



HOUSE OF COMMONS

## Welsh Affairs Committee

Oral evidence: [Brexit and trade: implications for Wales](#), HC 176

Thursday 19 November 2020

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Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Ben Lake; Dr Jamie Wallis; Beth Winter.

Questions 192 - 245

Witness

[I](#): Jeremy Miles MS, Counsel General and Minister for European Transition.

## Examination of witness

*Witness: Jeremy Miles MS*

Q192 **Chair:** Good morning. Welcome to this session of the Welsh Affairs Committee. I am delighted this morning that we have been joined by Welsh Government Minister Jeremy Miles, who serves as Minister for Brexit Transition in the Welsh Government and is also Counsel General. We have you for 90 minutes, and we have a lot of ground to cover as part of our inquiry into the impact on Wales of post-Brexit trade agreements.

I will start, Minister, by asking you about an issue that is in the press this morning. The Secretary of State for Wales has been writing about the proposals for a shared prosperity fund, where there has been some disagreement between the UK Government and the Welsh Government. He is calling for the Welsh Government to take a more collaborative approach to the shared prosperity fund. Do you feel there is any lack of collaboration on the part of the Welsh Government on work developing the policy around the shared prosperity fund, Minister?

**Jeremy Miles:** Thank you for the invitation to be here this morning. Diolch am y gwahoddiad. I do not think there has been any lack of collaboration on our part. I cannot remember how long ago it was when I offered the UK Government the services of our officials to work with the UK Government on the proposals for the shared prosperity fund. Those offers were not taken up. Over the last few months we have had a gaping hole where policy detail should be for the shared prosperity fund.

I saw the coverage of the Secretary of State's article. I think we are way beyond the stage at which it is helpful for organisations in Wales to be reading things in the press. We need to see some firm proposals. We, as a Government, have published this week our framework for regional investment in the future. That depends obviously in large part on the UK Government holding to their promises to make sure we do not lose any funding and that we have the devolution settlement respected. If I may say, Chair, I read the report from the Committee on the shared prosperity fund and I thought it was a very fair assessment.

Q193 **Chair:** Thank you, Minister. One point the Secretary of State seemed to be making in his commentary is on the role that local authorities can play in delivering the shared prosperity fund. Is there any fundamental theological difference between the Welsh Government and the UK Government when it comes to the role that local authorities in Wales should play in distributing funds to disadvantaged communities?

**Jeremy Miles:** There appears to a difference of opinion in relation to the role that the Welsh Government should play. A set of proposals that reflect the devolution settlement would mean that funding comes to the Welsh Government for the Welsh Government to share in accordance



with the principles of our framework. That framework has been with local government and has a very strong regional character to it.

You will have seen in the framework perhaps that a significant amount of decentralisation is envisaged from Cardiff Bay to regions right across Wales, reflecting the enhanced flexibilities that we can take advantage of, having left the European Union, to make sure that, geographically, communities right across Wales can benefit in a very flexible and nimble way. It is fundamental to that that decisions are taken at a regional level, and the mechanism for delivering for that is through local governments working together regionally.

Q194 **Beth Winter:** Bore da, Minister, and thank you so much for joining us this morning. I want to focus on the level of engagement and governmental relationships. In the last couple of weeks we have been joined by the Trade Minister, Greg Hands, and the Secretary of State, who said that they feel they have a very good relationship with the Welsh Government, whereas you have been quoted as saying in the past that the devolved nations have been shut out of negotiations. How would you describe the level of engagement between the Welsh Government and the UK Government as part of the trade negotiations with the EU?

**Jeremy Miles:** The truth of it is that it is a very inconsistent picture. I recognise Greg Hands's comments because, in the context of trade negotiations outside the EU with third countries, we have been well engaged in that work. A couple of years ago we called for a ministerial forum for trade to be established; it has been established and has been meeting. There is a concordat that is intended to govern the relations between the Governments. Although that has not yet been signed, it appears to be being operated.

There has been good engagement with us in the space of non-EU trade negotiations. It is a very different picture for negotiations with the European Union where, bluntly, there has not been any meaningful involvement for the Welsh Government or other devolved Governments. Obviously we recognise that the negotiations themselves are reserved, but plainly the implementation of large swathes of them is devolved. We have said from the start that it would be to the UK Government's advantage, quite honestly, not least to be able to present a united front in these negotiations and to involve us more closely than they have, but they have not, in truth.

Q195 **Beth Winter:** What implications has that had on the Welsh Government for post-Brexit planning and so on?

**Jeremy Miles:** It is a very inconsistent picture in planning for the end of the transition period. We lost an awful lot of time in the early part of this year when there was no real central engagement with the UK Government. There were departmental dealings but not any kind of structured systematic central dealing. When we were heading towards a no-deal Brexit at the end of 2019, there had been pretty good



engagement, but that dropped down significantly this year. It has picked up towards the end of the year, but there have been some areas—we are concerned about ports and borders, for example, in particular—where the late engagement has lost very significant periods of time.

We have always said that whatever the political differences between the Governments—plainly in the area of Brexit they are significant—they need to work together to make sure, in our case in Wales, but also across the UK, that we are all prepared for whatever outcome we face at the end of this year.

Q196 **Beth Winter:** More specifically, what has been the working relationship between the Welsh Government and the Department for International Trade? How effective is the ministerial forum for trade as a mechanism for intergovernmental co-operation, and how many times has the forum met since it was established?

**Jeremy Miles:** I do not think I can answer the last question. I have recently come into this set of responsibilities, but we can confirm that to you. But it has met and has been productive, and it has provided an opportunity for us to understand the evolving negotiating position of the UK Government. In the Japan trade agreement, we were involved in looking at the negotiating positions—looking at draft texts, for example—and had an opportunity to feed into that in a way that we would regard as positive and beneficial for Wales as well as for the UK. I think that has worked well.

We would like the underpinning concordat that has been negotiated and that governs the relationships between the Governments of the UK in relation to these matters to be formalised and to become a governing document in the future for these relationships and negotiations. We are not there yet on that, but we are hopeful that that can happen. I would describe it, broadly speaking, as a positive set of engagements with the DIT on non-EU negotiations.

