



HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: [Responsibilities of the Secretary of State for Wales](#), HC 219

Wednesday 22 June 2022

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Members present: Stephen Crabb (Chair); Simon Baynes; Geraint Davies; Ben Lake; Robin Millar; Beth Winter.

Questions 418-489

Witnesses

[I:](#) Rt Hon Simon Hart MP, Secretary of State for Wales, Wales Office; David T. C. Davies MP, Parliamentary Under-Secretary of State for Wales, Wales Office.

Examination of witnesses

Witnesses: Simon Hart and David T. C. Davies

Q418 **Chair:** Good morning and welcome to Committee Room 15 for this meeting of the Welsh Affairs Committee. I am delighted that we are joined this morning by the Secretary of State for Wales, the right hon. Simon Hart MP, and the Parliamentary Under-Secretary of State for Wales, David T. C. Davies MP. Welcome, gentlemen. It is great to see you again. Thank you, as ever, for the time that you give us as a Committee.

Again, as ever, I would make a plea to my fellow Committee members and our guests to keep questions and answers as concise as possible, just to allow us to get through a good spread of issues. Perhaps I could start by asking you, Secretary of State, to give us an overview of current relations with the Welsh Government. When was the last time that you met the First Minister for Wales?

Simon Hart: I think the relationship is quite good; I saw him at the football the other day. I also saw him at a Falkland Islands service in Llandaff cathedral last week, so I have met him informally a few times. Formal meetings tend to be conducted by phone, with Michael Gove in the chair, on, I think, alternate Wednesdays, although that gap may have increased a bit since the end of covid. I have Vaughan Gething coming in this afternoon to talk about steel, and we have, as you know, an ongoing engagement at official level on a whole range of issues. I do not know whether David has been meeting at official level too over things like city and growth deals. I think it is a pretty active engagement.

Q419 **Chair:** Has there been any contact between either yourself or your office and the Welsh Government over yesterday's rail strikes, which affected Wales?

Simon Hart: Not as far as I am aware. I think we have all been making some public comments, but I do not think we have been making any comments in private on rail. There has been some frustration, I think, over some comments about whether rail workers in Wales had been redeployed to England. That has subsequently been clarified, so I hope that the First Minister will also be clarifying his comments on that yesterday.

Q420 **Chair:** The Prime Minister's remarks yesterday, which were broadcast from the Cabinet—and indeed the Justice Secretary's remarks in the media round he was doing this morning—suggest that the UK Government will be taking a pretty robust approach to this industrial action. Presumably, you are very comfortable with that approach.

Simon Hart: Yes. I made a few comments on Times Radio to that effect yesterday evening. Our priority, as always, is to try to ensure—as far as is possible with global economics as they are at the moment—that we remain on top of inflation. Therefore, ending up in a cycle of industrial activity that leads to a period of increased or uncontrolled inflation would



HOUSE OF COMMONS

undermine the very people who are standing on picket lines today, whose families might depend on their income, and indeed all the other people who might depend on the rail network to get to work, school, hospital or Parliament and to go about their usual business.

By being robust, we are actually being absolutely fair and responsible. Of course we want a negotiated settlement between the employers and employees in this dispute, but we must look at the wider economy and the wider impact. As I say, by capitulating—as some might describe it—on quite substantial pay awards, all we do is contribute to a further pressure on inflation; we will be doing nobody any favours.

Q421 Chair: Presumably this could be the first of numerous potential industrial action episodes in the months ahead, given the current inflation picture. The latest data came out this morning; it is pretty dire at 9.1%. Is the UK Government's approach, for not just the rail industry but other parts of the public or quasi-public sector, to similarly dig in and push back on what is regarded as militant union activity?

Simon Hart: Actually, I don't think it's a sort of them-and-us conflict in the 1970s mould, because a lot of the dispute around the rail network was actually about the use of available technologies—about adapting to changing circumstances.

There is also the obvious comment that, as an indication of our commitment to the rail network in this context, UKG put £16 billion into that network to save jobs and preserve livelihoods during the pandemic. I think we have a good track record—no pun intended—in the efforts that we have been making to ensure that that industry remains as vibrant and technologically current as it can possibly be.

In terms of pushing back, in a sense the pushback will probably not come from people like me; it will come from people in the private sector, who would love to be on the receiving end of an 11% pay rise, or whatever the particular request might be, or who may have businesses that are affected. I read about one hospitality outlet in London that reckoned that yesterday's action alone cost them £6,000. There are some real-time effects that can jeopardise jobs and jeopardise recovery. I just hope that those real examples are the sort of thing that Mick Lynch and his lieutenants will take seriously during the next few days.

Q422 Chair: I think you make some important points there, Secretary of State. I guess that what I am looking to hear a bit more about is the overall approach of the UK Government towards pay over the coming period. What do you feel the outlook would be, and should be, for Welsh workers, given inflation rates of 9%-plus? Workers on lower incomes are experiencing real-terms double-digit inflation rates in terms of their own household budgets. What is the outlook for Welsh workers?

Simon Hart: I am conscious that the average wage in our patch in west Wales is £26,000 a year. I am also conscious that the median pay rate for the RMT employees we are talking about is £44,000—train drivers are on £59,000. So I think there is a context to all of this.



HOUSE OF COMMONS

I have said before—I am not the Treasury, and I am not Simon Clarke or Rishi Sunak, so I would have to defer to their decision-making position in this—that the balancing act has always been about attempting to be as generous, dynamic and flexible as possible.

I would like to think—in fact, I have seen him in action, so I can confirm this—Rishi Sunak’s default position is, “How much can we do?” rather than, “How little can we do?” The question for him is always, “How much can we do to intervene fairly?” but without triggering an inflationary reaction, which, as I said before, then undoes all of the good that those interventions may have done.

It would be the easiest thing in the world—the most popular thing in the world—for us to sit here and talk about acceding to pay requests here, there and everywhere, but if that was to trigger the spiral we have referred to, that wouldn’t be compassionate, empathetic or competent. So there has to be a balance here.

The final point, which I won’t answer, because I can’t, is that that decision ultimately lies with the Chancellor weighing up the landscape as he sees it on any one day.

Q423 Chair: I have a final question on this issue, Secretary of State, and then we can move on. Obviously, when it comes to different branches of the public sector, some of the pay decisions for Welsh workers will lie in the hands of Welsh Government. If the UK Government look to take a pretty strong approach to managing the public sector pay bill over the next 12 months to dampen the inflationary effect, and that was certainly the implication of what the Prime Minister said yesterday, how are you going to be involved in discussions with the Welsh Government about what appropriate rates of pay should be for Welsh workers?

Simon Hart: I think there is a national dialogue going on at the moment. I don’t think it necessarily needs me to explain to the wider public what the implications of all these discussions are and what a percentage point here or a percentage point there might actually translate into. I would like to think there will be consistency across the UK. It is, of course, in those areas, a matter for the Welsh Government to make those decisions, to justify and explain them and, ultimately, to fund them, bearing in mind, of course, that that funding will, by and large, come out of the block grant, which thankfully has been the most generous it has been since devolution was created. David, I don’t know whether you were itching to come in.

David T. C. Davies: Not particularly itching. I think there is full agreement on this. I was going to add something earlier—I twitched a bit—on this issue of working practices. That was only because of having some personal experience of the railways. When I was a BTP special, we used to have to do specialist track training, which would always end with the instructor saying, “For God’s sake, just keep away from the track if you possibly can.” Therefore, I am slightly mystified as to why the RMT appears to want to maintain practices that involve people walking alongside the track, which is also dangerous, when there are drones and



HOUSE OF COMMONS

cameras that can do the job better instead. It just worries me that the RMT are wedded to these old-fashioned practices, which are dangerous.

Q424 Chair: That is an important point. I will start to bring in colleagues in a moment, but I have one question about levelling-up funds, Secretary of State. You may have seen the report from the Public Accounts Committee last week, which was quite critical in places about the process for making levelling-up awards. It suggested that a number of the projects that were awarded levelling-up money were not in fact shovel-ready, and sounded some warnings about that. Are you satisfied that all the projects in Wales that have been awarded levelling-up funds are in a position to deliver? Are you satisfied that local authorities in Wales that have received those moneys have the in-house skills, expertise and leadership to deliver on what look like tight timetables?

