



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

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

Dydd Mercher, 29 Chwefror 2012
Wednesday, 29 February 2012

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

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

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

Eraill yn bresennol
Others in attendance

Yr Athro/Professor Stuart Cole	Canolfan Ymchwil Trafnidiaeth Cymru, Ysgol Fusnes Prifysgol Morgannwg Wales Transport Research Centre, University of Glamorgan Business School
Frances Duffy	Cyfarwyddwr Trafnidiaeth Director of Transport
Martin Evans	Ysgol Fusnes Prifysgol Morgannwg University of Glamorgan Business School
Tim James	Dirprwy Gyfarwyddwr, Rhwydweithiau a Chynllunio Deputy Director, Networks and Planning
Carl Sargeant	Aelod Cynulliad, Llafur (Y Gweinidog Llywodraeth Leol a Chymunedau) Assembly Member, Labour (Minister for Local Government and Communities)

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

Sarah Bartlett	Dirprwy Glerc Deputy Clerk
Andrew Minnis	Y Gwasanaeth Ymchwil Research Service
Siân Phipps	Clerc Clerk

Dechreuodd y cyfarfod am 9.32 a.m.
The meeting began at 9.32 a.m.

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

[1] **Nick Ramsay:** Good morning, everyone. I welcome Members, witnesses and members of the public to today's meeting of the Enterprise and Business Committee. This meeting will be held bilingually. Headphones can be used to hear the simultaneous translation from Welsh to English or for amplification. The meeting is being broadcast and a transcript of the proceedings will be published. I remind everyone to turn off their mobile telephones and other electronic equipment. There is no need to touch the microphones. In the event of a fire alarm, please follow directions from the ushers. We have two apologies today, from Julie James and Byron Davies, who will arrive during the course of the meeting.

**Sesiwn Graffu ar Waith y Gweinidog—Y Gweinidog Llywodraeth Leol a
Chymunedau
Ministerial Scrutiny Session—The Minister for Local Government and
Communities**

[2] **Nick Ramsay:** I welcome the Minister, Carl Sargeant, and his officials. Thank you for coming to speak to us today. I also thank you for your prompt written evidence. We have a number of questions for you on the national transport plan. However, before we ask those, are there any specific points that you would like to make that you think would be helpful to the committee?

[3] **The Minister for Local Government and Communities (Carl Sargeant):** Good morning, Chair, and members of the committee. Thank you for the opportunity to come to answer some questions from you in more detail. As you will be aware, the national transport plan was established under a different Government. We have tried to shape that with some priorities and to build the priorities and decision-making processes around jobs, healthcare, social need and tackling poverty. I hope that that is reflected in the new prioritised document. I am sure that you will have many questions, which I hope that I, or my officials, will be able to respond to appropriately.

[4] **Nick Ramsay:** The first question is from Ken Skates.

[5] **Kenneth Skates:** Good morning, Minister. What assessment has the Welsh Government made of the long-term transport needs of Wales?

[6] **Carl Sargeant:** I will take that in two parts, Ken. We have the Wales transport strategy, which is the overarching framework for the integrated transport systems across Wales. That document has a long life and encompasses 25-year projects. The delivery arm of the strategy is the national transport plan, and that is the element that has been reprioritised and is the main focus of today's discussion. They work hand in hand in relation to the vision and that vision is then delivered through the plan.

[7] **Kenneth Skates:** Why does the Wales transport strategy contain no long-term analysis of the transport needs of Wales?

[8] **Carl Sargeant:** Once again, it is about the vision. I know that Members will have their own opinions on this, but my view is that it is not always about targets in plans, but about the momentum to deliver the vision. I will give you an example of that. I could set a target in the transport plan or the strategy to introduce 1,000 more people to bus travel on a daily basis, and if I only got 975 people, that would be a huge achievement, but also a failure. This is about moving the process along and trying to shape the way that integrated transport systems work in Wales. That is part of the vision that will be taken forward by the strategy

combined with the plan.

[9] **Kenneth Skates:** Finally, in terms of integration of policy, what action will you take to ensure that transport policy integrates with other policy areas to tackle poverty, increase wellbeing and support economic growth?

[10] **Carl Sargeant:** That is probably a matter of convenience as well as good planning. As you will be aware, my ministerial title refers to local government and communities, and transport fits into that quite nicely, because I also have the overarching policy responsibility for tackling poverty. Each Minister is responsible for that within his or her own department, but I bring all that together in driving it forward. Transport fits in nicely in terms of the interventions that we are looking at in delivery. It would be useful to mention that we are not far off producing our tackling poverty strategy, again linking in all the departments, including transport. Again, we considered prioritisation around that, and how we can bring everything together. We are seeing a different style of governance within Government now, bringing in departments in terms of their interventions.

[11] **Alun Ffred Jones:** On that point, could you give us an example or two of how your policy integrates with your desire to tackle poverty, or child poverty?

[12] **Carl Sargeant:** Of course. You will be aware that we are currently looking at the electrification of rail services in the Valleys and the main line corridor through south Wales. We know that you can build factories wherever you want, but that does not mean that employers will want to use them, so we understand that we need to make connectivity much easier for people. The integrated transport system—whether that involves buses, trains or other modes of transport—is one part of that, and electrification in one issue. We recognise that, if we can develop that into a metro concept in south Wales, we can get people to jobs within a 40 or 45 minute window, wherever they are across the Valleys. If we can move people more easily and cheaply, that is a way of bringing people out of poverty and strengthening the economy. That is just one example of where we are focused on delivery of a service that will bring people to employment. It would be nice to take employment to people, but it does not work like that. That is just one example that we are considering.

[13] **Nick Ramsay:** In your answer to Ken Skates you spoke about targets, and I think that Ken was specifically trying to ask about how you assess need, rather than targets.

[14] **Carl Sargeant:** I think that I understand that—if I have misunderstood, please tell me. What we are trying to do within the reprioritisation of the plan is look at the core aspects of what we are trying to tackle—poverty and economic growth—and how we can shape the plan and its prioritisation to support that. One of those interventions would be a change in emphasis around east-west connectivity. We were very aware that business was telling us that there is a huge expectation around east-west movement in both people and freight, whereas, in the old plan, there was an emphasis on north-south connectivity. That is important, but we recognise that east-west movement, in both north, mid and south Wales, is really important. Therefore, we have prioritised the plan around that. I assume that you are asking me about how we prioritise against need; our vision is about what we believe is required, and we change the plan accordingly.

[15] **Joyce Watson:** Good morning, Minister. Why does the national transport plan not include an indicative costed programme similar to those that are included in the five-year regional transport plans along with an annual delivery plan?

[16] **Carl Sargeant:** The broad position of the national transport plan previously was that it was a detailed document that lacked a little detail on prioritisation. It was just a list of interventions that were expected on the back of the strategy; the plan was just a long list of

projects. I said from the outset that we would not put anything in or take anything out; it was simply about reassessing what the plan said and how we would deliver that. We have had to look at the envelope of funding available to us, which we are pretty assured of getting over the next couple of years, so that we can say when or how we will start delivering those interventions.

[17] The difficulty, as the committee will be aware, is the cost of large-scale proposals of road networks and buildings. Such proposals sometimes demonstrate the art of the impossible at the beginning. You have to have detailed work done at Governance for Railway Investment Projects stage 4, I think, in terms of exactly what the cost will be in relation to land acquisition and planning opportunities and so on. It is hard to put a figure down in a plan for something that you are planning for in four, five, six or 10 years' time. Therefore, we recognise what our interventions are, and what we hope to achieve in the timescale that we set out in the plan is workable within the financial envelope as we currently understand it. That is our intention. To put down a figure for that would be unreasonable, because I could not guarantee, as the Minister responsible—and nor could any other Minister—what the future cost would be, but we believe that it will be affordable at this stage. So, that is why we do not have those detailed costings.

[18] **Joyce Watson:** How do you propose to evaluate the NTP and demonstrate success, given that the plan and the baseline monitoring report contain indicators, but few targets?

[19] **Carl Sargeant:** That takes us back to the first question that I responded to in terms of what our vision is and how the strategy will move forward. We have Welsh transport statistics, which are published yearly. They will indicate growth and trends in terms of the movement of people on buses and trains and so on. That is how we get a full understanding of what is or not happening in terms of modal shift. As I said, I would be reluctant to say that I want 900 more passengers per day on a train going from X to Y, because, if we were to get a couple of 100 extra, that would be a success but I would fail to hit the target. I do not want to go there, because this is actually about the need for a mindshift and about trying to get people to adopt different modes of transport around Wales. That is the long-term vision for the Welsh Government.

[20] **Keith Davies:** Yn y gyllideb atodol, rhoddwyd £3.5 miliwn i'r Adran Busnes, Menter, Technoleg a Gwyddoniaeth, ac nid i'ch adran chi. Pa drafodaethau a gawsoch gyda Gweinidog yr adran honno a sut y bydd y prosiectau a fydd yn deillio o'r arian hwn yn cyd-gysylltu â'ch prosiectau chi?

Keith Davies: In the supplementary budget, £3.5 million was given to the Department for Business, Enterprise, Technology and Science, and not to your department. What discussions have you had with the Minister for that department and how will the projects resulting from this funding co-ordinate with your projects?

[21] **Carl Sargeant:** The enterprise zones are led by Edwina Hart and detailed questions about them are probably addressed to her. I would not want to tread on her toes and give you the wrong answers, but with regard to the specific question about the £3.5 million, the allocation came through in the supplementary budget and is about—again going back to one of my earlier responses—how we get the most bang for our buck and how we work collectively, as opposed to me working as an individual Minister on road infrastructure around an enterprise zone.

9.45 a.m.

[22] We might not fully benefit unless I work with my colleague Edwina Hart, who is leading on this. I believe, and we believe as Government, that we should integrate some of this funding so that the lead Minister takes a portion of transport funding, working with me to

support the enterprise zones and the decision made on the broader issue, as opposed to me working in isolation on transport and the Minister working in isolation on enterprise zones. So, the money has gone into the BETS department to deliver on road infrastructure and support and integrated transport systems around enterprise zones. However, my department works closely with the BETS department in that regard. There is a historic link there and those departments work together closely.

[23] **Nick Ramsay:** Joyce Watson has the next question.

[24] **Joyce Watson:** Oh, yes. Sorry, but I was listening so intently that I got carried away, Minister. Why are measures specifically related to freight that were included in the original plan absent from the prioritised national transport plan published on 7 December?

[25] **Carl Sargeant:** I am not sure which part you are referring to in relation to freight in the broader sense and the freight strategy. Do you want to specify the actual section? Is there any particular element—

[26] **Joyce Watson:** It is on freight. The March 2010 NTP contained five specific measures aimed at improving freight movements by road and rail. However, none of those measures is referred to in the prioritised plan, published in December 2011. Does that clarify the matter?

