, companies will be willing to co-operate and to accept this, when they are thinking about securing some sort of short-term benefits from the current situation?

[80] **Y Dirprwy Brif Weinidog:** Mae angen i chi edrych ar y peth mewn dwy ffordd, mewn gwirionedd. Mae angen rhoi pethau i mewn i helpu cwmnïau drwy'r dirwasgiad ac, wrth gwrs, un o'r pethau yr ydym ni wedi ei wneud yw eu helpu i gadw eu sgiliau. Maent wedi dweud wrthym mai dyna yw'r peth pwysicaf ac yr ydym wedi rhoi polisiau ar waith i geisio amddiffyn sgiliau drwy'r cynlluniau ProAct a ReAct.

**The Deputy First Minister:** You need to look at it in two ways, to be honest. Things need to be put in place to help companies through the recession and, of course, one of the things that we have done is to help them to retain their skills base. They have told us that that is the most important thing and we have implemented policies to try to protect skills through the ReAct and ProAct schemes.

[81] Ar y llaw arall, mae cwmnïau yn dweud wrthym eu bod eisiau help i ddatblygu economi mwy cynaliadwy ac i wneud y swyddi eu hunain yn fwy cynaliadwy. Mae'n ddiddorol bod llawer o'r pethau yr ydym yn eu gwneud yn awr ar gais y sector. Yn sicr, y sector, er enghraifft, a oedd am weld yr uwchgynhadledd nesaf yn trafod swyddi gwyrdd, gan ei fod am weld sut y gall y

On the other hand, companies tell us that they need help to develop a more sustainable economy and to make the jobs themselves more sustainable. It is interesting that many of the things that we are doing now are on the request of the sector. Certainly, it was the sector, for example, that wanted to see the next summit discussing green jobs, because it wants to see how the Government can help.

Llywodraeth ei helpu. Yr ydym i gyd yn derbyn bod yn rhaid i economi Cymru fod yn fwy cynaliadwy i ddod allan o'r dirwasgiad, felly mae'n rhaid i'r penderfyniadau pwysig ynglŷn â hynny ddigwydd yn awr ac mae'r sector yn awyddus iawn i gydweithio â ni ar y llwybr hwnnw. Nid oes unrhyw wrthdaro rhwng yr hyn yr ydym yn ceisio ei wneud a'r hyn y mae busnesau yn gofyn i ni ei wneud.

[82] **Rhodri Glyn Thomas:** Yr ydych yn sôn yn eich papur am gysylltu'r cynigion sydd gennych i gynnal busnesau gyda'r agenda cynaliadwyedd, ond nid wyf yn gallu deall yn iawn o'ch papur sut yn union y byddwch yn gwneud hynny a sut mae modd cysylltu'r naill beth a'r llall. A fydd yn amodol—hynny yw, na fydd cymorth i fusnesau oni bai eu bod yn dilyn yr agenda hwn?

[83] **Y Dirprwy Brif Weinidog:** Nid dyna'r ffordd yr ydym yn ei wneud; nid ydym yn ei wneud drwy orfodaeth, ond drwy gymell. Mae cwmnïau yn dod atom ac yn sôn am yr agenda hwn; ychydig iawn o gwmnïau sydd â'u pennau yn y tywod erbyn hyn. Mae nifer fawr ohonynt yn sylweddoli ei bwysigrwydd, felly yr ydym yn dweud, 'Dyma'r help fydd ar gael gennym ni fel Llywodraeth i'ch helpu i fuddsoddi mewn technoleg newydd, i ddatblygu technoleg newydd, i wneud eich swyddi presennol a'ch cwmni yn fwy gwyrdd', a bydd hynny ar gael i'r cwmnïau sy'n mynd i lawr y llwybr hwnnw ac ni fydd ar gael i'r cwmnïau sy'n dewis peidio â mynd i lawr y llwybr hwnnw. Nid yw'n gwestiwn o orfodi neu roi amodau o'r fath; mae'n gwestiwn o gymell. Mae'n rhaid i chi gofio, fel y dywedais mewn ateb i gwestiwn gan Alun, bod yn rhaid i ni weithredu erbyn hyn o fewn fframwaith caeth rheoliadau Ewropeaidd o ran yr hyn y gallwn ei wneud i helpu cwmnïau. Felly, mae'r cyfan, bron, yn mynd i'r un cyfeiriad, gyda chwmnïau'n gweld beth y mae'n rhaid iddynt ei wneud, a ninnau'n datblygu'r polisi, o fewn fframwaith rheoliadau caeth.

[84] **Rhodri Glyn Thomas:** Deallaf fod cynlluniau penodol i gynorthwyo busnesau i fod yn fwy gwyrdd a chynaliadwy, ond o ran eich cymorth cyffredinol i fusnesau, ni fydd symud at agenda wyrddach yn amod arnynt. Bydd y cymorth hwnnw ar gael heb fod

We all accept that Wales's economy has to be more sustainable to bring us out of the recession, so the important decisions about that have to be made now and they are very keen to co-operate with us on that journey. There is no conflict between what we are trying to do and that which businesses are asking us to do.

**Rhodri Glyn Thomas:** In your paper, you mention that you will link your proposals to support business with the sustainability agenda, but I fail to understand from your paper how exactly you will do that and how it is possible to link one with the other. Will it be conditional, that there will be no support for business unless it follows this agenda?

**The Deputy First Minister:** That is not how we do it; we are not doing it by forcing people into it, but through incentivisation. Companies come to us to discuss this agenda; very few companies have their heads stuck in the sand. Many of them realise its importance and we tell them, 'This is the help that will be available from us as a Government to help you to invest in new technology, to develop new technology, to make your current jobs and your company greener'. That support will be available to companies that choose that path and it will not be available to companies that choose not to go down that path. It is not a question of forcing them or employing conditions; it is a question of incentivisation. You must remember, as I said in answer to a question from Alun, that we must now operate within the strict framework of European regulations as regards what we can do to help companies. So, it is mostly going in the same direction, as the companies know what they have to do, while we develop the policy, within a tight regulatory framework.

**Rhodri Glyn Thomas:** I understand that there are specific schemes to support businesses to be greener and more sustainable, but when it comes to you providing non-specific support to businesses, that will not be subject to them moving

busnesau'n gorfod mynd ar hyd y llwybr hwnnw.

towards a greener agenda. That support will be available to them without them having to go down that path.

[85] **Y Dirprwy Brif Weinidog:** Na. Pe baent yn dod atom a dweud bod angen cymorth arnynt i wneud rhywbeth i fod yn wyrddach, yna byddai'n amod arnynt i ddefnyddio'r arian at y diben hwnnw.

**The Deputy First Minister:** No. If they were to approach us and say that they needed support to do something to become greener, then a condition would be placed on them to use it to that end.

[86] **Rhodri Glyn Thomas:** Yr wyf yn deall hynny lle bo pethau penodol yn y cwestiwn, ond mae cymorth busnes yn llawer ehangach na hynny.

**Rhodri Glyn Thomas:** I understand that where a specific use is concerned, but business support is much wider than that.

[87] **Y Dirprwy Brif Weinidog:** Ydyw.

**The Deputy First Minister:** Yes.

[88] **Rhodri Glyn Thomas:** A ydych yn clymu'r cymorth cyffredinol hwnnw wrth bolisiau i wneud swyddi neu adeiladau'n wyrddach, neu i wneud busnesau eu hunain yn fwy cynaliadwy?

**Rhodri Glyn Thomas:** Are you tying that non-specific support to policies that would make jobs or buildings greener, or to make the businesses themselves more sustainable?

[89] **Y Dirprwy Brif Weinidog:** Os bydd arian y Llywodraeth yn mynd at godi adeiladau, er enghraifft, bydd rhaid iddynt gydymffurfio â'r safon ardderchog BREEAM yr ydym wedi ei gosod yn ein cynlluniau. Bydd yn rhaid iddynt wneud hynny; ni chânt godi adeilad nad yw'n cydymffurfio.

**The Deputy First Minister:** If Government funding goes towards construction, for example, then the buildings will have to conform to the BREEAM excellent rating that we have set for them in our schemes. They will have to do that; they will not be allowed to construct a building that does not comply.

[90] I think that that is the position.

[91] **Mr Spode:** Yes.

[92] **Y Dirprwy Brif Weinidog:** Pan fo cwmni yn dod atom ac yn gofyn am help i greu neu gynnal swyddi—neu beth bynnag ydyw—nid ydym yn dweud, 'Rhaid i chi wneud hyn a hyn o safbwynt yr amgylchedd'. Ni chredaf mai dyna a wnawn.

**The Deputy First Minister:** When a company approaches us for assistance in creating or maintaining jobs—or whatever it is—we do not say, 'You must do such and such from an environmental perspective'. I do not think that that is what we are doing.

[93] Steve, would you like to expand on that point? I think that it will be more a process of encouragement and working together rather than of imposing conditions.

[94] **Mr Spode:** We are not planning on imposing any conditions on people. We are trying to help them to move forward on this agenda, so there are no specific conditions to do with our help that I am aware of.

[95] **Rhodri Glyn Thomas:** However, in the paper, you suggest that you will connect the two things.

[96] **Mr Spode:** We are trying to connect the two things.



[97] **Rhodri Glyn Thomas:** But how would you connect them?

