



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

**Y Pwyllgor Menter a Busnes**  
**The Enterprise and Business Committee**

**Dydd Iau, 17 Hydref 2013**  
**Thursday, 17 October 2013**

**Cynnwys**  
**Contents**

Cyflwyniadau, Ymddiheuriadau a Dirprwyon  
Introductions, Apologies and Substitutions

Ymchwiliad i Ddyfodol Masnachfaint Rheilffordd Cymru a'r Gororau (Sesiwn Dystiolaeth)  
Inquiry into the Future of the Wales and Borders Rail Franchise (Evidence Session)

Craffu ar Gyllideb Ddrafft Llywodraeth Cymru ar gyfer 2014-15: yr Economi, Gwyddoniaeth  
a Thrafnidiaeth  
Scrutiny of the Welsh Government's Draft Budget 2014-15: Economy, Transport and Science

Papurau i'w Nodi  
Papers to Note

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, a transcription of the simultaneous interpretation is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mick Antoniw

Llafur  
Labour

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Joyce Watson	Llafur Labour

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

Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (Minister for Economy, Science and Transport)
Rob Hunter	Cyfarwyddwr, Cyllid a Pherfformiad, yr Economi, Gwyddoniaeth a Thrafnidiaeth, Llywodraeth Cymru Director, Finance and Performance, Economy, Science and Transport, Welsh Government
Tim James	Pennaeth Strategaeth a Chynllunio Cymru, Network Rail Head of Strategy and Planning Wales, Network Rail
Mark Langman	Cyfarwyddwr Rhanbarthol Llwybrau Cymru, Network Rail Wales Route Regional Director, Network Rail
James Price	Cyfarwyddwr Cyffredinol, Adran yr Economi, Gwyddoniaeth a Thrafnidiaeth, Cyfarwyddwr Cyffredinol, Adran yr Economi, Gwyddoniaeth a Thrafnidiaeth, Llywodraeth Cymru Director General, Department for Economy, Science and Transport, Welsh Government

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

Mike Lewis	Dirprwy Glerc Deputy Clerk
Olga Lewis	Clerc Clerk
Andrew Minnis	Y Gwasanaeth Ymchwil The Research Service
Ben Stokes	Y Gwasanaeth Ymchwil The Research Service

*Dechreuodd y cyfarfod am 09:40.*  
*The meeting began at 09:40.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon**  
**Introductions, Apologies and Substitutions**

[1] **Nick Ramsay:** I welcome Members, witnesses and members of the public to this morning's meeting of the Enterprise and Business Committee. The meeting is bilingual.

Headphones can be used for simultaneous translation from Welsh to English on channel 1 on the headsets, or for amplification on channel 0. The meeting is being broadcast and a transcript of the proceedings will be published. Would Members please turn off their mobile phones? The microphones will operate automatically. In the event of a fire alarm, please follow the ushers. We have three apologies for absence this morning, from David Rees, Rhun ap Iorwerth and Julie James. There are no substitutions.

**Ymchwiliad i Ddyfodol Masnachfrait Rheilffordd Cymru a'r Gororau (Sesiwn Dystiolaeth)**  
**Inquiry into the Future of the Wales and Borders Rail Franchise (Evidence Session)**

[2] **Nick Ramsay:** The second item on this morning's agenda is our continuing inquiry into the future of the Wales and borders rail franchise. The committee is continuing this very important and interesting inquiry. I welcome our witnesses and thank them for coming in to help us out with the inquiry. The committee is very grateful to you for being here today. Would you like to give your name, position and organisation for the Record of Proceedings?

[3] **Mr Langman:** Good morning. I am Mark Langman, the route managing director for Network Rail in Wales.

[4] **Mr James:** Bore da. My name is Tim James. I am head of strategy and planning for Network Rail in Wales.

[5] **Nick Ramsay:** Great. Thank you for being with us. We have a large number of questions for you, so I propose that we go straight into those. The first question is from Byron Davies.

[6] **Byron Davies:** Good morning, gentlemen. Perhaps you could just start by giving us a picture of the role that Network Rail actually plays in this franchise.

[7] **Mr Langman:** We will do. Network Rail in general, as you are all aware, I am sure, operates, maintains and renews the rail network in Great Britain. We have an organisation structure that was created for Wales in 2011, which was a devolved structure; so, I am the route managing director based here in Cardiff. It is a really strong organisation that is close to the people of Wales, to our customers and to our stakeholders in terms of what the needs and priorities are for the users of the railway. We are responsible for the day-to-day operation and maintenance, and the renewals, as well as delivering enhancements that can be funded either through HLOS, the high-level output statement, which is funded by the UK Government, or through discretionary funding for enhancements from the Welsh Government.

[8] In terms of the franchise, we obviously operate with all of the franchises in Wales. The closest relationship that we have is with Arriva Trains Wales, as the primary operator in Wales. We have a really good, strong relationship with it in terms of how we operate on a day-to-day basis.

[9] **Byron Davies:** What would your input be to Arriva Trains Wales?

[10] **Mr Langman:** Our input in terms of day-to-day operation is a regular interface. I meet regularly with Ian Bullock, the Arriva Trains Wales managing director. We have a good, strong relationship. We discuss operational issues, how we can improve the network, how we improve performance, and how we deliver renewals and enhancements, trying to avoid any effect on the day-to-day operational railway.

[11] **Byron Davies:** When you came here in January, I think, you said that you wanted to be very heavily involved with it, so my notes tell me. Are you?

[12] **Mr Langman:** Absolutely. The closeness of our organisation with the Arriva Trains Wales organisation is absolutely vital to the delivery of the railway on a day-to-day basis. If we do not have that close working relationship, we will struggle to deliver a very good railway. Actually, we are delivering an excellent railway in Wales. We have one of the better levels of punctuality for the railway in Wales, currently operating at 94% on its moving annual average. I think that that is borne out through the work that we have done through the devolved Wales route and the relationship that we have with Arriva Trains Wales.

[13] **Byron Davies:** In terms of the franchise, who is Network Rail talking to altogether?

[14] **Mr James:** In terms of the next franchise, I think that our role will be to inform the Government, which lets the franchise, on the specification because, clearly, we will want the franchise to work from day one. So, we will inform on timetable capacity, planning and so forth. We will also work with shortlisted bidders to refine their proposals. Within our evidence, Byron, we mentioned alliancing, which we think is a good opportunity for Network Rail and operators to get closer together within a framework in order to deliver better value. For us, our purpose is to deliver value for customers and taxpayers, and we see that as one way of doing so.

[15] **Byron Davies:** What about the Welsh Government? Are you talking to it?

[16] **Mr James:** At this stage, our focus is on the current franchise. We have had no detailed discussions whatsoever around the shape of the next franchise, but we have started a conversation about it, looking at learning the lessons from alliancing elsewhere.

09:45

[17] **Mick Antoniw:** Your role in whatever happens and how the future franchise is considered is absolutely crucial, because that franchise is about not only the model, the governance and the finance, but the future development plan and the role of rail in the future. Are you surprised that you have not been engaged or brought into more detailed discussions so far?

[18] **Mr James:** I think that it is probably too early at this stage. As we understand it, the Government is still thinking through the specification of the next franchise. Typically, we would get involved two to three years out, within traditional timelines. So, we feel relatively comfortable at the moment, in terms of Wales.

[19] **Mick Antoniw:** However, you have reached the stage now where you would expect that degree of consultation to start moving up, about this time now.

[20] **Mr James:** That is correct and, as we have mentioned, we have started a conversation about what alliancing could do, and we explained to the Government how we can learn the lessons from benefits elsewhere.

[21] **Mick Antoniw:** So, you must have done quite an amount of preparatory work, because the models are pretty much falling into place. It is quite clear what the areas you will need to advise and be consulted on. So, is it the case that you have done quite a high degree of preparatory work so that as soon as a consultation process starts, you are there with your analysis, considered options, opportunities, challenges and so on?

[22] **Mr James:** The long-term planning process is important for the railway in Wales and

across borders. We have provided some evidence in our written submission, but, effectively, we look at the long-term capability of the network and we look at where there are gaps between current supply and future demand. That piece of work will take place between now and summer 2015. That will give us a demand profile for the railway in Wales until 2034, and that will help the Government and funders to shape the next franchise, because, of course, you want to get it right, and this will point to where there will be growth and where there will be stagnation in the markets. That will help the Government to specify which trains should run, how long it should be and at what frequency. So, that piece of work has started.

[23] **Mick Antoniw:** Yes and, presumably, it is at quite an advanced level because of the immediate need to deal with the electrification implications.

[24] **Mr Langman:** To build on what Tim has said, obviously, there is a period between now and when the franchise starts that we need to consider. We operate and we are funded in five-year cycles called 'control periods'. The next control period runs from 2014 to 2019. We are just about to receive the final determination from the Office of Rail Regulation about the settlement and how much money we will have to operate and maintain and renew the network over that five-year period. We know already what the outputs are until 2019. Electrification is one of them, as you have rightly said. So, that was very detailed and advanced, and we know exactly what we are delivering over those five-year periods. We are just starting with the long-term planning process to look at what the output and the requirements would be to deliver what we need for control period 6. So, it very much informs control period 6 from 2019 to 2024 and beyond.

[25] **Byron Davies:** On the consultation, picking up on what Mick Antoniw has said, you said that it is too early to be in discussions, but we heard last week, for example, from Porterbrook and Angel Trains that the Government really needs to get its act together and tell us, given electrification, what it is looking at. Do you not fall into that category? Do you not think that you should be looking at what is needed by the Government?

[26] **Mr James:** In terms of the planning process, we have 10 route studies across Great Britain taking place between now and 2016. We have made sure that the Welsh route study is one of the first two across Great Britain being done so that, by 2015, we will have the evidence to inform the Government properly about where we think growth will occur and how we meet that in terms of supplying capacity and capability. So, we are preparing for that now.

[27] **Byron Davies:** I cannot quite get my head around the consultation with the Government; I would have thought that there would have been quite close co-operation between you at this stage.

[28] **Mr Langman:** If you separate from the franchise change and negotiations around the franchise in the future, rolling stock for electrification is obviously a matter on which the franchisee primarily deals with the Department for Transport. However, we input into that through the technical specification and advice around what aspects of that particular rolling stock will bring the biggest benefits in terms of ongoing maintenance and the least effect on infrastructure, which therefore reduces our maintenance costs. That is information that we have already supplied. So, those discussions are going on in relation to the electrification and the rolling stock that will be required.

[29] **Eluned Parrott:** I would like to go back to the long-term planning process, which, I take it, looks beyond the next two control periods to the control periods that come, say, the next four after that. It says in your paper that you are expecting to have input from the Welsh Government regional transport consortia and train operators into that process. Who, among those groups, have you received information from or discussed the LTPP with at this point?

[30] **Mr James:** We have just started the process, in autumn this year. Effectively, there are a number of groups involving industry, funders and stakeholders. The first group happened earlier this week, which was the industry high-level group. We have sessions booked with stakeholders, and a plan that we have shared with them, which takes us all the way through to 2015. So, that is happening, Eluned, over the next 18 months, really.

[31] **Eluned Parrott:** Okay. Looking through what you say in your paper that the process consists of, you talk about market studies, cross-boundary analysis, route studies and things along those lines. When I think of looking at the market, I think about looking at the people in the market. If you are doing market research, it is usually about asking the customers what they think. To what extent are you engaging with passengers?

[32] **Mr James:** In terms of the process within the Welsh route study, we will engage with Passenger Focus, which is the representative group, and it is represented both locally within the work that we will do, and nationally, for Great Britain, in terms of the outputs. As you say, it is about looking at the market—where we think the market is going across Great Britain—and at a route level in the Welsh route study, almost putting the magnifying glass to this market study and interpreting what will happen in Wales and the Welsh context. Finally, because over a third of passengers who use the railways in Wales travel across boundaries into England and so forth, we will be doing some cross-boundary analysis, because it is important that nothing falls between the gaps, and that is what we are very keen to do.

[33] **Eluned Parrott:** Clearly, engaging with Passenger Focus is not necessarily the same as having some kind of structured programme of engagement with rail users, because Passenger Focus has its own mechanisms and you are then engaging with people via a third party, rather than directly. Have you planned for opportunities for the public to engage with this kind of process and to talk to you about what they believe might be important in the future?

[34] **Mr James:** Our process really is to engage with train operators, which, of course, understand their customers and will articulate their needs, and also with Passenger Focus, which, of course, has the role of representing rail and bus users across GB.

[35] **Eluned Parrott:** To what extent are you attempting to bring in the voice of people who are not currently rail users but, in control periods up to 10 years hence, might well be rail users? Are there any attempts to talk to people in communities who are not currently served by rail but could potentially be?

[36] **Mr James:** All of our documents and findings go out to consultation. We have just consulted the market studies, so, effectively, they are out there for people to inform and shape. In terms of whether we are going to individual groups, Eluned, to consult on the long-term planning process, the answer to that currently is 'no', but we are talking to train companies that represent customers, and to Government consortia and passenger groups.

[37] **Mr Langman:** To build on that, the things that we look at in the market studies include such things as local council local development plans, the enterprise zones and where we know that there will be future growth and where that growth will come from, what the likely travel patterns of those people who will be living or working in those places will be and where they will travel to and from. That helps to inform the market studies as well, not only in the short term but well into the future, up to 30 years hence.

[38] **Eluned Parrott:** Have you conducted a study of this kind before, and have you changed the process by which you do it?

[39] **Mr James:** Yes, the process has changed this time around—it used to be called a ‘route utilisation study’. We changed the process, effectively in order to adapt to the changing shape of the economy and to demand patterns. We have seen remarkable growth in Wales and across the border, and we are now using the latest economic forecasting techniques to capture what is a really important view of where capacity and demand will be over the next 30 years, and we are using Government-approved appraisal techniques for that.

[40] **Eluned Parrott:** Clearly, in the past, we did not anticipate growth in rail passenger numbers and the modelling was not robust enough; it was not adequate. Clearly, we did not anticipate the opportunity for new communities to be brought into contact with rail services. Do you think that the process that you have set up, given that you have said that you are not talking to communities that could potentially be reached by rail, means that you are doing enough to anticipate those kinds of things this time around?

[41] **Mr Langman:** Just to build on the answer that I have given already, while we are not talking directly to individual communities or individual members of the public, we are looking at future plans for local authorities, the Welsh Government and others around where future development may be—that may be new towns or the expansion of current towns that are not served by rail—and taking that into account. So, I do think that the planning process that we have through the LTPP is a much more robust method of looking at predicted growth into the future, taking those things into account.

[42] **Eluned Parrott:** Finally from me, when you look at the way in which the LTPP will feed into the franchise discussions, how do you think the Welsh Government should balance things like passenger demand for additional routes and infrastructure services with the outputs that you are expecting from the LTPP?

[43] **Mr James:** Effectively, the LTPP will provide solutions, which will become choices for funders. That will give the Government and funders the ability to choose those that are affordable, offer value for money and deliver policy objectives. Until we have gone through the process, Eluned, it is difficult to give some specifics around that. Effectively, however, it gives solutions to how we meet the growing demand for rail over the next 30 years.

[44] **Eluned Parrott:** Okay. Thank you.

[45] **Nick Ramsay:** Thanks, Eluned. Keith Davies is next.

[46] **Keith Davies:** Bore da. Rwy'n mynd i holi yn Gymraeg. Rydych wedi bod yn sôn am y cynlluniau hirdymor, ond ym mis Gorffennaf, rwy'n credu, gwnaethoch gyhoeddi strategaeth defnyddio llwybrau, ac mae'r cwestiwn sydd gennyf yn ymwneud â phartneriaethau rheilffordd cymunedol. Os ydych yn gweithio gyda hwy, a ydynt yn cynnig cyfle i gynyddu gwerth am arian i reilffordd Cymru?

