



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

**Yr Is-bwyllgor Datblygu Gwledig
The Rural Development Sub-committee**

**Dydd Iau, 4 Mawrth 2010
Thursday, 4 March 2010**

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Procedural Motion

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

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

Aelodau'r is-bwyllgor yn bresennol
Sub-committee members in attendance

Nick Bourne	Ceidwadwyr Cymreig Welsh Conservatives
Jeff Cuthbert	Llafur Labour
Michael German	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Rhodri Glyn Thomas	Plaid Cymru (Cadeirydd yr Is-bwyllgor) The Party of Wales (Sub-committee Chair)
Joyce Watson	Llafur Labour
Brynle Williams	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Simon Buckley	Bragdy Evan Evans Evan Evans Brewery
Bill George	Gwynt y Ddraig Gwynt y Ddraig
Bernard Herbert	Gwinllan Penarth Penarth Vineyard
John Martin	Bragdy'r Waen Waen Brewery
Roger Thompson	Gwynt y Ddraig Gwynt y Ddraig

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

Aled Elwyn Jones	Clerc Clerk
Gemma Bright	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 1.00 p.m.
The meeting began at 1.00 p.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Rhodri Glyn Thomas:** Croeso cynnes i bawb i'r cyfarfod hwn o'r Is-bwyllgor Datblygu Gwledig. Mae'r is-bwyllgor yn gweithredu'n ddwyieithog. Mae clustffonau ar gael i dderbyn gwasanaeth cyfieithu ar y pryd ac i chwyddleisio'r sain, os yw pobl yn cael anhawster clywed. Nid ydym yn disgwyl ymarfer tân y prynhawn yma, felly, mewn

Rhodri Glyn Thomas: I extend a warm welcome to everyone to this meeting of the Rural Development Sub-committee. The sub-committee operates bilingually. Headphones are available to receive simultaneous translation and to amplify the sound, if you have hearing difficulties. We are not expecting a fire drill this afternoon, so, in an

argyfwng, ewch allan drwy'r allanfeydd gan ddilyn cyfarwyddiadau'r tywyswyr. Mae angen diffodd unrhyw offer technegol, gan gynnwys ffonau symudol, BlackBerrys ac yn y blaen. Nid yw'n ddigon diffodd y sain. Nid oes angen cyffwrdd â'r meicroffonau, oherwydd byddant yn gweithredu'n awtomatig.

emergency, leave through the exits, following the instructions of the ushers. Please switch off any electronic equipment, including mobile phones, BlackBerrys and so on. It is not sufficient for them to be in 'silent' mode. You do not need to touch the microphones, as they operate automatically.

[2] Heddiw byddwn yn clywed tystiolaeth fel rhan o'n hymchwiliad i'r diwydiannau gwin, cwrw a seidr yng Nghymru.

Today we will hear evidence as part of our inquiry into the wine, beer and cider industries in Wales.

[3] **Michael German:** I wonder, Chair, given that this is a co-ordinated look at this sector, whether we should include spirits. We would then cover the whole gamut of activity in this area in Wales. I know that it is not a very large sector, but it would provide cohesion.

[4] **Brynle Williams:** I agree with Mike that it would provide cohesion.

[5] **Rhodri Glyn Thomas:** A yw pawb yn hapus i wneud hynny? Gwelaf eich bod. Felly, byddwn yn cynnwys gwirodydd yn ein hymchwiliad.

Rhodri Glyn Thomas: Is everyone happy to do that? I see that you are. Therefore, we will include spirits in the scope of our inquiry.

[6] Croesawaf Nick Bourne a Jeff Cuthbert i'r cyfarfod. Maent yn gyd-gadeiryddion y grŵp trawsbleidiol sy'n gyfrifol am gwrw, gwin a seidr—ond nid gwirodydd, fel mae'n digwydd. Efallai fod hynny'n rhywbeth i'r grŵp ei ystyried.

I welcome Nick Bourne and Jeff Cuthbert, who are the co-chairs of the cross-party group that is responsible for beer, wine and cider—but not spirits, as it happens. That is perhaps something for the group to consider.

[7] **Jeff Cuthbert:** Well, we always meet in good spirits. *[Laughter.]*

1.01 p.m.

Ymchwiliad i'r Diwydiannau Gwin, Cwrw a Seidr yng Nghymru: Sesiwn Dystiolaeth

Inquiry into the Wine, Beer and Cider Industries in Wales: Evidence Session

[8] **Rhodri Glyn Thomas:** Croesawaf Bill George a Roger Thompson o Gwynt y Ddraig, Bernard Herbert o Winllan Penarth, John Martin o Fragdy'r Waen, a Simon Buckley o Fragdy Evan Evans. Croesawaf hefyd Gemma Bright, sydd yma yn ei swyddogaeth fel dirprwy glerc yr is-bwyllgor am y tro cyntaf. Hoffwn wahodd y tystion i wneud sylwadau agoriadol o ryw dri munud neu lai. Bydd cyfle wedyn i'r Aelodau eu holi. Bill, a allem ddechrau gyda chi?