[98] **Mr Spode:** With building new buildings and so on, there are policy drivers that we control. For example, we will try to get people to build BREEAM excellent buildings and code for sustainable homes level 3. Those things will drive companies' ability to compete in that market. That is the driver, if you like, to get that thinking going.

[99] Our actual general business support will be just to help people to achieve a greener agenda across the board. We are not being specific on this.

[100] **Y Dirprwy Brif Weinidog:** Drwy gael y gwasanaeth newydd hwn drwy FS4B, bydd llawer mwy o gymorth a hynny wedi'i ffocysu'n well. Felly, os daw cwmni atom a dweud, 'Gwrandewch, yr ydym am ddatblygu'n cwmni mewn ffordd llawer mwy cynaliadwy', mae cymorth llawer mwy pendant ar gael. Wrth gwrs, lle gallwn ddefnyddio'r sefyllfa gydag adeiladau newydd, byddwn yn gwneud hynny. Er hynny, ni osodir cymal neu amod cyffredinol ar gwmnïau.

**The Deputy First Minister:** In having that new service through FS4B, much more and better focused assistance will be available. So, should a company approach us and say, 'Listen, we want to develop our company in a much more sustainable way', a more concentrated form of business support will be available. Of course, where we can use the situation with new buildings, we will. No general terms or conditions will be placed on companies, however.

[101] **Rhodri Glyn Thomas:** Onid ydych yn mynd i gysylltu FS4B yn uniongyrchol â chymorth i fusnesau?

**Rhodri Glyn Thomas:** You are not going to link FS4B directly to business support?

[102] **Y Dirprwy Brif Weinidog:** Cymorth i fusnesau yw FS4B.

**The Deputy First Minister:** FS4B is business support.

[103] **Rhodri Glyn Thomas:** Ie, ond ni fydd amod gwyrdd yn rhan ganolog ohono.

**Rhodri Glyn Thomas:** Yes, but there will be no green proviso at its core.

[104] **Y Dirprwy Brif Weinidog:** Dim ond os i'r diben hwnnw y rhoddir yr arian.

**The Deputy First Minister:** Only if they receive the funding to that end.

[105] **Mick Bates:** Can we move on from this point? Angela and Brynle would like to come in briefly on this point before we move to transport. Would it be possible, Deputy First Minister, to provide us with a note on all the sources of assistance—you mentioned the assistance through FS4B—available to green businesses? We are aware of the work of the Carbon Trust, EST, and the lack of small business support. Would it be possible to have a note on that so that, when we talk about assistance, we know where we are going?

[106] **The Deputy First Minister:** Yes.

[107] **Angela Burns:** I have a very quick follow-up question. From the exchange between you and Rhodri Glyn Thomas, I think that I understand the rhetoric and the laudable ambition stated. I understand that the green aspects are not mandatory. How are you measuring it? Many businesses in Wales are slightly smaller, and the ones that I come across concentrate on other drivers, such as how to stay in business or how to grow their business, and the green side of things is not up there, especially for the much smaller ones, which account for an awful lot of Welsh businesses in Wales. So, as it is not mandatory, how are you able to measure the success of the strategy in engaging those businesses? One of you mentioned that you were waiting for businesses to come forward and say 'Help us to become greener'.

9.50 a.m.

[108] **The Deputy First Minister:** My experience does not quite match that. I understand that you have experience in the area, Angela, but my experience in speaking to many businesses, whatever their size, is that they are keen to adopt a more sustainable approach to the future of their business. As Gareth said, that is often linked to environmental considerations and basic good business sense, because many businesses could reduce their costs over a fairly short period of time if they use some of the assistance that is available to support their strategy. Perhaps you could touch on the internal measure that you use, Gareth.

[109] **Mr Hall:** We have focused a lot in this discussion on how we minimise the impact on the environment and low carbon. However, the basic definition of sustainable development is about improving the quality of life of as many people as possible without having a detrimental effect on the environment. We should not lose sight of the first part of the definition of sustainable development about quality of life. The best improvement in quality of life is getting people into work and when they are in work, improving their life chances.

[110] The Minister mentioned the ProAct scheme. One of the key drivers and guiding principles of the 'One Wales: One Planet' document is about involvement. We engaged with businesses, and they said that the last thing that they wanted to do was to lay off very good people so that when the good times came, they were not employed and the business would not be competitive to take advantage of the upturn. The response across Government was the ProAct scheme, which did not just give a subsidy for those people to stay in work—if people fall out of work there are wide social implications, they get into debt, there is family upheaval and so on—it also focussed on upskilling. Businesses asked whether we could help them to keep those people in work and maintain their quality of life. The condition that we imposed was that the support that we gave them was for upskilling, which is fundamental—

[111] **Mick Bates:** I think that we are getting the point. It was a very simple question about how you would measure all your policies and aims.

[112] **Angela Burns:** I am not denying that the policy is not good—it is good—but how do you measure how many people are taking up the green agenda?

[113] **The Deputy First Minister:** We must recognise that sustainability is wider than just the green agenda. It is about making sure that the economy is more resilient in going forward, because there is no doubt that in the early days of the recession—it has not been quite so true in recent months—the Welsh economy suffered more than other parts of the UK. That was partly because we did not think that the economy was initially resilient enough to face the recession. So, we have to look at it in a wider sense, of which this forms an integral part. Therefore, the measurements that we use are much wider, because you cannot simply look at conditions and the environmental agenda, which is very important. We have to look at it in a wider sense, of which what we are discussing this morning is an integral part.

[114] **Mr Spode:** On Flexible Support for Business, the intention is that all businesses that we support will be given the opportunity to access environmental sustainability help, and the relevant businesses will then be diverted to relevant support, namely the Carbon Trust, eco-design or wherever they need to go. The FS4B programme will measure that data. I am not sure exactly how at the moment, but there are data sets that should be collected. For example, we are collecting information on carbon reductions across all our support services.

[115] **Mr Hall:** There will be a suite of measures that we will collect that, as the Deputy First Minister said, will not just be on a narrower green. That will be covered by the carbon footprint—

[116] **Mick Bates:** I will intervene here, because I am keen that we move on to transport. The point that you are making about measurement is critical to answer Angela's question, therefore, I wonder again whether you could provide us with a note on what you have just described, namely the carbon footprint and how you would measure it. That would help us greatly to understand how you will scrutinise your outcomes and measure them.

[117] **Alun Davies:** And any targets that you have.

[118] **Mick Bates:** That would be useful for us. We will move to transport now; I am aware that we have only about 10 or 15 minutes left.

[119] **Leanne Wood:** Before I move on to transport, in that note, could you include some kind of explanation of how the small business that was described by Angela, which is receiving support from the Government, will reduce its emissions by 3 per cent? It is that sort of concrete information that we are trying to get. I understand that you have wider priorities, but we are trying to drill down to the 3 per cent target.

[120] **The Deputy First Minister:** The document against which we will be judged on that target is the climate change strategy. That is the strategy that will not just provide us with the target, but how we achieve that target, and that will cover every department. When are we likely to see that?

[121] **Mr Hall:** It is June.

[122] **The Deputy First Minister:** The problem is that there are a number of documents: our departmental objectives, the sustainable development scheme and the climate change strategy. You have to look at the three documents.

[123] **Leanne Wood:** We are trying to look at the Government as a whole, but also at the individual Ministers and their departments, so that would be a helpful note.

[124] **The Deputy First Minister:** If you are prepared to hold it in confidence until its publication, we could give you that part of the document that we have provided.

[125] **Mick Bates:** Thank you very much for that offer.

[126] **The Deputy First Minister:** I do not see any reason not to, if you are prepared to accept it on that basis.

[127] **Mick Bates:** Could we briefly move on to transport? I may have to write to you with the questions that we have not reached.

[128] **Leanne Wood:** Previously, when discussing the committee report on carbon reduction in transport, you accepted that there was an even split between expenditure on public transport and roads. You later said that you wanted to look at that again. Can you tell us what plans you have to reprioritise transport expenditure from roads to public transport?

[129] **The Deputy First Minister:** In recent weeks, I have published my forward road programme and my forward rail programme, so that we know exactly where the Government is going with its plans for roads and rail, and, alongside that, there are plans for public transport in a wider sense: primarily, buses, walking and cycling. We have decided, as you will remember from the transport strategy, that when we take decisions on improving connectivity we will need to look at a number of measures. Although, in some cases, a new road or a new bypass or whatever could be the answer, it is not necessarily the only answer. So, I have made it clear in that strategy, which was informed by 'One Wales', that if there is

to be a transport solution in a particular area, the first step is to look at all the options. If there is a public transport option—and not a road—that can deliver what we want to do, that will be the decision. In some cases, I must admit—and I have already made decisions on some of them—a new road is the way forward. For example, I made the decision on Church Village, as you know. I would expect that, as these decisions come forward, more of those decisions could well involve looking at public transport options rather than building new roads. Over time, that 50:50 split will shift from road building to more sustainable forms of transport. From memory, the committee was last told—I think that you give the evidence, Martin—that it was 50:50, but it is now actually shifting slightly in the other direction. I think that it is now a ratio of 52 per cent to 48 per cent.

10.00 a.m.

[130] **Mr Stevenson:** That is right for this year.

[131] **The Deputy First Minister:** It is moving in the right direction.

[132] **Mick Bates:** But not quite fast enough.