[27] **Carl Sargeant:** That is helpful. I thank the Member for that. In terms of freight operation, again, with regard to where the plan was and the expectation within the old plan, freight had not moved along at a pace that was acceptable to me or my department. I have recently met interested groups and a Member of the House of Lords with a particular interest in freight to discuss how we can start to reinvigorate the thoughts and processes around it. I think that freight offers a great opportunity for Wales in terms of the business opportunities. Some of the interventions that were defined in the plan previously had not progressed quickly enough. We have had to review them, therefore, and to look at the market to see whether there is demand and whether the interventions are achievable within the timescales that I propose in the prioritised plan. As I said, I started this review by looking at what is happening in Wales. I believe that freight offers an exciting opportunity. I have also met the Minister for business to see how we can move this forward.

[28] **Joyce Watson:** I am pleased to hear that, Minister. Will you be providing the committee with a written update on the progress in relation to each of the ‘steps towards delivery’ identified in the Wales freight strategy?

[29] **Carl Sargeant:** I am reforming the rail freight group that used to be in place—I have started looking at membership for that group—to look at how we take things forward and advise me on issues and opportunities in Wales. I would be happy, Chair, to write to the committee with details at the appropriate time, when we have more detail on that and when I have some more firm commitments on where we are with the vision for freight.

[30] **Nick Ramsay:** That would be helpful. As Joyce Watson said, as a committee we had concerns about the apparent absence of freight in the reprioritised plan.

[31] **Carl Sargeant:** Chair, I would like to assure you that it is a priority for me. We are looking closely at how we will take it forward. At the appropriate time—although it probably will not be within the next few weeks—as soon as I have some more details, I will be happy to write to you.

[32] **Leanne Wood:** To what extent will you consider sustainable transport, public transport and interchange solutions alongside infrastructure proposals in the consultation on

options to address congestion on the M4?

[33] **Carl Sargeant:** The M4 is a very topical issue at the moment. As you will probably be aware, Leanne, there are discussions ongoing between No. 10 and the First Minister about what opportunities may be presented for a new M4—I use the word ‘new’ with caution, Chair; please do not take it in the wrong way—whatever that new M4 system may be. That is why it is the subject of discussions between the First Minister and No. 10. It might be just an upgrade or a new M4. I do not know what that is, so that is why I am saying not to take that out of context.

[34] With regard to your direct question, Leanne, about what we are doing currently, and mitigating factors to do with integrated transport and new opportunities, you will be aware that we have introduced variable speed limits on the M4. We have upgraded the interchanges at Coryton and Coldra. Work is ongoing with regard to the southern distributor road in Llanwern. We are delivering lots of little interventions to mitigate some of the capacity issues on the M4.

[35] **Leanne Wood:** What about sustainable options?

[36] **Carl Sargeant:** On the back of that, we are looking at how we can link in new services, such as rail and road integration. One of those would be taking people down from the Valleys and into Newport so that they can travel by train along the main line that follows the M4 corridor. We have just introduced a new service between Rogerstone and Newport, which takes people down on the Valley line to Rogerstone and then across by bus to Newport. That is an example of sustainable travel, getting people off the roads and on to other modes of transport.

[37] Looking at how we support local authorities with park-and-ride services, you will be aware that we are introducing the walking and cycling Bill shortly, which takes all of this into consideration and looks at how we can build on that. However, we recognise that the M4 is the main arterial route through south Wales. So it is about a balance between sustainable travel and how we can get that modal shift, moving people from using the road to using other modes of transport, and still providing a successful main arterial route through south Wales. It is about getting a balance in delivery.

[38] **Leanne Wood:** You mentioned the discussions between the Prime Minister and the First Minister. Can you tell us when details of those discussions will be made available to the public?

[39] **Carl Sargeant:** Well, they are discussions between them. I will certainly ask the First Minister whether he could update the committee with more detail on that, but I know that there have been several meetings. I am not party to the details, but I will ask the First Minister to update you with more detail of the discussions that have taken place.

[40] **Leanne Wood:** I have one further question, if I may, Chair. Earlier, Minister, you mentioned the reprioritisation of east-west links. However, you also said that the north-south links were important. What is in the transport plan to improve in-country or north-south links?

[41] **Carl Sargeant:** Just off the top of my head—Russell George will be really made up about this—the Newtown bypass is one intervention. I should not forget that Joyce Watson will also be pleased about that. You will be aware that, recently, I have opened several roads on the north-south link—

[42] **Leanne Wood:** That is in the past. What about the future?

[43] **Carl Sargeant:** That is one of the interventions. We are doing improvements along the A465 as well. There is a great deal of detail in the transport plan with regard to road networks and infrastructures. There are a lot of improvements going ahead. I would be happy to write to the committee. If you want me to read through the transport plan now, I could do that, but I would be happy to give you a more detailed response in writing—

[44] **Nick Ramsay:** I just point out to you, Minister, that the A465 is an east-west route—or so we believe at this end of the table. You might have additional information. [*Laughter.*]

[45] **Carl Sargeant:** Of course, Chair—

[46] **Nick Ramsay:** It does go up and down at certain points, but—

[47] **Carl Sargeant:** It is about how we build on the east-west routes to provide north-south connectivity. The issue, as Leanne quite rightly points out, is about the interventions that we will make in future. There are interventions for north-south routes that we are improving. That was demonstrated by the previous Minister. I recognise that the work that was done by him. However, prioritisation is always about making choices, and our choices predominantly support east-west connectivity. I am more than happy to write to the committee to demonstrate some of those schemes, if that would be helpful.

[48] **Nick Ramsay:** That would be helpful. The Minister for Housing, Regeneration and Heritage would very much like that answer on the interconnectivity of the Heads of the Valleys area. David Rees has some questions on bus transport.

[49] **David Rees:** Minister, in point 9 of your written statement to the committee, you state that

[50] ‘bus services provide the first point of connectivity for many people’,

[51] which is very true, particularly in deprived areas where car ownership is low. You have also recently announced a reduction in the bus service operators’ grant and the local transport service grant of approximately 25%. Have you undertaken analysis as to how many bus services may be withdrawn as a result of these reductions?

[52] **Carl Sargeant:** When making decisions, given the very difficult budget and financial settlement we have, there will always be challenges. The bus industry and bus performance service is one challenge I currently face. The direct answer to your question of how many services I expect to be lost because of bus service operators’ grant is none. The bus service operators’ grant is an operator grant for fuel duty; it not a subsidy for routes. I have a strong opinion on the position in which we currently find ourselves. You are absolutely right to say that the reduction is around 25% of the current value. I do not know whether we have furnished the committee with the numbers, but I can do that. Prior to my announcement—and this is still true, so there is no excuse for making cuts now because there is not a reduction in the funding—we were still paying a lot more in bus service operators’ grants in Wales than was the case in England. It was about 6p or 7p, but I can furnish you with the precise details. So, we were already providing subsidy in Wales in operator grant at a much higher rate than England. I have indicated that I will reduce that level to a rate that is still higher in Wales than in England. If we are paying for a service in Wales at a rate that is higher than the rate paid in England, I do not think that it is unreasonable to ask for an enhanced service.

[53] Many of you have written to me directly about local issues and concerns about bus operators and routes. I have opened up discussions with bus operators, local authorities and regional consortia to look at some sort of transitional funding, and it is not yet known what that will be because we are still in discussions about the timeline and quantum. I cannot see

how sustainable the bus service operator grant is in Wales because, when we give the money out to operators, they pay it back to the Treasury and we do not see that money again. In England, it goes to the bus operators and back to the Treasury; once we have spent it, it has gone. I do not feel that that is a sustainable service for Wales, and, by talking with bus operators, local authorities and user groups, we have an opportunity to create a different bus service that is good value for money for the public purse. At the moment, the Welsh Government, on behalf of the public, is paying bus companies a bus service operator grant, which is a fuel duty levy, at a much higher rate than England. What levers do we have? What control do we have? The answer is absolutely nothing at all, and that is not acceptable.

[54] **David Rees:** Thank you for the answer. You have opened up a few points there, which I want to explore. I will take your last point first, before I go back to few of the points you mentioned earlier. Are you, therefore, looking at a new way of financing? You mentioned in your paper that you have asked for a meeting regarding

[55] ‘putting in place a new system for financing services’.

[56] Are you, therefore, looking at a new system for financing services? When do you expect it to reach a point when we can operate that new system?

[57] **Carl Sargeant:** Yes, I am looking at that, and that is a discussion that I started with the operators a week or a fortnight ago. I also met with the local transport consortia across Wales about the same time. I have asked officials to take those discussions forward. I will tell you where I want to be and I hope that industry and Government can collectively reach an outcome that is beneficial for us all.

10.00 a.m.

[58] I believe that we should be looking to move away from the fuel subsidy. We paid the fuel subsidy whether the bus is full or empty, whether it is going back to the depot, or not. So, we are paying fuel duty for an empty bus. That is madness. Quite frankly, I think that we should be investing in public services that deliver for the people who want to use the system. I am looking at quality bus partnership contracts. For the people who are really interested in this, that means that we have some profitable routes and less profitable routes, and we need to bring those together and tell bus operators that they must take the rough with the smooth and we will pay them for that. It is about delivery. With rural services, for example, where some of these less profitable routes are being supported, we are looking to create a suite of services, where bus operators, working with local authorities and the Welsh Government, can deliver a more holistic service. Normally, when the tough times come, the first things to be hit are the less profitable services. The people living in rural areas and in more exposed areas in urban settings lose their services. I do not think that that is acceptable for a sustainable Welsh transport solution. That is why I am pursuing the quality bus partnership contracts with operators to try to get the more holistic services I think we deserve in Wales.

[59] **Nick Ramsay:** Before I go back to David Rees, Alun Ffred, do you have a supplementary question on this point?

[60] **Alun Ffred Jones:** Yn eich gweledigaeth, rydych yn sôn am wella mynediad i safleoedd ac aneddiadau allweddol, yn enwedig mewn ardaloedd gwledig. Rydych newydd ddweud nad ydych yn disgwyl gweld unrhyw wasanaeth yn cael ei dorri oherwydd y newidiadau yn y cymorth i wasanaethau bysiau. Sut fydddech yn **Alun Ffred Jones:** In your vision, you talk about improving access to key sites and settlements, particularly in rural areas. You have just said that you do not expect to see any services being cut because of the changes in the support for bus services. What is your reaction, therefore, to the announcement that was made this morning in Anglesey that 14

ymateb, felly, i'r cyhoeddiad y bore yma ar services have been cut because of the
Ynys Môn bod 14 o wasanaethau wedi cael changes that have been made?
eu torri oherwydd y newidiadau?