Simon Hart: To answer your second question first: yes. I have more faith in local authorities than some of our colleagues in Cardiff do. Those authorities are well placed and have been thinking about and planning a lot of these schemes for a long time. The relationship we have had with them at official and ministerial level since the launch of the schemes has been incredibly refreshing and rewarding. People have shown extraordinary enthusiasm and come up with some fantastic, innovative, slightly different and, in some cases, quirky schemes, which will create jobs and interest, bring people into Wales, and meet our net zero ambitions. There is a lot to be excited about in that regard. I have no problems. There are 22 local authorities in Wales. Are they all going to deliver each and every project on time, on budget and absolutely perfectly? No, of course not. Nobody is naive enough to think that these things won't encounter the odd hitch somewhere along the line. So, I don't think that.

Turning to your first question, I have always had a little difficulty with the expression "shovel-ready". Nothing is really shovel-ready. These schemes can't be shovel-ready, because if the funding is not agreed, nobody is going to have a JCB parked on the side of the road ready to go. They might have got all the other plans ready, but the idea that they can get an award one day and be on site on Monday, digging a hole, is not reasonable. There is bound to be some delay. From what I have heard and seen, a lot of the schemes are up and running, if only at the planning stage. There are some quite complicated planning hoops to go through.

Q425 Chair: You are comfortable and satisfied about the levelling-up projects.

Simon Hart: I look at this as a nice problem to have. We are putting vast sums of money into parts of Wales that have never benefited in this manner before. Will that come without the odd hitch? No, of course it won't. But is it exciting because it is a first-time out? It is putting in fresh money, creating new jobs and levelling up? There's not much not to like about that, in my view.

Q426 Chair: Great stuff. Did you want to come in on that, Parliamentary Under-Secretary?



HOUSE OF COMMONS

David T. C. Davies: Only to add that there have been a lot of hitches with some of the projects previously undertaken by the Senedd using European money. I am not sure that we have entirely got to the bottom of what happened and the results of some of those projects. I suppose that is another tangential issue.

Q427 **Geraint Davies:** On the shared prosperity fund and levelling up, I understand that you supported a formula that gives south-west Wales £35 per head less. It is going to be £155 instead of £190. I think we are talking about £25 million overall. How do you justify that? Your own constituency will get less money, and there will be less focus on need and poverty, and more on some arbitrary variables.

Simon Hart: That is an extraordinary claim to make, given some of the spending priorities under the old EU arrangement. I'll take that in the light-hearted spirit in which you and I have often discussed this.

I absolutely disagree with the underlying thinking behind your question. The reason for this is that we have made a very clear commitment about levelling up. Levelling up does mean levelling up; it means providing equal opportunity to areas across the whole of Wales, rural and urban, in a way that has never been achieved before. That's what this formula does. While in some places, yes, there might be less on a per capita basis—not enormously less, but less—it is, we think, more than replicated in the areas that need it the most.

By the way, in the original discussions with the Welsh Government about this, there was barely any money at all for north Wales, mid-Wales or rural areas. They were almost completely excluded; it was almost an entirely Cardiff-centric or south-east Wales proposal, so I am not remotely shy about saying that that was an area of disagreement with the Welsh Government. We thought it was fairer to make sure that money from the huge funds that we are able to release goes to every part of Wales. Areas of deprivation are not limited purely to the hinterland of Newport and Cardiff.

Q428 **Geraint Davies:** No, but so we are clear, you believe it is more important to have a more equitable geographic spread than to have all the funding focused where it is needed most in terms of the level of poverty. Is that right?

Simon Hart: The criteria for the distribution of these funds are not purely geographic. They are based on a whole range of issues, as you well know, including deprivation—with particular emphasis on areas of deprivation—so it is not just looking at a map and spreading the butter evenly. We have talked to local authorities in north and mid-Wales who have said, with a real spring in their step, "It's the first time we've ever been able to access funds of this nature."

Q429 **Geraint Davies:** We have very limited time, so I want to ask a few quick-fire questions, if I may. I do not mean to be rude.

We have talked about our fair share of HS2 before, and you know my



HOUSE OF COMMONS

view that we should get a Wales share that is something like £4.6 billion. Are you open to that conversation, given that the Welsh Conservatives have now belatedly come out and said, "We should get our share of HS2"? I think you are happy to meet me and various professionals to talk about this privately.

Simon Hart: I am always happy to meet you to talk about these things, publicly or privately. I do not think it alters the views that I have expressed at this Committee on previous occasions. There are further rail-based announcements coming up in the relatively near future that I hope will put a smile on your face, in the same way that they have put a smile on mine.

Q430 **Geraint Davies:** So there might be a chance of getting our share of HS2, then.

Simon Hart: That is not what I said. I am just saying that there will be some interesting conversations to be had about rail investment soon.

Q431 **Geraint Davies:** Okay. Continuing on the rail issues, and picking up from the Chair, the German Government have announced that anybody can have free public transport for €9 a month over a period of three months. That obviously means that people can go on public transport, helping them with inflation and energy cost pressures. Is that perhaps something that the Government should be looking at, instead of saying, "We're going to cut pay and jobs" and basically agitating for a strike, when they could actually be helping people and the economy at the same time? What do you think of that German idea?

Simon Hart: David knows more about this than me.

David T. C. Davies: One of the problems we have with the railways at the moment is that there has been a huge drop in revenue—of around £2 billion—since the pandemic, because people are not using the railways in the same way they did previously. That is one of the issues that the RMT have highlighted, although they have suggested this is about a cut in Government funding. It is not: it is about a cut in revenue from ticket sales—

Q432 **Geraint Davies:** But that is coming back now, isn't it? Because of energy prices and because the pandemic is over, that is also over.

David T. C. Davies: No, it does not appear to be, because people have adopted different working practices. There has been an increase in passengers working over weekends, but one of the other problems we have is that the unions do not allow Sundays to be treated in the same way as other days of the week. The unions must be quite religious, because they seem to be the only people keeping Sundays special these days. To answer your question—

Geraint Davies: My question is about the German system to get more people on to public transport for cheaper.



HOUSE OF COMMONS

David T. C. Davies: Of course, it would further reduce the amount of revenue that the train companies are taking in, and would therefore require either further subsidies from the Government or a cut in the services that are being offered. With all due respect, sir, there is no such thing as free money, so if we decide to reduce the amount of money the rail companies are taking in in revenue, the difference will have to be found, either through savings or through extra subsidies.

Q433 **Geraint Davies:** I put it to you that more people would be travelling on the railways, which is one of the factors in the total revenue, and secondly, this would obviously be part of a social contract. As the Chair has mentioned, we are looking at public sector pay rises across the board. If we provide subsidies for people to go to work and reduce their costs of travel, that would be part of a wider negotiated settlement, rather than provoking an unnecessary strike by saying, "We're going to cut your pay." The pay offer is 3%; they asked for 7%; inflation is 9%. "Cut your pay and cut your jobs." That has generated an avoidable strike.

David T. C. Davies: There are various threads I could pick up in that series of statements. First, there is no cut to pay. The unions actually went out on strike before they had finished discussing what the pay offer would be.

Geraint Davies: There were real cuts.

David T. C. Davies: It would be less than inflation, but if we decide to give everyone exactly the same pay rise across the whole country, inflation will carry on at 9%. There is no way you can get around that fact. If everyone's pay goes up by 10%, we will have 10% extra costs and 10% inflation the following year. That is a slight simplification, but you know what I mean.

Q434 **Geraint Davies:** My original question was whether, as part of sorting this out in a holistic way, the Government might consider dampening the impact of energy and inflationary costs by providing lower costs for using public transport that will be progressive. Then the unions could say, "Okay, in the round we all understand there is a problem. Let's talk about this and get Britain on track," rather than the unions wanting 7%, the Government supporting 3% and we have a strike. I wonder if the Secretary of State could answer, because he is sitting in Cabinet discussing this with Rishi Sunak.

