



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

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

**Dydd Iau, 20 Mawrth 2014  
Thursday, 20 March 2014**

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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
Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Andrew R.T. Davies	Ceidwadwyr Cymreig (yn dirprwyo ar ran Byron Davies) Welsh Conservatives (substitute for Byron Davies)
Keith Davies	Llafur Labour
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie James	Llafur Labour
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

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

Jeff Andrews	Cynorthwydd Polisi Arbennigol, Llywodraeth Cymru Specialist Policy Adviser, Welsh Government
Yr Arglwydd/Lord Bourne	Cadeirydd y cyd Fyrddau Ardaloedd Menter Chair of the Collective Enterprise Zone Boards
Tracey Burke	Cyfarwyddwr, Strategaeth, Llywodraeth Cymru Director, Strategy, Welsh Government
Jeff Collins	Rheolwr Prosiect-Cyfarwyddwr, Llywodraeth Cymru Project Manager-Director, Welsh Government
Elaina Gray	Cyfarwyddwr Datblygu Busnes, Canolfan Gelfyddydau Chapter Business Development Director, Chapter Arts Centre
Natasha Hale	Pennaeth Sectorau, MEDIA Antenna UK Head of Sectors, MEDIA Antenna UK
Rob Halford	Pennaeth Cynllunio a Strategaeth, Llywodraeth Cymru Head of Planning and Strategy, Welsh Government
Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (The Minister for Economy, Science and Transport)
Dr Anne Howells	Swyddog Datblygu Ewropeaidd, Prifysgol Aberystwyth European Development Officer, University of Aberystwyth
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog Cyllid) Assembly Member, Labour (The Minister for Finance)

Dr David Llewellyn	Ymgynghorydd Annibynnol Independent Consultant
Jane McMillan	Pennaeth Rheoli Rhaglenni, Cronfa Strwythurol Ewropeaidd, Llywodraeth Cymru Head of Programme Management, European Structural Fund, Welsh Government
Dr Liz Mills	Dadansoddwr Polisi Annibynnol Independent Policy Analyst
Damien O'Brien	Prif Weithredwr, Swyddfa Cyllid Ewropeaidd Cymru Chief Executive, Wales European Funding Office
James Price	Cyfarwyddwr Cyffredinol, yr Economi, Gwyddoniaeth a Thrafnidiaeth, Llywodraeth Cymru Director General Economy, Science and Transport, Welsh Government
Gethin Scourfield	Cynhyrchydd, Fiction Factory Films Producer, Fiction Factory Films
Ruth Sinclair-Jones	Cyfarwyddwr, Asiantaeth Genedlaethol y DU, Erasmus+, British Council Director, UK National Agency, Erasmus+, British Council

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

Gregg Jones	Swyddfa'r UE EU Office
Olga Lewis	Dirprwy Glerc Deputy Clerk
Andrew Minnis	Y Gwasanaeth Ymchwil Research Service
Claire Morris	Clerc Clerk
Siân Phipps	Clerc Clerk
Ben Stokes	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 09:17.*  
*The meeting began at 09:17.*

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

[1] **William Graham:** Good morning. I welcome our witnesses. Thank you very much for your attendance today.

**Ymchwiliad i Gyfleodd Cyllido yr UE 2014-2020 (Sesiwn 5)**  
**Inquiry into EU Funding Opportunities 2014-2020 (Session 5)**

[2] **William Graham:** We will go straight into questions, as we are very pressed for time. Would you give your names and titles for the Record, and then we will move on to the discussion.

[3] **Ms Sinclair-Jones:** Good morning. I am Ruth Sinclair-Jones from the British Council, and I am the director of the UK's national agency for Erasmus+.

[4] **Ms Hale:** Good morning. I am Natasha Hale. I am the deputy director of sectors and business within the Directorate for Economy, Science and Transport. I am responsible for the creative industries as part of my role.

[5] **William Graham:** Thank you very much. How are the national agency and national directors selected, and what is the process within the UK?

[6] **Ms Sinclair-Jones:** I am sorry; did you ask how the national agency is selected?

[7] **William Graham:** Yes.

[8] **Ms Sinclair-Jones:** The national agency was selected by competitive tender by the Department for Business, Innovation and Skills. That process was carried out last autumn. As a result of that competitive tender, the bid was won by the British Council in partnership with Ecorys UK. So, the British Council, in partnership with Ecorys UK, is now the UK's new national agency for Erasmus+.

[9] **Keith Davies:** Bore da. Gofynnaf fy nghwestiynau yn Gymraeg. Beth yw rôl asiantaeth genedlaethol Erasmus+ o ran cyflwyno camau gweithredu? Pa gymorth yr ydych chi'n meddwl ei gynnig? A fydd newidiadau o gymharu â'r hyn sydd wedi digwydd dros y chwe blynedd diwethaf?

**Keith Davies:** Good morning. I will ask my questions in Welsh. What is the role of the national agency for Erasmus+ in delivering centralised actions? What support are you thinking of providing? Will there be changes, as compared with what has happened over the past six years?

[10] **Ms Sinclair-Jones:** Bore da. Thank you for those questions. May I just check that you are talking about centralised actions, rather than decentralised actions?

[11] **Keith Davies:** Yes.

[12] **Ms Sinclair-Jones:** For the centralised actions, the national agency has no direct role in managing them, but we will have a role—which is yet to be fully defined—in promoting and providing information about these centralised actions. So, we are clear that that is what the role is, but we are not yet entirely clear what that role means in practice. It is still very early days, now, with the programme, which just started on 1 January. However, we have been told by Brussels that there is a role for the national agencies in providing information about the centralised actions.

[13] **Keith Davies:** Beth am y rhai nad ydynt wedi eu datganoli?

**Keith Davies:** What about the decentralised actions?

[14] **Ms Sinclair-Jones:** For the decentralised actions, it is our role to promote, manage and indeed disseminate the results of the decentralised actions. It is also our role to make sure that the way in which we do that is totally aligned with the education, training and youth policies of each of the four UK countries. So that, in a nutshell, if you like, is the role of the national agency.

[15] **Keith Davies:** Rwyf i, yn bersonol—ac nid wyf yn siŵr am weddill y pwyllgor—wedi cael dau e-bost yn yr wythnos diwethaf: un oddi wrth Connect Cymru a'r llall wrth CWVYS, sef pwyllgor Cymru i'r sector sy'n delio gyda gwasanaethau ieuencid gwirfoddol. Roedd y ddau yn gofyn pam nad

**Keith Davies:** I, personally—and I am not sure about the rest of the committee—have received two e-mails in the past week: one from Connect Cymru and another from CWVYS, which is the Welsh council dealing with voluntary youth services. Both asked why you did not want to work with Connect

oeddech am weithio gyda Connect Cymru ar Cymru during the next phase of the  
gyfer y cyfnod ariannu nesaf. programme.

[16] **Ms Sinclair-Jones:** Let me, first of all, correct any misapprehension there. We are extremely keen to continue working with Connect Cymru. It has been a very valuable partnership over the past few years, and it has grown. However, we want to change the nature of that relationship, and make it stronger and more effective as a partnership relationship into the future. This is a parallel development with all similar agencies in similar positions in all four countries of the UK—but, in the case of Wales, it is Connect Cymru.

[17] In the past, what we have had is very much a supplier, that is, a contractual relationship with Connect Cymru. We have paid it under a contract to deliver information services at a fairly low level in the programme. We have also, of course, spoken to it about policy issues—

[18] **Keith Davies:** Ai chi oedd yn ei dalu, neu Lywodraeth Cymru? Yr hyn sy'n cael ei ddweud yn y manylion sydd gennyf yw nad chi oedd yn ei dalu. **Keith Davies:** Were you paying it, or was it the Welsh Government? In the details that I have read, it states that it was not you who were paying it.

[19] **Ms Sinclair-Jones:** There are two aspects to this, so let us clarify that. As the national agency for the Youth in Action programme, the British Council was paying directly—I am sorry, no. The British Council was paying Connect Cymru for the information provision—this low-level service—but, through the Welsh Government, the Welsh Government is paying Connect Cymru, as I understand it, for the broader promotion of youth opportunities. It is through a contract that is connected with the British Council, which complicates matters, but that is not directly a matter for the British Council; it is a matter for the Welsh Government and its decisions about how to fund Connect Cymru and how to fund opportunities for the youth sector in Wales. So, the only part that the British Council is directly in control of or has made a decision about, if you like, is this low-level information service, where what we are doing with that for the whole of the UK is growing the central service, through the use of the website, social media and a whole range of events and seminars, which will obviously include events and seminars in Wales. However, we will manage those as a single piece, rather than having small pieces of it delegated out in these little contracts, which, although they have been effective, we feel given the size and scope of the programme, there is a better way of doing this. We want our relationship with Connect Cymru to be a partner relationship to understand and better the links with Welsh Government policy on the youth service and to work with it and others. We know that there are hundreds of youth and voluntary organisations in Wales, and we want to be sure that we are properly connected, listening to and engaging with the voice of the youth sector in Wales.

[20] **Keith Davies:** Fel fy mod yn glir o ran yr hyn sy'n digwydd, byddwch chi'n sicrhau gwybodaeth, ond byddan nhw yn gweithio gyda phartneriaid. **Keith Davies:** So that I am clear as to what is happening, you will provide information, but they will work with the partners.

[21] **Ms Sinclair-Jones:** I think that I would agree with that. We will be providing the information, based on our knowledge and understanding of the Erasmus+ programme itself, but also based on our dialogue with a range of partners, so that we are reflecting their views and reflecting the policies in Wales in particular, but in Wales and, indeed, each of the four countries of the UK on a partnership basis.

[22] **Rhun ap Iorweth:** Turning to you, Natasha, could we investigate the role played by the national council, the British Film Institute, MEDIA Antenna UK and the Welsh Government in supporting participation and awareness? You can give an idea of how they

both work and what responsibilities they have individually, compared to each other.

[23] **Ms Hale:** Okay. The MEDIA desk is run centrally in London. The control of it is with the Department for Culture, Media and Sport. However, it is given out to the BFI in terms of running it. Then, there are Antennas that come off the MEDIA desk, which are run in the separate nations. MEDIA Antenna Wales is run within the Welsh Government within the creative industries team. Our role in running that is to promote the MEDIA Antenna to the audio-visual industry in Wales, to support people to bid in and apply for the money available as much as we can and to support the businesses and companies that apply for that money to work more internationally.

[24] **Rhun ap Iorwerth:** How proactive are you, would you say?

[25] **Ms Hale:** I think that we are extremely proactive. The results of how much money we have levered in and the value for money that we have got out of that show how active we are. The MEDIA events that we support and promote go right across the board from very small gaming events to breakfast meetings with production companies, bringing commissioners down from all over the UK very, very regularly to meet production companies and working very closely with education all over Wales. I think that we do a lot in terms of promoting it, and the results show that.

[26] **Rhun ap Iorwerth:** Would the direct connection between companies in Wales be with the Antenna in Wales, always?

[27] **Ms Hale:** Absolutely, yes.

[28] **Rhun ap Iorwerth:** I understand that you want to be proactive. Is there a point at which the awareness level in general is high enough that you can just deal with people coming to you with requests for help or are you always seeking out new partners, if you like?

[29] **Ms Hale:** We are always seeking out new partners, but the beauty of the way that we deliver MEDIA Antenna is that it sits within a creative industries team that is responsible for the delivery of the economic growth of the creative sector throughout the whole of Wales. So MEDIA Antenna does not exist in isolation; it exists with all of the work that is going on to support the creative industries sector. So, all of it is completely integrated all the time. So, we are constantly looking out for new partners and new ways of working, absolutely, yes.

[30] **Rhun ap Iorwerth:** What sort of data do you have on participation in Wales?

[31] **Ms Hale:** We have lots of data. We have lots of data on everything we do because, obviously, we are audited by Brussels quite regularly on it. We have data on how many people we reach through events, if that is what you mean. We have data on how much money we are leveraging in. We have a lot of data on all of that, yes.

[32] **Rhun ap Iorwerth:** On comparators, how are we performing in comparison with other EU regions, for example?

[33] **Ms Hale:** One of the issues we have is that we are part of the UK, which means that we are part of the big five countries that are seen by Brussels as having a very, very strong audio-visual industry. A lot of that strength probably comes from London. So, if you are part of the countries that are not part of those big five, you instantly get extra points towards your applications for funding, which the UK does not get because it is seen as one of the big five. In that context, if we are comparing ourselves as the UK, which is how Brussels would view us, we are doing very well and we are very strong. If we were to compare ourselves with other areas of Europe that are outside that that get the automatic points, we would not be so

strong because we do not get those.

[34] **Rhun ap Iorwerth:** So, the media industry in Wales is disadvantaged by being part of the UK in that respect.

[35] **Ms Hale:** I would say that that may be the case, but we would probably need to investigate it further. However, we all know that the majority of the creative industries, and particularly the audio-visual industry, in the UK is in London. If we are putting ourselves in a place that makes us seem as advantaged as London, that may put us at a disadvantage.

[36] **Rhun ap Iorwerth:** That is interesting, actually. In terms of what you are able to say about participation and performance from organisations in lifelong learning programmes and youth programmes, how are we doing? How do we compare?

09:30

[37] **Ms Sinclair-Jones:** It is actually the opposite picture, if you like, to what I have just been hearing. There are advantages for Wales in the fact that Erasmus+ is a UK-wide programme, in that there are no specific targets for Wales, or budgets for Wales. The budget and the targets that are set by Brussels are for the UK. That means that the demand within the UK will be what determines the amount of budget and the amount of participation. I am very pleased to be able to tell you—I do not have a full set of statistics, but I have some of the key ones here—that for all aspects of the lifelong learning programme, whether you are looking at higher education, schools, youth, adult or occasional education, in all of them Wales is at least attracting its share of the budget in relation to the population size, as a way of measuring it. In the case of youth, further education and schools, 7% or 8% of the budget is going to Wales, whereas the population size I would say is 4.8%, or something just under 5%. Wales is getting 7% of the budget for schools and Erasmus+, 8% for youth, a full 5% for higher education, and these are not set amounts. If Wales had greater demand, it could have even more, potentially, because the UK is seen as a whole. The country that is actually underperforming, if you like, is England. You may be interested to hear that Northern Ireland, Scotland and Wales are all benefiting from more than their population share, as a crude measure, of Erasmus+.

[38] **Rhun ap Iorwerth:** Why is that, do you think?

[39] **Ms Sinclair-Jones:** I turn to you, perhaps, for the answer to that question. Is it because Wales is very outward-looking, and internationally minded? It may be a little bit on our side, with the British Council and Ecorys—we would hope it is something to do with the way that we have worked with the Welsh Government and the Welsh Assembly over the past seven years, actively to promote the programme. I will say on the committee that Ecorys has set up, that we will expand that to include all sectors and liaise on that basis, as well as liaising through British Council Wales. So, I think that the future is bright in terms of Erasmus+ in Wales. It is up to Wales to take the opportunities that are there.

[40] **Rhun ap Iorwerth:** Do you use those kinds of figures as useful guidelines to how we are doing, or do you actually set targets for ever-improving participation?

[41] **Ms Sinclair-Jones:** We would not set targets and, in a sense, I have to be fair to England. We do see that there are some problems with England, particularly in the east of England, which has been seriously under-participating in some sectors. Our aim overall, representing the whole of the UK, is to see a good balance, but we are very pleased indeed to see that Wales is taking more than its population share of the programme, and getting the full benefits, as we see it, from what is there to be taken.

[42] **William Graham:** Before I bring in Keith for a brief supplementary, could we have

the detailed information that you have already referred to? That would be very helpful for the committee in drawing up its report. Thank you very much.

[43] **Keith Davies:** Natasha, o ran yr hyn ddywedoch chi gynnuau am Lundain a Chymru, yn nes ymlaen heddiw byddwn yn trafod ardaloedd menter, a fyddai gwerth inni drïo sicrhau bod y Gweinidog yn creu ardal fenter o'r diwydiannau creadigol rhywle yng Nghymru? Nid wyf yn mynd i enwi'r sir, ond mae un sir mewn golwg gennyf.

**Keith Davies:** Natasha, on what you mentioned earlier about London and Wales, later on today we will be discussing enterprise zones, would it be worth us trying to ensure that the Minister establishes an enterprise zone in the creative industries somewhere in Wales? I will not name the county, but I have one county in mind.

[44] **William Graham:** Which one, I wonder.

[45] **Julie James:** Swansea, obviously.

[46] **Mick Antoniw:** Is it Rhondda Cynon Taf?

[47] **Ms Hale:** Obviously, when enterprise zones were first established, the creative industries sector panel chaired by Ron Jones looked quite considerably at the idea of whether Wales should have an enterprise zone for creative industries. The fact of the matter with creative industries is that, actually, you can run a creative industries company from your bedroom, or from your garage, and to restrict where the creative industries should be, or to focus your attention as to where the creative industries should be, was not actually reflected in where the employment for creative industries is. So, there are lots of people employed in creative industries in north Wales, there are lots of people in Ceredigion and there are lots of people in Cardiff, and we did not want to restrict or focus ourselves in creative industries in any one place. What we actually concluded was that, as far as we are concerned, the whole of Wales is an enterprise zone for creative industries.

[48] **Keith Davies:** Roeddwn yn meddwl, os ydym yn cystadlu â Llundain—achos dyna beth ddywedoch chi—mae'n rhaid imi ddweud, yn y Cynulliad bythefnos yn ôl, bod Aelod Gogledd Caerdydd, sef Julie Morgan, wedi dweud bod y ffaith bod pencadlys S4C yng ngogledd Caerdydd wedi dod ag o leiaf 12 cwmni ychwanegol i'r ardal. Roedd yn becsio y byddai S4C yn symud i ryw sir arall—dyna'r hyn sy'n mynd i ddigwydd—ac y byddai'r sir honno'n tynnu cwmnïau i mewn, os yw'r hyn a ddywedodd Julie Morgan yn iawn.

**Keith Davies:** I was thinking, if we have to compete with London—because that is what you said—I have to say that, in the Assembly a fortnight ago, the Member for Cardiff North, Julie Morgan, said that the fact that the headquarters of S4C is in the north of Cardiff brought at least 12 additional companies into the area. She was concerned that S4C would move to another county—that is what will happen—and that that county would draw companies in, if what Julie Morgan says is right.

[49] **Ms Hale:** Obviously, where S4C decides to move its headquarters is a decision for S4C. What I would say is that we need to create a critical mass for the creative industries; there is absolutely no doubt about it. However, we are competing extremely well with the rest of the UK, especially on high-end TV drama. I do not think that any of us, when we decided to create enterprise zones, would have envisaged that American broadcaster Starz would have decided to put a \$70 million high-end drama series in an old Ford factory on Fabian Way outside Swansea. We need to be very cautious about trying to define where the creative industries should be. Wales has fantastic opportunities for creative industries, and we need to be as flexible and open for the sector as we can possibly be. I completely take on board your views about the very important need to create a critical mass, and the very important role that Welsh broadcasters play in that—they do play an important role in it. I would hope that they



would take into consideration very carefully—whether it is the BBC in its new headquarters or whether it is S4C—where they position themselves, and I hope that they would take seriously their responsibility in helping us to create the critical mass that we need to develop the sector here in Wales.

[50] **Keith Davies:** I would just like to finish up here.

[51] **William Graham:** Please do so very quickly, because we must move on.

[52] **Keith Davies:** Roeddwn am ddweud **Keith Davies:** I just wanted to say that Ron y bydd Ron Jones yn ymddangos ger ein bron Jones will be appearing before us in the next yn y sesiwn nesaf. session.

[53] **William Graham:** He will not, unfortunately.

[54] **Keith Davies:** Oh, he is not coming. There we are then. [*Laughter.*]

[55] **Mick Antoniw:** Ms Hale, I suppose that what you were suggesting on that is that, effectively, the enterprise zone for the creative media, because of the nature of the industry, is Wales. It is about selling Wales as the place for the creative industries, businesses and so on.

[56] **Ms Hale:** Absolutely. The key to that is, if a creative company requires its vision to be Snowdon or the Scottish mountains, we need to be able to promote Snowdon as much as we would promote anywhere else, and we need to take each commercial opportunity as it comes.

[57] **Mick Antoniw:** That is interesting. There is a lot of evidence about how much we are getting—how we are increasing funding and so on. I suppose that I am looking at you, Ruth, as much as anyone, particularly with some of the youth programmes, lifelong learning and so on. However, this is not just about money. How do we evaluate the benefit that we get? One of the problems with European funding is that it is very much about how much we are getting: are we getting more and is it increasing? However, we tend not to focus on what the product is. How do you do that within this context? There is not a great deal of information in your evidence on the evaluation process.

[58] **Ms Sinclair-Jones:** That is a very good point. For the Lifelong Learning programme and the Youth in Action programme, we have created a body of case studies, which we felt was a very good way of telling the stories. This body of case studies is available on our website. So, there is a very strong story there. In the annual report that we sent to the European Commission this year, two of the 20 case studies were from Wales. One was with a Somali group and one was with a United Nations group. They were very powerful stories. We would like to be doing something more systematic in the future. Now that we are one national agency with Ecorys, covering the whole programme, we are in the process of recruiting an impact and assessment and evaluation resource to create a framework within which we will more systematically assess and evaluate the benefits of these programmes. We see that as being very important, in terms of demonstrating to policymakers that these programmes are indeed addressing, and having an effect on, policy issues that are of high priority. It is also about demonstrating the added value of the European dimension of these programmes, which is not always easy to do in a UK environment. We feel that it is very important to be able to do that. So, that is what we will be doing, building on what we have already done through the case studies and the basic statistics that we collect. However, the stories, in a way, are the most powerful things, when you hear about lives being changed. At school level you hear of institutional change through these programmes. Those are very powerful stories, but we would like something more systematic as a framework within which we tell those stories. That is what we are working towards: setting up right now so that we can do it over the next

seven years.

[59] Also, in terms of even the basic statistics—I have given you a flavour of Wales’s high performance—as you will know, we have started to prepare quarterly statistics from all of the programmes on participation levels, to show what is happening there. We will be continuing that, but building on it and presenting it in a more graphic way, again, so that the stories come through more clearly about not just the numbers, as you say, but the benefits and the positive change that these programmes are bringing to our societies.

[60] **Mick Antoniw:** It would be useful to see those sorts of case studies. I was quite interested when I went to Brussels that it was the first time that I was aware of this funding—of course, it is all handled within Brussels. I became aware of how across the board the funding is. What sort of feedback do you get from the companies and organisations that are involved and are in receipt of that funding as to how important it is to them? It seemed to me, for example, in terms of some of the funding on films—it could be a major blockbuster that makes loads of money and still gets funding, or it could be a very small film—that there was a certain dichotomy as to where the money went. What should be the role of Welsh Government in terms of Brussels and this funding, and is it strategically incorporated into Welsh Government EU strategy?

[61] **Ms Hale:** Yes, I agree with you; it does seem to fund everything from a mega blockbuster to a very small film or production. If you look at the figures, you will see that the figure that MEDIA Antenna has brought into Wales has gone down since 2007. The reason for that is that the European Union has become a lot bigger, so it is a lot more competitive, but also MEDIA has really become something that more and more bigger production companies need and rely on as broadcasting budgets have been squeezed. So, the role of it being some kind of grass-roots support mechanism for production has altered slightly, because, as broadcasters pull out of more and more funding, and the gap becomes bigger, more of the bigger companies are applying for that money.

[62] In terms of our role in that system we are absolutely championing Wales getting as much money as we possibly can. If you look at the amount of money that we have given out and those to whom we have given it, you will see that it is quite interesting that some of them are individual single productions. For quite a few of them there will be a slate of productions for one company. If you are getting money for a whole slate of productions for one production company, that can really help that production company to stay in business. It is a matter of how we can champion more companies to do that. However, the key for us in the creative industries sector is that we not only champion them to get more money, to get more productions made, and to get more slates of productions made, but that we use the support of the business development managers and everything else that we have at our disposal in economy, science and transport to ensure that those companies are becoming sustainable at the same time. This is only money for production funding; it is not money to make sure that you are employing people and that you are sustaining yourself. So, the strategy is that the two of those must always come together to make the most of the media.

[63] **Eluned Parrott:** I wonder whether I could ask you, Natasha, when you talk to the creative industries in Wales, what are the most commonly raised problems? What kind of challenges do people face when it comes to participating in these kinds of programmes that the EU can offer them?

09:45

[64] **Ms Hale:** That is a good question. I think that finding match funding, obviously, is a problem. Applying for public money, certainly in Brussels, but also in public money, is bureaucratic and time consuming. If you are completely, 100% focused on paying your wage

bill at the end of the month and trying to get a major commission from a major broadcaster, having a massive pile of papers to fill in, in order to get a bit of funding, can be frustrating. I think that that is one of the things that Judy, who runs MEDIA Antenna, is really good at. She sits with companies for quite extended periods of time and helps them to fill in their application forms and helps them to make sure that, by the time that the application form goes forward to Brussels, it is right and correct, so there is not lots of to-ing and fro-ing. So, she always checks the forms and helps companies to fill them in.

[65] **Eluned Parrott:** Filling in funding applications is an art form. In terms of the new round of funding, as we go forward, have you identified anything that you think is going to be an additional barrier, or do you think that some of these issues, perhaps, have been overcome?

[66] **Ms Hale:** I do not think that there will be an additional barrier. I think that the fact that, under Creative Europe, the Culture Programme will be coming in as well and that we have negotiated with DCMS that that will be run in Wales separately by the Welsh Government, is really helpful to us. So, the Culture and the MEDIA programmes will sit alongside each other, because you cannot split creative industries that easily. Creative industries work all over culture and the economy, so having those two together is really positive, and I think that it will help.

[67] **Eluned Parrott:** That is great; thank you. Ruth, we had a very interesting engagement session with some of the local universities about two weeks ago, talking about why young people choose to go forward into exchange programmes of the kind offered by Erasmus+. They identified for us some of the barriers to participation as young people see them. Can you give us an idea of what kind of thing would prevent a young person from going for an Erasmus+ programme, in practical terms, but also, perhaps, in those slightly less tangible psychological terms?

[68] **Ms Sinclair-Jones:** Yes, it is something that we are very concerned about and doing quite a bit of research on, because, as we know, across the whole of the UK, we have insufficient numbers of young people going on Erasmus. We need more. There are still nearly twice as many students coming into the whole of the UK, including Wales, as there are going out. Wales's participation is good, that said. We had over 700 students going from Wales on Erasmus in the last year alone, so, even if numbers do not increase, we are looking for 5,000, if you multiply seven by seven, over the next seven years. That is even if things stay steady, but, obviously, we would like to see more than that.

[69] Finance is one barrier, and that is always tricky, with the changes in the tuition fee arrangements and what is available to support that. Partly, it is a barrier in itself; partly, I think that it is the fact that students are not aware early enough in their planning, and they really need to have thought about these things before they start their course. That is the difficulty that we want to address: how to make sure that young people are fully informed before they start, so that they can have thought about the whole package and what it is going to cost them to have this higher education experience, including a mobility such as Erasmus. In theory, Erasmus is fully funded, but, nonetheless, there are these financial barriers in terms of continuing fees that have to be paid or continuing rents that have to be paid on accommodation while they are away, or, increasingly—I do not know the extent to which this applies particularly in Wales, but I know that it applies across the UK as a whole—the fact that young people are working while they are studying. That is another financial barrier. If you go abroad, you lose your job. So, it is quite a complex picture on the financial side for young people. That said, we are working actively to promote the fact that there is additional support for young people from lower socioeconomic groups. They have additional financial support, and we are promoting that through the universities, with some success. However, finance is one barrier.