Q197 **Beth Winter:** The joint review of intergovernmental relations, which was agreed in March 2018, is ongoing, and the UK Government have indicated it is making progress. Can you update us on how you feel the review is progressing?

**Jeremy Miles:** As you say, it was commissioned over two years ago, so plainly the macro picture is that it has not proceeded as quickly as we had hoped. It has proceeded, if I can use the term the First Minister has used, in fits and starts, but it appears to be making progress. We were hoping to be in a position to have something that could be agreed and operationalised by the end of this year. I do not think there will have been a formal agreement between the principals for it to be put into effect in that way, but I am still hopeful we can get something that is workable.



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The key risk to it, if I can put it into context, is the introduction of the UK internal market Bill, which fundamentally undermines the relationship of trust between the Governments in the way it disregards the devolution settlement. They need to be negotiating an intergovernmental relations review, and for that to happen midway through it is obviously incredibly unhelpful. Notwithstanding that, it is making progress.

**Beth Winter:** We will be coming on to the internal market Bill later. Diolch for now. Thank you.

Q198 **Simon Baynes:** Good morning, Minister, and thank you very much for making yourself available to us all today. What is the Welsh Government's assessment of the current state of the trade negotiations with the EU?

**Jeremy Miles:** I wish I could be in a position to give you some detailed insights into that, but as I mentioned in passing to the question Beth Winter asked me, we have not been engaged sufficiently closely to be able to give you a detailed assessment of where we are with it. There has been a complete failure, really, to engage us in that process.

We are in a position where there are days in which to salvage some sort of agreement. Is that possible? It has seemed to me from the start that it is possible. The question is not whether there is an agreement that can be announced by the Prime Minister and the President of the Commission; the issue is whether that agreement is one that works in the interests of the United Kingdom. I suggest that that is not possible with where we are with negotiations, but I am sure a deal will be possible. We have been very clear about the long-term impact of no deal or a weak deal, and I fear those are the two alternatives.

Q199 **Simon Baynes:** Picking up on your last point, could you expand a bit on the assessment you have made of the impact of a no-deal exit on the key sectors of the Welsh economy? What would a Canada-style free trade agreement with the EU mean for the Welsh economy? They are a couple of different options.

**Jeremy Miles:** We have been clear about the long-term impacts certainly, which is consistent with the picture right across the UK. Even on the UK Government's own figures, that would show something in the order of a 7.5% or 7.6% hit to GDP over a decade. We expect that to be a similar picture in Wales. Even with a light-touch deal, that is looking at a 5% hit to GDP, is it not? The picture is similar in Wales.

If anything, we are probably more exposed in Wales, given that more of our exports end up in the European Union. In that sense, I think we will be more adversely impacted, but the broad picture is consistent across the UK. We have published a number of documents that summarise our analysis of the impact on sectors in Wales, but clearly sectors at risk of damage are those that rely heavily on exports to the EU—the automotive sector, the agricultural sector and a number of other sectors that we



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depend on in Wales. That is why we have been so clear that a no-deal exit or a weak-deal exit is so damaging to the Wales economy.

Q200 **Simon Baynes:** And my point about a Canada-style free trade agreement?

**Jeremy Miles:** I am describing that as the light-touch end of the spectrum.

**Simon Baynes:** That is included under that.

Q201 **Tonia Antoniazzi:** Diolch, Minister. When we had the Secretary of State for Wales in front of us not long ago, I asked him about where the Government were up to in talking about trading arrangements, the time limits and the sectors of business that were at risk in Wales of a no-deal Brexit. One of the things he said in response to me was that there was not a Welsh-specific approach. I am concerned particularly where we talk about Welsh lamb, and he had conversations with the NFU and specific organisations. What concerns do you have? If we are not looking at a Welsh-specific view on items like lamb, we have a massive issue moving forward. I would like to know what the impact is going to be of a no-deal Brexit on the lamb and beef industry in Wales from your perspective in the Welsh Assembly.

**Jeremy Miles:** The short answer to your last question is that it will be devastating. There is a significant exposure to the EU markets. By the way, that is a rational decision for farmers in Wales to have made. It is a very large market right on our doorstep and farmers have exported very successfully to the European Union. Welsh lamb and Welsh beef are great export products for Wales, and it has been a success story. That is why it is so important to make sure that we continue to have tariff-free access to the market. The risks to the sector of anything other than that are very significant. That is why the NFU in Wales and the FUW have been so vocal about the need for a good deal.

As I was saying earlier, just to make a tangential point here, there is a difference of opinion between the Welsh Government and the UK Government about the future relationship with the European Union. That is obvious. What we have tried to do at each stage is to find the best way of advancing Welsh interests within the political realities that the UK Government have set as a consequence of the referendum result and the election result at the end of last year. We have tried to engage with that throughout by making our case for the sectors in Wales that will be most adversely affected. That certainly has not had the effect we were hoping for, but we have persisted throughout to make the case.

Q202 **Chair:** Minister, to what extent is the UK Government working with the Welsh Government on the provision of information to businesses in Wales about Brexit preparedness? The UK Government are spending a lot of money on public relations and public information. Is there an active partnership at work when it comes to deploying that information in Wales?



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**Jeremy Miles:** I think the position now is better than it has been, bluntly. For some time, the communications were about all of the opportunities that lie ahead, and I understand why the UK Government's political position is that. But they have more recently moved to a place where they are saying, "You have to prepare for the end of this year, be alert to what the changes are, identify how it affects your business" and so on. That is much easier for us to share together as a set of communications.

We have a Brexit portal on the Welsh Government website, and we also have a dedicated Preparing Wales website. Both of those link through to UK Government resources for business when they are applicable in Wales. We have sought every opportunity, where those resources are relevant to Wales, to point people to them.

Q203 **Geraint Davies:** Minister, how serious do you think the disruption to supply chains will be due to possible port congestion and conceivably barriers to trade? There might be a scenario with tariffs, of course, and perhaps you could describe what that would look like. But assuming there is not, for argument's sake, what would be the disruption, the impact on the ground and the effect on businesses, particularly businesses like sheep? Obviously there is an issue about how long they last.