Simon Hart: It might be helpful if Mick Lynch would stop talking about not negotiating with the Government and return to 2022 and have a grown-up conversation with whoever is in office. Having met Lord Burns yesterday, who is conducting the investigation into transport infrastructure in Wales on behalf of Welsh Government, I would say that everybody agrees—whether Sir Peter Hendy or Lord Burns for Wales—that one of the solutions is the holistic approach to all forms of public transport and the interconnectivity of that.

Also, it is always driven by convenience; it is not driven by dogma or ideology. Where we all agree, whether it is Hendy and the UK



HOUSE OF COMMONS

Government, or Burns and the Welsh Government, is that people's use of public transport will be driven by convenience, not by force or ideology.

- Q435 **Geraint Davies:** Finally, very briefly, you mentioned Mr Lynch, but you will know that it is on the record that Grant Shapps, the Transport Secretary, intervened in the DVLA when they had a settlement on covid safety measures. When the unions, the civil service and management agreed, he went and he pulled that settlement and caused a strike. My understanding is that he has done the same here. He will not give the companies the flexibility to negotiate. He has caused this strike, saying, "You're going to have pay cuts; you're going to have job cuts," in order to have this dispute for political reasons. That is the case, isn't it, Secretary of State?

Simon Hart: No.

- Q436 **Simon Baynes:** Thank you, Ministers, for your attendance this morning, which is much appreciated. I want to start by touching on freeports. What is the timeline for the freeport bidding process in Wales? As a subsidiary question, the UK and Welsh Government have said that an additional Welsh freeport may be funded if a "truly exceptional" proposal is made. What would constitute a truly exceptional proposal?

Simon Hart: It is a relief to be able to talk about freeports in a slightly different context from how we normally do when we appear before this Committee, which for years has been, "Just wait a little longer and we should have some good news for you." The agreement has been reached between UKG and the Welsh Government. We are hoping that a prospectus will be published before the summer recess, so in a couple of weeks. I am 90% confident about that. I see no reason why that should not be the case. I am seeing Vaughan Gething on a different subject this afternoon but I think we will raise that and try to make sure that we hit that timetable. That will start the process.

On the exceptional second bid that you referred to, I will try to describe this as concisely as I can. The manifesto commitment is to one freeport in Wales. However, there is recognition that the geography of Wales, rather like the geography of Scotland, has very distinct economies. In Scotland there is a west coast and an east coast port community, and in Wales it is north, south and south-west.

What we have been able to negotiate with Michael Gove's Department is a provision whereby if there are two very strong bids—that will be for him, officials and others and ourselves to define—with a second port, location to be agreed, we are not ruling out finding the additional money necessary to make that happen as well. I am not saying that we are definitely ruling it in, but we are definitely not ruling it out. If somebody comes in with a really eye-catching, comprehensive and innovative bid, we will definitely consider the second option as well. Does that help?

- Q437 **Simon Baynes:** Yes, that is very clear. Going back to the timeline, the bidding starts in the autumn.



HOUSE OF COMMONS

Simon Hart: To be fair, we should probably look at late summer/autumn to get this under way. I know a lot of ports are already putting their plans together now in anticipation.

Q438 **Simon Baynes:** How long do you think the bidding process will take? Will it be over by Christmas? Or in six months?

Simon Hart: With the English freeports I think it was pretty well done and dusted in six months. I hesitate to pronounce, but I think that is right—I may get a note any second now. They were able to get them moving quite quickly. As you know, Teesside is up and running already.

Q439 **Simon Baynes:** So it could be March next year.

Simon Hart: Yes. I hesitate to be really precise. You know how nervous we are about agreeing to dates.

Q440 **Simon Baynes:** Moving on to the nuclear energy inquiry, are you concerned that recent attention on Wylfa as a potential site for a new nuclear power station is creating expectations that it is a done deal? What lessons have been learned from past mistakes or past experiences at Wylfa, which are then guiding the Government on the next step forward?

Simon Hart: It is a really good question. I think that the difficulties in the past were, as ever, around the certainty of funding. The difference this time round is the future nuclear fund, which has already been announced, to which people can bid. Hopefully it gets potential developers past that moment where their confidence might be somehow compromised by, “Does the UK Government really mean this?” I think we are past that stage.

With all of these things we are talking about a project that might take 10 or 12 years to reach fruition, with many, many environmental and regulatory challenges along the way and a funding challenge in the multi-billions, involving probably at least two Governments and numerous private sector contributors as well. This is a long road ahead. We are further down it than we ever have been as far as Wylfa is concerned.

What has changed since the first time round is the realisation of what energy security really looks like, particularly in the Ukraine period of our history—hopefully post Ukraine in due course. I think that has changed the Government’s—well, we have all seen it change. We have committed to eight reactors by 2050. Wylfa, if not top, is probably near the top of the list of potential sites. In other words, if we don’t get Wylfa going, the others will be really hard. I remain confident that the momentum behind this that is being expressed by the UK Government and by interested potential investors means that this is now closer to lift-off than it has been at any stage in the past.

Q441 **Simon Baynes:** Is the departmental responsibility for Wylfa shared between yourselves and BEIS? Is it principally BEIS?

Simon Hart: It is led by BEIS and involves everybody. It is one of the projects where everybody has a stake in the game, including the Welsh



HOUSE OF COMMONS

Government. Obviously, the Treasury is central to its success. We have an involvement in terms of Wales also in the relationship with the developers, which is why we have been spending some time with them both in the UK and the US recently, seeing what they are doing in Atlanta in particular. It will obviously involve DEFRA on the regulatory side. Pretty well every Department in Government is involved, but BEIS is the lead Department.

Q442 **Simon Baynes:** What information did you glean from your visit to Atlanta? Was any of it unexpected?

Simon Hart: We have got to be careful here. Obviously, we were visiting one particular model of reactor and one particular developer, so I can't speak for others with expertise in this field. What we were seeking to achieve, and what we did achieve, was some indication of, in one sort of quite crude way, the physical scale of what we are talking about, which is pretty breathtaking.

There is a world of difference between sitting down in Westminster with some officials from another Government or another company and actually seeing the work on the ground. Being able to match what we have been told that they were capable of with what they are actually doing on the ground is, from a confidence point of view, an important part of the exercise. That was delivered in spades. What was there was phenomenal. I think there were 8,000 people on the site when we were there—something in that region. This is a colossal operation.

I am no nuclear expert, but we tried to ask all the questions you would expect us to ask about timescales, budgets, safety, longevity and so on. I think sometimes the French probably look at us and wonder why we are so many years behind—France as a European nation is a long way down the line in terms of its nuclear dependence. This is genuinely transformational for UK energy production purposes, for our energy security issues and, above all, transformational for the economy of north Wales.

Q443 **Simon Baynes:** I have two other questions and then I will hand back to the Chair. In general terms, how are you working with the Welsh Government to improve on Wales's unemployment figures? We have seen a reduction in unemployment across the UK and in a constituency like mine of Clwyd South, the unemployment situation is very tight at the moment, and we are relatively low on employment. Could you expand a bit on how you are working on employment issues with the Welsh Government?

Simon Hart: Can I ask David to go first on that? I have some thoughts that I will come back to.

David T. C. Davies: I will jump in with a quick thought. I don't want to try and answer your question substantially, but the overall record is very good. As the Secretary of State said, unemployment in Wales is actually slightly lower than it is in the UK. I don't have the figures to hand, but 3.3% rings a bell, as opposed to 3.5%—it is probably of that order, but I don't want to be held to account for that.



HOUSE OF COMMONS

There is one thing that the Welsh Government could do a bit better. Clearly, the UK Government policies on unemployment are working very well at the moment. We actually have more jobs available than there are people out of work, so let's be honest about it: it is a spectacular success story.

