

## Welsh Affairs Committee

Oral evidence: [Responsibilities of the Secretary of State for Wales](#), HC 282

Thursday 17 June 2021

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

Questions 246 - 286

### Witnesses

I: Rt Hon Simon Hart MP, Secretary of State for Wales; and David T C Davies MP, Parliamentary Under-Secretary of State for Wales.



## Examination of witnesses

Witnesses: Simon Hart and David T C Davies.

Q246 **Chair:** Good morning and welcome to this session of the Welsh Affairs Committee. We are pleased this morning to be joined by the Secretary of State for Wales, the Rt Hon Simon Hart MP, and the Parliamentary Under-Secretary of State for Wales, David T C Davies. Thank you and welcome. We are always grateful for the time you give to this Committee. You will appreciate there are a lot of different issues of relevance to our Committee and our work that are floating around at the moment, so lots of colleagues are waiting to ask you questions this morning.

Shall we go straight into it? Secretary of State, in a very pithy and concise way, give us your assessment of the current state of relations between the UK Government and, effectively, a new iteration of the Welsh Government following the Senedd elections.

**Simon Hart:** Thanks very much, and thanks for the invitation for us both to appear before the Committee. We find it useful too to get an insight into your thinking.

Relations are—and have been for some time—better than the press would have us believe. We have a regular weekly call chaired by Michael Gove with the First Ministers. The First Ministers and the Prime Minister had a summit meeting a week or so ago. I have had an initial meeting with Vaughan Gething in his new role. Although there remain some fundamental differences, there is a desire to collaborate and co-operate where it is possible to do so.

It does take two to tango though and we might have a slightly different interpretation of collaboration to the Welsh Government. But we are determined to remain committed to it, even though there will inevitably be some pinch points along the way.

Q247 **Chair:** You referred to the Welsh Minister, Vaughan Gething. He gave evidence to this Committee a few weeks ago in his new role. During that session, he talked about the opportunity for a reset of relations between the UK Government and the Welsh Government. He had been speaking about what he thought were some of the problems and the issues in terms of effective working between the two Governments. Would you agree that this moment calls for a reset of relations?

**Simon Hart:** That gets absolutely to my point about our individual definitions of collaboration. I had a conversation with him the other day in which this was discussed. There might be some tensions around the fact that the UK Government are not remotely ashamed to say that we intend to be a more prominent and visible Government for the UK in Wales. We want to do, in our hopefully post-Covid world, more levelling up and strengthening of the union agenda with more clear and visible activity that will touch more people's lives, sustain jobs and create jobs



that underpin livelihoods. There are some in the Welsh Government who for some reason consider that to be a threat and that everything we do should go through the Welsh Government.

If there is a pinch point between Vaughan Gething and me, it is around that. I do not believe that he or I should feel threatened by the fact that we want to do these things and it does not impinge on the Welsh Government's area of responsibility. It does definitely mean we intend to bounce back with vigour in Wales, but with a common aim. It is about jobs and livelihoods and recovery. I do not want to be having a conversation with him once a week about constitutional minutiae. I want to have a conversation with him every week about jobs.

**Q248 Chair:** You described it as a pinch point but, Secretary of State, it is probably more than a pinch point. Does it reflect the fundamentally different set of visions about the future of the union? You have talked about the UK Government wanting a more prominent and more visible role in Wales. Some caricature that as muscular unionism. When we had evidence from the First Minister, Mark Drakeford, and from Vaughan Gething in recent weeks and months, both have cast themselves as defenders of the union and as being pro the United Kingdom, but from a point of view where they say saving the union requires much greater partnership working between the two Governments. You seem to be presenting an alternative vision of saving the union around projecting the visibility and the strength of central UK government. That is the clash of visions that is creating this tension, is it not?

**Simon Hart:** For me, the union is not a political choice that people have to make. The union is one of those things that I describe as an on-balance judgment. On balance, the union is a force for good. It does not mean you have to put a Union Jack up outside your house; it does not mean that you have to support one political party or another; it does not mean that you have to get embroiled in the constitutional arguments. The vaccine programme will be an absolute classic, the best example we have had for generations. On balance, it is a good thing. It does not impose a requirement on people to behave any differently or be any less patriotic than they have ever been before. Sometimes it is portrayed in that way.