[70] Language, we have found, is not such a big barrier as we would have thought. This is partly because—for the Welsh speakers, this would not apply, clearly—for English speakers, so many of the Erasmus experiences are actually through the medium of English. Once people understand that, language is not a barrier. Of course, you cannot really engage or have much of a social life if you operate only in English, so we encourage young people to learn, to a social level, the language, but people do not necessarily have to learn the language to a study level. So, that does not seem to be such a barrier as one might have thought, given the general lack of high levels of French, Spanish, German or Italian speaking that we have in the UK.

[71] Other barriers, I think, as you suggest, are the psychological ones. We do not seem to like going abroad that much. It is perhaps because of the fact that Wales is collectively part of the island—part of the British Isles and part of the island of Great Britain. I think that there is an island mentality that we all share to some extent, whereas once you are in France it is just a hop over the border in your car to Germany. Psychologically, as we all know, that feels different. I would love to hear more from Wales about how Wales sees itself as European or not, but there is that feeling within the UK, and I dare say in Wales as well that it is the UK and Europe, rather than the UK as part of Europe. So, psychologically, people are not thinking automatically ‘I need to broaden my experience by going somewhere else in Europe’. Even within the UK, do we have enough cross-over between the four UK countries? I will not dwell on that, but whether we have enough is one thing.

[72] So, there are these barriers and they are very real. We are doing research on them ourselves. I would be very pleased to hear about the outcome of the meeting that you had to feed into that in order to understand better what the barriers are. Part of the way of addressing it is getting earlier information, getting into schools and careers advice services and hammering home the message that an Erasmus experience will enhance your employability. Even if it costs you or your parents something, it is worth it; you will have better employability prospects, and not just in a narrow sense. You will have those prospects because you have that broader inter-cultural experience, you have had to stand on your own and be more independent at an earlier age and you have had that interaction with a broader range of people. That stands out when you meet an Erasmus student; you can almost tell in the first five minutes that they had done Erasmus, because they have that maturity, confidence and breadth that comes from the experience.

[73] I do not know whether that gives you enough to answer that question, but it is something that is very much on our minds, and we are looking through our marketing and communications material and at our relationships with the higher education sector to try to address these issues over the next seven years.

[74] **Eluned Parrott:** Thank you. There have been a lot of changes to the programmes that are now underneath Erasmus+ but which were previously in different streams. Do you think that the process of consolidating the programme will be helpful in drawing more young people into it, or do you think that we will have challenges in trying to explain to people about the different kinds of opportunities that are now available under Erasmus+? Do you think that people have a fixed idea of what Erasmus is, or do you think that the problem is more that they do not know what Erasmus is?

[75] **Ms Sinclair-Jones:** If you look at the higher education strand in Erasmus, which I think is your main interest here, you will see that there is not enough awareness of Erasmus, and that touches on the earlier point—people are not sufficiently aware of what it is. As well as addressing the barriers that individual students face, there is something about working more closely with the higher education institutions and with the sector bodies that represent higher education, to think how higher education itself can facilitate the experience; I do not think that it is all about the students and the parents. How easy is it genuinely for a student to take that semester out? Is it built into the course? Will it be properly accredited? Will the

students feel that somehow they are academically losing out, even though there are personal benefits, because their experience is not totally valued or integrated into their course? If they are getting academic accreditation, are they also getting professional accreditation if they are doing engineering, psychology or nursing? So, there are a lot of issues for the sector to look at and think whether there any in-built barriers or blocks that prevent the experience from being available. I was pleased to see that either Cardiff university or Swansea university—I think that it is Cardiff—has a target that 17% of students will have the experience. For institutions to set targets like this and set some of their own challenges really encourages them to think what the barriers are that they can address themselves by making some changes in their approach and curriculum.

[76] For the students themselves going on the exchanges, the fact that the programme is cross-sectoral is not necessarily going to have that much of an impact. In terms of Erasmus, what I think it does is open up the lifelong learning experience. For example, a student may think of taking a gap year after university and do a volunteering placement through the European Volunteering Service, which links the youth aspect and Erasmus. What comes into the programme is the learning from the Leonardo scheme, which has work placements at its core and is so effective in giving that work placement experience. Work placements are already part of the Erasmus programme—they came in in the last few years—and that will increase in the new programme. So, it will be work placements as well as study, and that should help to address some of the barriers that we have. So, it is more blended. An Erasmus student can actually take a work placement in the year after graduation. As long as it is applied for in the final year, they can be doing that work placement after graduation. So, there is more joining up in that sense, in terms of youth, work placements and study being linked with the pure academic higher education opportunities.

[77] **William Graham:** I would like to bring in one last question from Joyce.

[78] **Joyce Watson:** We have asked you lots of questions this morning, but is there anything that we have not asked you about that you might want to tell us?

[79] **Ms Sinclair-Jones:** That is a very good question. I think that my question would be—. I touched on the fact that we plan to have an advisory committee for Wales, building on the advisory committee approach that Ecorys has developed, for all of the sectors. We would welcome dialogue about the best way to use that group, making sure that we have the right representation on it and that we are linking in and out of that group with the sector in the most positive way.

[80] I would also like to hear whether you feel that there are any particular barriers specific to Wales that we should be aware of, or—let us be positive—any opportunities in Wales. I read some of the policies when I was writing up the work programme for 2014 and we were in dialogue about what the Welsh policy priorities are, so I would really like to hear whether there are opportunities now, through some of these policies for employment and skills for schools and higher education in Wales, that we should really be trying to grab hold of and make the most of in this programme. So, it is about the dialogue and how we can have better dialogue at that policy level that then feeds into the programme.

[81] **William Graham:** Thank you very much. Time is just about up. Thank you very much for your evidence today. The Record will be published, so if you have any comments on that, please let us know. Thank you for coming today.

[82] **Ms Hale:** May I just say one thing?

[83] **William Graham:** Yes, please do.

[84] **Ms Hale:** Sorry, I just wanted to say that Ron Jones was extremely apologetic that he could not come today. Something came up with business that he really could not get out of. He is keen to come at another time, and if he cannot, he would like to give written evidence if that is okay with the committee.

[85] **William Graham:** We would certainly be very pleased to receive that evidence. Thank you very much.

09:59

**Ymchwiliad i Gyfleoedd Cyllido yr UE 2014-20 (Sesiwn 6)**  
**Inquiry into EU funding Opportunities 2014-20 (Session 6)**

[86] **William Graham:** I was hoping to wait for some Members to return, but I think that we had better make a start. Thank you very much for your attendance today and for your evidence. We will turn to the questions straight away. Could I ask you to give your names and titles before we start the questions?

[87] **Mr Scourfield:** I am Gethin Scourfield, producer at Fiction Factory Films.

[88] **Ms Gray:** I am Elaina Gray, the development director at Chapter Arts Centre.

[89] **William Graham:** Thank you very much. Could I ask you to explain, briefly perhaps, in view of the time available today, your involvement to date with the EU's MEDIA programme, particularly how you have used MEDIA funding, if you have had access to it, and what plans you have to seek additional funds in the future?

10:00

[90] **Ms Gray:** We receive annual support through the MEDIA programme, through Europa Cinemas and we get around £15,000 every year. About a quarter of our film programme consist of films from European distributors. The funding goes towards us being able to sustain that programme every year. Outside the MEDIA programme we have also had support through the culture strand, which I believe is outside today's remit. We will be looking in the future for support from the MEDIA programme and the Culture programme, but our plans are still being discussed at the moment.

[91] **Mr Scourfield:** We specifically had money to support a drama series called *Hinterland/Y Gwyll*. We received both development funding from the MEDIA programme of €45,000 in the early stage of developing the scripts and then we were awarded €500,000 under the television broadcast scheme for the actual production of the first series. We are in the process of planning the second and, potentially, the third series of *Hinterland/Y Gwyll*. We will be applying for awards towards those series as well, because with the change in the MEDIA programme this year to Creative Europe the rules have changed. Up until this year, you were not allowed to receive funding for a second and third series, but that funding is available now. So, we will be applying for that funding this year.

[92] **William Graham:** Keith is next.

[93] **Keith Davies:** Gofynnaf fy **Keith Davies:** I will ask my question in  
nghwestiwn yn Gymraeg. Rwy'n credu eich Welsh. I think that you have said that it is  
bod wedi dweud ei fod yn bwysig iawn bod y very important that this funding comes from  
cyllid hwn yn dod o raglenni cyfryngau a European MEDIA and Culture programmes. I  
diwylliant Ewrop. Roeddwn yn edrych ar y was looking at the figures and the document  
fffigurau ac mae'r ddogfen yn dweud hyn ar says this for things that are on the television:

gyfer pethau sydd ar y teledu:

[94] 'for TV Production range from 10%, 12% to 20% maximum (with upper ceilings on total amount of grant)'.

[95] A yw hyn yn wir? Nid wyf yn gweld fod hwnna'n ganran uchel o gwbl.

Is that true? I do not see that as a high percentage at all.

[96] **Mr Scourfield:** O dan MEDIA, nid wyf yn siŵr beth yn union yw'r rheolau newydd. Mae'r cyfan yn newydd, ond o dan MEDIA rwy'n credu mai'r uchafswm oedd €500,000, ac roedd hwnnw fel canran neu fel €500,000. Gwnaethom ni lwyddo i gael €500,000, sef yr uchafswm ar gyfer unrhyw un cais. Rwyf ar ddeall, ond nid wyf wedi gweld y rheolau manwl eto, bod yr uchafswm hwnnw wedi codi yn y flwyddyn hon o dan Creative Europe, sef y *scheme* newydd.

**Mr Scourfield:** I am not exactly sure what the new rules are. It is all new, but under MEDIA I think that the maximum was €500,000, and that was either a percentage or €500,000. We succeeded in getting €500,000, which was the maximum figure for any bid. I am given to understand, but I have not looked at the rules in detail yet, that that maximum has increased for this year under Creative Europe, which is the new scheme.

[97] **Keith Davies:** Mae o fudd i chi, wrth gwrs.

**Keith Davies:** It is beneficial to you, of course.

[98] **Mr Scourfield:** Yn amlwg, byddai wedi bod yn anodd iawn i ni wneud y gyfres gyntaf heb yr arian hwnnw o Ewrop, oherwydd roedd uchelgais y gyfres yn fwy na'r arian a oedd ar gael gan y darlledwyr lleol, gan S4C a BBC Cymru. Felly, roedd yn hanfodol i'r prosiect ein bod yn cael yr arian hwnnw gan Ewrop, ac fe fydd yn hanfodol i'r prosiectau nesaf.

**Mr Scourfield:** Clearly, it would have been extremely difficult for us to make the first series without that European funding, because the ambition of the series was greater than the money that was available from the local broadcasters, from S4C and BBC Wales. Therefore, it was crucial for the project that we received that European funding, and it will be crucial for future projects.

[99] **Keith Davies:** Felly, ydych chi'n gweld effeithiau ehangach i'r diwydiannau creadigol yng Nghymru o gael yr arian hwn?

**Keith Davies:** So, do you see broader impacts for the creative industries in Wales of having this money?

[100] **Mr Scourfield:** Yn amlwg, mae llwyddiant y cais yn ddibynnol ar werthiant neu o leiaf ar botensial gwerthiant y gyfres, oherwydd y rhesymeg y tu ôl i'r arian yw creu diwydiant cryfach yn Ewrop sy'n gweithio i wledydd eraill, hynny yw bod y cynnyrch yn berthnasol i wledydd eraill yn Ewrop hefyd. Y rheswm y cawsom ni'r arian ar gyfer *Y Gwyll/Hinterland* oedd ein bod wedi profi bod gennym tua dwsin o wledydd yn Ewrop a oedd yn barod i brynu'r gyfres, ac mae'n edrych yn debyg eu bod nhw wedi prynu'r gyfres. Felly, roedd hynny'n rhoi hyn a hyn o bwyntiau i ni ac yn cryfhau'r cais. Roedd ymateb y Comisiwn yn dweud pa mor gryf oedd y cais oherwydd ein bod yn gallu profi y byddai gan y gyfres apêl eang o fewn

**Mr Scourfield:** Clearly, the success of any application is dependent upon the sales or at least on the potential sales of the series, because the rationale behind the funding is to create a stronger industry within Europe that works for other countries, so that the product is relevant to other countries within Europe as well. The reason why we got that funding for *Y Gwyll/Hinterland* was because we could prove that we had around a dozen European nations that were willing to purchase the series, and it seems as though they have done so. So, that gave us some points and strengthened our bid. The Commission's response stated how strong our bid was because we could prove that it would have a broad-ranging appeal within Europe.

Ewrop.

[101] **Keith Davies:** Wedyn, os bydd yn llwyddo, bydd hynny'n hwb ariannol ychwanegol i chi?

**Keith Davies:** Then, if you succeed, that will be an additional financial boost for you?

[102] **Mr Scourfield:** Mae'n hwb ariannol i ni, yn amlwg. Mae'n golygu ein bod wedi cael cefnogaeth un o ddosbarthwyr mwyaf Ewrop a'r byd, all3media, sydd hefyd wedi rhoi arian i'r fenter. Mae wedi buddsoddi bron i £1 miliwn yn y fenter. Er nad yw'r ffigurau swyddogol wedi eu cyhoeddi eto, mae'n edrych yn debyg ein bod ni wedi gwerthu'n barod i dros ddwsin o wledydd o gwmpas y byd, gan gynnwys Ewrop. Rydym yn gobeithio y bydd hynny'n parhau gyda'r ail a'r drydedd gyfres. Mae hyn hefyd wedi codi proffil y diwydiant Cymraeg yn barod yn y wasg Gymreig a Phrydeinig, ac mewn llefydd fel Mipcom a Mips, sef y marchnadoedd sydd yn allweddol i'r diwydiant teledu. Mae wedi codi proffil y cwmni ac wedi codi proffil drama o Gymru.

**Mr Scourfield:** It is an additional financial boost for us. It means that we have had the support of one of the major distributors in Europe and globally, namely all3media, which has also invested in the initiative. It has invested nearly £1 million in the initiative. The official figures have not yet been made public, but it would appear that we have already sold to more than a dozen countries across the world, including countries within Europe. We would hope that that would continue for the second and third series. This has also raised the profile of the industry in Wales in the Welsh and UK-wide media, as well as in Mipcom and Mips, which are the markets crucial to the television industry. It has certainly raised the profile of the company and raised the profile of Welsh drama.

[103] **Keith Davies:** Nid yn unig yn Ewrop, ond yn Lloegr hefyd. Rwyf wedi gwyllo'r rhaglenni yn Gymraeg ac wedi edrych arnynt yn Saesneg, a phan fyddwch yn eu gwyllo'n Saesneg, mae pobl yn siarad Cymraeg fel rhan o'r rhaglen.

**Keith Davies:** Not only in Europe, but in England, too. I have watched them in Welsh and I have watched them in English. When you watch them in English, there are people speaking Welsh as part of the programme.

[104] **Mr Scourfield:** Bydd y fersiwn sydd ag ychydig o Gymraeg ynnddi'n cael ei darlledu ar BBC 4 ym mis Mai eleni. Felly, bydd yn codi proffil y Gymraeg ymhellach hefyd ar draws Prydain ac ymhellach.

**Mr Scourfield:** The version with some Welsh dialogue will be broadcast on BBC 4 in May of this year. Again, that will raise the profile of the Welsh language across Britain and further afield.

[105] **Keith Davies:** A yw'r ffaith bod yr arian ar gael yn cael ei hysbysebu'n dda i gwmnïau eraill yng Nghymru?

**Keith Davies:** Is the fact that this funding is available well advertised to other companies in Wales?

[106] **Mr Scourfield:** Buaswn i'n dweud bod y rhan fwyaf, os nad pawb, yn y diwydiant yn ymwybodol o'r arian, Mae swyddog MEDIA, sef Judy Wasdell, yn gweithio dan ymbarél y Llywodraeth. Mae hi'n cysylltu â chwmnïoedd, a'i gwaith hi—yn rhannol i'r Llywodraeth ac yn rhannol i MEDIA—yw codi ymwybyddiaeth ynghylch yr arian a'r posibiladau.

**Mr Scourfield:** I would say that most people within the industry, if not everyone, are aware of this funding. There is a MEDIA official, namely Judy Wasdell, who works under the Government umbrella. She is in contact with companies, and her work—partially for the Government and partially for MEDIA—involves raising awareness of this funding and the possibilities that arise from it.

[107] **Keith Davies:** Diolch yn fawr.

**Keith Davies:** Thank you very much.



[108] **William Graham:** Joyce Watson is next.

[109] **Joyce Watson:** I think that is a nice point at which for me to ask my question. What, if any, are the challenges? Also, I hate to talk about negative experiences with such a successful programme, but, if there are any, you might want to comment, Elaina.

[110] **Ms Gray:** The challenges for us, certainly in the last round of the Culture Programme, were the levels of match funding. The programme only provides 50%—it is a very welcome 50%, but it was still a big challenge to raise that match funding.

[111] We have the challenge of finding partners internationally, and the time taken and the resources spent liaising with those partners are significant. It is lot of commitment for an organisation to take on such a bid. In looking forward to Creative Europe, there are certain strands where the contribution is being increased to 80%. For Chapter, the programmes that we will be applying to will still be at 50%, but with 10 international partners required. I would say that the main challenge is financial, as well as the time and the resources that are taken to put the applications together.

[112] **Joyce Watson:** Thank you.

[113] **Mr Scourfield:** I would agree that there is a lot of paperwork to get through. Putting the applications together requires a substantial amount of work. Luckily, we had Judy Wasdell to help us, and Gwion Owain, who used to work for MEDIA and is now freelancing, is available to help with putting these applications together. You need to understand how the process works in Brussels, I think, in order to make the best attempt at these applications.

[114] One of the issues that became obvious is that because Wales is regarded as part of the United Kingdom as far as the MEDIA programme is concerned, it is a bit frustrating that, despite the fact that you are already doing a Welsh and an English version and that you have Welsh and English broadcasters involved, it only counts as one territory. Wales is not recognised as part of the EU bureaucracy in that sense. That is quite frustrating. They keep telling us that the challenge that we have is that the EU is slightly biased towards some of the newer member states. Wales is seen as part of the United Kingdom, as part of one of the established territories within Europe, so there is actually a points bias towards some of the eastern European states. Our application has to be particularly strong in terms of partnerships within Europe in order to achieve the results.

[115] **William Graham:** Could I ask you, then, whether the lack of a Brussels presence for the sector is a disadvantage?

[116] **Mr Scourfield:** Sorry, I am not quite—

[117] **William Graham:** The lack of a Brussels presence—is that a particular problem?

[118] **Mr Scourfield:** I am not aware that it is a massive—. As I said, we have Judy who works for MEDIA desk in the UK; she is our link to Brussels, and she is a direct link. So, I do not think that a lack of a Brussels presence per se is a problem.

[119] **Ms Gray:** I would support that. We have extensive contact with Christoph Jankowski, based in London, within Cultural Contact Point. It certainly was not a disadvantage, not having a contact.

[120] **Mick Antoniw:** You raised the point about how the Welsh media industry is treated as one unit within the UK, and so on. Therefore, by not having any presence or engagement

with the process around these schemes, and the way that the funding operates, it means that you are not in any position to influence how the rules and regulations should be more flexible. Do you not feel that that is a disadvantage?

[121] **Mr Scourfield:** I am not sure at what level—. That is a policy decision, and I have not been involved in the policy side of it, to be honest. I do not know whether any kind of presence at our level would help. That seems to be a political decision in terms of how the MEDIA programme is operated, and how the points system is allocated within the MEDIA programme. It seems to me to be something handed down from a higher level. I might be wrong.

[122] **Mick Antoniw:** It seems to be the case that the industry as a whole, collectively—talking about how the industry benefits, grows, develops and so on—is obviously going to have a collective interest in how the media industry in Wales, and culture and so on, is actually treated within Europe. If you are not there within that policy development side, you are effectively, really, always at the end of the line, simply working out, ‘Well, this is what has been decided. How do we make our applications in and out of it?’ Do you not think there should be greater industry engagement with that?

[123] **Mr Scourfield:** Without being too forward, I would suggest that maybe that should be on a Senedd level.

[124] **Mick Antoniw:** That is why I am putting it to you.

[125] **Mr Scourfield:** It feels to me as if it is a policy decision made at a Senedd level. Maybe it reflects on a broader level the relationship between the Senedd and Europe.

[126] **Mick Antoniw:** You would certainly agree, I would presume, that the Welsh Government and its European operation should be a voice for the industry as a whole within Europe, which means a degree of engagement.

[127] **Mr Scourfield:** Absolutely. I think the industry in Wales would be delighted if there was somebody who was willing to champion our cause within Europe at that level, because it is a frustration that we are considered—. I am sure that the fact that it was in Welsh and English was culturally an asset for the application—that it was seen to be supporting a minority language. However, it certainly did not tick any boxes in terms of points in the application, and that is a frustration. We are, by supporting the language and putting the profile of Wales and the Welsh language out there in Europe, doing something that we feel should be recognised in the application, but, at the moment, in the way that the system is set up, that does not count for anything in terms of points. As I understand it, it is the points that actually get you over the line in terms of getting the money.

[128] **Rhun ap Iorwerth:** A gaf eich llongyfarch ar *Y Gwyll*? Ni chefais i erioed weithio mewn rhan mor gyffrous â hynny o’r cyfryngau yng Nghymru, ond yn sicr roeddwn yn falch iawn o weld diwydiant yr oeddwn yn rhan ohono am mor hir yn cynhyrchu rhywbeth o’r safon honno ac yn cael ei werthfawrogi. Rydych yn dweud na fyddai wedi digwydd heb yr arian, o bosibl. Ai’r hyn a fyddai wedi digwydd mewn difrif yw y byddai wedi digwydd ond, o bosibl, y byddai wedi bod yn llai uchelgeisiol? Mae wastad ffyrdd o dorri corneli, onid oes?

**Rhun ap Iorwerth:** May I congratulate you on *Hinterland*? I never had the opportunity to work in such an exciting part of the media in Wales, but I was certainly very pleased to see an industry that I was part for so long producing something of that quality and which was widely acknowledged. You say that this would not have happened without the funding, possibly. Is it the case that it would have happened, but that it perhaps would have been less ambitious, because there are always ways of cutting corners?

[129] **Mr Scourfield:** A dweud y gwir, yn yr achos hwn, nid wyf yn meddwl bod hynny'n wir. Nid wyf yn meddwl y byddai wedi bod yn bosibl torri corneli. Rydym wedi torri corneli er mwyn ei wneud am y pris y gwnaethom ei wneud. Mae cyllideb *Y Gwyll* yn sicr yn llai na dwy ran o dair o bris, os nad yn agosach i hanner pris, cyfresi cyffelyb ar y BBC, er enghraifft, neu ar ITV yn Lloegr.

**Mr Scourfield:** In this case, I do not think that that is true. I do not think that it would have been possible to cut corners. In fact, we had to cut corners in order to produce it at the cost that we did. The budget for *Hinterland* is certainly less than two thirds of, if not closer to half, the price of similar series on the BBC, for example, or on ITV in England.

10:15

[130] **Keith Davies:** Mae'n rhaid bod gormod o arian yn y BBC.

**Keith Davies:** The BBC must have too much money.

[131] **Mr Scourfield:** Buaswn i ddim yn cytuno â hynny, ond mae hynny'n gwestiwn arall.

**Mr Scourfield:** I would not agree, but that is another issue altogether.

[132] Yr hyn rwy'n ei ddweud yw bod y gyllideb yn dynn iawn. Fel roeddwn yn dweud yn gynharach, roedd yr uchelgais lot yn fwy na beth oedd yn bosibl, yn enwedig gyda'r toriadau diweddar yn S4C, yn y BBC ac yn BBC Cymru. Nid oedd ganddynt yr arian. Rhwng y darlledwyr, byddem wedi codi jest dros 60% o'r gyllideb. Mae hynny'n dipyn o *gap* i'w lenwi.

What I am saying is that the budget was very tight. As I was saying earlier, the ambition was far greater than what it was possible to achieve, particularly given the recent cuts at S4C, the BBC and BBC Wales. They did not have the funding to deliver that vision. Between the broadcasters, we would have raised just over 60% of the budget for the production. That is quite a gap to fill.

[133] **Rhun ap Iorwerth:** Rwy'n falch i'ch clywed chi'n dweud hynny. Mae'n bwysig nodi bod yr arian mor bwysig â hynny ar gyfer y cynhyrchiad. Yn y cyddestun hwnnw, pa mor bwysig yw hi ein bod ni, yma yng Nghymru, yn mynnu'r safonau uchaf posibl yn y diwydiannau creadigol er mwyn gallu ehangu ar yr enw da a'r *reputation* sydd gennym?

**Rhun ap Iorwerth:** I am pleased to hear you say that. It is important to recognise that funding is as important as that for the production. In that context, how important it is that we, here in Wales, insist on the highest possible standards in the creative industries in order to expand on the good name and reputation that we have?

[134] **Mr Scourfield:** Os ydym am gystadlu yn y farchnad ryngwladol, mae'n rhaid i ni weithio i'r safonau hynny. Nid oes dwywaith am hynny. Mae mynd â phrosiect fel hwn i'r farchnad, gan wybod yn hyderus ei fod yn mynd i sefyll lan a gwerthu a'i fod yn cymharu'n dda â chyfresi eraill, yn beth braf iawn. Nid yw'n rhywbeth y gallwn ei wneud yn aml iawn. Yn llythrennol, er bod teledu'n gallu swnio'n ddrud iawn—ac mae'n broses ddrud—er mwyn cyrraedd y safonau hynny, mae'n rhaid gwario arian i gyrraedd y nod.

**Mr Scourfield:** If we are to compete in the international market, we have to work to those higher standards. There is no two ways about that. Taking a project such as this to the marketplace, knowing with confidence that it will stand up to the competition, that it will sell and that it compares well with other series, is a wonderful thing. It is not something that we can do very often. Quite literally, although television can sound extremely expensive—and it is an expensive process—in order to achieve those standards, you have to invest that money to reach your goals.

[135] **Rhun ap Iorwerth:** Rydych wedi canmol y gydberthynas rhyngoch chi a'r swyddogion sy'n gwneud y grantiau yn bosibl. Yn eich profiad chi, ym mha ffyrdd y gellid gwella eto ar y broses honno, i sicrhau bod mwy o gwmnïau yn gallu manteisio yn y ffordd yr ydych chi wedi gwneud?

**Rhun ap Iorwerth:** You have praised the relationship between you and the officials who deal with the grants and make them possible. In your experience, in what way could we improve that process, to ensure that more companies can benefit as you have done?