**Jeremy Miles:** In relation to supply chains, probably the reality is that the biggest impact on the Welsh economy at large would derive from issues in the short straits. That is probably how the Welsh economy at large would be most likely to be affected. There are also the risks in relation to our own ports, in particular. Holyhead has been the second busiest ro-ro port in the UK, so we have been working with the UK Government more latterly in relation to what that means for port infrastructure and so on.

Again I do not wish to belabour the point, but it is important. There was a very, very significant delay in engaging us on those questions in relation to Holyhead, in particular. It is an area where there are both reserved and devolved responsibilities. From January, there will be customs checks and so on. The SPS checks are delayed until July, but the need to get infrastructure in place to minimise the impact and the disruption of introducing those checks is way past urgent, and there are still a lot of questions outstanding in relation to those before we can proceed with our plans. We are concerned about the delivery implications of those even for a July timetable.

I think the border operating model and the staggered introduction of checks will make some difference but we should not underestimate the risks of disruption at the border in the event of a no-deal end to transition. That has significant implications, of course, for supply chains in the UK but also for traffic management and so on around the ports. There are a number of concerns that we are directly involved in.

Q204 **Geraint Davies:** There may be problems possibly with food shortages in



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supermarkets, in particular if we are again in the midst of a resurgence of a pandemic. As we go into January we now have the multiple problem of blockages plus shortages. Is that something you envisage or have planned for? How do you see that going?

**Jeremy Miles:** Food supply is one of the projects for preparedness that the UK Government are leading on UK wide, for reasons that are obvious. It largely depends on imports, and supply chains in food distribution are very integrated across the UK. We are clearly involved in that process, as are the other devolved Governments.

The shared overall assessment now is that it is unlikely that there will be a restriction of the overall food supply, not least as a consequence of some of the changes that were brought in at the start of this year, but that there will probably be, or there is likely to be, limited choice in some fresh produce. But the cost implications to some consumers could be material. The cost of food may increase, which probably for most people will be tolerable, but some people, certainly people who are particularly vulnerable, might find that a very significant challenge. We raised that in discussions with the UK Government so that it can be part of the broader picture about how we support people in communities through the start of next year.

As you say, there are other factors at play, such as the resurgence of covid, and we may see flooding events in the early part of next year that pose logistical challenges. Those things are additional challenges to the pressures that will come at the end of the transition period.

Q205 **Geraint Davies:** The UK Government are providing support to Wales and across the UK for coronavirus, but if on top of that we have a resurgence and we have food prices going up, some people who do not have much money and are not working will have a problem, won't they? Are you saying that there needs to be preparedness and plans from the UK Government as well for that eventuality so that people can afford to buy food, which might be in shorter supply and a higher price?

**Jeremy Miles:** We would expect the UK Government to take action to make sure those people do not find themselves in that position.

Q206 **Geraint Davies:** What is your assessment of the "Time is running out" campaign? Have businesses taken that up, and are they prepared to go at the beginning of January?

**Jeremy Miles:** We have a concern, which is not a new thing to say but it continues, about the level of business preparedness. In Wales, we have a very high number of small and medium-sized enterprises in our economy, as we all know. There will be a particular challenge for those businesses, completely under pressure through covid, to make capacity, headspace and resource available to deal also with the pressures of the end of transition. That is obviously concerning to us.

Q207 **Geraint Davies:** We are concerned about Tata and Airbus, and we have



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mentioned agriculture, but in a nutshell what is your vision into the future of how these big strategic industries are going to be coping with the change?

**Jeremy Miles:** We have to make sure of a deal that protects the steel sector. The risks to the steel sector of tariffs and significant non-tariff barriers are in very significant billions. There has been some good news recently about the extension of tariff trade quotas and so on and about protection against US measures, but that is why a deal is so important to make sure that we have support for the steel industry in Wales, which otherwise faces very punishing tariffs and costs.

Q208 **Ben Lake:** Diolch, Chair, a diolch hefyd am ymuno â ni bore `ma. In response to an earlier question you mentioned that the UK Government's consultations with the Welsh Government on the EU negotiations were not sufficiently close. I would like to turn to a similar set of questions about negotiations with non-EU countries. On 22 October a Welsh Minister said that the Welsh Government had seen the first 10 chapters of the UK-Japan free trade agreement. What level of consultation did the Welsh Government have on the Japan deal and was there any reason given for only seeing the first 10 chapters?

**Jeremy Miles:** I am not sure about the reason for the 10 chapters, but there was a reasonably close working relationship on the Japan trade deal. We are still working with the UK Government on the economic implications of that, and we are going to be publishing our own impact assessment in the coming days. But we were able to make our positions clear to the UK Government throughout those negotiations, and we are broadly pleased with the outcome of the discussions. That demonstrates the ability of Governments to work together well when they operate on a proper basis, and it shows the potential if we had had a close working relationship on the EU negotiations.

Q209 **Ben Lake:** Thank you, that is very interesting to know. Have you experienced a similar level of engagement and co-operation on the New Zealand or the Australian negotiations, or indeed the US negotiations?

**Jeremy Miles:** Yes, we were also involved in the same sorts of discussions on those. We have slightly greater concerns about the exposure of some of our sectors in those negotiations. The US, Australia and New Zealand are significant agricultural exporters in their own capacity, so the risks to our agricultural sectors, similar to steel, are potentially significant. But the chapter profile that we saw in the Japan deal probably reflected the aspects of the deal that had an impact on devolved matters. That is probably why we saw a limited subset, by the way. We would expect the same approach as we make progress on the other three trade agreements as well.

Q210 **Ben Lake:** Thank you. Is the consultation with the UK Government undertaken directly with the Department for International Trade or is there also discussion with DEFRA about agricultural matters?



**Jeremy Miles:** It is principally through DEFRA on agricultural matters, but there is engagement with the DIT as well, as the principal Department leading on negotiations. We have sight of devolved interests—agriculture is a clear example—and engage more fully in those, but there will be other aspects of negotiations where we do not have full visibility. My argument has been throughout that sharing a broader range of information with us is ultimately helpful. We could identify areas where perhaps it is not immediately apparent to the UK Government that we would have an interest, but where we do have and can play an equally constructive role.

Q211 **Ben Lake:** I have two further questions. The first is continuing on the line of questioning about the mechanisms and the level of co-operation between the two Governments. I want to ask particularly about the Trade and Agriculture Commission—I think many people welcome the fact that it is on a statutory basis from now on. What are your views about the Welsh representation and specifically the Welsh Government's involvement with the Trade and Agriculture Commission?