[61] **Carl Sargeant:** How direct do you want me to be in my response to the announcement I read in the newspaper today? It is nonsense, really. There have been no cuts to its budget in terms of this transport grant. We are still in discussions and, regrettably, an authority has decided to predetermine the outcome of an ongoing discussion by making an announcement that it will potentially cut bus services. I do not see that there is any necessity to do that yet, because discussions are ongoing.

[62] **Alun Ffred Jones:** Efallai y gallwch gynnig esboniad, oherwydd fy nealltwriaeth i yw bod toriadau i'r grant i gynghorau sir o dros 20%, ac mae'r grant tanwydd wedi cael ei gwtogi'n sylweddol, felly mae newidiadau, a hynny ar ôl i'r gwasanaethau gael eu trefnu a'u cytuno rhwng y cynghorau sir a'r cwmnïau bysus. A wnewch chi gadarnhau bod y toriadau hynny wedi digwydd ar gyfer y flwyddyn ariannol nesaf?

Alun Ffred Jones: Perhaps you could offer an explanation, because my understanding is that there are cuts of over 20% in the grants to local authorities and the fuel subsidy has been reduced substantially, so there are changes, and these are being made after the services have been scheduled and agreed between local authorities and bus companies. Will you confirm that those cuts will be made in the next financial year?

[63] **Carl Sargeant:** No, I cannot, because they have not. The fact of the matter is that we made an announcement and, as I said, many Members and many local authorities wrote to me raising this issue, and I have come back to the table to offer them some negotiation time. I have given them my commitment to continue with a funding stream that will mitigate some of the issues around contractual agreements. However, we are in a very serious place. The finances are significantly reduced. Once again, I go back to the question of why we are paying a subsidy for running empty buses around Wales, when we should work with the industry to deliver a better service. My door is open. There are operators and local authorities that are engaged in discussions and that is why I am surprised, to say the least, that an authority has already decided to start cutting services on an assumption when they actually do not know the outcome.

[64] **Nick Ramsay:** We do not have time to pursue this further. I think that the Minister has answered that point fully, and we have a number of questions to get through.

[65] **David Rees:** I have a quick point on the finance system, which you mentioned. When you make a decision and an announcement of any finance system, what key indicators do you identify for measuring the success of the new scheme?

[66] **Carl Sargeant:** I cannot give you an answer to that, because I do not yet know what the outcome will be. I do not even know whether we will reach an agreement. The starting point is that we either do something or we do nothing. If we do nothing, the rates I mentioned earlier with regard to the reduction will be the rates of the reduction. That is the starting point. There are huge benefits by looking at how we work better together. There are several funding streams that come into the transport system for bus operators and services. It is time to bring them together to see how we can make the best use of the reduced funding we have.

[67] On outcomes, what I would like to see is a better service. However, I do not know what that will look like until all parties come to the table and have a discussion about what that means. However, once I am clear about the outcome of those meetings, I would be more than happy to write to you as Chair and to the committee about how positive or otherwise those discussions have been. To be very clear, the service as it currently stands is not sustainable, and we just cannot leave things as they are.

[68] **David Rees:** Can you also provide us with some key performance indicators when that happens?

[69] **Carl Sargeant:** I will consider that, Chair.

[70] **David Rees:** I want to return to the bus service operators' grant. You mentioned the reduction and the need for change in the financial system, but you also mentioned that the reduction means that we are still higher than the English figures. We have received some indication from the Confederation of Passenger Transport that, in fact, there are additional incentives in England to the basic BSOG rate. Do the rates that you quoted include those additional incentives or are they the basic rates in England?

[71] **Carl Sargeant:** The figures I have quoted are the basic rates and are comparable to the basic rates in England. There are additionality rates related to the English figures, but I can strip out the basic rates and provide you with those details. However, you may not have been told that we also fund additionality for smart-ticketing metres.

[72] **Mr James:** We also have smartcards and electronic ticket machines.

[73] **Carl Sargeant:** However, we do not include that in our basic rate, and when you measure, you must measure apples with apples. I would be happy to provide those figures.

[74] **David Rees:** That would be helpful.

[75] **Nick Ramsay:** So, to clarify that point, the additional allowance in England is for the use of low-carbon buses, smartcard systems, and that type of equipment, but that is not part of your assessment. Is that what you just said?

[76] **Mr James:** That is correct. We are looking at the base BSOG. To clarify the point, in England, there is a premium BSOG rate for smartcards and electronic ticket machines. However, in Wales, we have already funded those through the all-Wales bus pass scheme. So, effectively, the operators are not incurring expense in Wales, therefore they should not be funded for that twice.

[77] **Nick Ramsay:** That is helpful.

[78] **Eluned Parrott:** Minister, you talked about developing a more sophisticated model for supporting bus services, and you have just said to us that you want to work with the industry to deliver a better service. Do you believe that three months' notice of this cut is sufficient time to develop a robust and better model than the existing one?

[79] **Carl Sargeant:** No. That is why I have begun negotiations with the operators.

[80] **Byron Davies:** My question is related to community transport. In October 2011, you announced that you did not intend to provide further funding for the community transport concessionary fares initiative as from March of this year. I know that you subsequently announced a short-term extension of the funding, but how will the Government continue to support community transport on a long-term basis, given that it is likely to suffer disproportionately from funding reductions due to the not-for-profit nature of the services?

[81] **Carl Sargeant:** I suppose that this goes back to the broader conversation that we have just had about timelines and so on. The transport element of my budget is extremely tight in terms of finances, and I have had to act accordingly. It is the same as for anyone at home: you cannot spend what you do not have. You therefore have to look at how you can

provide different services or at different ways of providing services. I recognise the value of community transport.

[82] Let me present one or two of the issues that I face. The current model of community transport concessionary fares is a pilot scheme. It is a pilot scheme that has been running for over six years, which is interesting in its own right. Faced with cutting my budget, I have been presented with a pilot scheme that has been running for six years, about which, it would be fair to say, a decision might have been made at a different point in time. Unfortunately, that now lies with me, and I have to make some decisions around that.

[83] The scheme is not an all-Wales scheme. Therefore, if we wish to talk about equity, it is not fair. If I were to roll this scheme out across Wales, it would cost around £40 million. On the basis that I do not have any money left in terms of sharing additionality, £40 million is pie in the sky. It cannot happen; I do not have that money. So, no matter how much people ask me for it, I cannot deliver it unless I take the money away from somewhere else, and I would be happy to receive any suggestions that you have.

[84] We are in a little bit of a conundrum here about what to do about service provision. Therefore, I have asked my team to stop the proposals to cease funding to these 15 organisations and to look at them individually, with the organisations involved, and to look at the value added—I am sure that they all add value at different points; they all provide different services. I have asked my team to look at that specifically and to work with them to see how we can take forward a service with them. It may be about doing things differently. I am working with the Minister for Health and Social Services to look at how we can provide non-emergency patient transport through community transport services, for which they would be paid. I am looking with them at whether any of the routes that they currently take on a community basis can be transferred under section 22 to a concessionary fare route, which would then fall into the concessionary fare system.

[85] So, it would not be fair to say that we are doing nothing. That is not the case. We are working closely with them. I intend to have a genuine conversation with them about moving forward to make them more sustainable, but I will make it clear that the current system is not equitable for the whole of Wales. As a Minister for the whole of Wales, I cannot allow that to continue. I also recognise that the services that they provide are, more often than not, very local and very good. I am committed to looking at how we can build on that to support them, while recognising the financial constraints that I find myself working within. That was a long answer, Chair, but I hope that it made matters clearer.

[86] **Nick Ramsay:** On that point, the concessionary fares initiative affects only a small number of schemes, does it not? It is some 19 schemes. So, do you agree that the key issue is the funding of the sector as a whole?

[87] **Carl Sargeant:** Yes, probably. The broader issue is about how the sector is served and supported. It is worthwhile for me to place on record that there is no question at all about concessionary bus passes. I am committed to maintaining the level of concessionary bus passes in Wales—that was a manifesto commitment. So, anyone suggesting that there will be any change to that is wrong. However, in terms of the concessionary community transport element, there were already stipulations in the pilot scheme about service users being aged over 75.

10.15 a.m.

[88] I would suggest that that was not always the case, but a review of the service and the system that is in place is needed. I am committed to supporting community transport, because it is hugely valuable. Again, we find ourselves in a very different place. If I could roll this

programme out across Wales, I would do it tomorrow. I cannot, because I cannot afford that.

[89] **David Rees:** I am interested in the community transport aspect of access to healthcare services. I think that that will be a major issue. Have you undertaken any analysis to see how that could be affected? I know that you said that you are in discussions with the Minister for Health and Social Services about the direction in which we should go. As services are centralised, people in Valleys communities, in particular, will have to travel to those services. How far down the road are we with that direction of travel?

[90] **Carl Sargeant:** Win Griffiths, chair of WCVA, has done a piece of work on non-emergency transport, and we are considering the outcomes of that document. You may wish to look at a copy of that at some point, Chair. That is informing us about how we potentially move forward with this. I have opened discussions with the Minister for health in terms of opportunities that may be presented, and again, looking across departments about who funds transport schemes and who does not, and possibly who funds them twice, I think that we need to fully understand exactly what is going on, where the money is going, and where we should be targeting the limited amount of money to deliver a good service, which is needed in some of our more rural communities. I am committed to looking individually with my team at all the schemes that I mentioned earlier, looking for a solution that includes opportunities for non-emergency hospital transport.

[91] **Eluned Parrott:** You talked about moving some community transport operators over to section-22-type funding. It is my understanding that that is only available to organisations that use volunteer drivers, but obviously, in order to deliver reliable services, a number of community transport operators employ at least a spine of professional drivers to make sure that they can maintain their service level. Will you undertake to have a look at that anomaly, to make sure that that can be accommodated?

[92] **Carl Sargeant:** This is not ideological warfare against community travel; this is about trying to find a solution to the problem that we have. I am genuinely open to having discussions with the organisations, but it is a two-way street—I cannot respond to them saying ‘Give us money’ by giving them money, because I do not have it. We have to look at what we have, and at services that we can all be happy with and which are sustainable. I would probably struggle, if that arrangement is in statute, to change it; but if there is a solution along the way that we can talk about, then I am happy to talk about it. However, the solution cannot be just about money. It has to be about service change and delivery. I am happy to have discussions on that, and those discussions are ongoing.

[93] **Nick Ramsay:** Byron, have you finished with your original line of questioning?

[94] **Byron Davies:** Yes. The answer was comprehensive.

