



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

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

Dydd Iau, 19 Mawrth 2015
Thursday, 19 March 2015

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

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

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

Mick Antoniw	Llafur Labour
Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives

Keith Davies	Llafur Labour
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

**Eraill yn bresennol
Others in attendance**

Matthew King	Pennaeth Polisi Morol yr Iwerydd, y Rhanbarthau Mwyaf Allanol a'r Arctig, Cyfarwyddwr Cyffredinol Materion Morol a Physgodfeydd, y Comisiwn Ewropeaidd Head of Maritime Policy Atlantic, Outermost Regions and Arctic, DG Maritime Affairs and Fisheries, European Commission
Cristina Amil López	Swyddog Polisi, Cyfarwyddwr Cyffredinol Materion Morol a Physgodfeydd, y Comisiwn Ewropeaidd Policy Officer, DG Maritime Affairs and Fisheries, European Commission

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

Gregg Jones	Pennaeth Swyddfa'r UE, Cynulliad Cenedlaethol Cymru Head of EU Office, National Assembly for Wales
Martha Da Gama Howells	Ail Glerc Second Clerk
Marc Wyn Jones	Clerc Clerk
Rachel Jones	Dirprwy Glerc Deputy Clerk
Robin Wilkinson	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 09:35.
The meeting began at 09:35.*

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

[1] **William Graham:** I welcome Members to the Enterprise and Business Committee this morning. I have apologies from Dafydd Elis-Thomas and from Jeff Cuthbert.

09:35

**Cyfleoedd Cyllido'r UE ar gyfer Buddsoddi yn Economi Morol Cymru
EU Funding Opportunities for Investment in Wales's Maritime Economy**

[2] **William Graham:** Item 2 is on EU funding opportunities for investment in Wales's maritime economy. I welcome our witnesses. I wonder if I could ask them to give us their names and titles for the record.

[3] **Mr King:** Hi, I'm Matthew King from the European Commission, the Directorate-General for Maritime Affairs and Fisheries.

[4] **Ms Amil:** Hi, I'm Cristina Amil, working also in the European Commission, in DG MARE, with Matthew King.

[5] **William Graham:** Thank you very much. We'll go straight into questions now and our first question's from Rhun.

[6] **Rhun ap Iorwerth:** Bore da iawn i chi i gyd. Os caf i gychwyn drwy ofyn i roi rhyw fath o drosolwg eithaf cyffredinol i ni o ba fath o gyfleoedd yr ydych chi'n meddwl y bydd yna ar gyfer datblygu prosiectau morol o dan gynllun buddsoddi strategol Juncker. **Rhun ap Iorwerth:** A very good morning to you all. If I may start by asking you to give us quite a general overview of the types of opportunities that you think will be available for developing maritime projects under the Juncker strategic investment plan.

[7] **Mr King:** Okay, well, there are a number of strands to this. First and foremost, you've got the European structural and investment funds. That's your traditional European regional development fund and European social fund money, and the cross-border programmes—what used to be called INTERREGs. There are quite significant pots of money available there. I think it's important to point out that, in addition to that, there's now what's called in shorthand, 'the Juncker investment plan': the European strategic investment plan.

[8] **William Graham:** I'm sorry, Mr King, but we don't seem to be receiving you as well as we would like to be. Just one sec.

[9] **Mr King:** Am I still audible?

[10] **Rhun ap Iorwerth:** Not really. We're just working on it.

[11] **Mr Jones:** Chair, do you want us to keep talking so you can test the sound? We'll keep talking. One, two, three, four, five, six. Hello. Testing. [*Laughter.*]

[12] **William Graham:** Gregg, could you turn the volume up your side?

[13] **Mr Jones:** Volume up? Okay. It's on maximum now.

[14] **William Graham:** It's a bit better. Try again.

[15] **Mr King:** Can you hear this now? If I speak, can you hear from this microphone?

[16] **Rhun ap Iorwerth:** We can hear you, but you're very, very quiet, so we can't really make out the detail of what you're saying.

[17] **William Graham:** Gregg, I think we're going to have a five-minute recess while we try to get it right here because otherwise it's pointless Mr King speaking. Okay, so we'll close the meeting for five minutes.

[18] **Mr Jones:** Okay, thanks, Chair.