If there was one thing that the Welsh Government could do and have the power to do that would help further, that would be to look at the way they fund apprenticeship schemes at the moment. Too many major companies with bases in England and Wales are saying that they are having difficulty accessing training in the way they would like. There is a lack of flexibility. We already know about the problems that the police forces face. That is replicated in other companies as well.

That is to do with the way the Welsh Government manage apprenticeship training contracts and the way in which the funding flows back to companies that are looking to train apprentices. That is one area where there is room for improvement and where the Welsh Government have powers.

Simon Hart: My answer is a Union-based answer, really. One of the reasons we are able to look at the figures, which David has just mentioned, in the way we are is partly—though not exclusively—because of the pandemic response, and what the Treasury was able to do, the depth to which it was able to dive, and the pace at which it was able to introduce the furlough scheme and associated interventions. There was also the success of the vaccination roll-out programme and the speed at which that was able to be deployed in the UK, perhaps compared with the rest of Europe and the world.

Those are two examples I would point to that have enabled the economy of Wales to bounce back at about the same pace as the rest of the UK. Those interventions are absolutely crucial. I do not believe they would have been possible in an independent Wales, by the way. That has given sufficient confidence to businesses to be able to gear up their activity again and bring people back on to the payroll, and to create new vacancies.

I would also say, as you would expect me to, that because of that, we have seen Airbus with 500 new jobs coming up at Broughton over the next couple of years. Those are well paid, highly skilled engineering jobs, to reflect the new business it is attracting. On a much smaller scale, but none the less skilled, there are jobs at Aston Martin down in St Athan.

We have seen the floating offshore wind potential in the Celtic sea. There is also the nuclear development we were just talking about at Wylfa. Those are major UK investments, all part of levelling up. That is what has resulted partly in the employment situation being what it is today.

Q444 **Simon Baynes:** Very quickly, if the sale of Newport Wafer Fab to Nexperia is blocked, how will the UK Government protect jobs at the site, and secure financing for the business?



HOUSE OF COMMONS

David T. C. Davies: We have been advised not to say anything about the investigation that is going on at the moment. Obviously, we are well aware of it. In terms of how jobs will be protected, I would rather wait for the outcome of the investigation. Obviously, it is part of the Cardiff capital region growth deal area, which has taken a particular interest in Wafer Fab manufacturing. I am sure that they will be looking to find ways of using the growth deal, to support anyone in the hypothetical situation of anyone losing their job.

It is difficult to foresee what is going to happen there. May I also slightly correct the record? The figures I have from the UK Government are 3.8% unemployment for the UK and 3.5% for Wales. The Welsh Government are giving slightly different figures of 4.1% and 3%. Anyway, my initial point was that unemployment is slightly lower in Wales than in the UK, and everyone seems agreed on that.

Simon Baynes: Thank you.

Chair: Is this new question on Newport Wafer Fab?

Q445 **Geraint Davies:** Yes. Isn't it the case that the Secretary of State for Business, Kwasi Kwarteng, has called it in because he recognises the strategic interest of that industry to Britain, and the strategic interest of not having it under Chinese control? Therefore, can't we reasonably assume that, in the event that this is stopped, the Government will step in to sustain those vital and strategically important jobs? The concern is that, if it does not go ahead, the jobs will be lost. Surely it is incumbent on the Government to ensure that strategic interests are sustained and investment goes in. If possible, it goes in with more jobs, and stays under British control.

David T. C. Davies: We have been given advice that we should not comment on this in any way while there is an investigation going on. Obviously, we hope that, whatever happens, there won't be any job losses. If there are, it would be down to the Cardiff capital region to lead the way in supporting people. But let's not go into hypotheticals, with all due respect. Let's just await the outcome.

Geraint Davies: I am interested in the jobs.

David T. C. Davies: In a general sense.

Q446 **Geraint Davies:** There is the also the asset of producing all these microchips, which are so important for the global economy, the western economy and the balance of power.

David T. C. Davies: I suppose the fact that the Government have decided to investigate this suggests that they recognise the importance strategically of that industry.

Q447 **Chair:** On that point, do you know when the outcome of this investigation will be known?

David T. C. Davies *indicated dissent.*



HOUSE OF COMMONS

Q448 **Chair:** You talked about a hypothetical scenario, and about potential job losses. For absolute clarity for the Committee, has any work at all been done on scenario planning and on finding alternative work, if such a situation came about?

David T. C. Davies: I am not aware of that. However, answering that would slightly give the impression that we knew what the outcome of such an inquiry might be, which I don't think anyone would want to do.

Simon Hart: It says here, by the way, "The government has 30 working days (extendable by up to a further 45 working days) to carry out that assessment." The 30-working-day period comes to an end on 7 July 2022, so we are right up against the final moment. We can attempt to ascertain the answer to your question from BEIS, but given the unusual brevity of the document in front of me, they do not seem to be inclined to say very much about this at the moment.

Q449 **Chair:** Understood. I am keen to bring in Beth, who has been waiting patiently, but I first come back to the issue of Wylfa, to follow up on Simon Baynes's questions. Secretary of State, you said that we are further down the road with Wylfa than we have ever been—I think that was the phrase you used. You talked about the visit to the States to meet a potential developer. Previous Governments have also been very committed to this project, and they have also gone pretty far down the road. One of my predecessors as Secretary of State for Wales went to Japan to meet developers; they had very high-level contact with No. 10 and other lead Departments across Whitehall. Why do you say that we are further down the road with Wylfa than we were previously?

Simon Hart: One word: Ukraine. I think that that has changed the UK recognition of and—

Q450 **Chair:** But has that resulted in any new development from the Treasury, or a memorandum of understanding with developers?

Simon Hart: I think it has provided developers—at least some of the developers we have spoken to—with sufficient confidence to proceed to the bidding process and the future nuclear enabling fund. Through the potential financial modelling options, they have confidence that the UK Government are deadly serious about proceeding with this—and, by the way, with a range of other projects. If there was a tipping point at any point along the journey in the past couple of years, it could be that.

I have always been reasonably optimistic, by the way; I think I am more optimistic than I have ever been, for good reasons—for all the wrong reasons, in a sense, thinking of Ukraine. What has really landed with No. 10 and everywhere else in the UK Government is the fact that if we are serious about net zero and energy security, then Wylfa and other projects cannot be just a pipe dream—they have to be a reality.

We will not reach our net zero or energy security ambitions without eight new reactors, as we have heard from the Prime Minister, and Wylfa is—to

misquote somebody else—first in the queue, as far as that is concerned. That is the reason I express confidence.

Q451 **Chair:** That sounds to me like a very high level of confidence, even if you don't use the phrase "done deal".

Simon Hart: Well, it is not a done deal. However, things have changed, particularly around the future nuclear enabling fund, and that, I think, takes it to the next level. As I suspect we all know, a lot of these things are dependent on momentum. There is significant momentum; every Minister in the UK Government and, I believe, the Welsh Government is committed to landing this project.

Chair: Very good. Beth Winter.

Beth Winter: Forgive me, but I feel it is incumbent on me to correct the fallacies and misinformation being propagated by the UK Government and reasserted by you regarding the rail disputes. The dispute is being used by the Tories to blame the unions for inflation, and I have to correct you on that. The truth of the matter is that it is being—

Simon Hart: Before you start, we are not making that accusation.

Q452 **Beth Winter:** You were saying that if workers had increased wages, that would have an inflationary impact.

David T. C. Davies: If everyone had, yes.

Q453 **Beth Winter:** Could I just quote these figures to you, then? The profits of the UK's biggest companies are 73% higher than they were before the pandemic, and those recent profit jumps are responsible for nearly 60% of inflation in the past six months. Only 8% was due to labour costs.

David T. C. Davies: How can the profit of one company be having an impact on inflation?

Beth Winter: This is not one company. This is the biggest companies.

David T. C. Davies: Company profits do not cause inflation.

Q454 **Beth Winter:** In your evidence, you made no reference to the £1 million in pay that the rail bosses are taking home, or to the fact that the private rail companies are taking £500 million a year in profits. Why didn't you mention that?