[95] **Nick Ramsay:** I will ask you a question about sustainable travel towns, Minister. The evaluation in England concluded that success required significant revenue and capital funding. Do you think that £5 million over three years is sufficient to have an impact across five sites?

[96] **Carl Sargeant:** Moving forward, £5 million is the figure, but what has perhaps not been recognised is the amount of funding that we have put into sustainable travel towns so far to develop the proposal. We have invested over £23 million in sustainable travel towns, and there is £5 million going forward, so it is not just a one-off service payment. There is a long-term change in lifestyle in creating sustainable travel towns. I know that Leanne is very keen on sustainable travel, and her views on this are well known. You cannot just tell people that they must go by bus or by bike tomorrow, and cannot use the car ever again. It does not work like that, as you are very aware. You have to create a system that people are comfortable with

and find easy to use, and that is what we are trying to do with sustainable travel towns and centres—we are trying to look at projects to help people change, and make a modal shift to different types of travel. There are some good examples. We have used personalised travel planning, working with Sustrans. This involved helping people to plan their journeys, which they possibly never considered in the past. That is just one example of the investment.

[97] **Nick Ramsay:** On a specific point about Sustrans, how much funding has been committed exclusively to the delivery of the walking and cycling action plan?

[98] **Carl Sargeant:** I would have to refer that to one of my officials. [*Interruption.*] I thought that you were asking about funding to Sustrans for personalised travel plans. In terms of the walking and cycling element, that is a policy document about how the walking and cycling plan fits in with many other strategies. You will be aware that it is not just a transport-based plan; walking and cycling have as many health implications as they have transport implications. Across departments, we look at how our interventions can pick up the policy objectives in the walking and cycling plan. It is quite difficult to allocate cash to the plan, but the interventions of other actions contribute to its policy objectives. Does that make sense?

[99] **Nick Ramsay:** Yes, just about, and probably just as much as my question. Would it be possible for you to provide us with a rough assessment of how much money is going into that plan across the different areas?

[100] **Carl Sargeant:** Yes. I would certainly be happy to write to you with the detail of what actions support the plan, and if I can attach a cash figure to that, then I will. It is not a case of not wanting to; it is about identifying how we do that.

[101] **Nick Ramsay:** Okay. Byron Davies has a supplementary question.

[102] **Byron Davies:** I do not want to make this question too difficult, but this is quite an interesting concept. How do you deal with the mechanics of this? Is it all over to Sustrans and let them get on with it? How do you do it?

[103] **Carl Sargeant:** We work very closely with local authorities and Sustrans. Again, it is a combined effort with regard to our objectives and how they are best delivered. I went out with Sustrans in Cardiff to see some of the programmes that it is running on personalised travel planning. It is well placed in sustainable travel to deliver some of the services that we require. So, it is about working in partnership with it to identify our Government policy objectives and how it can help us to deliver them.

[104] **Byron Davies:** Who is measuring it?

[105] **Carl Sargeant:** The interventions are about identifying the success rates and whether we are seeing more people move from car journeys in Cardiff to cycling, walking, buses and trains. We are seeing a shift in that already. It is early days yet, but I would be happy to provide the committee and the wider Assembly with information about the success rates. This, too, is about a change in the way people operate. It is not about a fixed term to tell people that they must do this or that; it is about a change in lifestyle. That is why I would be happy to provide more data on it.

[106] **Nick Ramsay:** Great. I have one further question for you on the breakdown of the £5 million for the sustainable travel towns. Given the conclusions of the English programme evaluation, can you tell us how much revenue funding the Welsh Government has allocated to the programme for the next three years?

[107] **Carl Sargeant:** I will have to write to you on that, Chair.

[108] **Nick Ramsay:** That is fine.

[109] **Julie James:** Good morning, Minister. Turning to rail, the committee, as you know, has been looking for some time at the proposed Connecting Europe facility and the proposals via the EU to put some funding into connecting major routes across the European Union to promote inclusion, connectivity and sustainable mobility; I believe that those are the phrases used. Minister, have you had any discussions with anyone about the use of this facility in Wales? In particular, the list includes upgrading the Swansea to London line as a specific project. Can you tell us your views on this and whether you have had any discussions on the proposal?

[110] **Carl Sargeant:** There were two parts to your question, Julie, and I hope that I can give concise answers to both. First, on the EU element of the funding, my officials have had discussions with the Department for Transport about what opportunities there are in Wales for an allocation of funding in terms of the broader EU pot. Those discussions are ongoing.

[111] On the last point that you raised on the specifics around the electrification of the Swansea to Cardiff line, I have concerns about that because I believe that this is a function of the Department for Transport. As you will all be aware, we presented a business case to the DfT on the electrification of all the Valleys lines and the line beyond Cardiff, to Swansea, beyond what was contained in the announcement that Philip Hammond made last year. We believe that we presented two strong business cases. I met Justine Greening recently; I thought that that meeting was much more positive than I am led to believe that she thought it was, which is slightly disappointing. I do not accept that we have a liability to fund any additional section from Swansea to Cardiff or indeed any additional lines beyond what Westminster may call the 'core lines'. The Valleys are the Valleys—they are not new. My view is that it is a function of the UK Government to fund the work on the Valleys network, as well as the line up to Swansea, regardless of the potential to designate EU funding to that. I would not want any other administration to think that they could spend our Welsh element of funding on their projects. I am robust on that case.

[112] **Nick Ramsay:** Minister, would you agree that there is still an important question about the steps that you take in general to ensure that Wales benefits from the facility of the £21.7 billion available to fund transport infrastructure in Wales?

[113] **Carl Sargeant:** Absolutely. It is imperative that my department works with the DfT, and it is doing so, to see how we can maximise the amount of funding available to Wales for Welsh projects. My point was that these are the functions of a different administration—and this is not a political, but a financial point—that has a responsibility to service Welsh infrastructure, which is not devolved. Therefore, why would a Welsh Minister spend Welsh money, which could be used on infrastructure such as road and other rail networks and other rail franchise activities that are devolved to Wales, on rail infrastructure that is not a devolved function and should, therefore, be funded by the UK Government?

[114] **Alun Ffred Jones:** We are all in favour of electrifying the Swansea to London rail line, but I am perplexed by this issue of the Swansea to London rail line being part of the Connecting Europe facility as a means of improving the corridor between Dublin, London, Paris and Brussels. How does the Swansea to London rail line fit into improving connectivity between Dublin, London and Paris?

[115] **Carl Sargeant:** It is the trans-European network route and I am happy to provide a map of that to the committee.

[116] **Alun Ffred Jones:** I understand that it is in there, but I am asking how it fits in to

improving the links between Dublin and London and Paris.

[117] **Carl Sargeant:** The longer route of the trans-European network starts in Fishguard and follows the M4 corridor across.

[118] **Alun Ffred Jones:** But is the logical route not that from Dublin to Holyhead and so on?

[119] **Carl Sargeant:** Yes, but it depends where the traffic movement in Ireland is and whether that traffic moves south or north and which route it joins.

[120] **Nick Ramsay:** To be fair to the Minister, it is not his role to control the designation of European transport.

[121] **Carl Sargeant:** But it is when it comes through Wales in terms of the port it comes through, whether through Holyhead—which is also a part of the trans-European network—or through Fishguard and along the M4. It is unusual to suggest that the route therefore finishes in Swansea in terms of the electrification of the rail line. Nevertheless, that is designated by Europe and not by Welsh Ministers. I am happy to provide you with the map, if that is helpful. I am not sure that it will be helpful, but I will provide the map.

10.30 a.m.

[122] **Nick Ramsay:** There is a north Wales aspect to that European route as well, is there not?

[123] **Carl Sargeant:** Yes, that is what I said: it is the A55 route.

[124] **Byron Davies:** I would like to go back to the funding. I would probably share your view about the responsibility to fund the line to Swansea. Is the trans-European funding not additional to that?

[125] **Carl Sargeant:** Yes, it is.

[126] **Byron Davies:** So, that argument does not—

[127] **Carl Sargeant:** I think it is the same argument. It is about whether we are able to use that funding elsewhere for a project that we would consider to be a Welsh project, if I can put it like that. These are functions that, I believe, are non-devolved. I think that there is collective agreement that electrification to Swansea is appropriate. It is a non-devolved function, therefore why would we use our Welsh money or money that is coming into Wales to be invested in Welsh projects to offset the cost of a non-devolved function? It is irrelevant which pot of money the funding comes from, apart from the designation as to whose responsibility it is, and it is not the Welsh Government's responsibility.

[128] **Nick Ramsay:** I think that the Minister's answer and opinion are clear that it is not his responsibility. I realise that we have run out of time, Minister. Do you have a couple more minutes for another question?

[129] **Carl Sargeant:** Yes.

[130] **David Rees:** On the last point, we talk about electrification and mainly we think about the transportation of people, but I would like to return to freight. Did the connecting Europe facility have any consideration in the freight strategy that you have adopted? Did the business case include freight as well, because that is a critical aspect in that south-west

region?

[131] **Carl Sargeant:** In terms of the business case for electrification to Swansea, freight plays an important part in that, because of the port, the steelworks and the freight movement along the M4 corridor. A problem would be created if electrification only came as far as Cardiff. I believe, following discussions that I have had with interested parties who have strong views on this, that if electrification comes only as far as Cardiff, then an electrified freight network is not achievable and opportunities to the west of Cardiff would be hugely diminished. That is not good for industry or business, so the importance of freight and electrification is a consideration of mine.

[132] **Nick Ramsay:** I think that the electrification of the Valleys lines would include an element of electrification to Bridgend as well, would it not, Minister?

[133] **Carl Sargeant:** On the electrification of the Valleys lines, there is a discussion going on about what the Valleys lines are. I believe the Valleys lines to be the whole of the Valleys network, including the Ebbw Vale link and the Maesteg link, and the Vale of Glamorgan to complete the package. I believe that is the business case that we presented to Westminster. At the moment, it appears that what was considered to be the Cardiff Valleys, or 'the core network' as it has been referred to by Westminster, does not include the three that I have just mentioned. However, our business case includes the Bridgend element and, of course, enhances the business case for the electrification of the Cardiff to Swansea main line.

[134] **Eluned Parrott:** Minister, in February 2010, Greengauge 21 estimated that the high speed 2 line could cost Wales 21,000 jobs and £600 million in GVA by 2040. Given that impact, how effectively is the Welsh Government representing Wales's case in Westminster on the issue?

[135] **Carl Sargeant:** I cannot answer what Cheryl Gillan is doing in terms of representing Wales in relation to this issue. However, I can say that I am familiar with the report that you mentioned. I cannot qualify those figures. What I would say is that a high-speed service will not have a direct impact on Wales in terms of service delivery, but there is potential, particularly in south Wales, for Wales to be disadvantaged. Therefore, the argument for the electrification of the services is even more important in taking this forward.