Where I disagree with Mark Drakeford is that I get the impression—I hope he will tell me that I am wrong—that when he says he is a unionist, I sometimes think he is saying he is a unionist, but on his terms. He is a unionist as long as everything goes through him; he is a unionist as long as everything is decided by the Welsh Government; he is a unionist as long as he retains complete control over the levers of influence.

That is not my definition. I have more trust in local authorities as stakeholders in Wales to be able to be part of the union and part of the decision-making process, voters, universities, institutions, charities, business, all of those. The union will function at its best if everybody is part of that function and not just saying, "Thank you very much, Simon,



but the Welsh Government will take it from here". The difference between me and Mark Drakeford is possibly there.

**Q249 Chair:** Of course, Secretary of State, none of this is theoretical. It all has practical relevance. The clash of visions or the pinch points, however you want to describe it, are manifested in the status of negotiations over freeports, the stalemate over the M4 relief road and other practical things like that. We will get on to some of those practical issues in a few moments.

The danger of centrally projecting the strength of the UK Government that you describe is that for a lot of the things you want to get done in Wales—and you outlined it eloquently in your Plan for Wales recently—require working with the Welsh Government. Does this show the limits of muscular unionism when you need the devolved Administration to partner with you for delivery?

**Simon Hart:** That is as pertinent a question for them, as I am sure you put it, as it is for us. I go back to my original comment. What are we trying to achieve here? We are trying to rebuild an economy that is better, greener and fairer than the one in a pre-Covid world. That requires inward investment. It requires looking at initiatives and investment in a different way perhaps than we have done before.

It was telling that at the last Senedd elections in May three out of four voters supported unionist parties. There is a feeling that while that might not have been the reason people cast their vote in the way they did, they were sufficiently comfortable as part of the union that the parties of their choice were not going to break it up or leave it. That was quite telling.

During the election campaign—and over the last 18 months—it is rare, if at all, that I ever get a business, a family, an individual voter or an armed forces representative in Wales come to me and start talking about constitutional differences or practical differences between the Welsh and UK Governments. The message is consistently, "What will you do about jobs? What will you do about my factory? What will you do about my university? What will you do about my lifestyle and how I can sustain it and improve it?" Those are the questions. When we start having public debates about who makes the decision or whose name is on the plaque when the factory is opened, there is a certain amount of public despair about that, which strikes me as the message being that outcomes matter, not who pulls the curtain on opening day.

**Chair:** Minister Davies, do you want to add anything?

**David T C Davies:** No, I entirely concur. We welcome a reset with the Welsh Government, but the attitude of the UK Government has always been that we welcome a good relationship with the Welsh Government. That is why Welsh Government Ministers have been present at every single COBRA meeting that has taken place about the pandemic, for example.



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If I may go off on a tangent, I am slightly surprised at some of the criticisms offered by the Opposition when in fact their own Ministers have been helping to take the decisions that the UK Government have made in respect of the pandemic.

Similarly with the ministerial implementation groups, of which I have done probably dozens or maybe scores, always a Welsh Government Minister representative is there. The Welsh Government know exactly what we are doing and are taking part in the decision-making process. We welcome that reset, which I hope would mean that perhaps the Secretary of State for Wales and I have some idea of what the Welsh Government are doing.

In fact, we have written and asked if we could attend some of their ministerial meetings in the way that they attend ours. We have not had a positive response as yet, but a reset enabling a mutual exchange of ideas would of course be welcome. I would be delighted.

I am looking forward to meeting Mr Gething. As the Minister with responsibility for Growth Deals, that relationship will be important. I had a good relationship with his predecessor, Ken Skates. I have already written and I look forward to meeting with him. I know he was not able to make the meeting as planned last week, but hopefully we will be able to rearrange that in the future.

**Q250 Simon Baynes:** Thank you, Secretary of State and Minister Davies, for your time today. We appreciate the fact that you make yourselves available for extensive periods for this Committee.

I want to move on to the issue of the assessment of the recent four-nation Covid recovery summit and to start by asking you why a summit approach was adopted rather than a meeting of the JMC.