David T. C. Davies: First of all, senior rail staff have seen a far lower increase in their pay over the past decade—not a real-terms fall, but a far lower increase—than those who are working on the trains. Secondly, most of the rail companies have a number of different operations going on; for example, FirstGroup does other things beyond running trains.

When you quote these sorts of profits, you need to think about what the turnover is on a company. For example—as I am sure you know, Ms Winter—a company that makes a profit of £10 million on a turnover of £100 million is doing quite well. If it is making £10 million on a turnover of



HOUSE OF COMMONS

£1 billion, it is not doing very well at all. The key point here is: what is the turnover of the company you are quoting? Then have a look at the profit; then you can see what kind of return they are getting.

Beth Winter: I have just quoted the profits.

David T. C. Davies: So what is the return?

Beth Winter: The rail bosses are taking home £1 million, and the rail companies are taking—

David T. C. Davies: On what turnover?

Q455 **Beth Winter:** Those are the figures that are there. How can you justify not giving a wage increase to rail workers, who have experienced real-terms cuts—pay freezes—in their income? I would like to correct you, Mr Hart. You referenced rail drivers earning £44,000. The median income of the workers who are striking is between £25,000 and £30,000. These are cleaners, rail operators—a whole range of workers. You have been extremely selective in the information you are giving.

David T. C. Davies: Can I just come back? If we are talking about rail workers per se, the average is about £44,000. If we are looking at train drivers, the average is £59,000. I suppose we can all select the figures that we want, but those are recognised figures. With all due respect, Ms Winter, what do you think a train driver is earning?

Beth Winter: The people who are striking are not—

David T. C. Davies: But what do you think—

Q456 **Beth Winter:** The people who were balloted include cleaners, catering staff, controllers, guards, engineers, revenue protection, signal workers, station staff and track workers. For the vast majority of workers involved in this dispute, the basic salary is between £25,000 and £30,000 a year. It is not about train drivers; it is about all those people whom I have just listed, and you've got rail bosses taking home £1 million in profit a year. How can you justify that?

David T. C. Davies: Would you accept, then, that train drivers are earning a reasonably fair salary?

Beth Winter: This dispute is not about rail drivers. The people who were balloted—

David T. C. Davies: We can talk about the others in a minute. Let's talk about train drivers.

Q457 **Beth Winter:** I am talking about the people who were balloted. The vast majority of the people who are striking are those I listed. They have been forced to strike. Let me pick up on this point as well, Mr Hart: I was in the Chamber last week during the debate. Mick Lynch wrote to Grant Shapps—the letter was quoted in that debate—offering to meet the UK Government with no preconditions, and Grant Shapps refused to meet



HOUSE OF COMMONS

the union. The Government is forcing people to strike.

Simon Hart: That's absolute nonsense. As you know, our position right from the start has been that this is a dispute between employers and employees. The UK Government can and does have the legal opportunity to step in at some stage, but I have never heard even one of your colleagues suggest that a dispute of this nature should not, in the first instance, be discussed and negotiated between employer and employee, with the Government only being a last resort. You may have your own position on that, but it is not a position shared by many of your colleagues.

Chair: Shall we perhaps move the discussion on?

Q458 **Beth Winter:** I have one other point of clarification on the information that you are sharing this morning. You referred to, I think, £16 billion being used during the pandemic by rail operators. I would suggest that since the end of the pandemic, the railways have bounced back significantly. Again, I just want to quote something to you. In 2021-22, passenger numbers bounced back to 58% of what they were. That has now reached 81%, and the profits that the companies are making are significant, so you have not given an accurate picture of where the rail operators are currently.

David T. C. Davies: I think I said that figures were at about 80%, so that is broadly correct. It means that there has been a 20% fall in revenue, which I also said earlier. You are correct that the Government, who are very pro-rail travel, put an enormous amount, £16 billion, into railways—around £160,000 for everyone who worked there—during the pandemic, and rightly so. In a normal year, we would be putting subsidies worth about £5 billion a year into the railways. That is what it was pre-pandemic. The Government are very supportive of railways. Given that taxpayers are supporting the railway system in this country, the Government would hope that the rail companies could persuade the unions that it is fair and reasonable to expect those working in this industry, who receive higher wages than most people—

Q459 **Beth Winter:** £25,000?

David T. C. Davies: You are talking about the lowest-paid people in the industry.

Beth Winter: The median or average income of the people who are striking is between £25,000 and £30,000. And you have rail bosses taking home £1 million a year. How can you justify that?

Chair: We need to move the discussion on. Beth, you have a couple of minutes left of your slot.

Q460 **Beth Winter:** Another option on the table for the UK Government would be to do what the Welsh Government did for Transport for Wales, which was to bring Transport for Wales back in-house. That has ensured that there are no compulsory redundancies, unlike what is happening or likely to happen at UK level. It protects jobs and ensures that the money raised



HOUSE OF COMMONS

goes back into the pay and terms and conditions. Why didn't the UK Government take the option to do that in the pandemic, as the Welsh Government did?

David T. C. Davies: First of all, your question is based on the idea that compulsory redundancies are taking place in the UK, but the redundancies being offered are voluntary. Network Rail made that quite clear. They are looking to bring forward voluntary redundancies in certain areas, as a result of the fall in—*[Interruption.]* Well, that is what they have said, and it is surprising that the unions do not want to support that. As for renationalising, I think we are not really going to agree on any of this, Ms Winter. I think we are seeing things in completely different ways.

Q461 **Beth Winter:** But what is happening in Wales, in terms of the outcome? Those people working for Transport for Wales are not striking. It shows that what the Welsh Government did is working.

Simon Hart: Trains were not working in Wales yesterday.

Q462 **Beth Winter:** That is because of Network Rail, but in terms of Transport for Wales—no, you have to distinguish between the two.

Simon Hart: I am not sure that rail users would.

Q463 **Beth Winter:** Anyway, I will move on and ask one other question—

Chair: One last question.

Beth Winter—on something else completely. The UK Government, according to the Welsh Government and people like me, are riding roughshod over the devolution settlement. A number of Bills have been forced through: the internal market Bill, the Nationality and Borders Bill and the police and crime Bill. The Welsh Government have withheld legislative consent. The Welsh Government have proudly said that there is an ambition to be a nation of sanctuary, and I fully support that. How can you justify the policy of trying to forcibly remove people from our country who are fleeing violence, persecution, famine and war? They are forcing them to go on a plane to Rwanda, when that is clearly in breach of international law, as was confirmed by the fact that the plane did not leave the ground last week.

David T. C. Davies: The only people going to Rwanda would be people who have arrived here from France, which I do not think is facing famine, war or any of the other things—

Q464 **Beth Winter:** They are not from France, though.

David T. C. Davies: No, but they are coming from France. You said people are fleeing famine, war and so on, but they are not.

Q465 **Beth Winter:** You think it is okay. Mark Drakeford has said that the policy is inhumane.

David T. C. Davies: Mark Drakeford does not do foreign policy or immigration. Obviously, the Welsh Government are very, very keen to



HOUSE OF COMMONS

ensure that we respect devolved areas; I am sure they will be equally keen to respect reserved areas. Foreign policy and immigration are clearly reserved.

Simon Hart: On the legislative consent motion point, the vast majority of legislation that seeks an LCM gets one. It is a relatively small proportion of the overall legislative package that is getting legislative consent motions declined by the Senedd.

Beth Winter indicated dissent.

Simon Hart: You shake your head. Perhaps you know the numbers better than me.

Q466 **Beth Winter:** I think there were 17 Acts in the last year. There have been more Bills for which the Welsh Government have withheld legislative consent in the last year or two than there have been in the previous few years. It is just astronomical, the increase in the number of Bills that—

Simon Hart: I will read you the exact note: LCMs were secured for 10 Bills in the last Session. There were, however, two Bills—the Subsidy Control Bill and the Professional Qualifications Bill—in which it was necessary to proceed without consent.

Beth Winter indicated dissent.

Simon Hart: You shake your head. Is that wrong?