[133] **The Deputy First Minister:** This is quite an interesting discussion because I think that another committee will ask me to go even faster on building roads. Therefore, what do I do?

[134] **Alun Davies:** Some of us are members of both of those committees.

[135] **The Deputy First Minister:** There will be some conflict, Chair.

[136] **Leanne Wood:** We are going to be arguing in different ways.

[137] **Angela Burns:** I do not like prejudging the committee report personally.

[138] **Mick Bates:** Leanne wishes to proceed.

[139] **Leanne Wood:** In annex 4 of your paper, you identify a number of areas for potential additional capital expenditure, such as more funding for rail services, capital funding for strategic park and ride, park and share, and so forth. Are these commitments, and if not what is the likelihood of this funding becoming available?

[140] **The Deputy First Minister:** You are referring to annex 4 of which paper?

[141] **Leanne Wood:** In annex 4 of your paper, you identify additional capital expenditure for funding rail services, park and share, park and ride and so forth. What funding is available, and is funding likely to become available for those aspirations?

[142] **The Deputy First Minister:** I will probably have to write to you in detail on the actual budget allocation against each of the issues that you raised. I know that there have been budget allocations for some of the rail infrastructure improvements that we have planned, some of which have been approved through the strategic capital investment fund, and some of which will be delivered through our own departmental budgets. I will ask James to tell us about the arrangements in relation to park and ride. If we cannot give you the detailed information today, we will write to you.

[143] **Mr Price:** The annex that you refer to is a list of measures that was put together as part of the climate change strategy documentation process. It includes things that we have done, and things that we have not done but have allocated funding to and we are definitely

going to do. It also includes some things that we would want to do if the statutory processes allow and if we have the finance to allow it. There is a mixture of all three. It is probably best, as the Deputy First Minister has said, for us to give you a list and say which category they fall into. Some of them fall into all three categories, such as something like park and ride, which we definitely know we will do, some that we would like to do, and so forth.

[144] **Leanne Wood:** That is fine. Thank you.

[145] **Mick Bates:** Lesley has questions on planning the land use.

[146] **Lesley Griffiths:** Deputy First Minister, in relation to transport and land use planning, one of the recommendations of this committee's report on carbon reduction in transport was that the Welsh Assembly Government should urgently revise its statutory planning guidance for local authorities to ensure that any new development would go ahead only if adequate public transport links were available. Your response to that recommendation was that you would discuss this with the Minister for the Environment, Sustainability and Housing. What discussions have you had with the Minister for Environment, Sustainability and Housing?

[147] **The Deputy First Minister:** I am not aware that we have come to any conclusions but I know that there is currently a review of a particular technical advice note. I cannot remember the number of it now. I think that it is one of the technical advice notes.

[148] **Mr Price:** It is, but I cannot remember the number of it.

[149] **The Deputy First Minister:** I cannot remember either but I can tell you that Jane and I have discussed the impact on land use planning, and the transport implications of building a new shopping centre, for example. We have agreed to have a look at that. I do not think that we have agreed on the conclusions, but if it would be helpful to the committee, we will let you know as soon as we do. This is an area at which we are looking quite seriously.

[150] **Mick Bates:** Thank you. Perhaps you will let us have a note on that.

[151] **The Deputy First Minister:** Certainly.

[152] **Mick Bates:** I will write to you on one issue, which is an update on how the appraisal of WelTAG is progressing.

[153] I thank you, Deputy First Minister, and your officials for your evidence this morning, and particularly for the papers. We look forward to receiving the papers on support for businesses to make them greener; the measurement outcomes, because that is particularly important to us; further information about park and ride; and information on your discussions about the planning Bills.

[154] Finally, I welcome your opening statements about the green fleet work that you are undertaking, which we welcome very much. I also note that eco-driving takes a greater role in your portfolio. Thank you for attending. A transcript will be made available to you.

[155] **The Deputy First Minister:** Thank you. Diolch yn fawr.

10.06 a.m.

**Y Mesur Drafft ynghylch Llifogydd a Dŵr: Sesiwn Dystiolaeth (Asiantaeth yr Amgylchedd)**  
**The Draft Flooding and Water Bill: Evidence Session (the Environment Agency)**

[156] **Mick Bates:** I welcome Chris Mills to committee once again. Would your colleagues like to introduce themselves for the Record?

[157] **Mr Mosedale:** I am John Mosedale, the strategy and policy manager for Environment Agency Wales.

[158] **Mr Rothwell:** I am Phil Rothwell, head of flood risk strategy for England and Wales for the Environment Agency.

[159] **Mick Bates:** Thank you for your papers on the draft Bill. We will move straight to questions, starting with Brynle.

[160] **Brynle Williams:** Good morning, gentlemen. To what extent is the proposed split of responsibilities between the Wales Environment Agency, local authorities and internal drainage boards clear and sufficient to ensure the effective holistic management of flooding and coastal erosion risks?

[161] **Mr Mills:** The split of responsibilities is reasonably clear as proposed, but I guess that the real issue is about communication. For major flood events, communication is co-ordinated by gold command and silver command, and that works well. There is co-ordinated planning for flooding events through the local resilience fora, and, indeed, for exercising. The main issue is when you get more localised flooding, when sometimes the communication is not so good. The other issue here is communication with the public; the public needs to know exactly who is responsible for any particular type of flooding so that people know who to go to after the flooding event to find out what has happened, and what needs to be done.

[162] **Brynle Williams:** How can we strengthen communication to the public? That was criticised after recent events in the Conwy valley; one half of the community was more than happy with the communication that it had, but the other was not. How can we strengthen communication?

[163] **Mr Mills:** As I said in my evidence the last time that I was in front of this committee, we need to move towards much greater community engagement and, assuming that this Bill is enacted, when those responsibilities have been determined, part of that community engagement will be about ensuring that people know exactly who is responsible for the different types of flooding in their particular area.

[164] **Mick Bates:** Returning to the first point that Brynle made about co-ordination and integration, the draft Bill talks about internal drainage boards. There is no preferred option. What would be your preferred option with regard to internal drainage boards?

10.10 a.m.

[165] **Mr Mosedale:** I think that Phil may be best placed to answer that.

[166] **Mr Rothwell:** We have very good relationships with internal drainage boards; we see them as key to helping our operations. They often work at a very local level. They are seated in the community and very much represent local interests and can provide an excellent service. Our view is that the role of IDBs is enshrined in distant legislation, and we believe that Government has to begin to look at this and see them as a key operator within a range of

different operators, because they work with local authorities and the agency. In the Bill, the proposal is for IDBs to work with local authorities to solve local drainage problems, and we think that is quite a good model to aim for.

[167] **Mick Bates:** So, we should keep the status quo?

[168] **Mr Rothwell:** In the Bill, the suggestion is that IDBs should work directly to local authorities and that the funding route should be through local authorities. The funding routes for IDBs are currently very complicated, with money being exchanged between the agency, local authorities and IDBs, and that could be simplified significantly if IDBs were directly responsible to local authorities. It is a matter for consultation. There are several different views and options. We see IDBs as very important as local operators.

[169] **Mick Bates:** That is a good answer, because their local knowledge is critical in view of Chris's remarks about good communications at local level. Very often we find that local knowledge is the key to reducing flood risk. Rhodri, did you want to come in on that?

[170] **Rhodri Glyn Thomas:** Yr wyf am fynd gam yn ôl. O ran paratoi ar gyfer llifogydd ac amddiffyn yn eu herbyn, yr ydych yn sôn am gyfathrebu a sicrhau bod pawb yn gwybod pwy sy'n gyfrifol am beth a sut mae'r system yn gweithio ond, yn y lle cyntaf, mae'n bwysig bod pawb yn ymwybodol o ble mae llifogydd yn dueddol o darddu. O ystyried y newid yn yr hinsawdd, derbyniaf fod achlysuron y mae'n anodd cynllunio ar eu cyfer, ond, mewn termau cyffredinol, mae gennych erbyn hyn system soffistigedig iawn i fapio tueddiadau llifogydd, sy'n clustnodi ardaloedd nad ydynt wedi cael llifogydd yn draddodiadol fel ardaloedd lle, bellach, y gellir gweld llifogydd, a rhai eithaf difrifol. Fodd bynnag, nid yw'r mapiau hynny'n gyfredol nac yn gyson â mapiau'r Llywodraeth hon a'r mapiau y mae'r awdurdodau lleol yn dueddol o'u defnyddio. Sut fyddwch yn gweithio gyda'r Llywodraeth ac awdurdodau lleol i sicrhau bod cysondeb ynglŷn a'r ardaloedd sy'n debygol o ddiodeff o lifogydd a sut y bydd y rheiny'n datblygu?

**Rhodri Glyn Thomas:** I want to go back a step. On preparing for floods and defending against them, you talk about communication and ensuring that everybody knows who is responsible for what and how the system works, but, in the first place, it is important that everyone is aware of where floods are likely to arise. I accept that, given climate change, there are incidents that are difficult to plan for, but, generally, you now have a very sophisticated system for mapping flood trends, which notes areas that traditionally have not flooded as areas that could now have floods, and quite serious floods at that. However, those maps are not up-to-date or consistent with this Government's maps and the maps that local authorities tend to use. How will you work with the Government and local authorities to ensure that there is consistency in relation to the areas that are likely to suffer from floods and how they are going to develop?