Rhodri Glyn Thomas: I welcome Bill George and Roger Thompson from Gwynt y Ddraig, Bernard Herbert from Penarth Vineyard, John Martin from Waen Brewery, and Simon Buckley from Evan Evans Brewery. I also welcome Gemma Bright, who is here in her role as the sub-committee's deputy clerk for the first time. I invite the witnesses to make opening remarks of no more than three minutes. There will then be an opportunity for Members to ask questions. Bill, could we start with you?

[9] **Mr George:** Thank you all for inviting us here today. I will give you a brief introduction to our company. My name is Bill George and I am the operations director of

Gwynt y Ddraig. We are a family-run farmhouse cider and perry company from Llantwit Fardre in mid Glamorgan. We started to diversify from agriculture in 2000, and it was at that time that we made our first drop of cider. We discovered that we had a talent for it, and decided to take it further.

[10] Our company ethos is to produce high-quality cider using traditional methods. All the fruit is sourced from known orchards and, currently, 60 per cent of it comes from Welsh orchards, mainly in Monmouthshire. There is no waste generated from our production on the farm. Once the juice is extracted, all the apple pulp and pear pomace is fed to our own beef herd. We are great believers in British breeds; all the livestock on our farm are Herefords and British Friesians. We have a purpose-built 5,000 sq ft factory.

[11] Over the last couple of years, we have invested more than £250,000 in improving the standards. We have the hazard analysis and critical control point systems in place and we are regularly monitored by the environmental health department of Rhondda Cynon Taf County Borough Council. We have the British Retail Consortium accreditation, which allows us to supply our product to the supermarkets in multiples; we have a regional listing with most of them. We have full traceability of our products from the orchard origin to the supermarket shelf. We have full laboratory facilities on site to deal with any issues that might arise. To conclude, we produce premium products of a very high quality by as natural a process as possible, only using fresh fruit. We do not use concentrates in any of our production. Everything that we produce is made in Wales and, currently, we are the biggest brand of cider that is made in Wales.

[12] **Rhodri Glyn Thomas:** Diolch. **Rhodri Glyn Thomas:** Thank you. Bernard, Bernard, fe'ch gwahoddaf i wneud rhai I invite you to make some opening remarks. sylwadau agoriadol.

[13] **Mr Herbert:** My name is Bernard Herbert, and I am the owner of Penarth Vineyard, which is a family-owned vineyard. We started planting grapes in 1999, with the intention of producing some wine for our restaurants in London. The grape flavour tests in the early years revealed that grapes of a very high quality could be produced on the gravel bed that lies alongside the river Severn. We now concentrate on producing sparkling wines made in the traditional French *champenoise* method. The process takes about four years, so the results are sometimes a long time coming. We do not use herbicides or pesticides in the vineyard and we try to keep it as natural as possible, grazing the vineyard in the winter with sheep. The products that we make are for the top end of the sparkling wine business. We have about six acres in full production, and another four acres that are currently coming through and are experimental. We have pushed the boundaries as much as possible to see exactly what is possible in such a microclimate in Wales. We believe that the possibilities are magnificent if the industry has the backing that other similar sized countries have had when they have gone in to the wine industry. We have tended to follow the New Zealand model; I believe that the Welsh wine industry is probably where New Zealand was in the 1960s. We are trying to develop along that model.

[14] **Rhodri Glyn Thomas:** Diolch. Trown **Rhodri Glyn Thomas:** Thank you. We now at John Martin o Fragdy'r Waen. turn to John Martin from the Waen Brewery.

1.10 p.m.

[15] **Mr Martin:** Good afternoon. The Waen Brewery is a relatively new business. It started trading in May last year, and is a craft producer of untraditional real ales. My wife, Sue, is the head brewster, so she formulates all the recipes, and I help out with the business side of things. Between us, we run a couple of other part-time jobs to keep the cash flowing as we set up the business. As we speak, we are probably at about two thirds of our production capacity

this March. We moved to Trefeglwys, outside Llanidloes, in Montgomeryshire about three and a half years ago. Having moved from south-east England, we found the plethora of beer available and the number and quality of pubs in the area interesting and that they could do with some development, so we decided to start a brewery. At the time, we were the only brewery in Montgomeryshire, but that is no longer the case. As you are probably aware, microbreweries are springing up all over the place.

[16] We produce small volumes of quite a high variety of different ales, and we are developing a local marketplace. At the moment, most of our beer goes through English distributors and is distributed nationwide. Currently, we are making a concerted effort to build that local marketplace, having started trading just last May, and we are seeing a great deal of success. Business is growing and there is a great deal of local interest. We are very pleased with the results and are pretty much following our business plan to date. So, while we are members of the Association of Welsh Independent Brewers, we are here today specifically to give our perspective of the brewing industry, bearing in mind that we set up last May at the height of economic chaos for the industrial world. It has been an interesting time for us, and we have seen quite a few different trends that we may be able to point out to you.

[17] **Rhodri Glyn Thomas:** Yn olaf, trown **Rhodri Glyn Thomas:** Finally, we turn to at Simon Buckley o Fragdy Evan Evans. Simon Buckley from Evan Evans Brewery.

[18] **Mr Buckley:** Thank you for the opportunity to come in to see you today, and to put across the story and message from a slightly larger small brewer in the small-brewing sector. I am pleased and quite flattered that, 240 years on, we are still here in Wales as a brewing family, brewing award-winning beer. Early on in this conversation, I want to take the committee through a series of points that will help us to focus on where our industry is today. This is what we need to be thinking about as part of our discussions.