**Jeremy Miles:** I welcome its establishment, because I think it is important for there to be a forum for the important questions of food standards and animal welfare, consumer interest and competitiveness—all those things are vital in trade negotiations. But it does not have a remit that can cover devolved areas, and we are absolutely clear that it should be limiting its activities to areas that are reserved.

The Welsh Government do not have a formal engagement in that way, although we agree with what it is trying to do. There are one or two Welsh voices on it, and I think that is good in the sense that, where they relate to reserved matters, Wales's voice will be heard. But the work of the commission needs to be limited to those areas that are reserved, because we have our own policy for matters in Wales as a devolved competence.

Q212 **Ben Lake:** The lines are somewhat blurred, of course, because the conduct of trade policy, as you have already mentioned, will impact inevitably on devolved areas of competencies. One such matter we saw a few months ago was the BSE status for Welsh beef. I understand that DEFRA was required to make an application to the World Organisation for Animal Health to register for Welsh beef to have a negligible risks status. Are you confident that some of the work that has been ongoing in recent months on formalising the co-operation between the Welsh and UK Governments to conquer that memorandum of understanding—and, once formalised, the sort of issue where you were depending on a central Government Department to apply for the status for Welsh beef—will be sorted out in the future?

**Jeremy Miles:** To be clear on the commission, by way of specific assurances—to your first point—that it will be limited to reserved matters, for reasons that we understand, on the point about having a concordat and a memorandum of understanding, in the same way as we



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have argued throughout that we need more robust mechanisms in intergovernmental relations more broadly, but specifically more recently in the context of European negotiations, the reason we need those mechanisms and formalised arrangements is that these things absolutely should not be dependent on a particular view of a particular incumbent in a particular office. It needs to be capable of surviving changes of personnel and differences of approach. They are there to provide long-term, robust intergovernmental fora. I think there are examples of them working well, which is why it is frustrating that they are not applied more broadly across the board.

Q213 **Ben Lake:** Thank you, Minister. Finally, because I fear I could have this discussion with you all morning, what are the main priorities for Wales and the Welsh Government on the trade deals or the trade negotiations with Australia and New Zealand?

**Jeremy Miles:** Obviously, we want to make sure that extending the opportunities for Welsh exporters, whether it is to Australia, New Zealand or the US, is important. Different sectors are probably differently engaged in those agreements. We would have a concern about the impact on the agricultural sector, in particular, of the New Zealand and Australia deals. On the US deals, there are opportunities for steel and automotive as well as for agri-foods.

There is some potential here. Two of the biggest restrictions that we have on our export capacity to the US and Australia are not features of free trade agreements but are things that could be dealt with outside of those: the small ruminants rule, as it is called in the context of US import and export, and the beef ban in relation to Australia—those things. There would probably be quite significant benefits to us outside free trade agreements themselves.

**Ben Lake:** Of course, with the US there is an opportunity for Welsh whisky. Thank you, Minister.

Q214 **Chair:** Minister, you rightly highlight the interests that Australia and other countries have as big agricultural exporters. Perhaps not surprisingly, the Australian high commission in the UK has been in active outreach mode, meeting with Members of Parliament along with its trade team, to try to create some reassurance or at least break down some of the fears and concerns about agricultural exports. Are you aware of them doing anything with the devolved Administrations? Are they talking to members of the Senedd or directly to you as Ministers?

**Jeremy Miles:** I have not had contact myself, but I would be happy to confirm that to you about other contact.

Q215 **Virginia Crosbie:** Good morning, Minister. You mentioned the ports and specifically Holyhead being the second largest and busiest ro-ro port in the UK. How concerned are you about the readiness of ports to adapt to new customs arrangements following the end of the transition period?



**Jeremy Miles:** The ports themselves are doing everything they can with port operators and so on, but there has obviously been a lack of engagement at the start of this year. We are now engaged as a Government with the port operators and local authorities and now with the UK Government as well. There are some key decisions that need to be taken. There is a set of responsibilities for the UK Government on 1 January. As you will know, the plans are to have an interim set of arrangements to deal with those, away from the ports themselves. We are working with them on our responsibilities for animal SPS checks, essentially. The deadline for that is July, but I am very concerned about our capacity to meet that deadline, given we are still waiting for some decisions from the UK Government on that.

Q216 **Virginia Crosbie:** How confident are about the support that some of the operators have had to put in the infrastructure that they need—companies like Stena and Gwynedd Shipping?

**Jeremy Miles:** Support for infrastructure within the port?

**Virginia Crosbie:** Within the company, supporting the companies for trade going forward.

**Jeremy Miles:** Certainly, we have a very close set of discussions with them so that they understand our position as a Government, the checks for which we are responsible and the traffic management plans that will impact the ports. We have a very good channel of discussions and communication with them. It is for HMRC and the UK Government to form their own assessment of how they are communicating with the ports, and probably not for me to say. From our point of view, we feel that we are doing all we can to make sure the ports are alive to the steps we are taking within our responsibilities.

Q217 **Virginia Crosbie:** How concerned are the Welsh Government about the potential to bypass the whole of the Ireland-UK-EU land bridge post Brexit?

**Jeremy Miles:** I have a set of concerns around the impact on Holyhead specifically, which obviously you will have an interest in, about the consequence of how goods from the Republic and from Northern Ireland are treated in the future. Our assessment is that around 30% of the trade through Holyhead is either to or from Northern Ireland. As a consequence of how the qualifying of Northern Ireland goods is defined in the most recent statutory instrument that has been made, it seems to us there is a risk there by virtue of goods going direct from Northern Ireland into Great Britain, obviously having no checks, and goods coming through the Republic into Holyhead, for example, being subject to checks. There is an obvious risk there about trade diversion away from Holyhead that we are concerned about.

The mirror challenge to that is that goods from the Republic currently coming into Wales would, after the end of the year, be subject to checks, but if they transit through Northern Ireland there is a possibility that they



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may end up going into Great Britain without checks, so a risk there as well. We are seeking clarity of the implications of those so that we understand the impact in particular on Holyhead.