[171] **Mr Mosedale:** Different people have different requirements of maps for different purposes. Our maps show the extent of flooding for different flood scenarios. Those maps are then passed on to local authorities, and we pass them on to the Welsh Assembly Government, so we make that knowledge available to anybody who needs it, and we publish it on the internet. Therefore, that information is widely available.

[172] We continually update that information. We did a significant update about a year ago when we had done detailed mapping of all of the main river floodplains, and that was put onto our maps and onto the internet, and we update those maps about every quarter on the internet. We do not do it more frequently than that because of the effort that is required, and sometimes there will be little bits. However, every time we do a more detailed survey of an area and there is a significant improvement, we will make that information available.

[173] **Mick Bates:** Mapping is a critical issue but, as I understand it, it is not part of this Bill.

[174] **Mr Mosedale:** That is correct.

[175] **Mick Bates:** The information is important, and we have taken this point up before. If there is any further information that you wish to send to Members on this, please put it in writing.

[176] **Lesley Griffiths:** In relation to the draft Bill, do you think that the Welsh Assembly Government has the capacity and resource available to adequately develop policy and guidance?

[177] **Mr Mills:** I guess that that is primarily a question for the Welsh Assembly Government. The Environment Agency will have a very important role in supporting that, in providing technical advice and sharing our experience of managing floods in practice. However, what has been proposed in the consultation—and this is one of the primary differences between Wales and England—is that the Welsh Assembly Government should retain a strong role in setting strategic direction and allocating funding. In England, that role has been delegated to the Environment Agency. In this country, that role will be retained by the Welsh Assembly Government and the Environment Agency Wales will have more of a co-ordinating role and will do the implementation. It is clearly important that there be sufficient capacity in the Welsh Assembly Government to ensure that there is a clear strategic direction in the policies that we need to manage flood risk. That is the root of your question.

[178] **Lesley Griffiths:** Bearing that in mind, you say in your paper that England has a long-term financial strategy in place and that you are not sure whether the Welsh Assembly Government does. What financial implications will that have for you?

[179] **Mr Mills:** We have shared the long-term financial strategy that is being developed in England with the Welsh Assembly Government, and it is keen to replicate that. It is absolutely essential that we have that strategic planning for the future with regard to the financial requirements. You may recall from our last evidence session that we made the point that the future requirements could be as much as £20 million a year, compared with the Welsh Assembly Government's current expenditure of £13 million a year—this is for the Environment Agency Wales. Therefore, we must look forward and plan the finances very carefully.

[180] **Lesley Griffiths:** With regard to the process of pre-legislative scrutiny and public consultation on the draft Bill, do you have any specific concerns about Wales?

[181] **Mr Mills:** It is not so much a concern as an observation, although I suppose that there is an element of concern; I will let John add to this. We are in a different position here because, for England, the consultation is about what is already in the draft Bill. For Wales, the consultation is about what might be in the Bill. Therefore, we are one step behind.

[182] **Mr Mosedale:** As Chris said, we are consulting on what might be in the Bill. We are not yet clear what conclusions the Welsh Assembly Government will come to following the consultation and what will therefore finally go into the Bill. I suppose that our concern is whether there will be time for scrutiny to the same extent as has happened in England before the Bill—

[183] **Lesley Griffiths:** Why are we one step behind?



[184] **Mr Mosedale:** In England, the Department for Environment, Food and Rural Affairs has taken a different approach and has held a number of consultations. The Welsh Assembly Government is using this process to have those consultations. Why it should do it that way is a question that I think you should ask it.

[185] **Alun Davies:** You said that we are one step behind. In that sense, you are comparing and contrasting the approach and the policy of the Government here with that of DEFRA. Therefore, is it your view that the policy approach to date in Wales has been deficient? The words 'one step behind' imply that.

[186] **Mr Mills:** No, it is just different.

[187] **Alun Davies:** To say that we are one step behind means we are behind and that the policy here is in some way deficient and that the approach that has been taken by the Welsh Assembly Government is deficient.

[188] **Mr Mills:** It was not my intention to say that it was deficient; my intention was just to state a fact, namely that the process is one step behind the one that has already unfolded in England.

10.20 a.m.

[189] **Mr Mosedale:** You could look at it in another way, by saying that the problems of flooding in Wales are very much the same as in England. A very large consultation has taken place in England, a part of which was the 'Making Space for Water' consultation. As I understand it, the Welsh Assembly Government has paid close attention to that consultation and the results of it. Part of the problem with the delay has been with how the EU directive is transposed into legislation. I do not know the detail, but it has been changing quite considerably. To make sure that the cross-border issues do not arise, WAG has had to follow the lead of the Department for Environment, Food and Rural Affairs on that, which has led to delays in its ability to draft and consult. As I said, I am not an expert, but that is the general background.

[190] **Rhodri Glyn Thomas:** Chair, may I suggest that we obtain a note so that the Minister can explain the process in Wales, and why it is different from the processes undertaken in England?

[191] **Mick Bates:** Absolutely. As you may recall, the Minister previously said in relation to a similar situation that, until it becomes an Act, she will not consult. That is my understanding of the Minister's previous answer on the Marine and Coastal Access Bill. It is slightly different but, until the powers are here, no consultation will take place. I have detected a certain amount of unease from the committee and from some of our witnesses in the past with that approach.

[192] **Alun Davies:** It is bewilderment.

[193] **Mick Bates:** Yes, bewilderment. We will move on to Leanne.

[194] **Leanne Wood:** Could you tell us to what extent the provisions of the draft Bill implement the recommendations of the Pitt review, 'Learning lessons from the 2007 floods'? In which areas do you believe it would be useful to make changes or introduce further provisions?

[195] **Mr Rothwell:** It has already been said that the problems that Sir Michael Pitt tried to address are common wherever there is flooding of any sort. It is fair to say that the Bill is an

extremely good attempt to take Sir Michael Pitt's report and turn it into a legislative base. The Bill plus the consultation, which covers the elements that it has not been possible to put into the Bill, have been very much developed in a way that fulfils Sir Michael Pitt's understanding of what is required.

[196] Having said that, we can do a number of things irrespective of the lack of legislation, if you like. Since Sir Michael Pitt's first report in December 2007, significant moves have been made by the Environment Agency and others to try to cover some of the things that we can do without the benefit of legislation. They include flood mapping for surface water; gaining a much better understanding of how we staff gold control centres; strengthening the relationship between the Environment Agency, the emergency responders and local authorities; ensuring much better information on the web for people who may be subject to flooding; and developing the joint flood forecasting centre between the agency and the Met Office. Those are all very positive things that have happened irrespective of the Bill. There are still some significant issues to be solved, which only the Bill can do. Those relate very much to the relationship between the responders, the agency, the operators, local authorities, internal drainage boards and the funding structures. Those are the things that the Bill is trying to fix, for which we do not currently have a sensible framework that tells the public who is responsible and where, and which allocates responsibility effectively. So, it is not that the Bill is absolutely necessary for all things, but it is fundamental if we are to fix some of the key issues that Sir Michael Pitt raised.

[197] **Mick Bates:** Turning to cross-border issues, to what extent do you think the Bill addresses any potential issues in respect of the border between England and Wales?

[198] **Mr Mills:** There are some specific measures that I will ask John to talk about. I just wanted to make one general point about the cross-border theme. We currently manage rivers that flow in and out of Wales. The really important point is that, to be able to manage flooding, it is critical to have access to all the information and control throughout the river system. I guess that one advantage of an England-and-Wales agency is that it has responsibility for managing rivers that cross borders.

[199] The big issues with coastal flooding are demonstrated by the joint estuaries of the Dee and the Severn. We have tried to bring together the flood risk management on those two estuaries by having a flood risk strategy for each estuary, which brings together not only the agency's activities, but also those of other bodies that have responsibility. However, there are some specific things in the Bill that have an impact across borders.

[200] **Mr Mosedale:** The Bill refers to cross-border issues for the agency and others, particularly in relation to implementing the floods directive, which has quite some significance. I guess that some of the difficulties include the fact that, in England, the agency is producing a national strategy but, in Wales, the Welsh Assembly Government will be doing that. It is important that both sides ensure that there are no major conflicts that would cause problems alongside the border. Generally speaking, in England and Wales, we are seeking the same solutions to similar problems so, in effect, we are not anticipating any major problems. If any problems arise, we will do our best to sort them out as soon as we can.

[201] **Mick Bates:** You talked about major problems. The fundamental one is the flood risk management plans. Are they in place, or are you in the process of developing them in line with the EU directive?

[202] **Mr Mosedale:** The strategic plans are in place, which are, effectively, the catchment flood management plans. They cross borders, as you know. Where there were problems across the border, which we have fully accepted, we have worked very quickly to resolve them. Those are more operational problems than legislative problems.

[203] **Mick Bates:** They are operational problems in what respect?

[204] **Mr Mosedale:** The catchment flood management plans were not statutory, but they provide the strategic overview. Where there are problems along the border, we have tried to sort those out. There have been some examples, as you know, of the policy statements not being particularly clear or helpful, which led ultimately to the wrong conclusion about what was intended. We moved quite quickly to resolve those and to make it much clearer what was intended.

[205] **Mick Bates:** It would be useful if you could provide me with a note on specific examples of how the flood risk management encountered operational problems. The aim of this Bill is to overcome all the operational problems identified by Pitt.