[19] The greatest threat to the brewing industry as we know it in south Wales and rural Wales is the demise of the great Welsh pub. The pub is the home of our industry, where we sell our products day in, day out, whether we are a big or a small brewer. The reality is that therein lies the challenge for us in Wales for the future of our Welsh brewing industry. How can we retain the excellence of the rural pub trade, and develop the industry to become a benchmark and hallmark of all the great things that Wales the True Taste has been dedicated to creating over the past five or six years?

[20] The reality is that there are too many brewers in our marketplace. Over the past six years, the Welsh Assembly Government, and the Welsh Development Agency before that, encouraged a free gallop of diversification in the agriculture industry, which led to the doors being opened, and anybody who could write a convincing business plan thought that they should be given the opportunity to become a small regional brewer. A proliferation of some 25 brewers in no fewer than two and a half years has meant that the pool and marketplace that we have has not grown but has diminished. Much of the briefing note that has been sent to the committee beforehand is about access to market—or the lack of it.

[21] Despite that, year in, year out, we continue to see fresh, new brewers appearing and ever more eagerly trying to break into the market. With great respect to my brewer friend on my left, how can we go on allowing investment to be made with public money in industries that are set up without a proven market and without proven brewing expertise? To be frank, if we are to have a future, the Assembly Government needs to lead by implementing a standard mark that sets us apart from everyone else in the UK. It needs to be a mark that promises quality and says that the brewer who is granted it has achieved excellence. We have only to look at the experience of our agricultural brothers who have had all this put at their door to see that. Over the next five years, I would like to see a new industry mark. If someone does not reach the standard to get that mark, they should not receive investment from the

Government.

[22] The market is fragile. Everyone needs to understand that the opportunities that have been seen by small brewers represent only a short-term realignment of the marketplace—and I, for one, hope that Evan Evans will continue to grow in that marketplace. I realise only too well that, for it to do so, we need a vibrant Welsh brewing industry.

[23] **Jeff Cuthbert:** Just to clarify that point, Simon, and to be sure about what you are driving at, are you saying that there are too many brewers, or that those who do not have proven experience should not receive public funds to assist in setting up the brewery?

[24] **Mr Buckley:** I am saying both. My first point is that the Welsh beer market is only a certain size. Each time a new brewer arrives in that marketplace without expertise and professionalism, they put their beers into the market and everyone tries them once. Six months down the track, they cannot sell them and so they discount the price. That destabilises the marketplace and, before you know it, there are price wars and so on. However, the price war does not get through to the consumer; it stops at the licensee.

[25] **Rhodri Glyn Thomas:** Credaf fod hwn yn mynd â ni at effaith economaidd a chyfleoedd i ddatblygu. **Rhodri Glyn Thomas:** I think that this takes us to the economic impact and opportunities for development.

[26] **Michael German:** I have a variety of questions, some of which I will reorganise following what Simon has just said. Can we start with the level of support that is available from the Government and Government agencies in Wales to start up a brewery or a business in beer, wines and spirits? Can you tell me what support there is? Is it easy to access? Did you find the Government helpful in the way that Simon was describing? Perhaps Simon ought to come in last on these questions, as he probably has a different view from the others.

[27] **Rhodri Glyn Thomas:** Dechreuwn gyda John Martin a gweithiwn ein ffordd ar draws y rhes gan ddod yn ôl at Simon wedyn. **Rhodri Glyn Thomas:** We will begin with John Martin and work our way across, coming back to Simon later.

[28] **Mr Martin:** Perhaps we are the most recent business start-up at the table. Our experience has been positive. We received £5,000 of public funding from the Powys development fund, which was gratefully received and put to good use on some equipment for our brewery. However, I must point out that that was not the deciding factor. Had we not received that £5,000 grant from the Powys authorities to start up, we would still have set up our brewery. It would have cost us more and we might have had to borrow a little money, but we have to be careful about saying that starting up a business such as mine is dependent on rural development.

[29] If a business is entirely dependent on Government grants to start up, it is probably not in a very good place to start up in the first place. So, it certainly should not be the deciding factor in starting a business. It should be a support factor that would help—perhaps not so much at the moment, where credit is not so expensive, although it is difficult to come by as a small business, but it should certainly be a contributor to the start-up rather than the deciding factor.

1.20 p.m.

[30] As I said, we started up last May. The £5,000 that we received from the Powys development fund helped us to improve our facilities and to change slightly the amount of capacity that we had to start with, which was very helpful. However, when it comes to controlling the number of businesses, consumers are not daft, particularly when you run a

business such as ours. We are dealing with informed consumers who know what they like and dislike. Consumers will clearly, decisively and quickly decide whether they like your product. It has nothing to do with the quality of the product; it has to do with the perceived quality, namely how it tastes, where they can taste it, how much access they have to it. They will decide very quickly whether the product is viable, and businesses such as ours will survive depending on that. So, with respect, suggesting that there are too many breweries and that there should be criteria that limit the number of breweries is probably some kind of protectionism of an existing business population. Anyone could start a brewery, and, if they make good products that consumers like and can access, that brewery will continue.