Q218 **Chair:** Minister, can I pick up on the point about the inland checking facilities for lorries? Am I correct in thinking that the Welsh Government are leading on that project to find sites for those facilities in Wales?

**Jeremy Miles:** It is a different picture in different parts of Wales, Chair. That is true in south-west Wales for Fishguard and Pembroke. We will be leading on an inland site or sites there because the UK Government and HMRC responsibilities, as we understand it, can be dealt with within the curtilage of the ports, but the SPS aspect, the BCP port checks, need to be done inland. We are leading on that. For north Wales, for Holyhead, the UK Government have been leading on that from the start because it is another port in a UK-wide programme. They have an interest in the inland site there, which they do not have in south-west Wales, and they are leading. The site selection for north Wales is the critical point in unlocking progress for 1 January but also for 1 July.

Q219 **Chair:** We do not yet have sites selected, let alone planning consent, for either the north Wales corridor or the south Wales corridor?

**Jeremy Miles:** No, that is absolutely right. We have narrowed down the options in north Wales. We have been pressing for a decision for some time, for obvious reasons. There were some dependencies on the decisions in north Wales before we get underway ourselves in south-west Wales, so that has been held up as well. We have contractors who have identified a range of sites in Pembrokeshire and Carmarthenshire, and we are working through those now, but they have been held up by the overall delay in north Wales as well.

Q220 **Chair:** Presumably you will need some kind of fast-track planning consenting process if these are to be up and running by July, or is the expectation, "Forget about it, we're not going to hit that July deadline"?

**Jeremy Miles:** Our position is that it is everyone's hope and aim to hit the deadline in July, for obvious reasons. Our ability to do that is very heavily dependent upon a decision about the selection of the sites, which is extremely urgent now. If it becomes clear that that is not physically possible, there will need to be contingency arrangements for July, but our ask at this point is for that decision to be made quickly so that we proceed.

Q221 **Geraint Davies:** What are the main reasons that the Welsh Government are objecting to the internal market Bill? What steps would need to be taken to get legislative consent from the Senedd?

**Jeremy Miles:** We think the idea of an internal market is a good and necessary component for the countries of the UK. We have no objection at all to the principle of an internal market or to the principle and practice of a UK-wide state aid subsidy regime. But the internal market Bill goes



way beyond what is required to deliver either of those. It is heavy-handed and disincentivises work on the common framework programme, which we think is the solution to the internal market. That enables the Governments across the UK to have a common approach that allows for divergence and to do that in a way that is good for consumers and businesses but also respects the devolution settlement. That is our fundamental concern about how the Bill works.

We have published a range of model amendments, which if the Bill were to be amended to reflect them would address the concerns that we have and that are the bases for us saying we cannot consent or cannot invite the Senedd to consent. We would be in a different world if those were addressed.

We have seen the proceedings in the House of Lords and the concerns there, in particular around parts 1 to 3 in so far as they reflect devolution. There are aspects to the Bill that are about international relations as well, but the focus from a devolution point of view has been in that space, and we think the House of Lords has shown that our concerns are very well founded.

**Q222 Geraint Davies:** The devolved competence to set different standards for food, environmental standards and so on was enjoyed under the EU regime. Is it the case that it is not under the current internal market Bill? Could that be rectified by changing the internal market Bill so that we could add slightly different standards, rules and protections in Wales to the rest of the UK?

**Jeremy Miles:** Our concern with the Bill from a devolution point of view is that it effectively hollows out our capacity in Wales, for example, to set standards that Welsh consumers and Welsh businesses have enjoyed during the period of devolution and membership of the EU. The Bill enables the lowest standards in any part of the UK to govern the standards applicable in all parts of the UK, so it effectively hollows out the devolution settlement in that case.

We think that it is possible to proceed with a very well-functioning internal market that does not do that, that provides a floor of standards negotiated and discussed as a consequence of the common framework programme, which, by the way, has been one of the better functioning areas of intergovernmental relations. I do not think there is any example where those discussions have broken down irretrievably. We say that by putting that at the heart of the Bill you ensure good standards and you also ensure a level of managed divergence across the UK, which is what we have been benefiting from so far.

**Q223 Geraint Davies:** If Wales wanted to stop, for example, nine single-use plastics, and fewer were required in England—say three, which I think is the case—we would be able to do that with a revised common framework but not under the current rules. Similarly, if we wanted different food standards or labelling in Wales, that would be possible, in theory, if the



internal market Bill was changed. Is that correct?

**Jeremy Miles:** The Bill deals with goods and services and qualifications. As you say, in the case of goods, if another part of the UK were to decide to reduce animal welfare standards below what they are today, it would not be possible in Wales for us to prevent those items from being sold in Wales even though Welsh regulations set a higher standard. It would also not be possible for us to label that to tell consumers that that is what was happening.

There is a world view, a school of thought—which I do not myself share, but it is a reasonable analysis—that says, “Tell the consumer and they get to decide.” Even that would not be possible under some provisions in this Bill. There are policies in Wales that we brought in on the regulation of landlords. We have legislation on public health regulation, and there are risks that some of the policy in that area would also be caught by the Bill.

Single-use plastics is a very live example, because in Wales we are consulting on banning nine types, whereas the provision in England is to ban three types. We would not be in a position, as we understand it, to prevent those six from being put on the market in Wales.

Q224 **Geraint Davies:** But the changes could be made so that the Senedd could give consent if divergence and innovation were allowed in the different four nations on environmental, health and food standards and so on?

**Jeremy Miles:** There is a range of areas where we have put forward amendments. Some of them are about putting common frameworks into the heart of the legislation. We have significant concerns about other parts of the Bill, as I am sure you are aware, that effectively reverse the devolution settlement and provide the UK Government with powers in devolved areas to spend without reference to devolved Governments. We have a set of other concerns as well, but if the amendments we have been proposing to this part of the Bill that we are discussing now were taken, our concerns would be allayed.

**Geraint Davies:** As you said, the other bits are about who is allowed to expend in Wales. I will leave it there for now. Thank you.

Q225 **Tonia Antoniazzi:** Minister, my questions are about freeports. Will the Welsh Government be supporting a bid for a Welsh freeport?