**Keith Davies:** Good morning. I am going to ask my questions in Welsh. You have mentioned long-term plans, but in July, I believe, you published the route utilisation strategy, and the question that I have is in relation to community rail partnerships. If you are working with them, do they offer an opportunity to increase value for money for Welsh rail?

[47] **Nick Ramsay:** Who wants that? Mark?

[48] **Mr Langman:** Yes, certainly. We have lots of discussions with the community rail partnerships in Wales. There are five of them that we deal with: the Heart of Wales line forum, the Cambrian, the Chester to Shrewsbury, the Conwy valley, and the borderlands, which is Wrexham to Bidston. We have good relationships with those groups and we work hard with them to try to identify opportunities where they can help us and help the franchisee

to deliver better services for passengers—that might be as simple as making a station look more attractive to potential passengers in the future, to increase the likelihood of more tourism. So, we do work hard with them.

[49] In terms of the future and how they can be involved in those franchises and the delivery of services, there are no plans at the moment. I know that they are very keen to be involved, and I am keen to hear what ideas they have. We will help them by providing information about infrastructure, and I am sure that the train operator will be more than happy to provide them with information about how train services are operated and how they are crewed and supplied with rolling stock, et cetera.

[50] **Keith Davies:** A ydych chi'n credu, yn y dyfodol, y bydd cyfle iddynt reoli'r seilwaith rheilffyrdd yng Nghymru? **Keith Davies:** Do believe that, in the future, there will be an opportunity for them to manage rail infrastructure in Wales?

10:00

[51] **Mr Langman:** There are not any plans or opportunities at the moment, but we have talked about—and this is in the paperwork that we supplied to you previously—the potential benefit that might come from a concession. A concession would be that Network Rail gives a lease in the long term to an operator or another company that is set up to run that. That could be one of the forums. Effectively, while Network Rail would retain the network planning capability and National Rail would still operate and provide timetable planning services, it would be a concession on the infrastructure, and potentially the train operations, for that group to operate. However, obviously, when that comes, it also means that you have the risks that go with that, which are the infrastructure and the failure of the infrastructure, and the renewal and the upgrade that would be required. So, while that is an option, there is nothing developed at the moment for that to happen anywhere in the country at the present time.

[52] **Nick Ramsay:** It was remiss of me not to thank you for your written evidence at the start of the meeting. Thank you for that. The next question is from Alun Ffred Jones.

[53] **Alun Ffred Jones:** Byddaf yn gofyn fy nghwestiynau yn Gymraeg hefyd. Hoffwn fynd yn ôl at rywbeth a ddywedoch chi yn gynharach. Cynghreirio yw fy maes i, ond hoffwn fynd yn ôl at rywbeth a ddywedoch chi am gynllunio i'r dyfodol. Mae'r Llywodraeth wedi mabwysiadu strategaeth i ddatblygu dinas-ranbarthau yng Nghymru o gwmpas y de-ddwyrain a'r de-orllewin. A ydych chi wedi cynnal trafodaethau â'r Llywodraeth ynglŷn â hyn, gan y byddai hynny'n sicr o ddylanwadu ar ddatblygiad a thwf economaidd a datblygiad tai? **Alun Ffred Jones:** I will ask my questions in Welsh, too. I would like to go back to something you said earlier. Alliancing is my area, but I would like to go back to something that you said about planning for the future. The Government has adopted a strategy to develop city regions in Wales around the south-east and south-west. Have you conducted talks with the Government about this, as that surely would influence the development and growth of the economy and housing development?

[54] **Mr Langman:** We have been involved in the work that is going on around the metro, which is being developed by a chap called Mark Barry, whom I am sure you are familiar with. We have had an input to that and it is something that will be submitted to the Government. Once again, it is another choice for funders—the funder being the Welsh Government in this case—in terms of what enhancements might take place on the network.

[55] **Keith Davies:** Yn y gorllewin, mae syniad sy'n debyg i'r metro—er nad yw mor gymhleth â'r metro—o gael rhyw fath o tram **Keith Davies:** In the west, there is an idea that is similar to the metro—although it is perhaps not as complex as the metro—about



*line* yn dechrau yn Abertawe a mynd lawr i Bontarddulais, yna lan i ddyffryn Aman ac i lawr cwm Tawe. A oes gennych unrhyw wybodaeth am hwnnw? A ydych wedi cael unrhyw drafodaethau gyda nhw?

having some sort of tram line that starts in Swansea and goes down to Pontardulais, then up the Amman valley and down the Swansea valley. Do you have any information on that? Have you had any discussions with them?

[56] **Mr James:** Ydym, rydym yn ymwybodol o'r cynllun. Credaf eu bod yn ei alw'n *9 Lines*. Rydym am edrych ar hynny drwy'r LTPP, sef y proses datblygu tymor hir, a gofyn i Gonsortiw m Cludiant Integredig De-orllewin Cymru, sy'n edrych ar ôl y rhanbarth o ran trafndiaeth, i siarad am y syniad hwnnw a dod ag ef i mewn i'r broses. Felly, mae'r broses yn agor—

**Mr James:** Yes, we are aware of the plan. I think that they call it the 9 Lines. We want to look at that through the LTPP, the long-term planning process, by asking the South West Wales Integrated Transport Consortium, which looks after transport in the region, to speak about that idea and bring it into the process. Therefore, the process is open—

[57] **Keith Davies:** Felly, rydych yn ymwybodol ohono.

**Keith Davies:** So, you are looking at it.

[58] **Mr James:** Ydym, wrth gwrs.

**Mr James:** Yes, of course.

[59] **Keith Davies:** Thank you, Chair.

[60] **Nick Ramsay:** That is all right. Shall we go back to the original question?

[61] **Alun Ffred Jones:** Hoffwn ofyn cwestiwn ffeithiol. Beth yw'r gyfatebiaeth ddaearyddol rhwng llwybrau Network Rail yng Nghymru a masnachfrait bresennol Cymru a'r gororau?

**Alun Ffred Jones:** I would like to ask a factual question. What is the geographical alignment between the Network Rail routes in Wales and the current Wales and borders franchise?

[62] **Mr Langman:** We have good alignment. When we set up the devolved Wales route, we thought that it was really important that we mirrored Arriva Trains's Wales and borders franchise area as closely as we could. So, within the Wales route of Network Rail, a large part of the railway is in England, through Herefordshire and Shropshire—the line from Newport up through Hereford to Shrewsbury and onwards to Chester. That falls within the Wales route boundary. So, it is part of my railway, if I can call it that. Where it gets slightly less aligned is where it crosses that boundary to the big cities in England. Arriva Trains Wales serves Birmingham and Manchester, of course, so the alignment stops at that border. However, pretty much, we have control over most of Arriva Trains Wales's geographic area, and the fringes are between Wrexham and Chester and just before you get to Crewe station on the line to Manchester.

[63] **Alun Ffred Jones:** Iawn, diolch yn fawr. Rydych wedi cyfeirio at y gynghair bresennol rhwng Trenau Arriva Cymru a chi. A yw'n bosibl i chi ddisgrifio neu fesur y manteision o ran effeithiolrwydd a chanlyniadau, a lleihau costau?

**Alun Ffred Jones:** Okay, thank you very much. You have referred to the current alliance between Arriva Trains Wales and yourselves. Is it possible for you to describe or measure the benefits in terms of efficiency and results, and cost reduction?

[64] **Mr Langman:** It is early days. There are different versions of alliances that are all in the early stages around Britain at the moment. They range from simple arrangements where people have agreed to collaborate more closely together on certain subjects—that is something that we do in Wales with Arriva Trains Wales—to something called a deeper alliance, which is currently in place in Wessex with South West Trains. Those are the lines

from London Waterloo out into south-west London and down into Hampshire and Dorset. They are all at different stages and it is very early days, and the benefits will not be fully understood until you look at these things in the longer term. We have had a situation with the franchise and Network Rail as the infrastructure authority in place now for around 20 years since privatisation. So, it is a gradual process with the alliances of looking at what benefits can be had. An anecdotal benefit that we have seen already, for instance, in Wessex with the South West Trains alliance, is where the two parties are now together looking at the challenges that we have in maintaining the railway. They have been able to come together to look at giving extra access to enable engineering works to take place overnight, where, previously, there was a train running through the middle of that time with one passenger on it. They have been able to look at the bigger benefits and the bigger cost savings that can be had, and the more efficient access to do maintenance, to enable that to be done and to reduce the overall amount of time that we need to do maintenance on the railway. That is an example of where those things can happen. It is very early days, and I think it is the longer term where we will see the bigger benefits come through, but it is hard to articulate those at the moment.

[65] **Alun Ffred Jones:** A ydych chi'n **Alun Ffred Jones:** Do you think that there meddwl y dylai fod cyfeiriad at y cynghreirio should be a reference to this deep alliancing dwfn hwn yn y dogfennau pan fydd y in the documents when this franchise is fasnachfrait hon yn cael ei thrafod? discussed?

[66] **Mr James:** There is probably, currently, room for informed discussion with Government, which will let the franchise, about this. As Mark said, it is probably about two things: it is about having a much more mature relationship between Network Rail and the operator; and, it is about aligning the interests of those parties. Clearly, refranchising allows that, because you can plan well in advance and you can align the incentives better with something new than by trying to retrofit something. There is value in it, because, effectively, when you collaborate more closely, you will get benefits in terms of improved safety performance and you will deliver benefits to customers. If we deliver efficiency, we will provide greater value for money for taxpayers and our customers. As Mark said, it is about understanding where you want to go.

[67] Currently, alliancing is a very broad term. It is that way because each franchise is different—some are heavily subsidised and others return a premium. It goes through a spectrum. One end of a simple spectrum is something where we say to operators, 'Let's talk, let's understand each other's business better and let's get a mutual understanding of the opportunity that we have; I can help you and you can help us'. At the other, more complicated end—as Mark said, a deep alliance, an example of which we have in Wessex—it is something like a conversation around, 'Let's have an overarching arrangement where we agree our budget baselines; if we beat our baseline, we share it with you, and if you beat the baseline, operator, you share it with us'. Those are going to change and shift the dynamics of the industry and the collaboration. It is a very broad spectrum and it is really a matter for Government and for us to have a conversation about where you place the debate within that broad range.

[68] **Mr Langman:** I would like to just add one point. I point the committee towards the current situation with the franchise in Scotland. We are expecting the invitation to tender from Transport Scotland for the next franchise to be issued very shortly. It has been through a very similar process to the one that you are currently going through and that the Welsh Government is currently considering. It would be well worth looking at how it has got to where it is now, when it issues the tenders to franchise.

[69] **Alun Ffred Jones:** Mae gennyf un **Alun Ffred Jones:** I have one more question. cwstiwn arall. Mae gan Lywodraeth Cymru The Welsh Government has an interest and ddiddordeb ac y mae'n cynrychioli barn pobl represents the views of the people of Wales

Cymru yn y trafodaethau hyn, ond mae lot o'r rheilffyrdd hyn a'r strwythur hwn yn gorwedd y tu allan i Gymru ac yn gyfrifoldeb i chi. Sut mae sicrhau bod buddiannau'r bobl sy'n byw yn ardaloedd hynny'n cael eu hadlewyrchu yn y fasnachfrait newydd, gan gofio bod cyflymder teithio rhwng y de a'r gogledd yn dibynnu'n llwyr ar gyflwr y trac yn Lloegr?

in these discussions, but a lot of these railways and this structure lie outside Wales and are a responsibility for you. How can we ensure that the interests of the people who live in those areas are reflected in the new franchise, given that the speed of travel between the north and south depends on the condition of the track in England?

[70] **Mr Langman:** Okay. So, as I have said already, the reason that we included that very important link between north and south Wales in the Wales route is because we thought that the English elements of the route would benefit much more by being a part of the Welsh route, rather than being a part of one of the English routes, where they would be at the tail end of a route that starts from London, where the priority—quite rightly—will probably always be towards the London end, where the biggest congestion issues are. I do not think that north-south travel is disadvantaged. I think that it is advantaged by the fact that we have included it in the Welsh route. I can look at that closely, in terms of its development and enhancement in the future. In fact, we have prioritised that route in two places in control period 5, which starts in 2014. We are going to re-signal the route between Newport and Shrewsbury with modern infrastructure, and we will be controlling that from our modern control centre in Cardiff. Similarly, we will be re-signalling the railway between Flint and Llandudno in that five-year period as well. So, I think that this is benefiting from much more focused investment in the right places through having the devolved route in Cardiff, with us looking after that particular north-south route.

[71] **Alun Ffred Jones:** Diolch yn fawr. Thank you.

[72] **Nick Ramsay:** Thanks, Ffred. I now bring in Joyce Watson.

[73] **Joyce Watson:** I want to talk about vertical integration and long-term infrastructure concessions. I want to ask you about the practical implications of granting long-term infrastructure concessions. If a single, vertically integrated Welsh rail company controlled by the Welsh Government were to be created, what would be the appropriate circumstances for such an infrastructure concession, and where might this be desirable more generally in Britain?

[74] **Mr James:** I think that, currently, as Mark said, we have no plans to let an infrastructure concession. What is important is that Network Rail acts as the system operator for all of GB. So, if there was a concession, we would still have responsibility for planning the GB network because, of course, people travel across boundaries and across train operating companies. Currently, there are no plans for that, and we have had no discussions, Joyce, with anybody in Wales around that. It is important that GB remains a network and that we should not have concessions doing their own thing.

[75] **Mick Antoniw:** I would like to follow up on that. What is the position with ScotRail? What position has it adopted on this very same issue?

[76] **Mr James:** Scotland is going through a refranchising process, where Network Rail owns and operates the infrastructure. It is going for two franchises: one for ScotRail and the other for the sleeper service between Scotland and London. Effectively, it is talking to Network Rail about opportunities for alliancing and about bringing its successful bidders closer to us, in terms of aligning our incentives. That is where we think that there is a lot of learning to be done, Mick, in the sense that Scotland is going through the process and Wales could learn from that.

[77] **Mick Antoniw:** So, it is going down this road, but effectively creating a single operating company that is effectively giving that operational role essentially to you. Have I understood that correctly?

[78] **Mr James:** No. It is no different to the Arriva Trains franchise. Scotland is re-letting a franchise. A concession is something entirely different, where the ownership of the infrastructure goes somewhere else—to a separate legal entity. I think that that is what Joyce was referring to.

[79] **Mr Langman:** I suppose that the easiest way to describe it is as a long-term lease. If you have a 99-year lease on a house that you are buying, effectively, you own it. However, there is a leaseholder in the background, and it reverts to them at some point at the end of that concession or lease. They would then have the complete picture.

[80] **Mick Antoniw:** That effectively means having a unitary body to run the—

[81] **Mr Langman:** And that may be for a separate company.

[82] **Mick Antoniw:** Yes. Okay.

[83] **Joyce Watson:** If that was to happen, what do you think the financial risk implications would be of that particular approach?

10:15

[84] **Mr Langman:** What is really important, Joyce, is that, if that were to happen, everyone should go into it with their eyes open as to what those risks are. It is not just financial; you will be taking on an infrastructure that—we know, because we are having to spend a lot of money at the moment upgrading it, which I know all you are familiar with—is aged. Most of it was built in the Victorian era and we are still running the trains on that same Victorian infrastructure and it is in need of renewal. So, for instance, if there were to be a concession on a rural route somewhere in Wales, or anywhere else, that would need to be taken into account in terms of the risk that comes with that if there is a major failure of a piece of the infrastructure.

[85] **Nick Ramsay:** Byron Davies has some questions on rolling stock.

[86] **Byron Davies:** I think we have covered some of this, Mark, in one of your previous answers, but, if I can just pick up on the rolling stock issue yet again, in your paper, I think, you suggest that standardisation of rolling stock would generate economies of scale. Also, in terms of whether there are any infrastructure factors limiting standardisation in Wales, can you enlarge on that?