*Gohiriwyd y cyfarfod rhwng 09:38 a 09:42.
The meeting adjourned between 09:38 and 09:42.*

[19] **William Graham:** Okay, we'll resume. Mr King, would you like to start your answer again, please?

[20] **Mr King:** Of course. There are a number of channels for—[*Inaudible.*]—to reach Wales. There are the European structural and investment funds, so that's the European regional development fund, the European social fund and the trans-national funds—what used to be called INTERREGs—and there are a number of them we can talk about. There are directly managed funds, so funds that are spent out of Brussels—because the other funds, the structural funds, are spent out of Wales—and the major one there, I guess, is Horizon 2020, the research programme. There are parts of the European maritime and fisheries fund, which are also spent out of Brussels. There are things like LIFE+, the environmental programme, which is also in direct management, so directly controlled, by Brussels. And then you've got the much larger pots of money, and we don't quite know how they're going to work. Mainly, those are under the so-called 'Juncker investment plan', the strategic investment plan, and there, I think it's still early days, because the investment plan has not yet been agreed by the council, though, of course, there are a number of options and ideas on the table for investments in Wales, which sound interesting. So, we can talk in more detail on each of those, as you want, but, reasonably speaking, there are large possibilities for Wales to have funding, especially in areas, we think, of research and development, on the high-tech side, in financing for small and medium-sized enterprises and boosting innovation for SMEs, and, obviously, in terms of the marine economy, now that we've seen the Swansea tidal lagoon as front-page news yesterday in *The Guardian*. So, there's big potential for help out of a number of these funds.

[21] **Rhun ap Iorwerth:** I'm sure committee colleagues of mine will take us through all those different funding possibilities. If I could, perhaps, just concentrate on the strategic investment plan. In particular, you mentioned the Swansea barrage as one major project that's been highlighted. Energy Island, in my constituency, as it happens, is another one. Could you tell us about the parameters by which projects are deemed to be sufficiently important to merit inclusion in the strategic investment plan?

09:45

[22] **Mr King:** Well, that's a very good question. I think there are no hard and fast criteria yet, which means that, ultimately, it will be something of a political game, to a certain extent, though, with the role of the European Investment Bank, I think they will be looking for a return on investment. They're looking for bankable projects, and bankable projects tend to be projects that have a certain degree of political support behind them and enough other sources of funding, either from other EU sources of funding or national sources of funding or from the private sector. So, there's no saying that a project like Anglesey or Swansea or any other has political support, because absent a good business plan and solid forms of financing from other sources, it's going to be difficult for the European Investment Bank to want to take on all of the risk itself. They have a AAA rating, they're a commercial enterprise, and so they're going to want to see bankable projects. It also means that the projects that are going to be selected as they come through the pipeline—and the Commissioner will have a role there with the EIB, of course—have to be quite well advanced in terms of their preparation. Maybe there have already been environmental impact assessments. Maybe there have already been initial funding rounds or whatever.

[23] So, the Juncker investment plan is really there to provide the last bit of impetus and push to try to get the projects off the ground, and they will of course try to help projects get off the ground that otherwise might not be able to be funded. So, they will look also at some slightly riskier projects, though I guess they will want to balance their portfolio. They won't only look at risky investment projects across Europe; they'll want to have some that are very safe and a few maybe smaller ones where they'll be prepared to push the boat out and adopt a

little bit more of a risk strategy.

[24] They'll also set up an investment hub, a sort of advisory hub, which I think will be in Luxembourg, and that means that all of the people who have projects that they're going to want to be ticked through the pipeline are going to be able to go to Luxembourg, speak to the EIB and their advisory services, and make sure that they've got the right sort of portfolio of funding for their projects in order to get the nod for investment from the EIB. That's how we think it's going to work.

[25] **Rhun ap Iorwerth:** Okay. Just before I go to the next question, I just want a point of clarification, because the speaker dropped out at an important moment. You said it was largely a political game, I think. Is that what you said? We just missed the word on the speaker.

[26] **Mr King:** I said that politics will also be important.

[27] **Rhun ap Iorwerth:** Okay. Scale strikes me as being an important part of this, too. We will only be talking about major projects here, presumably?