[206] **Mr Mosedale:** Operationally, we have very few problems. We do provide flood warning services across the border, which work seamlessly, certainly as far as I am aware.

[207] **Mick Bates:** You mentioned overcoming operational problems, and I just wondered what you meant by that.

[208] **Mr Mills:** I think that what John was trying to say—and this is an incident, Chair, that you were directly involved in—was that the process for consulting on the catchment flood management plans differed slightly in England and Wales. As you know, part of Powys is managed by our midlands region. The wording of one of the policies was not helpful, as John has said, and you were rightly concerned about the consultation period, which was quite short in England. From our point of view, we got the policy wording changed, which made it much clearer whom we would be consulting about that particular policy, and the consultation period in Wales was twice as long, at 12 weeks rather than six. I think that John was using ‘operational’ as a loose term.

[209] On managing flooding down rivers that cross borders, there are very few, if any, operational problems. It requires the co-ordination of all the people involved to manage a river, regardless of whether it goes across borders.

10.30 a.m.

[210] **Mick Bates:** Thank you for clarifying the point on the consultation period.

[211] **Alun Davies:** I would like to raise a point made by Welsh Water in its submission to us, and we will discuss it with Welsh Water later. It said that, although the agency has a Wales headquarters, it has limited policy development capacity here, and so its policy is usually formulated in England, without a full appreciation of the issues here. Do you agree with that analysis?

[212] **Mr Mills:** No, we have quite a strong policy unit in Wales. Our strategy unit in Wales has more than 120 staff. We work closely with our English colleagues on policy, because many of the policies have commonality. We work extremely hard to ensure that any policy that differs in Wales is taken fully into account. So, there is not a great deal of substance to that comment.

[213] **Alun Davies:** Welsh Water would be one of your major stakeholders, and it has had a relationship with you over many years. If that is its view, having had such a relationship, why do you think it would express it in that way?

[214] **Mr Mills:** You will have to ask its representatives when they come before you, and I

am sure that you will. I may also need to ask them why they have that view.

[215] **Alun Davies:** On the regional flood defence committee and the changes that will be made as a result of what is in the draft Bill, are you confident that you have a relationship with local authorities and others given the changing role of that committee, to enable you to manage flood risk adequately?

[216] **Mr Mills:** First, on the regional flood defence committee, or, as it is known in Wales, flood risk management Wales, the situation in Wales is currently being consulted on by the Welsh Assembly Government. The decision in England was to change the regional flood defence committee from an executive committee to primarily an advisory committee. That is because there is a legal ambiguity between our chief executive, who is also the chief accounting officer responsible to Parliament, and the executive role of the regional flood defence committee. That is what was proposed in England, but it is not necessarily the case in Wales. We will have to await the outcome of the consultation.

[217] **Angela Burns:** On SUDS, sustainable drainage systems, in its submission, the National Trust clearly states that it is vital that the Government take the opportunity provided by this Bill to rectify the uncertainty about sustainable drainage systems, and that it do so by placing the responsibility on local authorities. However, in your evidence, you say that you feel that, although the local authority should lead, other organisations could be more appropriate to adopt, operate, and maintain public sustainable drainage systems. Who do you think should be in charge of SUDS?

[218] **Mr Mosedale:** We believe that local authorities should lead on them and should, therefore, be ultimately responsible. There are perhaps two elements that need to be considered before you look at the operation of them. First, there should be national standards for SUDS construction, covering their construction, operation and maintenance, so that they come up to a standard that would deliver the intended benefits. There should also be an approving body to approve them, which should certainly be the local authority. However, we feel that there may not be the skills base within a local authority for dealing with underground assets—and a lot of SUDS assets will be necessarily underground—and that there are others who can bring information to the table for them and help out the local authorities. For that reason, we think that Dŵr Cymru/Welsh Water has a lot of experience to bring to the table, particularly given that it is a non-profit-making body in Wales, and that is not the case with such organisations in England. That may be one of the biggest drivers for it being different. If your sustainable drainage systems were just a nice pond into which water flowed and then drained, we would be happy for local authorities to lead on their own, but we see that sustainable drainage system solutions can be very complex. For example, you might have a pond leading into a culvert, leading ultimately into a sewer, and all those elements need to be joined up. We think that one body should be clearly leading on that, but it would have to be supported by other parties. Other parties, rather than local authorities, may be best placed to operate and maintain it.

[219] **Angela Burns:** May I ask a very quick supplementary question on that? If Professor Martin Cave were to get his way and break up the water industry in Wales as well as in England, would your opinion still be the same, that Dŵr Cymru would be the best organisation to offer advice and support on this issue?

[220] **Mr Mosedale:** I am saying that Welsh Water is one organisation that could offer it. If the Cave review suggests the break-up of the industry, we would have to rethink that.

[221] **Mick Bates:** Thank you. As we draw this to a conclusion, Chris, could you summarise your views on the Bill and anything that you would wish to change in it?

[222] **Mr Mills:** We welcome the Bill. Crucially, it will bring greater clarity as to who is responsible for what. As I said in my previous evidence, it is crucial that someone has clear responsibility for surface water flooding. We need to get that right. Within our evidence, we have set out quite clearly where we believe that the powers suggested for England are also necessary in Wales. The omissions are relatively few. So, in general terms, we believe that the flood and water management Bill will be a major step forward, but we should not lose sight of the fact that legislation is only one part of making this whole system work well. We hope that this Bill will be enacted, but there will still be a big job to make sure that it is implemented and communicated correctly.

[223] **Mick Bates:** Thank you for your evidence and for that of your colleagues. A copy of the transcript will be sent to you within the next 10 days.

[224] **Mr Mills:** Thank you.

[225] **Mick Bates:** Thank you for your attendance today.

10.38 a.m.

**Y Mesur Drafft ynghylch Llifogydd a Dŵr: Sesiwn Dystiolaeth (Dŵr Cymru)  
The Draft Flooding and Water Bill: Evidence Session (Welsh Water)**

[226] **Mick Bates:** I now welcome representatives of Welsh Water to the table. It is my pleasure to welcome Nigel Annett and Chris Jones. Would you like to introduce yourselves, note your positions with Welsh Water and make a very brief opening statement before we move to questions?

[227] **Mr Annett:** My name is Nigel Annett. I am the managing director of Dŵr Cymru/Welsh Water and a founder director of Glas Cymru, which now owns Welsh Water.

[228] **Mr Jones:** I am Chris Jones, the finance director of Welsh Water, and also one of the founders of Glas Cymru, the not-for-profit company that owns Welsh Water.

[229] **Mr Annett:** First of all, like Chris, we welcome the Bill as it stands. There is a lot to recommend within it, particularly around sustainable drainage systems, connecting to the sewer network, and the right to connect. By the same token, we think that there are a number of areas that we should rightly be concerned about, to the extent that they do not go far enough or they leave open a number of worries, which I have set out in our evidence and which we can discuss. I guess that the third area is what one might loosely call the elephant in the room, which may be one of the biggest areas of concern for us in Glas Cymru, namely the fact that the recommendations of the Cave review are not yet in the draft Bill. However, we think that we have been promised that they will be by the time the Bill goes to Government. That has all sorts of implications for the water industry in Wales in which you and the committee should be very interested. That is all that I would like to say about that.

10.40 a.m.

[230] **Mick Bates:** Thank you. We will move straight to questions, and I will begin.

[231] To what extent are the proposals in the draft Bill that have implications for the water industry appropriate, workable and sufficiently clear?

[232] **Mr Annett:** I was about to pass over to my colleague. *[Laughter.]* That is a big question. Did you have anything particular in mind?

[233] **Mick Bates:** In your outline, you mentioned the Cave review not being implemented. However, I am particularly interested in your comments about the Environment Agency. You just heard Alun Davies put it to the Environment Agency that, as it is an England-and-Wales operation, perhaps a greater focus is needed on Welsh issues. We will come to infrastructure projects later, but, basically, I would like to hear your opinion of the Bill and whether it is workable. If is not, what is omitted that would make the Bill more appropriate and workable here in Wales by its inclusion?

[234] **Mr Annett:** I will start, and then Chris will come in.

[235] First of all, I think that it is workable as it stands. It can be made to work. The great thing about being an industry in Wales is that, irrespective of what the legislation says, we all know each other and we can make things happen. That is a big advantage to being based in Wales. The remark in my evidence with regard to the limited policy position of the agency was largely made to put in context the fact that the Bill provides for large infrastructure to be under the control of those outside Wales. We think that some of the things that lie behind that clause are very relevant to Wales.

[236] We are regulated by three bodies: Ofwat, the Drinking Water Inspectorate and the agency. Neither Ofwat nor the DWI has a presence in Wales. The agency has a big presence in Wales, and it has policy development within Wales, but it is always guided by what policy must apply to all of England and Wales. That is the only point that we were seeking to make. It was not a critical remark; it was a statement of a fact of life that the agency has a regional presence, but that it operates in an England-and-Wales context, and so it is necessarily limited. We need to be alive to the fact that that comes with risks, such as, if major infrastructure is developed for the water industry in Wales, the work could well be directed from a perspective that is relevant for England and its problems rather than necessarily taking into account all the considerations that are important for Wales. That is the point that I was making.

[237] More generally, as I said at the outset, we think that there are many things in the Bill that take us forward. There are a few areas that we think should be matters of concern, and I have set them out in my evidence. There are also one or two areas that we would like to see taken to the next step, particularly the right to connect to our sewer network, which is in many ways the source of many of our problems.