[87] **Mr Langman:** I think I probably answered it earlier, but I will do so again for the benefit of clarity. Rolling stock has an impact on the infrastructure. Of course, we maintain the infrastructure, and, if it is particularly aged rolling stock, or particularly heavy rolling stock, then that wears out the track and the infrastructure around it much faster than the more modern varieties of rolling stock. So, we provide technical specification and input into any process of changing the rolling stock or procuring new rolling stock in terms of what would have the least impact on the infrastructure, because that has an important flow through in the future in terms of how much it costs us to maintain the network and how quickly it wears out. So, overall, you are actually reducing the cost of the railway if you get the specification of rolling stock correct, and we do input into that specification with technical requirements.

[88] **Byron Davies:** Are we disadvantaged here in Wales with the condition of our tracks? Where are we with it?

[89] **Mr Langman:** No. In fact, here in Wales, we are blessed with good maintenance and we have high levels of reliability of the infrastructure that supports that really good punctuality that I talked about earlier on. We have one of the better levels of punctuality, at well above the national average. The national average is around 91% of trains being punctual currently, and we are running at 94%. So, I do not think that we are disadvantaged with poor infrastructure; I think we are maintaining it very well and we make lots of interventions to make sure it continues to operate in a very good way, but it is in need of renewal. You are very aware, because I have told you about this before, that we have a big modernisation plan for Wales in terms of renewing the infrastructure and there are many enhancements going in, which range from the big projects such as electrification to smaller enhancements around improving railway stations, and we have seen that recently at places such as Swansea.

[90] **Byron Davies:** That gives me an ideal opportunity to ask you the question I have been burning to ask you: where are we with electrification?

[91] **Mr Langman:** In a good place. As you know, the Great Western main line electrification from Paddington through to Swansea is slightly ahead of the game. If you travel to London, which I am sure you all have recently, you will have seen, if you passed through Reading, that electrification masts are starting to go up, which is fantastic news. It is suddenly looking quite transformed, and we are just about to take delivery of a high-output train, which will actually enable us to deliver more of the electrification work overnight when trains are not running. So, good progress is being made and we are expecting, as you will be aware, electric trains to start arriving into Cardiff towards the end of 2017, and Swansea at the end of 2018.

[92] **Byron Davies:** Okay. Thank you.

[93] **Nick Ramsay:** There has been a suggestion—I think it was Porterbrook that said it—that it would be better, in terms of economies of scale, to wait for the electrification of the Valleys lines so as to buy one whole fleet. Do you see any merit in that, or do you think it is fine economically to do it ad hoc and buy trains at whatever point you need them?

[94] **Mr Langman:** I am not quite sure I understand what you are saying, Nick. Can you repeat the question?

[95] **Nick Ramsay:** It was suggested that because the Valleys electrification is at some point in the future—I was going to say ‘down the line’, but that is too much of a pun—if you buy one whole fleet then you are going to save money in the longer term.

[96] **Mr Langman:** That is certainly the input I talked about when I gave the answer to Byron. It is certainly the input that we have provided in terms of the specification of the trains to run under the electric wires, which includes on the Valleys lines as well. We need to ensure that we do not lose momentum by waiting for a decision about what type of rolling stock it will be, because we want to stick to the delivery timescales for the electrification. It is important and that is why we have been very timely with providing that technical detail to make sure that we keep to the timetable for the delivery of the electrification of the Valleys lines.

[97] **Eluned Parrott:** I am just wondering, in feeding into the equation with rolling stock, whether we can achieve engineering savings on the electrification process by choosing a different kind of rolling stock, for example, an electric hybrid, so that we do not necessarily have to do the kind of engineering work that you will have to do in the Caerphilly tunnel, for

example. Is there a saving to be made through that kind of planning?

[98] **Mr Langman:** We are in the early days of the Valleys lines electrification and how we are going to do it at the moment. We are looking at all the options for how we electrify the Valleys lines, and the best way to do it and how we conduct that work. It is very early design and planning for that at the moment. For instance, we are looking at such things as how many bridges will need to be rebuilt or raised. On what we do with Caerphilly tunnel, we are in the early stages of that as well, Eluned, so I do not have the answer at the present time.

[99] **Eluned Parrott:** Okay. Thank you.

[100] **Nick Ramsay:** Any further final questions?

[101] **Keith Davies:** When we were talking about rolling stock earlier, I had the impression that—you have just said electrification to Cardiff will be complete in 2017—they said it takes three years from start to finish to actually get the new rolling stock, which means, if we are talking about new rolling stock for the electrification to Cardiff, we should start next year.

[102] **Mr Langman:** There is a really important point to clarify here. The intercity—

[103] **Nick Ramsay:** Just to be clear on that, they said that it would take three years to procure. They did not say—

[104] **Mr Langman:** That is why I wanted to provide that point of clarification. For the intercity trains, the intercity express programme, the Department for Transport has announced the order for those trains and those are the trains that will operate from London to Cardiff from 2017 and on to Swansea in 2018. That is in place and is happening. In fact, we will see them operating earlier than that to Bristol, because you will be aware that electrification wires get switched on in an order running from London towards Bristol and then to Cardiff. On the Valleys lines process, as we have talked about already, discussions are happening at the moment about what type of rolling stock and specifications are needed to enable us to get the best value for money out of the electrification of the Valleys lines.

[105] **Nick Ramsay:** Mick, please be very brief, as we need to bring the session to a close.

[106] **Mick Antoniw:** Briefly, and slightly off track—sorry, that was not meant to be a pun—with regard to the rolling stock and so on, who is actually going to be manufacturing it?

[107] **Mr Langman:** That will be a matter for whoever is procuring it. It will go to the open market.

[108] **Mick Antoniw:** It has not been determined yet, I assume.

[109] **Mr Langman:** It has not been determined. That is part of the ongoing discussions, Mick.

[110] **Mick Antoniw:** Okay. That is fine.

[111] **Mr James:** It is worth clarifying that that is not our responsibility; it is for the Government.

[112] **Mick Antoniw:** I thought you might know who had tendered.

[113] **Nick Ramsay:** We can ask witnesses about anything they might know, but it is usually best to keep to their area. *[Laughter.]*

[114] I thank Mark Langman and Tim James from Network Rail for being with us today. It has been really helpful. We will factor what you have said into our inquiry.

[115] **Mr Langman:** Always a pleasure. Thank you. Good to see you all.

[116] **Nick Ramsay:** You too.

[117] I bring this session to a close. We have eight minutes until we reconvene.

*Gohiriwyd y cyfarfod rhwng 10:22 a 10:30.  
The meeting adjourned between 10:22 a 10:30.*

**Craffu ar Gyllideb Ddrafft Llywodraeth Cymru ar gyfer 2014-15: yr Economi,  
Gwyddoniaeth a Thrafnidiaeth**  
**Scrutiny of the Welsh Government's Draft Budget 2014-15: Economy, Transport  
and Science**

[118] **Nick Ramsay:** Welcome back, everyone. The next item on this morning's agenda is the scrutiny of the Welsh Government's draft budget for 2014-15. I welcome our witnesses. Would you like to give your name and position for the Record of Proceedings?

[119] **The Minister for Economy, Science and Transport (Edwina Hart):** Yes. Edwina Hart, Minister with responsibility for the economy and transport.

[120] **Mr Price:** James Price, director for economy and transport.

[121] **Mr Hunter:** I am Rob Hunter, the finance director for the department.

[122] **Nick Ramsay:** Thank you for being with us today and for your written evidence. Thank you also for the presentation of your evidence paper, which we found to be particularly helpful in terms of the way that it was formulated this time around. Thank you for listening to previous requests from the committee. We have a number of questions for you and the first is from Alun Ffred Jones.

[123] **Alun Ffred Jones:** Bore da. Rwyf eisiau sôn am flaenoriaethau'r adran, ond, cyn hynny, byddwn yn licio gofyn am rywbeth a gododd yn y Pwyllgor Amgylchedd a Chynaliadwyedd ddoe, lle soniwyd bod £20 miliwn wedi ei drosglwyddo o'r cynllun datblygu gwledig i mewn i fusnes, menter, technoleg a gwyddoniaeth, ond nid oes cyfeiriad at hynny yn y gyllideb bresennol, 2013-14, na chyllideb 2014-15. A allwch esbonio ble mae hwn yn y gyllideb, os ydyw o yno? Mae'n rhaid ei fod o yno rhywle.

**Alun Ffred Jones:** Good morning. I want to talk about the priorities of the department, but, before that, I would like to ask about something that arose in the Environment and Sustainability Committee yesterday, where it was mentioned that £20 million had been transferred from the rural development plan to business, enterprise, technology and science, but there is no reference to that in the current budget for 2013-14 or the budget for 2014-15. Can you explain where that is in the budget, if it is there? It has to be there somewhere.

[124] **Edwina Hart:** Yes, Rob Hunter will take you through the processes on this.

[125] **Mr Hunter:** This is the £20 million that was transferred last year between revenue and capital; is that correct?

[126] **Edwina Hart:** Yes.

[127] **Mr Hunter:** In effect, last year there was an underspend in the rural budget. We basically had two choices: we could either lose it or use it. We moved it across into the capital budget for BETS and we used it on projects within the department. That was last year. I have, and we have, no ability to carry revenue over year end, so, in effect, I believe that the matter is closed.

[128] **Edwina Hart:** Yes.

[129] **Alun Ffred Jones:** I fod yn glir, nid **Alun Ffred Jones:** Just to be clear, that yw'r arian hwnnw i'w drosglwyddo yn ôl, funding is not to be transferred back to the felly, i'r adran adnoddau naturiol. natural resources department.

[130] **Mr Hunter:** No. The main reason for that is that when the underspend occurred on one of its programmes, we were assured that the funding would not be required to match the European funding in future years, because it has a new round of programmes coming up and it was going to use the year-end flexibilities between the 2014-20 programmes and the 2007-13 programmes. It was also in negotiations with the European Commission on what I think Europe calls the co-financing rate, which we call the intervention rate—in effect, it is how much money it could draw down from Europe. So, we were assured at the time that there would be no impact on the money going to farmers in Wales as a result of that transfer. So, we were not actually asked to transfer it back in a future year.

[131] **Edwina Hart:** May I indicate that, of course, we were all one department, as it were, in terms of our budgets at that time? It was one ministry.

[132] **Alun Ffred Jones:** Diolch yn fawr. I droi yn ôl at eich blaenoriaethau chi, Weinidog, a allwch ymhelaethu ar y dull yr ydych yn ei ddefnyddio i ailddyranu adnoddau o brosiectau sy'n tanberfformio at adnoddau sydd yn creu swyddi a thwf? **Alun Ffred Jones:** Thank you. To turn back to your priorities, Minister, can you expand on the approach that you are taking to reallocate resources from projects that are underperforming to interventions that will create jobs and growth?

[133] **Edwina Hart:** The question that you asked is very important to the way that we actually deal with the budgets in the department. We both look at financial performance and delivery in terms of how we monitor the outputs. We have a detailed, in-depth review each quarter and we go right down through the project levels so that everybody has to report on every aspect of the project. Of course, every month, we look at them in general, but every quarter we look at them in depth. If they are not spending on profile or not delivering to the anticipated outputs, and they feel that they cannot get it back on track, then we reallocate to other projects at that very early stage.

[134] In recent years, we have been strengthening our offer to businesses, particularly with the Wales economic growth fund. If projects have not matched up, we have been able to utilise the resources in those areas. There have been historic problems that I think the committee is aware of—hence, probably, this question—with the single investment fund. The single investment fund had open-ended offers of support to companies, which went on for years and years—up to seven years for some of the offers—and it reached a point where investment was no longer appropriate. What we have done in the last few years is to work very hard to get the SIF into order, so that we do not have promises that go on forever that we are never going to have to deliver. So, we can use that.

[135] There are some positive examples in my department of things that I have had more recent control of, such as the Sêr Cymru programme. We looked at that, because that project



was not going to plan in terms of the delivery being on time. So, we re-profiled that project to use that cash in other areas. Now that it is going to time, we have sufficient cash there. So, it is important that we recognise that we prioritise decisions in that way and that we take a detailed look at everything.

[136] **Alun Ffred Jones:** Diolch am yr enghraifft honno. A oes enghreifftiau eraill lle rydych wedi penderfynu bod prosiect neu gynllun ddim yn gweithio ac rydych wedi symud arian allan ohono?

**Alun Ffred Jones:** Thank you for that example. Are there other examples where you have decided that a project or a scheme is not working and you have moved money away from it?

[137] **Edwina Hart:** I believe that there was an issue, was there not, on the start-up programme that we had? There was an increasing intervention rate on that and we were able to free up the budget for that. What I have done in terms of legacy SIF, when we did our detailed analysis of that, was to reallocate all of that money to some of the sector priorities.

[138] **Alun Ffred Jones:** A allwch chi ddweud wrthym, Weinidog, am unrhyw ddadansoddiad mae eich adran wedi ei wneud i edrych ar gyfraniad uniongyrchol yr adran at dwf economaidd? Sut ydych yn mesur hynny o fewn yr adran?

**Alun Ffred Jones:** Can you tell us, Minister, about any analysis undertaken by your department to look at the direct contribution of your department to economic growth? How do you measure that within your department?

[139] **Edwina Hart:** We do look at performance measurement, if this is the issue that we want to follow up. We publish annually, do we not, James, the details of our programme against the programme for government? We are obviously looking now at the outputs that have come from the Wales economic growth fund, and we will be publishing them when the programme has been evaluated. If it would help the committee on these particular issues, I am more than happy to provide six-monthly updates for the committee on the targets against the Government's programme.

[140] **Alun Ffred Jones:** Diolch yn fawr; rwy'n siŵr y byddai'r pwyllgor yn falch iawn o dderbyn y wybodaeth honno.

**Alun Ffred Jones:** Thank you very much; I am sure that the committee would be very pleased to receive that information.

[141] Hoffwn gyfeirio at rywbeth arall hefyd, gan obeithio nad wyf yn sathru ar draed Keith Davies. Bu i chi ddweud wrth y pwyllgor

I would like to refer to something else, too, while hoping that I am not stepping on the toes of Keith Davies. You told the committee that

[142] 'Our key outcomes are cost per jobs and employment impact.'

[143] O edrych ar ffigurau Cyllid a Thollau EM yn ddiweddar, mae'n amlwg mai un o broblemau'r economi yng Nghymru yw bod gormod o swyddi â chyflogau isel. Felly, nid yw creu swyddi ynddo'i hun yn mynd i wella'r sefyllfa honno. A ydych yn edrych o gwbl o fewn eich rhaglenni at greu swyddi o ansawdd uchel yn hytrach na dim ond y niferoedd?

Looking at the figures from HM Revenue and Customs recently, it is clear that one of the problems of the economy in Wales is that there are too many jobs with low wages. So, creating jobs in itself will not improve that situation. Are you looking, within your programmes, at creating jobs of a high standard rather than only at the number of jobs being created?

[144] **Mr Price:** With regard to the important point that you have just made, it is a dynamic environment that we find ourselves in. So, if you were to go back to five or six years ago—or probably a bit longer ago than that now—there would have been a lot of talk about moving up

the value chain and the knowledge economy, and pushing jobs just towards the top. In fact, in those days, we had targets that meant that we did not support a job with a salary of less than around £20,000. However, equally, in those times, we were supporting only around 10,000 jobs per year. We are currently supporting—or hopefully will be in the current year—around 30,000 jobs. So, three times as many.

[145] In response to the recession, we looked to be more inclusive with regard to the companies that we worked with. So, we are working with companies of all wage levels and in all parts of Wales to try to bring people into work, but also importantly, picking up on your point, to increase the skills levels, the technology levels and the salaries of the companies that we bring in and the companies that we are working with. Every time we make an investment, we take into account the level of salary that that investment is likely to lead to. Businesses that can employ people on higher salaries get more money. So, we do take that into account. We also look at the likely gross value added contribution of individual projects. So, it is absolutely taken into account. It is there in the mix of the sectors that we support as well. The life sciences support very high-end salaries and large parts of manufacturing also support high salaries, whereas some of the other sectors support larger numbers of employees, but on slightly lower salaries.