[136] **Eluned Parrott:** Minister, in a written submission back in July, you said that you would be submitting a response to the Westminster consultation on HS2 on the basis of the importance of the high-speed rail route to access north Wales. In fact, I can quote you:

[137] 'When the High Speed rail route is finalised by the UK Government, we believe that direct access to the railway across north Wales will be vital. We have made this point already to the UK Government and will be reiterating it strongly in our formal response to the current UK Government consultation on the route.'

[138] Did you make that submission?

[139] **Carl Sargeant:** You are absolutely right that I made that point. My officials have had discussions with the DfT on those issues.

[140] **Eluned Parrott:** Did you make a submission to either the formal Transport Select Committee inquiry or the formal consultation exercise on HS2?

[141] **Carl Sargeant:** No, we did not.

[142] **Eluned Parrott:** But, Minister, in that written submission for the meeting on 13 July

last year, you told this committee that you would submit that view. In fact, the deadline was 29 July, only 15 days later, so I am wondering what changed in those 15 days to prevent your fulfilling the promise that you made to this committee.

[143] **Carl Sargeant:** Well, we believe that the discussions that were ongoing with my department were equal to and as effective as submitting a response to the consultation.

[144] **Eluned Parrott:** Unfortunately, Minister, the consultation that you have been having, which is apparently ongoing, is not on the formal record. Did you not think that, given the impact of HS2 on Wales economically, it would have been right and proper to make a formal submission in the normal way?

[145] **Carl Sargeant:** Well, I think I acted appropriately, Chair.

[146] **Nick Ramsay:** Okay. Thank you, Minister, for being here today and for answering our questions. We got through a fair number. If you can provide us with the additional information the committee has asked for in writing, that would be very helpful. I thank your officials for attending today as well. It has been very helpful.

[147] **Carl Sargeant:** It was a pleasure, thank you.

[148] **Nick Ramsay:** Under Standing Order No. 17.47, I suggest that we adjourn the sitting for a short comfort break.

*Gohiriwyd y cyfarfod rhwng 10.37 a.m. a 10.43 a.m.
The meeting adjourned between 10.37 a.m. and 10.43 a.m.*

**Ymchwiliad i Gysylltedd Rhyngwladol drwy Borthladdoedd a Meysydd Awyr
Cymru—Sesiwn Dystiolaeth
Inquiry into International Connectivity through Welsh Ports and Airports—
Evidence Session**

[149] **Nick Ramsay:** Good morning. This is the first evidence session of the Enterprise and Business Committee's inquiry into Welsh ports and airports. The focus of the inquiry is on the economic importance of Welsh ports and airports, their potential importance and how Welsh Government policies could, or should, support their development. I welcome our witnesses today: Professor Stuart Cole from the Wales Transport Research Centre at the University of Glamorgan Business School; and Martin Evans, visiting fellow at the University of Glamorgan Business School. Thank you for the written evidence that you have provided, which the committee has looked at. I suggest that we go straight into questions, because we have a fair number to get through. The first question is from David Rees.

[150] **David Rees:** I will start with a question on Welsh air services. We have record of the 2006 Cardiff Airport masterplan and the 2003 UK Government paper on the future of air transport. Clearly, these are now a bit outdated in light of the recession and other economic factors. They both forecasted substantial growth at Cardiff Airport, though the figures that we are seeing show the reverse. Do you have any indication as to what has led to that significant decline in passenger transportation since 2007?

[151] **Mr Evans:** We are not just looking at an overall decline in demand. We are looking at the market share of Cardiff Airport. That is, the share of the total UK market is dropping. This is attributable to the difficulties with one particular airline, Bmibaby, which came in as a low-cost airline. Low-cost airlines are supposed to bring large numbers of passengers, but in recent years, those passenger numbers have been declining and, last year, it left Cardiff

Airport completely. Now, those people who used Bmibaby from Cardiff are not stopping travelling, but they are accessing airports in England. If they are low-cost airline passengers, they are probably going to Bristol Airport, where there are two significant low-cost carriers; EasyJet and Ryanair.

[152] **David Rees:** So, in your view, the loss of Bmibaby—although these figures did not include Bmibaby at that time—and the failure to attract other low-cost airlines has been a significant factor.

[153] **Mr Evans:** Yes. That has led to the decline in passenger numbers at Cardiff Airport.

[154] **David Rees:** Is that a factor that has an impact on the projected growth? The projected growth was actually quite large. It could not have all been based on low-cost airlines, surely.

[155] **Mr Evans:** Yes. In air transport in the UK, there has been movement of passengers away from the congested airports in south-east England to regional airports. That movement of passengers coincides with the growth in passenger numbers using low-cost airlines. If you do not have a low-cost airline at your airport, you are not going to achieve those significant passenger growths.

[156] **David Rees:** Okay. Therefore, the attraction of Vueling, the Spanish low-cost airline, is important, considering the loss of Bmibaby.

[157] **Mr Evans:** It is important, because it provides some of the services—but not all of the services—that Bmibaby has now declined to operate. It is significant because it is not a UK airline. It is a Spanish airline, so there will be more Spanish passengers travelling from Spain to Cardiff than there would have been with Bmibaby, which was primarily taking UK-based passengers out to their holidays in Spain.

[158] **David Rees:** May I transfer that question to the freight side of things? We have seen an even more dramatic drop in freight—it is down 98%. Is there a similar argument on the freight side?

[159] **Mr Evans:** The low-cost airlines do not carry freight. The reason they do not carry freight is not because they do not have capacity on the aircraft for it, but because it would affect their turnaround times. Their whole business model is built on getting into an airport, getting the passengers off, getting the next lot of passengers on the aircraft and getting them away as quickly as possible. So, to have a significant freight business at Cardiff Airport, it really needs a conventional network airline and probably an airline that operates wide-bodied aircraft that take the standardised container that fit onto aircraft. The drop in air freight that you mentioned is due to the parcel carriers not using the airport and one carrier in particular leaving the airport. This is because you can get freight by road to the major parcels hub at East Midlands Airport and Heathrow to go into the belly holds of services from there in sufficient time to make the use of aircraft unnecessary.

[160] **Eluned Parrott:** How important is Cardiff Airport to the economic development of Wales?

[161] **Mr Evans:** To have a developing economy, you have to have connectivity with overseas markets. Our prosperity depends on trade links with other countries. We also depend on inbound tourism. We are good at attracting tourists to Wales; unfortunately, they do not arrive by air. Air transport is the lubricant of the machine of international trade. If we do not have those links, we look isolated, peripheral and difficult to access.

[162] **Eluned Parrott:** You have suggested that the economic impact of an airport is dependent on the type of air service and the markets being served by those air services. How does that impact on an aviation strategy that we could develop in Wales?

[163] **Mr Evans:** Historically, the business that Cardiff Airport has been in is transporting Welsh holidaymakers overseas. There are some economic spin-offs from that—air transport services create local employment through the airlines and at the airport, and extra employment is created through spending in the local economy. However, if you take somebody overseas for two weeks, you are taking spending out of the local economy for two weeks. While it is desirable to have an airport that people can use to go overseas on their holidays, I do not think that it should be a focus of Government to meet that demand; it should be met by the market. The important area I think Government should focus on is international connectivity. How can we quickly access overseas markets? The other focus should be on how we can bring in inbound tourists. Historically, the routes from Cardiff Airport have not addressed those needs. That is what I think any strategic planning from the Government should focus on.

[164] **Byron Davies:** We are talking about developing the Welsh economy. Do you think that Cardiff Airport has got it wrong, in as much as it has, perhaps, focused too much on this holiday traffic? What about general aviation and the executive jet market, for example? It worked perfectly well at London Luton Airport and London Biggin Hill Airport. Why can that not work at Cardiff Airport, bearing in mind that we now have an enterprise zone just down the road from the airport?

[165] **Mr Evans:** You have not seen the development around Cardiff Airport that you would expect around a major international airport. There are a number of associated businesses that you would expect around such an airport, such as those in the area of general aviation, aircraft maintenance and executive jet operators. One characteristic of Cardiff is that, because of ownership of local companies by overseas businesses, there has been more inbound traffic by private aircraft than outbound traffic. Therefore, there is a demand for people to fly into Cardiff Airport, but there is not such a demand from local businesses in south Wales to hire executive jets to go off to other destinations. The facilities for inbound operators are not well developed, in my opinion. It is something that Cardiff Airport could look at, because that is obviously good business for them. If it is not busy—which it is not—with scheduled services, it is good business for the airport; it keeps it occupied. In the same way, as regards general aviation, there has historically been a very good market for pilot training in south Wales, but that has been lost, and I think that is due to the lack of facilities on the south side of the airport, and the inability to attract operators who could make use of those facilities.

[166] **Nick Ramsay:** I will bring in Keith Davies, because he has a supplementary question on that point.

[167] **Keith Davies:** Mae nifer o fy etholwyr yn Llanelli wedi ysgrifennu ataf yn gofyn pam mae maes awyr Bryste i'w weld llawer yn fwy llwyddiannus na Maes Awyr Caerdydd. Pam mae Bryste llawer yn well? Dyna beth maent yn ei ofyn imi. Nid wyf yn gallu ateb y cwestiwn hwnnw, ond a allwch chi ei ateb?

Keith Davies: Many of my constituents in Llanelli have written to me asking why Bristol Airport seems to be far more successful than Cardiff Airport. Why is Bristol so much better? That is what they ask me. I cannot answer that question, but can you answer it?

[168] **Mr Evans:** I could give you a very long answer—

[169] **Nick Ramsay:** Please resist that temptation, as we only have a limited amount of

time. *[Laughter.]*

[170] **Mr Evans:** I could give you a very long answer about historical mistakes, but we are where we are. We cannot go back and undo those historical mistakes. To put it in the shortest form I can: the privatisation of Bristol Airport was handled far better. It was structured so that it had a plan to invest in the airport and bring in more passengers. That plan brought in two very good, low-cost airlines. When the pack of low-cost airlines was dealt out between Bristol and Cardiff, Bristol got the two aces and Cardiff got the joker. I am not criticising the decision to go with Bmibaby; if that was the only airline that wanted to come to Cardiff, obviously it had to be accepted. The promises made by the airline were never fulfilled. The situation now is that there are two low-cost airlines over the bridge in Bristol that attract passengers from a large catchment area because of the low fares they offer.

[171] **Nick Ramsay:** Therefore, is the fact that it has two airlines the key to Bristol Airport's success?