[238] **Mick Bates:** Before leaving this point, and before bringing Alun in, what about the capacity of the Welsh Assembly Government to deal with all these issues? Do you think that it has appropriate and sufficient capacity?

[239] **Mr Annett:** I do, actually. We work very closely with Welsh Assembly Government officials; I talk to the Minister occasionally. We stay in touch. I must say that, when I contrast my position with that of my colleagues in the industry in England, it is much better here, because we have much shorter lines of communication, and we have a shared agenda in many respects. That makes doing business much easier. Having said that, this legislation is very DEFRA-driven, and it will be a real challenge for Assembly officials to ensure that, out of all of that, a distinct position is secured for Wales, because the default position is to fall into line with what is put in place for England, according to its issues and problems, which are very different to the problems and issues that we have here in Wales. Chris, do you want to add anything to that?

[240] **Mr Jones:** Just to exemplify that point, there are two ways in which the industry in Wales and the Welsh Water region differ from the English companies. First, while a number of the key environmental and service issues that the Bill addresses are absolutely relevant to Wales and top of our agenda—flooding being a clear example—there are other issues that are

much more relevant to some of the English companies than is the case here. While it may not, on the face of it, seem to be a problem to take a unified approach across England and Wales to these issues, our concern is that that could be inefficient from the Welsh perspective, because we could end up diverting resources to problems that are not at the top of our agenda. We are very mindful, particularly in current circumstances, of the need to keep water bills affordable. If we are deploying resources to issues that are important across England and Wales, but which are not top of our agenda, it will inevitably put pressure either on customers or on us so that we cannot do everything that we want on the issues that are priorities for us, such as surface water flooding.

[241] **Rhodri Glyn Thomas:** To aid our understanding, can you outline the differences? You referred to differences, here and in your paper. Specifically, with regard to this Bill, what are the main differences between Wales and England?

[242] **Mr Jones:** At its simplest, surface water flooding is a big issue for our customers in Wales. At present, a substantial shortage of water resources and the impact on economic development is a much bigger issue in south-east England than it is in Wales. We would want to ensure that the limited resources that our customers make available to us are targeted at our real problems, our priority problems. That is one way in which, to some extent, all the regional companies differ.

[243] The second side of this is that the industry in the Welsh Water region is a not-for-profit industry that has a different relationship with its customers and a different ethos behind it. That is not the situation in England. Many of the things that are appropriate, or you can at least see why they are being driven forward, in the context of England could be damaging to, or at least very distracting from, what we want to get on with in Wales, which is the job of improving the environment and our service and to tackle these things in an affordable way.

[244] **Mick Bates:** Thank you. We have a good picture. I need to bring Alun in and then Rhodri on pre-legislative scrutiny.

[245] **Alun Davies:** Your answers are fascinating, particularly in the tone that you have adopted. Mr Annett, in answering the first question from the Chair, you said that the Bill can be made to work. You almost seemed to be saying ‘in spite of the provisions contained within it’. I have listened to Mr Jones’s answers. Are you saying that we need greater flexibility and freedoms for Wales within the provisions of this Bill to enable bodies that operate within Wales, including the Environment Agency, Ofwat, the Drinking Water Inspectorate and so on, to address the situation as it pertains to Wales?

[246] **Mr Annett:** Yes, possibly. I have perhaps not given enough thought to the practical implications of some things right down the line. When I said that it could be made to work, I had in mind sustainable drainage systems, for example. We employ a network of sewers, and to replace them today would cost about £10 billion. In many cases, sewers cause problems for our customers, and they also cause problems for the environment. We will implement sustainable drainage system solutions—we are doing so as of today—regardless of what the legislation provides for. So, when I say that we can make things happen, I think that we can make progress on things because they are practical and they make sense on the ground, working with the agency and with local authorities, and cutting through, if you will, all the legislation in a way that I know my opposite numbers in England cannot do. It provides emphasis for the importance of sustainable drainage systems, and we are interested in, and welcome, the requirement that any connection to our sewers must have developed a proper sustainable drainage system solution. It is also quite limiting in saying who is responsible for sustainable drainage systems and so on. As a matter of practice, we will be putting sustainable drainage system solutions in places where we know that that they help us to do our job of providing a public service of sanitation for our customers. That is what I mean by the

‘practicalities’ of this.

[247] On all the various bodies involved, it still seems pretty complex to us.

[248] **Mick Bates:** I would just point out to those who are disturbed by it that the noise in the background is coming from our neighbours, who are undertaking work. We cannot control it.

[249] **Rhodri Glyn Thomas:** We need further powers. [*Laughter.*]

[250] **Mick Bates:** Sorry? I could not hear you over the noise. [*Laughter.*]

[251] **Alun Davies:** On this legislation—and I am not trying to lead you; I am trying to understand your perspective—you would like to see the Assembly Government have greater flexibility to take decisions quicker and, as you say, ‘make it happen’. That would be a very practical phase—we have this legislative framework, which, in some ways, can be something of a straitjacket, and we want to cut through that to make things happen along these shorter decision-making lines. That flexibility would give you the opportunity to do that.

10.50 a.m.

[252] **Mr Annett:** The framework is there to allow that to happen. Our biggest worries are less around the oversight and responsibility for sustainable drainage systems, or SUDS, and the management of flood risk, and more to do with some of the other areas that I mentioned in my evidence—large infrastructure, for example, particularly connections to sewers, which is a real issue for us. As things stand, unless the planners support our representations, anyone can join our sewer network at any point as a matter of right, irrespective of the consequences. If those consequences happen—for example, pollution from an overloaded sewer network, or flooding of properties—it is our customers who pick up the bill. That is a real issue for us. The draft Bill takes us halfway there, but we would like it to go the final step as well.

[253] **Mick Bates:** This is clause 233, is it not? What happens in practice now? Do people usually put in an application?

[254] **Mr Annett:** In most cases the planners will listen to what we say, even though we are not a statutory consultee, and take account of our representations. The agency, by contrast, is a statutory consultee, and because the sewer network in particular is a pollution risk if it is overloaded, it will also tend to support positions that we take. So, in practice, I would guess that in 95 per cent of cases we manage connections to the sewer network. Do not get me wrong—we do not want to stop connections, we are simply asking that they should happen in such a way that they do not cause other problems. In many cases that means that the developer has to pay something extra to provide for that. However, in 5 per cent of cases that does not happen, and our customers end up picking up the bill for solving the problems that have been caused by new development. It is a big issue for us.

[255] **Mick Bates:** It is a massive issue. When you say that you end up picking up the bill, do you have any idea how much that costs? From your paper, your financial performance seems very good.

[256] **Mr Annett:** Per customer, it is probably a few pounds, I would guess, but it would be millions of pounds per annum for us.

[257] **Mick Bates:** We will move on.

[258] **Leanne Wood:** Chair, may I ask a brief question that is pertinent to our



recommendations? In the 5 or 10 per cent of cases in which local authorities grant planning permission against your recommendations, is there any legal comeback on the local authority for making that decision against advice?

[259] **Mr Annett:** Not as things stand. I can write to you separately about this. We are taking legal advice on a particular case, and I hesitate to mention this, but we have leave to appeal to the House of Lords on an interpretation of law regarding connection to the sewer network. It is a live issue for us. I am Irish, and I live in Wales.

[260] Yr wyf yn siarad Cymraeg hefyd. I speak Welsh too.

[261] However, as an Irishman I can say this: I would not start from here if I were you. We have a sewer network that takes away a lot of people's dirty water, then we take lots of clean water, and put the clean water in with the dirty water and make it all dirty. That is not a system that we would want to create today. You would separate the dirty and clean water in the system—that is where we want to be, but it will take generations, to be honest. With the prospect of climate change, our biggest worry is more severe frequent storms of the kind that we saw last weekend. Surface water gets into the sewer and causes massive problems. I can tell you that the worst service failure that the water industry can be responsible for is the flooding of properties by sewage—it is just unbelievable. We currently have 330 properties across Wales that are at risk of flooding from sewers in a regular storm, and we are seeing more and more regular storms. To solve each of those problems costs about £80,000, to put that in context. In many cases, it would be cheaper to buy the house than to solve the problem. I wanted to give you a bit of background as to how important this is to us.

[262] **Leanne Wood:** If you could provide us with further information, it might be useful for our recommendations.

[263] **Brynle Williams:** To expand a little on Leanne's question, ultimately it will be the private individual or business that is responsible—if a council grants a connection and it goes pear-shaped, it will come back to the householder or business if you have to take proceedings.

[264] **Mr Annett:** That is what happens now. This year, we are investing £350 million in our water supply and sewerage system, which is a lot of money—several hundreds of pounds per household. A large part of that goes on the sewer network, much of it to renew and maintain that network, but also to deal with pollution incidents. A big part of our programme is to deal with the risk of sewer flooding, and many of those problems are exacerbated by new developments adding pressure to the system.

[265] I do not want to be a scaremonger and overemphasise the point, because in 90 per cent of cases it is all managed properly and we can accommodate a new development without any implications, but there is a minority of cases where we are exposed, because we are not a statutory consultee in those circumstances, and, if there is a problem, we pick up the bill. The case that we are currently taking to the House of Lords is to clarify the law in those circumstances, because that particular problem will cost Welsh Water's customers about £1.5 million. So, it matters.