[146] **Alun Ffred Jones:** Mae gennyf un cwestiwn pellach. Rydych wedi cyfeirio at y ffigur o 30,000 o swyddi yr ydych yn eu cefnogi bob blwyddyn. Mae eich targedau ar gyfer 2013-14 yn y tabl rydych wedi ei gyhoeddi, o ran swyddi newydd a chadw swyddi, yn sôn am ffigur o 18,000. O ble mae'r gwahaniaeth hwnnw, rhwng 18,000 a 30,000, yn dod?

**Alun Ffred Jones:** I have one further question. You have referred to a figure of 30,000 jobs that you support each year. Your targets for 2013-14 in the table that you have published, in terms of new jobs and maintaining jobs, talk about a figure of 18,000. Where does that difference, of between 18,000 and 30,000, come from?

[147] **Edwina Hart:** We have been quite successful in doing more work for the budgets that are available in key areas.

[148] **Mr Price:** Yes. We now have three measures. We have not invented a new measure to measure something that we did already; we are doing something different. One of the things that came through in economic renewal, and as a result of the original merger of the Welsh Development Agency into the Welsh Government, was that it is not just about giving money to a company. A company might want help with a transport issue, a planning issue or with understanding how to get into a public sector supply chain. Increasingly we are finding that by working with companies—not just to provide them with a grant, but also to help them to find a premises, to get planning permission and maybe to help them to access a procurement project, or by giving them the technology support that does not necessarily cost money—they are creating significant jobs as a consequence of non-monetary support. So, there are now three categories of support: 'created', 'safeguarded' and 'assist'. The assist category is about when we have created a job at no budgetary cost, other than staff cost, basically.

[149] **Alun Ffred Jones:** A yw'r wybodaeth honno'n cael ei chofnodi gennych? A fydd hi'n bosibl i'r pwyllgor weld y wybodaeth honno pan fyddwch yn gwneud eich adroddiad chwemisol i ni?

**Alun Ffred Jones:** Is that information recorded by you? Would it be possible for the committee to see that information when you prepare your six-monthly report?

[150] **Edwina Hart:** Yes. I would be happy to do it in the context of a six-monthly update.

[151] **Mr Price:** I would like to make one more point on the 30,000 figure—it is a

management aspiration, and it is massively up on what we did last year. So, I would not want people to think that it is the same as the targets that we have given. I fully think that it is a reasonable target to expect managers to achieve. It is not a politically set target; it is a management target, and, therefore, in my view, if we achieve 27,000 or 28,000, that would be 60% higher than last year and that would be a good thing. It is a stretched target. That is the point that I want to make.

[152] **Edwina Hart:** The targets for 2014-15 will be available at the end of the next financial year when the final budgets are agreed. I would be more than happy for the Chair to have those as well.

[153] **Nick Ramsay:** So, it is a management aspiration, not a target.

[154] **Mr Price:** I have pushed things as far as I can go. There is a balance, is there not? I could have said 25,000 and we would definitely exceed it, but I have said 30,000, and, hopefully, we can exceed that. However, if we do not, I do not think that it is a bad news story.

[155] **Nick Ramsay:** It is ambitious.

[156] **Mr Price:** Yes.

[157] **Keith Davies:** Bore da. Byddaf yn gofyn fy nghwestiynau yn Gymraeg. Rhoi cymorth yr ydych chi, ac nid ydych chi'n rhoi unrhyw gyllid, felly mae'r swyddi yna'n dod am ddim, mewn ffordd. Fodd bynnag, o ran y swyddi eraill, a ydych chi'n mesur er mwyn sicrhau gwerth am arian? A ydych chi'n mesur y gost fesul swydd? Rydych wedi dweud bod swyddi da a swyddi nad ydynt cystal, ond beth am y gost o greu'r swyddi?

**Keith Davies:** Good morning. I will ask my questions in Welsh. You are only providing assistance, and you are not providing any funding, therefore those jobs come for free. However, with other jobs, do you measure to ensure value for money? Do you measure the cost per job? You said that there are good jobs and not-quite-as-good jobs, but what about the cost of creating the jobs?

[158] **Edwina Hart:** We have to look at the way that we deal with all of the proposals that come to us in terms of their business case, because they all go through appraisal and due diligence procedures, but the scale of review is based on the potential of what might be coming to us. Obviously, with big projects, such as superfast broadband, the diligence is much higher than on some of the smaller projects that we are dealing with in terms of smaller and medium-sized enterprises. So, it is essential that we have an easier process in terms of how we deal with transparency and the issue around SMEs so that we can get that done.

[159] In terms of other investment, everything over £1 million is dealt with at arm's length by the Welsh Industrial Development Advisory Board, which is the organisation that I have maintained. Also, all projects are reviewed by the investment project board that I have in place to make sure that they are providing value for money. Everything is assessed on the cost per job and on how it is relevant as part of the overall package that we operate. I do not know whether you would like to add anything, James.

[160] **Mr Price:** I can give you the range of costs for jobs that we are working with.

[161] **Edwina Hart:** Would that be helpful?

[162] **Nick Ramsay:** Yes, that would be very useful.

[163] **Mr Price:** On average, it ranges from just under £5,000 to just over £15,000, and that

will depend on the quality of job and the location in Wales. If it is in a particularly difficult part of Wales to get a job into, we will pay more per job. However, it tends to be in the order of £4,500 to just over £15,000. The Welsh economic growth fund was towards the bottom end of that—

[164] **Edwina Hart:** And other interventions are higher.

[165] **Mr Price:** Yes, some of the other interventions are higher.

[166] **Nick Ramsay:** Okay, we will now move on to Byron Davies and the sectors and business spending programme area.

10:45

[167] **Byron Davies:** Good morning. The programme for government section of the Government's website states that the Welsh Government has compiled a series of measures to inform both future policy making and resource allocation. Could you tell me whether there are any lessons you have learned with regard to the outputs and outcomes achieved in your priority sectors in previous years that might have informed or influenced the allocation to each sector in the draft budget for 2014-15?

[168] **Edwina Hart:** It is fair to say that we have learned some valuable lessons from looking at the way in which the sector has engaged, the leads that we have from sectors and the way in which they are creating jobs. All of the activities within the department are aligned with the programme for government. The key focus is the delivery of growth and jobs, and performance against targets for the number of jobs created, safeguarded and assisted is monitored monthly. So, we do that. Prior years' performance is used to inform the planning process and to set new targets at the beginning of each financial year. However, I believe that you would all expect flexibility to be required to meet the needs of a changing economy. An economy can change quite quickly and we have to provide the right support for business at the right time. Even though, when I took over the portfolio, we had clearly defined views about the sectors and economic renewal—and, at that time, there was a move to more loans—because of the problems in the economy, we had to reassess how we could help in terms of a grant. So, we do take these issues into account.

[169] James, I do not know whether you want to comment in more detail.

[170] **Mr Price:** It is quite a difficult thing to do; that is what I would say. Ideally, what we want to look at, at all points, is the impact that we are having on the economy in the long term. Counting jobs, in one way, is a good way of doing that, but in another way, it potentially falls far short of where we need to be. An important point in addition to all of that, though, is that we do evaluate all of our programmes, and it is through evaluation that you tend to take in longer term impacts—things like dead weight and displacement—and you start to get a better feel for what is really having an effect and what is not. The impacts of those evaluations, together with things like equality impact assessments and the way in which it affects people of different income levels, are all fed back into the policy process at the beginning. It is fair to say that we are probably doing this as well as anyone else is in the UK, and probably Europe. However, it is also fair to say that no-one has got this sorted, and it is a very difficult thing to try to do.

[171] **Edwina Hart:** That is fair. Of course, in terms of the sectors, considerable work is done on the sectors in terms of what they are doing and what they see as the potential for their growth areas. However, to give you an example out of interest in relation to the energy sector, it is looking at the potential to increase the capacity nationally and internationally of Welsh ports. That is one of its issues. So, that links in to whether you have port priorities in terms of

the way in which you assess things. In terms of the creative sector, it is looking at the development of specific sites. Therefore, we look at how we will plan our programmes and the way in which we attract inward investment—whether it is to Porth Teigr or anywhere else. In relation to the life sciences, the life sciences hub has been the priority, as well as having the fund. So, all of the different sectors are feeding in their experiences and what they are doing in terms of the policy agenda to generate an idea of where we need to be in terms of where our priorities are within the budget. However, it is extremely difficult, and we do use the economists to monitor some of this work for us.

[172] The good thing about the sector panels is that, because they are businesses that are working on the ground, they have a feel for some of these things, which you would not necessarily have in Government. So, it is important that we take their advice, which helps us to look at what the priorities are in terms of the budget.

[173] **Byron Davies:** May I go in a different direction for a moment and ask you what consideration you give to the impact that your approach to supporting these priority sectors may have on different groups of people? For example, there are imbalances in the number of male and female employees working across many of the priority sectors; what are you doing to mitigate that?

[174] **Edwina Hart:** Interestingly enough, you make a very good point, because when you look at the top end of some sectors, particularly skilled jobs and engineering, you can see immediately the imbalance on the basis of gender. However, there are also other disadvantaged groups that we look at through the equality impact assessments. All of the sectors look at those. There are specific actions that we have identified through the equality impact assessment, and it is now embedded at the very early stages of our work, in terms of looking at whether we can get the right balances. If it would be helpful at all, I would be more than happy to provide a note about the way in which we look at these across the different sectors, if you are interested in the equality impact assessments.

[175] **Nick Ramsay:** That would be helpful. Could you do that, Minister?

[176] **Edwina Hart:** Yes. I would be happy to.

[177] **Mick Antoniw:** Minister, I was in agreement with the comments that were made a bit earlier that, quite often, what businesses want when they want assistance is not necessarily just money, but help with accessing markets and so on. That is feedback that I have had from businesses in various parts of my constituency. There has been a move away from grants towards loans. What is the rationale behind that? Is it about accessing additional funds, or is it really led by business requirements?

[178] **Edwina Hart:** During the recession, companies were alluding to it. It was very much brought home to us, I think, during a discussion in Llanelli, to do with how they could feed into the Jaguar Land Rover supply chain. Companies said that, in order for them to do certain things, they could not necessarily raise money with the banks. They could do with a grant, because it would help to secure jobs and put more on. They asked whether Government could do something in that context. That is what the Wales economic growth fund arose from, because it was about the front line. We have continued and been quite successful with our repayable loans, because a large part of the budget is still with repayable loans, but we do need to remain flexible. It is on that flexibility issue that we have to be fleet of foot in terms of economic circumstances.

[179] We have the second phase of the Wales economic growth fund and we have Finance Wales, which also has other funds that have been critical to the discussions that we have had with industry. This year, we are looking for further moneys from the financial transactions

fund, which we also think will help. In real terms, we have to maximise. It is all about tackling poverty, supporting communities and creating jobs, so we are trying to maximise, through the way in which we utilise our funds, what is best for every company.

[180] What James indicated was quite right. Some of these other options about property help and assistance are also quite key, because sometimes, we do not have something in our property portfolio, but local government might have it. There is also the issue of whether a company might want something built for it that it could lease back. So, we can look at all of these innovative options to ensure that we can maximise the potential for companies that wish to expand.

[181] It is quite difficult to get the balance right across budgets. That is why we now do so much assessment—every month and every three months—on budget spend, so if necessary, we can move across budgets within my portfolio. Therefore, if there is a demand in one area, I can try to address it without looking for additional resources. As you know, with the cuts in our budget, that would be very difficult.

[182] **Mick Antoniw:** I take that point about the pressures that there are and the limitations on budgets. Has the loan side enabled Welsh Government to increase its access to funding? I am thinking about such things as the European Investment Bank, or European moneys and so on.

[183] **Edwina Hart:** Yes. This finance has safeguarded 3,000 jobs, which is a very good figure. It increases business competitiveness and entrepreneurship, but it is within that wider remit. Rob, do you want to cover that?

[184] **Mr Hunter:** Yes, sure. In terms of leveraging in, as the Minister said, we need to remain flexible, so, in terms of the Wales economic growth fund, we recognised the need for a grant scheme and it was called for, rather than a repayable loan scheme, so we are flexible to that and we are listening to business. Where we are with repayable loans is, we have put a lot of money into Finance Wales and into specific funds that are delivering. So, we have the SME fund. Last year, we set up the property fund, and as the Minister alluded to, we are looking at a number of funds that could be funded through the financial transactions money and coming up in the future. Currently, there is somewhere in the order of £250 million being invested into the economy. Many of those investments will create returns and that money can then be reinvested at another time.

[185] It is also matched, quite often, alongside other private sector investment in individual projects, or, as you have mentioned, I think that JEREMIE had around £60 million from the EIB. There was also finance going in from commercial banks, which was being leant alongside our money. So, in effect, we are leveraging in, through that mechanism, an awful lot more that we can do for SMEs in Wales.

[186] **Mick Antoniw:** So, in some ways, we have achieved a certain amount of indirect borrowing, really, through, I suppose, imaginative—

[187] **Mr Hunter:** All on market investor principles, I must add. Yes. *[Laughter.]*

[188] **Mick Antoniw:** In terms of the future direction and the balance, I suppose, between specific grants, where we actually give away the money, and loans, is there any indication whether that is being oriented as grants for smaller start-ups and that sort of thing and loans for larger companies? Is that how it is developing?

[189] **Edwina Hart:** It is across the piece, actually. I do not know whether James wants to go through it.

[190] **Mr Price:** It is quite interesting how it happens, really. There are probably two things at play here. First, with inward investment, because we are competing in what is a competitive marketplace across the whole world, for us to just say, 'We will offer repayable finance when someone else is offering you a grant', does not cut it. So, that just simply does not work. For us to be able to offer a grant and then access to Finance Wales, which can also offer a loan, adds something that is additional. Then, with indigenous business, I think that it depends on the level of risk that the company is taking and the level of steps that we are encouraging it to take. So, what would typically happen is that, if a company is taking quite a big risk, the board, and the banks—which already have finance in there—will not accept the risk of going all out for a loan, whereas for perhaps a slightly less risky proposition they will do that. So, there are no hard and fast rules. It surprises me sometimes the type of company that will go for a loan and the type of company that will not.

[191] **Edwina Hart:** It is interesting to see some of the companies that ask for grants.

[192] **Mr Price:** Absolutely. Some companies will not take grants at all.

[193] **Edwina Hart:** No. Some companies are very nervous about how they are borrowing money and dealing with things. Some companies are always advised, 'You should look towards angels and others', but they just do not want to. They want to keep total control of their company. So, they come to us for a variety of reasons, saying, 'Actually, we do not want to go down that route'. That is why it is crucial, I think, that Finance Wales, which was set up to deal with some of the gaps in the market, continues with that role and function. Professor Dylan Jones-Evans is now on the second part of his review, where he is going into a lot of detail about what has happened historically in Finance Wales, and whether Finance Wales needs to be refocused on where it is undertaking its lending in certain areas to assist Welsh companies, in terms of the developments that we want in Wales. Also, as part of his work there, we are now getting quite a good relationship with the banks about what they see as their role and function and whether we can come to an agreement with them over almost who does what, who falls in between, and how we can both then come to assistance in some way. There has been a very interesting discussion with the banks about lending and about who has been refused. Some people have been refused, clearly. If they had more help and assistance at a certain stage, and we could give that as Government—or the banks themselves, or us working mutually on it—they might then be able to borrow commercially through that route and might not have to come to us. So, there is still a lot of dialogue ongoing, and when Professor Dylan Jones-Evans finishes the second part of his report I think that there will be a greater understanding. I am sure that the committee, at some stage, might want to invite him to discuss some of the business finance issues that have arisen out of his report and discussion.