**Simon Hart:** There was not any complicated discussion that I was part of that debated at length which would be the preferred route. As far as I am aware, the PM wanted to join together with the First Ministers as soon as possible after the May elections in the most constructive way that could be achieved in the timescale. I genuinely think there was a friendly intent in that to try to give it the status it deserved and to set off again in that post-election period with positive intent. I may be wrong, but I do not think there were any great discussions about the best vehicle to do that.

**Q251 Simon Baynes:** Thank you for that. What actions and outputs are expected as a result of the summit?

**Simon Hart:** Good question. To some extent, the summit was about relationships. It was about reminding all of us, including the UK Government, about our ambitions in the post-Covid post-Brexit era and what we are all seeking to achieve, recognising some of the challenges that Covid has presented and also some of the opportunities that Covid has presented in terms of being able to rebuild an economy that perhaps looks a little bit different and feels a little bit different from the one that



existed before. It is recognising that there is a role for all of us in that, a role for the devolved Government and also a role for the UK Government in creating the right circumstances and the right conditions for that to be a success, and again reminding ourselves that we should not feel in any sense threatened by the individual roles that devolved and non-devolved Governments have to fulfil. If we can never lose sight of the fact that our common aim is jobs and livelihoods, rather than a constitutional superiority, the two things being distinct, there is a chance that we will be able to persuade people that the Governments that represent them have their best interests in mind.

It is a telling statistic in a way that there is such a significant difference between turnout in a Senedd election at around 46% and turnout in a general election at around 66%. That is not a judgment on whether people prefer the UK Government to the Welsh Government. I am not trying to say that. I am trying to say that there is clearly a recognition among voters in Wales that both Governments matter and both Governments have a role—whether we are successful or not is a different judgment—in the day-to-day running of people’s lives and their career and life prospects. We must not lose sight of that.

Q252 **Simon Baynes:** Is the summit intended to be a one-off event or can we expect similar style meetings on a recurring basis in the future?

**Simon Hart:** There is not another summit in the diary at the moment, as far as I am aware. We did not commit to a future series, but we committed to what was going on beforehand anyway, which is a regular dialogue between the UK Government and the Welsh Government on this and numerous other issues. We have weekly meetings as it is.

Also with the Government hub in Cardiff, which we have talked about in this Committee before, there will be a greater visible and physical presence of officials in Cardiff. There are similar plans in other parts of Wales, as we have discussed before. There will be improved opportunities for officials in both the Welsh Government and the UK Government to be able to discuss all of the things that will probably come up in this meeting and have come up before. For example, we were discussing yesterday the arrival of the new team from the Department for International Trade, DIT, into Cardiff. That will be a significant step forward, first of all in our dealings with the Welsh Government and to make those easier and smoother, but also for all of the individual stakeholders for whom international trade is important in Wales. They will have an easier route into the heart of that Department than they previously had.

**Simon Baynes:** I will finish by asking Minister Davies if he would like to add anything on this point.

**David T C Davies:** I am afraid not, Mr Baynes. Decisions about summits and what goes on are slightly above my pay grade, I fear, so I will leave that with the Secretary of State.



Q253 **Ben Lake:** Thank you to the Secretary of State and the Minister for visiting Ceredigion recently. I know that businesses and institutions locally very much appreciated it.

I am interested to know a bit more about your understanding of the role the Wales Office will play in assessing bids to the levelling-up and community renewal funds.

**Simon Hart:** Thank you. Likewise, thanks for the visit, which if anybody else did not know was to a distillery, which possibly explains why David and I were so anxious to accept your invitation. It was successful and thank you for doing that.

I should start by saying that this is of course a UK-wide fund and it is therefore administered by MHCLG. However, when the Secretary of State, Rob Jenrick, was in Cardiff last week, we discussed this with local authorities. We will have a role in the assessment of the bids. We will have a role in all of that process at official and at ministerial level and we will be giving advice to the Secretary of State on the final decisions. However, the final decision will be a MHCLG decision because it is a UK-wide fund, but it will be on the advice of the Wales Office and likely others too, but that is where we sit in that particular decision-making chain.

Q254 **Ben Lake:** Thank you. To clarify then, at what specific points in the assessment processes will the Wales Office be involved? Would it be fair to suggest that the Wales Office will be consulted and asked for input at an early stage or will that happen once the final bids have been accepted and sifted?