[266] **Mick Bates:** In other words, it is not the developer who pays the bill as a consequence of flooding your customers.

[267] **Mr Annett:** In most cases, the developer pays—*[Inaudible.]* It is typically to provide either downstream capacity or to connect to a point of capacity on the network.

[268] **Mick Bates:** Rhodri, will you address the issue of consultation prior to legislative scrutiny?

[269] **Mr Annett:** A ydych chi'n mynd i siarad Cymraeg? **Mr Annett:** Are you going to speak Welsh?

[270] **Rhodri Glyn Thomas:** Ydwyf. Cawsoch gyfle i wrando ar dystiolaeth cynrychiolwyr Asiantaeth yr Amgylchedd a ddywedodd fod y sefyllfa o ran ymgynghori a chraffu yng Nghymru yn wahanol iawn i honno yn Lloegr ac ein bod gam ar ôl Lloegr. Nid oeddent yn mynd mor bell â beirniadu Llywodraeth Cymru am hynny, ond yr oedd consŷrn yn eu sylwadau. Yr ydych yn cyfeirio at hyn yn eich papur, gan sôn yn benodol am adolygiad yr Athro Martin Cave a goblygiadau hynny a'r perygl y gallai arwain at ailwampio'r system ddŵr yn Lloegr yn gyfan gwbl. Darllenaf frawddeg o'ch dystiolaeth. **Rhodri Glyn Thomas:** Yes. You had an opportunity to listen to the evidence provided by the Environment Agency's witnesses, namely that consultation and scrutiny in Wales is very different to that in England and that we are a step behind England. They did not go as far as to criticise the Welsh Government for that, but they expressed concern in the comments. You refer to this in your paper, specifically mentioning Professor Martin Cave's review, its implications and the danger that that could lead to a complete reorganisation of the water system in England. I will read a sentence from your evidence.

[271] 'Our strongly held view is that this should not happen in Wales by default and because we follow what happens in England, but rather as a result of a carefully considered assessment of the costs and benefits taking into account the particular and very different circumstances that apply in Wales.'

[272] O ystyried—yn ôl y Cadeirydd, o leiaf—fod y Gweinidog wedi dweud na fydd ymgynghori ar y Mesur seneddol hwn— **Considering—according to the Chair, at least—that the Minister has said that there will be no consultation on this Bill—**

[273] **Mick Bates:** There will be—

[274] **Rhodri Glyn Thomas:** Nid cyn cyhoeddi'r Mesur seneddol. Yr ydym yn rhagdybio y bydd argymhellion Cave yn rhan o'r ddeddfwriaeth yn y pen draw. Beth yw eich barn am y broses graffu ac ymgynghori yng Nghymru? A ydych yn teimlo ei bod yn ddiffygiol? **Rhodri Glyn Thomas:** It will not be before the Bill is published. We are assuming that the Cave recommendations will ultimately be part of the legislation at the end of the process. What is your opinion regarding the scrutiny and consultation process in Wales? Do you feel that it is deficient?

[275] **Mr Jones:** I shall pick that up. Our understanding is that there will be consultation on the particular issue of bringing some of the recommendations of the Cave review into the Bill. DEFRA is proposing to consult on that before the summer recess, so that will be in July, and the issue for the Welsh Assembly Government—it is not an issue for us—is whether to take part in that DEFRA consultation to make it a joint DEFRA and Welsh Assembly Government consultation. That is the likely way forward—

[276] **Rhodri Glyn Thomas:** Ein dealltwriaeth ni, fel pwyllgor, yw nad dyna'r gwir sefyllfa ac y bydd DEFRA yn bwrw ymlaen gydag ymgynghoriad ond bydd yr ymgynghoriad yng Nghymru yn digwydd lawer yn hwyrach, pan fydd y Mesur seneddol— **Rhodri Glyn Thomas:** Our understanding, as a committee, is that that is not what is really happening and that DEFRA will move forward with a consultation, but that the consultation in Wales will take place much later, when the Bill—

[277] **Mick Bates:** That will be on the flooding part of this Bill.

[278] **Mr Jones:** As I said, it is not a question on which I can give you a definitive answer, Rhodri. However, because the competition proposals would apply across England and Wales, the default position in existing legislation is that the competition is a matter for DEFRA, so it has the lead on that, but the Welsh Assembly Government would probably also be involved with that consultation at this stage. We would strongly recommend that it should be, for the reasons that we have already alluded to, namely that the case for and implications of competition in Wales will be different from those in England. The Welsh Assembly Government was keen to stress to the Cave team that it needed to take that into account. There is reference in the Cave report to the different circumstances in Wales.

11.00 a.m.

[279] To extend the point slightly, something that worries me—this is outside our area of expertise—is that there is a lot of political uncertainty in London. An election may come along and curtail the timetable for this Bill. I understand that there is a possibility that a slimmed-down Bill will be put through quickly, and you can see the case for that because there are the recommendations from the Pitt review that you want to get onto the statute book and so forth. Therefore, you can see why that would happen. The danger that we are alluding to, and that I would flag up to you as a committee, is that there may be certain things that look relatively non-contentious on the competition front that might be candidates to go through in a quick process, but which could have profound implications. Often, how competition within network industries pans out is determined by factors such as who controls the rules for access to the network. If, for example, the legislation were to be changed so that pricing rules were no longer fixed in statute but given to the regulator to decide, that could potentially completely change the nature of the industry, but on the face of it, it would appear to be quite insignificant.

[280] On the consultation and scrutiny, that is what we see as a particular danger. If Wales decides that it wants to go down that route, that is fine, but we would not like to see that happen by default. We will make no bones about it: we are very proud of the water industry in Wales; we think that it has a lot to offer to our customers and the environment, and we think that it should be a conscious choice to go down a different route.

[281] **Rhodri Glyn Thomas:** Yr wyf eisoes wedi awgrymu y dylem gael nodyn clir oddi wrth y Gweinidog ar y mater hwn. Derbyniaf yr hyn a ddywedwch: bod yr hyn a ddywedodd yn ymwneud yn benodol â'r elfen o lifogydd ac na fydd unrhyw ymgynghori. Serch hynny, nid yw wedi bod yn glir ynglŷn â beth fydd yr ymgynghoriad ar y mater hwn. Mae'n bwysig ein bod yn cael nodyn clir iawn gan y Gweinidog yn dweud yn union beth fydd yr ymgynghoriad ar y mater hwn, sut y'i cynhelir yng Nghymru, ac a fydd yn dilyn y patrwm yn Lloegr. Yn ôl yr hyn a ddywedodd Chris, credaf y dylid cyfeirio'r ymgynghori yng Nghymru yn benodol tuag at y diwydiant yng Nghymru a sut y caiff ei reoleiddio.

**Rhodri Glyn Thomas:** I have already suggested that we should have a clear note from the Minister on this. I accept what you say: that what she said related specifically to the flooding element and that there will be no consultation. However, she has not made it clear what consultation will take place regarding this aspect. It is important that we have a very clear note from the Minister telling us exactly what the consultation will be, how it will be staged in Wales, and whether it will just follow the pattern used in England. From what Chris has said, I believe that the consultation in Wales should be directed specifically at the industry in Wales and how it is regulated here.

[282] **Mick Bates:** Due to pressures of time, I will send a note to committee members. Remember that the Minister will be here on 24 June, so we will be able to clarify this with

her.

[283] **Rhodri Glyn Thomas:** Bydd **Rhodri Glyn Thomas:** That will be an hynny'n gyfle i holi'r Gweinidog. opportunity to ask the Minister.

[284] **Mick Bates:** Iawn. Gallwn symud **Mick Bates:** That is fine. We can now move ymlaen yn awr. on.

[285] Angela would like to have more details on the Cave review.

[286] **Angela Burns:** Thank you for the submission on the Cave review. It was fulsome and very thought-provoking. There are an awful lot of questions that we could ask you on the Cave review, but I will just kick off with a couple of those questions because I think that some of them might be out of the bounds of what we are doing now and our time criteria.

[287] You heard a member of the Environment Agency team make a comment that if Martin Cave's proposals were carried out in Wales to break up the water industry, the Environment Agency would reconsider who it felt was best placed to deal with things like SUDS. What is your view on that kind of comment, and to what extent do you think that Martin Cave's recommendations would impact on the current proposals that are going through in the flood and water management Bill?

[288] **Mr Jones:** Genuinely, the best answer that I can give is that neither we nor anyone else knows. What the Cave review sets out is a direction of travel, and Professor Cave rightly stresses that this is a one-step-at-a-time approach. One issue to bear in mind is that there is no model anywhere in the world of a water industry that has been restructured in this way. There is no way that you can look for precedence or parallels.

[289] **Angela Burns:** I am sorry to interrupt you but to make sure that I understand, one of his suggestions is to break out the retail element from the infrastructure element.

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

[291] **Angela Burns:** I am at a slight loss as to how we will finance the infrastructure element if we do not have the retail element underpinning it. Can I have a view on that? Can I also have a view on where your organisation will end up—at the retail end or at the infrastructure end?