[194] **Mick Antoniw:** Minister, you have answered the point that I was going to ask specifically about, which was his report. There seems to have been a natural progression there. One of the issues in terms of evaluating the effectiveness of the grants and loans system is not that companies do not think that what is on offer is good, it is a question of speed and accessibility. Have any lessons being learned on that, and is there any sort of monitoring that evaluates that?

[195] **Edwina Hart:** Yes, we did learn. I think that we have sped up processes considerably. In terms of the Wales economic growth fund, we set ourselves targets, which we have managed to maintain. However, sometimes, you come to a situation where you actually require a lot more information about something, and with due diligence processes we sometimes have to take longer than we want. On average, James, what are we doing now?

[196] **Mr Price:** I think that the average is probably about four weeks, but we can turn an offer around within three or four days. The inward investment team commit to a two-week

turnaround which, I think, is three weeks quicker than in any other part of the UK.

[197] **Mick Antoniw:** You dealt earlier with the issue of the financial transaction funding. Presumably, that will be a real growth area in terms of business support.

11:00

[198] **Edwina Hart:** Yes. We also have to recognise the limitations of it. It can only be used for loans and equity investments, and the majority must be repaid to the exchequer. It has those limitations, but we do think it could be useful. We have not had the detailed information yet from Treasury, have we, Rob, about how much financial transaction—

[199] **Mr Hunter:** No. The indication is that we will need to pay 80% of the funding back, but over what time frame, and on what terms, we do not know yet. We are working with them. At the moment, in terms of the funds that are being invested or where we are looking at funds—and this is why we are working on them at the moment, on the detail—we have to make sure that, when we invest, we have funds that can turn back into the 80%, so that we can recoup at least 80%. There are quite a few market gaps, and quite exciting ones. The one that we did last year, the property fund, for example, is a really exciting market. Small builders were crying out to get funds, and the nature of that fund is that it revolves very quickly, so the builder borrows it just to do certain stages, that completes quite quickly, and then the sale occurs, so within six to eight months of their taking the investment, they are paying it back, so it gets recycled several times. That is quite exciting.

[200] **Nick Ramsay:** Mick, are you finished?

[201] **Mick Antoniw:** I have just a final point, because it is encouraging that we are achieving some borrowing powers ahead of Silk. The overall sums that are involved—I am just trying to work out what the global figures are. In terms of what we have been able to leverage in the availability for loans, and what we now have available in respect of grants, what would the global sum be?

[202] **Edwina Hart:** There is £250 million that Finance Wales manages currently, and there is £30 million additional investment in SMEs each year as part of that.

[203] **Mr Hunter:** From Finance Wales.

[204] **Edwina Hart:** From Finance Wales. So, that is where we are in terms of the investment, and anything that we—

[205] **Mr Price:** I think that, on an annual basis, the total must be around £150 million, if you take account of our budgets and Finance Wales's recycling.

[206] **Mick Antoniw:** Presumably there are some unknowns in terms of capacity to leverage in further sums, particularly from Europe, in the coming years as well.

[207] **Mr Hunter:** Absolutely, and we are looking at that and appraising all of the European projects at the moment, so that we can maximise everything that comes in. We are also looking at the intervention rates to make sure that we get the very best deal.

[208] **Edwina Hart:** Yes, because in terms of looking at Europe, it is really important for us that we get the projects agreed in European terms. One of the projects that we are looking at in this immediate area is the metro. It would be quite important to look at what European structural funds will be available, and what the intervention rates are on that. That allows us then to budget across the piece about how much additional money is required from



Government or local government as part of that package. There is quite a lot of detailed discussion.

[209] In terms of other funds that impact directly on me in my science portfolio, there is Horizon 2020, and the issues around that, about how we need to gear ourselves far more into some of those funds. Higher education needs to engage far more collectively with us on making a step change in the investment of these funds. So, these are areas that we have an interest in, because they do produce growth. When you talk about quite small funds, Sêr Cymru was quite a small fund that we used for the science launch, and we have had two stars in—one came yesterday from Imperial College, to work on a project in Neath Port Talbot, which was originally set up by Tata Steel and other partners. It is a cutting-edge scheme, and they are already looking at how they can put that into use for production, and where they could end up in terms of production in Wales. That is good use of money and funds. You think that you are taking a risk first of all—‘Why are you doing all for this science? Why are you doing this?’—but the fact that you have that money there has allowed them to develop something. They are bringing an expert in, and at the end of that, I could see yesterday when I had the presentation that there will be manufacturing jobs coming out of it. That is really key.

[210] **Nick Ramsay:** I really need to move things on, because we have a lot of questions, as you know. We move on to enterprise zones and Eluned Parrott.

[211] **Eluned Parrott:** I hope that the Chair will indulge me if I just want to ask a couple of short questions about Finance Wales. You said that Finance Wales is operated on market investor principles. Where Finance Wales has co-invested alongside banks, on average, how do the interest rates compare between Finance Wales and the commercial rate?

[212] **Edwina Hart:** We could give you information in due course, but I think that the information will become apparent when Professor Dylan Jones-Evans does his report, in all fairness.

[213] **Eluned Parrott:** In terms of your budgetary planning for Finance Wales, you are obviously planning for income from repayments, but what failure rates do you plan for?

[214] **Mr Hunter:** It will depend on the individual funds. So, for example, if you take the micro-fund, the £6 million fund, that is going to be dealing with businesses that are tiny, very small, and quite often they have no business track record, so we are basically working on a credit reference. We would anticipate, and we anticipated when we set the fund up, that, actually, the returns we would get would be relatively low and that it would have quite a high failure rate. In terms of the actual rates we charge, each project is assessed. It depends once again on which fund we are talking about. If we are taking about the JEREMIE fund, the JEREMIE fund is funded by Europe, and, therefore, we have got to be absolutely spot-on on state aid around that particular fund and around European requirements for the fund. So, on this idea that it is market investor principles, the interest rate would be generated based on a risk assessment of each project. It may be that some of these interest rates are higher than you would anticipate from a high street bank, but we are dealing quite often with businesses that cannot get finance through that route, so there is a kind of balance there.

[215] **Edwina Hart:** Also, I think it goes back, Chair, to the point that James indicated about how this works sometimes. The company has money; the banks are prepared to give money, and there is that percentage there at the end that the banks are not prepared to give a loan on, and sometimes Finance Wales, or ourselves, will intervene on that, because we actually think the project has merit in terms of the retention and expansion of jobs. That is the flexibility. However, I think we have to recognise that we cannot ensure that everybody is going to repay; if I could do that, I would be heading up the IMF or would be Chancellor of the Exchequer, so we have to understand that there is an element of risk in these, but you need

to understand the risk from day one, particularly in terms of the microbusinesses; it would be absolutely unreasonable if we were to run a fund and expect everything back on that. That is not the way it is going to work.

[216] Some of the microbusinesses are encouraging entrepreneurs to come into the field, and, some of them, if you look at some of their track records, are very successful entrepreneurs; look at the money and start-ups they have got and look at how many failures they have had, but they have succeeded at the end and that is the principle we have tried to adopt. Every mechanism is in place in terms of Finance Wales, but I would be more than happy, when Professor Dylan Jones-Evans's report comes out, if you are going to bring him in for that, to add any other paperwork that the committee might require from our side of the house that might benefit your discussions.

[217] **Eluned Parrott:** Okay, thank you. Moving on to enterprise zones, the normal strategic planning process would suggest that you identify a challenge, you set aims, you set targets, and you decide what action needs to be taken to achieve those targets, at which point you are then able to allocate resources to achieve that. Given that, as recently as June, you told the Finance Committee that you are struggling with issues around key performance indicators for enterprise zones, can you tell us on what basis you decided to allocate £13 million to enterprise zones in 2014-15?

[218] **Edwina Hart:** Yes. We had plans from the enterprise zones about what cash they required and we took the advice from them and made the appropriate allocations to them. The whole strategy of the Government is a joined-up approach. The EZs are quite key in terms of development and they looked at what they required in terms of allocation from transport and property-related sectors and that was the figure that we agreed upon.

[219] **Eluned Parrott:** So, you do have some objectives for the enterprise zones at this point.

[220] **Edwina Hart:** Every enterprise zone has its objective. Each enterprise zone is led by the private sector. I think the private sector is best placed to indicate to me how it wishes to take matters through in its enterprise zones. If it is helpful, Chair, I will give a few examples. Take, for instance, capital infrastructure. A significant number of projects have been approved and are currently under way to meet the enterprise zones' specific priorities, which are aligned with the key sectors. For instance, there is significant flood defence work in the Deeside zone, which we need to do. There is currently a package of work for infrastructure within the site that needs to be done. There is the work under way in Ebbw Vale, at the request of the enterprise zone, to put in primary and secondary electrical infrastructure. We have to remember that some of these enterprise zones have been created from nothing. Some of them are not on established sites and require a lot of remedial work. The reason we have them in places such as Ebbw Vale is to go into an area where there is poverty and where there is need and to create something different. That requires looking at what the site looks like, what is required and what we need to do.

[221] We have options studies going on in Snowdonia, feasibility studies in Deeside and Anglesey, there is master planning being done in St Athan, we have identified with Cardiff enterprise zone the work that needs to be done in respect of Callaghan Square smart buildings, we are looking at property options in Deeside and Ynys Môn, and we have environmental surveys going on across the place. I cannot just put up what I like willy-nilly; I have all the responsibility of environmental surveys and everything that has to be done.

[222] Also, we have looked at what the enterprise zones asked us about whether we could help them through business rate schemes, and we have introduced a scheme there, and that £4 million is in that budget. So, all the way across the piece we are taking the advice of the

enterprise zones on how they want to take things forward. We looked at road projects, for instance, in a lot of areas, and what they require in road infrastructure. We do monitor the outputs and the outcomes of the enterprise zone interventions. We are looking at KPIs—which are outlined in the evidence paper—about jobs created and jobs safeguarded, we are undertaking long-term studies, all budget allocations are subject to value for money, and we will be publishing performance data, when it is all verified, in due course. So, enterprise zones in themselves—and, of course, Chair, you have taken evidence, I understand, from the chairs of my enterprise zones, and I think they seemed quite content with the arrangements that exist in terms of monitoring and how we are dealing with their requirements in a budget, obviously, that is being cut by developments at the centre, not by developments here.

[223] **Eluned Parrott:** Thank you, Minister. I asked you what objectives had been set and you responded by giving me a list of tactical interventions and projects that are being planned with the money that has been allocated. Again, I go back to the question: you are planning policy interventions, and you are planning committing resources to things you have been asked for by the enterprise zones, but how can you be sure that you are focusing those resources on the interventions that are going to have the most strategic impact in terms of your objectives, if you have not set objectives?

[224] **Edwina Hart:** The objective is to achieve jobs and growth and get a prosperous economy. That is the objective across the piece. I have every confidence in business-led enterprise zones being cognisant of that. There are people sitting on these enterprise zones who have run companies up and down the country and know exactly what they are doing. If they are indicating to me as part of this that these are the first strands of work that we need undertaken, then I take their advice. We are not controlling all this from the centre; we are actually taking advice from these people about how they think we should take these forward strategically. If you look at the Haven enterprise zone, for example, obviously it has discussions in the haven. It is not easy in the haven, let us be perfectly honest; it is a SSSI and there are a lot of issues around that. They have come back and said they want an extension to the zone, they want to concentrate on the SMEs, and they want to concentrate on the supply chain and some of the other issues. We then respond to what they do, because they say that that is their strategy for business, jobs and growth, and to get prosperity in. For instance, also, the enterprise zone there is very keen that I do developments in terms of transport, which we will be coming on to later, and what I do about the A40, because that is essential for the ports mechanisms down to west Wales. I am taking their advice on all of these issues. I am not going to be setting in stone from the centre ‘you will do a, b, c, d and e in that enterprise zone’; I am setting from the centre ‘your responsibilities are jobs, investment, growth and what you can do, and tell me what are the things I have to put in place to help and assist you as enterprise zones to do that’.

[225] **Eluned Parrott:** Minister, improving the economy is an aspiration, not an objective. An objective is specific, measurable, actionable, resourced and time-bound. We have no measurable targets at this point in time. I accept that, if you are asking for input from industry and the enterprise zones to set their own path, then you will take advice from them, but surely part of that process is to ask them to set specific, measurable targets with a time frame in mind.

[226] **Edwina Hart:** I think that what I am doing is the correct mechanism for it at this current time. We discuss with them all the time what they want to do and what they wish to do. We are quite clear in our own minds. When you look at targets, and when you are renovating a site, as I am currently doing in Ebbw Vale—I am doing the site—a lot of infrastructure work is required. Therefore, we have to do it. We have to do it, I think, in this staged approach. I do not think you and I will necessarily agree about how I am running these issues, and I accept that, and I accept the scrutiny on that. I will give further consideration to what you have raised with me today. We are obviously going to look at the KPIs and all of

these issues, but I am content about the way that I am dealing with it now. It is not aspirational in terms of wanting jobs—it is very real, because everything in my department, and all our spending, is focused to ensure that we have the means and the tools to actually create employment, which we have started to do in certain key areas, including the enterprise zones. We will continue to do so. The enterprise zones are not a panacea. If I were to set up an enterprise zone on what had originally been a very successful industrial estate, I could be saying to myself, ‘I know those companies there want expansion’, and I would know already that we would have the jobs. The purpose of the enterprise zones was actually to tackle areas that were not in the normal range, and to get that correct balance. That is what we have tried to do.

[227] **Eluned Parrott:** Okay, Minister. You say that you will be publishing your key performance indicators later this year. Is that correct?

11.15 a.m.

[228] **Edwina Hart:** Yes, we will look at the KPIs, and we will make them available.

[229] **Eluned Parrott:** Can we assume that specific, measurable targets, with a time frame on them, will be included in those KPIs?

[230] **Edwina Hart:** The performance data published by the end of the year will include targets for 2014-15, but I have always indicated that.

[231] **Eluned Parrott:** Thank you.

[232] **Nick Ramsay:** Joyce Watson is next.

[233] **Joyce Watson:** I will now move on to trade and inward investment. Is that right, Chair?

[234] **Nick Ramsay:** I think your questions are on ‘Partnership for Growth’.

[235] **Joyce Watson:** Oh, yes; sorry. I missed out a whole raft of questions.

[236] Minister, I will turn to ‘Partnership for Growth’ and the Welsh Government’s strategy for tourism—something that is key in my area. How have the Welsh Government’s tourism priorities, as outlined in ‘Partnership for Growth’, informed the allocation of funding for tourism in the draft budget?

[237] **Edwina Hart:** The tourism priorities are aligned totally with the ‘Partnership for Growth’ tourism strategy. You will see that there has been a reduction in the budget, obviously. We are trying to deliver the priorities as we can, because perception-changing projects will require significant capital investment, as the panel has indicated to me. We are also looking at levers for private sector funding, and to lever that in, as we only have a small capital allocation of £2 million. There are issues that we need to deal with about how we support tourism via the tourism investment support scheme, and how we deal with tourism marketing, which also impacts on the budget. However, we are aligning it with the strategy.

[238] **Joyce Watson:** Can you tell me whether there has been a contribution of EU funding to tourism in the current round of structural funding, and has that been assessed in terms of value for money?

[239] **Edwina Hart:** Yes. As the finance director indicated, we are looking at all strands of European funding, and we are working on what we can do in terms of the tourism offer with

the next round of structural funds. We are going to have to be a great deal smarter than we were in the last round, in terms of getting the funds into some of these tourism projects. We have asked the city regions, which are currently looking at quite strategic tourism projects themselves that they can access on a regional basis. For instance, I understand that they are looking at Saundersfoot in the south west as being a significant project, in terms of what it will do for the tourism offer. In addition, I know that, in south-east Wales, they are looking at a very interesting project around waterways coming back down to Newport—canals and things like that—as a possible tourism and regeneration project. So, we are asking people to look collectively in some areas at which projects they can have, which might allow us to go into the tourism agenda. However, this is quite a difficult area.