[136] **Mr Scourfield:** O'r hyn rwy'n deall, mae Cymru wedi bod, dros y blynyddoedd, yn gymharol lwyddiannus gyda'r arian datblygu. Nid yw'r arian datblygu yn gymaint o arian, ond, dros y blynyddoedd, mae sawl cwmni yng Nghymru wedi cael yr hyn y maent yn ei alw yn *slate funding*, neu ariannu ar gyfer prosiectau unigol. Mae hynny wedi bod yn llwyddiannus iawn dros y blynyddoedd. Rwy'n meddwl, efallai, ei fod wedi arafu ychydig yn ddiweddar, oherwydd bod mwy o gystadleuaeth am yr arian hwnnw gan wledydd newydd yn Ewrop. Mae'r arian y cawsom ni yn fwy anodd i'w gael oherwydd, fel roeddwn yn esbonio, fod angen cael yr holl ddarlledwyr o Ewrop i ddweud ar bapur eu bod yn fodlon prynu'r gyfres. Ni allaf ddweud bod unrhyw beth mawr y gallwn ei wneud o ran y berthynas gyda'r swyddogion yng Nghymru; rwy'n meddwl taw mater o ehangu uchelgais ydyw ac adeiladau ar y gwaith sydd wedi cael ei wneud yn ddiweddar.

**Mr Scourfield:** From what I understand, Wales has, over the years, been relatively successful in terms of the development funding. The development funding is not a huge amount of money, but, over the years, a number of companies in Wales have received slate funding, or funding for individual projects. That has been very successful over the years. I think that that might have dried up a little over the past few years, because there is more competition from new nations in Europe. The funding that we received is more difficult to access because, as I explained, you need to get all the European broadcasters to sign up in writing that they are willing to purchase the series. I cannot say that there are any major steps that we can take in terms of the relationship with the officials in Wales; I think that it is an issue of broadening out ambitions and building on the work that has been done recently.

[137] **Rhun ap Iorwerth:** Elaina, from your experience, if you could rewrite the rules on how to make engagement and access to funding easier, what would be the top two or three things on your list?

[138] **Ms Gray:** We were fairly fortunate in the process we went through. Several funding advice sessions were set up, through Wales Arts International, which we attended, and Cultural Contact Point in the UK came to those. There was that hand-holding process, in a way. We had those contacts to go to and speak to, and they were very open and approachable. I am not saying that we had a perfect journey through and that everything was smooth, but we had the advice when we needed it. They are complex funds to get your head around, but, if you invest the time in it properly, we felt that the help was there.

[139] **Rhun ap Iorwerth:** It is interesting to hear a positive experience from the two of you. There is just the wish that it could be spread even further.

[140] **Ms Gray:** Yes. There is still a feeling across the sector, certainly in other organisations I speak to, that people find European funding intimidating.

[141] **Mr Scourfield:** I think it is the administrative side.

[142] **Ms Gray:** I think so, too. We all came to the conclusion that, if you do have some time to put your head into it, it is understandable, the process is there and you can work through with successful outcomes. However, yes, you need to invest the time and the

resources properly.

[143] **Rhun ap Iorwerth:** You do not seem too concerned about the excess administration. You seem to accept that, in order to draw down €0.5 million, there are certain administrative hoops that you should have to go through. Is that right?

[144] **Mr Scourfield:** I am not sure that you should have to go through them, but I think it is inevitable, unless the whole sector came together across Europe and tried to bang on the doors of Brussels and said, 'You've got to make this simpler'. They are very strict and it is very difficult to have any leeway. They are very strict about deadlines and they are very strict about forms. If one piece of information or part of the form is missing and you notice two hours after the deadline and ring them up and say, 'Can we put this in?', the answer would be, 'No, it is over'. You feel that you would be fighting a losing battle trying to argue with them about the administration. You just have to take it on the chin and find a way of dealing with it.

[145] **Ms Gray:** I have been doing fundraising for 10 years from the private sector and some of the trusts and foundations I deal with are just as demanding in terms of what they require in terms of reporting. I think that it is a step further with European funding, but I do think it is a necessary outcome of having such large sums of money.

[146] **Eluned Parrott:** I want to take you back, Elaina, to something that you said a little earlier about the time that you invest in setting up the partnership, as well as the ongoing bureaucracy as you are going through the application processes. How much investment are we talking about here, for an organisation such as Chapter, for example? Could you put a cost value on the scoping to put together those European partnerships that allowed you to be in a position to start the application process?

[147] **Ms Gray:** Cost-wise, it is quite tricky, but time-wise, it took, I would say, about three months of my time, full-time, to put the application together. We are fortunate that our organisation is large enough to absorb that and to allow me to spend time developing. Cost-wise, it has massive implications. It is working with colleagues, with the organisations across Europe. Fortunately, nowadays, a lot can be done by Skype and e-mail, so that cuts down on travelling and things. However, yes, it was a good few months of solid hard work in liaising. If you put all the time together, I would say it was about three months of my time.

[148] **Eluned Parrott:** In terms of developing partnerships across Europe, were you in a position where you were able to negotiate with existing contacts, or were you trying to develop new contacts in that process too?

[149] **Ms Gray:** It was existing contacts in this case. The project that we were awarded funding for has actually run for the last seven years—the Dance Roads conference. The funding has allowed us to tour the product further internationally, but there were existing partnerships, so that did save significant time in terms of actually liaising, agreeing budgets and so forth. We also worked with a Canadian partner through the third country strand. As I have said numerous times, it was the time taken with liaising with all the partners and agreeing on the common budget.

[150] **Eluned Parrott:** Gethin, is it your experience that there is a significant input and investment in terms of staff time to get yourself to a position where you can apply for funding?

[151] **Mr Scourfield:** Yes. It is a significant amount of time for us and for some of our finance partners as well—for instance, the distributor, All3Media. We had to ask it to go out and get letters of intent from all these different broadcasters around Europe, which takes forever just to get an answer. So, you have to be very committed and you have to invest the

time. There is no point saying, ‘Oh, the deadline is next week, can we get it in?’ It takes months to get these applications together.

[152] **William Graham:** I call on Mick Antoniw.

[153] **Mick Antoniw:** I think that my question has been answered.

[154] **Rhun ap Iorwerth:** We were talking about the MEDIA programme; what other engagement have you had with other pots of funding, because there are obviously local investment funds, and there is skills funding that you can draw on for organisations, but probably not for productions as such? Can you give us an overview of the engagement that you have had, or tried to have, with other pots of funding?

[155] **Ms Gray:** We had funding through the European regional development fund Objective 2 scheme in 2006, towards our redevelopment scheme. We have also had funding through Reach the Heights, which has come down through the European social fund, for our work with young offenders. The fund that I have been talking about most today has been done through the Culture programme, and the co-operation strand of that programme. There is then the ongoing annual support that we get through the media strand. So, we have been fairly successful with our European approaches.

[156] **Rhun ap Iorwerth:** Is INTERREG another one that you have used?

[157] **Ms Gray:** That has not been one that we have looked at.

[158] **Rhun ap Iorwerth:** Beth amdanat ti, **Rhun ap Iorwerth:** What about you, Gethin?

[159] **Mr Scourfield:** Na, dim byd arall o Ewrop. Bu inni godi arian drwy’r *repayable finance* drwy’r Llywodraeth i’r gyfres ddiwethaf. Mae hynny wedi newid nawr. Nid yw’r arian yn cael ei dalu yn ôl o dan y *scheme* newydd, felly byddwn, fwy na thebyg, yn gwneud cais am yr arian hwnnw. Fodd bynnag, nid ydym wedi derbyn unrhyw beth arall o Ewrop.

**Mr Scourfield:** No, no other European programmes. We raised funds through repayable finance from the Government for the last series. That has now changed. That funding is not repayable under the new scheme, so we will, more than likely, make a bid for that funding. However, we have not received anything else from Europe.

[160] **Rhun ap Iorwerth:** A oes prentisiaid yn gweithio ar gynrychiadau fel *Y Gwyll*, er enghraifft? A fyddai modd i ddefnyddio—

**Rhun ap Iorwerth:** Are there apprentices working on productions such as *Y Gwyll/Hinterland*, for example? Is there a way to use—

[161] **Mr Scourfield:** Rydym wedi cysylltu â Skillset a Cyfle yn y gorffennol, ac rydym wedi cael ambell i berson—er, nid wyf yn cofio os oedd unrhyw un pendant. Ar gyfer *Y Gwyll/Hinterland*, roedd gennym berthynas agos iawn â’r brifysgol yn Aberystwyth. Roedd honno’n hanfodol i’r gyfres. Cawsom ganiatâd i ddefnyddio rhai o adeiladau’r brifysgol, ac roedd dealltwriaeth rhyngom. Roeddem yn rhoi profiad gwaith i nifer fawr o fyfyrwyr sy’n astudio ffilm, teledu a theatr yn Aberystwyth. Cafodd tua

**Mr Scourfield:** We have been involved with Skillset and Cyfle in the past, and we have had one or two people, but I cannot recall if there was anyone in particular. For *Y Gwyll/Hinterland*, we had a very close relationship with the university in Aberystwyth. That was crucial for the series. We were given permission to use some of the university’s buildings, and we had an understanding with it. We offered work experience to a large number of students studying film, television and theatre in

60 ohonynt tua phythefnos o brofiad gwaith yr un ar y gyfres dros y cyfnod. Hefyd, roedd aelodau o'r criw, y cyfarwyddwyr, cynhyrchwyr, y cynllunydd ac yn y blaen wedi rhoi darlithiau yn y brifysgol. Felly, roedd hynny i gyd yn rhan o'r cydweithrediad. Roedd cydweithrediad agos iawn a gwerthfawr iawn rhwng y brifysgol, ni a'r cyngor sir.

[162] **Keith Davies:** Hoffwn ddilyn ymlaen o'r cwestiwn hwnnw, os gwelwch yn dda. Mae pobl yn dweud wrthyf, o ran y diwydiannau creadigol yng Nghymru, bod digon o blant ysgol eisiau bod mewn dramâu a phethau fel hynny, ond nid oes digon o dechnegwyr. Beth ydym yn ei wneud am hynny? A ddylem fod yn cynnig prentisiaethau drwy eich cwmnïau chi i bobl ifanc yn yr ysgol er mwyn iddynt ddod mewn i'r diwydiant? Os oes problemau gennych, yr unig ateb yw trio hyfforddi pobl.

[163] **Mr Scourfield:** Mae rhywfaint o hyfforddiant fel hynny drwy Skillset a Cyfle, unwaith maent yn gadael yr ysgol. Mae'r rheini wedi bod yn llwyddiannus iawn. Rwy'n adnabod nifer o bobl yn y diwydiant sydd wedi dod lan drwy'r systemau hynny, ac maent wedi bod yn llwyddiannus iawn. Nid wyf, yn bersonol, wedi ffeindio bod diffyg technegwyr, ond efallai bod mewn sectorau eraill o'r diwydiant. Fodd bynnag, yn y byd drama, nid oes problem ar y foment.

[164] **Rhun ap Iorwerth:** I ddod yn ôl at y pwynt y bu i mi i godi, a ydy Fiction Factory yn edrych yn *proactive* ar bob cyfle i ddenu arian i mewn o tu allan i'r ffynonellau cyllid creadigol penodol?

[165] **Mr Scourfield:** Ydy. Mae'n hanfodol i ni. Rydym yn gobeithio gwneud ail ac, efallai, trydedd gyfres, ac mae'n hanfodol inni ddarganfod pob ffynhonnell arian, oherwydd nad oes digon o arian gan y darlledwyr i dalu am y cyfresi hynny.

[166] **Rhun ap Iorwerth:** Felly, o'r ffynonellau creadigol, uniongyrchol, ai'r MEDIA *programme* yw'r brif ffynhonnell?

[167] **Mr Scourfield:** Dyna yw'r brif ffynhonnell.

Aberystwyth. Around 60 students received a fortnight's work experience each on the series over that period. Also, members of the crew, directors, producers, the designer and so on gave lectures at the university too. Therefore, that was all part of the collaboration. There was very close and valuable collaboration between the university, us and the county council.

**Keith Davies:** I would like to follow on from that point, please. People tell me, with regard to the creative industries in Wales, that there are plenty of schoolchildren who want to be involved in dramas and so on, but that there are not enough technicians. What are we doing about that? Should we be providing apprenticeships through your companies to young people of school age so that they can come into the industry? If you have a problem, the only solution is to try to train people.

**Mr Scourfield:** There is some training of that sort through Skillset and Cyfle, once people leave school. They have been very successful. I know many people working in the industry who have come through those systems, and they have been very successful. I have not, personally, found that there is a lack of technicians, but perhaps there is in other sectors of the industry. However, in the drama sector, there is not a problem at present.

**Rhun ap Iorwerth:** To return to the point that I raised, is Fiction Factory looking proactively at all opportunities to attract money from outwith the specific funding sources for the creative industries?

**Mr Scourfield:** Yes. It is crucial to us. We hope to make a second and, perhaps, a third series, and it is crucial that we find all possible source of funding, because the broadcasters do not have sufficient funding to pay for those series.

**Rhun ap Iorwerth:** Therefore, of the specific, creative sources of funding, is the MEDIA programme the main source?

**Mr Scourfield:** That is the main source.

[168] **William Graham:** Are there any more questions from Members? I see not. We are most grateful to our witnesses. Thank you very much for answering our questions so well. You will get a copy of the Record of today's meeting. Once again, thank you very much for your attendance.

[169] We will now break.

*Gohiriwyd y cyfarfod rhwng 10:30 a 11:03.  
The meeting adjourned between 10:30 and 11:03.*

### **Ardaloedd Menter Enterprise Zones**

[170] **William Graham:** Good morning. I extend a warm welcome to our witnesses today. As you will know, Minister, we are returning to this issue because the committee has decided to keep it under review from time to time. We are going to go straight into questions. Before we start the questions, I ask the witnesses to give their names and titles for the record.

[171] **The Minister for Economy, Science and Transport (Edwina Hart):** Thank you very much indeed, Chair. I am the Minister for Economy, Science and Transport, Edwina Hart.

[172] **Lord Bourne:** I am Nick Bourne, the chair of the Haven Waterway enterprise zone.

[173] **Ms Burke:** I am Tracey Burke. I am a senior official in the Minister's department.

[174] **William Graham:** Thank you very much. I will start with the first question on strategic objectives. I would like some detail on the comment in the Minister's paper that she is considering longer term governance issues. Can you enlarge upon that for the committee?

[175] **Edwina Hart:** Yes. We were very pleased with the report that was undertaken by the Finance Committee. We accepted all those recommendations. It is an area that we want to look at. The chairs have recently been reviewing the membership of their boards, which I think is quite important, and I have been having initial discussions with the Public Policy Institute Wales to look at whether it can develop something on how we can take governance forward. The zones are all in different periods of development. I want some zones to be almost set free from their task and finish groups. Others might not be able to do that because of where they are in the structure. This is something to which the chairs have been giving some consideration.

[176] **Lord Bourne:** Yes. First, the chairs meet about every three months. We had a meeting, Chair, just last week to review progress on strategy, looking at the performance indicators. We have come to some broad agreement across the zones as to what they should be: the creation of jobs, obviously; the financial assistance given through business rate relief and so on; and development of the land. So, we have some key performance indicators, which I think you have seen. They are in the public domain. However, obviously, it is still relatively early days. Two of the enterprise zones were set up after the first five, but none of them have been set up for two years yet. I think that we are making good progress, and we have a broad strategy, obviously, about creating and safeguarding jobs. That is really what we are in the business of doing.

[177] **Edwina Hart:** We would hope very much that we would have some further information by the summer recess on how I need to look at some governance issues and how some zones will develop. That will then be open for discussion in the autumn. Obviously,



once the work is done, the first port of call will be the enterprise zone boards themselves to discuss how they feel about the developments.

[178] **William Graham:** Thank you very much, Minister. Keith is next.

[179] **Keith Davies:** Thank you, Chair. Minister, your paper states that enterprise zones are a priority in the Superfast Cymru programme. Can you give us an update on the programme as far as enterprise zones are concerned?

[180] **Edwina Hart:** If you will excuse me for a second, I shall go to the most up-to-date information that I have had from my officials on this. I know that broadband has been a major concern in terms of this. In terms of the Anglesey enterprise zone, parts of the Llangefni, Gaerwen, Amlwch, and Cemaes Bay exchanges are now live, and there is ongoing work to enable the remaining cabinets. In the Ebbw Vale enterprise zone, parts of Brynmawr, Tredegar and Ebbw Vale exchange areas are now live, and work is ongoing to enable the remaining cabinets. In the Haven Waterway enterprise zone, the roll-out to Haverfordwest is expected in the spring, with significant engineering works also taking place on key communication routes between Milford Haven, Pembroke and Neyland. In terms of Deeside, areas live include Connah's Quay and the Hawarden industrial estate, and Sealand is expected to go live this spring. With respect to the Snowdonia enterprise zone, engineering work is under way in Trawsfynydd and Llanbedr. They are also expected to go live in the spring. With regard to the Cardiff Airport and St Athan enterprise zone, the Llantwit Major exchange is live, with the Rhoose and St Athan exchange expected to go live very shortly. With regard to the Cardiff enterprise zone, we have had to recognise the particular need for greater bandwidth there. The Superfast Cymru programme may not actually provide the appropriate solution and we are exploring a range of options there because this is an extremely technical area, as you can imagine. We are keeping a close eye on what has happened there in terms of broadband technologies. I would be more than happy to give regular updates on the progress of this. However, we are quite pleased with the progress in terms of the enterprise zones, with the exception of Cardiff, where more work will have to be undertaken.

[181] **Eluned Parrott:** May I just query the advances that you have made in the Cardiff enterprise zone? I had a meeting with the director of British Telecom in Wales yesterday. She said that the Superfast Cymru broadband scheme was not actually intended for urban interventions. I wonder whether you can confirm that it is the case that there are areas of Wales that are not covered by the Superfast Cymru broadband.

[182] **Edwina Hart:** As I indicated in my response, the Superfast Cymru programme may not provide the appropriate solution in areas like this and we are looking at other options, particularly for Cardiff.

[183] **William Graham:** Rhun has questions.

[184] **Rhun ap Iorwerth:** I just wanted to look at planning and the potential use of local development orders. What is the potential of LDOs for enterprise zones?

[185] **Edwina Hart:** I think that the chairs are all aware of the local development plan orders. I think that they are mandatory in England, are they not?

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

[187] **Edwina Hart:** They are not mandatory in Wales. We have not taken a top-down approach. We have taken a bottom-up approach for the enterprise zones themselves to look at it. Certainly, in terms of them being mandatory, there is no way that we could do everything within Snowdonia in terms of how we could deal with the enterprise zone issues there.

Obviously, I understand that Deeside and Ebbw Vale have taken a great deal of interest in what is happening and how they can use it, but the issue for us, really, is actually more simplified planning in general, which we very much hope will come through. That, I think, is the answer. It is also interesting that the longitudinal long-term survey that we have done now stated that planning might be an issue, but the Orders are not an issue. There are far more significant issues that the enterprise zones are worried about, such as broadband, investment and other opportunities. That report will be available, by the way, Chair, to Members once we have had the translation completed. In terms of LDOs, there is an interest and there has been a discussion with the chairs.

[188] **Lord Bourne:** Just on that, Minister, the issue of the LDOs came up at the meeting of chairs last week, so each chair was able to comment on how it worked in their area. The experience is pretty good. There are, obviously, considerations where there are parks, such as in Snowdonia and in the Haven. Parks obviously present a challenge as well. Speaking from the Haven perspective, the discussions there are to try to expedite the planning process so that it moves more quickly, and we have a very good relationship. I think that that is probably true of all of the enterprise zones with the local authorities.

[189] Just enlarging on the Minister's point about the survey, we are in the process of surveying all the businesses in all of the enterprise zones; there are, I think, about 530, and we have so far surveyed over half. The response we are getting back, as the Minister said, is that this is an issue, but it is not the main issue. The main issue probably relates to financial assistance, broadband, skills—these things are coming up. Interestingly, in terms of the response that we have had, a third of businesses surveyed say that they have increased the workforce, and a third are saying that they have been able to secure the workforce as a result of being within the enterprise zone. I appreciate that is a 50% sample, but it is still indicative of the direction that we are going in, and we regard that as pretty encouraging. We had a first look at that when we met as chairs last week, and then subsequently we met with the Minister to discuss some of the findings.

[190] **Rhun ap Iorwerth:** Just going back to planning and LDOs, do you see that as one tool in the box? There is no intention at this point in time to make it a formal requirement that LDOs are—

[191] **Edwina Hart:** That is not the issue. The chairs—

[192] **Lord Bourne:** You are right, Rhun—it is not a silver bullet. The view of the chairs was, yes, it is important, but, while we have pretty good relationships, the message that we were getting back, and certainly the message from Neil, as the chair of the Anglesey one, was that they did not really feel that this was necessary.

[193] **Andrew R.T. Davies:** I have two questions, if I may. Minister, you said that you hoped that planning would get better. I presume you mean quicker turnaround times. What is that hope being pinned on? It is not the planning Bill, is it, because that will take quite some time? Are there some specific measures that, given the experience to date, you have picked up on, that you as a Government, along with the boards, are able to work with the planning authorities to try to make it a more flexible system or a speedier turnaround? Nick, you touched on finance, and said that finance was a problem. Is that finance for new businesses seeking to locate in the enterprise zones, or is it access to finance from indigenous businesses that are already there that are wanting to expand?

[194] **Lord Bourne:** On the finance, it is a factor that is identified. I think there are two things. In those businesses already there, you would obviously look at the business rate relief as something that is going to help them massively, and the longitudinal survey is bearing that out. I am not quite sure why we have the name 'longitudinal survey', but anyway the survey

of businesses is bearing that out. They are saying that they have been able to secure jobs, or bring in new jobs, as a result of the business rate relief. So, for businesses that are already there, it is business rate relief. Then, speaking particularly from a Haven perspective, if we are trying to attract businesses in, often they do need access to finance. Finance Wales is not a perfect institution, I know, but, on this one, it is able to offer a package at 2% less than it is offering elsewhere for businesses in an enterprise zone. I think some businesses have made use of that, so that certainly is important.

[195] Just on planning, before the Minister comes in, it is an issue, certainly, but I do not think the planning Bill really affects this. Again, businesses I speak to in the Haven ask about planning, and they ask, 'How long is it going to take to get planning permission?' That is more the aspect that worries them, rather than jumping through the hoops. They do not mind jumping through the hoops provided it can be done pretty quickly, and I think that is the message we are getting.

[196] **Edwina Hart:** The key issue for us has been very practical. We will not wait for the planning Bill. It has actually been the development of relationships with local authorities. Local authorities are very pleased to have enterprise zones within their areas, and therefore they have been very accommodating in terms of what can be done on those enterprise zones. I think that shows this is quite joined-up, and that is down to the fact that there are excellent relationships between the enterprise zone board chairs and the local authorities in terms of wanting to get this development. The leader of the opposition asked about some of the support within enterprise zones in terms of businesses. We have actually been looking at an update on this, because we have given £7 million to support businesses within enterprise zones, which has levered in £19 million of private sector investment. In Anglesey, we have supported Stena to look at the Holyhead port development, we have helped the Conygar Investment Company with Parc Cybi, we have done something on nuclear, and we have done something on cheese in that area. So, there are a lot of highlights where we have actually put money forward, either ourselves in Government, or there is money that comes through Finance Wales. We have also done stuff through WEFO to help with the development of these sites in terms of assisting in terms of cash. So, in terms of finance, companies do know where to go now, I would say.

[197] **Lord Bourne:** Oh, I think so. I think there is little doubt about that. New companies coming in will inevitably ask: how do we access finance? We have very good business support mechanisms, however. It is the signposting that is important. Rather than there being a problem about the finance, perhaps, it is about where we go to get the finance.

11:15

[198] **Joyce Watson:** Good morning. I want to talk about enhanced capital allowances, and seek clarification on whether there has been any uptake of enhanced capital allowances to date.

[199] **Edwina Hart:** This was a point that was also made in the Finance Committee report. I have to say that we were very pleased with the UK Government's announcement yesterday, in terms of enhanced capital allowances. It is very good news. I think it also indicates that the UK Government also understands that enterprise zones, whether they have been operating for one, two or three years, still require further help, and that they are not going to be established within that time frame. We have had enquiries but no take-up. We were discussing before we came in the fact that we are not sure what the take-up is in England either. There is no evidence that there is any take-up. However, on the other hand, you would not necessarily know about it, unless HM Revenue and Customs published it. It is quite key; the companies ask us about take-up, but the fact that this has now been extended is, I think, exceptionally useful for the development of the enterprise zones.

[200] In terms of enhanced capital allowances, when you look at the zones that we have identified for the enhanced capital allowances, that is far higher than any consequential that you would have had, based on Barnett, because we have the three locations. I have to say that I am very grateful to the Treasury, in terms of the discussions that we have had, that we are able to deliver that in a Welsh context.

[201] **Joyce Watson:** May I ask, since you mentioned the location of the enterprise zones, whether you are content with the locations and extent of the existing sites that are eligible for enhanced capital allowances, should they decide to take them up?

[202] **Edwina Hart:** As the chair of one that has done that, you might want to comment, Nick.

[203] **Lord Bourne:** Gladly. Under the Treasury rules and under the taxing statutes, they have to be site-specific. You will note, being from the locality, Joyce, that there is one in the Haven—Blackbridge and Waterston. It is on a slow burn. Initially, I got incredibly excited—and I still am excited—when it was designated for enhanced capital allowances. I thought that we would be able to sell the land within six months. It is not like that, which is why it was very good news yesterday about the extension of the ECAs—for three years, was it?

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

[205] **Lord Bourne:** That is very good news. The Minister is right: as team Wales, we have batted well above our average because we have three zones in Wales, which is certainly well above what we would have on a Barnett share. We would probably just about get one on a Barnett share. So, that is very good news. They are site-specific, but they represent massive possibilities. I know that the team of officials is working very hard in relation to the site in my zone to ensure that it is oven ready. As you know, there is an awful lot that needs doing to that site, in terms of clearance. There are a lot of EU directives to comply with, and a lot of infrastructure issues as well. There is a great deal to be done before it is sold. However, there is certainly interest in the site in the Haven. It is out for tender for expressions of interest at the moment. I will not go into the details, but we have some interest at the moment, which is encouraging.

[206] **Edwina Hart:** The other sites have interest as well. We know that from the—

[207] **Lord Bourne:** Those are Deeside and Ebbw Vale.

[208] **Edwina Hart:** Yes, Deeside and Ebbw Vale. We know that from the discussions that we have had with the chairs. It is enormously helpful to have this extension.

[209] **Eluned Parrott:** I would like to ask about business rate support. Before I do that, I want to ask for a clarification, if I may, on the subject of the longitudinal survey that you mentioned a moment ago. Minister, you said that you were waiting for the translation of the report, and that you were expecting to be in a position to publish shortly. However, almost immediately afterwards, Lord Bourne said that he was in the process of surveying the businesses in his enterprise zone. Could you please clarify whether that report is complete or not?

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

[211] **Lord Bourne:** It was not complete when I last saw it, but I think that it has been completed since. As of last week, when I saw it, it was a provisional report. I have not seen the completed report. In my own area in the Haven, I think all businesses have been contacted

now, as far as I understand it. However, I have not yet seen the breakdown of the figures. The figures that I saw were on an interim basis, so I was talking—

[212] **Edwina Hart:** I shared with the chairs the interim report that we had. We have now finalised the report with the final figures that we have had in. That report has now gone for translation, and it will be published as soon as it is available bilingually.