[31] Having said that, it is absolutely right that any public funds should be given on the basis of a very strong business plan being in place, of the management of that business having a degree of experience, and of there being a reasonable chance that the business will contribute to the economy in which it operates. There should be some clear rules on that. When we got our grant of £5000, which was the maximum available for business start-ups in Powys at the time, we had a very clear business plan. We worked very closely with the resources that were made available to us, which helped business planning and that kind of thing. Fortunately, between us, we have a great deal of experience in business anyway, so we did not need that, but perhaps many other smaller businesses would benefit more from that.

[32] **Rhodri Glyn Thomas:** I must stop you there, because we have a great deal of work to get through in the committee. I allowed you a certain amount of latitude, because Simon made some points that were directed specifically at you. However, I ask Bernard and Roger to come in to deal specifically with the issue that Mike referred to. What was available for you, and what else was needed that was not available for you?

[33] **Mr Herbert:** When we started, people did not really believe in the viability of what we were doing. So, while there was a lot of verbal support, people just scratched their heads and did not have a clue which department we should go to, and stuff like that. However, our biggest problem was with the planning authority, which would not enter into serious dialogue over what we had planned with regard to agri-tourism on the site. So, we have been reduced to producing the grapes, having the wines made at Three Choirs Vineyard to a very high standard, I have to say, and selling them all over the world.

[34] As for capital investment, we invested about £300,000 of our own funds, and we have not received any help. Having said that, I did not really expect any help at the beginning, because even close friends thought that I was insane at the start. Today, it is a slightly different situation.

[35] **Mr George:** The way that we started was slightly different. Andrew, my nephew, and I always had a passion to produce cider, and it was always about timing, namely what free time we had. So, we started off under our own steam. We did not seek any funding. We started off in 2000 and, by 2004, we discovered that we had a talent for it, and our products had won several awards.

[36] Taking that forward and having to increase production was the point where we started to seek out other help, because we were looking to purchase some new equipment to press the fruit and produce higher volumes. At that point, from memory, we were aware of the Welsh Assembly Government and the agri-food department. The people that we dealt with there were extremely helpful, and to this day, continue to be supportive. We had our first grant in 2006.

[37] **Mr Thompson:** It is also important to say that projects are always assessed on long-term viability, so you only get the money if you reach your targets. From Bill's perspective, the other support has been associated with grants. Going back to the agri-food team, the

support through the Wales food promotion programme in terms of product identification and market access and developing opportunities is probably just as important.

[38] **Rhodri Glyn Thomas:** I suggest that committee members direct supplementary questions at individual witnesses. That will help us to get through the work.

[39] **Michael German:** The point that I would make to Simon is that no-one here has had Welsh Assembly Government start-up money. They have had support for development once the business has been established, but at start-up, although they may have had money from the local authority, they have had nothing from the Assembly Government. Would it not be better if you collaborated, and became a strong Welsh sector, and used that to advance into the marketplace?

[40] **Mr Buckley:** Inevitably, that is the way that the marketplace will go. However, because we are all different, and we all run our businesses in different ways, and are highly competitive, there will never be a common tapestry of Welsh brewers. It will always be a fact of life that we will be competing, and those who compete aggressively, as my company does, will not always want to rub shoulders with companies from a part of the market that we would like to access.

[41] However, that was not the point that you were making. You asked whether the Welsh Assembly Government was supportive of the brewing sector, and the answer is 'yes'. If you want to expand a brewery, that does not cost four pounds and fourpence; you are talking about hundreds of thousands of pounds to produce a medium-sized brewery. That kind of investment in Wales is made in ones and twos, not in fives and tens. The kind of capital investment—and I am not talking about Bill's business—at the smaller end of the brewing sector is £10,000 to £20,000. The next phase for our business is £150,000-worth of investment. Is the Welsh Assembly Government helping us? Yes it is. However, one of the recommendations that this sub-committee may want to consider for the future growth of our industry is a brewing tsar, or someone with some brewing knowledge, or access to that knowledge, to sit in the investment arm of the Welsh Assembly Government. One of the great brewing professors lives in Cardiff.

[42] **Michael German:** The other point that you made at the beginning was about the pub. That is the other element of this: how far is your marketplace determined by the pub? You seem to think that it is totally determined by the pub, and that the decline in pubs is working against your industry. Is that a commonly held view—that the pub drives the market, particularly for cider and beer?

[43] **Mr Thompson:** Others here can speak with more authority than I can, but among the constraints with the pubs are the tied arrangements with the major breweries, which make it difficult to gain access to the market, even where a lot of pubs would like to stock your product. They are constrained against doing so.

[44] **Michael German:** However we have more beer being produced now and fewer pubs. Someone is drinking it, surely.

[45] **Rhodri Glyn Thomas:** Simon, do you want to respond to that?

[46] **Mr Buckley:** The answer to your question on direct access to pubs is that one of the biggest difficulties is that small brewers generally need to ensure that the quality of their product is acceptable to the pub companies. J.D. Wetherspoon is maligned in the press on a regular basis, but it is one of the most supportive businesses for the small brewer in the United Kingdom. It encourages small brewers to supply their beers at a local level, and even a single-unit level. If you pass Wetherspoon's quality test, the opportunities are there, and for

big volumes—and it pays well.

1.30 p.m.