[240] **Nick Ramsay:** As Chair of the Assembly's waterways group, Minister, I was very pleased to hear that reference to the extension of the canal down to Newport. Joyce, would you like to come back in?

[241] **Joyce Watson:** I am sure that Pembrokeshire will be pleased to hear about Saundersfoot.

[242] **Mick Antoniw:** It is all water under the bridge now. [*Laughter.*]

[243] **Joyce Watson:** May I ask, Minister, has all of that come about as a result of reviewing what happened previously and trying to improve, first of all on job creation, but also on the offer?

[244] **Edwina Hart:** Yes. We think that these projects will also link to wider investment, so that we can get more synergy. We are discussing with WEFO, which is an issue for us, more detailed proposals in terms of the EU prioritisation framework, which might help us with this particular agenda. Let us be frank: this is not an easy area. We are trying to take a strategic approach to the development of the portfolio, but we are looking for large-scale transformational projects, even in tourism, to stimulate the economy as well. The key issue of all of this is economic growth and jobs, is it not?

[245] **Joyce Watson:** Absolutely. Finally, within all of that—and this is about jobs and growth—there has to be the question of whether you have looked at extending the offer that most people think about—you know, bucket-and-spade tourism, because I have most of the coastline—into an expanded tourism season, as well as an expanded tourism sector?

[246] **Edwina Hart:** I think that is the key, and that is what has arisen from the discussions on the strategy. Wales has to be a 365-days-a-year destination, and we have to have the facilities that provide for that. There has been an increase in short trips and breaks, which obviously then go into non-traditional seaside holidays, because people are prepared to go elsewhere. We have also seen a large increase in activity-based holidays, which Wales is ideal for, rain or shine. We have to focus more on that, but I think that there is a lot more to be done in the heritage tourism field in particular. I attended a very interesting conference yesterday on the maritime heritage in Swansea. It was looking at how we should be using our maritime heritage far more in terms of selling Wales. The things it was looking at were very interesting; from Swansea all the way down to Pembrokeshire, our historic links and how we should be building on those. There is a lot going on within the industry. However, the industry is not particularly streamlined in the way that it works. There are loads of groups around and the current challenge for me is the regional tourism partnerships. There is concern from the industry itself about the role of the regional tourism partnerships and concern from local government about whether it is the effective mechanism that we require. There are definitely issues around that, which we are currently looking at. That is one of my areas of concern. My other concern is also the proliferation of websites that are funded by organisations, local authorities and others when there is already stuff out there. There has to be far more

integration of that because we cannot afford to waste money in this day and age with everybody thinking that they have to have their own logo and brand. The only brand is Wales, is it not, with various things underneath it? That is something that they are going to look at in terms of tourism powers to get a more strategic drive on it because we have to look at this.

[247] **Nick Ramsay:** Joyce, did you want to come back on that?

[248] **Joyce Watson:** I only wish to welcome that, because I did a survey and I fed it back to you, Minister, so you are aware of this, and that was one of the chief complaints. People really did not know where to go. They were somewhat irritated with each other, it seemed to me. They are all trying to sell different things by different mechanisms and the audience, the people who are going to buy the product, are even more confused.

[249] **Nick Ramsay:** You can just say 'yes', Minister.

[250] **Joyce Watson:** So, I am really pleased to hear that. When are we likely to see some results from that?

[251] **Edwina Hart:** Fairly shortly, in the next few months.

[252] **Nick Ramsay:** Excellent. That is what I like—succinct answers.

[253] **Alun Ffred Jones:** A gaf gyfeirio at fuddsoddi o dramor yng Nghymru? Rydych wedi dyrannu £2.1 miliwn ar gyfer masnach a buddsoddi mewnol yn 2014-15. Ar ba sail yr ydych wedi gwneud hynny?

**Alun Ffred Jones:** May I refer to foreign investment in Wales? You have allocated £2.1 million for trade and inward investment in 2014-15. On what basis have you done that?

[254] **Edwina Hart:** We decided to stretch our targets to increase both inward investment and trade. Inward investment was up 190% last year and the target was 5% of the UK figure this year. We think that that gives us the resource to match the aspiration of our target.

[255] **Alun Ffred Jones:** Ar gyfer 2012-13, mae UKTI yn sôn am 67 o brosiectau mewnffuddsoddi yng Nghymru. Faint o'r rheini y gellid eu priodoli i waith eich adran chi?

**Alun Ffred Jones:** In the year 2012-13, UKTI talks about 67 inward investment projects into Wales. How many of those can be attributed to the work of your department?

[256] **Edwina Hart:** We were involved in about 50 of the projects in the UKTI report.

[257] **Alun Ffred Jones:** Cyhoeddiadau oedd y rhan fwyaf o'r rheini, rwy'n cymryd, yn hytrach na phrosiectau wedi'u cyflawni. A yw'r Gweinidog wedi rhoi unrhyw ystyriaeth i'r gwelliannau y gellid eu gwneud i'r wybodaeth a gyhoeddir o ran perfformiad mewn buddsoddiad—hynny yw, eich bod yn sôn am swyddi sy'n cael eu darparu mewn gwirionedd o ganlyniad i'r prosiectau hyn yn hytrach na'r cyhoeddiadau?

**Alun Ffred Jones:** Most of those were announcements, I presume, rather than completed projects. Has the Minister given any consideration to improvements that can be made to the information published in relation to performance in investment—that is, that you talk about jobs that are created in reality as a result of these projects, rather than the projected jobs?

[258] **Edwina Hart:** I concur with your comments on this. Traditionally, inward investment projects have been announced in UKTI's annual report. I think that that lacks visibility and a high profile and does not give us the information we require. There is significant scope for improving on this because there tends to be an absolute difference

between the jobs announced and the jobs delivered. There are issues around that. Jobs delivered are important. We are exploring how to maximise and do all that. James might want to say a few things, because we are having discussions with UKTI about the issue raised.

[259] **Mr Price:** I have talked about this in this committee before, or I have spoken about it somewhere anyway, and said that I had a few concerns that the focus on jobs announced was not necessarily leading to real impact on the economy. In the same way as I said before, the jobs link into the economy. There is a good link, but there is still a gap. If you are just announcing something, there is an even bigger gap. Within Welsh Government we have always tried to audit this area quite carefully, because we are well aware of the fact that people will (a) check it and (b) there is no point in trying to fool yourself about what you are achieving. I am a bit concerned, in the context of competition across the UK, that not everyone is acting in that way. The jobs that are eventually delivered as a result of those activities are captured, and we do monitor them, and we are looking at making sure that we reconcile one against the other, but it is still work in progress currently. It does not always end up that the numbers are lower; quite often, the numbers are higher. It does not seem an unreasonable way to target activity, but I do think that it needs to be evaluated properly after the event to make sure that, broadly, what we said would happen did happen.

[260] **Edwina Hart:** James, do you want to say something about the issues around competition across the UK that sometimes impact on how we deal with things? I think that they would be quite interested in this. Life is sometimes not easy when dealing with UKTI.

[261] **Mr Price:** No. So, obviously, we are competing with the rest of the world to bring inward investment to Wales. The way that has always worked in the past is that you first sell the United Kingdom, and then you sell Wales as a part of it. That is the way that UKTI is meant to be set up. My concern, as an official charged with maximising inward investment to Wales, particularly when UKTI is managed from England, is how honestly that protocol is adhered to, and to make sure that UKTI is selling Wales as much as any other part of the UK—and I guess that, for that, read ‘England’ and, in particular, ‘London’. If you look at the figures, London has done exceptionally well. Wales actually did really well last year, but the rest of the UK, including regions of England, has done fairly poorly. I do not think that it is just down to officials and politics; I think that it is down to the contracts structure. So, UKTI, at a UK level, is now largely delivered on the back of private sector contracts, which are incentivised in terms of announcements and deliveries. I think that ‘abuse’ is too strong a term, but it is open to all sorts of games being played, and I say that in the context of what I said about jobs announced. If you are big company that has won a contract that is based on getting another company to announce some jobs, you might sometimes question how good those announcements are.

[262] **Edwina Hart:** However, in terms of the UKTI at a ministerial level, we have very good engagement.

[263] **Alun Ffred Jones:** Pan fyddwch yn dod yn ôl i'r pwyllgor i roi eich adroddiad chwe mis, a gaf ofyn i chi ddod â'r ffigurau am swyddi sydd wedi cael eu cynhyrchu o'r mewnfuddsoddiad hyn, i weld sut y maent yn cymharu? Bùm mewn cyfarfod gyda UKTI yn ddiweddar, ac rwy'n credu mai'r ffigur yw bod rhywbeth fel 80% o'r mewnfuddsoddiad yn y Deyrnas Unedig yn mynd i Lundain.

**Alun Ffred Jones:** When you return to the committee to give your six-monthly report, might I ask that you bring the figures for jobs that have actually been delivered from this inward investment, to see how they compare? I was at a meeting with UKTI recently, and I believe that the figure is that something like 80% of inward investment to the United Kingdom goes to London.

[264] **Edwina Hart:** We will be happy to do so if we can, if you see what I mean. If there are any caveats, we shall see.

[265] **Nick Ramsay:** Thanks, Ffred. Mick Antoniw, do you have some questions?

[266] **Mick Antoniw:** They will be very short, because I think that the Minister has answered a number of the points that I was going to raise on additional sources of investment, particularly on the European side, and I think that her last comments just lead in, to some extent.

[267] It is the same issue, of course, in terms of the European identity and securing funding there in terms of the UK member state role, as opposed to the Welsh role. You will be aware of the quite excellent work that Rhodri Glyn has been doing in raising the profile of budgeting for the regions—I suppose that it is about carving up the identity, particularly for Wales. One of the issues arising from structural funding in the future, of course, is the heavy emphasis on research, innovation, development and so on. That begins to move us to a situation where we will need to form what will probably be cross-European partnerships in terms of some of those projects. Has that been budgeted for, and was it in the strategic plan to carry on that level of development? Many of those issues were, in fact, identified in Rhodri Glyn's papers.

[268] **Edwina Hart:** The Welsh European Funding Office is not part of my portfolio, so some of the questions about the strategy are really matters for the Minister for Finance. However, we on our side of the house think that we are making the appropriate links, particularly in the areas that you are talking about, and we will continue to work through on that basis. When I return to committee for another scrutiny session, I will be more than happy to update on the progress that we are making in some of the discussions around European structural funds.

[269] **Mick Antoniw:** That is fine, thank you.

[270] **Joyce Watson:** I shall be asking questions on equality impact assessments. While I accept that you said that you would give a note on the sectors, I would just like to ask, Minister, if you can give an example of where equality impact assessments have directly influenced any allocations in your draft budget.

11:30

[271] **Edwina Hart:** That is quite a difficult area, in terms of how we fund issues. Where possible, we monitor who takes up the jobs. We try to make sure that initiatives help under-represented groups. Obviously, the tourism sector can be seen as an employment opportunity area where those with insufficient skills can apply for entry-level jobs. That can give positive employment opportunities for people who might have difficulty getting employment, in terms of gender issues. On the other hand, we can increase the value of jobs in the tourism sector and take those people with us, because there are better training opportunities for them.

[272] Creative has been quite innovative, because it has needed a lot more people. It has done some work on digital, mostly aimed at women who are coming back into the creative industries economy. It is disappointing to note that female employment has dropped in that particular sector. We do what we are supposed to do, but I am not necessarily sure that we will get the outcomes that might be desired by you and the committee. The only thing that I can say is that we have altered our approach after the Wales economic development fund, because we were conscious that we had not looked at any of those aspects when we first ran it, and we look at those aspects now. However, I will give some consideration to the point that has been raised by Joyce Watson and Byron Davies, and I will look at what more work can be done on the equality impact assessments in the department.

[273] **Nick Ramsay:** Eluned, do you have any questions?



[274] **Eluned Parrott:** No, not on that one.

[275] **Nick Ramsay:** We will move on to the second part of this scrutiny session and to issues around transport. The first question is from Byron Davies.

[276] **Byron Davies:** Do you think that preventative spending is considered at the policy-development stage, Minister, or when making estimates for existing policy decisions already made?

[277] **Edwina Hart:** We have obviously looked at existing policy decisions we have made in terms of the spend, because we did the review on concessionary fares. We then looked at the benefits of how it went out in terms of indirect benefits to health and everything—it was just over £10 million. So, it was money well spent. However, the other issue we need to be honest about is that we have now started to integrate totally the issues around preventative spend, so that there is a thorough assessment at the first stage of anything we enter into. We look at the health benefits, but we also look at road schemes in terms of safety programmes, and the Active Travel (Wales) Bill has potential health preventative measures, and there is investment in that. So, we look at them and we take them into account. As director of finance, Rob, I do not know if you would like to add anything on that.

[278] **Mr Hunter:** It is a difficult one, because when you look at it, you could argue that almost everything we do, in terms of creating jobs, is a huge piece of preventative spending in its own right. The department is very focused on creating jobs and wealth, and if you look at those things, they are preventative in their own right. Where possible, we look at this. We recognise that if you take the concessionary fares example the Minister gave, that is a statistical review that is undertaken and it is based on a set of assumptions. You can use it as a benchmark, but you cannot take it as absolute fact. However, we use those sorts of analysis, wherever possible.

[279] **Edwina Hart:** When you think about aspects of our portfolio, the blue badge scheme, for instance, enables people to get out and do things, so that can be defined as a preventative spend for those people in terms of how we administer the scheme, because it allows them social interaction and to do things. So, it is quite a wide area to get to grips with, and I think that we are getting better at looking at it in the first instance. In the past, it was probably a more historical approach, as you indicated in your question.

[280] **Byron Davies:** I see that there is a possibility of more blue badges.

[281] **Edwina Hart:** Yes.

[282] **Byron Davies:** I will ask you about the national transport plan. In July, in a statement on transport, you said that the road projects identified in the statement are subject to funding availability. Later in July, you talked about rail priorities and said that the Welsh Government prioritised a series of rail service enhancements in 2011 on the basis of the revenue budgets available. It was all about money, obviously. It seems a bit of a mess, to be honest with you, to the innocent bystander—the national transport plan—I think that it is fair to say. Can you just tell us the extent to which you are confident that all these outstanding commitments in the current national transport plan will be met?

[283] **Edwina Hart:** I am confident the plan is deliverable subject to achieving income from Europe, which we will, because I have alluded to that—if we have to look at some of the issues around it in terms of transport—and of course the borrowing powers for the M4. As long as we are on message and get all of this, I am fairly confident that we can deliver on it. It is very challenging for us, because of the settlement and because of the contracts we have got

in respect of rail and everything, and we have the franchise renegotiation. We have had a lot of discussion in the Chamber about buses, and those are issues that we will have to have a really good look at, about the way we run all of that. In terms of the national transport plan, we have gone through it with a fine-toothed comb since I have had it and James has taken over as director. We have gone through everything in it—every allocation that has been made, everything.

[284] **Mr Price:** I think you need to overlay the NTP with the Minister's statement. The Minister's statement did, in effect, reprioritise certain things, and we went into a huge amount of detail to ensure that everything in that statement was deliverable on the dates that we said in the statement, with the caveats that the Minister gave, which are that we have assumed income from Europe on certain projects and a certain success rate in terms of bidding for central capital from finance, and we have also assumed borrowing powers for funding a significant proportion of the M4.

[285] **Alun Ffred Jones:** Ar y pwynt hwnnw, rydych yn sôn am bwerau benthyg ar gyfer yr M4; a ydwyf i'n iawn, felly, i ddweud nad oes un o'r cynlluniau cyfalaf hyn ar gyfer 2014-15 a 2015-16 yn dibynnu o gwbl ar unrhyw bwerau benthyg neu unrhyw gynlluniau benthyg arall? Mae i gyd yn dod o'r cyfalaf sydd ar gael yn ganolog.