[213] **Eluned Parrott:** How complete is that? Lord Bourne, you said that you had surveyed around 50% as a sample of your—

[214] **Lord Bourne:** Based on the interim report, it was about 50%. However, I understand that it has gone well beyond that now.

[215] **Edwina Hart:** Tracey, do you want to update us?

[216] **Ms Burke:** Yes, I think that the last figures that I saw were that about 150 businesses had been surveyed.

[217] **Eluned Parrott:** What is that as a proportion of the total that you are aiming to reach?

[218] **Ms Burke:** I could not give you a precise percentage, but once we have the final figures, we can get you a note on that.

[219] **Eluned Parrott:** That would be great, thank you. With regard to business rate support, in your paper you note that 66 businesses have been assisted to date, with £4.5 million being committed. Are you in a position to tell us what the geographical spread of those businesses is?

[220] **Edwina Hart:** We were quite disappointed, to be honest with you, when we did the first round. You have done a tremendous amount down in the Haven, Nick. We did want the take-up to increase. The new scheme is being launched today, and we hope that we have the publicity in place. Obviously, the figures that you have are there, but the amount of money committed to every enterprise zone is not in the public domain. I am not sure what other figures we could make available, Tracey.

[221] **Ms Burke:** We have the figures so far on the number of applications approved by zone. I do not know how you want to handle that now—if you want that in a separate note or for me just to go through this with you.

[222] **Edwina Hart:** Would you like a separate note when it is done?

[223] **Eluned Parrott:** Yes, that would be really helpful, thank you. I think that Members around the committee would be interested to know how their own local enterprise zones would be affected.

[224] You say that you have been disappointed with the take-up to this point. You have committed £20 million in the budget to this particular intervention; are you confident that you are going to reach that amount?

[225] **Edwina Hart:** We very much hope that we will, because we have had a much longer run-in period on this. We have had the 10-week run-in period. There has been a lot of publicity and I know that there have been a lot of contacts made to businesses. We are determined, to be frank with you. It would be lovely to spend the budget on this and to give this level of support. Once this is open and everything has been finalised, we will update the

committee, to show you where we are on it.

[226] **Lord Bourne:** The take-up on the second round was higher than the first. We expect it to be higher again, now that people are aware of it.

[227] **Eluned Parrott:** If particular geographical issues are apparent when you provide the figures and the breakdown of interventions by enterprise zone, will you be prepared, perhaps, to look at specific interventions in enterprise zones where the take-up has been lower than you would have anticipated?

[228] **Edwina Hart:** I will be referring that back to the chairs if we think that there is an issue. They will advise me appropriately what future action I might be able to take. It is important to recognise that I rely on the chairs of the enterprise zone boards, which are privately led, to suggest what further interventions we might need to take. There is a degree of understanding between us all that they are best placed to advise what their individual enterprise zones require. They are the ones, sometimes, who alert us to problems in terms of what we might be doing in the centre and how they could be better managed.

[229] **Lord Bourne:** It is fair to say, as well, that just the bold figures would not tell you the full story. Obviously, there are going to be more eligible businesses in some of the enterprise zones than others, so it has to be seen in context. It is something that chairs discuss, as we did last week.

[230] **Edwina Hart:** It is very difficult to predict on this scheme. I could do with a crystal ball, but I do not think that even that would give me the necessary outcomes.

[231] **Rhun ap Iorwerth:** I note, Minister, from your paper, that you say that two years, or less than two years in some cases, into the lives of the enterprise zones, is too early to give a full analysis of outputs and outcomes. You will be aware that I have made inquiries—not as a member of this committee, but with another hat on—about the results from the enterprise zones so far. It is vital for us, in our scrutiny role, that we try to assess and get our hands on the right analysis at the right time of how successful the enterprise zones are. When do you think you will be able to give us a breakdown of what we are getting out of the substantial amount of public funding that is going in?

[232] **Edwina Hart:** It is the subject of quite detailed discussion with the chairs in terms of what we think is available and what we think we need to do. We also have to recognise that we do not want competition between enterprise zones emerging in Wales, because some enterprise zones are in a very difficult position. You only have to look at Snowdonia; this is a real long haul in terms of that enterprise zone. It is very easy when you look at Deeside—it is right on the border, and it is there to catch things in, as it were, straight away. It is a very difficult area for us. Now, we are starting to publish more information and it is something that I asked the chairs to look at, because they want to be as open and transparent as possible on matters. It is something to which I am prepared to give further consideration. I assume that you are talking about something different to me in terms of what—

[233] **Rhun ap Iorwerth:** What I asked was about figures on the jobs created and so on. I know that we have been given global numbers for the enterprise zones as a whole, but I think that we need a breakdown of how individual enterprise zones are performing in terms of jobs created and so on. I just think that it is vital that we get our hands on that kind of information as soon as possible in order to make a judgment, while of course realising that there are commercial sensitivities.

[234] **Lord Bourne:** Yes. I was going to say that I think that there are two aspects, one of which is the commercial sensitivity in terms of who is potentially going to come into the

Haven in relation to ECAs or whatever. Obviously, that is all commercially confidential; but the other issue, as the Minister has touched upon, is looking at it in terms of Snowdonia.

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

[236] **Lord Bourne:** Snowdonia has the biggest problems. Trawsfynydd and so on are not natural places for people to go to set up a business. John Idris Jones does a terrific job there, but if you published bold figures saying, ‘This is what is happening in Snowdonia’, it might put people off. So, I think that we have to look at ways of how we give you that information—and you are right; you need to see the information—without it really affecting potential investors coming into any of the zones, with Snowdonia, perhaps, being the obvious one. When we discussed this last week, the chairs felt very strongly. John was not there, but it shows how strongly we felt about it because we felt that that was a real issue. We would not want those figures to be published without looking at the sensitivities around that and seeing how we handle it.

[237] **Rhun ap Iorwerth:** May I ask you to expand on one thing? It is just a matter of interest, really, Minister. You said that you do not want enterprise zones to be competing against each other.

[238] **Edwina Hart:** In the public eye.

[239] **Rhun ap Iorwerth:** Yes. I understand what you are saying. However, it is important that they do have gritted teeth in their determination, is it not?

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

[241] **Rhun ap Iorwerth:** What is the level of competition between them?

[242] **Edwina Hart:** I think that they all have links into sectors, particularly, which allows them to flourish. If you look at the concentration on the energy sector, the automotive industry et cetera in Ebbw Vale, and aerospace in St Athan, you will see that they also have different ways of dealing with it, which can complement each other. Deeside obviously has advanced manufacturing and, of course, the concentration in Ynys Môn will be on nuclear, and there might be defence and nuclear in Snowdonia. As a result of that, they do not have direct competition with each other. On the other hand, they know each other well enough that if there is interest, say, in coming to Ebbw Vale, the chair of the Ebbw Vale enterprise zone will say, ‘I don’t think that this is something that we can accommodate; you actually have a better site’. They have that type of relationship. It is not so much competition. I would not want people to think that there was a race on between them, because they are all strategically important in terms of where they are and in relation to it.

[243] **Lord Bourne:** There are certainly different sectors.

[244] **Edwina Hart:** Yes; it is different.

[245] **Lord Bourne:** There is no competition in that sense. I think that perhaps the only sector where we do get a bit competitive is on business rate relief. [*Laughter.*] We do sort of say, ‘Right; we’ve contacted all our businesses and had a good uptake’. There is no harm in that, because, we all, potentially, have that tool in the box to try to get business rate relief for the businesses that are there. However, I do think that we need to recognise—and I know that the Minister does recognise—that the enterprise zones are not all in the same place. Cardiff-based ones, I suppose, will find it much easier than some of the others; so, we have to be careful about what we do put in the public domain, because it might put off potential investors. I think that the chairs all appreciate that point.

[246] **Edwina Hart:** I do not know whether it would be helpful, Chair—it is not that I do not want to give information, but I have to be sensitive—but I can ask the chairs, during the period running up to the summer recess, whether there is something that they could report on, perhaps when I do my update to the committee in the autumn, about some sort of way that we could provide more information that might be particularly useful to the committee. I would also be prepared to give some information out on a private and confidential basis—not in the public domain—as long as that would be accepted. We would like to share some of the issues, but we do not want to put anyone off. Nick chairs the chairs, so if you allowed it, it is something that they can pick up during one of their meetings in the summer, to see whether they can provide anything for my autumn update.

[247] **William Graham:** That would be very helpful.

[248] **Lord Bourne:** I think that that is a very good idea. We would like to make sure that you have the information, but we do not want to put off the market. The next meeting of chairs will be held in Deeside. We have just had one meeting, so the next will be held in early June, I think—that sounds a long way away, although it is not, really.

[249] **Edwina Hart:** It is not.

[250] **Andrew R.T. Davies:** I will just take on Rhun's point. I am grateful to the Minister for saying that it may be on a confidential basis. I appreciate that you are facilitating the information to the best of your ability, but if I go up to Glasgow, for example, and I look at the financial quota and what the Scottish Government has done there over the past couple of years, I can find out straight away the companies that have moved in there, the net new jobs, and the level of investment. If I go to Northern Ireland, for example, I can find out from the Northern Ireland Executive what its programme for government targets are and how it is doing against those targets, such as the number of jobs in year 1, year 2, year 3 and year 4. So there are examples out there that show that this information can be readily accessible in other parts of the United Kingdom.

11:30

[251] Sometimes, it is a little easy—and I would not suggest that you are hiding behind this, Minister—to use the reason of business confidentiality and all the rest of it. That causes politicians like me—call me cynical—to have questions about how effective the enterprise zones actually are. We all want them to be successful, but, really, the best way to drive success is to be able to benchmark success against other parts of the United Kingdom and to have those hard and fast data. Others have succeeded in allowing that information to come forward, as the examples I have just given you show.

[252] I have another quick point, if I may. Nick said that Snowdonia is not a natural place to set up a business in an enterprise zone. How were all these things decided, then? Surely it is about creating economic activity. You want to get the best bang for the public buck. You do not want to exclude parts of Wales but, frankly, why would you set up an enterprise zone in an area where businesses would not want to go in the first place?

[253] **Edwina Hart:** I think that we have to be careful how we regard this. There was a very successful business in terms of the nuclear industry up in Trawsfynydd. There are highly skilled employees in that area for whom we need to look for employment. So, what we decided when we looked at Snowdonia was that we should create an enterprise zone there to see what we could attract in. It is actually very interesting. We had a number of very interesting inquiries about that site because of the standard of the workers coming out of the nuclear industry, in terms of their skills. So, it is a long haul and it is difficult. Also, we have



the issue that the site is being decommissioned. We are not totally in control of those areas. There are obviously discussions about whether there will be a small nuclear development there. Something else could happen, because we are not averse in Wales to having nuclear back there or other sites because of the work experience.

[254] May I say that you make an interesting and good point about other information? I will ask my officials to do a piece of work on that so that Lord Bourne and the other chairs can be informed when they discuss it in June. I do not actually hide behind this issue. I assure you that it is not just me; the chairs have said this about these issues. It is not me using them as an excuse, to be absolutely straightforward on this.

[255] **Lord Bourne:** No. I think we initiated it, in fact, and you put the counter point. The point that Andrew makes is a fair point and well made, so if we are able to do it through confidentiality—. There may be ways round that. Perhaps I should also say that I am in danger of talking Snowdonia down—

[256] **Edwina Hart:** No, you are not.

[257] **Lord Bourne:** I certainly would not want to that. However, if you look at Snowdonia in terms of the population alone, you will see that it is much smaller than the other zones. So, there is not an awful lot that would have to be put in context. However, there is some exciting stuff going on there with Llanbedr airfield and so on. There are some very positive signs there, so I am not in the business of talking it down, but it has a more difficult task, perhaps, than some of the other areas.

[258] **Edwina Hart:** We all have a duty in Government. It would have been easier to choose enterprise zones all along the border, all in south-east Wales and done nothing in the west or anywhere else. That is the truth of it, but the point is that you have to do your best in terms of what we need to do for the whole population of Wales to bring some economic prosperity to those areas.

[259] **Eluned Parrott:** I would like to ask about performance indicators. I am very much looking forward to your progress report in May. I have a few questions about what we might expect in that in terms of how you are going to break down those indicators. For example, are you going to give us a breakdown that is disaggregated by individual zone?

[260] **Edwina Hart:** We have had a lot of discussions, have we not, about key performance indicators? We have had a lot of discussions with the chairs about it, because we will not be providing a breakdown by zone. We are happy about releasing job and investment numbers for specific projects in enterprise zones, but I have to say that the chairs are also happy with the KPIs and how we need to do them. So, we will have a more transparent approach to the matter, and we will continue to develop our approach. I think that that is fair to say, do you not, Nick?

[261] **Lord Bourne:** I think so. Taking that on board, and it is really elaborating on the point that Andrew has just made, which is a very fair point, it will perhaps be in the context of making it clear what jobs go with particular projects rather than doing it on a zone basis or on a confidential basis, because of the factors we have just mentioned. I think that the point has been well made and we will go away and see how we can present it so that you have the information you need without prejudicing the interests of Wales. That is what we are trying to do.

[262] **Edwina Hart:** So, we will show jobs created, jobs assisted and jobs safeguarded across the zones—

[263] **Eluned Parrott:** Will that be done individually, as opposed to an aggregated figure?

[264] **Edwina Hart:** It will be an aggregated figure. Then we will consider what further information we might share on a confidential basis.

[265] **Eluned Parrott:** One thing that occurred to me, as I said in response to the statement is that many of the targets that you have set for yourself are aggregated as well, so if you are reporting against those it is difficult to break down into those. Do you have disaggregated targets for each enterprise zone within the department and within each zone?

[266] **Edwina Hart:** We look at the targets individually within each enterprise zone, but we have based most of it on the aggregated targets across the piece. I think that that is fair to say, is it not, Tracey?

[267] **Ms Burke:** That is right. There are some internal management figures that we try to use to forecast what we might achieve, and they also help with budgeting. However, they are internal management figures.

[268] **Eluned Parrott:** In terms of managing the performance of the zones, are you actively seeking to measure the performance year-on-year in each individual zone, and are you prepared to take action to support an individual enterprise zone if it is not meeting the targets that you have set within the department?

[269] **Edwina Hart:** I think that we have to recognise that individual enterprise zones have their chairs and boards, and they assess themselves constantly on what they feel they are doing in terms of what they are achieving. They are not backwards in coming forwards to ask for more specific help if they require it within an area. However, I think that I have to make it clear that, as far as I am concerned, these are task and finish groups that I set up initially. I want to go to different governance arrangements, which might well change how they report at whichever stage they are developing. As far as I am concerned, I just look broadly at the direction of travel and what they are doing in terms of the suggestions that they are making, whether they are in relation to transport initiatives et cetera. I think that the way that we have tried to take it is slowly, a piece at a time, to see where we can make real improvements and make a drive for them.

[270] **Lord Bourne:** It might be helpful if I say how we do it. I think that it is probably broadly the same for each of the zones, but I obviously know better what we do. We meet formally every month on a Friday in the Haven enterprise zone. Our board is made up of people mostly from local industry. Local authority representatives come along to meetings as observers. We have strong partnerships with the national park, Communities First, the local authority and with education in the area. We have set items on the agenda so that every month we will be looking at the update on the broadband position, the update on skills and the update on business rate relief. Every two months, we have a business breakfast meeting for businesses in the area, where they come along to tell us their concerns. I am in touch with the Minister and her officials on a weekly basis—sometimes it seems more like a daily basis—on issues that come up in the zone, and I will say, ‘Look, these are things that we need to address’. In all fairness, I get pretty swift action, or, alternatively, I get a reason why that is not possible, although that happens very rarely. We have also lobbied on changing the boundaries, and the Minister has accepted the recommendations, because, sometimes, there are anomalies if you draw a line down a road, or particularly a line down an industrial estate, because some businesses in the industrial estate are within the zone and some are not.

[271] So, there are issues like that. I think that other chairs and other zones would act in a similar way. From speaking to them and from speaking to the Minister, there is constant feedback. Obviously, each zone is a little different and each zone operates in a slightly

different way.

[272] **Edwina Hart:** I think that that came out quite clearly from the Finance Committee report, in that it understood the differences between the zones.

[273] **Eluned Parrott:** Finally on this point, can I expect in the May progress report that we will essentially be getting statistics that measure progress against the targets as set out in the aggregated form that they were set out in the statement?

[274] **Edwina Hart:** You will be having all of the figures that I have indicated previously. In the light of this discussion, I will see what further figures I might be prepared to add.

[275] **William Graham:** Thank you very much. Thank you very much for your answers to our questions. There will be a slight pause while we change over to the next item on Cardiff Airport. I am most grateful to Lord Bourne for coming today, and it is very good to see you involved in Assembly business still.

[276] **Lord Bourne:** It seemed very strange coming back, but very enjoyable.

[277] **William Graham:** Thank you very much.

11:40

### **Maes Awyr Caerdydd Cardiff Airport**

[278] **William Graham:** May I extend a welcome to the other two witnesses who are joining us now? Thank you for your attendance today. Could I ask you to give your names and titles for the record?

[279] **Mr Collins:** My name is Jeff Collins, I am a director in the economy, science and transport directorate.

[280] **Mr Price:** I am James Price, director general for the economy, science and transport directorate.

[281] **William Graham:** Thank you very much. I think that we will go straight into questions and start with Julie.

[282] **Julie James:** Thank you, Chair. Good morning. Minister, I wonder whether you could just explain to the committee how, in practice, you work with the board of the airport, how that works practically on a day-to-day basis and what the liaison around performance targets, monitoring and so on is? Just give us a flavour of how that works.

[283] **The Minister for Economy, Science and Transport (Edwina Hart):** It is at arm's length from us. We have a company, on which we have directors, that has the day-to-day discussions with the board, so the discussions would be between them if the main airport board wanted investment et cetera, as long as we did not break any state aid rules on anything, although state aid has improved in terms of the new changes to regulations to help airports with passenger numbers like ours. So, we have board directors who are Government staff and they have engagement with the board. The board itself is chaired by David Rowe-Beddoe. He appointed the board directors and he is responsible for the executives on the board, and we have a normal relationship—that of an arm's-length company. I do not know whether there is anything that you want to add, James, on the structure.

[284] **Mr Price:** Not particularly. The airport is, obviously, a wholly owned subsidiary of the Welsh Government, but it is important to understand that it is a wholly owned subsidiary through a Welsh Government holding company, which is just a means of managing an operational company within a Government and civil service structure.

[285] **Julie James:** Okay, and where are the high-level targets set? Is the Government setting targets for route development, for passenger numbers, or for whatever other commercial targets, or is that also devolved to board level?

[286] **Edwina Hart:** The board will make the decisions on this and, obviously, in terms of the targets, they are commercial, because we would not wish our competitors to know what routes we might be looking at or what we might be looking at in every direction, and that is the way that we have based all of our discussions.

[287] **Julie James:** Minister, there was some talk right at the beginning of all of this of hiring a commercial airport operator to take over the whole thing. Is that still in contemplation, or—

[288] **Edwina Hart:** Obviously, there has been interest from other commercial operators, but the board is quite content, especially now with the increase in passenger numbers and the work that has been undertaken in the airport, so that it is a commercial concern itself, and we expect it to be a commercial concern. We expect it, without any support from us, to be able to turn a profit on issues. However, it will keep open all avenues if anyone is interested in going into partnership with it. That is my understanding.

[289] **Julie James:** In terms of that growth in passenger numbers that you alluded to, are you happy with that amount of growth and do you think that some of the forecasts that we have seen, which show big leaps in passenger numbers forecast—I think that the 2016-17 forecast shows a particularly big leap—are realistic and that we might achieve them?

[290] **Edwina Hart:** I am content with the progress that has been made currently, but we have to understand that this is from a very low base point and we have to understand that we were doing much better, considerably better, a few years ago. The market has changed; it is now increasingly competitive. Bristol is on our doorstep and it is much more competitive than it was originally. Under the previous owners of the airport, the airport went, I would say, into disrepair. There was not the commercial acumen that allowed it to get deals and to take things forward. So, I have confidence in the board, because it has shown leadership in this initial period with its new chief executive and it has shown that it is really on the case, and I have had the opportunity through other meetings, not necessarily with the airport, but with people who are interested in airports, to learn that they now feel that they can deal with a professional operation in the airport, which is led by Lord Rowe-Beddoe and Jon Horne. They feel that they are talking like for like and there is an understanding that this is an airport that is ready to do business. I do not know whether Jeff or James want to comment.

11:45

[291] **Mr Price:** I was just going to ask for clarification, if that is okay. You talked about forecast numbers for, I think that you said 2015-16—

[292] **Julie James:** Yes. We have been supplied with a chart that is called ‘Cardiff airport passenger forecast’, which is an independent review, as I understand it, but the forecast shows a growth on previous year of 37.8% for 2015-16, which seems an enormous amount.

[293] **Mr Price:** Okay. I think that they are figures from Stuart Cole’s report, which were

taken from a number of different scenarios that Cardiff Airport gave him. My view would be that the central scenario, which Cardiff Airport is working to, is commercial and in confidence. I do not think that it is those figures, actually, in terms of the central scenario and I would not personally recognise those as the central scenario. However, the airport is predicting growth in numbers.

[294] **Julie James:** In terms of that growth, we know that there has been a general growth in airport traffic, so are you happy that the airport is adding value to that general growth, or do you think that it is just part of the market?

[295] **Edwina Hart:** Yes, we are.

[296] **Julie James:** So, you do not think that, without this change in management, it would have maintained—

[297] **Edwina Hart:** I think that the change in management has been significant. From the responses that we have from the airlines that we deal with and people in the industry, we see that they now have more confidence that this is a professionally led airport. They are very confident and the fact that it is actually owned by Government has been quite important. When you look at the history of Government ownership, particularly at the local authorities in Manchester and the decision of the Scots to purchase Prestwick, you will see that it gives confidence to the market that this is real in the long term because of the involvement of Government. That added to a stronger management structure within the airport, and a very strong board in terms of its membership and the acumen will make a difference.

[298] Stuart Cole has obviously done his report on a scenario basis. We are more aware of some of the figures that the board has discussed in terms of the commercial nature. However, we are confident that it is an upward trend, but we have an awful lot to make up in terms of where we were, where we have to get back to and where we need to go a bit further.

[299] **Julie James:** I am into my last question. In terms of that catching-up process, the last audited accounts are from 2012, we understand, and they are still showing no return to profitability, although, they are showing a very significant decrease in the amount of loss, so are you confident that that trajectory will continue and will go into profit at some point?

[300] **Edwina Hart:** The board is confident that it will.

[301] **Julie James:** In this next set of accounts?

[302] **Edwina Hart:** I think that we will have to wait to see some final figures on this. Jeff, do you want to come in?

[303] **Mr Collins:** Just for you to be aware, the accounting periods for the airport used to run according to the calendar year, but they will be moving from a calendar year to an April-to-April year to match up with our accounting period. So, the next set of accounts will be unusual, because it will cover two winters and one summer.

[304] **Julie James:** So, it will be difficult to make the comparison then.

[305] **Mr Collins:** Yes, it will be difficult to make the comparison.

[306] **Mr Price:** In the previous year, there were two big impacts on the figures. One was the loss of mbimaby and the other was a contract with a catering company that was paying for floor space that came to an end. So, both of those impacted significantly on the figures and we would expect that to work through in future years.

[307] **Andrew R.T. Davies:** I just want to touch on the Scottish scenario that the Minister introduced, that is the buying of Prestwick airport. Obviously, the Scottish Government has a very different model to the model that you are undertaking, in that it wants to return it to the private sector. You were saying that you have looked at what it has done, so why do you have confidence in your model over its model?

[308] **Edwina Hart:** I did not say that I had looked at what it had done; I said that I was aware that it had made the purchase. I was interested that it had made the purchase—

[309] **Andrew R.T. Davies:** You said that it introduced confidence, Minister.

[310] **Edwina Hart:** Yes, but I am confident that the model that we have currently suits us.

[311] **Andrew R.T. Davies:** So, you have not ruled out maybe taking some of the examples of what the Scottish Government is doing to bring Prestwick back to profitability, or—

[312] **Edwina Hart:** At the end of the day, I think that the board will bring the airport back to profitability, which was always our aim. There will be discussions then for future Governments about what they may or may not wish to do with the airport. The important thing is that we have an airport that goes back to profitability and is used by people in Wales. It is important for a nation, in my opinion, to have an airport that is viable. That is the key issue for us. Our reason for intervening in the airport was that we could see a downward spiral all the time, which we did not wish to continue. That downward spiral is not continuing. We have put in a private sector management board. We are not managing it ourselves. We have the expertise in there. We are seeing changes in the airport. It will take a long while, but this was not a decision to turn in a quick profit overnight. Obviously, if there are people from the private sector who are interested in partnerships with us, our door is always open for anybody who wants to approach us. At the end of the day, it is our duty to ensure that the airport functions and functions rather better than it did when it was under the previous owners. What we should be doing is welcoming the fact that there has been a change in the fortunes of the airport and hoping that that might continue.

[313] **Eluned Parrott:** I wanted to ask about when you are anticipating that we will be returning to a profit, because the last two sets of audited accounts showed a huge increase in the loss that the airport was making as a percentage. I think that it was something along the lines of 56% to 60% in terms of an increase in loss, year on year. When do you anticipate that the break-even point will be found?

[314] **Edwina Hart:** At the end of the day, we will wait to see what the board is taking strategic steps to ensure—that more routes are encouraged, that there is better footfall in the airport and that improvements will increase that. Obviously, we will be guided by what the board indicates to us.

[315] **Eluned Parrott:** With regard to another announcement in the budget yesterday on the strategic air connectivity fund and its extension to enable regional airports to apply for funding to support route development, what impact do you think that kind of announcement might have on your plans for improving the airport's fortunes?

[316] **Edwina Hart:** We will obviously wait for the detail of it. We have been trying to find out more about the detail in anticipation perhaps that this might be asked today. James, I do not know where we are in terms of that now.

[317] **Mr Price:** I was speaking with colleagues in London this morning, trying to get more detail. It is still very sketchy, albeit I believe that it is a UK fund, not just an England only

fund, which is obviously good for us. We will try to bid into it, alongside any support that we provide ourselves. They are beginning to play with the new state aid rules. We used to do a lot of route development work up until 2006, when the state aid rules changed and started preventing it. What I am hoping is that the new state aid rules, particularly for smaller regional airports, combined with that funding should allow us to do more.

[318] **Edwina Hart:** We will be more than happy when we get clarity, Chair, to send a note out to the committee about how these matters will work. It is something that the board will wish to discuss when there is clarity on this particular issue. It could be a welcome announcement, perhaps, for us.

[319] **Eluned Parrott:** Indeed.

[320] **Mick Antoniw:** I have a couple of questions that follow on from that. In terms of the broader economic strategy that the airport fits into, of course, that is a matter that is directly of concern to you, the Welsh Government and us. It ties in with issues around the metro, tourism and the most vital one of all, obviously, the economy. Is there a specific strategy being developed around the airport or is the airport just basically developing to feature within other policy initiatives?