**Jeremy Miles:** We have been engaging for some time with the Treasury about this, but we have not had, until very recently—including, in some cases, this week—the information that we would need to be able to confirm our policy or position on it. We have been asking for economic modelling analysis for some time, and it has not been available. This week we discovered the position on taxation, which is fundamental to the freeports proposal. We are concerned that by not having access to that early enough and being able to form our own analysis of it, we will be



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behind as the English process kicks off this week. We could have avoided that by either having the information sooner or aligning the bidding process, but the UK Government have chosen to do neither of those two things.

We have concerns about some aspects of this, and we want to be able to engage with the evidence so that those concerns can be tested and hopefully allayed, but we obviously need to do that before we are able to confirm a position.

**Q226 Tonia Antoniazzi:** There are two points. What indications have you had from the UK Government about when the bidding process for freeports outside of England will commence? Is it the case that you have not had any indication?

**Jeremy Miles:** I think they wanted to commence as soon as possible, but the point is that that is only possible when we have been able to engage with the information that was provided this week. It would have been possible to align the bidding process in Wales and England, for example, in law, but they have chosen not to do that, which is why we are keen to be able to engage with the details so we can form a policy approach. We want to do that constructively. We think it is possible there is an opportunity here for Wales, so we want to take that, but we have needed information.

**Q227 Tonia Antoniazzi:** Absolutely. You have mentioned that the Welsh Government have some concerns around the Barnett formula. The Barnett formula is going to provide the basis for investing in any Welsh freeports. What is the adequate level of funding that you are going to need to establish a freeport in Wales, and what are the concerns around the Barnett formula?

**Jeremy Miles:** The basic concern is that you cannot run 10% of the ports on 5% of the budget. That is essentially what it amounts to. It needs to reflect the costs of delivering one of the ports, if that is where we end up. I think the plan is to have 10 ports UK wide. That is the reference in the bidding document. If one of those ended up in Wales, you would be looking at the cost of one of the 10 ports. The Barnett formula delivers broadly 5%, which is significantly less than 10%. The precise detail needs to be worked out, but the broad principle of starting from Barnett is obviously the wrong principle.

**Q228 Chair:** The Welsh Government have a significant interest in Cardiff airport. Are the Welsh Government talking to the UK Government about whether Cardiff airport could benefit from a freeport status?

**Jeremy Miles:** I am not sure of the detail of the conversations going on about which particular locations might be in play, but we want to make sure that Wales has an opportunity—provided our concerns can be allayed, which we obviously hope they can be—to put the best bid forward if that is what we choose to do. As I say, it would have been good to do it in a way that was aligned, but we are not in that position.



Q229 **Chair:** To be clear, the Welsh Government would be comfortable with Cardiff airport becoming a freeport if it meant additional support for the asset?

**Jeremy Miles:** The Welsh Government's position on freeports in any part of Wales is that it needs to be concluded following review of the information we have just been provided with. As soon as we have done that, we will be in a position to come forward with an explicit policy position on our engagement with freeports. We want to do that in a very constructive and engaged way, but some of the key aspects of that, in particular on taxation, have been provided to us this week.

The key thing with the freeport proposal is it is inherently one that requires collaboration, doesn't it? You have tax implications, planning implications and a range of others that are a mix of reserved and devolved competencies. That is why it is very important to work together on that.

Q230 **Chair:** I completely understand that. There has been some talk of a potential cross-border freeport bid. Given exactly what you have just said there about the mixture of reserved and devolved competencies, do you think that a cross-border bid would create too much sheer complexity to be viable? Is that something that the Welsh Government would back or not?

**Jeremy Miles:** I am not in a position to say that, Chair. The bidding document lodged this week conceives of a cross-border bid being possible. Whether that is possible in practical terms depends on a range of considerations that we are working through in real time now, given the sharing of information.

Q231 **Dr Jamie Wallis:** Thank you very much, Minister. It is good to see you here this morning. Can I turn back to the internal market Bill? What discussions have the Welsh Government had with the UK Government about the establishment of the Office of the Internal Market and how that office will operate?

**Jeremy Miles:** The genesis of this Bill more broadly is one in which we were not properly engaged before it was published, as you will probably recall. We had no say in the White Paper that came out, and we were not invited to participate in putting the Bill together. That is unacceptable in its own terms, given the nature of what it seeks to regulate. We have had discussions with the UK Government at ministerial and official levels about a range of things we want to see amended in the Bill, and the Office of the Internal Market is one of those.

Q232 **Dr Jamie Wallis:** Thank you. Is it your view that the office should sit as part of the Competition and Markets Authority, or do you feel it should be a stand-alone office?

**Jeremy Miles:** We have not argued for it to be stand-alone. We think it is possible to work as part of the CMA, but it requires significant



amendments to that part to deliver the outcome in a way that ensures accountability to all four Governments and Parliaments of the UK.

**Q233 Dr Jamie Wallis:** Thank you for that. If you could be a little bit more specific, what role do you think the devolved Parliaments should have in scrutinising the office and the operation of the office?

**Jeremy Miles:** We have published amendments that deal with each of our concerns in relation to this, and most of those we have taken up to date. They deal, for example, with the relationship that we have with the CMA itself—a requirement to consult with Governments across the UK before preparing or revising enforcement policies. There is a range of consultation provisions in there. There would need to be a consent requirement before the Secretary of State brought in new penalty arrangements. There would be provisions that protected our capacities as devolved Governments to have parity on appointments to the OIM panel—a consent mechanism in relation to some of those appointments. We put forward some practical mechanisms to deal with some issues around that as well. There is also a requirement for the CMA to lay its annual plan and proposals in front of the devolved Parliaments. There is a range of different things that touch on appointment, remit and operations.

**Q234 Dr Jamie Wallis:** The UK Government have indicated that the intergovernmental processes that manage disputes will need to be expanded to deal with disputes on the internal markets. How robust are the current mechanisms at the moment, and what do you think would need to change?

**Jeremy Miles:** The intergovernmental dispute mechanisms are not robust, broadly speaking, at the moment. They are effectively a situation in which the UK Government act as judge and jury, if I can put it like that. That has been one of our concerns throughout, which is why we have put forward consistently a set of reforms to the intergovernmental machinery that addresses that point, in particular. The intergovernmental relations review has had, from 2018, as one of its workstreams a set of discussions around dispute avoidance, which obviously is the ideal thing—dispute avoidance and resolution. That has made very good progress and is very encouraging.