[28] **Mr King:** I think so. I mean the smaller projects can always be funded out of the ERDF, and there's always going to be funding available for port infrastructure or other things like that, depending on the sort of things that the Welsh Government and the managing authorities in Wales have signalled already as being part of their focus in terms of smart specialisations or your focus on the low-carbon economy or whatever else. So, most of your EU money will be drawn towards projects that support that. The thing about the Juncker investment plan is that it will look a little bit outside this arena and help to get off the ground investment projects that have a clear jobs potential and will support growth in the EU over the longer term. So, they can afford to look at much bigger projects that the other structural funds won't really be looking at, such as the barrage in Swansea.

[29] **Rhun ap Iorwerth:** Okay, thank you.

[30] **Mick Antoniw:** Can I just expand on that and explore it a little bit further? It's obviously one of the sort of keynote policy areas, the Juncker plan, and it's obviously a substantial amount of money, but he's talking about a leverage of 1 in 15, and most of the EU money that's going in is coming out of other budgets. So, Horizon 2020, a lot of which is about research and so on, will be losing some of its money into the EU's part of the leverage, and the rest of it is basically going to be private money—borrowed money—so it's about leveraging in other private money. Now, that means, does it not, that the big infrastructure projects that are going to be supported are going to have to effectively be attractive to private industry, i.e. they're going to be privatised, private investment opportunities? Now, is that a fair interpretation as to how that funding will operate?

[31] **Mr King:** I think it's fair to say that the public-private partnership is, basically, the model that's being pursued, and a private investor would obviously need to see some return on that investment over time. They may have—if it's pension funds investing, or others—quite long time horizons for making that return, so the profitability, year on year, may not need to be so huge; these are not quick-buck projects. But I think they will be obviously be looking at ways in which they can attract private sector investment on the back of a public sector guarantee, so at least the private sector know they're not going to lose their shirt. But of course they're going to want to see a return on their investment over time, and how that's agreed will probably differ project by project, and probably the European Investment Bank—they're the people with the experience in terms of developing these kinds of projects on a large scale, across Europe and elsewhere—would be best placed to advise on that.

[32] **Mick Antoniw:** Can I just make one further point on that, then? If, for example, you've got within the various proposals as to how Juncker funding may be used—. There's £3 billion suggested for the very attractive idea of the south Wales metro—an infrastructure transport project—but that would mean that that funding would have to be private funding coming in, so any concept of not-for-profit or publicly owned service appears to be something that is not conducive to support from the Juncker plan. Is that fair?

[33] **Mr King:** I'm not sure. I mean, publicly owned enterprises are also allowed to make a profit. So, it's entirely plausible that public funding as well as private funding could co-finance operations that make a return on the investment. The ultimate ownership structure of whatever concession or contract or licence rides on the back of the bricks and mortar investment I think is a secondary question. I think, in the first place, the Juncker investment plan is trying to look at how to get projects mobilised that would provide some sort of local economic impetus in terms of the jobs and growth agenda. How the investment, or how the infrastructure, is used, and the ownership of the infrastructure and the profit share derived from that, is a different question. Clearly, private money is going to have to flow in, and that's the purpose of the investment plan: to help private money go into public infrastructure investments in a much bigger way than it has been doing recently. That's going to be important for the growth potential of the EU economy, but I think it doesn't necessarily equate to lack of public ownership of the infrastructure for the operating of services that ride on the infrastructure in future.

[34] **Mick Antoniw:** Thank you.

[35] **William Graham:** Eluned.

[36] **Eluned Parrott:** Thank you. I wanted to return, if I may—you talked about the European Investment Bank's risk profile, and that, essentially, particularly at this time, safety was very important to it, and that the majority of investments are likely to be at the safer end of the market. I'm just wondering: what is it that would tempt the EIB to take on a higher-risk project? Is it an assessment of the potential benefit against the scale of the risk, or is it more that the EIB will be looking for certain policy objectives to be delivered through the investment, and that that would give it an advantage? I'm just trying to understand that if safety is so important, what is it that would make a higher-risk investment more attractive?

[37] **Mr King:** That's a very good point. This is why the European Commission is going to be working with the EIB on the project selection pipeline. The EIB has a policy goal of supporting the EU economy. The Commission has policy goals that are very similar, but I guess the European Commission is slightly more plugged into national politics and local politics in determining what the precise value of particular projects might be at a local or national scale, whereas the EIB is looking at its balance sheet, more than anything else. So, I think there's a reasonable balance of skills there in terms of the two—between the EIB and the Commission.