[47] **Nick Bourne:** This question is to everybody really. I appreciate that I might get a very short answer. We are talking about things that affect the industry, and one issue on the horizon, which we do not have the powers for at the moment, is a minimum price for alcohol—something that I am strongly in favour of. It would be useful when the argument comes forward to know what the sector thinks about that. Saying ‘good idea’ or ‘bad idea’ would do.

[48] **Rhodri Glyn Thomas:** Can you deal with it in those terms, giving a ‘yes’ or ‘no’ answer to whether there should be a minimum price for alcohol?

[49] **Nick Bourne:** I realise that the price could be variable, but I am interested in what you think of the concept.

[50] **Mr George:** I am all for it. I agree.

[51] **Mr Herbert:** I agree because with what I would call bad alcohol, such as alcopops, people are unaware how much alcohol they are consuming. Such alcohol needs to be priced accordingly.

[52] **Mr Martin:** I wholeheartedly support minimum pricing.

[53] **Mr Buckley:** I do not.

[54] **Rhodri Glyn Thomas:** I somehow thought you would not.

[55] **Mr Thompson:** I just want to raise something that is related to this, namely the proposals that we keep hearing about to raise tax levels on alcohol and on cider in particular. It is a very complex issue, but we believe that it is a case of using a sledgehammer to crack a nut. The quality end of the market is the part of the market our business occupies. We are not in a high-volume, low-cost market; we are in a small-volume, high-quality market with premium products. If the catch-all proposals are implemented, they will seriously affect the industry. I have a letter here that I am happy to leave with you, which was written recently by—who was it, Bill?

[56] **Mr George:** It was the National Association of Cider Makers.

[57] **Mr Thompson:** It wrote to Bill Wiggin about the issue recently. I am happy to leave the letter with you because it sets out the serious implications of those proposals.

[58] **Rhodri Glyn Thomas:** That would be very useful.

[59] **Joyce Watson:** Good afternoon, gentlemen. I know your industry well as I used to be a licensee; so, I have a little bit of inside knowledge and understanding. My questions are on the industry barriers to development. We have touched briefly on the extent to which regulations are required to remove landlords from the beer ties to enable them to stock beer and cider from small Welsh brewers. I would like your comments on this. I would like to start at the other end of the table, because some of you have already expressed your views quite clearly, and that is your market really.

[60] **Rhodri Glyn Thomas:** We will start with Bill.

[61] **Mr George:** From Gwynt y Ddraig's position, many of the barriers that we face are undoubtedly with the tied houses scenario. If we cannot get our products listed with large pub operators, there is no chance whatsoever of our products being listed in the individual pubs. That narrows our market significantly, and it undoubtedly restricts our products going forward and being available to those who prefer to drink them.

[62] **Rhodri Glyn Thomas:** Bernard, you are targeting a specific market, so I presume that it does not affect you in the same way.

[63] **Mr Herbert:** It does not affect us, no.

[64] **Rhodri Glyn Thomas:** Does the same apply to you, John? You are aiming for a specific market are you not?

[65] **Mr Martin:** No, the pub tie affects us greatly. When we started the business, we had a business plan and a market in mind, and we had access to various routes to market. We found this to be more of a problem in rural pubs. The tie on a rural pub restricts its commercial trade. Although it would be reasonable to assume that someone who owns a pub can promote their own products and their own business through the pub, the pub provides a much broader service than an outlet for some drinks. It is a social environment. In our village, there is one pub. There are about 600 people in its catchment area, and the pub is much more of a community resource than a place to go to buy the owner's products. So, we cannot dismiss the fact that, in a rural environment, the pub owner has a monopoly—an absolute monopoly. It is not like a town centre pub. Our local town, Newtown, has a population of 10,800 people. There are many pubs there, and it does not matter that there are lots of pub companies and big brewery-owned pubs because there is choice; out of the 20 or so pubs, there are two or three that I like to go to to meet friends, to have something to eat, to watch the rugby, and so on. You have that choice. In the local pub in our village we do not have that choice and the villagers are asking 'Why is our local brewery's beer not available to us in our local pub?'. We need to look at the monopolistic position that pub owners have in rural environments. It is not as simple as saying that there is a business situation, because they are not providing purely a commercial proposition; they are providing a community proposition. It is important that communities maintain the pubs, post offices and all sorts of other things.

[66] **Joyce Watson:** Let us move on to the viability and business opportunities that tied pubs give to individuals.

[67] **Mr Buckley:** The tenanted pub model in its classic and traditional form is the greatest opportunity for people to join the licence trade. The model has gone wrong where national pub companies, instead of giving on certain areas, are taking on all three channels of rent, repairs and wholesale margin. However, there is no doubt that companies such as Enterprise Inns, Punch Taverns and others are looking for partners to work with. For example, where they have had difficulties with rural pubs, they are now talking to companies like mine and asking 'Why can we not do a simple property deal, where you pay an amount of rent and then you trade it as your unit?'. It has worked in Somerset, Wiltshire and Oxfordshire, for example, where there are small brewers. There is an opportunity every day, but you have to be innovative. You have to go and see them, and take the argument to them to adopt that attitude. Stopping us trading in their pubs is not right; it is wrong. The moment that we do away with the tenanted pub model throughout the United Kingdom, we will get rid of an important part of our pub heritage.