**Alun Ffred Jones:** On that point, you mention borrowing powers for the M4; am I right to say, therefore, that not one of the capital schemes for 2014-15 and 2015-16 are reliant on any borrowing powers or other borrowing plans? It all comes from the capital that is available centrally.

[286] **Edwina Hart:** Yes.

[287] **Alun Ffred Jones:** Iawn. A gaf i ymhelaethu ar un peth arall? Rydych wedi cyfeirio at y Bil Teithio Llesol sydd wedi ei basio. A ydych yn bwriadu rhoi swm o arian ar gyfer cyflawni'r Bil Teithio Llesol, ar gyfer ariannu cynlluniau o fewn yr awdurdodau lleol?

**Alun Ffred Jones:** Right. May I just expand on something else? You referred to the Active Travel Bill that has been passed. Do you intend to provide a sum of money for delivering that Bill, for funding schemes within the local authorities?

[288] **Edwina Hart:** I have agreed to make some money available in terms of the Active Travel Bill, yes.

[289] **Alun Ffred Jones:** Fodd bynnag, nid yw yn y gyllideb ar hyn o bryd, a yw?

**Alun Ffred Jones:** However, it is not in the budget at the moment, is it?

[290] **Mr Price:** I can talk about that.

[291] **Edwina Hart:** Yes, we can talk about that. Obviously, the Active Travel Bill is not being taken forward by me; it is being taken forward by my colleague John Griffiths. However, some of the budgetary issues are with us, are they not, James?

[292] **Mr Price:** Yes, so we will have a responsibility for delivering the aspects of the Bill, and also, when it impacts on us as a direct deliverer of transport interventions, we have to provide acceptable alternatives alongside that existing corridor. So, on the mapping element of it, I think we have about £0.5 million set aside in the budget.

[293] **Edwina Hart:** £300 million.

[294] **Mr Hunter:** £300,000.

[295] **Mr Price:** £300,000, okay. That is not far off, from memory. The other aspects of the project will have to be contained within existing budgets. So, for example, the Newtown bypass project will have to contain the costs associated with the Active Travel Bill, and the way that we will do that is by value-engineering the cost of the main scheme down to allow that to occur.

[296] **Edwina Hart:** We are looking at the value-engineering issues on a lot of things. The Newtown bypass is actually quite a good example of where you can make quite significant savings by looking at how it can be engineered. Also, in terms of routes, when we looked at routes recently, like the work at Bontnewydd, we made significant savings by changing how that bypass was running and the route that it was going on. We are really going into every detail and looking to get the best out of the contracts.

[297] **Alun Ffred Jones:** Un peth arall: **Alun Ffred Jones:** Just one more thing: I note from this list of schemes for 2014-15 and 2015-16 that they are all in the south-east. Does that mean that no schemes will be happening elsewhere in Wales?  
 rwy'n nodi o'r rhestr hon o gynlluniau ar gyfer 2014-15 a 2015-16 eu bod i gyd yn y de-ddwyrain. A yw hynny'n golygu na fydd cynlluniau yn digwydd yn unlle arall yng Nghymru?

[298] **Edwina Hart:** There are the existing ones.

[299] **Mr Price:** There are the existing ones, yes. It does not mean that no schemes will be happening anywhere else, but in terms of new schemes starting, they are in the south-east. However, that is on the back of a period of time when significant schemes were in mid and north Wales.

[300] **Byron Davies:** On the national transport plan, you have partly answered this by talking about investment in the Newtown bypass and Bontnewydd et cetera, and we will not go over old ground here, but there has been a huge amount of wastage of Government money with road construction. What have you done to address that?

[301] **Edwina Hart:** A lot. James?

[302] **Mr Price:** I think that the best place that this was referenced was in a Wales Audit Office report. I remember—I think that I was in this room—giving evidence to the Public Accounts Committee linked to the transport grant and the fact that, for a period of time in the late 1990s and early 2000s, performance was particularly bad on this. Road schemes were routinely going over budget by 50% or 60% on £100 million schemes. A decision was taken shortly before the end of that WAO report being written to cap the cost of all schemes from the Welsh Government. In one way, that might not necessarily have any impact on the whole scheme if local government continues to damage its budget, but what we found is that, if people do not think that there is a free source of cash coming, they manage a project a whole lot better. So, that was done. There is only one large local authority-led transport grant scheme still under construction in this financial year, which I think is Harbour Way, which has been capped. Once that scheme has gone through, there are no more of those types of schemes.

[303] Within the Welsh Government, we have also taken a much more robust approach to controlling cost. That starts by being honest about what the cost is to start with, because that is where they frequently went wrong before—holding the cost down to get a scheme announced, and then the cost of the scheme went up. So, we have tried to be very honest about what the scheme is likely to cost to make sure that it is affordable, and to make sure that, wherever we possibly can, we hold to the cost of those schemes.

[304] **Edwina Hart:** We have designed the contracts to use commercial incentives to achieve the costs that we have projected. The costs are reviewed on a monthly basis and everything is now challenged on that basis as we go through.

[305] **Nick Ramsay:** The next question, moving on to the implications of reductions in revenue, is from Joyce Watson.

[306] **Joyce Watson:** Minister, it is clear that you have £9.2 million less in your revenue budget, and that it might have an impact on areas of spend. Have you been able to identify any specific aspects of public transport delivery or road network management that are vulnerable to the effect of those reductions in the revenue budget?

[307] **Edwina Hart:** In general, I have said to officials that we will be looking to maintain safety and to minimise the impact on service provision, and that is what we are doing in terms of negotiations. We will look even more to drive out inefficiencies and to get more efficiencies in. We have to ensure that we protect services as part of these, because we have to have long-term sustainable solutions. However, some of the detail of this is now subject to negotiations, and I will be more than happy, when I come back with a supplementary budget, to deal with those issues when there is greater clarity and that information can go into the public domain.

[308] **Joyce Watson:** That was my next question, so we will leave it there.

[309] **Nick Ramsay:** Well done, Minister, for anticipating the questions; it helps us move things on. A question on the Wales transport strategy now, from Byron Davies.

[310] **Byron Davies:** In practice, how does the Wales transport strategy inform the transport budget planning and prioritisation process, given that it was developed by a previous Government?

11:45

[311] **Edwina Hart:** At the end of the day, it is a strategy document and it continues to support our discussions in the department. I have no plans to publish a new strategy.

[312] **Byron Davies:** Do you intend to refresh it in any way?

[313] **Edwina Hart:** I think that it is quite clear that I concentrated on jobs and growth as the Government criteria, and I look at transport in that manner. However, I do not intend to publish a new document.

[314] **Nick Ramsay:** I call on Eluned Parrott to look at the evaluation of the current transport plans.

[315] **Eluned Parrott:** I want to ask about the current national and regional transport plans, if I may, Minister. You do conduct monitoring and you have published monitoring reports—a baseline in 2010 and an update in 2012. Can you tell us how are you using those data to evaluate the value for money that you are getting from the national transport plan?

[316] **Edwina Hart:** I think that we do use the data very well in that area. You will be aware that the regional transport plans are made up of schemes that the consortia monitor currently. However, I have made it clear that I am not content with the performance of the consortia in a number of areas, and that is one of those areas. I am now taking advice about how I am going to deal with some of the consortia on this. The information that you get, James, from the monitoring does have a direct influence.

[317] **Mr Price:** Do you want me talk about the national transport plan and stuff?

[318] **Edwina Hart:** Yes.

[319] **Mr Price:** In some ways, when I was looking at it the other day, I thought that the national transport plan was a bit of an odd document. It contains a series of projects, which are very clear about what we are going to deliver, and it contains a series of policy aspirations. So, in terms of the policy aspirations, that is where monitoring is relevant. In terms of the individual schemes, that is where proper value for money and delivery against target, which you were talking about earlier, are much more relevant. Depending on what the scheme is, this is done in a different way, but for road schemes, at the very beginning, there is a very clear cost-benefit analysis done. At each stage in the run-up to the letting of the contract, that is tested to make sure that the cost-benefit analysis still stacks up. Once the contract is managed through to its end, an evaluation is done to ensure that we deliver the benefits that we expected to deliver. So, that is done on all the road projects. A similar thing is done for rail, but the metrics that are used are slightly different.

[320] There is a gap that we are looking at, which is how all this ties together. This has always been something that I have been a bit critical of, that is, the way that transport planning is done, not just in Wales, but across the UK. We tend to look at schemes from their start to their end, and we do not ask, 'What happens more widely as a consequence of that?' So, if you opened up a piece of dual carriageway, traditionally, we would say, 'That has improved journey time by that amount', but you tend not to count in the chaos that you have caused by getting people to the next bit of the traffic jam quicker. So, we are looking to try to evaluate in a more sensible way and in a system-wide way.

[321] **Edwina Hart:** Aston Hill has been an excellent example in north Wales. So, we are actually looking at the needs of planning more together because we do think that that is a shortfall in the current arrangements.

[322] **Eluned Parrott:** I am just wondering whether I can clarify with you what it is with the regional transport consortia that you are dissatisfied with at the moment. Is it the collection of data, or is it that the data that you have collected have identified implementation problems? What is the issue here?

[323] **Edwina Hart:** I think that I have had feedback from business and local authorities about their concerns about it and that it is not necessarily fit for purpose at the moment. I am therefore looking at the options around what I can do with it. I also feel, with the emergence of city regions, that I might have to look at transport in a very different way. I have also felt, since we have had these enormous discussions about buses and the impact on bus contracts and so on across Wales, that I will have to have a good look at some of this from the centre. Perhaps we have not been taking the whole approach that we should have taken across Wales because we have had the development of these consortia. Of course, I will advise Members if I make any decisions in this particular area, but I think that one of the greatest impacts for me has actually been the issues around city regions. City regions are to be real; they are to be doing things. That is one of the areas that they must start to look at.

[324] **Eluned Parrott:** Clearly, when we are looking at the transport planning going into the future, if we have problems over the edge of maps, if you like, where one region fits into another, it is obviously vital that, if you are going to have a national transport plan, it nests together with the regional transport plans and that they fit together effectively.

[325] **Edwina Hart:** Absolutely.

[326] **Nick Ramsay:** Minister, on the regional bus strategies, they have not been long in place, but they are not working effectively.

[327] **Edwina Hart:** We are very concerned about buses. What has happened in west Wales and the Vale of Glamorgan in particular, has indicated to us that we are going to have to do something more. We appreciate that subsidy is going to have to be put into rural bus services, but we are really going to have to look at some wider issues. One of the issues that we have been exploring, because of the expertise that will be required on some of this, is whether we should actually be looking at the franchising issues of this and going in a totally different direction in terms of how we are going to deal with some of this stuff. That will then have to be dealt with from the centre in terms of the direction of travel that we take. We are just exploring these things at the moment, and, as I indicated when I reported on Tuesday, we are currently taking it forward with some local authorities to explore now. We must have a situation where we are providing for people in certain areas the transport that they need, and I think that we need to look at more innovation. I have been lobbied quite hard by people for us to take a look at everything that we need in this particular area. It is about radical options: looking at franchising and at what the consortium has delivered, and what it has not, and how we protect those very necessary services. We are in a state of flux in terms of discussions, but we are moving forward.

[328] **Eluned Parrott:** I understand that, Minister, but going back to this idea of needing a coherent single strategy where the regional strategies serve the national strategy, you will be aware that this committee's report into integrated public transport was suggesting changes to the way in which those regional strategies were developed, but, when we took evidence from the consortia, we heard that it had not been given guidance on the development of its current regional transport plans. TraCC, for example, said that

[329] 'Much of the system that is now in place has been "pioneered" (or evolved) with little Welsh Government strategic vision or guidance, other than a Review of Transport Planning and Delivery undertaken in 2009/10.'

[330] What guidance have you issued to the regional transport consortia?

[331] **Edwina Hart:** James and I have, effectively, picked up the transport portfolio just in recent months. Some issues have come into view now quite prominently around transport. We have taken a fresh look at some of these issues and we totally concur—I certainly do—with your comments about having the appropriate linkages, and, if we are to deal with things on a regional basis, looking at what type of guidance we are going to have to give.

[332] **Eluned Parrott:** Okay; thank you. Back in February, the previous Minister gave a paper to the Cabinet that suggested a four-stage process for developing the next transport plan, namely developing a planning framework and evidence base in 2013, identifying and prioritising interventions in 2013-14, and implementation starting in 2015. Given that the current budget that we are looking at is obviously that for 2014-15, can you tell us what provisions you have made in the draft budget to develop that next national and regional transport plan?

[333] **Mr Price:** If it is okay, I will take one step back first and just reference something that you might want to have a look at. You have probably looked at it anyway, but, if you go back to the ministerial advisory group on transport, chaired by Richard Parry-Jones, which I think reported in about 2009-10, you will see that regional planning and transport planning is discussed. He basically concluded that what was being delivered on a regional basis in the consortia, and actually what was being delivered by the Welsh Government, neither of which was fit for purpose, should all be pulled together. He did not say that some of it should not happen in the regions, but that transport planning was such a technically difficult thing to do

that there was no way that a place like Wales could have five different teams doing it really well.

[334] We are now in a place where we are trying to pick up all of that in a much more difficult time, because there is much less money available than there was then. Back then, we had the bus service operators grant, the local transport services grant and a very generous concessionary fare reimbursement to the operators. When I was in transport, we got a better deal with operators on concessionary fares. During the last 18 months, LTSG and BSOG were moved into one funding source, which is now with the consortia. What we are considering now is how we pull all of that together properly.

[335] In terms of budgetary requirements to do that—the planning element—that is within the policy stream and is in the budgets already. The big cost of it is not the planning element—it is the delivery element of it. We have the budget within which we have to work for that, which is about £24 million for the regional transport service grant and the current concessionary budget. The current concessionary budget is around £70 million.

[336] **Edwina Hart:** The Richard Parry-Jones report is a very good report, and makes for interesting reading. In this context, it has been a very useful document; it is colouring how we are taking some elements of transport policy forward.

[337] **Eluned Parrott:** Very quickly—clearly, the situation has changed since 2009, but it has not changed that much since February—have you changed the timetable on the paper that was delivered to the Cabinet on 19 February?

[338] **Edwina Hart:** No.

[339] **Eluned Parrott:** Fine; thank you.

[340] **Nick Ramsay:** Can I just ask—returning to our old friend collaboration—whether you can identify any specific measurable savings that have resulted from the collaborative approach to date?

[341] **Edwina Hart:** I think that the collaborative approach has been good, particularly on issues related to the winter, such as maintenance, salt supplies and dealing with those issues. Some local authorities have been very good in terms of the collaborative approach with us when we discuss with them alterations that they are making. For instance, we are, hopefully, now going to have a good relationship with Powys when it deals with the Newtown bypass on some of the pinch points before that work. There have been some good examples of collaboration.

[342] **Mr Price:** The three best examples are, first, the salt one, which the Minister talked about, where you have regional salt barns that are being shared between the Welsh Government and local government; secondly, road safety is quite a good one, where local authorities have worked together to plan road safety interventions and then deliver them through better contracts; and I cannot remember the third example that I was going to give, sorry.

[343] **Edwina Hart:** It does not matter.

[344] **Nick Ramsay:** We have two, anyway.

[345] **Alun Ffred Jones:** Hoffwn **Alun Ffred Jones:** I will refer briefly to the gyfeirio'n fyr at y fenter fenthycu local government borrowing initiative. What llywodraeth leol. Pa ddarpariaeth sy'n bodoli provision exists in the draft budget for the

yn y gyllideb ddrafft ar gyfer y fenter local government borrowing initiative?  
fenthycia llywodraeth leol?

[346] **Edwina Hart:** That is a matter for the Minister for Finance, not me.

[347] **Alun Ffred Jones:** Fodd bynnag, o ran monitro'r cynlluniau hyn—achos mae'n ymwneud â gwella cynnal a chadw ffyrdd—fyddwch yn ymgymryd ag unrhyw waith i sicrhau gwerth am arian o'r cynlluniau hyn?  
**Alun Ffred Jones:** However, in terms of monitoring these schemes—because this relates to maintenance of the roads—will you be undertaking any work to ensure value for money from these schemes?