[38] Personally, I think that the sort of things that would sway the Commission and the EIB together in their decision making are things like 'What is the level of political support, local backing and wider stakeholder support for projects?' and 'What is the potential return?', because nobody can say what a potential return is. If a project is riskier, you would expect, I guess, a higher potential return in future. And what is the potential jobs impact, and impact on a local economy at a local level? And fourthly, what would any particular infrastructure investment project look like on the map of all other investment projects that are being funded around Europe under this sort of plan? And I imagine that, with time, as experience builds up, the EIB and the Commission together will develop a greater level of experience about what sort of projects are likely to work, and they will, over time, probably be more interested in some types of projects than others. That's pure speculation, but the point I'm trying to

make is that local politics and local stakeholder investment and local stakeholder support are going to be quite important factors in pushing projects through the pipeline.

[39] **William Graham:** Joyce.

[40] **Joyce Watson:** Good morning, Mr King. If I can bring you back to the balance of risk, we've had some experience in Wales of public-private partnerships where the level of risk in the contract was very much on the side of the public investment, not the private investment. So, my question to you is: have you any idea of where that balance might be, say, certainly, in big projects? And I ask this question because it looks like we're going to have a diminishing public sector budget, certainly in the UK, in the very near future.

[41] **Mr King:** There's undoubtedly a risk for the public sector in taking on too much of a share of the risk. I would imagine the negotiating power of the European Investment Bank is going to be quite critical in determining the share of risk that the private investors will take on. On the other hand, where the public sector needs private money, it's very difficult to dictate terms in terms of risk-sharing. Usually, in any private investment, there's always somebody who takes the first hit, and then there's someone who takes the second hit and someone who takes the third hit. And I could well foresee that the purpose of the Juncker investment plan is mainly to provide guarantees to the private sector that they will at least not take a negative hit in terms of the money poured into the infrastructure projects. So, it's likely, I think, that the public sector will continue to have to take the lion's share of risk on the projects.

10:00

[42] Then, I think, if that's the case, there needs to be some sensible negotiation about what's the fair balance in terms of taking profit out of the investment, because you can't have—. Well, maybe in the past there has been, but it wouldn't seem to be entirely fair to have the public sector taking all of the risk—all of the downside—and the private sector taking all of the upside. There would need to be some sort of profit-share mechanism that sees the public sector also recoup its investment in a reasonable way.

[43] **William Graham:** That is extremely helpful. I would like us to concentrate, in the remaining time, on the maritime economy in particular. Keith, would you like to start on that?

[44] **Keith Davies:** Diolch, Gadeirydd; fe wnaif i ofyn yn Gymraeg, hefyd. Mr King, bore da ichi. Roeddech yn sôn yn gynharach am arian mawr ac arian bach; yr arian bach yr oeddech yn sôn amdano oedd INTERREG ac ERDF. Beth yw'ch barn chi ar sut rydym ni wedi defnyddio'r arian yna yn barod i dyfu'r economi forol yng Nghymru? A oes unrhyw syniadau gyda chi i ni o arfer gorau, efallai, yng ngweddill Ewrop, lle y gallwn wella'r sefyllfa?

Keith Davies: Thank you, Chair; I'll ask my questions in Welsh, as well. Mr King, good morning. Earlier, you mentioned big funds and small funds; with the small funds, you were talking about INTERREG and ERDF. What are your views on how we've used that funding already to grow the maritime economy in Wales? Do you have any ideas for us regarding best practice, perhaps, in the rest of Europe, whereby we can improve the situation?

[45] **Mr King:** It's difficult for me to really speak too much about what happened in the period 2007-13, but I'd be much more comfortable looking forward to the opportunities for Wales in this programming period up to 2020. I think that Wales has had around €4 billion of structural funds over the last 10 to 15 years or so. How much of that has been put into the maritime economy, actually, is something that we don't really know here in Brussels; it's something that, I think, we would like to look into, and we're certainly looking at how, in the future, we can monitor much more closely the investments that are made in the maritime

economy throughout Europe. I think it's a good time to start thinking about what the opportunities are under this funding period and what others are doing, because Wales, of course, is not alone. I think there's a number of countries and regions that are looking very seriously at their maritime economies and how to make investments to push these ahead.