[321] **Edwina Hart:** The airport is part of the enterprise zone, so it is very important that the links between St Athan and the airport are well made. That particularly impacts on transport infrastructure issues, because it is important that I look at the whole in terms of St Athan and the airport when I look at transport infrastructure. We are hoping to improve the infrastructure. We are doing the improvements now on Five Mile Lane and we will be looking at other road improvements. Part of the overall discussion on the metro will impact on rail and other links, perhaps, in the future. That is all being discussed across all of that.

[322] The key to this is economic development, you are quite right, for the enterprise zone, which includes the airport. So, it is support for economic development but it is also about serving passenger needs in terms of the airport and getting new airlines in. We are working through very detailed plans on this with the airport, which, of course, are commercially confidential with regard to routes and passengers but which, hopefully, will bring economic benefit to Wales. The interesting thing about the use of the airport is that it is not just for tourism purposes. We want a lot more in terms of business purposes as well. We are trying to encourage big players in Wales to use Cardiff Airport. That is really quite important for us. We want them to bring people from their companies abroad through Cardiff Airport. That business is also very important.

[323] It is interesting now that there is more confidence among businesses about using the airport. It has routes into Paris, there is still the Amsterdam route and there are the routes to Dublin and on to the States. So, it is very important that you build it up so that they can go to other hubs. In the long term, I note the ambition—around the table particularly—that we look at what we can do in terms of the transatlantic routes and how we can take this development forward. These are plans that the airport is discussing all the time. What has been proved with some of the initiatives at the airport—with some of the new airlines and routes that have come in—is that they have been complimentary about how fleet of foot the airport was in dealing with them when they were interested in coming. That is very important and it is a good message to the private sector—effectively, the private sector is running the airport at arm's length from Government. It can be fleet of foot in taking up opportunities with new airlines coming in, and can say to them, 'We can do that for you and that is what we want to undertake'.

[324] Cardiff Airport will hopefully feature in the NATO summit. Let us hope that a lot of very large aircraft will be landing during that period and that it will be able to deal with that

effectively and put Cardiff Airport—as well as Newport—very firmly on the map. We might think that all of these delegates bring nothing, but the summit brings something in the psyche of people outside the UK about where Wales is.

[325] **William Graham:** That is very true.

[326] **Mick Antoniw:** You referred to the £10 million investment that has already gone in in the form of a loan. I think that you have outlined the areas of restructuring. There was originally a plan of a £26 million development to the airport. I am surprised that the company did not want to buy then, as there was quite a large commitment. Is any of that plan still being considered?

[327] **Mr Collins:** We were in discussion with the previous owners and it distilled into a potential £26 million for which we obtained state aid approval to contribute about £5 million. When I was discussing with the company at the time, it was interesting that it was a little reluctant to announce major infrastructure investment plans because it could be picked up by the market and seen as an adverse hit on its cash position. What you will see at the moment is quite a bit of infrastructure investment at the airport—they are painting the front at the moment, taking asbestos tiles down inside. There is now an investment plan that is aligned with the footfall—when it hits 3 million passengers, there is something called the ‘terminal flip’. I am not sure of the details, but it changes the way that the terminal operates.

[328] When I speak to the airport, it seems more comfortable to be a little more open about its investment plans. As the Minister said, it is fleet of foot and can make these decisions. I would imagine that the nub of the investment plan would be the same as the previous owner’s plan, but it is just that, under this ownership, there is more openness about what it is doing, and it is actually doing something.

[329] **Julie James:** My question is about state aid provisions and the technicalities of that. I would be interested—perhaps you would provide a note to the committee—in how you are calibrating state aid against the projected growth of the airport and where the permissions lie. I presume that it is your strategic area of general importance for the purposes of state aid rules and your projections for when that aid needs to come out.

[330] **Edwina Hart:** It might be helpful, in the note that we provide on issues raised by Members, to add a point about state aid issues. We want to be absolutely sure that what we say on these matters cannot be used against us in any circumstances. [*Laughter.*]

[331] **William Graham:** Perish the thought.

[332] **Julie James:** As a comment, I will say that Joyce and I came through the airport on Sunday and there is a real buzz about the place, which I really liked.

[333] **Eluned Parrott:** I wanted to come back to your point about how important it is that businesses get used to using the airport as a matter of routine, particularly the important hub links through Paris and from the KLM flight as well.

[334] **Edwina Hart:** There is Barcelona too, of course.

[335] **Eluned Parrott:** Yes, and Barcelona, via Vueling. What proportion of the Welsh Government’s own trade missions and its own business trips are now flying out of Cardiff Airport? Is that changing, now that the airport is in public ownership?

[336] **Edwina Hart:** I do not deal with issues around the administration of these trips. My view is clear that, if we are able to do so, we should use Cardiff Airport. We are also very cost



conscious about getting the best benefit. I will ask the director to look at these issues; I think that it is relevant, now that we have more hubs to go out through. I would be happy in due course to provide a note for the committee about the direction of policy in this area.

12:00

[337] **Andrew R.T. Davies:** May I just seek a point of clarification, first of all, on the partnership model? Julie touched on the fact that, certainly when the First Minister announced the buying of the airport, and obviously in the immediate aftermath of that, it was the Government's intention to go out to find a partner to run the airport. I think that you indicated, Minister, that the Government now seems content with the model that you have, and certainly the model that you have has given you the returns that you want. Therefore, is that partnership model now firmly, I would not say off the agenda, but on the sidelines?

[338] **Edwina Hart:** No, nothing is in or out on this. If somebody came forward in terms of a genuine partnership and said, 'We want to work with you', and we thought that it was for the benefit of Wales and the Welsh public purse, and we would get enhanced benefits out of it, of course that would be discussed. I have to recognise that this is a commercial operation that we are talking about. We have our initial investment in, but we are open to everything on this particular agenda. It would be wrong to say that we were not. We have had interest, and I think that some of the interest might come back when other people have finished other commercial concerns that they might have entered into—they might come back. Particularly if the airport becomes more successful, there might be more interest in it. So, at the end of the day, nothing is ruled in or out. We are content with the existing arrangements because, I have to say, the board and the chief executive are doing a good job. So, we are content about that, but obviously, if there is interest—

[339] **Andrew R.T. Davies:** You say 'if somebody came forward'—does that mean the Government, at the moment, has stopped proactively looking for that partner to come in with you, and that, therefore, it is for them to approach you rather than you proactively being out there saying, 'This is what we want'?

[340] **Edwina Hart:** At the end of the day, this will be a matter for the board. The board will make decisions about what it wants to undertake and will advise us on how it might wish to take things forward. Obviously, sometimes people will approach Government directly, and then we would say to the board, 'Do you want to have a discussion here? Do you think it is worthwhile?' if it was something else. It depends what happens. This is second guessing something that may or may not happen. I am trying to be as open as I can on this, but obviously, these are matters for the board. We are content with the existing arrangements, but I could not say tomorrow, if somebody said, 'Let me give you £1 billion for Cardiff Airport'—

[341] **Andrew R.T. Davies:** That is not the point. The First Minister was very precise when he announced the arrangements for the airport: that the Government would be proactively looking for a partner. I take the point that you made that, at the moment, the Government is content with the direction of travel and the way that the board is undertaking that. To me, that gave the impression that you would like the current arrangements to continue, certainly in the short and medium term, without going out there to proactively look for a commercial partner.

[342] **Edwina Hart:** There is no difference between me and the First Minister on this issue. When the First Minister made the announcement, it was quite clear that commercial partnership was the option. We have spoken to individuals, and have been proactive in those discussions, as has the board in taking matters forward. They have not gone anywhere currently. That is not off the agenda, but currently I have to say that the arrangements are working well. I would not want to destabilise anything that is happening in Cardiff Airport by

unnecessary talk about us being out there looking for somebody to take it over. What the First Minister said at the beginning still stands, and we have to say that we are content with the way that the board and the management team are now dealing with the airport. It would be wrong to undermine that position in any way by any discussion between us across this table today. Let me make it quite clear: the First Minister's position is quite clear, and the position of the Government is now quite clear on how we think the airport is going. We are very pleased that what it is doing on new routes and route development is actually bearing fruit in terms of the airport.

[343] **Andrew R.T. Davies:** The second point, if I may: what modelling has the department done on the potential cash demand that might be presented to the Government for capital projects, such as have been talked about earlier, in the next two to three years, given your involvement with the airport? Can we expect that there might well be significant demands placed on the department's budget, or indeed the overall Welsh Government's budget, or would you be looking to fund most of the improvements and revenues generated out of the airport as a company?

[344] **Edwina Hart:** At the end of the day, you have asked a very open question to which I cannot give you an answer, because we have not yet finalised any of the discussions with the airport board in terms of some of the plans that it might be initiating quite shortly. So, these will become apparent in due course. Our hope, of course, is that the airport will start to make a profit and that it will reinvest itself; that is perfectly proper. However, in terms of the wider agenda, the whole issue, as I made clear, is that the airport is part of my enterprise zone, therefore there will be things that I will do that will benefit the airport, because they benefit the enterprise zone, in terms of what I might do with transport infrastructure and other issues.

[345] **William Graham:** Minister, could I return to the £10 million commercial loan? What are the implications for repayment, if passenger revenue targets are not met?

[346] **Mr Price:** The loan has been made on commercial terms, which are confidential, so we cannot go into that, but the board of the airport is confident that it can repay it without any subsidy from the Welsh Government. The due diligence we did in terms of providing the finance to the airport indicates that we are content that it is good for the finance that we provided to it. Therefore, we do not view there to be any significant risk in the provision of that finance.

[347] **William Graham:** Keith, are you going to ask about access?

[348] **Keith Davies:** In a way, you talked about it earlier, Minister, but what are the plans to improve access to the airport and the T9 service and what is going to happen to that?

[349] **Edwina Hart:** Professor Cole did a report about the airport service. He made several recommendations for the short term, medium term and long term. We are currently working through those recommendations, particularly with the Vale of Glamorgan Council. The point has been made about do we want more pick-up points added to that service to help the villages. We are hoping that that work will be completed very shortly and I will be able to share that with Members.

[350] We are content that we made the right decision in running that service. Some days it is full, some days it is not so full. We are content that we have got the hours right. We need to have the service continually rolling. I will update Members when we have gone through the key recommendations in Professor Cole's report. I am aware of the impact that this has on services in the Vale of Glamorgan, which has been raised with me by several Members around this table.

[351] **Keith Davies:** I support you all the way. Coming up the M4, I see the Bristol bus quite often, and I think, 'We're in competition'. The more that we can do to compete, the better.

[352] **Edwina Hart:** It is important that we continue to market the airport and where it is flying to much more, so that people use it, as they used to years ago, as their natural choice for flying out, particularly for holiday destinations. We need to do a lot more work in that area, within Wales, in terms of how it is marketed. We have close links with the tourism department, with me in terms of Visit Wales, about how we market the airport and what we do in terms of that. We have to up our game on that to make the airport a success. That is where the Government can intervene quite properly in the wider tourism agenda, and in the wider agenda of telling our citizens in Wales, particularly when they are further west or across the border where it might be convenient. Cardiff Airport has far better access, in my opinion, than Bristol Airport. Perhaps people from across the border should consider coming to Cardiff to fly out. It is rather like when we advertise Wales in Paddington; it is important where we start to advertise. Cardiff airport needs to look at where it needs to advertise to get its passengers. We would be delighted if we were running buses from Bristol to Cardiff Airport.

[353] **Keith Davies:** The other thing, Minister, I was telling Julie now, is that I see these adverts on tv all the time now—£90 to Dublin, £90 to Glasgow or Edinburgh and £109 to Paris. I cannot remember seeing advertisements like that before about Cardiff Airport. I think that that is great.

[354] **Edwina Hart:** That indicates, because of the nature of the board, that there are people on the board from the private sector who understand the value of advertising. That type of leadership is not something that was there before. We have to remember, with the previous company, this was a subsidiary activity for it, what it had with Cardiff Airport, whereas we have a board and chief executive whose job it is, permanently, to ensure that the airport becomes viable.

[355] **William Graham:** Minister, would you like to enlarge a little bit on your other proposals for access to the airport that you have already published?

[356] **Edwina Hart:** Yes. I know that you, Chair, have been interested in the metro concept for a long time and how useful it could be. The work being undertaken by Mark Barry, which Members will be getting, will look at the wider area and how to deal with it. It is important to recognise that airport access is key. The improvements we are making in the roads will make a fundamental difference. In the long term, there are rail issues that people are concerned about. We have a station and it is about how we connect that in. That work is ongoing. The work will take time, but there are also budgetary issues around the work. We have tried to prioritise what we can afford to do now, and then we will look at development in the future.

[357] There are also issues for the airport board about what it might want to do to run buses into the airport—not just the bus that we are running from Cardiff Central. It is a question of whether buses need to be run from further west, and whether it needs to have other contracts to bring people in to save bringing cars in. I think that that is a discussion that my officials, certainly as part of the holding company, will be having with the board. I think that that would then make it more welcoming for people from the west to think that they could pick up flights and have the type of return that people have from the service that goes to Bristol.

[358] **William Graham:** Rhun has a question.

[359] **Rhun ap Iorwerth:** I have a series of questions. Forgive me if we are going back over some ground that we have already been over.

[360] **Edwina Hart:** It is all right.

[361] **Rhun ap Iorwerth:** I will pick up on a question that Andrew was asking earlier, but I will ask it in a more direct way: do you have an idea now when the Welsh Government, and therefore the taxpayer, will be recouping the money that you invested in Cardiff Airport?

[362] **Edwina Hart:** I think that we always made it clear that this was a long-term investment. So, the answer is that it is a long-term investment.

[363] **Rhun ap Iorwerth:** Picking up on what you said about decisions on officials, their flights, and whether they could use Cardiff Airport, where you said that you have to be cost-conscious, which is absolutely right, it suggests that this reputation perhaps continues that Cardiff Airport is expensive. There is the reputation of expensive landing charges and so on. Could you just give us an overview of where we are now?

[364] **Edwina Hart:** No, it is not that. I have to be cost-conscious. Sometimes, when you go elsewhere in the globe, actually, the cheapest flights are the most convenient in terms of time. Bearing in mind that I take trade delegations, businesses want trade delegations, but they also want to ensure that they have the best routes and the best costs because they have to contribute to this, as well as the Government, in terms of money. Going from Heathrow Airport, which is a major airport in the UK, is sometimes the easiest option for going to places across the globe and in terms of the choice of flights and airlines, you can do it. I am now undertaking that we will look at what more we can do out of Cardiff Airport. I am more than happy, when I go on trips, to actually look at Cardiff as my first starting point because, to be frank, I do not want to drive up the M4 any further than Cardiff to get there. So, that is quite important. In terms of this, the board has looked quite clearly at its competitiveness on the whole issue of the mythology of what was happening. It was not actually mythology in terms of landing charges, I understand, Jeff, but it was actually reality. The board got to grips with all of these fundamental issues that underlie this, hence why we are seeing change within Cardiff Airport.

[365] **Rhun ap Iorwerth:** It was that point that I was getting at, not whether you would fly from Cardiff or Heathrow. Obviously, you make the right decisions for the journeys that you want to make. Just explain the myth of landing charges, because there is a reputation and a widely held belief—correct or otherwise—that landing charges were prohibitively expensive in Cardiff. What is the situation? What has changed?

[366] **Mr Price:** Jeff might also want to come in on this. I had direct experience of dealing with Cardiff Airport in terms of some of the contracts that we used to run out of Cardiff Airport. In my view, some of its landing charges were prohibitively expensive, perhaps twice as much as I would expect to pay. I think that the frustration of the commercial airlines was, because the management of the previous ownership of the airport were performance managed on income from landing fees, the management's response was to put up management fees and not negotiate them down. Most commercial operators of airports that are successful seem to try to maximise yield and footfall. So, you get money on car parking and retail, but not necessarily on landing fees. Equally, you have a different approach with different operators in terms of incentivising people in. Different parts of the market will bear different amounts. The airport is now operating much more like a commercial provider because that is what it is. I think that we are seeing the benefit of that. Anything in terms of detail would, of course, be commercially in confidence.

[367] **Rhun ap Iorwerth:** So, in summary, the reputation was right, and it has changed now.

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

[369] **Mr Collins:** Perhaps I could just add to what James and the Minister have said, just to set it in context, that Cardiff, under its previous owner, was something like 0.8% of the airport group's turnover and the airport group was a small fraction of a huge company. It was one management team looking after the whole airport group. The local team at Cardiff would have to go out of the country to sanction changes to landing charges, hence the now changed fleet of foot, which is one of the benefits that the executive sees of its current ownership arrangements. So, you can see that it was a really intransigent operation, where perhaps a local autonomy or being able to respond locally to commercial activities and opportunities was not available to the management team and the executive.

12:15

[370] **Edwina Hart:** As an aside, when we visited the company, when we were considering the purchase of the airport, it was the first time that some executives had been to the top floor; also, the first time that the person who controlled the company had ever been to the airport site was when we came.

[371] **Rhun ap Iorwerth:** Does the 9% increase refer to passenger numbers? What does the 9% increase in performance refer to?

[372] **Mr Price:** It depends what you are measuring, basically. I think that the best aggregate figure is the 7% figure, having looked at it. However, it goes from 7% up to 30%, depending on what you are measuring, and it does refer to passenger numbers, yes.

[373] **Rhun ap Iorwerth:** How is that accounted for?

[374] **Mr Price:** The 7% figure is a Civil Aviation Authority figure. In fact, all of the figures are. It depends on whether you are looking at a full season compared to another full season, or whether you are taking one month against another month. The 7% figure is a full season, which includes the summer period and winter period, in comparison with the year before.

[375] **Rhun ap Iorwerth:** In a way that normal airport users would understand, what has given us that increase and improvement in Cardiff Airport? Is it extra airlines?

[376] **Mr Price:** More people are travelling, and there are additional routes.

[377] **Edwina Hart:** It is a combination.

[378] **Rhun ap Iorwerth:** People are doubtful, and some have suggested that part of this would be diverted flights from elsewhere. However, that would not be the case, would it?

[379] **Mr Price:** No. That would be a balancing item, and I could not tell you whether it had gone up or down. It might bring the numbers down. There is one issue that may have been talked about elsewhere, which is that there is a divergence—and this is not just at Cardiff Airport, but at all airports—between airport figures and CAA figures, and equally between airline figures and CAA figures. That is because there is a difference in the way that they are counted.

[380] **Rhun ap Iorwerth:** Chair, I do not know whether you want to go on to the enterprise zone.

[381] **William Graham:** Yes, please.

[382] **Rhun ap Iorwerth:** There has been an issue with the hours that are being operated in the enterprise zone, in terms of the capability for using the airstrip at St Athan. I happened to read in your ministerial report that, in April, you expect landing or use of the airport to be available seven days a week. Could you just expand on what is happening and what the change is?

[383] **Edwina Hart:** Yes. Obviously, the companies in the St Athan enterprise zone itself were very concerned that they would not be able to land and do their business. So, we had a discussion with the Ministry of Defence, which had responsibility for it. The MOD could not help us, in terms of the expansion of hours. Therefore, we are dealing with it ourselves, from April.

[384] **Rhun ap Iorwerth:** How is that being done?

[385] **Edwina Hart:** It is a commercial operation now.

[386] **Mr Collins:** We have worked with the MOD. We have looked at extending the five-day service to a seven-day service. The MOD could not do it. So, we have worked with the MOD to design a service, which is now being tendered. The service will then be implemented, and it will give us the seven days a week that we need for the client base at St Athan.

[387] **Rhun ap Iorwerth:** Is this a problem that you had foreseen when the enterprise zone was set up at St Athan, namely that it would be largely unusable at many of the times that commercial users would want to use it?

[388] **Mr Collins:** May I answer that?

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

[390] **Mr Collins:** It was probably a problem that became apparent once the maintenance, repair and operations activities at St Athan came back. It is about the need for flexibility for the likes of Cardiff Aviation and eCube Solutions; when they fly a plane in, they need to land it at a certain time. The benefit to their business is having that enhanced flexibility, so that they can land as and when they need to.

[391] **Rhun ap Iorwerth:** There are flying schools and that kind of thing there as well. Obviously, evening classes are quite normal. Will the seven-day expansion also expand in terms of the number of hours available in the day, and in terms of expanding into the evening?

[392] **Mr Collins:** The University Air Squadron will fly out of St Athan. It just means that that facility will be available to it, so it can make those flights. Air traffic control will be available, so it will be a service or an operational facility that is available for more hours.

[393] **Edwina Hart:** I know that, based on the representations that we had about the St Athan site, businesses are very welcoming of this particular development. Hopefully, it will allow us to enhance what we can offer at St Athan, in terms of attracting further investment there.

[394] **Rhun ap Iorwerth:** It is very good news. Sorry to ask again: how late into the evening and so on will people be able to land?

[395] **Mr Collins:** I am not sure on the length of hours in the evening. However, I know

that Saturdays and Sundays are the issue.

[396] **Mr Price:** Can we provide you with a note on that? I think that I know what it is, but I do not want to give false information.

[397] **Rhun ap Iorwerth:** It would be useful.

[398] **Mr Price:** I think it is extending by a couple of hours a day and going to seven days a week.

[399] **William Graham:** If we could have a note to the committee, it would be helpful.

[400] **Rhun ap Iorwerth:** There has been a rather unfortunate connection between the enterprise zone and Cardiff Airport up to now, in that flights that would have liked to land there have had to go to Cardiff Airport and have had to leave by 10 a.m. on a Monday morning and that kind of thing. What synergies and co-operation do you think will be useful, moving forward, between Cardiff Airport and the enterprise zone?

[401] **Edwina Hart:** We think this is absolutely essential between the two. It enhances the capability of St Athan and the capability of the airport as well. We think that allows us a great deal of flexibility. The board is very happy to have these discussions. Professor Garel Rhys, as chair of the enterprise zone board, is really on top of this issue, having the necessary discussions. We think that that is good news for us. In terms of what you have been discussing with the airport, Jeff, it is certainly very keen, is it not?

[402] **Mr Collins:** Yes. I have set up a joint operations group between the St Athan team and the Cardiff Airport team. We meet on a regular basis to understand each other's business activities and business plans, and just to have an open and frank dialogue about things as simple as where landing lights should be in respect of the side of the runway. We can tap into a lot of the skills at Cardiff, which are useful for us at St Athan and vice versa.

[403] **Edwina Hart:** Also, we need to look to the future about what happens with fire services and a whole range of services about the joint linkages between the airport and St Athan. Of course, there are security issues, because St Athan, with some of the businesses there, requires enhanced security. So, we are looking at the policing arrangements across the piece, including the airport and the enterprise zone. These are ongoing and very positive discussions.

[404] **Rhun ap Iorwerth:** Finally, how will the economic interests of the enterprise zone be boosted by that? It is useful in general that there is co-operation, but how can the enterprise zones grow—

[405] **Edwina Hart:** I think it will just benefit generally. The fact is that that is the level of co-operation, we have a wider space and the transport links are being enhanced for both of them. I think it is just a positive news story. Companies that have been interested in coming there will come now, because we are making these improvements.

[406] **Andrew R.T. Davies:** May I just pick up a point? I think Jeff said it has been tendered, so I assume that that tendering process has finished, the contract is in place and it will be starting in April. I am led to believe, from talking to operators on the site, that this is 12 months later than was originally envisaged. It was April last year that it was meant to have been in place and it has been a huge constraint on their ability to maintain their businesses and to grow them. Given that the Ministry of Defence has been involved in this—I do not know why there has been the 12-month delay and complexity—what lessons have been learned in working with the Ministry of Defence for future issues? As I said, talking to the operators that

exist on that site, some of them were saying that the viability of their businesses is on a knife edge, and this one issue was the thing that put them on that knife edge.

[407] **Mr Collins:** I do not think you should take away the view that there has been any mischief on the side of the MOD. The MOD is an enormous organisation. Again, it is a 1.8 km runway in south Wales, and we are trying to advocate a position. I think that there are many chains of command and, when we go in and say, ‘Can we have extra resource to staff up for seven days?’, it takes a while for that message to get to the eventual decision maker and come back down. So, one of the lessons learned, probably, is that we would deploy contact at different levels throughout the MOD, and lobby in different ways. The primary lesson learned is the lag in the time taken to get through these particular discussions.

[408] **Edwina Hart:** In terms of the MOD—sorry to interrupt you—we have tried to deal sensitively with it about a whole range of issues related to the site. The MOD had some decisions to take about what military personnel were on that site, and we did not want to be seen to be difficult on any of those issues. So, perhaps we should have, in some ways, lobbied harder, gone in harder, but there was also a consideration of the military side from us, as well as the commercial operations. We had to have that balance. I do not know whether you have anything to say in that regard, Jeff, but that was a consideration.

[409] **Mr Collins:** It was a consideration. We know about the signal regiment relocating, so we need to—

[410] **Andrew R.T. Davies:** Do you acknowledge the difficulties that the businesses have had as a result of the delay in this coming forward? There were very real concerns and they could be pointed to this specific issue. The one other point I would just like to clarify is that the business that I spoke to there was very concerned, especially in the winter months, that there was only daylight use of the runway. With the extension of the hours that you have talked about, is that not just because we are going into the summer so there is more daylight, but a real increase in the 365-day operation of that runway—winter, spring, summer or autumn—that the operators would be able to use?

[411] **Edwina Hart:** May I assure the Member that the businesses are aware of the nature of the discussions that we have had, where the agreement will lead and what hours will now be available? We understand that they are reasonably content with the outcomes of this. We acknowledge that there has been difficulty for the businesses there, but we also have to acknowledge that it is very difficult taking things through, sometimes, with the Ministry of Defence, which is a vast organisation in terms of the chain of command. We have been absolutely committed to getting this right and, hopefully, from April, this will be right and businesses will then be very happy. We hope to attract further businesses.

[412] **Mr Collins:** I would like to add that one of the ambitions of this joint operations group was to have the benefits we now hold in Wales, in that we have two runways, a commercial operation and a maintenance, repair and operations facility within three miles. They should share the problems, and we should make use of available facilities to support our customers. So, if there is a problem that can be solved by involving Cardiff Airport, we would do that. However, we are in good dialogue with clients at St Athan, we understand their concerns, and we are trying to respond to them.

[413] **Edwina Hart:** We must not forget, of course, that we have British Airways Maintenance Cardiff on the side of Cardiff Airport as well, which is a very important employer for us.

[414] **Rhun ap Iorwerth:** I appreciate your work on communication with stakeholders at St Athan; I can assure you that they do not all know that this is coming to a positive end. I can



also tell you that there was fear, and there remains fear—although, hopefully, that will be sorted out now—that the whole enterprise zone could have collapsed around this issue of limited flying hours.

[415] **Edwina Hart:** I am afraid that the companies exaggerate slightly to elected Members in order to ensure that the Government listens a bit more.

[416] **Rhun ap Iorwerth:** I would like to make another point, which is tangential and does not relate to this in particular, but you will understand why I am asking you about it, because it could have repercussions in other parts of Wales. With regard to the agreement with the MOD, or rather, the way in which you have managed to get around the limited flying hours and so on at St Athan, are there lessons that could be learned there for implementation, for example, in extending flying hours for economic development reasons at Valley?

[417] **Edwina Hart:** I am sure that there will be, yes.