**Q235 Dr Jamie Wallis:** I am glad to hear there has been progress made on that front. Do you feel as though we have seen the progress made in those mechanisms during the current pandemic?

**Jeremy Miles:** I think they are different things. I was talking about a disputes mechanism. What we have seen in the course of the pandemic is a very mixed picture about intergovernmental working. At the very start, when the crisis was immediate and developing in real time, there were some good examples of Cobra meeting very early on. There were some ad hoc meetings with Michael Gove as CDL, and there was a pretty good



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set of intergovernmental quadrilaterals between the Health Ministers, for example. That demonstrates the potential for collaboration.

I do not think that has continued throughout the public domain in the way that it should have. What is most telling is that at no point during the public domain did anyone seriously think that the JMC structures were the right solution for managing intergovernmental relations, which I think tells you something about the fact that they are not fit for purpose, basically.

**Q236 Chair:** Following on from that, you have talked in your answer there and earlier in the session about some of the good interactions between the Welsh Government and Government Departments. You talked about the Department for International Trade, for example. So far, as far as I can recall, you have not mentioned the Wales Office. What is your honest take on the role that the Wales Office plays right now in mediating relationships between the UK Government and devolved Government? Do you feel that the direct relationships between different directorates of Welsh Government with counterpart Departments in Whitehall are strong enough that they do not need the Wales Office involved?

**Jeremy Miles:** Certainly. I do not think the Wales Office mediation takes matters forward particularly. It is helpful to have the Wales Office understanding our position on various things, but at the end of the day these areas are about delivery ability. That is why, as you say, it is the discussion between the delivery Departments in the Welsh Government and the UK Government that is so important.

I will give you a good example of this. It is an example where I think the Secretary of State for Wales has done what he can to try to engage us to some extent. I have had a couple of meetings with the Secretary of State for Wales to discuss the Welsh Government's emerging thinking on how the shared prosperity fund could work in Wales after the end of transition. Those discussions have been good. We have published a document this week that describes what we think is the way forward. We do not yet know what the UK Government's vision is for that.

But what has not happened there is any engagement whatsoever with the lead Department. In that example, the Ministry of Housing, Communities and Local Government basically has not responded to letters. In that kind of space, it is helpful to have the contact point with Secretary of State for Wales, who is able to at least hear what we have to say as a Government. But where there is a delivery responsibility at either end of the M4, it is much more effective when the Departments work directly together.

**Q237 Chair:** If the Wales Office did not exist, would you agree that it, or something very much like it, would need to be invented, or not at all?

**Jeremy Miles:** The UK's constitution has moved forward quite significantly since the Wales Office was established. I think the relations



between different component parts of the UK and its changed constitution could be looked at afresh in how the UK Government organises itself, but that is a matter for the UK Government.

**Q238 Geraint Davies:** I simply want to ask what the implications are for financial assistance powers and the internal market Bill per the administration of the shared prosperity fund. Its predecessor was managed by the Welsh Government. How would you like to see the shared prosperity fund managed? How do you see it being managed and the way forward?

**Jeremy Miles:** The way I think it should be managed is consistent with the commitments and promises the UK Government have made, which is that Wales should not suffer any loss of funding as a consequence of leaving the European Union, and the devolution settlement should be respected. Any successor to the structural funds and regional funding ought to be built on those two principles. The financial assistance provisions in the internal market Bill plainly provide an opportunity for UK Government Ministers to take powers in devolved areas, effectively. There is a Government in Wales that already have the power to invest in housing, education and health, and that is the Welsh Government. If the premise on which the UK Government are proceeding is that they want to work in partnership, those provisions in the Bill are about not working with us but working around us. That is not faithful to the commitment that the successor fund should be based on the devolution settlement.

What does that mean in practice? You will have seen the document we published this week about how we think framework funds could be utilised in the future in Wales. I hope that the UK Government look at that document and tell us where they disagree. I think they would struggle, because we have shared ambitions to make sure that Wales flourishes economically, our communities are healthier and more sustainable, and we have a sustainable economy into the future. That is what the document describes.

Do we think there is a role for the UK Government in this? Of course we do. There is a UK-wide, top-line framework of objectives that needs to be set. We think that needs to be done by all four Governments in the UK coming together to describe that broad set of objectives. There have been examples already where individual UK Departments are partners with the Welsh Government on some of these programmes. The Department for Work and Pensions is an example where that has been the case. That gives you a sense of how we think it could work.

**Q239 Geraint Davies:** With the predecessor fund, the structural funding from Europe, about 375 million a year, can be spread over a timeframe of seven years, which gives you some flexibility. Secondly, it was due to obviously relative—*[Interruption.]*

**Chair:** Is there a connection problem? Geraint is frozen.



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**Jeremy Miles:** I am afraid I did not catch much of that, because it was garbled when it came through to me here.

**Geraint Davies:** Yes, I am awfully sorry. In a nutshell, would you be able to use the shared prosperity fund, as you used its predecessor, on covid and more flexibly over the years?

**Jeremy Miles:** We would like to be able to make a commitment to multi-annual funding, but that depends on the commitment that the UK Government make to us and that is outstanding at the moment. We do not know what that is. It does not feel like that is likely to happen, but we wish to be in that position if possible.

On the use of the funding on covid, it is important to make a distinction between the emergency funding that the UK Government have made available to all parts of the UK, which is obviously appropriate to deal with covid. What this is about is the strengthening of the Welsh economy into the future. This is a different thing, and it cannot be the situation where we are saying, "Money has been spent on covid in Wales, which is netted off this fund." That is not acceptable.

What also is not acceptable—to the point that you started with—is to say, "These sums of money are still coming out into programmes in Wales in future years, despite the fact they are from previous years' commitments, and we are going to net off those payments from any future commitments into the shared prosperity fund." The point of the fund is a new set of programmes into the future with fresh commitments. We have described in a document this week how we think that can work.