[46] Wales, I have to admit, is amongst the forerunners, in terms of the amount of clear indications that are there in Wales's operational programmes under the ERDF et cetera looking at things like marine renewable energies. I think that this is a good thing to be involved in, because I think that there are many, many types of marine renewable energies that, over the course of the next five, 10, certainly 15 years, will become important elements in the electricity mix, and will provide a great pipeline of jobs, both onshore and offshore. Let's take the example of Normandy and Brittany, and the Loire region, in France; those three, I think, are, like Wales, really looking very closely at their marine economies and how they can use investments from EU funds to establish marine energy test sites, to boost their ports' capacity and to make the ports able to act as maintenance stations and maintenance hubs for their offshore industry. A lot of offshore wind projects are now being devised for the coast of Brittany; Cherbourg is becoming a major port for development and testing of marine renewable devices. And, in the Loire, it's clear that the reason that they're interested in marine renewable energy is not so much because of the new technology, though they quite like that, but what they see is, actually, a pipeline of jobs for welders, electricians, builders, sailors and others who are going to have to be fixing the machinery on a fairly regular basis. So, everybody has slightly their own industrial—with a small 'i'—strategy as to how to deal with this, and I think Wales would do well to follow some of those examples and see what's happening there. The Horizon 2020 programmes are also important, I think, in terms of developing the marine research capacity of Wales. Bangor University is winning a number of contracts and is part of a number of consortia for a number of marine areas—aquaculture; shellfish farming foremost amongst them. So, I think there are good opportunities there. There are also ideas that are coming from north Wales, in particular, and Liverpool and Ireland, to use the Wales-Ireland interregional programme to try to encourage a sort of networking of universities, small businesses and technology companies, and there, I think, there are opportunities for good interaction.

[47] Likewise, along the Atlantic coast of Europe; I think Ireland and Portugal are two countries that are taking the biggest steps to really develop their marine and maritime potential, and they're investing significantly in marine research. The Portuguese, of course, have got the advantage of islands in the Atlantic and with the Azores and Madeira, where they can do a lot of deep-sea science, as well. But, even in Ireland, I think it's clear that they have a plan in Ireland to double their GDP from the marine sector by 2020. At the moment, it's about 1.2 per cent of GDP, they think, that comes from fishing and aquaculture and shipping. So, to double that to 2.5 or 3 per cent is going to be quite substantial. A lot of political support is going into that effort and they do a scoreboard every year to see how far they've got and they have quite a lot of targets. This sort of plan and process, which obviously needs to be a political plan, can be underpinned by the EU funding process, as well, and that can be helpful.

[48] There is already, in fact, what we call an Atlantic action plan and this brings together the UK with Ireland, France, Spain and Portugal to look at how the marine economy in the Atlantic zone can be improved. Actually, there's quite a lot of commonality of ideas between countries on the western seaboard of Europe to try to develop their maritime economies. I think Wales is well positioned to try to use its funding allocation to push in this area, because if you make the decision that there's significant new jobs, growth and technology potential in the marine economy, which, I think, in somewhere like Wales there is, it could make more sense to be investing EU funding there rather than in other parts of the economy.

[49] **Keith Davies:** Diolch am hynny. A **Keith Davies:** Thank you for that. Can you allwch chi ddweud a ydy'r syniadau rŷch chi tell us whether the ideas you've mentioned

wedi sôn amdanynt nawr yn mynd i ryddhau, now are going to release funds from your efallai, arian o'ch cronfa buddsoddi strategol strategic investment fund? chi?

[50] **Mr King:** I think all of these ideas, whether it is ocean energies, offshore aquaculture, or even improving the coastal tourism infrastructure, all of these things are areas where it's possible for local stakeholders to develop projects, either on a local basis or a pan-Wales basis or a Wales-Ireland basis, to unlock funding from the managing authorities in Wales that are actually controlling these pots of EU money. So, these are not decisions that are going to be taken in Brussels, but we are trying to stimulate stakeholders to come forward with their own project ideas, and use the seed money available under the ERDF et cetera, to start projects.

[51] Now, the Juncker investment plan is going to be looking, I think, at bigger scale type of projects. I think the Juncker investment plan is more attuned to things like the Swansea lagoon, or a lagoon in Colwyn Bay, or something like that—bigger projects, where there's going to be a clear return on investment over time, because that's what the private money will want to see. The sort of projects that are funded under the regular structural funds, these tend to be public sector projects that use a little bit of EU money and some public sector money, and occasionally some private sector money at a local level. They tend to bring together researchers, academics, small businesses and others, and so, if you like, the scale and the class are different. The structural funds focus on public sector development, more or less, and a little bit of SME development, and the Juncker investment plan is going to be focusing on huge—well, large; possibly huge—public infrastructure development that the private sector will be able to participate in. So, that's the scale. But I would certainly hope to see the Juncker investment plan involved in ocean energy projects. I think that would be great news.