Q467 **Beth Winter:** I will find the facts and I will send them to you. There has been an increase over a period; I will check what the period is. The Welsh Government have had to withhold legislative consent. I will write to you.

Simon Hart: It would be very interesting to see that. I would factor in that for some Bills, elements require legislative consent, but not the whole thing. I hope you will be able to come back to David and me and put us right on where we may have misunderstood the statistics, although we are pretty confident.

Chair: In fairness to other members of the Committee, we probably need to move on.

Simon Hart: Can I say one quick thing on Rwanda? There has been, for many years—for as long as most of us can remember—a very unsatisfactory and harrowing situation unfolding before our very eyes. We have been wrestling with solutions to this, not necessarily with outstanding success, but we have now, after considerable effort, come up with a scheme that we think is as fair as it possibly can be to everybody involved in this policy area, if I can describe it as such—the Home Office, DWP, foreign Governments, the coastguard, the Royal Navy, et al.

We think that this is the most sympathetic, empathetic and compassionate thing that we can do at the moment; it separates out, as David has pointed out, those people fleeing war-torn areas who are absolutely legitimately asking for, and should receive, our help, whether they are



HOUSE OF COMMONS

from Ukraine, Afghanistan, Syria, Yemen or other areas with which we are all too familiar.

I find it slightly odd that no one has raised this issue with me before. It is only now when we come up with a policy that is designed to help this situation that you somehow describe it in the terms that you do. That is my observation for the Committee.

Chair: Okay. We are running short of time for other Members.

Simon Hart: I have made my point, so I am very happy to move on.

Beth Winter: To quote Mark Drakeford, this is “a cruel and inhumane” policy. I will leave it at that.

Q468 **Ben Lake:** Can I turn your attention to Channel 4 and the proposals discussed recently to privatise it? I am sure you will be aware of concerns that have been expressed by the sector in Wales, particularly smaller production companies. They are very anxious to ensure that if Channel 4 were to be privatised, the channel would continue with some of its quota for commissioning content from Wales. Is that something you have discussed with DCMS and your colleagues who are looking at the proposals? Is there anything you can tell us that might reassure people in the sector?

David T. C. Davies: What I can tell you, Mr Lake, which I think will be of great interest and comfort to you—and is to me—is that the very same Bill is going to do an enormous amount for S4C. I don’t think it is going to undermine Channel 4 in any way. Hopefully, it is going to lead to even greater use of the companies within Wales that provide services for Channel 4.

It is also going to do something that I think you and I have both called for in the past, which is to give S4C much greater flexibility as to how they show their programmes, giving them the option to use more online platforms and enabling them to broadcast their programmes much more easily across the UK and beyond to the rest of the world. Some of us remember that the Argentinian Welsh language community raised the fact that they found it very difficult, under current copyright rules, to watch S4C programmes. Hopefully, that will be resolved as a result of the Bill.

Q469 **Ben Lake:** I am certainly very pleased to see the provisions in the Bill relating to S4C. I agree with you: I think it corrects a long-standing deficiency, and I think it will be of great benefit to the channel.

I want to come back on some of Channel 4’s previous content commissioning quotas. I understand that there is a minimum, and I believe Secretary of State Nadine Dorries has suggested the introduction of some sort of minimum level of content to be commissioned from the nations and regions. Is that something that the Wales Office might support? If there were a discussion in Whitehall with your colleagues in DCMS, is it something that you might consider supporting? It does strike me as a way of ensuring, and offering some guarantee, that the good



HOUSE OF COMMONS

work that Channel 4 has done in the past will continue.

David T. C. Davies: I think that is something we would look to, and we will be happy to have that conversation with DCMS.

Q470 **Ben Lake:** Wonderful, thank you. I turn briefly to higher education, and to Horizon funding in particular. I have been contacted by a few universities that have expressed concern about the future of such funding. I understand that our participation in Horizon is likely to come to an end. Do you have any knowledge or details about what might replace Horizon funding? If so, is there any indication of the timescales? Of particular concern to researchers is that there should be no gap in support between the two funds.

David T. C. Davies: You have slightly caught me out on this, Mr Lake. I have seen some discussion of it, and I think that there was a dispute over payments. If my colleague knows more, I am happy to hand over to him.

Simon Hart: The official position is this, and I don't know whether this answers the question or not. Turing is confirmed for the next three years, with £110 million for the 2022-23 academic year. On Horizon, the Government have guaranteed funding for eligible, successful applicants to Horizon Europe who were expecting to sign grant agreements with the EU. That does not put a timescale on it, but we can come back to you with a timescale on that.

Q471 **Ben Lake:** I would be very grateful if you were able to do so.

Finally, I want to ask a few brief questions on the cost of living. I know that the three of us represent constituencies that could be typified as quite rural. I am sure we are all very much aware of the rising price of fuel, both for transport and for heating. Ceredigion is one of the most oil-penetrated constituencies in the UK, as it happens. The number of off-grid homes is quite significant and surpasses any other constituency in the UK.

On the Government's package of support for households, and particularly the £400 grant on energy bills, I was grateful for the clarification that it will be paid to those who are in off-grid homes by virtue of their electricity accounts. I am keen to understand whether the Wales Office might be in a position to input into the technical consultation, which I think is still ongoing. One potential issue relates to farmers. There is a little bit of uncertainty at the moment—I appreciate that the details are still being ironed out—in that some farms have a commercial electricity contract, which will be relevant to their homes as well as to elements of the business. There is some concern that unless the details are set out correctly, farmers in such situations might miss out. I am sure you will have farmers in that position, as I do. Is that something you might be willing to look at?

Simon Hart: From my point of view, very much so. It has been raised with me by individual farmers—it is probably the same in Monmouthshire—as well as by farming unions. I am not sure that we



HOUSE OF COMMONS

would put a sub into the process yet, but we would be very happy to do. I think that is a good point.

David T. C. Davies: As a constituency MP, I have written on that very matter.

Q472 **Ben Lake:** On a very similar topic, I am sure you will also have received some correspondence about prices at the pump. There is some interest in the rural fuel duty relief scheme that the UK Government run. I have had initial discussions with Treasury Ministers about that scheme and the possibility of expanding number of areas that benefit from it. This is perhaps a bit of a shameless plug, but is that something that the Wales Office might support?

The argument is that many parts of rural Wales handsomely achieve two of the three criteria. The one bit that we lose out on is the proximity to oil refineries. One understands the reason why that criteria was introduced at the inception of the policy, but by now, it is not so clear that proximity to the refinery has that much of an impact on the price at the pump. The main drivers seem to be population density and the number of sales that places can make. Is that something that the Wales Office has looked at?

Simon Hart: I have had informal conversations about that; I do not know about David. The Treasury is quite tight lipped about this—I think it is nervous about giving false hope, or indeed, the opposite of false hope—but I suspect that we are told, as constituency MPs and as Ministers, that, “Nothing is ever completely set in stone; we want to be as flexible and as versatile as we can.” I do not think that should necessarily be interpreted as, “Watch this space,” either. That, in conjunction with your earlier question, is certainly a legitimate issue that is being raised quite widely now.

Q473 **Robin Millar:** Good morning, gentlemen; thanks for your time. I would like to look at a couple of areas: first, the intergovernmental relations, and secondly, the funding arrangements between the UK Government and Wales. Secretary of State, have you noticed any change since the introduction of changes to the intergovernmental structures?

Simon Hart: Any changes to?

Robin Millar: The effectiveness of the relationship.

Simon Hart: I am occasionally accused of being overly optimising and upbeat about these things. Politics and intergovernmental relations are supposed to be difficult—they are meant to be difficult. We wrestle with difficult and complicated issues that have huge socioeconomic or political consequences. I think the idea that there would ever be a scenario where we all sing in perfect harmony is completely unrealistic and, by the way, not especially healthy.

I remember that there used to be extraordinary tensions between Rhodri Morgan and Tony Blair, who were representatives of different Parliaments but were apparently on the same side. They argued like hell on some of these things. I think the relationship is quite good because we all know



HOUSE OF COMMONS

who we are supposed to talk to and when we are supposed to talk to them. Do we agree? Occasionally. Do we have very friendly debates? Most of the time.