[68] **Joyce Watson:** I was going to ask Penarth Vineyard if the Welsh wine industry was inhibited to the same extent, but since I know that that is not the market you are looking for, I do not know whether you have any comments to make. If you do not, I will move on to the next question.

[69] **Mr Herbert:** Our market means that we are looking worldwide at the upper end of the market, where perhaps our wines would be perceived as special occasion wines rather than a wine for every evening.

[70] **Joyce Watson:** Okay. Moving on, to what extent do you think that the beer, wine and cider industries in Wales are restricted by a lack of relevant infrastructure, such as cask-hire businesses, bottling plants and Welsh wineries? I will start with Gwynt y Ddraig.

[71] **Mr George:** We find it quite difficult to bottle our product. One of the main issues seems to be that many breweries have bottling facilities, but the wild yeast in the cider contaminates the beer. That is what I am told. That limits where we can send our product for bottling. We send it some miles. Currently we are sending it to Gloucestershire but we have a plan, which we are trying to action, whereby, by 2011, we will be bottling ourselves. That will be the final step for us to have total control of our product. That is what we need. We nurture it from the orchard to the point where it goes to be bottled; that final step is so important to us so that we have total control. To answer your question, we find that area slightly difficult.

[72] **Mr Thompson:** It is also expensive.

[73] **Rhodri Glyn Thomas:** Does anyone else want to comment?

1.40 p.m.

[74] **Mr Buckley:** There are serious problems with bottling commercially. One of the big problems is glass. You have to buy it in trunk loads, which contain between £15,000 and £30,000 worth of glass. However, one thing that I have been looking at for some time is a bottling facility that would be a contract bottler, which would be able to offer all of the things that need to be provided to the brewing industry, for example, quality control and reports on how good the beers are, and give them the finished product in a high-quality finish. Most of the bottlers in Wales cannot finish to a high standard because, surprisingly, to put three labels on a bottle is very difficult. The kit to do that costs around £70,000 to £80,000. However, there are a great deal of bottled beers out there; many people bottle on very good machines and make nice beers with it. So, is there a demand for it? Yes. Is there potential for it? Possibly. However, would the brewers support it? That is questionable.

[75] **Rhodri Glyn Thomas:** We need to move on, so we will now turn to regulatory barriers. Jeff Cuthbert has questions on those.

[76] **Jeff Cuthbert:** I am familiar with the industry; I have consumed most of your products over a number of years and Roger's and Bill's in particular at our last meeting, when we realised pretty quickly how strong they were.

[77] I will ask my questions together to save some time. On planning, a number of contributors have referred to difficulties with the planning system. Obviously, we need a planning system, but do you feel that the planning system imposes unreasonable restrictions on your businesses? That is the first question to all of you.

[78] My next question is on the impact of the duty structure on your industries. It is beyond us, but it is important for us to know your views on the duty arrangements. Do they have a negative impact or not? So, those are the two questions. I do not mind who answers first; you could even start in the middle.

[79] **Rhodri Glyn Thomas:** Bernard, do you want to start?

[80] **Mr Herbert:** I have two points to make. First, planning is a real nightmare for vineyards. I have conversations with vineyards from Anglesey down to Monmouthshire. They ask for my advice and I say that every local authority seems to operate under a different set of rules—even to get local authorities to recognise existing case law from the House of Lords seems to be impossible. So, planning is a big issue. For example, even getting a simple thing such as a sign seems to be very difficult.

[81] Duty, for a small vineyard, is a burden. If there were less of a duty impact when businesses started, for example, on fewer than 10,000 bottles or something, that would have a huge impact. From the Government's point of view, when that business gets to a medium size, it will make a lot more money than if it just takes all of that money out of the business at the beginning, which would slow down its development. Therefore, duty needs to be looked at long term if we are to have a proper Welsh wine industry.

[82] **Rhodri Glyn Thomas:** Simon, I know that you have strong views on planning, but could you be as concise as possible?

[83] **Mr Buckley:** On this occasion, I will be. There is no lord and master for planners to answer to. So, you can have interpretation in Carmarthenshire in one gear, Gwynedd in another and Powys in another. The reality of planning is that you cannot ever challenge planners. When technical advice note 15 came in, the Environment Agency had a guideline that had not been tested in law. When it was tested in law, it put its hands up and said, 'No, that is our rule book'. So, planning is an issue.

[84] On duty, the small brewers are lucky and we must never lose sight of the fact that most of us today would not be here but for what the Labour Party introduced, namely progressive beer duty. That has given everyone the opportunity to compete in the bigger field. Duty will continue to be an issue. We must ensure that future Governments are lobbied by the Welsh Assembly Government to ensure that we do not lose progressive beer duty, because if we lost it none of us would be able to compete in the marketplace.

[85] **Mr Martin:** I support Simon in that. Progressive beer duty is what makes people such as us possible in the marketplace. Having worked for many years in diversified technology companies on an international basis, I know that it is the young, small market entrants that drive innovation and progression in an industry, and we need to encourage that. I think that progressive beer duty has done that, and the allowances are generous. We should be focusing, as Simon says, on maintaining that environment for us, rather than on trying to chip away at that and the Government getting more and more.