**Simon Hart:** The informal arrangement that I currently have with Robert Jenrick is at every stage, but I hesitate to embellish that any further. In our conversations, it is to make sure—and he is keen that we achieve this—that these decisions, so far as is possible, are taken in Wales, for Wales, by Wales.

As this thing evolves and future subsequent funds come online, the MHCLG presence in Wales will be in numerical terms greater, but will also be recruiting and ensuring that our officials and their officials in Cardiff and other areas of Wales will be suitably experienced and knowledgeable about the individual applications that may come their way. Robert Jenrick will correct me if I get this wrong, but he is determined to make sure that this is not undertaken by remote control from Whitehall. He does want to make sure that these decisions make sense when people see what they are and to minimise the risk of it looking like central government operating remotely, as he will do across the whole of the UK, by the way. That applies as much in places like Cornwall and the north of England as it does in Wales and other areas. Making sure that there is that intimate feel for local factors is an important part of the decision-making.

Q255 **Ben Lake:** Thank you. What discussions have you had with the Welsh Government on plans for the shared prosperity fund?



**Simon Hart:** We have had a number of fairly non-detailed discussions with the Welsh Government, but none the less we have discussed this fund and other funds and the way they might be administered. It is fair to say, if your question is leading to this, that they prefer us to do it another way, but we are not persuaded by that argument and we think that by involving local authorities directly we are bringing more people with more knowledge and more experience of challenges and opportunities across Wales into the decision-making process.

As I said in my earlier answer to the Chair's first question, we need to be big about this. We need to not feel that somehow this will threaten our reputations or our status. That does not concern me. We have had several great conversations with local authorities about their views on some of these measures and I have found it incredibly refreshing that we are getting enthusiastic input from 22 local authorities. While they might not necessarily agree on the policy—I do not know—they do see that they have a seat at the table, which perhaps was not quite so obvious under previous funding arrangements.

Q256 **Ben Lake:** Thank you. Finally, if I can briefly turn to the UK-Australia free trade agreement, did the Wales Office seek an assessment of the potential economic implications of the deal for Welsh farmers, in particular the zero-tariff zero-quota detail? If so, did the Department for International Trade seek that advice and opinion?

**Simon Hart:** David may have a view on this—in fact, I know he will have a view on this—in a moment. From my point of view, the answer is yes. We had a number of conversations with George Eustice at DEFRA. We had a number of conversations with Liz Truss at DIT and at various other levels too. My colleagues in Scotland and Northern Ireland were part of those discussions. It was made absolutely clear—and David will expand on it—that in the Australia FTA, reassurances and safeguards for the agricultural interests were put in place. Yes, there was considerable dialogue in and around that over the last few weeks.

**David T C Davies:** The only thing I can add to this, Mr Lake, as you and I are aware from previous work we have done, Australia, like New Zealand, is already able to export a certain amount of lamb tariff-free into the UK and does not currently fulfil that tariff quota, although certainly narrowly below that. If all those tariffs are lifted over a period of time, the obvious competition will be with other countries outside of Britain, probably the Republic of Ireland. At the moment we fulfil only about two-thirds of the demand with our own beef and we import from elsewhere, mostly from the Republic of Ireland. If there is a problem and if there is competition, it is likely that it will be faced with Irish farmers, not with British farmers.

I have had a discussion with one of the unions, the FUW, about this. One myth is that there is all sorts of cheap lamb or beef in Australia waiting to come into the UK. This can be scotched very quickly by a five-minute search on the internet looking at the prices of beef and lamb in Australian





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supermarkets like Coles and Woolworths and comparing them with the prices of identical cuts of beef and lamb in Tesco or somewhere else. Beef and lamb are generally more expensive in Australia. Australian beef and lamb costs more in Australia than British beef and lamb costs in Britain. I do not buy this idea at all that we are suddenly about to be swamped with all sorts of cheap beef and lamb from Australia. Frankly, it is just not that cheap and it will be even more expensive when it is exported over here.

Q257 **Ben Lake:** If that is the case, why did the UK Government pursue a transition period and believe that a transition period of 10 to 15 years is so important?

**David T C Davies:** This is slightly above my station, but the British Government were pursuing a wide-ranging trade deal with Australia and all sorts of other countries and all sorts of things have to be taken into account. One of the many advantages of this deal is that British people will be able to go and work in Australia for up to three years. We will be able to export cars, such as the ones built in factories in Wales, over to Australia. There are a whole range of different issues that will be looked at in a trade deal.