[292] **Mr Jones:** Okay. The split between retail and the rest of the network business—the pipes, treatment works and so forth—is the first step that Professor Cave discusses. He then suggests that you would look at the network part of the business and seek to restructure that. There are a number of different ways that that could be done, which is why I say that it is uncertain what the answer would ultimately be. If you take the first step and split retail from wholesale, a water customer would pay, for example, £100 to the retailer, the retailer would retain between £6 and £10 of that for itself and pass the other £90 or so on to the network. In this case, there would still be one network company although, ultimately, that might be broken up. So, the bulk of the money would go to the network company because, frankly, the bulk of the service is provided by that company. All the retailer is doing is the billing and so on. The way in which even that first step is particularly relevant to flooding is with regard to how the average customer deals with the water industry. If, for example, as I think is some people's intention, someone was to ring his or her retailer in the first place—which might be Centrica or Tesco—that retailer might be located anywhere, and is not going to know whether the flooding in the street is coming from the sewers, culverts or wherever. Therefore, inevitably, the retailer is then going to have to pass that on to the network company to try to find out what the situation is.

[293] We think that even that is a retrograde step because, ironically, as it turns out, we have been spending a great deal of money recently on bringing our systems together so that, when someone calls our operational call centre, the person who answers the call will have full information on what is going on on our network, where our people are, what they are doing and so on, in real time, and can tell the customer that immediately over the phone.

[294] **Mr Annett:** They can book a job.

[295] **Mr Jones:** Yes, they can book a job immediately, talk to a crew on the ground and get them straight out to deal with the problem. Therefore, we all think that introducing a process in which you have an intermediary, who would take the details and then ring a network company that would no longer know who the customers were, would introduce cost and confusion. Flooding is an excellent example of an emergency during which that could have a real and negative impact on customers.

[296] **Angela Burns:** I completely understand and accept that point. I have not read the Cave review; you obviously have.

[297] **Mr Annett:** It is quite a tough read actually.

[298] **Angela Burns:** I am sure that it is. Having read it, are you able to say whether, in making his recommendations, he considered issues such as flooding, or whether he looked at this in a silo?

[299] **Mr Jones:** I am sure that he did consider such issues—it is a thorough piece of work. There was a very capable team advising Professor Cave on this, and they have looked at these issues, but this is clearly something on which you can take genuinely different points of view. I guess that their view is that a retail company will provide a better service than an integrated company and that it will in some way be able to put pressure on the network company on behalf of its customers. So, undoubtedly, there are arguments on both sides of this, and it would be wrong of us not to recognise that. However, we happen to feel that the specific circumstances of the water industry are quite different from those in the energy industry, for example, in that the main relationship between a customer and the water industry is really around things that the network company would do, with regard to whether the drinking water is safe, whether the sewers are able to cope with flooding, getting out to deal with emergencies and so on. The issue of the retailer that buys energy and retails it to the electricity sector is very important; in the case of water, that is very much the junior part of the relationship, and therefore the costs and benefits of disaggregating are quite different in the water sector compared with other sectors.

[300] **Angela Burns:** Concerns have been raised today about whether we would just blindly follow the English model. If we ended up adopting the Martin Cave proposals in full, what other items should we include in the Bill to help to protect the public with regard to things such as flooding?

[301] **Mr Annett:** I do not think that we know. Cave puts an enormous emphasis on taking one step at a time and learning as you go along, but his view is certainly that there should be as much a rivalry in the industry is possible. There is almost a philosophical, or even religious, debate taking place, including about whether the water industry is a public service, which is what Glas Cymru is all about—looking after the industry for today's customers and future generations, recognising its history and circumstances. We employ £25 billion-worth of assets. There is a different mindset, which you cannot dismiss, which is that monopolies are bad things in all circumstances and that choice is a good thing in all circumstances and that competition drives better behaviours and better outcomes in all circumstances. That is the

debate that is taking place. We are talking about the water industry here, and this is almost a philosophical debate. Cave, to be fair, is a considered, sensible and likeable bloke, to put it personally, but for some on his side of the argument, this is a passion and there is a real drive to get competition into these monopolies.

[302] **Rhodri Glyn Thomas:** Otherwise known as ‘privatisation’.

11.10 a.m.

[303] **Mr Annett:** When you have a monopoly providing a public service that is being run for private profit, people generally do not like it. You solve that in one of two ways: you either break up the monopoly and get competition so that people have a choice, which re-establishes legitimacy, or you do what we have done in Wales and take away the private profit bit, which solves the legitimacy issue in a different way. That legitimacy comes with enormous advantages. Chris and his team are able to raise finance for our industry, our biggest cost, at a lower cost than that for the rest of the industry in England, which is why we have £1 billion of customer equity, customer dividends and all the rest of it. That is the prize that we are trying to hang on to here, but we are up against a philosophical point of view that says that a monopoly in all circumstances is a bad thing.

[304] **Angela Burns:** We could talk an awful lot about this, and I think that we will return to it elsewhere. Do you anticipate that the recommendations of the forthcoming Walker review—we obviously have not had enough reviews on the water industry—will require significant revisions to this Bill?

[305] **Mr Annett:** Somebody said to me that the water industry is really dull and boring. We have the Walker review, the Cave review, and the floods Bill, and we are on the front line when it comes to climate change—what an industry.

[306] **Angela Burns:** Water is a life essential, which is what makes it so incredibly important for everybody, and people can forget that in the argument.

[307] **Mr Annett:** Yes, perhaps that explains it. We have not seen what Anna Walker is proposing yet; the review is due out later this month. We have met Anna Walker and, again, she is a very sensible person. However, the headline to leave with you is that the whole question of how you pay for water is a can of worms. Anything that you do to change it creates winners and losers. It is a very complicated matter.

[308] **Mick Bates:** Finally, I would like you to address cross-border issues. There are other issues that I will have to write to you about because of time constraints. Lesley, you have a question.

[309] **Lesley Griffiths:** The draft Bill refers to water companies mainly or wholly in Wales and water companies mainly or wholly in England. To what extent do you foresee cross-border issues arising in this Bill?

[310] **Mr Jones:** All sorts of precedents on competition are going to be set by this Bill if it goes through for exactly that reason. When that formulation was first put forward, it seemed relatively clear cut because Welsh Water is mainly or wholly in Wales and other companies, such as Severn Trent Water, clearly are not, so that was a workable divide. How that would work in a disaggregated industry that might follow on from the later stages of Professor Cave’s recommendations is impossible to say. That was not envisaged. Strictly, you would have to say that the likely outcome is that there would no longer be any companies wholly or mainly operating in Wales, in which case the National Assembly for Wales and the Welsh Assembly Government would no longer have responsibility for any part of the water industry.

That would be one logical outcome because, instead of being geographically based, companies would be, to use the jargon, horizontally based, so you might have treatment companies that operate throughout Wales, England and beyond. The question is a good one, but I am afraid that the answer is that this was never envisaged and therefore nobody knows how it would pan out. Even something as fundamental as which part of the UK Government has responsibility for what in the water industry in Wales is very much on the table as a result of these suggestions.

[311] **Mick Bates:** I just have one further point on that. You say in your evidence that if the south-east of England is short of water, it may want to store more water in the Elan valley by raising the Craig Goch dam. Who would make that decision?

[312] **Mr Annett:** As I understand it, the Government of Wales Act 2006 retained for Government in London control over matters of major infrastructure of that sort. If there were an extension to our reservoir network, the default position, as now, would be that Welsh Water, as an asset manager carrying out £350 million of investment annually, would do that scheme. The Bill provides for that scheme to be carved out of our responsibility and done by a stand-alone, private-finance-initiative type of company. That could be outside the control of the Assembly Government or Welsh Water. That is what it provides for. One can smell all sorts of conspiracies here. I do not think that that is intended, to be honest, and I do not think that it was in people's minds when they wrote this, but we have our own history and we can see what is possible. Our history in Wales with regard to the water industry is pretty sensitive, so one can imagine where this might go. I think that what is behind that clause is a major investment in London to intercept all those sewers that are currently discharging into the River Thames. That is a £2 billion scheme called Thames Tideway; there is to be massive investment to create a new sewer under the River Thames. The feeling is that that might be done better by a stand-alone company, outside of Thames Water. However, clearly, you can put the legislation in place in general terms, and it can be applied in many other circumstances. Our worry is what might happen one day regarding transfer to south-east England.

[313] **Mick Bates:** We share those concerns. I thank you both for your written evidence, which is very thorough, and for your answers today. I will write to you again about other questions that we have not reached in this session. I also congratulate you on the way that your company operates for the benefit of customers in Wales. A transcript will be sent to you.

11.17 a.m.

### **Papur i'w Nodi Paper to Note**

[314] **Mick Bates:** We have a paper to note, which is our forward work programme. You will be circulated information about topics for the next year.

[315] The next meeting will be held on Wednesday 24 June, when we will be scrutinising the Minister for Environment, Sustainability and Housing on this Bill, and taking evidence from the Association of British Insurers as part of our inquiry into flooding. After this session there will also be an informal briefing on the Marine and Coastal Access Bill from the Royal Society for the Protection of Birds, which we agreed to hold.

11.18 a.m.

**Cynnig Trefniadol**  
**Procedural Motion**

[316] **Mick Bates:** We shall now go into private session to discuss matters relating to the Rural Development Sub-committee's report on the electronic identification of sheep. I move that

*the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).*

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

*Derbyniwyd y cynnig.*  
*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.18 p.m.*  
*The public part of the meeting ended at 11.18 p.m.*