[418] **Rhun ap Iorwerth:** Is it something you are exploring now, or something that—

[419] **Edwina Hart:** We are exploring that at the moment.

[420] **William Graham:** Thank you very much. Finally, Minister, I would like to ask you about the implications of the interim report of the UK Government's airports commission for the future development of Cardiff Airport.

[421] **Edwina Hart:** We very much want to take into account some of the interim recommendations that come from that. Further work is being done in that area by us and by the airport board.

[422] **William Graham:** Thank you very much. There are no further questions from Members. I thank the witnesses very much indeed.

[423] **Edwina Hart:** Thank you very much, Chair.

[424] **William Graham:** We will reconvene at 1.20 p.m.

*Gohiriwyd y cyfarfod rhwng 12:28 a 13:20.  
The meeting adjourned between 12:28 and 13:20.*

### **Ymchwiliad i Gyfleoedd Cyllido yr UE 2014-2020 (Sesiwn 7) Inquiry into EU Funding Opportunities 2014-2020 (Session 7)**

[425] **William Graham:** Good afternoon. Thank you for your attendance this afternoon. May I ask you to give your names and titles for the record? Then we will go straight into questions.

[426] **Dr Llewellyn:** Good afternoon. *Prynhawn da.* My name is David Llewellyn. I work for my own company, called Blaengad Cyf, but I was previously co-ordinator for the Valleys Regional Park programme and also the lead for the INTERREG WECAN project for the Valleys Regional Park.

[427] **Dr Mills:** I am Liz Mills. I work freelance as an independent policy analyst. I specialise mainly in European policy and funding to do with urban environment and sustainability. I am an associate of the Institute for European Environmental Policy. I am quite experienced in the current funding period at programme level, for example as an

evaluator of project proposals in different programmes, and at project level, working on project development, and doing mainstream public policy type of consultancy work for the Welsh Government, especially for the planning division.

[428] **Dr Howells:** Prynawn da. Fy enw i yw Dr Anne Howells. Rwy'n gweithio ym Mhrifysgol Aberystwyth. **Dr Howells:** Good afternoon. My name is Dr Anne Howells. I work in Aberystwyth University.

[429] I work in Aberystwyth University as a European development officer. I support academics and researchers at the university in accessing European funding.

[430] **William Graham:** Thank you very much.

[431] **Keith Davies:** Fe wnaf i ofyn fy nghwestiynau yn Gymraeg. Sut rydych chi yn cefnogi pethau ym Mhrifysgol Aberystwyth? Beth yw'r gwaith ydych yn ei wneud yno? **Keith Davies:** I will ask my questions in Welsh. How do you support things in Aberystwyth University? What work do you do there?

[432] **Dr Howells:** Rydym yn trio cael *access* i grantiau Ewropeaidd o *framework programme 7*, a nawr Horizon 2020. Felly, *research and innovation*—drwy'r rheini. Wedyn, rydym yn ceisio cael cronfeydd strwythurol drwy'r ESF, ERDF a'r EAFRD, sef yr *European agricultural fund for rural development*, ac INTERREG, wrth gwrs. Rydym wedi cael *access* eang iawn i gronfeydd Ewropeaidd. Ar y funud, rydym hefyd yn cefnogi Creative Europe, a chyn hynny y Culture programme. Felly, rydym wedi cael eithaf tipyn o *access* i wahanol grantiau yn Aberystwyth. **Dr Howells:** We try to access European grants from framework programme 7, and now Horizon 2020. So, it is research and innovation funding through those programmes. We then try to access structural funds through the ESF, ERDF, and EAFRD, namely the European agricultural fund for rural development, and INTERREG, of course. We have had very wide access to European funds. We currently support Creative Europe, formerly the Culture programme. So, we have had quite a bit of access to different grants in Aberystwyth.

[433] **Keith Davies:** Felly, rydych yn gweithio yn debyg iawn i'r ganolfan sydd ym Mhrifysgol Cymru y Drindod Dewi Sant gyda Neville Davies, sy'n gweithio gyda nifer o wahanol asiantaethau? **Keith Davies:** So, you work in a very similar way to the centre in University of Wales Trinity St David's with Neville Davies, which works with a number of different agencies?

[434] **Dr Howells:** Rydym ni jest yn cefnogi'r ymchwilwyr a'r *academics* yn y brifysgol, felly rydym yn cyflwyno iddyn nhw y cyfleoedd sydd ganddynt i fynd am grantiau. Rydym yn gweithio'n ganolog yn y brifysgol, ac mae pobl fel fi ym mhob sefydliad *further education* a *higher education* yng Nghymru. Rydym yn gweithio'n agos iawn gyda'n gilydd. Rydym yn cwrdd yn aml i drafod a siario fel ein bod yn gallu cael *access* rhyngom ni i gyd. Ambell waith, rydym yn gweithio'n agos iawn ar y grantiau fel ein bod yn partneru â Bangor, Abertawe neu Gaerdydd. **Dr Howells:** We just support researchers and academics in the university, so we present them with the opportunities that they have to apply for grants. We work centrally in the university, and there are people such as me working in every further education and higher education institution in Wales. We work very closely together. We meet frequently to discuss and share so that we can access between all of us. Sometimes, we work very closely on the grant applications so that we partner with Bangor, Swansea or Cardiff.

[435] **Keith Davies:** A ydych wedi **Keith Davies:** Have you done more Ireland

gwneud mwy o waith Cymru ac Iwerddon gydag INTERREG?

and Wales work with INTERREG?

[436] **Dr Howells:** Ydym. Yn Aberystwyth, INTERREG Ireland Wales yw'r prif ffynhonnell yr ydym wedi cael *access* iddi. Yn 2007-13, cawsom dri phrosiect wedi eu hariannu. Mae tua €10 miliwn o *total project value*. I Aberystwyth, roedd hynny yn €3.6 miliwn, felly mae'n arian sylweddol i'r brifysgol.

**Dr Howells:** In Aberystwyth, INTERREG Ireland Wales is the main source that we accessed. In 2007-13, we had three projects funded. The total project value is around €10 million. For Aberystwyth, that meant €3.6 million, so it is substantial funding for the university.

[437] **Rhun ap Iorwerth:** Hoffwn ofyn i'r tri ohonoch os gallwch chi roi syniad i ni o brif fanteision cymryd rhan mewn prosiectau INTERREG. Fe wnaf i ddechrau ar y pen pellaf efo chi, Dr Llewellyn.

**Rhun ap Iorwerth:** I will ask the three of you if you can give us an idea of the main advantages of participating in INTERREG advantages. I will start at the far end with you, Dr Llewellyn.

[438] **Dr Llewellyn:** I fod yn hollol onest, roeddwn i'n gweithio gyda phartneriaid yn Ffrainc a Gwlad Belg, mewn ardaloedd cynlofaol, ac roeddynt yn wynebu'r un problemau â ni wedi colli diwydiant. Rwy'n gweithio yn y Cymoedd ac roedd yn dda inni weld sut roeddynt yn trio datrys yr un problemau. Wrth gwrs, mae diwylliant gwahanol ganddyn nhw, ond, wedi dweud hynny, mae'r un problemau gennym ni, felly roedd yn dda i ddysgu oddi wrthyn nhw a thrio cael yr un fath o ffordd o ddatrys problemau. Felly, roedd INTERREG yn dda yn gwneud hynny, mae'n rhaid imi ddweud.

**Dr Llewellyn:** To be perfectly honest, I was working with partners in France and Belgium, in former coalfield areas, and they faced similar problems to us in terms of being post-industrial. I work in the Valleys, and it was good for us to see how they try to resolve the same sort of problems that we face. Of course, they have a different culture, but, having said that, we face the same problems, so it was good to learn from them and to try to find similar ways of solving those problems. So, INTERREG worked well in that sense, I have to say.

[439] **Rhun ap Iorwerth:** Beth amdanoch chithau, Dr Mills?

**Rhun ap Iorwerth:** What about you, Dr Mills?

[440] **Dr Mills:** I think that it is important to distinguish between the purposes of the different programmes. So, for the Welsh Government, there are strategic benefits from participating. Some of the territorial co-operation programmes, as they are better called, have a strategic purpose. They include, for example, ESPON, which is to do with collecting data about the spatial characteristics of the territory, which should be used to inform policy. Here, the Welsh Government could have been participating a little bit more than it has in co-operative projects, doing comparative work with other European regions to produce a better evidence base, whereas other programmes, such as the ones that my colleagues have just mentioned, are more to do with bottom-up project development and involving, for example, local authorities, community councils and so on, as well as the universities. In that type of project, it is more to do with really learning from experience in other countries and working directly with colleagues who are doing similar work to you in other places.

[441] **Rhun ap Iorwerth:** Are there particular sectors or projects that jump out at you and shout, 'INTERREG is the right vehicle for me'?

[442] **Dr Mills:** In the past, there has been a terrific amount of work done on flood management, for example, in the North West Europe INTERREG programme, but we are not actually going to be doing much of that, unfortunately, in the next programming period, even

though it has suddenly come to the fore for us, because it has been decided that we are not actually pursuing the climate adaptation agenda in that programme any more. However, there have been some really good territorial projects to do with the way that land is used, and also a lot of collaboration around business development. The North West Europe programme has more of an urban focus, so there are a lot of things to do with better management of urban areas.

[443] **Rhun ap Iorwerth:** Beth amdanoch chi, Anne Howells?

**Rhun ap Iorwerth:** What about you, Anne Howells?

[444] **Dr Howells:** Rwy'n cytuno, i ryw raddau, â hynny. Mae'r prosiectau rydym ni wedi gweithio arnynt gydag Iwerddon yn ymwneud â'r ffaith bod yr hinsawdd economaidd yn debyg iawn a'r ffaith bod *economies* de-ddwyrain Iwerddon a gorllewin Cymru yn debyg iawn i'w gilydd. Felly, mae *links* ac mae'n haws yn y ffordd honno. Hefyd, o ran y prosiectau sydd yn ymwneud â'r môr, mae hynny gennym *in common*, a hefyd y ffordd mae academyddion Aberystwyth wedi cael *links* yn barod gydag Iwerddon; mae mor agos atom ac mae'n rhwydd gweithio gyda phobl yno. Rydym ni wedi gweithio ar gwpl o brosiectau, ac mae un yn ymwneud â busnesau bach a'u hybu. Mae'r hinsawdd y mae busnesau yn bodoli ynddi yn debyg iawn yn Iwerddon ac yng Nghymru, felly mae hynny'n helpu wedyn.

**Dr Howells:** I agree, to some extent, with that. The projects that we have worked on with Ireland are to do with the fact that we have a very similar economic climate and that the south-east Ireland and west Wales economies are very similar to each other. So, there are links, and it is easier in that sense. Also, in terms of the marine projects, we have those in common, and also the way that academics in Aberystwyth have already made links with Ireland; it is very close to us and it is easy to work with people there. There are a few projects that we have worked on, and one relates to small businesses and their promotion. The climate that businesses exist within is very similar in Ireland and in Wales, so that is then a help.

[445] **Rhun ap Iorwerth:** A pha wlad bynnag ydych chi ynddi, sefydliad prifysgol ydych chi. Mae llawer yn gyffredin rhyngoch. Ai dyna pam rydych yn meddwl bod y sector addysg uwch wedi gwneud yn arbennig o dda allan o INTERREG?

**Rhun ap Iorwerth:** Also, whichever country you are in, you are a higher education institution. You have much in common. Is that why you think that the higher education sector has done especially well out of INTERREG?

[446] **Dr Howells:** Rwy'n credu, yn Iwerddon ac yng Nghymru, mae'r brifysgol yn ganolbwynt yn yr ardal. Rydym wedi gweithio gyda Waterford Institute of Technology, University College Cork a hefyd University College Dublin ac mae'r rheini yn gryf yn eu hardaloedd, ac mae hynny'n helpu hefyd.

**Dr Howells:** I believe that, both in Ireland and in Wales, the university is a hub within an area. We have worked with Waterford Institute of Technology, University College Cork and also University College Dublin and those are strong institutions within their areas, and that is also of assistance.

[447] **Rhun ap Iorwerth:** Yn ôl atoch chi, Dr Llewellyn, roeddech chi'n sôn am nifer o ardaloedd rydych chi wedi cysylltu â nhw. Faint o feddwl strategol hirdymor sy'n mynd ymlaen o ran datblygu'r math hwnnw o berthynas ynteu a yw'n tueddu i fod yn feddwl prosiect wrth brosiect?

**Rhun ap Iorwerth:** Back to you, Dr Llewellyn, you mentioned a number of areas that you have linked with. How much long-term strategic thinking goes on in terms of developing that sort of relationship, or does it tend to be on a project-by-project basis?

[448] **Dr Llewellyn:** Dechreuodd y

**Dr Llewellyn:** The project that I was

prosiect roeddwn i'n ei wneud ar ôl prosiect arall, felly mae partneriaeth wedi datblygu dros y blynyddoedd. Nid wyf yn meddwl bod y partneriaid yn y prosiect roeddwn i'n gweithio arno yn meddwl ei fod yn fater o un prosiect yn unig a dyna fe, wedi gorffen. Maen nhw'n ei weld fel proses sy'n datblygu drwy'r amser a hefyd yn ffordd iddynt gael mwy o syniad am le maen nhw'n gallu datblygu'r ffordd ymlaen. Nid oedd yn un prosiect yn unig a dyna fe, wedi gorffen. Maent eisiau parhau â'r prosiectau, ond, ar hyn o bryd, nid wyf i'n gallu gwneud hynny, achos rwy'n gweithio i'r trydydd sector, ac mae Groundwork Wales wedi stopio gwneud hynny. Wedi dweud hynny, rwy'n meddwl bod y partneriaid yn Ffrainc a Gwlad Belg yn dal i chwilio am bartneriaid yng Nghymru i wneud mwy o waith yn y dyfodol mewn datblygu ac adeiladu ar yr hyn rydym wedi ei wneud o'r blaen.

13:30

[449] **Rhun ap Iorwerth:** Would you agree that we need to see more of that strategic long-term planning, Dr Mills?

[450] **Dr Mills:** Sorry?

[451] **Rhun ap Iorwerth:** Is that strategic, long-term planning, building one project on top of the other, if you like, important?

[452] **Dr Mills:** Yes, by project developers. It is very good to capitalise on what you have done before, but we also need to learn at a strategic level what these programmes are delivering, because that is something that we are not doing so well. I did not mention before, for example, the interregional programmes—INTERREG IVC, which is now going to be INTERREG Europe, and the URBACT programme for exchange on sustainable urban development. They are increasingly focused on the production of local action plans. In the new funding period, there is an intention to actually follow implementation of the plans, especially in URBACT. So, they want to see the lessons learnt from the co-operative projects being mainstreamed into the normal functions of, in this case, local authorities, mainly.

[453] **Rhun ap Iorwerth:** A oedd un prosiect yn well na'r llall pob tro oherwydd eich bod yn dysgu?

involved with started as a result of another project, so a partnership has developed over the years. I do not think that my partners on the project that I was working on thought that it was just a single project that would come to an end. They see it as a process that develops continuously and in which they can also get more of an idea about where they can develop ways forward. It was not just a single project that would come to an end. They want to continue and develop, but, at present, I cannot do that, because I work for the third sector and Groundwork Wales has ceased that activity. However, I believe that the partners in France and Belgium are still seeking Welsh partners in order to do more work in the future in developing and building on what we have done in the past.

**Rhun ap Iorwerth:** Was one project better than another because you were learning?

[454] **Dr Llewellyn:** Roedd yn amlwg o'r hyn a welais eu bod wedi parhau â'r pethau a oedd wedi gweithio yn y prosiect cyntaf. Rwy'n cytuno gyda Dr Mills, ambell waith, rwy'n gweld bod rhai o'r gwersi sydd wedi eu dysgu wedi cael eu colli, efallai yn strategol. Er enghraifft, gyda'r prosiect WECAN, rydym wedi datblygu sawl peth bydd efallai'n gallu siapio'r ffordd y mae

**Dr Llewellyn:** It was obvious from what I saw that they continued with the things that worked in the first project. I agree with Dr Mills that, sometimes, I see that some of those lessons that have been learnt have been lost, perhaps strategically. For example, with the WECAN project, we have developed many things that could perhaps shape the way that Welsh Government does things in

Llywodraeth Cymru yn gallu gwneud pethau yn y dyfodol. Fodd bynnag, hyd yn hyn, nid ydym wedi gweld lle mae Llywodraeth Cymru, ac efallai partneriaid eraill, yn mynd i fanteisio ar y siawns i wneud hynny. Felly, mae'n datblygu, ond mae'n rhaid iddo fod yn fwy strategol hefyd i weld beth rydym wedi dysgu a sut rydym yn gallu cario hynny ymlaen yn y *mainstream*.

[455] **Rhun ap Iorwerth:** Mae ychydig yn wahanol i chi, achos rydych chi'n gorfod gweithio'n strategol â chyrff prifysgol sy'n mynd i fodoli ac yn gweithio â chi am flynyddoedd i ddod. A ydych chi'n cydweithio beth bynnag?

[456] **Dr Howells:** Rydym yn cydweithio. Mae rhai o'n prosiectau yn datblygu. Gwnaethom roi mewn ceisiadau ar gyfer rhaglen 2007-13, ac rydym yn mynd i drïo'u hailgyflwyno, gyda'r gwahanol bethau sydd angen edrych arnynt. Un peth pwysig sydd wedi dod mas o drafodaethau ynglŷn â'r cronfeydd strwythurol 2014-20 yw bod rhaid i brosiectau meddwl am *sustainability* ar ôl diwedd y prosiect, fel eu bod yn gallu ariannu eu hunain a ffeindio ffynonellau eraill o ariannu, hyd yn oed rhywbeth fel Horizon 2020, ble mae sgôp i fynd â *research* ymlaen yn y ffordd honno.

[457] **William Graham:** Joyce Watson is next.

[458] **Joyce Watson:** I want to ask you some questions around comparisons with other parts of the UK and the EU. I want to ask this question to Dr Mills in particular: how do you think that Wales compares to other parts of the UK or the EU in terms of the levels and types of participation—you did start to talk about that—and could Wales have been more actively engaged in the period that has just passed?

[459] **Dr Mills:** Yes. I think that Wales is not doing too badly, but Scotland in particular has done better. There, they are a little more joined up in the way that they collaborate, for example, with the Brussels office. Scotland Europa in Brussels is a little bit more directly involved with the support of project developments back in Scotland, I think. I do not know so much about what has happened in England lately. However, in general, the UK seems to have maintained quite a good level of participation in all of these programmes, in spite of the financial difficulties.

[460] In other European countries, other regions are now starting to have a much more joined-up approach to European matters more generally. So, I know about arrangements, for example, in three French regions. At the moment, for example, the managing authority in Nord-Pas de Calais regional council is commissioning a group of consultants to actually support project development by French organisations in its region to try to better access the different territorial corporation funds. Those kinds of arrangements are now quite commonplace. They vary in how they do it, but I think that they are very keen to capitalise on

the future. However, so far, we have not seen where the Welsh Government and perhaps other partners have taken advantage and the opportunity to do that. It is developing, but it perhaps has to be more strategic to see what we have learnt and how we can take that forward in the mainstream.

**Rhun ap Iorwerth:** It is a little bit different for you, because you have to work strategically with university bodies that will exist and work with you for years to come. Do you collaborate anyway?

**Dr Howells:** Yes, we are collaborating. Some of our projects are developing. We put in applications for the 2007-13 programme, and we will try to reintroduce them, with the different things that need to be looked at. One thing that is very important and has come out of discussions about the 2014-20 structural funds is that projects have to consider sustainability after the end of the project, so that they can fund themselves and find other sources of funding, even in something like Horizon 2020, where there is scope to take research forward in that way.

these budgets now, which are becoming much more strategically important. On some of them, the budgets are increasing. For example, I understand that URBACT is going to have a 40% increase in its budget in the next funding period. So, we want to make sure that we are taking advantage.

[461] **Joyce Watson:** Do you think that there are some models of participation that we could perhaps learn from, particularly when we are talking about INTERREG?

[462] **Dr Mills:** Do you mean for increasing our effectiveness as a region?

[463] **Joyce Watson:** Yes.

[464] **Dr Mills:** Yes, probably, especially with regard to having a strategic understanding at a Wales level as to what all the different programmes are intended to achieve and the strategic links between the territorial cooperation programmes and the mainstream structural funds, for example. For example, at the moment, the URBACT programme, as I wrote in my note, has not been used in Wales very much at all. I think that people have not quite twigged the link between that programme and the current preparation of the mainstream structural funds programmes, which now have specific urban instruments that we are supposed to be using. However, we are not really doing it terribly effectively at the moment in Wales. We are not quite on message. I think that it just reflects our lack of engagement, partly at least, with this programme. This is going to happen more and more. For example, the new INTERREG Europe programme will be much more specifically focused on using the collaborative work to improve the design of the mainstream programmes in later rounds. So, in a way, it will constrain what we can do. However, it is intended to make the spending of the main funds a lot more effective.

[465] **Dr Llewellyn:** If I may just come in on that, I think that that is absolutely right. I was lucky enough to work on two projects. One was the Valleys Regional Park ERDF structural funds programme from convergence. The other was the INTERREG WECAN programme. We very much saw that the INTERREG WECAN project helped shape what we were putting in in terms of infrastructure through the Valleys Regional Park convergence project. So, I would say that we integrated a lot of the elements from WECAN, a lot of the learning, to shape how the future Valleys Regional Park programme would go. Also, for example, we put infrastructure investment in. We wanted to ensure that that was maintained in future. So, part of the INTERREG project was actually to find out how we could better engage community enterprise and businesses in being involved in sustaining investments that we have put in via the structural funds through the ERDF Valleys Regional Park project. I think that we need to think about how all the projects and programmes link together much better.

[466] **Joyce Watson:** And the benefit would be that we would get much more money and better outcomes.

[467] **Dr Llewellyn:** We might not get more money, but we would certainly maximise our existing investments and what we get out of it, basically. So, I think that the sum is greater than its parts in that case.

[468] **Joyce Watson:** Okay, thank you for that.

[469] **William Graham:** Mick Antoniwi is next.

[470] **Mick Antoniwi:** I would like to follow that up. In particular, Dr Mills, I would like to refer to your paper. I would like to refer to a couple of sections in it to get this on the record to provide a bit of context for some of the matters. You say in your paper that

[471] ‘It is important to consider the full range of organisations active in the various policy areas’.

[472] You go on to say that

[473] ‘More consideration needs to be given to supporting project development and engagement in European issues’.

[474] You also say that

[475] ‘Current support arrangements put in place by the Welsh Government seem targeted mainly at academia and businesses.’

[476] You go on to say that, in the Welsh Government’s overall EU strategy, there is a

[477] ‘lack of a comprehensive approach to EU policy and funding programmes and a means of maximising engagement from across Wales’.

[478] You also say that

[479] ‘In the continuing absence of arrangements for systematic reporting and monitoring of participation by Welsh organisations in the whole range of EU programmes it is very difficult to put together an accurate picture’.

[480] You also say that

[481] ‘Many other European regions now have one body tasked with maximising the engagement of stakeholders’.

[482] You also say that URBACT has received

[483] ‘little attention from WEFO or the Welsh Government’.

[484] I picked those quotations out because one of the things that we are quite interested in is the role that Welsh Government plays—what strategic role it plays within INTERREG and, in fact, other European projects. What seems to be being suggested is that we may be heavily involved in certain big structural funds and so on but that we are missing a whole series of tricks in respect of a whole range of programmes. I was wondering whether you can let us have your views beyond what I have just quoted as to where you think we are failing and what should happen.

[485] **Dr Mills:** Well, I think that one of the keys to this is a much closer exposure of the links between European policy and the various funding programmes and to occasionally stress in the Welsh Government’s documents where the link is with European policy, where relevant, and to point out to different organisations in Wales that there is a link at European level between the policy agenda and the money, and, if you want to get your hands on the money, it is as well that you understand what the policy agenda is. For example, in the field of energy, which I know a bit better than business, there are a whole lot of directives that have to be implemented. So, European law is very strongly behind this agenda, and there is a lot of funding going in the direction of energy efficiency and renewables, for example. In some of the funding programmes, which are very competitive, you have to demonstrate, if you are applying for money, what your project is going to do to assist with compliance with the directives. It is that kind of thing. So, simply understanding the architecture of the European system is a great help and it would be nice if the Welsh Government could perhaps do a little bit more to expose this. That is a rather broad thing. In terms of organisational arrangements, I



think that we need more efforts to engage more with the policy community and the organisations that are eligible for funding in Wales and to bring people into the European system a little more actively, instead of seeing it as just about getting your hands on money. It is not really about that. It is to do with making Wales a better place in which to live. I live in Cardiff and I would like to be living in a more European city. One way to do that might be for Cardiff to be more actively engaged in European co-operation projects with nice places such as Helsinki using these budgets and bringing some of this very good practice into improving conditions on the ground. It is that kind of thing.

[486] **Mick Antoniw:** Where is the dysfunction, then? Is the dysfunction in the co-ordination within Wales or is the dysfunction in the role that the Brussels office of the Welsh Government plays or is it the lack of, as you seem to suggest, an overall strategy that pulls all these things together?

[487] **Dr Mills:** It would be good if the strategy pulled things together a bit more than it does, possibly. In terms of organisational arrangements, we do not really have one body tasked with an overview of all the funding programmes at the moment. We have the Welsh European Funding Office, with a very strong focus on the mainstream structural funds and the administration of some of the territorial co-operation budgets, and it is now bringing in Horizon 2020, with a new unit dealing with this. However, it is not doing the same kind of job as is done in other European regions, which have a much more outward facing way of working and are capable of brokering projects, for example.

[488] **Mick Antoniw:** So, in terms of the role that WEFO plays, you are actually talking about something that is a broader, strategic body that pulls together the various aspects of policy, really, to make sure that everything is co-ordinated and interlinked.

[489] **Dr Mills:** I think so. There needs to be a smarter link between people responsible for the various policy agendas and the people responsible for the money. WEFO is the managing authority with very specific duties in terms of audit and that kind of thing. So, it is money managing, but there is other work to be done in terms of smartly connecting policy in Wales and the needs of Wales to the European policy agenda and working out how the money fits with that. So, it is a different kind of role, really. There is also a possibility of conflicts of interest. In most of the centrally managed EU programmes, there is a clear separation between project development support and the people who make the decisions about who gets money. In WEFO, you have to think about which civil servants are tasked with doing project development type of work and which are responsible for the audit side. The same person should not really be doing both jobs. So, you do need to make sure that you have staff with a relevant range of capacities and job descriptions.

[490] **Mick Antoniw:** Do the rest of you have a view on this?

[491] **Dr Howells:** I would say that to be successful in Horizon 2020 you have to be engaging very early with Europe in order to influence the content of the programmes and it was very much the same with INTERREG. You have to make sure that the things that Wales needs are addressed and included in the programmes so that they can be accessed. So, that is as a first stage; I know that Liz was just talking about that. Then, in order to get a high percentage of grants in Wales funded—. In higher education, match funding is a challenge. For INTERREG, at the last programme, it was 75%, and that is a challenge because higher education tends to meet this through academic staff time and overheads. It is a definite challenge. So, if WEFO could look at extending the SCoRE, Supporting Collaborative Research and Innovation in Europe, Cymru funding to include match funding in support of applications that would be very interesting to us.