Q474 **Robin Millar:** Let me move on, then. Have programmes or projects in Wales been enhanced as a result of the new working relationships?

Simon Hart: Gosh, that is a loaded question. David?

David T. C. Davies: Growth deals are a good example. Those projects are jointly funded by the UK Government and the Welsh Government. There have been occasional, I wouldn't say frictions, but brisk discussions around certain aspects of them, but by and large, certainly at the official level, things work very well—and at ministerial level. I have undertaken a number of visits to projects that have been completed, such as the Swansea digital area, and projects on which work will start soon. I am going to north Wales to visit the digital processing centre later this month. There will be other Ministers there, and I think the First Minister may attend that one. So, by and large, yes.

Simon Hart: Freeports are another good example. Two years ago, when we first appeared before this Committee, I was not particularly optimistic that we would ever get freeports over the line. We were getting the impression that the Welsh Government did not want any freeports. We are now in a position where they want two. That is partly because of some careful and helpful interventions from DLUHC at official and ministerial level, through the channels that IGR provide. Maybe it would have happened anyway—I do not know—but it has certainly not impeded our eventual slow progress towards what I think is quite a satisfactory conclusion.

Q475 **Robin Millar:** Let us move to funding, which I am sure dominates a lot of the discussion in one way or another. The Senedd Finance Committee took evidence on 11 May from the chief executive of the Welsh Local Government Association. He commented, with regard to the community resilience fund, that “a good share” had come to Wales—I think it was £45 million or £46 million that had come. With regard to the first phase of the levelling-up fund, I think about £120 million came to Wales, and he said that was “about 7 per cent” of the allocation across the UK, which is “slightly above the 5 per cent benchmark for Wales”. Are you happy with the amount of money that is going to Wales at the moment from the UK Government?

David T. C. Davies: Very happy. I think it was £121 million that came to Wales from the levelling-up fund, which was well above the 5% baseline. Let me see if I can remember the figures. I think for the CRF it was about £46 million, and even for the community ownership fund, which is obviously much smaller, it was about £466,000. All those figures are significantly above the 5% baseline that Wales would expect. Broadly speaking, those figures are correct.

Q476 **Robin Millar:** In that same meeting, he was asked about the working relationship—picking up this theme again—between the Welsh and UK



HOUSE OF COMMONS

Governments. He commented that “in historic terms, they’re probably as good as they’ve ever been”. He went on to say that “a substantial element of increased decision-making power” has been “given to the local authority sector” in Wales. Do you recognise that description?

Simon Hart: Yes, I do. What came as a big relief to me was that it was coming from a reputable, independent third party. We have been saying it in front of this Committee and others for ages. While we would always love more—of course we would—we think that the settlements for Wales are pretty good. David ran through the list. If you take the block grant, EU tail-off funding, the shared prosperity fund, farmers’ payments and the growth fund as an example, we have gone from £15.8 billion in 2017-18 to £18.5 billion, and we are about to go to £18.8 billion in 2023 and £18.9 billion in 2024. These are substantial sums of money, and I absolutely trust the judgment of local authorities and other stakeholders to make some very wise choices about how that should be spent. The implied accusation that somehow this compromises the devolution settlement is utter nonsense. This is devolution as it should be. We are taking devolution to the next level. We are not getting stuck in Cardiff; we are going to 22 local authorities. We are going the whole way, reaching into every corner of Wales. That is proper devolution.

David T. C. Davies: May I just throw in there that, in looking after the growth deals, it has been a pleasure for me to meet with local authority leaders from a range of different parties, including, of course, Labour, Plaid Cymru and independents? Those meetings have always been hugely constructive, friendly meetings. There has been a realisation that all of us are on the same side in terms of wanting to get good investment and develop projects in all parts of Wales. I have never felt the slightest friction in any of those meetings.

Q477 **Robin Millar:** Let me move on, then. That was the community resilience fund and the levelling-up fund, but now we have to think about the shared prosperity fund. I think it is about £585 million in total that the UK Government have pledged for shared prosperity funding to Wales. I was surprised, then, when I saw a letter to local authority leaders on 14 June—barely a week ago—from Vaughan Gething, in which he makes a remarkable statement. He says: “I have made clear to the UK Gov that the shared prosperity fund is an initiative for them to deliver and that the Welsh Gov will not help deliver UK Government programmes in Wales that we consider to be flawed, and will not deploy resources for that purpose.” What do you make of that? It seems somewhat at odds with the description we heard from the chief executive of the Welsh Local Government Association and with what you are telling us today.

Simon Hart: I agree. I don’t know what to make of it, really. The area of activity that I thought that we were entirely in sync with is that what we want this money to be used for is the creation of well-paid employment for as many people as possible, for as long as possible, and as widely and equitably distributed as possible across Wales. That is what we are doing. I can’t understand why the Welsh Government—unless there is some strange political reason that I am not privy to—would want to, essentially,



HOUSE OF COMMONS

step in the way of that for any other reason than to make a cheap political point. I hope Vaughan Gething will be able to say that it isn't that.

Q478 **Robin Millar:** In fairness to Mr Gething, because he is not here, he does say in the letter, "We will support you if the funding and the spending that you decide on is aligned with Welsh Government priorities." And he sets out a four-page annexe to the letter, which describes exactly what the Welsh Government's—

Simon Hart: Which I think isn't a million miles away from what our own priorities are. If it's about job creation and sustaining good-quality jobs, helping people in deprived areas and encouraging inward investment, there is nothing between us.

Q479 **Robin Millar:** To be clear, what you are saying, if I understand you correctly—I don't want to put words in your mouth—is that you have confidence in the relationship that you have, that the UK Government have, with local authority leaders in Wales. That is working, and the money that is going there is more than they have received previously. Therefore you have trust in what they are doing.

Simon Hart: I have said it before and I will say it again: I absolutely trust local authorities to make wise decisions on behalf of their local communities, which I think will be entirely in keeping with our own objectives. I very much hope, I remain optimistic, that—

Q480 **Robin Millar:** I have one minute left, I believe, Mr Crabb, so can I press you on this, Secretary of State? The UK Government provide some 80% of Welsh Government funds, if I'm correct on the figures—I certainly don't want to misrepresent those. Earlier, you mentioned distribution, and distribution was at the heart of the conversation and the questions that Geraint Davies started off with. In April this year, the Health Minister, Eluned Morgan, made an announcement regarding what she called an "Ambitious plan to end long waiting times" in Wales. We know that there are problems with the health boards. It's not health that I want to drive into, but in that announcement, £25.4 million was allocated to south Wales, zero was allocated to mid-Wales and zero was allocated to north Wales. If we are looking for a flawed distribution, does it seem to you that this is an odd distribution for allocating funding?

Simon Hart: This was specifically health funding?

Robin Millar: This was specifically health funding. "Ambitious plan to end long waiting times" was the headline. I am trying to understand here.

David T. C. Davies: These formulas are complicated, but I think they deserve very careful scrutiny. The one that I am familiar with is the local government funding formula, which is used to allocate money across the 22 local authorities in Wales. It was changed in the early 2000s in a way that meant that south Wales local authorities seemed to disproportionately benefit. And it was all very subtle; it was all done in terms of—obviously, you look at population when you allocate money. That's fair enough; we all understand that, and you have to give a weighting to it. Then they



HOUSE OF COMMONS

started looking at rurality, because it costs more to deliver goods in rural areas, but instead of looking at rurality as the distance you travelled along a road, it was as the crow flies, which meant that a whole load of sparse rural areas lost out on funding.

Then there was a lower weighting given to the elderly within the population, which meant that areas with a large number of elderly people did not get as much as they needed. The strange thing about it was that rural local authorities lost out and various authorities, which coincidentally all seemed to be run by the same party, did very, very well out of it. That's why, to get into it, you have to look very carefully at how these formulas come up, but it is odd that some places do better than others.