[172] **Mr Evans:** It has the key airlines. It is now difficult for an airline to come into Cardiff and compete with them. We have to congratulate Cardiff Airport on bringing Vueling into Cardiff and it being prepared to compete with those two dominant carriers.

[173] **Nick Ramsay:** Let us move things on, because we have a number of questions.

[174] **Kenneth Skates:** This is a question to Martin Evans. What would be the economic benefits for Wales of developing access to air services through regional Welsh airports?

11.00 a.m.

[175] **Mr Evans:** Are you just talking about Cardiff Airport, or are you talking about airports in the rest of Wales?

[176] **Kenneth Skates:** Airports in the rest of Wales.

[177] **Mr Evans:** Well, in south-west Wales, we have, in my view, one of the most remote parts of the United Kingdom in terms of access to air services. When you consider that 70% of the UK population lives within an hour of one international airport, and that 90% lives within two hours of two international airports, south-west Wales fails on both counts. For you to access air services in south-west Wales, you must travel by surface for a couple of hours to Cardiff Airport. However, as we have already discussed this morning, you will probably not find the services that you want from Cardiff Airport, which means that you are then looking at an additional surface journey. So, it may take up to five hours for you to access air services if you live in south-west Wales. Okay, there may be people determined enough to do that when they want to go on holiday, but if you are an overseas tourist or a businessman, are you going to make that effort to travel down there? If you are running a business in south-west Wales, it is difficult for you to travel to other parts of the United Kingdom and into Europe. It is a problem that now needs to be looked at and addressed.

[178] **Kenneth Skates:** I want to move on to north Wales—both north-west and north-east Wales. In north-east Wales, we have Chester Hawarden Airport, which, when it comes to the executive jet market, caters very well for the business community of north-east Wales, north-west Wales and the north-west of England. Would any shifting of focus towards passenger aircraft services in north-east Wales have any net economic benefit? Would it be viable for the north-east of Wales to do that, considering that Liverpool and Manchester airports are only 40 minutes from the Welsh border?

[179] **Mr Evans:** Hawarden airport has its niche in executive jets, and it is important in

economic terms, given that that is where the Airbus factories are assembling Airbus wings. I would not advocate passenger services out of Hawarden, because the density of passenger numbers there means that the circumstances are quite different from those in south Wales. There are low numbers of potential passengers, and there are the big airports of Manchester and Liverpool situated just over the border in England. We cannot ignore the fact that we have this very big neighbour over the border, and, in that circumstance, the provision is best provided by Manchester and Liverpool airports. What is important is that we have good surface links into Manchester Airport. It is certainly important that, when the next Wales and borders rail franchise is specified, the links into Manchester Airport are part of that franchise.

[180] **Byron Davies:** You have substantially answered the question that I have for you. However, why do you advocate developing direct air services to south-west Wales, rather than investment in improved surface transport links to Cardiff Airport to support a focused strategy of route development from Cardiff? When you talk about south-west Wales, are you talking about Worthydown airport? Could you elaborate on that?

[181] **Mr Evans:** Swansea falls within the catchment area of Cardiff Airport, which is why it was difficult to sustain passenger services from Swansea Airport. Swansea Airport was very good for people who live on the Gower; they appreciated the service to London City Airport when it operated. However, providing services for the rest of south-west Wales from Swansea would not be appropriate, as it is well served by Cardiff Airport. I am talking about the much more westerly parts—as you were saying, the Haverfordwest and Pembroke area, where there is a well-developed tourist industry that could possibly be served by air services, much as Newquay performs for Cornwall.

[182] The difficulty that I want to see addressed is that it is a two-hour surface journey to Cardiff. When the intra-Wales air service study was done by the Welsh Assembly Government, looking at internal air services, it rightly concluded that that surface time was too short to make it viable or acceptable to operate services from that part of Wales to Cardiff, because there is a suitable surface alternative that takes less than three hours. What it did not look at—this is the deficiency here—was connections outside Wales. That is, are there destinations, other than Cardiff, in the rest of the UK and Europe that need to be served from south-west Wales?

[183] **Keith Davies:** Ym mis Mawrth y llynedd, cyhoeddodd Llywodraeth y DU bapur cwmpasu ar ddefnyddio capasiti meysydd awyr, gan bwysleisio pwysigrwydd meysydd awyr rhanbarthol. Beth yw goblygiadau'r polisi hwnnw i Lywodraeth Cymru, a pha drafodaethau y dylai Llywodraeth Cymru eu cael gyda Llywodraeth y DU, gan edrych ar Faes Awyr Caerdydd yn arbennig?

Keith Davies: In March last year, the UK Government published a scoping paper on utilising existing airport capacity, stressing the importance of regional airports. What are the implications of that policy for the Welsh Government, and what discussions should the Welsh Government have with the UK Government, looking at Cardiff Airport in particular?

[184] **Mr Evans:** Policy for runway capacity in the south-east of England is in a bit of a mess at the moment. It is a case of, 'Let's announce the policy of not building a third runway at Heathrow without thinking through the consequences'. You cannot be like King Canute; you cannot just stand there with your hands up and say, 'Right, nobody's going to fly any more', unless you want to bring in a Draconian policy of rationing air transport, thus pricing some people out of the market. The UK Government has to make a decision about where passengers are to go, and the options are that it can either reverse its policy on Heathrow, or it can build other runway capacity in the rest of the south-east of England. However, that is making an assumption that that is where the airlines want to go, and that may not be where they want to go. Alternatively, you can build the so-called Boris island. However, that idea

has a number of flaws, a major one being that you would have to close Heathrow, thus creating enormous flows of people across from the west of London, where they live at the moment in order to work at Heathrow, to work at the new airport.

[185] An alternative policy that it may look at is utilising the unused runway capacity in the nations and regions. Yes, Cardiff is a single runway airport and you would have to substantially increase terminal capacity to handle many more passengers, but as far as runway capacity goes, you could handle many more passengers at Cardiff airport. So, the next stage in that analysis is to decide what mechanism you could use to transfer numbers of passengers out of the south-east of England and get them travelling through Cardiff. In many instances, that would not mean that passengers would have to travel from the south-east of England to Cardiff; you would be stopping people leaving Wales to travel from airports in the south-east of England and ensuring that they travel from our own airport instead. The appropriate mechanism for making that transfer would seem to be air passenger duty. If there were an increase in air passenger duty in the south-east of England and a reduction in air passenger duty in Wales, that would result in a transfer of passengers out of England into Wales. Devolving powers over air passenger duty is currently being considered. The Welsh Government is also looking at the implications of variation of air passenger duty, so that work should be ongoing and that is the way to go.

[186] **Eluned Parrott:** How effective is the Welsh Government's approach to developing air services in Wales?

[187] **Mr Evans:** The problem that I have in this area is the lack of developed policy. While I can understand how the Welsh Government got into that position, I still feel that it is a need that should be addressed. No policy documents have been produced since the intra-Wales air service study, which, as I said earlier, looked only at internal air services. The Welsh Government now needs to produce a strategic air plan so that it knows what the destinations are and where they think routes need to be developed. Therefore, they can target what help they can give at those routes. At the moment, when they get approached by an airline, they go through a decision-making process around whether it can or cannot be supported and then what sort of support it requires. That is a slow process for airlines. It would be far better if the Welsh Government had a developed policy so that it had an instant response when someone came to it with a proposal.

[188] **Eluned Parrott:** In order to ensure that we get the best possible impact in terms of economic development for Wales out of an air transport strategy, what elements should be considered?

[189] **Mr Evans:** There are the ones that we discussed earlier. One is how to get connectivity with major markets. We can see where the gravity of global trade is going, and that is towards the far east and China in particular. While I would not be an advocate of direct links between Cardiff and China, there are hubs in the middle east that would provide the best opportunity for us to connect up with opportunities in the far east.

[190] We also need to consider where we can bring in inbound tourism from. We have huge advantages in Wales, because we already have a well-developed tourism industry and a well-developed tourist infrastructure, as well as very nice hotels, so now we just need to link up bringing those people in by air, rather than trying to sell them the very difficult surface journey.

11.15 a.m.

[191] **Nick Ramsay:** Professor Stuart Cole has been sitting patiently through those questions. I have a question to both of you on links to Cardiff Airport. How effective do you

think Welsh transport policy is in supporting Cardiff Airport? What should the Welsh Government's priorities be for improving it?

[192] **Professor Cole:** There are difficulties here, and it depends on what sort of support we are talking about. As Cardiff Airport is a private company, there are state aid regulations that the Welsh Government has to follow. There has been a lot of discussion about, for example, the improvements—which have already been referred to—that are necessary if Cardiff Airport is to expand or handle the existing flow of passengers in an effective way. There is a difficulty for any Government, and for the Welsh Government in particular in this case, of how it can invest in a private company without falling foul of state aid rules. That is the big difficulty.

[193] There are ways of dealing with this, just as there are ways of dealing with seaport investment if there are benefits to be gained. In earlier discussions with the Department for Transport on seaports, when the question of how the Welsh Government could assist was raised, the issue was the same as it is for Cardiff Airport. The way in which the Welsh Government can do it is to say that there are benefits in terms of tourism, inward investment and jobs. Those are perfectly acceptable issues, it would seem, for state aid. It is then—I hate to use the term 'play the game'—how you operate within the rules and provide a policy for improving the infrastructure, and how you market Wales abroad and, therefore, encourage airlines to fly into Cardiff. There is a market there, and the Welsh Government is assisting that market—that, too, is acceptable under the rules.

[194] So, we are in the position of having things that can be done that are well within the state aid rules. It is, therefore, very much a matter of trying to develop the market into Cardiff Airport, because that is what is really going to bring us the benefits. I have to accept, as I did last week, that having people fly to warmer climes does not do anything for our economy; we are trying to get companies such as Vueling to fly people in from Spain to come to all the things in Wales that Martin just referred to.

[195] **Nick Ramsay:** I will just bring Martin Evans in on this point. The question was specifically about the transport links to the airport. Could you give your views on that?

[196] **Mr Evans:** Surface links become important when we have a large number of inbound passengers. Unfortunately, when we go outbound, we tend to throw all our luggage in the car, throw the kids in the back and drive to the airport. It is very difficult to get us out of that habit. However, it is important to maintain those surface links, because passengers who consider using Cardiff Airport look at whether it is a well-connected airport by surface transport, which gives them some idea of how well the airport is doing and how likely it is that, when they look for a particular flight, it will be available.

[197] One bad consequence of the reopening of the Vale of Glamorgan railway line was that it caused the degradation of the bus service into central Cardiff. Support for that from the Welsh Government, under the national transport plan, is now scheduled for after 2015, I think. I believe that that is something that needs to be looked at sooner, particularly in light of the recent announcement that the bus link between the station at Rhoose and the airport is at risk. Obviously, at the moment, that is used more by employees of the airport than by the passengers.