13:45

[492] In addition, the quality of the applications could be improved if a group of experienced evaluators and reviewers could be established so that we could share best practice across Welsh higher education and get a higher success rate in funding grants. So, that is something else that WEFO could look at introducing. It may be something that it is looking to do through the Horizon 2020 unit.

[493] **Dr Llewellyn:** There are three things, I would say. I agree entirely that we do not influence enough—for example, in terms of the INTERREG programme that is going to be developed now. I think that we have stood back and waited for opportunities for money rather than shaping what we want to see out of it. So, that is the first thing that we should do. Secondly, in terms of INTERREG funding, none of my dealings were with WEFO; I had to deal with the UK consultants, as it were. They did not really understand some of the Welsh context, so we were very much on our own. Also, as I said, I worked out of a third sector organisation, and we had to get 50% match funding. Quite frankly, it was a nightmare, because we had to wait for European funding to come in retrospectively. It caused cash-flow problems. However, I genuinely believe that the third sector could play a crucial role in the Welsh context and it has to be supported much better. So, that whole integration of programmes and projects with the advice that was being suggested from a strategic level would really help that sector to play a meaningful role.

[494] **Mick Antoniw:** In your work, have you had any real contact or support from the Brussels office of the Welsh Government?

[495] **Dr Llewellyn:** They gave me a room once in Brussels. [*Laughter.*]

[496] **Mick Antoniw:** Do you think that you should have had?

[497] **Dr Llewellyn:** Absolutely. In my dealings with our Belgian partners, I know that, geographically, they are in Belgium, and they are on the eastern flank in the Dutch-speaking area, but they are so much better connected than we are. I do not think that is just true of Belgium. I spoke in a Europarks conference to some of the Irish partners in another project, and they are far more switched on and connected than we are. They understand the opportunities and really take advantage of them. The joke was that the Irish knew exactly what was going to happen before the meetings were held. They really are switched on.

[498] **William Graham:** Julie is next.

[499] **Julie James:** You have started to answer my question, actually. Is there a model that we could look at as a good practice model for the sort of thing that you have just been talking about? It is sometimes good to see something in practice so that you can get your head around it.

[500] **Dr Mills:** I am not sure that there is only one, so—

[501] **Julie James:** Well, as many as you would care to suggest.

[502] **Dr Mills:** Different European regions have different approaches. So, for example, one of the French regions—I think that it is Lorraine—has a system where there is one central office and one website, like a portal. They have a very small core staff who speak several languages, but they also have a broad network of people who are involved in projects. So, they are harnessing the expertise of people from their region who have done projects before and can say something about their experience—how they managed to get the money and, crucially, what they have learned and what has changed locally. They maintain a simple e-mail network and can also put people in touch with one another. So, they create partnerships

or pair people up when they see that there is a new project developing. They know already of another place that has done a similar project and can put those people in touch, as well as using a network of consultants. People like the evaluators mentioned by Anne. That is actually quite a good idea, to use the resource of people who have done evaluations. So, for example, I have evaluated in FP7 and the LIFE programme. I have done that five times, but I never meet anyone from Wales. I also evaluated Intelligent Energy Europe. This is one way to find out in great detail what is needed in a proposal. There is a lot of expertise and knowledge to be harnessed from people who do this. There must be colleagues across Wales who are also doing this, but I do not know who any of them are. Of course, you have to be careful, because once you have assisted in project development, you may have a conflict of interest that prevents you from being called as an evaluator, but, nevertheless, there is expertise that we could be using.

[503] **Dr Llewellyn:** From my point of view, I do not think that it is all negative. This is going to be a rather subjective viewpoint, but I have worked for Valleys Regional Park, and I know that, for example, Andrew Osborne has been the Welsh Government lead on that, and he certainly took a very collaborative approach with partners, having them as project sponsors, et cetera. So, I think that is a really good example of how a European programme can work and links to INTERREG, et cetera. So, there are good examples within Welsh Government and with other partners, but they need to become more prevalent in terms of being known about and the lessons to be learned, and then using that strategically for Wales as a country—not just Welsh Government, but other partners involved in European projects as well.

[504] **Dr Howells:** Could I just make one comment as well? Welsh Higher Education Brussels submitted a response to this committee in terms of this inquiry. It works very well for higher education in Wales. It organises brokerage events for desk officers for Horizon 2020 and, I think, INTERREG and other funding streams. It flags these events up to higher education in Wales so that we can encourage academics to go out and speak. So, that is the kind of way that people who could benefit and impact on Wales can go and try to influence the content of the programmes, and WHEB do a good job of that for higher education. Maybe that is the kind of model that could be used and stretched further. In terms of success, we understand that higher education in Ireland is very successful at accessing grant funding, and there is some evidence, I think—the Horizon 2020 unit went to Ireland to see how it could do that, and maybe that is something that you could investigate further with the unit. I do not know any further details than that.

[505] **Dr Mills:** May I add something? Wales needs to have some identifiable contact point or presence for partners from outside wanting to collaborate. For example, I am in personal networks with other consultants and local authorities and so on in different countries, and they are saying to me, ‘We have project developers here in Strasbourg’, or somewhere, ‘who want to find a partner in Wales. Who should we contact?’ So, sometimes they actually try to contact the territorial co-operation team in WEFO, but I do not know what has happened to those enquiries—whether they are currently tasked with actually finding them a Welsh partner, or how they would go about it. I do not think there is any particular arrangement. We need to have some identifiable Welsh contact presence so that partners from other regions can find us.

[506] **William Graham:** The last question is from Eluned Parrott.

[507] **Eluned Parrott:** I wanted to ask about some of the challenges to participation, but you have touched on quite a lot of different areas, particularly with regards to finding match funding and things along those lines. I am not sure whether you can talk me through the amount of investment of your own time, and potentially investment of other kinds of expenses, that you feel you have had to put in in order to put together a partnership so that

you can actually make an application, or even get yourself ready to make an application towards these programmes.

[508] **Dr Howells:** Perhaps I can talk about the academic side of this. It is very time-consuming to put together a bid. There is at least one partner, if not multiple partners, that you have to have face-to-face meetings with to organise the proposal. It can take several weeks full-time to put together an application. In terms of INTERREG Ireland/Wales, there are development officers. There are European territorial co-operation development officers that support the application and help to guide it, but still sometimes they are unsuccessful. So it is a big investment of time for the academic. I would just make that point.

[509] **Eluned Parrott:** What about smaller organisations in particular in the third sector? Obviously, universities have structures developed to help support those kinds of activities and give advice, but who is it within smaller organisations who does that?

[510] **Dr Llewellyn:** We have nobody. I came into post in April 2009 and I then spent about four to five months of my time, almost full-time, in addition to what I was doing, to build the bid up with partners for the WECAN project. It was enjoyable, but there was a real lack of support. We have to take the view, and this is what we saw to a certain extent, that the Welsh Government could support smaller organisations or partners of whatever size to spend time and a little bit of money in making robust applications. There is no guarantee that you are going to get the funding at the end of the day, as you said. Nevertheless, I do not think that we take this speculate-to-accumulate approach. That does not mean that it has to be risky—you can de-risk it—but we do not put the effort in and, consequently, we fail to get the results out of it at the end, compared to some other countries.

[511] **Dr Mills:** Maybe I can say something about the formal arrangements that we have. We have a network of national contact points on most of these programmes who are operative at the UK level. For the North West Europe programme, for example, there is one contact point located in Bristol, who is quite handy for us, who covers the whole of southern UK. People need, first, to know that there are national contact points available. In the new programme, Horizon 2020, there are lots of them. Their services are free, but they will not write bids. Some organisations in Wales that have been quite successful in the programmes, for example, the Brecon Beacons national park makes modest funds available for consultancy support to write project applications. There is a bit of that going on. There are one or two specialised consultants who are quite successful in helping certain organisations get funding—not me, unfortunately; I do not do that kind of thing.

[512] Also, when it comes to SCoRE Cymru, for example, that is a really nice budget in that it will give a bit of money for travel, so that Welsh participants can attend partner search events and go to meet prospective partners in different countries. You do not need a huge budget to do that. At the moment, it is unclear whether that might be extended to cover territorial corporation projects, for example—it may be, or maybe there should be another one. Just a small travel and accommodation budget would greatly assist in getting over the problem of getting outside Wales in order to meet partners and see what they have to offer. It really helps to build a partnership.

[513] The other thing to remember is that, in some of these programmes, you get back your preparation costs if your project succeeds. So, you are working at risk, but if you write a good proposal and you get funded—for example, in the North West Europe INTERREG programme, where the projects are quite large sometimes—you can get all that money back.

[514] **Eluned Parrott:** In terms of that element of risk, one of the greatest risks, if you are trying to develop a project, is that you are not as aware as you might be of what European priorities you are trying to serve by applying for certain funding. Perhaps projects are not well

aligned to those priorities, which is why sometimes those funding bids can fall down. Do you think that there is a barrier in terms of communicating? If what we are trying to achieve through these funding streams were perhaps a bit more clear, that might be helpful.

[515] **Dr Mills:** Probably. In some programmes, it is really important. For example, the LIFE programme, which we are not particularly discussing now, is really focused on the sharp end of environment policy. In particular, it looks for projects that are going to move policy on. In LIFE there has been a great focus on innovative projects, where you are doing something that is innovative for the whole of Europe, although it will now also fund demonstration projects that are more to do with implementing good practice. However, it is essential in that programme to be able to demonstrate exactly what your project is going to do to further or better implement the policy. It is not so obvious in the INTERREG programmes, but these have operational programmes reflecting a range of EU policy goals.

[516] **William Graham:** Our time is up. Very quickly, if you want to answer, Dr Llewellyn.

[517] **Dr Llewellyn:** The last thing I would say on that point is that everything used to be about investment. When I was asking for match funding, it was, ‘What are you going to build and put on the ground?’ A lot of the INTERREG programmes are not about that. It is about shaping policy. We need to understand that that is the case.

[518] **William Graham:** Thank you very much for your attendance today, it has been very helpful. You will have the opportunity to check the transcript of today’s evidence session, which will be sent to you in the next few weeks. Thank you very much for coming today.

14:00

### **Ymchwiliad i Gyfleoedd Cyllido yr UE 2014-2020 Inquiry into EU Funding Opportunities 2014-2020**

[519] **William Graham:** I welcome our next witnesses this afternoon. Thank you for your attendance today. Would you give your names and titles for the Record, and then we will move straight into questions? Minister, would you like to start?

[520] **The Minister for Finance (Jane Hutt):** I am Jane Hutt, the Minister for Finance. I introduce Damien O’Brien, the chief executive of the Welsh European Funding Office; Jane McMillan, the head of European structural funds and European territorial co-operation; and Jeff Andrews, my specialist adviser.

[521] **William Graham:** Thank you very much. The first question is from Keith Davies.

[522] **Keith Davies:** Minister, what is your understanding of participation by Wales in EU-funded programmes other than territorial co-operation?

[523] **Jane Hutt:** Obviously, European territorial co-operation is key in terms of other EU-funded programmes. In my evidence paper, I gave you a full outline of the programmes that we have been involved in regarding ETC, and there is an annex on other EU-funded programmes. It is very important that we look at those in terms of the opportunities that they have provided, because they are all enabling us to access those all-important funds. For example, under the Erasmus programme, we sent 709 students and 127 academic staff abroad in 2012-13, and COSME, the MEDIA programme and Connecting Europe are all key to us, as well as ETC.

[524] **Keith Davies:** If we look at the 2014-20 programme—and you mentioned Erasmus—

we see that the Erasmus+ programme will be increased by around 75%, I think, so there will be a huge increase in Erasmus+. What are your aspirations for Wales in the 2014-20 period?

[525] **Jane Hutt:** This is something that is led by the Department for Education and Skills and Ken Skates. However, I was very pleased, during my most recent visit to Brussels, to meet key officials in the directorate-general and to talk about the prospects for the forthcoming increase in allocation for Erasmus+. Of course, both DfES and WEFO are represented on the Wales advisory group, which is run by Ecorys and which advises on how the take-up of funding of Erasmus could be improved. So, there are good prospects for it, particularly in terms of Erasmus and the fact that our universities are taking more of a key role in this. I do not know whether you have had evidence regarding Cardiff University in particular, but it has a lead officer taking this forward and student ambassadors, who are also playing their part.

[526] When you hear the feedback from Erasmus students—and I think that you have met some of them—you know what an important influence it has had. Obviously, we have issues in terms of language with regard to preparing our students. It is a two-way flow: those who come here hugely benefit and those who go to other parts of the European Union from Wales benefit. However, there is a language issue and we have to recognise that. However, there are prospects. There are also prospects, interestingly, in terms of the Welsh language. I raised that point when I met Commission officials only a couple of weeks ago.

[527] **Keith Davies:** They did mention Cardiff, and Cardiff is very good. We met students from Cardiff University last week or the week before, and we heard that the university has set itself a target of 17% of students taking part in the Erasmus programme. Other colleges are not like that, but perhaps we can do more about it.

[528] The other issue, based on what we are gathering and what I have looked at, is that structural funds seem to get a lot of support and stuff, but we do not seem to be doing as well with other European funding.

[529] **Jane Hutt:** We have to recognise the fact that we have a huge responsibility, in terms of our structural funds, do we not? We are getting the allocation, and we have to make absolute full use of it in terms of maximising the outcomes. We have a responsibility in terms of our structural funds. It is quite clear to me that we have to drive all of the centrally and directly managed EU funds as a Welsh Government. I think that my written evidence gives you a clear indication of the spend so far. We get our allocation in terms of the Wales-Ireland programme, and we have to negotiate for the other ETC aspects of the programme. Again, details of that are given in the annex to my written evidence. Damien would bear me out that, when I took on structural funds and other funding sources from Europe as part of my portfolio, very early on, I said that I wanted to look at all of the other sources of EU funds. This is a responsibility, as far as I am concerned, in terms of reducing public spend, reducing budgets and recognising that those other funds have objectives that are hugely important, not only to our young people—as Erasmus is—but to our international innovation and research and development opportunities. We could go into Horizon 2020, but I know that you have already done your inquiry on that. We have taken a deliberate decision on Horizon 2020 to have a separate unit in WEFO, and that is already proving itself to be having an impact, just in terms of the way that it is engaging and helping the development of bids. That is not just in terms of higher education institutions, but the private sector as well. On Monday, we had a business breakfast on opportunities for the private sector, in particular, in terms of the European Union. We had a presentation on Horizon 2020, with a particularly good representation of private sector partners there today, and good networking follow-up. That is key. In terms of all of the other possible streams of funding, they are key. However, we have to put structural funds and their delivery at the forefront.

[530] **Joyce Watson:** Minister, what are the Welsh Government's aspirations for Wales's participation in EU funding programmes for 2014-20? You have started to touch on this, but maybe you could expand a little.

[531] **Jane Hutt:** It is interesting. We are looking at what we have achieved so far, and we are identifying any gaps in terms of EU funding opportunities. We need to look at performance in terms of where we are in Wales, compared not just with the rest of the UK, but elsewhere in Europe. Regarding Horizon 2020, there is no question, in terms of moving forward from framework programme 7, that we have to progress this in terms of opportunities for the bid. We have already touched on the opportunities with Erasmus and Erasmus+, but our aspiration is to increase the take-up of funding from all EU funding programmes because they can—as I said—help to deliver our objectives, particularly in terms of growth and jobs. This is now an opportunity. May I just say, Chair, that I really welcome your inquiry on this aspect of our engagement with the European Union, because we need to make sure that we maximise the benefits? The evidence that has come during your inquiry will be very useful to us in Government. We are also focusing on how we can get information across, in terms of delivering on aspirations. Our corporate Welsh Government website includes details of all the programmes in one place. Also, all WEFO project development officers have to have a good knowledge, as do our partners. I am sure that that has been clear from the third sector, the Welsh Local Government Association, further and higher education institutions and, indeed, the private sector. The aspiration is to make sure that we get maximum value from these programmes.

[532] **Joyce Watson:** Talking about maximum value, I know that this inquiry does not actually cover the European Investment Bank, but I would like to ask, Minister, how important you think the EIB is as part of a round of funding available to Wales and about any steps that you are taking to explore that further.

[533] **Jane Hutt:** I certainly think that the EIB has a key role to play. When I took on responsibilities for European investment funding, I went to visit the European Investment Bank in Luxembourg and met with the vice-president. You know, because I reported back to the Senedd, that Jonathan Taylor is now coming to Wales, early next month, to discuss further opportunities. It was last September that I met with him. It was very clear that it wanted to have more opportunities to support and invest in Wales, across the sectors. At that point, it was just concluding the all-important £60 million investment in Swansea University's innovation campus. I visited there recently; if the committee has not visited that fantastic new facility as it has been developing, I would certainly suggest that you did. That is an example where we have European Investment Bank funding of £60 million, we have the European regional development fund and we have Welsh Government funding, as well as the university and the private sector in terms of the Rolls-Royce investment. So, I think that the EIB is open for business with us. It is coming here early next month and, again, any opportunities we have to ensure that the bank can engage with the Assembly will be important.

[534] I can, if you would like, give you more information on what the EIB is doing in Wales, because it is not just in the public sector. It was telling me at that stage that it was just signing a £30 million facility in support of research and development for a new company, Norgine, which is a pharmaceutical company based in Hengoed. There has been ongoing investment in Welsh Water, National Grid, a Cardiff-based energy from waste and combined heat and power project, and also further education colleges. I believe that Bangor University is next in line for an EIB—

[535] **William Graham:** We would certainly welcome information—

[536] **Jane Hutt:** Perhaps I could put in writing a latest update on EIB investment.

[537] **William Graham:** That would be ideal. That is very helpful, thank you. Rhun, you had a supplementary question.

[538] **Rhun ap Iorwerth:** I hear what you are saying on wanting to maximise the potential of European funding, but I do not sense the real realisation that Wales is not doing what it could be doing and getting what it could be getting out of European funding. It is not about taking a larger begging bowl to Europe; it is about maximising opportunities, as you say. Where is the hunger and where are the targets that are set on getting out and squeezing every penny out of funds that have been put there for very good reason, for Wales and other parts of Europe to really benefit from?

[539] **Jane Hutt:** That is a fair question. It is certainly a question that I am asking my officials, to ensure that we are reaching out and accessing those funds. It is interesting; of course, we have not focused so far on the European territorial co-operation fund and strategy, which is a key element of that, as far as I am concerned, outside structural funds. We are already—I think that it has just come to us in draft form—undertaking a scoping study, for example, on the development of our ETC funds and the impact of those.

14:15

[540] That is very important, in terms of that study, to ensure that it informs us in terms of the next steps for the European territorial co-operation strategy. Again, that is something that I would want to share with the committee. However, it is a matter of making sure that we learn from the experiences. I did say at the outset that we have to learn from what we have done so far, where we could improve that to have that ambitious targets and to make sure that it is not just about aspiration. Some of these are bidding into a regime. It is about risk. Of course, it is a message that I am sure that you would all share, but it is a matter of whether we can make sure that we are helping to make these funds more accessible to partners and beneficiaries. Simplification is crucial, and that is also our message to our colleagues in Brussels, is it not?

[541] **Ms McMillan:** Yes. One of the issues around the ETC programme is that it involves organisations in Wales going through a partnership arrangement with other member states, and overcoming the complexity of that. Some of the initial findings of the scoping study show that we need to do more to support organisations through that process, and get better advice out there. That is something that we are looking to do for the next round of programmes, linking through to the structural funds so that we can maximise that complementarity between the two.

[542] **Rhun ap Iorwerth:** Chair, may I ask—

[543] **William Graham:** I want to make progress. I call Julie.

[544] **Julie James:** I have just one last question on that. I raised it with Vaughan Gething, Deputy Minister, in questions yesterday, I think—time flies when you are having fun. It is just about access to some of these programmes from some of the most disadvantaged families that we have that are covered by the structural funds areas but that, if you look at the statistics for Erasmus, Erasmus+, Comenius and so on, are not accessing the programmes. Although we have good access, we are getting it from the more affluent end of people in the structural fund areas. I made the point to the Deputy Minister, and I make the same point to you, Minister: I think that a bit more work needs to be done to ensure that those very disadvantaged communities are getting a route in, if you like, to that funding. I think that we could do more.

[545] **Jane Hutt:** I take that point very seriously. From when I was Minister for education, I remember that it was very encouraging, through the European lifelong learning partnership



that we were engaged with, that we had young people going from Merthyr Tydfil to Majorca, who were vocational students doing hairdressing, for example. This is where you have to drive that agenda. It is not just the universities. If we can then link it, as Jane has said, with the interface with structural funds, the next round of structural funds is the 20% spend on tackling poverty and the spend on reaching the young people who are furthest from work, who are obviously the ones that we need to target. I think that we can bring this together. It is very important to have this scrutiny today, to ensure that this is a priority for us.

[546] **Mick Antoniw:** Minister, I want to ask a number of questions about how you see the role of Welsh Government within Brussels, particularly in the light of some of the evidence that we have been receiving. Perhaps I could just put things in perspective, by giving you two quotes that have come out of one of the bits of evidence that we have been hearing, which says:

[547] ‘In the continuing absence of arrangements for systematic reporting and monitoring of participation by Welsh organisations in the whole range of EU programmes it is very difficult to put together an accurate picture of the resources coming in to Wales’.

[548] It also says:

[549] ‘Many other European regions now have one body tasked with maximising the engagement of stakeholders in all available EU funding programmes’.

[550] We have been through the detailed evidence. It is clear that there is a lot of very good work taking place in Wales across the board—some very major projects and others within the variety of EU programmes that have now certainly opened my eyes. The issue that arises is how you see the role of Welsh Government in pulling all of that together and developing a national strategy, as seems to be successfully pursued by a number of countries.

[551] **Jane Hutt:** That is a very fair question and point. I brought along with me my ‘Wales and the European Union—The Welsh Government’s EU Strategy’, because I think that this has to be the bedrock from which we are working. It was published in May 2012. There is an annual report on it and one is due shortly. It covers the whole range of EU structural funds and, indeed, other responsibilities and objectives that we have within the European Union, because this goes way beyond the funding parameters. That strategy was developed in partnership and it is very valid in terms of the direction. Of course, it needs to be updated year on year. I would obviously want to look at the evidence for that alleged absence of reporting and monitoring. Clearly, WEFO has its responsibilities in terms of its function, and this goes beyond that, particularly in relation to matters beyond structural funds. However, again, I think that this is one of the reasons why Grahame Guilford’s review was very important, to help us not only in terms of our economic prioritisation framework but to make sure that this was integral to the Welsh Government’s programme for government in terms of economic development skills and infrastructure. So, this strategy covers all EU funding programmes, not just structural funds. Of course, it is really a commitment to Welsh organisations in terms of maximising their involvement in EU projects. However, I think that it is something we need to use. Clearly, we need to promote it more in terms of the overarching framework for everything that we are doing on the European front.

[552] **Mick Antoniw:** What is—

[553] **Rhun ap Iorwerth:** May I come in—

[554] **William Graham:** Is it on this point?

[555] **Rhun ap Iorwerth:** Yes, it is on this point. Of course, I do not need to remind you

that the Constitutional and Legislative Affairs Committee published its report on 6 March calling on the Welsh Government to revise and review the EU strategy in open and formal consultation. Are you going to be taking that recommendation on board?

[556] **Jane Hutt:** Yes, and I was very pleased to read the report from the Constitutional and Legislative Affairs Committee. I think that very positive views were expressed in the report with regard to the way in which the Welsh Government is pursuing Welsh interests in the European Union. Clearly, we are going to respond. I think that there is going to be a debate in a few weeks' time and I will be responding to this in full. This will very much fit in with the way in which we are responding to updating the strategy.

[557] **Rhun ap Iorwerth:** Will maximising benefits from funds form a key part of that?

[558] **Jane Hutt:** Absolutely. That is where the committee's report fits in quite well with what you are doing here in this committee in terms of your inquiry.

[559] **Mick Antoniw:** One theme that is also developing is that it is one thing to be getting in the applications for grants and identifying sources et cetera but that it is also about how we engage at the very early stage proactively in the actual formulation of policies as they are developing. I think that someone earlier gave the example that the Irish seem to know the decision before the committee has actually met. The suggestion seems to be that there are a number of countries that are very engaged at the early stage and well ahead of the game and that that is something that we should aspire to do. That means that we would need to look at how we are organised in Brussels, the sort of resources we put in and so on. Do you have a view on that sort of approach?

[560] **Jane Hutt:** I think that we are very engaged in Brussels, as you well know, Mick, from the Committee of the Regions. Obviously, Wales House plays a critical part. All Members have been to Wales House. One thing that I have instigated at Wales House, for example, is a meeting of all the sectors—all the sectoral interests—that are represented at Wales House to ensure that they have that direct contact with me as the lead Minister, the Finance Minister for the Welsh Government. Of course, that means that I can test out their early engagement and influence. I think that we are well placed in Brussels. Rob Halford has just joined us; he has just hotfooted it back.

[561] At the moment, our focus is very much, as our strategy is, on ensuring that we get our fair share of the structural funds and the negotiation in terms of our operational programmes. So, we are fully focused in terms of the current position in terms of securing the programme and the funds. I do believe that we are engaged. We also have the Joint Ministerial Committee on Europe. In fact, we had a video-link conference yesterday with Northern Ireland and Scotland. It is a regular meeting. At that meeting, we discussed our engagement across all the devolved administrations, and I certainly learned from others and they learned from me about who is there at the starting point in terms of influencing policy. That is, of course, with the UK Government, but, at the European level, I think we are engaged. Indeed, other sectors are fully engaged with the support of Wales House. Wales House is there as an open door for all those who are seeking to get the maximum benefit and influence in Europe.

[562] **Mick Antoniw:** I will turn to another area and direct the question to Damien O'Brien with regard to WEFO. One of the INTERREG programmes is the URBACT programme. What work is going on with regard to WEFO and that particular programme at the moment?

[563] **Mr O'Brien:** You are absolutely right; it is one of the programmes that Wales can participate in. In financial terms, it is quite a bit smaller than the others. We have to prioritise our resources firstly towards the Wales/Ireland programme; we will be taking over the management of that programme from the beginning of the next programme period. We also

lead for the UK as the national correspondent on the Atlantic area programme. The Wales share from the Atlantic area programme stands up very well compared with other parts of the UK. However, we are also significant beneficiaries of the North West Europe programmes.

[564] With regard to URBACT, Wales has been less successful; I think that we have two partners involved in projects. We are interested in it, but it does not afford the greatest of opportunities for us and we have to prioritise the resources that we are using.

[565] **Mick Antoniw:** Is one of the issues that we have to prioritise our resources and focus on the major projects, but that there is a whole series of other programmes that are on a slightly lower tier, and that there are resource implications in being able to co-ordinate and maximise the opportunities out of those?

[566] **Mr O'Brien:** I think that that is fair. We have placed a particular priority on Horizon 2020; who would not, given that there is £70 billion available? Erasmus is, clearly, an important programme in financial terms as well, and the Welsh Government Department for Education and Skills leads on that one. However, it is not that we are chasing the cash, although it may sound like that—it is just that we are being realistic about how best to target our resources. There are some very small pots of funding. There are about 100 different pots of funding available through the European Union. Some of them are here for a year linked to particular European years of thematic focus. So, we tend to prioritise where we think that there will be the most gain for Wales.