There was fear expressed that there is all sorts of cheap lamb and beef in Australia waiting to come over here. It is not true. It just is not the case. A couple of minutes on the internet can verify this for anyone who cares to do it.

Q258 **Chair:** Coming back to your remarks earlier, Secretary of State, regarding how bids to the levelling-up fund and the community renewal fund will be assessed and the role of the Wales Office, I think I heard you say that you have an informal agreement with Robert Jenrick about the role of the Wales Office to assess bids at every stage. Is that correct?

**Simon Hart:** Yes, your recollection is right. I can look it up while we are talking.

Q259 **Chair:** Forgive me, but we are talking about distribution of public money. It strikes me as odd that there should be any informality about the process whatsoever. Surely who does what and holds the pen should be crystal clear.

**Simon Hart:** You are quite right, Chair, to pick me up on that. I am trying to impart the fact that that will be formalised. It just has not been formalised yet. The commitment is, yes, you will play a part in the assessment process. Details will follow. That is where we are. It is a good point.

Q260 **Chair:** Does there exist yet or will there exist a flowchart or diagram showing what happens when a bid arrives from a local authority into MHCLG? I have heard Luke Hall, the Minister, talk about a role for the Welsh Government in assessing or contributing to the bids. Who is doing what feels very fuzzy at the moment. It would be helpful to see such a



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flow diagram of how the decisions get made and who holds the pen when public money is assigned to particular projects.

**Simon Hart:** Yes, that is fair. I do not have a flowchart sitting in front of me here, but I commit to the Committee to see if we can get you that information. It will probably come from MHCLG, but we will see if we can fulfil that at some stage.

Q261 **Virginia Crosbie:** Bore da, Ministers. Thank you so much for agreeing to join our Committee. My question relates to HMRC and in particular the Holyhead inland border facility. I have been having weekly meetings with HMRC and we have excellent communications between Lord Agnew's team in the Welsh Government and the Isle Council here, albeit some robust conversations. But my understanding is that HMRC is due to exchange imminently on a new facility that will create hundreds of new jobs here in Holyhead and that the facility will be up and running in January, albeit in a temporary marquee-like structure, and completed in spring 2022. How confident are you that not only Holyhead but south-west Wales will reach completion in January?

**Simon Hart:** I am reasonably confident about Holyhead for the reasons you point out, in that a site has been identified and the legalities of that are fairly well advanced. I am less confident about Fishguard and Pembroke because, as far as I know, I am not aware of sites being finalised and purchased or planning applications and associated activity being undertaken. Somebody listening in on this may be able to update us, but at the last count it was not the case. I am hesitant about committing to that being in place in the early part of next year. I would not like you to press me on when that will happen.

Of course it is—without wishing to contradict anything I said earlier in this Committee—a matter for the Welsh Government. It is their responsibility to undertake the activity for the physical site or sites that service Fishguard or Pembroke. Holyhead is different in that regard because there is a UK Government element to it via HMRC. I hope that sort of answers your questions to the best of my ability.

Q262 **Virginia Crosbie:** Thank you. Regarding the facility particularly here in Holyhead, will you work to ensure that local contractors and subcontractors are used for facilities management?

**Simon Hart:** Yes, of course. We have a meeting with Lord Frost, I am hoping, next week with his team. He is responsible for the team, including Lord Agnew and Emma Churchill and her department, who have been in the driving seat of this for some time. That will definitely be on the agenda. If it is not, we will make sure that it is.

**Chair:** I will go back to Simon Baynes now. We are still waiting for a couple of our members to come back from the Chamber, where they have been participating elsewhere. We are hopping around a bit. Simon, I hope I am not putting you on the spot there.



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Q263 **Simon Baynes:** Not at all, Chair. Thank you very much. I want to turn to the discussions you have had with Treasury Ministers on improving transport connectivity in Wales and also with particular reference to any discussions with the Department for Transport regarding the possibility of a tunnel between Wales and Ireland.

**Simon Hart:** David is the expert here.

**David T C Davies:** That is an easy one. I have had no discussions with anyone about the tunnel. I have read about it. It is an exciting idea. I cannot say any more than that.