[86] Having said that, I do like small breweries—tiny one-barrel plants, brewpubs and that kind of thing—and a suggestion to be considered might be a small allowance that would be more attractive, just as you get in cider production, so that a brewpub could produce four to eight casks a week for sale in the pub, say, without attracting duty. That would be encouraging. It would encourage diversification in the pub network and in the beer industry in general, and that would be a good thing. It is not a driver of the industry, however. Certainly, progressive beer duty has been beneficial.

[87] On planning, we do not have a great deal of experience of that, to be honest. The only comment that I would make about planning is that there seems to be a disjointed view, certainly within our local authority, in that different departments have a different say and a different degree of influence over different processes. I will give you an example. We have a manufacturing classification on our brewery, which is quite normal, as every brewery has that. There was a lack of experience, as there were no other breweries in the area, in terms of knowing whether that classification was appropriate, but when we got an off-sales licence for

the premises to sell beer directly—we are only selling what we produce and so on—there was a difference between the departments involved and an issue with the level of integration between them. There does not seem to be a coherent view taken by planning, licensing and other various different aspects.

[88] **Mr George:** We take the issue of duty seriously. Simply by their method of production, our ciders are naturally high in alcohol because of the natural sugars in the juice that we use. Our products are aimed at the more mature, real cider drinker. There is an idea that cider is a cheap drink that is aimed at the young and vulnerable, and there are products that lend themselves to that description, but we are at the premium, high end of the market. We have read in the press that there is a possibility that the duty banding and structure will be changed to attack, shall we say, the stronger ciders, and that is, basically, the market that we are in and the quality end. We are aiming our products at real cider drinkers, connoisseur cider drinkers even. So, that is a very serious issue for us, simply because we are a cottage industry, and purely because of the method by which our cider is produced.

[89] On the planning side, I feel that a slightly softer approach by the local authorities would help, particularly with regard to what we are trying to produce on the farm. We had one instance recently in which our planning application for a farm shop was turned down, and most of the objections to that application were on the grounds of access. I just felt that, with a little more discussion on site, we could have overcome those problems. It was just about reaching the people to be able to do that.

[90] **Mr Thompson:** I think that Simon's point was well made; there is a lack of consistency, and that view came out in Jeff's cross-party group a few weeks ago. Each authority seems to operate almost in isolation from the others. That is a general pattern that is emerging throughout the various discussions that we have had on that issue.

[91] **Rhodri Glyn Thomas:** We need to move on to the promotion of the products. I will bring Brynle in with the initial question, although I know that Nick has certain questions to ask about this as well.

[92] **Brynle Williams:** Good afternoon, gentlemen. Do you believe that your industries here in Wales require specific promotion, or do you think that they could be promoted alongside Welsh food and produce under the banner of, for example, the True Taste campaign?

1.50 p.m.

[93] **Rhodri Glyn Thomas:** We will start with John on this.

[94] **Mr Martin:** There is a need to have a consolidated view of what a quality product is. You do not want to have 'a best of Welsh' portfolio with products that you would not really want to pin the flag to, as it were. Quality is a difficult thing to perceive, because quality processes that deliver biologically sound products do not necessarily make them taste nice. It is a difficult process, and there is an element of perception involved. It is a difficult thing to do. However, there should be a way of attaining a quality mark that is promoted on a national basis that would give companies, particularly ones such as ours, a degree of credence that we would not otherwise get, because our brand is not a national brand. A beer of our size of output is very much a local product, but getting that on the national platform is extremely exciting. It is important to be part of a consolidated view with other products.

[95] However, we must not lose sight of the fact that, while it is important for the local economy, and the rural economy in particular, to ensure that some of your produce is moving out of your local environment, so that you are selling it and bringing money into the area, you still have a core, local consumer base that you need to access. So, there is a need to promote a

quality mark that is predominantly national—that is, Welsh—that we can export and so that we can piggyback on some of the marketing that goes with that. For instance, there was the television advertisement that said, ‘I didn’t know that wine was grown in Wales’, but there was no mention of beer—it would be nice to get that. The Waen Brewery recently had a short-term demand on Saturday to ship bottled beer down to the House of Commons so that it could be drunk at the St David’s Day lunch on Monday, and we were proud and pleased to do that. So there is definitely a need for that, but we must not lose sight of the local marketplace. While we are talking about access to the market, regarding the large, national supermarket chains that are based outside of the area in London, and in Welwyn Garden City, in the case of Tesco, we should encourage access to local products that would not normally fit the commercial bounds of the large businesses that dominate our rural societies.

[96] **Rhodri Glyn Thomas:** Bernard, given that you have a strong brand, would this be useful to you in terms of promotion?

[97] **Mr Herbert:** Yes, very much so. It has helped a lot, in ways that are perhaps not obvious; it has helped to make people aware of Welsh vineyards. We have had visitors from all over the world. It is amazing. We have had Germans, Americans and people from everywhere who wanted to come to the vineyard to see that it really did exist and to try the wine. There is even greater potential, as the message is spread with regard to vineyards in Wales, because it links in well with tourism and food. Having the whole thing, rather than just one, individual sector, has an accelerator effect.

[98] **Mr George:** As far as Gwynt y Ddraig is concerned, we believe that the work undertaken by the Assembly Government to promote the sector via the True Taste campaign is generally good. Through it, we have a presence in the higher profile shows throughout Wales, such as the Royal Welsh Show and the Cardiff International Food and Drink Festival, where there always seems to be a lot of promotional activity. I must also mention that International Business Wales, with which we have worked closely, has helped us enormously in promoting our products abroad.