[348] **Edwina Hart:** Obviously, these are issues that I discuss with the Minister for Finance, and at official level discussions take place about ensuring value for money.

[349] **Keith Davies:** Byddaf yn gofyn fy nghwestiwn yn Gymraeg eto. Rwy'n credu bod James wedi ateb y cwestiynau cyntaf a oedd gennyf am y prosiectau mawr a'r hyn yr oedd Richard Parry-Jones a'i grŵp wedi'i ddweud. Mae'r cwestiwn arall sydd gennyf ar yr M4 o gwmpas Casnewydd. Mae nifer o asiantaethau yn sôn am y diffyg asesiad amgylcheddol i'r de o Gasnewydd. Y cwestiwn cyntaf ar hynny yw hyn: ble'r ydym ar hynny? Mae'r Prif Weinidog wedi dweud ei fod yn aros i fenthycia arian, wedyn mae'r asiantaethau eraill hyn wedi dweud nad oes asesiad amgylcheddol wedi cymryd lle.  
**Keith Davies:** I will again be asking my question in Welsh. I think that James has answered the first questions that I had about large projects and what Richard Parry-Jones and his group had said. The other question that I have is on the M4 around Newport. A number of agencies have mentioned the lack of an environmental assessment to the south of Newport. The first question on that is this: where are we on that? The First Minister has said that he is waiting to borrow money, while the other agencies are saying that an environmental assessment has not taken place.

[350] **Edwina Hart:** Obviously, the financial position is quite clear, as outlined by the First Minister in his statements on this. We are currently in a process of consultation on the M4, so the director will carefully choose his words in responding to your question.

[351] **Mr Price:** We are currently out to consultation on proposals to improve capacity and reliability on the M4 corridor—that is how we are looking at it, and that is certainly how we, as members of the Government, have to look at it. We have to come at this with an open-minded approach and accept that there is a problem and that we want to deal with it. How that problem is dealt with is delivered via a set of processes and procedures, basically.

[352] In terms of the environmental issues, we are absolutely doing everything that we need to. In fact, I think that we are going above what we need to do, because of commitments made by previous Ministers, who committed to do various things in terms of strategic environmental assessments. Those are all being done. If you stuck to the strict letter of the law, you could probably avoid doing that. The fact is that we are not avoiding doing it, and we are doing strategic environmental assessments. That has involved work with Natural Resources Wales over the summer period to ensure that the questions that go into the consultation period are right.

12:00

[353] **Edwina Hart:** I think that the lawyers should congratulate the director on his response. [*Laughter.*]

[354] **Nick Ramsay:** What provision is made in the draft budget for delivery of the recommendations of the north-east Wales integrated transport taskforce?



[355] **Edwina Hart:** As you know, I am going to ask Lesley Griffiths to chair that particular group. It is going to be looking at all of the issues around it. It will just be a general administrative cost for us, not anything specific. It can obviously come forward with any projects that it wishes to take, as has been done in south-east Wales, and we will cost them and look at the appropriate budget lines.

[356] **Nick Ramsay:** Do you intend to produce clear, costed delivery plans for the delivery of integration programmes in both north-east and south-east Wales, as recommended by the committee?

[357] **Edwina Hart:** Yes.

[358] **Nick Ramsay:** Okay. Thank you. I now bring in Joyce Watson.

[359] **Joyce Watson:** I am not sure that the Minister has not answered all of these questions. They are specifically about the regional transport service grant. If I understood you rightly, Minister, you are going to have a review of those grants.

[360] **Edwina Hart:** Yes.

[361] **Joyce Watson:** Therefore, there is very little point in pursuing the issue, except to ask when we might expect some outcomes.

[362] **Edwina Hart:** We are kick-starting the initial work now, but it is a very complex area. I would have thought that we would be in a position to look at some proposals before Christmas, and we will probably be able share those in the new year.

[363] I would like to make an open offer to committee members, Chair. If they have issues around this, I would be interested in their views and would be more than happy to prepare for them to meet the officials who might be taking the work forward on this, to feed in their views about this. I do not think that we want to have disagreement across political parties about some of the issues to do with travel. We have to try to develop a consensus, if we can, to make sure that we have the right mechanisms in place on contracts for buses and everything, and that we have more of an open discussion than we have perhaps had before. So, as we start to establish some of the ideas that we are looking at with the consortia and how we might do things differently on the buses, I will ensure that Members—probably those from the committee—will be invited for an informal briefing, to see whether there is anything that they want to feed in with officials. This is very complicated.

[364] **Keith Davies:** I just wish to add to that, Minister. Some time last year, we had people from the different local authorities along, and I remember the person from Powys talking about integrated transport. He said that, when they looked at the timetables for trains and buses, they increased the number of passengers on the buses. That was because of looking at integrated transport arrangements.

[365] **Edwina Hart:** There is no doubt that sufficient work is being done on a local basis on that, in terms of what we need to do. I have been very impressed with some of the groups that I have met—particularly the rail action groups that have looked at these particular issues, such as where stops are located, timing and so on. This is really fundamental, and I do not think that it is running that well in certain areas. We have concerns, do we not, James?

[366] **Mr Price:** Yes. Is it worth me coming in on this?

[367] **Edwina Hart:** Yes, it is.

[368] **Mr Price:** I did not come in earlier because it is so complicated—it is not that complicated, but to do it properly, I think that it is complicated. You have two ends of the spectrum here. Some operators will say that the Government should not intervene at all. They say that the Government should provide some basic subsidies—which was what BSOG and LTSG used to be—and then let the market dictate which routes to run and which routes are not run.

[369] **Keith Davies:** We were paying for empty buses, so Carl Sargeant told us.

[370] **Edwina Hart:** Yes, that is right.

[371] **Mr Price:** That is one end of the argument. The other end of the argument is that you should run something like Transport for London in London. That is a franchise model, basically, or it feels like a franchise model. You specify every route that you want and contract out the whole thing, and commercial routes cross-subsidise non-commercial routes.

[372] **Nick Ramsay:** It is like rice: many can cook it; few can cook it well.

[373] **Mr Price:** If you go to that end of the spectrum, you would need to plan it incredibly well and you would need to bring people with you because, at that point, it is the Government that is responsible for the routes. We have, in the past, left it at the commercial end while pretending we are playing around with intervening. With budgets reducing and reducing, we need to do it in a different way, but exactly what the balance is and whether the balance is the same in all parts of Wales, I am not sure.

[374] **Nick Ramsay:** It sounds phenomenally complicated. Joyce Watson, did you have any questions on community transport?

[375] **Joyce Watson:** Yes, we can ask about community transport and how that feeds in. The Minister talked about that just the other day. Does the Minister see a role for community transport within her multi-annual funding?

[376] **Edwina Hart:** Some of the community transport money has gone to the regional transport grant, but the amount of resource going in has doubled. A review of community transport was undertaken by the previous Minister after the pilot was run but was not taken forward. Community transport is important and we will continue to examine the scope. We need to look at the multi-year issue. We need funding arrangements to be pretty flexible. I am sorry, that is probably not a satisfactory answer, but that is the position.

[377] **Joyce Watson:** That is okay, thank you.

[378] **Nick Ramsay:** Can you give any reason why the Welsh Government has been able to agree multi-annual funding for concessionary fares but not for community transport?

[379] **Edwina Hart:** It has just been too difficult.

[380] **Nick Ramsay:** That is probably one of the best answers—

[381] **Edwina Hart:** It has been difficult because of the numbers of providers and people.

[382] **Mr Price:** The concessionary fares were a lot easier because it is a national scheme. Providing a multi-annual agreement was necessary to get an agreement with the operators. Normally, the Government does not provide budgets that run over more than one financial year, particularly in the current economic climate. It is very difficult because you do not know

what the budget you will get from the UK Government is. Every year, there have been in-year changes, but we are keen to do this.

[383] **Edwina Hart:** I am keen to do it because some community transport services are essential, especially now as I know that the Minister for health is looking at issues around transport to hospitals and how to deal with that. He has a transport official working full time on this. There might be an issue about providing community transport for some of these links. They would need to know that if they had the funding one year, they would have the funding to continue that service. So, I have to look at it in the round and take into account the work that is being done in health. I see it as my duty as Minister for transport to link into that health work to make it so that people can travel freely back and forth to hospital, particularly from rural areas.

[384] **Eluned Parrott:** Minister, you stated in your paper that the funding for community transport has effectively doubled under the new system from £1 million to £2.5 million. However, that does not take into account the previous funding that it used to have under the community transport concessionary fares initiative. What is the change in the year-on-year budget when that is factored in?

[385] **Edwina Hart:** We will have to check that.

[386] **Eluned Parrott:** Okay, thank you.

[387] **Alun Ffred Jones:** To return to the Active Travel (Wales) Bill, do you think that the allocation of £300,000 will achieve the aims of the Bill?

[388] **Edwina Hart:** I very much hope it will.

[389] **Nick Ramsay:** Byron Davies, do you have a supplementary question on that?

[390] **Byron Davies:** Not really, as I think that Alun Ffred has more or less covered most of the points that I would have raised there. So, I do not think that there is any more to be said on that.

[391] **Edwina Hart:** I can give you an assurance on the Active Travel (Wales) Bill that we will continue to monitor in real terms what we can do. However, it is up to local authorities to look at their schemes, and for us to look at ours, in how we deal with some of the issues around this.

[392] **Mick Antoniw:** On European funding and the Connecting Europe funding that is available, have we made any progress? It seems to all drive down from the Department for Transport, so how are we liaising with it? It seems to be an important source.

[393] **Edwina Hart:** We can go into that. We have agreed on the map, have we not?

[394] **Mr Price:** It has not been agreed yet.

[395] **Edwina Hart:** We have not confirmed the map yet, and that is part of the problem.

[396] **Mr Price:** It has been a bit slow. We are not holding it up. For rail freight, you have the south Wales main line, and the Milford Haven branch; rail passengers are about the same; and then Crewe to Holyhead. On roads, you have the M4, A48, A40, A55, A494 and A550. The important thing is that we bid for as much money as we can possibly get. However, an important context here is that while the overall scheme is worth about €32 billion, around a third of that is for accession countries. So, what is left is around €22 billion and we want to

get the best that we can get out of that. We got some in the past, but it was mainly for intelligent-transport systems—the lit-up signs on the motorway. We have not had any money for real infrastructure yet, which we need to try to get.

[397] **Eluned Parrott:** I would like to ask a couple of question based on your paper. I noticed that, in terms of capital allocations, you have £9.8 million this year and £5 million the following year going to sustainable travel, for the south-east Wales integrated transport strategic priority from central reserves. Is that funding going into supporting projects under the Active Travel (Wales) Bill?

[398] **Mr Price:** Some of it will be linked because they will be supporting walking and cycling. Therefore, yes, I suppose it is. However, they were in there independently of the Bill.

[399] **Eluned Parrott:** That is great for my region, but why is it that only south-east Wales integrated transport is benefiting from that sustainable transport funding?

[400] **Edwina Hart:** They all benefit from the money that we give out in resources as part of the Active Travel (Wales) Bill.

[401] **Mr Price:** I think that the sustainable budget line that you were talking about was about Smarter Choices, which was mainly targeted at urban areas, because it was about getting people out of the car in congested areas and using the bus, the train, walking and cycling, which is different from more general sustainable transport issues, which is the Active Travel (Wales) Bill, and our activities on the back of that. If you costed them on a scheme-by-scheme basis, I bet you that, in 10 years' time, those figures will dwarf the figures that you just quoted.

[402] **Eluned Parrott:** So, what is that £9.8 million and £5 million for? I am sorry, I am just not clear about that.

[403] **Mr Price:** We will have to get you a detailed note on it.

[404] **Edwina Hart:** Do you want the detail on how it links into the Active Travel (Wales) Bill and the consequences? Is that what you would like?

[405] **Eluned Parrott:** If that could be provided, that would be helpful.

[406] **Edwina Hart:** We will look to see what we can provide on those links and how we think it will run.

[407] **Eluned Parrott:** While I am being cheeky and asking for detail, obviously, there is money allocated to the delivery of the metro programme, again, within south-east Wales integrated transport. Are you able to give us more detail about what you expect to be delivered over the next two years?

[408] **Edwina Hart:** We are having discussions about the metro. Mark Barry's report is completed, and I will have discussions with him later today. I am fairly certain that I have already put his executive summary on the website, have I not?

[409] **Mr Price:** It is not up on the website yet, but it will be on Monday.

[410] **Edwina Hart:** The executive summary will be on the website on Monday. We will then be taking through the work, in terms of what we are doing and the key milestones.

[411] **Mr Price:** The allocation of £62.3 million is mainly in relation to station upgrades

and new stations on the existing network, as a prelude to the metro, which will then form part of the metro network.

[412] **Edwina Hart:** I will be more than happy, when we decide to go ahead with this, for the full presentation to be undertaken.

[413] **Nick Ramsay:** What assessment of the sustainable development agenda did your department carry out as part of the budget-planning process?

[414] **Edwina Hart:** It has been built into the budget process all the way. All policy areas are challenged on sustainable development. We look at it across the piece. We look at it along with equality and human rights. The guidance has been developed by the Fairer Futures division, which looks at what we do. We look at the measurements of sustainability in terms of long-term prosperity for Wales, which is one of the criteria. We look at other issues, such as next generation broadband, in terms of sustainability, and we are working with the council for economic renewal, which the First Minister chairs, and the climate change commission to look at issues around green growth in Wales, which is also part of the sustainable development agenda.

[415] **Nick Ramsay:** Did your Ministers receive any guidance on completing a sustainable development assessment as part of budget planning?

[416] **Edwina Hart:** Yes. We get everything from the Fairer Futures people in terms of officials looking at how we do budget planning. So, the answer to that question is 'yes'.

12:15

[417] **Nick Ramsay:** Were there any specific changes that were made to the draft budget as a result of the sustainable development assessment?

[418] **Edwina Hart:** I do not think so, because we have already embedded sustainability into what we do across the piece, so we look at it as a norm and as a pattern.

[419] **Mr Price:** It is one of the things that Rob has been particularly championing across the department.

[420] **Mr Hunter:** One of the things that we have done in the past 12 months is—before, sustainable development or equality would sit on the outside, so we had specialists embedded in our teams, but they sat on the outside and looked at things retrospectively—in the quarterly reviews that I have of every project, I bring the specialists in at the ground level, if you like. As projects are being discussed—you talked about reallocation right at the beginning of the committee meeting, so if we are talking about reallocation of resources—I bring those teams in on those very first discussions. It is difficult to say what has changed, because the discussion carries on and those teams follow up on anything they feel that they should be following up on, so it naturally develops, really.

[421] **Nick Ramsay:** How will you measure the impact of your budget on sustainable development?

[422] **Edwina Hart:** I think that we are looking at measurable outcomes, particularly in terms of next generation broadband, in terms of sustainability. This is the work that is ongoing, which I think will then influence how we might like to look at other issues.

[423] **Nick Ramsay:** Thank you. Do Members have any further questions for the Minister and her officials? I see that they do not. Thank you, Minister. We are a few minutes ahead of

time.

[424] **Edwina Hart:** Thank you very much indeed.

[425] **Nick Ramsay:** I thank the Minister, Edwina Hart, and her officials, James Price and Rob Hunter, for helping us today with our look at the budget.

12:17

**Papurau i'w Nodi**  
**Papers to Note**

[426] **Nick Ramsay:** I want to bring this session to a close, but, first, I remind Members that we have papers to note on fairness in finance, and we have six-month updates on rail priorities, the M4 and transport priorities. I see that Members are content to note those papers. We are back at 1.30 p.m.

*Daeth y cyfarfod i ben am 12:17.*  
*The meeting ended at 12:17.*