As far as the more down to earth matters of rail connectivity in Wales, I have had lots of discussions with many different people about them. The current situation is that the upgrade of the south Wales freight line to enable passenger trains to use those two lines between Bristol and Cardiff is going on apace at the moment. I hope we will see a final business case on that one later on in the year.

The north Wales coastline will also go through the process, although it is slightly further behind. The south Wales metro is being built at the moment using £125 million of UK Government money, along with money put in by the Growth Deal, and £450 million has been put aside for signalling.

I do not know whether you will allude to the figure mentioned in the *Western Mail* and this idea that Wales is getting only 1% of spending on railways despite having about 11% of the track or something. We dispute that figure. The reality is that further on in that report, which was a Welsh Government report anyway, it makes it quite clear that if you look at the figures in a different way, if you look at just enhancements for a certain period of time, you come up with this low figure. If you look at maintenance, operations, renewals and enhancements together, you get a figure of 4.37%, which is on page 20 of that same report. The UK Government have a tremendous record of investing in railways in Wales and we will be starting to see the results come through over the next couple of years.

I share the frustrations many have about the length of time it takes to bring about rail improvements, but it is a complicated business. You make a decision and it takes, I am afraid, several years rather than several weeks to get things done.

Q264 **Chair:** To follow up on Simon's questions around transport and connectivity, can I be absolutely crystal clear that there has been no discussion within the UK Government that you are aware of around constructing some kind of tunnel between Wales and Ireland?

**David T C Davies:** With respect, I would not be part of those discussions. That is quite a high-level strategic decision. My involvement is more likely to be once the decision is made, talking to the relevant officials.



**Simon Hart:** I have had no discussions of that nature.

Q265 **Chair:** Is the idea still being entertained within the UK Government to override Welsh Government objections to build the M4 relief road?

**David T C Davies:** When Peter Hendy's report comes out, he is likely to have looked at the M4 relief road. When we were part of the European Union, the European Union expected us to maintain the trans-European networks for the good of the European Union as a whole. It is not beyond the bounds of possibility that if there are important strategic networks within the United Kingdom, the United Kingdom Government will be interested to make sure that for the good of everyone in the United Kingdom those networks are maintained.

But at all times the UK Government want to work in partnership with the Welsh Government. We feel that if it is in the best interests of the United Kingdom to maintain a strategic transport network or route such as the A55 or the M4, then it will also be in the interests of the people of Wales. We will both want to work together for the respective populations of all parts of the United Kingdom.

**Simon Hart:** Can I add to that? It is an important point. We have been picking up from businesses and individuals from across Wales for some time now that east-west and west-east connectivity is critical. Whether that is the A55 or the M4, the arguments are much the same. These are UK-wide transport assets that join vast swathes of the UK economy together, including Wales but not exclusively Wales.

The M4 relief road is a good example and, bizarrely, was accepted as such by our Welsh Labour colleagues in Cardiff inasmuch as they included it in their 2016 election manifesto. They were persuaded by the arguments too at that stage. The idea that it is just a problem for Newport and Cardiff is somehow a slightly clouded judgment on this. This links London with the Republic of Ireland and all points east and west of that.

As David said, clearly we want to make sure that there is as much co-operation and collaboration over these things as possible, but we have to look at it in the context of the UK economy just as much we should the economies of the areas where these blockages may be.

Q266 **Chair:** Just because the Welsh Government might consider the idea as dead, you do not regard it as such?

**Simon Hart:** I do not regard any idea as dead. We have to keep chipping away at these things and it may take years to persuade our colleagues to revisit these things. As we have seen in the last year, suddenly emphases change and people's economic and other activities change. Now people are unable and in some cases unwilling to holiday abroad, the result of which is that the Welsh holiday and hospitality offer, particularly in our part of the world, is different. More people are travelling up and down the M4 than might do in a normal summer. I know there is also a



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counterargument about trying to get cars off the roads and our net zero ambitions, but we have to balance these things. On one hand we are crying out for people to come and sample and savour our hospitality offer, but we have to enable them to get there to do it. There is a different set of pressures now than there was even a year ago. Never say never. As we have seen with the Government even in the UK, sometimes it is a case of, “No, no, no” and then suddenly, “Yes”. I will not rest until we get a yes on this one.