[198] However, you must look at this in the context that the area is about to become an enterprise zone. One important facet of an enterprise zone is that it should be well connected and well served by transport. To announce the cancellation of one aspect of transport seems to be a short-sighted plan. I hope that that link to the airport will be maintained, and I hope that the bus service will be improved sooner rather than later, looking at it holistically, perhaps, with a view to serving the enterprise zone as a whole.

[199] **Julie James:** I want to ask about links to major international airports and to Cardiff from around Wales and so on. I spent a fair amount of my early years in Canada, where almost everything of that sort is done by floatplane. I have never understood why that does not work in the UK or in Wales. We have a large number of seaports that are underutilised, and nearly all our cities are on the coast, so I have never really understood why that does not happen here. We went to Vancouver to visit family recently and our onward journey was by floatplane to a small town in Northern Ontario. Why can something like that not work?

[200] **Mr Evans:** Just over a year ago, there was a demonstration in Cardiff bay of a seaplane service. The difficulty with that, and the reason that it successfully operates in Scotland, is that it is more of a leisure product than something that can be relied upon for transport. The service in Scotland uses a single-engine aircraft, as did the demonstration in Cardiff bay. You cannot fly such a service in bad weather conditions in Europe, so there are restrictions on its use. When there are restrictions on the use of an air service, it becomes unreliable—people turn up, flights are cancelled, then people stop using it.

[201] **Professor Cole:** I have a quick response to the general question of links to airports. North Wales is clearly served by Manchester and Liverpool airports. We are told by Arriva Trains Wales that it will improve its services into Manchester airport from stations along the north Wales main line in the fairly near future. Birmingham airport is on the other side of Birmingham, so it is not particularly convenient for people from mid Wales and, at the moment, there is only a two-hourly service to Aberystwyth. Once that service is developed into an hourly service, it will give a better link into Birmingham, but people will drive to Birmingham airport.

[202] With regard to Heathrow—I am looking at the English airports first—one difficulty that we have from south Wales is that there is no west-pointing rail link that would allow people to change trains at Reading and go straight to the airport. That would reduce the journey time by about three quarters of an hour by train into Heathrow, because it would just be a case of changing platforms at Reading. Hopefully, that will come during the course of the development of Crossrail and Reading station, which is currently being done.

[203] With regard to the Vale of Glamorgan line, which was mentioned, in relation to getting to the airport, there is, at the moment, a station at Rhoose. There are discussions going on, which some of you may be aware of, between a property developer, the Welsh Government and the local authority, which is all tied up, to some extent, with the local development plan, to provide a new line into the airport directly from the Vale of Glamorgan line. For that to be introduced within the financial period for Network Rail, which is 2014-19, that decision must be made pretty quickly. If that was the case, it would give us about two or three trains an hour directly into the airport on the Valleys line network. That, of course, would provide a much better link into Cardiff airport and would be a potential attraction for inward flights by new airlines and also make it much easier for people to travel to the airport by train. However, that is something for the discussion on development that is currently going on.

[204] **Nick Ramsay:** Julie James, do you have any final questions for Martin Evans before we move on?

[205] **Julie James:** I take your point entirely about the rail links. To go back to the floatplane, I find it difficult to believe that Canada has a more benign weather climate than here. We landed in Ontario in blinding snow, so I cannot see how that does not work—

[206] **Mr Evans:** To clarify that for you, there are different rules in different countries. It is not because the aircraft is not capable of it, but what is allowed by the aviation authorities.

[207] **Julie James:** That was more what I was trying to get out of you, namely whether there was a set of rules, duties or whatever here that meant that such a service was not viable. I take the point about links into airports that are not on the coast and so on, but a large number of cities and towns around Wales are on the coast and they have terrible links to the south or the north. It strikes me as something that could work. If you look at London, you see that such a plane could land on the Thames without any problem at all. I have never been able to understand why it does not work here. I do not think that it is the weather, to be honest, so it must be something about the rules—

[208] **Nick Ramsay:** We have had an answer to that question. Interesting as it is—I do find it interesting, Julie—we have a lot of other questions to get through.

[209] **Julie James:** I think that it was mostly answered. To be specific about airlines, we have already touched on state aid issues and whether we can get around them in terms of airports. I suppose that the question is whether we can do that for specific airlines. We have had the closure of the Welsh route development fund for new services. Is there some other way that the Welsh Government could encourage other airlines to come into Welsh airports?

[210] **Professor Cole:** There are examples elsewhere in the European Union of Governments providing marketing expenditure, again on the basis of inward tourism rather than on helping a particular airline to develop. It is probably semantics, but it has been done in a number of smaller airports in France, for example, for advertising routes; therefore, expenditure that would otherwise be incurred by the airline is incurred by a Government agency. However, it would be on the basis of ‘Come to Wales’ rather than ‘Fly with Vueling’ or ‘Fly with bmi’.

[211] **Mr Evans:** It is possible under the rules to cover a percentage of the start-up costs of an airline flying to an airport the size of Cardiff Airport. The key thing is to bring in additional passengers rather than stealing passengers from some other airport.

[212] **Nick Ramsay:** That is an adequate answer to that set of questions; we will move on. We have a set of questions for Professor Cole specifically on the ports aspect. We have a fair number of questions, so I ask you to be as succinct as possible, and I will move things on if I think that we need to get through them at a greater pace.

[213] **Leanne Wood:** Professor Cole, you have described the UK ports policy as ‘a perfectly good English policy’. What impact does UK Government policy have on the success and development of Welsh ports?

[214] **Professor Cole:** That is an interesting question, Chair. The UK Department for Transport is, in many ways, in a dichotomous position. It is an English department for some functions and a British department for others; it does not operate in Northern Ireland, of course. It produced the ‘National Policy Statement for Ports’ two years ago. That document was perfectly fine if what you had were large ports such as Southampton and Felixstowe, which are very successful and compete on the world stage—they are competing with Rotterdam. They are big container ports, and containerisation is a major shift in shipping techniques.

11.30 a.m.

[215] What we have in Wales is a number of small ports with plenty of capacity, but very often we are in a position where those ports need help, yet the Department for Transport feels that it is not the job of Government to assist ports in any way, particularly in terms of infrastructure. That was clear from the seminars that took place in 2009-10. The department

then varied its view a little and said that it could be done if it would generate employment, but we found a lot of contradictions.

[216] No doubt you will have an opportunity to read the House of Commons select committee report on ports and in particular the UK Government's response to it. It has contradictions all the way through it. They are not sure about how these ports in Wales work. Why are they not considered to be commercial ports? They are owned by private companies, and if you look at what they do, they are commercial. We do not have world ports; Associated British Ports and Stena, the two big port owners in Wales, need a lot of help to develop the business, particularly now that road congestion in mainland Europe and the south-east of England means that the cost of road transport has risen.

[217] It may be that what is called short-sea shipping—that is, local coastal shipping—might be an area where we could work very well, in Cardiff, Newport and Swansea, for linkages into places like Southampton and Rotterdam. That is a new market. It is not a market that has been particularly attractive within the southern half of Britain, taking a line across from the north Wales coast to east Anglia; it has not been particularly attractive until now. However, that might be an area into which we grow because of the costs. The cost of short-sea shipping has been greater than using road or rail transport.

[218] Just as an interesting example of that, I went to visit Tata Steel recently in Port Talbot, and its view was that it would shift its finished sheet steel, or rolled steel, to its customers by the cheapest way possible: either road, or rail, or it might even start using the inner dock at Port Talbot to move steel to Yorkshire, because it might be cheaper. That is a classic company, a very efficient and successful company, that is looking purely at cost in determining which mode of transport it uses.

[219] **Nick Ramsay:** Leanne, has the second part of your question been covered?

[220] **Leanne Wood:** No. I wanted to ask about the communication between the Welsh Government and the UK Government. How effective is that communication in maximising the potential of Welsh ports? How can it be improved?

[221] **Professor Cole:** When the Wales freight group used to meet—and the Minister referred to it this morning, saying that he was setting it up again—there was DfT representation, but they rarely turned up. We did not have any great input from them. I was not aware that they were members of that group until, suddenly, this discussion emerged about whether they were represented or not. I have to say, on the rail electrification issue, that there has been a lot more discussion and co-operation between the Department for Transport and the Welsh Government, but in terms of ports, it was sadly lacking, and I have not detected any further moves in terms of collaboration between the two. I think that that is largely because the DfT was so dismissive in its response to the House of Commons committee report.

[222] **Joyce Watson:** Good morning. My question is to Professor Cole. The UK national policy statement for ports anticipates substantial growth in port traffic, and a requirement for significantly increased capacity. How far does that analysis apply to Wales? You have indicated that there is spare capacity in Welsh ports; does that provide an opportunity for Wales?

[223] **Professor Cole:** There are two issues there. First, they see a growth in port traffic in the very big ports. The south and east coasts of England face the other member states of the European Union with which there is substantial trade. Southampton and Felixstowe are getting near capacity. However, they are very large ports. They have a considerable ability to get the kind of financial rate of return that a port company would look for. Therefore, most of

that investment—or probably all of that investment—will come from the private sector.

[224] The Department for Transport looked—and I have to say that I was sceptical about the use of the word ‘national’, if what it meant was Scotland, Wales and England—purely at the ports with which it was familiar. If you read the document and the associated analysis that it produced, there was very little reference to anything other than large ports in England. So, it has based what it sees as a national policy on that kind of operation. These are massive ports. By comparison, you could fit the port of Cardiff into a small corner of Southampton. So, we are talking about totally different markets and totally different kinds of operations.

[225] The policy statement applies to England in terms of the fact that there is growth. We are trying to get growth, and I am sure that ABP is working hard to increase the throughput of its ports in Wales, but we have a large amount of capacity. We do not need to increase capacity in Welsh ports; we need to try to get business diverted to Welsh ports. However, the DfT’s view, quite clearly, is that you cannot use Welsh Government money to divert business from one port to another; it is a freely competitive market. That is its view. We, in Wales, are not competing effectively because there is not a level playing field.

[226] On the second part of your question, regarding opportunities for new business, the decision on what port to use is determined by a number of things, one of which is price. That is, how much it costs the company, whether the company that is shifting the goods, or the freight forwarder that is operating as an agent for that company. It would question the cost of doing it and the reliability of the operation. It is very often a matter of price first, but inertia second. The mindset is, ‘Why should we go to look at another port that we know nothing about and spend a lot of time and management effort examining the plusses and minuses of, say, Cardiff or Milford Haven, when we know exactly what is happening in Southampton, we have used it for years, so let us carry on using that?’ It may not even be Southampton, but somewhere like Immingham, which is a relatively small port off the east coast of England, which is about the same size as Newport. It would ask, ‘Why should we bother?’ There is inertia because it has a nice, simple, successful system going on, the price seems good to the company and therefore it sees no reason why it should move.