[99] **Mr Thompson:** Having a quality mark is something that I think that we all agree on. We also promote our product outside of Wales and we are already try to brand it as Welsh but some kind of quality mark across the board would be helpful to everyone in the business.

[100] **Rhodri Glyn Thomas:** Simon, you raised that issue earlier. Are you happy just to be consensual?

[101] **Mr Buckley:** I am consensual, but I would like to give you, as a model to consider, the example of the German brewing industry where, even at the smallest level, brewers, if they want to brew a certain style of beer, must fit the rules. That is what we need across Wales. We could steal a march on the rest of the UK by encouraging it to become an early, easily-recognised mark, something truly unique and different. To laud the True Taste campaign, it is a phenomenally good thing for Wales and for Welsh brand owners. Anything that we look to do in the future with regard to promoting the drinks sector in particular should tag on to True Taste. At next year’s True Taste Awards, perhaps there should be more categories for drinks, with a wider drinks selection, rather than just the one category.

[102] **Rhodri Glyn Thomas:** Nick, I know that you have a number of questions, but can you direct them to individual witnesses? We do not have the time to have five answers to each question.

[103] **Nick Bourne:** I will certainly try. I am interested in the quality mark idea. It is a fantastic idea. We would perhaps need some costings on that. We already have the prizes, which Bill’s cider has won. Perhaps that could somehow be a quality mark from the industry,

but that is a random thought. I will direct my question at Bill, although it could be directed to anyone here. It is about trying to get more for less, which is what the name of the game is at the moment for any political party or political institution. We want to promote Welsh produce—wines, ciders, beers and spirits—in Welsh outlets. Is there any merit in seeing how we can ensure that Welsh pubs, restaurants and hotels are focusing on those things that are truly local? There would not necessarily be a cost to that if it was properly organised. It is about them using Radnorshire lamb, Pembrokeshire potatoes, Bill's cider and so on. Do you speak to the industry about doing that, because it is a marketing tool and perhaps something that we should encourage? As I go around pubs—I am visiting the Raven Inn tomorrow, which is a community-run pub in north Wales—I will be mentioning this to them, but is there some way that the industry can give a thrust to that?

[104] **Mr George:** Yes, I think that there is. We are slightly different from the brewers in that we are unique in producing cider in Wales, so we seem to have more open doors to work with others along these lines to promote each other's products, produce and so on. We work closely with microbreweries, and there is this sort of collective effort to promote one another's products and their Welshness, the fact that they are regional and that ingredients are sourced locally. I do not know whether that answers your question.

[105] **Nick Bourne:** Yes, it does.

[106] **Rhodri Glyn Thomas:** I know, Simon, that you have strong views on the traditional Welsh pub and the need for it. Does that link into what Nick was suggesting?

[107] **Mr Buckley:** We are all conscious of two things today. We want Welsh, local produce and to support local producers as much as we can. However, there is also the quid pro quo. We have had rabid food inflation, particularly in red meat prices, in the industry over the last 18 months, which has seen margins in pubs being squeezed. As a result of that, all sorts of cuts of meat that were on menus 18 months to two years ago are now gone. There is not a pub in my part of Wales in which you will see a fillet steak on the menu; it is simply unaffordable. So, what you say, Nick is right; we all want to support our local pub. There are opportunities for a local pub to deal with a local farmer if the pub has the means of dealing with the product when it appears on its kitchen table. However, realistically, those opportunities will evolve, and will not happen straight away.

2.00 p.m.

[108] **Mr Martin:** We should not focus too much on the traditional element. The fact is that the produce is Welsh and it is in the community and is part of a process. We cannot focus too much on the fact that it is a traditional environment, as the pub has to evolve with the rest of society. Society has evolved immensely and unrecognisably over 20 years, and the pub has to accommodate that. You cannot get a fillet steak, because of the prices and so on, but modern tastes suggest that a pig's trotter might be fine. It is down to the commercial business to run the pub in a way that accommodates the social and economic trends. In respect of the promotion element, and the role of the pub, we need to ensure that we encourage the use of the pub as a social resource, rather than just as somewhere you go to have a pint and a pie.

[109] **Rhodri Glyn Thomas:** Jeff has the last comment. You will have to direct it at one witness.

[110] **Jeff Cuthbert:** This might be something that you would want to respond to in writing, if you can, rather than trying to deal with it now. The other side of this is career development. In terms of its contribution to the economy, careers in the industry are important. As far as I am aware, you have not dealt with that in this meeting, although I do not know whether you have dealt with it previously. That is information that the committee might want, and perhaps

it is best for it to be submitted in writing.

[111] **Rhodri Glyn Thomas:** I take that on board. If the witnesses have views on that, we would welcome a note on it. I know that we have covered a lot of ground in this hour, but if anything else has arisen out of this discussion that you would like to comment on further, please feel free to send through a note to the secretariat. Thank you for contributing to this discussion; a number of interesting and important points have arisen.

2.02 p.m.

**Cynnig Trefniadol
Procedural Motion**

[112] **Rhodri Glyn Thomas:** 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).

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

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 2.02 p.m.
The public part of the meeting ended at 2.02 p.m.*