[52] **Keith Davies:** Thank you. Diolch.

[53] **William Graham:** Rhun.

[54] **Rhun ap Iorwerth:** I am concerned that, whilst the Portuguese Government is making a drive on marine, and Ireland is making a clear move on maximising marine potential, and the Scottish Government has also made some investments, whilst we have some of the best natural resources, in terms of tidal range, for example, and we have excellent research capabilities within Bangor University, for example, somehow we haven't quite got the strategic plan right. What do you think are the key elements that are being put in place by Portugal, Ireland and others that have gelled together the various strands that can contribute to success in maritime economic growth?

[55] **Mr King:** Well, I think what Ireland and Portugal had that Wales, maybe fortunately, didn't have—or did to a certain extent—was they had massive recessions in 2007 onwards, those two countries, if we are talking about Ireland and Portugal. I think those recessions and the huge disruption they caused meant that, at a political level, they needed to start thinking about what their future would look like. Part of the answer to that future that they were thinking of was, 'How can we use the resources that we have?', and the resource that they obviously have—Portugal has been a seafaring nation for many centuries, and Ireland is of course also an island—and they thought quite carefully about what they could do. It's no coincidence that, at roughly the same time, both developed political strategies at senior levels of government. I mean, the President of Portugal right down to the entire Government buy into the idea of developing the Portuguese economy, or parts of the Portuguese economy, as a maritime economy, and growing that part of the economy. In Ireland, the same: from the prime minister down, there's a clear plan—I think in Ireland it's called 'Our Ocean Wealth'; that is the name of the Government plan that sets out this doubling-of-GDP target over the next six, seven years.

[56] In Germany, even, there has been developed by the Federal Ministry of Economic Affairs and Energy a master plan—well, it's Germany—for maritime technologies. I think they're quite seriously thinking about how to invest in marine and maritime technology, and shipbuilding, et cetera, and offshore wind—those are the two things that you see in the Baltic, because Germany doesn't have a long coastline, but certainly they see potential in developing underwater technologies and technologies for use at sea, which will be very important in the future.

[57] Scotland, I think also the Scottish Government has—. I mean, there's a whole department in Scotland called Marine Scotland, which has been looking at how to improve aquaculture development. They've obviously got an offshore oil and gas industry there, and a large fishing sector, so it's not unusual that they would be looking to see how to maximise their potential in these areas.

10:15

[58] I think, if I can say it, France, Spain and the UK, or let's say the rest of the UK, are a little bit slower out of the blocks. Although, it's fair to say that, in France and Spain, it is the regional Governments, and the three I mentioned in Normandy, Brittany and the Loire region, as well as Spanish regions like Cantabria, the Basque country and Galicia, that are quite prepared to invest heavily in their marine futures, because they see the opportunity to generate a lot of offshore wind. They also have large fisheries sectors and they want to get a foothold in marine technologies. There's a lot of effort going on in towns like Bilbao and elsewhere to make this happen. England—

[59] **Rhun ap Iorwerth:** Can I—sorry, carry on.

[60] **Mr King:** I was just going to contrast that sort of effort at a national and regional level with what we're seeing, at least from a Brussels perspective, in England, which is a bit of a sleeping giant in terms of developing its marine and maritime economies. Although, obviously, the potential is there. I think Wales has also woken up. At least, the tidal lagoon projects have given a big boost. I think the operational programmes that were submitted by Wales clearly show an interest in developing the marine and maritime economy. So, if there's a question about what does Wales need to do other than that, it's probably securing, somehow, really senior level political buy-in and generating a sort of picture of support across the country for these sorts of investments.

[61] **Rhun ap Iorwerth:** Can I thank you very much for that answer? I think it sums up pretty much what many of us on the committee, and hopefully the committee as a whole, would like to take out of this in general, because even though we haven't, in Wales, maybe suffered the same catastrophic short-term depth of recession as somewhere like Portugal and Ireland, the underlying weakness of our economy, one would have thought, would be enough to focus minds in Government. Certainly, what you spell out is the real potential to include marine and maritime through proper strategic planning as a tool for real economic growth. So, thank you.