[227] Trying to get new business is one of the most difficult things to do. You can try to expand the existing operation and try to find new customers to come in, but they are the most difficult customers to attract because they use another port. It may be about new products. A good example of product development, of new business development—

[228] **Nick Ramsay:** I do not think that we have time. We have only five minutes left. I think that you have answered that question fully. Joyce Watson, have you finished your questions?

[229] **Joyce Watson:** More or less, I think. The one thing that I would like to pursue is the question of what policy interventions could be used in implementing the proposed energy enterprise zone on Anglesey and the Haven waterway enterprise zone in Pembrokeshire, where I live, to support port development. That is key, because that is the here and now.

[230] **Professor Cole:** The enterprise zone provides an opportunity that does not exist, generally speaking. In order to develop an energy enterprise zone in terms of the port facility, there needs to be a facility to handle whatever goods are coming in. If you are talking about biomass, for example, any port where coal, iron ore or some other raw material of that sort is loaded or unloaded can be used for biomass as a new market. If you are talking about the servicing of offshore windfarms, Holyhead on Anglesey would be well positioned for that in terms of the facilities and the offshore windfarms along the north Wales coast. Any port that can take ferries, for example, and that has that kind of depth of water, can be used. The Anglesey Aluminium terminal was using ships that were larger than the service ships for the

offshore operations. So, it is possible, in terms of energy development and development of ports for energy facilities, to have not only a policy intervention, but a financial intervention.

[231] **David Rees:** Due to the time remaining, I will be quick. Does the Welsh transport network meet the needs of the Welsh ports?

[232] **Professor Cole:** By that, do you mean the land side, the road and rail network?

[233] **David Rees:** Yes, the infrastructures.

[234] **Professor Cole:** It depends.

[235] **Nick Ramsay:** ‘Yes’ or ‘no’ would do. [*Laughter.*]

[236] **Professor Cole:** Yes, generally. However, we do have problems. Take the south Wales ports for example, we have good rail connections into Swansea and Port Talbot and those are being used by the users of those ports. Port Talbot is primarily being used by Tata Steel; it shifts a substantial amount of its finished steel by rail and brings its coal and iron ore in by sea into the outer dock at Port Talbot. The port of Cardiff is not particularly well connected to the motorway and I am sure that the port and, indeed, the local authority, would argue that that is the reason why they are pushing for the eastern bay link road, because that would give a direct link to the M4 motorway. The same thing applies to Newport. Of course, you might say, ‘maybe things will improve’—

[237] **Nick Ramsay:** On that point, what is your view on the adequacy of the national transport plan?

[238] **David Rees:** Cardiff and Newport will not be directly included in the transport plan. It will look more at Holyhead, Fishguard and Milford Haven.

[239] **Professor Cole:** Holyhead is well connected to the A55 and it has a rail link. Well, it had a rail link and that could be reopened. In Fishguard, again, there is a rail network nearby. However, as a part-time Carmarthenshire dweller, I know, as do we all, that once the motorway finishes at St Clears, the road network westwards into Pembrokeshire is not particularly conducive to encouraging people to ship goods in through Fishguard.

[240] **David Rees:** Is the national transport plan changing that?

[241] **Professor Cole:** The national transport plan, in my view, as I said in a previous submission to this committee, goes in the right direction. The problem that all Governments have, not only the Welsh Government, is one of funding. Building roads is an expensive business. For example, in terms of Fishguard and extending the dual carriageway beyond St Clears, it must be 20 years since discussions began regarding bypasses for some of the villages along the A40, but they have not yet been built because the money has never been available. The plan itself is sound. It is not that dissimilar to the plan of the previous Minister. There were constraints on developing it, but it shows the way, which is what a plan is supposed to do. The big difficulty is that the plan shows all the things that the Government would like to do, but there is not enough money to do all those things.

[242] **David Rees:** It is a question of freight, but I suppose that it is more than freight. You mentioned money, but are there any other barriers that you can see to expanding the ports? What opportunities exist to expand those ports?

11.45 a.m.

[243] **Professor Cole:** There are two sides to it. One is to decide which ports we want to expand and what the market research tells us about which ports are likely to be attractive. You may think that all of that work must have been done, but it has not. The report that the Wales Transport Research Centre prepared about the European Union, and a subsequent report to the Welsh Government, shows that there is an amazing lack of knowledge between one port and another—for example, between Spain and Wales—and a lack of knowledge of ports other than those currently being used by the shipper, for the reasons I mentioned earlier. There is inertia if you are looking for anything new, because what we have works? It is a matter of saying that the market is on one side, and do we know who the potential users are? If we do, we can then look at what investment ought to go in, which would have to be employment-related investment. You could be talking about freight or cruise operations. In both cases, the same issue arises.

[244] **David Rees:** Do you think that the Government's freight strategy is working to improve accessibility for freight transport?

[245] **Professor Cole:** I should declare an interest; as one of the authors of the Wales freight strategy, I would say that it goes in the right direction. [*Laughter.*]

[246] **Nick Ramsay:** We would not expect you to say otherwise.

[247] **Alun Ffred Jones:** Sut fydddech yn asesu'r potensial i ddatblygu'r farchnad mordeithiau yng Nghymru, a pha ffactorau sy'n cyfyngu ar y datblygiadau hynny?

Alun Ffred Jones: What is your assessment of the potential to develop the cruise market in Wales, and what factors limit the development of that market?

[248] **Yr Athro Cole:** Rwy'n gwybod bod y porthladdoedd yng Nghaerdydd a Chasnewydd yn dweud eu bod yn gallu datblygu y busnes mordeithiau hwn. Fodd bynnag, mae'r porthladdoedd hynny'n fach. Mae llongau cwmnïau fel Royal Caribbean, Cunard, P&O ac yn y blaen yn enfawr. Dim ond dau borthladd sydd gennym yng Nghymru i ddatblygu gwasanaethau ar gyfer cwmnïau fel hyn, sef Caergybi ac Aberdaugleddau. Yng Nghaerdydd, mae'n bosibl ymestyn jeti Anglesey Aluminium gyda'r hyn a elwir yn 'ddolffin', sef slab o goncrit, er mwyn iddo fod yn ddigon hir i wasanaethu llongau sydd â thua 3,500 o deithwyr a 2,000 o griw arnynt. Mae cwmnïau sydd am ddatblygu eu busnesau'n edrych am ddau beth. Y cyntaf yw a yw'n bosibl dod yn agos at y cei; mae hynny'n bwysig i'r cwmnïau hyn o ran economeg, oherwydd yr hyn y maent yn ceisio ei wneud yw cael dŵr, bwyd, alcohol a thanwydd ar y cwch, a chael gwared ar y sbwriel. Maent hefyd yn gallu gwneud gwaith cynnal a chadw ar y llong. Os nad ydynt yn gallu gwneud hynny, mae'n rhaid iddynt ddefnyddio llongau bach i fynd yn ôl ac ymlaen, ac mae hynny'n gostus iawn. Os ydym yn edrych ar *brochures* cwmnïau fel

Professor Cole: I know that the ports of Cardiff and Newport are saying that they can develop this cruise business. However, those ports are small. The ships of companies such as Royal Caribbean, Cunard, P&O and so on are enormous. We have only two ports in Wales that could develop services for companies such as those; one of those is Holyhead, and the other is Milford Haven. In Holyhead, it would be possible to extend the Anglesey Aluminium jetty with what is called a 'dolphin', which is a slab of concrete, so that it is long enough to receive ships with 3,500 passengers and 2,000 crew members on board. The companies that want to develop their businesses are looking for two things. One is whether it would be possible to get right up to the quayside. That is important for the economics of these companies, because what they are trying to do is get water, food, alcohol and fuel onto the ship and get rid of the rubbish. They can also carry out maintenance work on the ship. If they are unable to do so, they have to use tenders to go back and forth, which is extremely expensive. If we look at the brochures of companies like Royal Caribbean, we can see that they are willing to call at somewhere like Milford Haven or

Royal Caribbean, gwelwn taw dim ond un waith bob mis ar y mwyaf maent yn fodlon galw yn rhywle fel Aberdaugleddau neu Gaerdybi. Mae rhai o'r cwmnïau hyn wedi dod â'u llongau i jeti Anglesey Aluminium; mae hynny'n bosibl. Fodd bynnag, roedd y llongau hynny'n llai o faint. Mae busnes mordeithiau'n datblygu llongau mwy a mwy, felly nid oes rheswm i gyfiawnhau pam nad ydym wedi datblygu'r dolffin hwinnw yng Nghaerdybi.

Holyhead only once a month at most. Some of these companies have moored ships alongside the Anglesey Aluminium jetty; that is possible. However, those liners were smaller. The cruise business is developing ever larger ships; there is, therefore, no reason to justify why we have not developed this dolphin in Holyhead.

[249] **Nick Ramsay:** Can the investment that is required to develop the Welsh cruise market be found without Welsh Government intervention, or is that intervention essential?

[250] **Professor Cole:** I do not think that it is possible without that intervention. The economic support operation in relation to cruise ships is required because ports make very little money out of them. They make money out of handling freight, warehousing and stevedoring. They do not make money out of providing a parking space for buses or landing charges. The rate of return is very small for the company, so I would not see ABP or Stena Line investing themselves. However, there is an opportunity for the Welsh Government to invest because if you build a dolphin at Holyhead, it is only a £5 million development—the assessment work has already been done for Stena Line and the Welsh Government. If there is a ship of 3,500 people, with 2,500 people getting off the ship, who all spend £100, that is £0.25 million per ship. However, to get the development going, you need a ship a week, which brings in something like £12 million per annum. For a £5 million investment, say, you have that £12 million per annum almost indefinitely, as long as you can persuade the cruise ships to come in. Without that mooring facility, they will not come.

[251] **Nick Ramsay:** That has answered the question. We have a couple more questions for you, but it would be helpful to the committee if we could contact you with those questions. Thank you to Professor Stuart Cole and Martin Evans for visiting us today and for giving us full answers and helping us with our inquiry.

11.51 a.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public for the
Remainder of the Meeting**

[252] **Nick Ramsay:** I would like to move us into private session under Standing Order No. 17.42(vi).

[253] I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

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

*Derbyniwyd y cynnig.
Motion agreed.*

Daeth rhan gyhoeddus y cyfarfod i ben am 11.51 a.m.
The public part of the meeting ended at 11.51 a.m.