**Chair:** We have been waiting in Wales for 30 years for a yes for the M4 relief road.

**David T C Davies:** The new Minister for Economy, Mr Gething, is on record or was on record as being supportive of an M4 relief road a few years back, so who knows?

Q267 **Virginia Crosbie:** Ministers, in the Chamber yesterday I asked the Chief Secretary to the Treasury for an update on discussions with the Welsh Government regarding a freeport. This Committee received a letter on Monday from Minister Davies with an update on discussions. The prospectus for England freeports was published in November last year and the eight freeports in England were announced during the Chancellor’s speech in the Budget in March. Wales is being left behind, particularly north Wales, with a freeport in Liverpool. The Italian company, Tratos, and Rolls-Royce are keen to invest in Anglesey once, as is hoped, the island has freeport status. What are you both doing as Ministers to push negotiations forward?

**Simon Hart:** It is no secret—I have said it to this Committee before—that the UK Government’s manifesto commitment for a minimum of one freeport in Wales is deeply frustrating. We were able to get the freeport initiative off the runway in England, but have not been able to do so in either Scotland or Wales because we have not been able to reach agreement with the Welsh Government, which of course hold the essential levers, some would say, around things like business rates and planning, which would enable freeports to provide all of the opportunities we think they can.

By the way, as an estimate, a freeport has the potential to create 15,000 jobs. This is not to be taken lightly. It is a source of frustration and we were so nearly there before the Senedd elections. The outgoing Minister at the time, Ken Skates, was pretty sympathetic to what we were trying to do. There were some concerns about displacement and about taking jobs from one part of Wales to another and that was being addressed. Suddenly, at the last minute, we were told as a result of an intervention from the First Minister—but I cannot confirm that; perhaps you can ask him—that suddenly they had gone cold on the idea. We are to this day still trying to now warm that up again to see if we can get these 15,000 jobs in Wales and not find that they leach out to other places that have taken a more enlightened view as to what freeports have to offer.



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Q268 **Virginia Crosbie:** Thank you, Minister. My understanding is that the main resistance seems to be about this displacement. The reality is that Tratos wants to have a factory here with sales of £1 billion, which will be leading the world in solar cabling, with over 300 jobs. Rolls-Royce is keen to look at the island to invest and build SMRs here. That would kickstart the Wales economy, not only in nuclear, but also in steel. It would be a fantastic exporter. My understanding is that there is not a displacement issue and freeports will bring in new money and new investment and, as you mentioned, 15,000 highly skilled jobs to Wales.

**Simon Hart:** I agree.

**Virginia Crosbie:** Thank you. Minister Davies, you kindly wrote to us.

**David T C Davies:** I agree with the Secretary of State on this. We desperately want these freeports to go ahead. We want to work with the Welsh Government to make this happen. I would be delighted to meet with the Minister for the Economy and the Welsh Government as soon as he has time for it. I will want to discuss that.

Q269 **Virginia Crosbie:** Will you commit to reporting back to the Committee, Minister, once we have some traction?

**David T C Davies:** Absolutely.

**Simon Hart:** We can do this. We do have the legislative capability to introduce a reserved freeport. I hope it gives the Committee some indication that when we talk about collaboration and co-operation we mean it. We would rather do this as a team effort than have to resort to reserved powers. We did make a commitment and people have supported us on the back of this commitment. I keep saying to people that it is a case of when, not if, we will be able to launch the freeport initiative in Wales.

**Virginia Crosbie:** Thank you. Even if we get the prospectus for the Welsh freeports now, we will be almost a year behind England, a year when people in Wales will be significantly disadvantaged.

Q270 **Chair:** Again, to be absolutely clear, Secretary of State, you are saying that there will be a freeport in Wales whether the Welsh Government are part of a collective effort to deliver that or not, but you will fall back on UK reserved powers to deliver that freeport?

**Simon Hart:** Subject to one important caveat: that decision will not lie with me. It is easy for me to say, "When, not if" but as you know, the decision-making process will involve a wider selection of people. It will not just be a piece of paper for me to sign. I can definitely confirm a real determination from all the relevant UK Government Departments and stakeholders, for that matter. We are constantly being lobbied by local authorities and port authorities in Wales to do this. The pressure is not just about politics. It is about practical people on the ground who want this to happen, people with expertise who know what this will offer.