[567] **Mick Antoniw:** Minister, do you think that it is the case that we ought to be having an additional strategy in respect of that lower tier, because quite a bit of evidence that we have received from a number of organisations, in reference to relatively small pots but still quite substantial amounts of money in important areas, is that we are doing well but could do much better if we can harness that second tier in a more co-ordinated manner. Is that something that you think is worth looking at?

[568] **Jane Hutt:** There are questions, and some of us in this room have been beneficiaries previously of being at the project bidding level for European funds. It is about risk and sustainability, I think, in terms of access, as well as the fact that it can be quite burdensome, although we are trying to make it simpler, to make these bids. Often, it requires a lot of investment of time and effort, and if it is speculative—. If it is a bidding process, then you have to—. Certainly, that would apply to the third sector. We have talked about making sure that everyone knows what is available. We have to, I think—and I am sure that you would agree—prioritise where we are going to put our efforts, in terms of what the impact of this will be. It cannot be just a nice thing to do. In these hard-pressed times, you are going to have to choose and have some priorities about this.

14:30

[569] I also think that both the third sector, through the WCVA, and local government, through the WLGA, have resources that they can also put into this. As I said, because I am trying to bring those sectoral interests together more coherently, particularly through their role in Wales House, I think that we could certainly look to see whether we are missing anything out that could be of benefit to Wales. I also recognise that there are some things on the European front that are very important socially and culturally as well as economically, and there are spin-offs economically, usually, when it is about the social and cultural. So, we do want to take that point very seriously.

[570] **Keith Davies:** May I just add to that, Chair? It is one small comment—

[571] **William Graham:** Very quickly, but we do not have much time.

[572] **Keith Davies:** It will be very quick. Damien referred to Erasmus+ having greatly increased funding. We have also been told that URBACT III has a much increased budget as well.

[573] **Mr O'Brien:** That is from a very low base. There is a variety of things that we can do. That information should be available in an accessible way for all of the funds that are available, but, where we go further than that, where we are facilitating access to funds, that clearly has resource implications. So, that is where we prioritise our resource. We want to add value. We can provide some value just by providing information and providing it in a coherent way, but I think that if we go further, helping people with bid writing and facilitating access to networks, that is a resource issue for us and we have to prioritise.

[574] **William Graham:** Eluned Parrott is next.

[575] **Eluned Parrott:** Thank you. Following on from that, do you not think that, in prioritising the biggest fish in the pond, everybody else will also be prioritising the biggest fish in the pond, and so perhaps we are putting ourselves in a position where we are in a more competitive pool than we might have been if we were trying to prioritise by specialisation?

[576] **Jane Hutt:** I do not think that it is either/or, really. We are duty bound to consider whether there are sources that we are not accessing or that our partners in Wales are not accessing. We are certainly duty bound to do that, but I think that we have a responsibility to make sure that we are going for those funding streams that will make a difference and really will add value, as Damien has said. On Horizon 2020, it was a deliberate decision, and I think probably backed by this committee, that we should focus on that and make sure that we drive the opportunities to access Horizon 2020. It is interesting, on that front, that we have a new unit and we have also launched the SCoRE Cymru fund, which is helping potential bidders with bid writing, setting up transnational arrangements and networks, and getting together in terms of meeting and generating applications. It is already having an impact. The proof will be if we then win some of those bids, but there is an indication that we will. It is also very important that the private sector is engaging fully in this as well as HEIs, in particular. So, I do not think that there is any doubt that we are right to focus on Horizon 2020.

[577] We have to learn lessons on European territorial co-operation, and that is where the scoping study will help us in the next range. We are going to be responsible for the Wales/Ireland programme, which is a very important opportunity for us. We have so much in common with our transnational partners in terms of learning and innovation. So, I think that it is not an either/or situation, basically. It is going to be about making sure that we do not miss out, or our beneficiaries, and that we trawl for those specialist sources, but focus on the bigger fish.

[578] **Eluned Parrott:** In terms of encouraging participation and the support that you are able to offer particularly perhaps to smaller organisations that have limited capacity to support the kind of preparatory work that is necessary to put together a bid in some of the funding streams that are available, what investigations have you done of the way in which support is offered in perhaps Ireland and Scotland in particular? Are you actively considering alternative ways in which you can broaden the pool of organisations that feel able to compete for European funding?

[579] **Jane Hutt:** I think we do have to go back to some of our intermediary organisations again that make it part of their purpose, and some of them get technical assistance to do this in terms of bidding, particularly for structural funds, not just through the third sector, but also through the WLGA, Colegau Cymru and Higher Education Wales. They all know that they have a responsibility towards their partners. In terms of the smaller organisations, so many of

them, if they are seeking European funding, would go, perhaps at a community level, to their council voluntary service in their county. They have access to all of the support that they can give to those organisations on a smaller level.

[580] I think it is very important that we look to SMEs and microbusinesses, and not just to the third sector, but to the private sector as well. Of course, private sector engagement is through the FSB and CBI. Again, those organisations in the private sector that can steer and guide have a responsibility. The Wales Co-operative Centre, for example, is very key in terms of social enterprise. So, we have a lot of players in Wales, and I think that they withstand scrutiny pretty well in terms of their equivalents in the rest of the UK and Ireland, and they are also learning lessons, because they have to deliver and they know that there are expectations of them.

[581] **Eluned Parrott:** Are other countries using the same kind of network of intermediaries as we are?

[582] **Jane Hutt:** As far as I am aware—. Well, certainly not at a UK level. I think that our Brussels colleagues in Wales House would make us aware if they felt that we, or indeed, any of our partners were missing out, but I think that the intermediary level is generally considered. I do not know whether Jane or Damien has any other knowledge.

[583] **Mr O'Brien:** These programmes operate in different ways. Some of them have national contact points—you have met some of the national contact points—and we work with them. Others have EU-based contact points. The important thing is to signpost organisations that are interested in accessing funding to the relevant contact point. As the Minister has indicated, we are trying to bring all of this together in the one place on the Welsh Government website, which, I think, is a start. However, there is always more that you can do to facilitate access.

[584] I also think that, in some of these programmes, it is a very crowded market. There are a lot of organisations operating at the information level and a lot of sectors producing guides and they all add value in their own way, but we need in some way to move beyond that and to think about how we facilitate access in the most efficient way. The scoping study that the Minister referred to, which we have just had the draft report of, gives the views of Welsh partners on how best to do that. That is something that I am sure that the committee would be interested in in due course.

[585] **Eluned Parrott:** So, is the development of this kind of portal approach essentially an opportunity for the Welsh Government to have greater control over the quality of the information and to simplify the access points for smaller organisations?

[586] **Mr O'Brien:** I think that it is an opportunity to signpost. Quality control of the contact points is difficult because not all of them are under contract, of course, to the Welsh Government. Some work for the UK Government, some work directly for the European Commission. We have a responsibility to signpost people in the most helpful way.

[587] **William Graham:** We are very nearly out of time, but can I ask you about the role of the Connect Cymru advisory group in supporting engagement with you in terms of Erasmus? That will help us with this part of our inquiry.

[588] **Jane Hutt:** I understand that the British Council now has responsibility for Erasmus. I have certainly had correspondence about understanding what the impact of this is on Connect Cymru. No decision has been made yet and the Department for Education and Skills is having discussions with the British Council about this in terms of future funding mechanisms for the former Youth in Action.

[589] **William Graham:** Thank you very much for your evidence today. We are just going to change personnel slightly for our next session.

14:41

### **Y Wybodaeth Ddiweddaraf am Gronfeydd Strwythurol yr UE EU Structural Funds Update**

[590] **William Graham:** Rob Halford, could you state your name and title for the record?

[591] **Mr Halford:** I am Rob Halford, head of planning and strategy at the Welsh European Funding Office.

[592] **William Graham:** Thank you very much. We will go straight into questions. The first question is from Keith Davies.

[593] **Keith Davies:** With regard to the judicial review on 7 February, what impact will that have on funding for Wales and has the UK Government been able to confirm what is coming our way?

[594] **The Minister for Finance (Jane Hutt):** I certainly commented on this in my written evidence. Since and during that time, I have written and spoken to Michael Fallon, as the Minister responsible for making sure that we move forward and get the UK partnership agreement in place, clarifying the point about the impact of the judicial review. I have just a letter from him in this past week to reassure me about the impact of it. He is confident that the judgment does not impact upon the timescale and on making sure that we are going to get the financial allocations to the Commission in time. Members will be aware that a legal challenge was made by Liverpool and Sheffield city regions. At present that prevents the Department for Business Innovation and Skills from declaring those proposed financial allocations to the Commission. So, he is confident. They have got to through due process in terms of the equality impact assessment. That came out of the judgment. It is under way and they want to resolve this quickly and make a new announcement by the end of this month.

[595] **Joyce Watson:** You mentioned the judicial review and it has put things back a bit. Can you tell us the state of play in the negotiations on a UK partnership agreement and on the draft operational programmes for Wales, particularly west Wales and the Valleys and east Wales?

[596] **Jane Hutt:** It has been frustrating because we were hoping to hit the ground running for a starting point of 1 January 2014 in terms of new programmes. As I said, I have been corresponding and talking to Michael Fallon about the hold-up and what this means. We have to submit the partnership agreement and that is the UK Government's partnership agreement and all other member states. They have to be submitted at the latest by 22 April, because we then move into pre-election time and that is a legal regulatory deadline. The operational programmes have to be submitted within three months of that. It is a delay. It is just about timing. We will get there. One of the things to be said for us in Wales is that we are well ahead of the rest of the UK with our negotiations. In fact, I think that Rob has just got off the train from Brussels; he has been in the thick of it in terms of the negotiations.

14:45

[597] On the development of our operational programmes, we are ready to submit them as soon as the UK partnership agreement is submitted. There have been informal discussions and negotiations over the past few weeks and months, have there not, Rob and Damien? That

means that if the informal negotiations are done, you are ready for the formal ones post 22 April.

[598] When I met the head of the UK Representation to the EU Brussels a couple of weeks ago and asked where we are compared with the rest of the member states, it sounded as though about 12 of the 28 have formally submitted their partnership agreements. So, I would imagine that quite a few will be coming up to that 22 April deadline. We are in an advanced stage on our operational programmes. Of course, Members will have seen that the draft operational programmes are on the website—I launched them back in November, did I not, Damien? We are all ready to go. The pressure is being put on in terms of UK Government engagement and getting the negotiations—we are doing everything that we can. The Commission is very supportive of our draft operational programmes.

[599] **Joyce Watson:** May I ask, Minister, your opinion about the member states? You said that 12 had submitted and that the rest had yet to do so, if I understood correctly. Are you reasonably happy that our position compares favourably with that of most other member states?

[600] **Jane Hutt:** The UK partnership agreement is held back because of the English chapter, but the Welsh chapter is well in advance. It is for the UK Government to sort the English chapter out and get through this process as a result of the judicial review and negotiation.

[601] **William Graham:** Rhun is next.

[602] **Rhun ap Iorwerth:** Most of the areas of questioning that I wanted to look at have been answered already. On the difference between the operational programmes and the partnership agreements, how much detail are you expected to have in the operational programmes?

[603] **Jane Hutt:** The operational programmes are the detail, are they not? The partnership agreement and the Welsh chapter are the high level strategy. The operational programmes are the detail behind the investment priorities by fund and by region. They have to be approved individually, do they not, by each director general? That is what you are discussing with them at the moment. Ultimately, we will be judged on the delivery of those operational programmes, so we have to be clear that they are right. We have to negotiate with the Commission, but we had an extensive consultation leading up to preparing and presenting our draft operational programmes. Members will have been aware of those events throughout Wales last year and the year before.

[604] We have four operational programmes to look at in terms of ESF and ERDF for east Wales and west Wales and the Valleys. So, there is detail.

[605] **Rhun ap Iorwerth:** What is the level of their readiness compared with other operational programmes that you are aware of in other places?

[606] **Jane Hutt:** Rob, do you have some feedback on that?

[607] **Mr Halford:** The level of readiness with the English programmes is that they are clearly not ready at this juncture. They have improved significantly since Christmas. As has already been mentioned, many of the challenges are around the role of the local enterprise partnerships in their formulation, but we are encouraged by recent progress and we feel that they will meet the deadline. However, they are certainly well behind the curve—I think that that is the phrase in terms of progress in the earlier periods.

[608] **Rhun ap Iorwerth:** One area of detail that you touched on in your paper was the ICT and transport infrastructure issues. Could you explain, Minister, what those issues are that you have been discussing with the Commission?

[609] **Jane Hutt:** This is something where, for us—. Transport is still a key investment priority. Yes, the Commission is saying, ‘Because you are a developed nation, do you still need to focus on transport?’, so we have to make sure that we have a very strong economic case for further investment in transport. It is particularly interested in integrated transport proposals, so, obviously, with projects like the metro there is a real accord there in terms of the fit. Transport infrastructure is something that it is suggesting should not be so much of a priority, but we are making the case where we need it. However, it has to be for a purpose. It cannot just be another road, or even another railway, or whatever—it has to be because it will improve the prospects for growth and jobs, and it must have a clear case, for example opportunities for commuter transport in terms of access to work. You can see that this is about the whole of the EU, and what happens to us is about what is happening to other parts of the EU as well in terms of proposals. We are affected by that. However, we are making a case, are we not, Rob?

[610] **Rhun ap Iorwerth:** Are you making progress, though, would you say? I understand why we need to make that case, and make it forcibly.

[611] **Mr Halford:** We are definitely making progress. We made particular progress a week ago when we took the Welsh Government’s chief economist to Brussels to argue the case for continued investment. Before that meeting, there was some doubt about whether the Commission was actually prepared to engage in the kind of detailed dialogue that we were looking for, but we have moved beyond that now. We were making two cases, really. One was around peripherality, with Wales needing to improve its infrastructure in that context, and the other was around the need to address agglomeration, or to benefit from agglomeration effects by achieving critical mass, which is where city regions enter the frame. So, yes, I think that we have made significant progress, but we are left with a challenge, and the challenge is to demonstrate that the interventions that we propose will really add value, and the particular challenge that we have is that the Commission is moving towards an investment emphasis rather than a grant emphasis in this round of programmes. One of the key challenges will be to be able to demonstrate that the particular proposals that we have offer the best return on that investment.

[612] **Rhun ap Iorwerth:** Decisions will presumably have to be made fairly soon anyway, will they not?

[613] **Mr Halford:** They will. The degree of readiness of schemes is another key consideration.

[614] **William Graham:** Eluned Parrott is next.

[615] **Eluned Parrott:** When we went to Brussels to talk to various Commission officials about preparing for these programmes a very clear theme came through, which was the need to be absolutely focused and very strictly prioritised. At the moment, in terms of your discussions with the European Commission, are you getting the view that it is satisfied with the level of strategic focus that you are achieving in the proposals that you are putting forward?

[616] **Jane Hutt:** Yes, and I think that it has already given an indication of that. The fact that we are actually getting into detail now just shows that we are on one of the areas where there may be more sticking points in terms of us being clear that we have got the case in terms of transport infrastructure. We have got a track record as well, in terms of delivery on the



structural funds, and I think also that, in the discussions that I have had, as you have had as well, we need to be very clear as to what we are trying to achieve as a result of the new round of structural funds. We are in a pretty good place in terms of recognition by the Commission that we have got it right at that level. Looking at some of the issues we have, in terms of the different categories we have for regions and what we want to do in terms of investment, you will see that 20% of the ERDF for east Wales programmes and 12% for west Wales and the Valleys will be spent on low-carbon economy, with a minimum of 20% of the ESF focusing on promoting social inclusion and combating poverty. That is a very clear commitment that we have made and it is happy with.

[617] **Eluned Parrott:** The other major difference between previous rounds and the next round is the focus on measuring it on the basis of outcomes, as opposed to the outputs that were able to be achieved from the money that we have got. Again, is the Commission satisfied, given that we have not seen the transformative effect from previous rounds that we would have wished for?

[618] **Jane Hutt:** Rob, do you want to say anything more about that?

[619] **Mr Halford:** The shift to an outcomes-based approach is very clear. The approach that it adopts in informal discussions with us is to major on the intervention logic that underpins our proposed investments. We are working back from those outcomes and we have to demonstrate to it that the kind of interventions that we are proposing will realise the benefits that we are seeking. To the extent that we have been able to demonstrate that to it, we are pretty confident that the feedback we are getting is supportive of our proposed approach. The intervention logic tables that Wales produced were, in fact, very well received early on and formed the basis of inter-service consultations, and they were shared with other member states as exemplars of their kind. In that context, our feeling is that we are as well placed as we can be at this stage in the process. Clearly, the emphasis is on a realisation of the benefits.

[620] **Eluned Parrott:** Have you already developed measurement programmes to help you assess whether you have achieved the impact that you are anticipating?

[621] **Mr Halford:** We have suggested indicators and measurement profiles. We had further discussions yesterday around those and the extent to which we can fine tune them to demonstrate that we are getting the best impact. It is an ongoing process, but, at this stage, everything is looking positive in that regard.

[622] **Jane Hutt:** It is clear that we have to show outcomes, we have to show employer demand and we have to have clear labour market evidence to back up our programmes, Then, we have to demonstrate how we are going to monitor and measure the outcomes. We have rehearsed this in scrutiny in the Chamber and in this committee; we have much clearer guidelines, particularly with Grahame Guilford's work on the economic prioritisation framework. We also have backbone projects, which we know have delivered and where we have the outcomes, which we hope will be the early starters in this round of programmes.

[623] **Julie James:** Minister, you started to answer this question and possibly got a bit sidetracked. The question is: do you now have a complete indication of which streams of funding will get which share across the programme? You started to mention some of those statistics, but you did not complete the whole thing. Do we now know what the indicative share of funding between the streams is and so on?

[624] **Jane Hutt:** It is still part of the negotiations, in terms of what we are delivering. In terms of ERDF and seeking significant levels to fund renewable energy and energy efficiency programmes within west Wales and the Valleys and east Wales, we have the regulatory requirements in terms of 20% of ERDF in east Wales and 12% in west Wales and the Valleys.

Also, I mentioned some of the ways in which there will be different categories: research and innovation, ICT, SME competitiveness and low-carbon economy thematic objectives. In relation to all of those, we are identifying where there are regulatory requirements and what we should be delivering.

15:00

[625] One of the other areas that is important is the focus on research and innovation. That is where we link up with ‘Science for Wales: A strategic agenda for science and innovation in Wales’ and ‘Innovation Wales’, which are linked to SME competitiveness. That will give a stronger focus on access to finance for business. However, once again, that is under negotiation.

[626] **Julie James:** Minister, do you have any idea when we will have some clarity about that?

[627] **Jane Hutt:** In terms of what we have for our draft operational programmes, there are very clear indications that they will be accepted. However, we have to negotiate that, and I am sure that officials will be restraining me if I want to give too much leeway on this point. We are in a very good place. We are very clear about our priorities. We made it very clear, for example, in terms of the 20% spend on tackling poverty and social exclusion. We are not waiting for all of this, anyway, of course. Project partners and beneficiaries and those who are going to bid know what our objectives are, they know what the priorities are, they know what the draft operational programmes are, so there is not very much else we can do except advise and guide and be ready for kick-off straight away, as soon as we get the backing.

[628] **William Graham:** Minister, I would like to ask you about the economic prioritisation framework. What is its role and how will it function?

[629] **Jane Hutt:** This is something that I know I have brought back in statements to the Assembly. This has been a very important piece of work to help WEFO and the PMC in terms of appraising project development and making sure that it is what it says. That is, that it is about prioritisation. We have to have better focus and more concentration, and we have the integration and prioritisation of the EU funds. Going back to the points that have been made, it has to show that we are going to have the biggest impact in terms of the spend. Members will be aware that there are seven thematic opportunities in the framework. There are three regional sections to help to direct the use of funds. It is also about looking at the investment context for all of the opportunities. However, it is not a document that was written and then, that was it, it was accepted; it is a live document. It is available on the website. I launched it in November, alongside the draft operational plans. It is very important for Welsh Government departments as well in terms of alignment with our policy priorities. So, there is complementarity with, in particular, the economic framework for investment that has been developed by the Department for Economy, Science and Transport. It is something that has strengthened WEFO in terms of its understanding of how we can maximise the impact of the structural funds.

[630] **Keith Davies:** You mentioned some of the key strategic projects, such as the metro, perhaps the M4, and you mentioned Swansea University, et cetera. So, what are the key strategic projects that you envisage, and will you be ring-fencing funding for them?

[631] **Jane Hutt:** We cannot ring-fence funding in that sense. We can identify, with our partners— and, of course, many meetings are already taking place—what could be eligible as a backbone project for the next round. It is very important that we now have our shadow programme monitoring committee for European structural and investment funds. It has already started to look at criteria and methodology for the selection of the first projects. At

this stage, we cannot say what those projects will be, but we really need to have that independent assessment to make sure that they meet the selection criteria. It is quite clear that we cannot ring-fence the funds, but those projects that have delivered and meet the criteria, I think, know that they have every prospect of being a priority.

[632] **William Graham:** I now turn to Rhun. Did you want to ask on—?

[633] **Rhun ap Iorwerth:** Not at this point.

[634] **William Graham:** You are happy with that. Okay. Mick, do you have a question on private sector participation?

[635] **Mick Antoniw:** I think that most of that has been answered already.

[636] **William Graham:** Very good. Thank you very much. Joyce, do you have a question on support for transnational actions?

[637] **Joyce Watson:** A fair bit of that has been answered, too. However, I can ask the Minister whether the Welsh Government is discussing with the Welsh higher education and research community the scope to use transnational actions in the mainstream structural fund programmes that will support research capacity and high-level skills for development, although I think that you have covered a lot of it already.

[638] **Jane Hutt:** I think that we have covered the opportunities to a certain extent in terms of the previous questions in relation to Horizon 2020. One of the interesting points about this round of structural funds is that decisions have been made that will not just hit the ground running as soon as the green light is on, but that we have a whole new set of arrangements. We have not talked much about the fact that we have a more integrated, simplified approach to the next round of structural funds. I am working very closely with my colleague, Alun Davies, on this in terms of his responsibilities. That will mean that new European programmes, such as Horizon 2020—we were one of the first regions in a member state to launch Horizon 2020, which gave a good impetus to the start of it. There is also the fact that we need to ensure that those kinds of opportunities are linked to structural funds. I find the transnational projects to be some of the most inspiring, because you know that we are learning transnationally. There are areas of research and development, for example, that are taking place now, where people are coming to Wales because we are at the forefront. I will mention the BEACON project as one, which is now a finalist in the RegioStars Awards competition.

[639] **Rhun ap Iorwerth:** I wish to ask about the new delivery mechanisms and instruments available for the next period. I am thinking of community-led local development, integrated territorial investment and joint action plans. Give us your thoughts about how these new instruments can provide new opportunities.

[640] **Jane Hutt:** All of those instruments, I think, have to be considered on their own merits. If they are more complex and more bureaucratic, there is no point in using them. I think that this is something where I bring Damien in, because when I have challenged him about this question, asking whether we should be looking at some of these new models, he has been very clear, from experience, about whether we necessarily have to go along these lines. Do you want to say something, Damien?

[641] **Mr O'Brien:** These are tools that are presented in the new regulations, but they are optional. Our feeling is that they are likely to be more useful to regions that have less experience in managing European funds. We have developed our own models in Wales, and we feel that they suit us better. Some of these just would not suit our circumstances. There are

others that we are interested in, but we would like to know a bit more about them because the devil is often in the detail and we have not seen the implementing regulations yet. So, we are reserving our position on some of these. I am quite attracted to models that put a stronger focus on achievement and results. So, we are not closing our minds to them. However, we just do not know enough about them at this stage to say that we are definitely going to be using them.

[642] **Rhun ap Iorwerth:** Is the ever increasing number of instruments available actually clouding what might be achievable in that, perhaps sometimes, it is better to strip things right back and start from scratch rather than add new layers all the time?

[643] **Jane Hutt:** Well, they have not just been developed for the sake of it. They must suit certain settings and contexts.

[644] **Mr O'Brien:** Well, they do—

[645] **Jane Hutt:** I think that we have got to be clear that we are keeping the options open in our contribution to the chapter in terms of the partnership agreement, because we do not want to exclude those opportunities.

[646] **Mr O'Brien:** I think that the big changes in the current programme round were the shift to procurement, which the Commission now expects to see a much stronger emphasis on, but also the use of investment instruments rather than grant-based instruments. We want this funding to go as far as it can, and we want to maximise the impact of the funds while we have them. If there are cleverer ways of doing that, we are certainly interested in looking at those models. However, our experience is that, sometimes, they can promise more than they can deliver, and they can actually be quite complex to work with.

[647] **Rhun ap Iorwerth:** I think that I was perhaps making a slightly mischievous point in that the complexity of what is on offer, whether in delivery or for people who want to take advantage, is quite startling at times. I think there have got to be at least half a dozen new programmes a day that we are hearing of whenever we come back to the issues. The other thing that is new this time in delivery is something that we are introducing ourselves with the city regions. How will our new attitude to developing the city regions make a difference to delivery, do you think?

[648] **Jane Hutt:** Some of the new instruments might be relevant. The integrated territorial investment tool might be relevant to regional partnerships or city regions. We need to look at that. However, basically, the way this is developing at the moment is that we are encouraging the steering groups for the city regions to be strategic because they have all the partners round the table in terms of the public and private sectors. So, we are encouraging them to be strategic in the next round. Certainly, that is led by the Directorate for Economy, Science and Transport—by the Minister and her officials. We have said to them that these need to be transformational projects that are going to really deliver what a city region should be. So, it is a new opportunity, and I think that the message is getting through.

[649] **William Graham:** Okay. Thank you very much. Finally, Minister, I would like to ask you about WEFO and what changes you are going to introduce to ensure that you have the right level of expertise, organisational culture and reputation to deliver the transformational agenda of the new EU programmes.

[650] **Jane Hutt:** Well, I am sitting here surrounded by esteemed WEFO officials, which I believe they are. I think that we have to say that it is about continuous improvement. We have a good record. WEFO has a good record of management appraisal and financial control of what are very complex programmes involving multi-million pound sums of investment.

Lessons have been learnt and systems have been significantly improved since the previous programmes, but the European Commission—and I get this, as I am sure you do, in terms of visits—holds up WEFO as an exemplar for other EU regions. This is something that Grahame Guilford recognised. We sought his guidance in a way in terms of the way forward for economic prioritisation. However, it was very clear that he also saw this as an opportunity to look at how WEFO could continue to deliver and improve.

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[651] However, I think that it is about strengthening controls, and ensuring that we do not get into burdens in terms of compliance and that I support WEFO to be open, accessible and transparent and to deliver the goods. I know that you will hold me to account for that.

[652] **William Graham:** Thank you very much, Minister. On that note, thank you very much for coming this afternoon. We are particularly grateful to the Minister, because we know of the calls on her time.

[653] So, I close the formal part of the meeting and we will now have a de-brief.

*Daeth y cyfarfod i ben am 15:15.*

*The meeting ended at 15:15.*