[62] **William Graham:** Eluned, were you going to ask about ports?

[63] **Eluned Parrott:** Yes. As you said, one of the things that has concentrated the minds is the potential for the tidal lagoons and there is a real groundswell of support. Particularly, there is an excitement around the opportunities for research development in the engineering departments as well as the marine biology departments around south Wales, and the universities in Swansea and Cardiff, perhaps, in particular. But, whilst we are looking at those opportunities, obviously, one of the more stable opportunities that we have is through our

existing ports and how we develop those. I'm wondering if you can talk us through a little bit just how DG Maritime work with DG MOVE to support the transport connectivity element of the maritime economy.

[64] **Mr King:** We really see ports as the hubs of this emerging maritime economy of the blue economy. There has been a lot of infrastructure and money poured into ports in the past that maybe was not very effectively used. Lots and lots of smaller ports—and I'm not talking about Wales here; I'm talking across Europe. So, that has prompted a little bit of a rethink in transport ministries about how much funding ports should receive under, for example, the Connecting Europe facility and whether, for example, ports would be eligible even for funding under the ERDF. Now, I think, if I'm right in my recollection, Wales didn't signal port development or port infrastructure as being a key priority in its operational programmes or in the INTERREG programmes. So, I think that does diminish somewhat the chances of having quite significant investments going to ports.

[65] I think, maybe, the thing to do is not to think so much about how much more concrete can be poured on the coastline, but more how can ports develop their provision of services in a smart way to help provide support for these emerging industries. It may be they need to develop their hinterland connections, or they need to develop port connections. There are these motorways of the seas ideas. So, we're working with our colleagues in DG MOVE to think what sort of more creative ideas could we think of that might be useful for ports, and what sort of funding would be available for them, rather than simply millions more being spent on concrete on the quayside. I think, maybe, that the future of ports as well is to try to diversify a little bit their portfolio of services that they're currently providing, because they have a great location, and they have already some great infrastructure. So, the question for them will be how they can maximise their potential in partnership with other ports and other local businesses. I think that's an avenue worth exploring in future.

[66] **Eluned Parrott:** Thank you. It's something, actually, that this committee has looked at. It's interesting that you say that there hasn't been that priority communicated as far as Brussels in terms of ports, because, if we look at national policy making here, we have, for example, an enterprise zone national policy, where one of our enterprise zones is exactly that. It is located in and around a port to support the generation of an energy hub. So, can I ask what we can do to make the case more strongly that we do see a connected maritime economy as being critical, really, to Wales's future potential?

[67] **Mr King:** I think you can make that case (a) to the managing authority for the Wales operational programmes. I think that can come politically as well. But I think if you're really considering drawing up, or consulting on or drawing up some sort of document that sets out your vision for the marine and maritime economy in Wales, I think that's a good place to set out your views on how ports and the development of ports fit into the wider picture of developing the blue economy and the jobs and growth potential of that in Wales.

[68] **William Graham:** A final question.

[69] **Joyce Watson:** A quick question: what percentage of balance would be within all the development of the seas, in terms of preserving what's there naturally—the natural environment—versus the economic drive that we've just talked about?

[70] **Mr King:** I think that there is not really going to be—this is a personal view. There's not really going to be a maritime economy, or it's going to be very difficult to sustain public support for a highly diversified and rich marine economy, without taking on board environmental concerns very seriously. It has to be sustainable and that's why, I think, the research element is really important, so that we can understand better where the valuable ecosystems are, where the richer fishing grounds are and how to ensure maximum sustainable

yield takings only from those fish stocks, so that the sea floor is not unduly disturbed and so that the ecology of the waters is not unduly disturbed by human activity. I think we need to be sensitive about that, because the sea is changing enough anyway, with generalised warming and acidification and sea-level rise, so we want to be careful how much extra stress we put on the water. I think we're going to need some good advice from scientists about what that means. So, I definitely would see, let's say, the research and environment elements of the marine economy being a very important part of it.

[71] **William Graham:** Thank you very much, Mr King. It's been most interesting to hear your views today. We have a lot to think about and talk about in committee. Thank you very much.

*Daeth y cyfarfod i ben am 10:25.
The meeting ended at 10:25.*