Q240 **Beth Winter:** My constituency of Cynon Valley has benefited massively from funding from Europe by the shared prosperity fund. There are many charities and other organisations that are extremely concerned now and do not know what is going to come following December. We mentioned earlier about our report, which talked about the co-production of the next phase of the shared prosperity fund—the needs-based approach. Do you share the frustrations and concerns of constituents of mine and others in the south Wales valleys, and what do you feel the implication is if we do not get what we have consistently asked for, which is not a penny less, not a pound lost?

**Jeremy Miles:** I do share those concerns. I feel very strongly that there needs to be co-production in this. We have learnt that from our experience to date. We, as a Government, have spent probably three years working with local authorities, businesses, universities, the third sector and so on to develop the framework we published this week. It is the definition of co-designed and co-produced for how these funds could work in Wales.

The broader point that you are making is about the impact of the loss of those funds. In west Wales and the valleys, which includes your constituency, unemployment is reducing faster than in other parts of



Wales as a consequence, we would argue, of these funds being deployed in that part of Wales. It is funding jobs, skills programmes, apprenticeships and so on, which we want to ensure people can continue to take advantage of in the future.

There are also a lot of organisations across Wales who need the clarity of what is coming next. They need to know whether the future funding is able to support their activities. We are way past the 11th hour for those organisations, and we will have a loss of capacity as a consequence of that delay in bringing forward details about the shared prosperity fund, I am afraid.

Q241 **Ben Lake:** I apologise, Minister, I am taking you back a few questions now to the theme that I had the pleasure of questioning you about. That is to do with the intergovernmental mechanisms and potential methods of working and standardisation of the relationship between the UK and Welsh Governments. In the February 2018 document that the Welsh Government published, "Trade Policy: the issues for Wales", there was an outline of some proposals of ways in which the relationship between the UK Government and the Welsh Government, but the other devolved Administrations as well, could operate, and there was an expression, or an aspiration perhaps, that the Canadian model could offer a way forward. I am conscious that there has been quite a bit of work and progress since 2018, but how do you think the conclusions of the work, the ministerial forum and the concordat, will end up? How similar or otherwise will it be to the way in which the Canadian model works?

**Jeremy Miles:** We have never said as a Government, by the way, that the devolved Governments should have a veto on international trade agreements. I know that is the position of other Governments, but it is not our position. What we have said throughout is that engaging the devolved Governments where there are devolved competencies, but also, more than that, where devolved interests more broadly are impacted, the best way to make sure there is a UK-wide approach to this and that it is collaborative and instructive.

As I said earlier, some of the proposals in the document that you have mentioned there have come into being, and the ministerial forum for trade does offer that forum. Obviously, it is very early days for that forum, so it is a fresh institution. It is good it has been established. It needs to strengthen, and for me that means the signing of the concordat, for example. There is an architecture there that can work.

On whether you draw a comparison with Canada or other parts of the world, there are things to learn from that, but my personal observation, from being involved on behalf of the Government with other Governments in the UK on Brexit and trade negotiations, is that you need a bespoke set of arrangements that reflect the political realities, political history and culture of the United Kingdom. I feel that we have put forward a set of proposals on trade, but also more broadly in terms of the negotiations and intergovernmental relations more generally, that do that



and that put intergovernmental relations on a firmer foundation so that there is a principle of parity between the Governments in how these things are approached. I think that is fundamental to ensuring that the Union continues. I know you and I will have a different view of whether that is desirable, but it seems to me that understanding that is pretty essential and pretty core to the future of the Union.

**Q242 Ben Lake:** Do you think that, in terms of the formalisation of the relationship or any new methods of working, there will be any need to enshrine that in law in primary legislation, or is it something that can work well and withstand any political pressures—I think we both know what I mean by that—if it is just a memorandum of understanding between the Governments?

**Jeremy Miles:** It would be preferable if it were possible to get agreement for this to be done on a statutory basis, but the key thing is for there to be functioning arrangements that Governments observe. The UK constitution is full of examples—and don't we know it—that are not based on legislation but on convention universally observed. That is part of our constitutional history, but we need to apply the same mindset to the set of intergovernmental relations, where these are fundamental principles and fundamental institutions. If there is a statute footing for that, so much the better, but the key thing is having them observed and observed regardless, frankly, of the political colour of Governments or the individual incumbent in those roles. If you are looking for an example of where things are working well, I would say the relations with DIT are a good model to use for other negotiations.

**Q243 Geraint Davies:** Do you have any concerns about how the new UK state aid regime would affect Wales and how we can invest in our priorities?

**Jeremy Miles:** We need to have a UK-wide state aid regime that should be agreed by the four Governments in the UK. The internal market Bill reserves state aid to the UK Government, so it is a change in the devolution settlement. We feel strongly that there needs to be a common UK-wide position. We do not want to have a free-for-all, if I can use that language.

An example of why it is so important that this is done independently, rather than by one Government, is because the UK Government, by virtue of the way the constitution of the UK is set up, have a direct responsibility for economic development in England, just like we have in Wales, but they also have responsibilities to the Treasury for funding all aspects of support across the UK. We have seen this most recently with the questions around covid furlough, for example. There is an inherent tension, an inherent potential conflict of interest in there, so it seems to us that an independent approach agreed on a four-nations basis is the right way forward.

**Q244 Geraint Davies:** It is the framework for agreeing who spends what, as opposed to drawing lines. Do you have any examples? How would this



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work on the railways, for example? How would you like to see it? We will possibly do an inquiry on this.

**Jeremy Miles:** I am not sure I am sufficiently clear on individual policy applications, if I am candid. But the basic principle needs to be a UK-wide regime, independently policed, that is robust and rules based. We think that there is scope for doing this through a common framework. Bluntly, if I can be straightforward about it, the reason that is not happening is because the UK Government will not engage on it. If there was an appetite to engage around state aid and subsidies through a common framework process, we would be keen to explore that.

Q245 **Geraint Davies:** That would help bond the Union together, in your view?

**Jeremy Miles:** Yes.

**Chair:** We have almost run out of time, but I think we have exhausted all of the areas that we wanted to cover with you. Minister, I will say a huge thank you on behalf of the Committee for the time that you have spent with us and thank you for being so frank and open in your answers. That is really appreciated. Thank you to my colleagues on the Committee for helping to make this a very useful and worthwhile session. Thank you, all. We will bring the meeting to an end. Have a great day.