Q481 Robin Millar: I understand that, and I must say I understand the fact that the demographics of Wales are such that two thirds—or whatever it is—of the Welsh population live within about 90 minutes of Cardiff, but what I am trying to reflect is the frustration that residents, constituents in Aberconwy and many others, across north Wales feel. There is a sense of being overlooked and underfunded. I have to say that I, for one, welcome the fact that money is going directly to local authorities, because that, hopefully, removes some of that sense of a distribution that favours a global perspective rather than where need lies in other parts of the—

David T. C. Davies: I think, Mr Millar, you will note that there was a fair degree of transparency about how we calculated which areas were more deprived for the purpose of distributing funds under the levelling-up fund. That level of transparency is really important when you come forward with formulas, and I, too, would be interested to know what the basis was for calculating the health formula.

Simon Hart: One of the many underlying principles that define levelling up is the stark reality that skills and innovation are reasonably evenly spread across the UK, but opportunity is not. In the health context, that may not be quite so relevant, but in terms of the funding distribution that we are trying to achieve, that is exactly what we are looking at in detail.

Q482 Beth Winter: A brief comment: we have a democratically elected Government in Wales. Like I say, I will be writing to you about that.

I want to ask about something in relation to my constituency. I have just completed a cost of living survey—Mr Hart, I sent you a copy of the report—and we had an outstanding response, with 650 constituents responding. Sadly, there were some truly harrowing accounts. The key figures are that 90% of people feel worse off than they did last year, 76% report having cut down on heating, 81% say that the cost of living crisis is having a terrible impact on their mental health, 48% have had to borrow money and 61% of people on benefits have had to skip meals in the last year. What is your message to my constituents?

I would add that in the Cynon valley, 62% of people are economically inactive—I commissioned some research on that—which is the highest level of economic inactivity in the whole UK. We have extremely high



HOUSE OF COMMONS

levels of deprivation, sadly, and the levelling-up agenda will not particularly help. What is your message to them?

I just want to make reference to one other thing—

Chair: Very quickly, Beth, please.

Beth Winter: I have seen in the press in the last couple of days that the Prime Minister is planning to boost City bosses' pay—to tear up restrictions on their pay—while demanding wage restraint from everybody else.

Simon Hart: The Government are not responsible for City bosses. They never have been, and they are not going to start now. I suggest that you take your information from a different source.

The answer to your constituents is the same as the one I give to mine, which is that this is why we are doing levelling up. This is why we are empowering your local authority in a way that has never been done. You clearly don't trust your local authority; funnily enough, I do. I want to create long-lasting jobs in the Cynon valley. I want people to be able to live their entire lives and follow their career progression and ambitions in the Cynon valley. That is what we want to see. We do not want to keep people on benefits all their lives; we want to create industries around your area that will make you proud.

Beth Winter: Do it, then.

Simon Hart: That is what we would like to do. At the moment, we are not succeeding in doing it as fast as we would like, because we get letters of the sort that Mr Millar read out, which indicate that Welsh Government are putting the brakes on this. I suggest also that Welsh Government have their own levers of power, and they can make a difference. They can make interventions around things like council tax or business rates for your businesses. Let us see some action from them, rather than just endlessly complaining about the UK Government. They have the power to intervene, with these vast sums of money that we have been talking about, to make life better for your constituents.

We are doing our bit in terms of the levelling-up agenda and good jobs, and we have to grow our way out of the cost of living crisis. You talk down your own constituents. We should be more optimistic. We should give them encouragement that we are actually on the case and we are going to make life better for people in the Cynon valley. With great respect to their MP, all I hear is an endless list of reasons why the Cynon valley is the last place on earth you would want to go. I think that is a tragedy.

Q483 **Beth Winter:** People in my constituency are suffering. That is the evidence that my constituents have given to me. They cannot choose between heating and eating; they cannot do either.

Simon Hart: We are coming up with some solutions—

Beth Winter: Where are the solutions?



HOUSE OF COMMONS

Simon Hart: And it would be brilliant if you and the Welsh Government joined us in our ambitions. That would be fantastic.

Q484 **Chair:** Secretary of State, we are almost out of time. You said recently that the Welsh Government should hold a referendum before it increases the size of the Senedd. Would that require legislation here in Westminster or in Cardiff?

Simon Hart: It is a devolved matter, so it would be for the Welsh Government to introduce the appropriate legislation. There are a number of things that they are doing, whether it is increasing the size of the Senedd, which I know a number of Labour colleagues are fairly jumpy about—the Labour party in Rhondda voted unanimously against it this week. So I think there is a rocky path ahead for the Welsh Government in that regard.

Also, on changing the voting system and having multi-Member constituencies, if that was a UK proposal there would be all sorts of pressure from all sorts of parties. A constitutional matter such as that should be put to the public in the normal way. For those who say, “Ah, but we got our mandate at the last Senedd elections,” that was just a general comment on Senedd reform; it did not in any way talk about changing a voting system that has been in place for years, about the numerical increase, about the multi-Member constituencies or about the other provisions. Saying, “We’re going to reform the Senedd” is not the same as having a mandate.

Q485 **Chair:** Have you talked to the First Minister about this?

Simon Hart: No, but I do intend to. We are taking a little advice before we do so. Some of his proposals are devolved matters, but not all. I just think that the decent thing would be to put them to voters in Wales, especially given that, as Beth Winter has been saying, the focus should be on the cost of living. However many millions that this will all cost—£100 million over five years, I think—I would like to see spent in Cynon Valley. I think that would be a fantastic boost for her voters in Cynon valley.

Q486 **Ben Lake:** In the interests of clarity, Secretary of State, am I correct in understanding that what you are saying is that, because the proposals would increase the size of the legislature in Wales, they should be put to a referendum?

Simon Hart: Yes, I think that is what I am saying.

Q487 **Ben Lake:** Just so that I am perfectly clear, what you are saying is that, because the size of the legislature is increasing, that should be put to a referendum?

Simon Hart: In this particular context, yes.

Q488 **Ben Lake:** Every year the British legislature increases in size, through appointments to the House of Lords. Forgive me, but when was the last time we had a referendum on that?



HOUSE OF COMMONS

Simon Hart: That is not completely true, because of course the House of Lords has quite significant churn, as you know, with Members retiring all the time or, sadly, dying. The numerical point that you are making does not stand an enormous amount of scrutiny, but David will put me right.

David T. C. Davies: I was there when we discussed reforms to the House of Lords, which I voted in favour of but they were voted down. The problem is that you have to have an alternative that you can get agreement on. We have an alternative in Wales, which is the status quo, and to a certain extent people are reasonably content to allow that status quo to continue. If we went ahead with a referendum on the House of Lords, I am sure that there would be a lot of antipathy towards it—I myself voted for reform—but we would need to have an alternative plan.

Simon Hart: We are told that the noble Lord Wigley is standing down, so will Plaid be accepting a new Member of the House of Lords to replace him in due course?

David T. C. Davies: Yes, is this a job offer?

Ben Lake: I am quite happy being the MP for Ceredigion, thank you.

Simon Hart: It will be interesting to see if you contribute to that process.

Q489 **Robin Millar:** Secretary of State, do you think that the two parties that formed the co-operation agreement in Cardiff should have included that in their manifestos?

Simon Hart: To be honest, I do. The reason I say that—of course, people will possibly make the observation about the Conservatives and the Lib Dems back in 2010—is that Mark Drakeford and Adam Price both said specifically that they wouldn't be getting into bed together following the Senedd elections; that was part of the deal. I think that people who voted for Plaid or for Labour did so on the basis that that promise from Mark Drakeford meant something, but clearly it didn't. With great respect to Mr Lake, it clearly didn't mean anything to the Plaid leader, and apparently it didn't mean anything to the Labour leader either. I am not particularly partisan about these things, but it was a flagrant breach of what had been promised only a few weeks before.

Chair: I think that brings us to a natural end point, as we have overrun the allocated time. Thank you for your generosity, as ever, with the time made available, and for your frank answers. It was an interesting and lively discussion. Thank you, colleagues.