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When in my role I have to weigh up the arguments put by local authorities and port authorities against the counterarguments put by people in the Welsh Government, then I am naturally drawn towards the people for whom this is their everyday way of life. We have to get this done but it will not, sadly, be my decision in the end.

Q271 **Beth Winter:** Thank you, Minister, for coming along today. A couple of weeks ago, you will be aware that we had an in-depth session with local authority leaders, the Welsh Government and representatives from the UK Government regarding the levelling-up and community renewal funds. Unfortunately, you were not able to attend that. That series of sessions raised more questions than answers with a whole range of issues becoming evidence, concerns regarding competition, timescales, the methodology used and prioritisation of areas.

A strong message came out about the lack of consultation and involvement of both the Welsh Government and the local authority leaders. I quote one of the local authority leaders back to you, "We need a three-way conversation between Westminster, the Welsh Government and local authorities because, if that does not happen, we will be working against each other and we need forward planning and clear direction".

Can you please give us some assurances that this will now happen? If this had happened from the outset, the clear message from local authorities and the Welsh Government was that a lot of the issues that have now transpired could have been avoided.

**Simon Hart:** Thank you. I was just looking for the readout, which I cannot find, but never mind for the moment. We had, as you know, a session in Cardiff the other day with the WLGA, with local authorities and with Robert Jenrick. We have had a number of what they call stakeholder engagement exercises on the topic. I have found that the nature of those discussions was positive. It has not been without questions. You are quite right, it has not been without the need for explanation. I do not pretend for a minute that we will have everything word perfect in the first round of these things, but we have detected an enthusiastic welcome from local authorities to be involved in the first place and to articulate their particular desires, concerns, opportunities and threats in a rather refreshing way.

We have also made sure, as I am sure you are aware, that local authorities can and do club together, so there can be joint regional approaches. Even local authorities in England and Wales can get together to make joint bids. We have tried to make sure, particularly where local authorities buffer up against the English border, if necessary, initiatives can be forged and agreed between English and Welsh local authorities to recognise properly that regional economic prosperity is not defined necessarily by the border between England and Wales. Welsh local authorities made that important point when they came to us in the early days and said, "Please do not be too restrictive about limiting these funds



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to individual authority areas". That was incorporated by MHCLG and has been appreciated.

While we might not have had every single thing right at the moment, we think there has been a healthy dialogue so far. Some great bids are coming in with lots of local authorities putting in bids and approaching Members of Parliament of all parties to be part of that bidding process. The deadline is this week or certainly soon. Although we could not give local authorities the exact date by which decisions will be made, it will hopefully be in the next two or three months.

Q272 **Beth Winter:** Thank you, Minister. I do remain concerned about the discrepancy between the messaging coming out from the UK Government and the experience of those people in Wales. I want to reaffirm the fact that this Committee is currently following up on the concerns and issues that came out of that session. We will remain in contact with you.

As you may be aware, I am one of the co-chairs of the Cross-Party Parliamentary and Local Government Group on Universal Basic Income, so I am interested in gaining your views on the Welsh Government's proposal to pilot a universal basic income in Wales.

**Simon Hart:** By the way, your comment about continuing to scrutinise the various funding arrangements and the relationship with local authorities is helpful for us. We want to learn from this experience. We want to evolve it as we go along. In fact, that was a regular question at the session we had in Cardiff two weeks ago. Robert Jenrick and his officials did certainly commit to making sure that those conversations continued. The work of the Committee in that respect is quite helpful.

On the UBI pilot, I have some sympathy for your colleague, Vaughan Gething's comments in this regard. For those who have not heard them, I will repeat them, "Anybody who thinks this is a good idea should knock on some doors of Labour voters in working families. It might sound radical to academics and policy wonks but it sounds out of touch if you ask most normal people". It seems to me that Vaughan is somewhat sceptical about the relative merits of this particular process, so I imagine you might want to grill him on the topic as well to see if he has changed his mind, given that it has now emerged as a possible idea.

Having said that, the UK Government's general approach to issues like this is to try not to be too simplistic about it. You are not saying this and I am using an example, but it is not just about trying to pluck a figure from the sky that sounds generous, but in fact does not give sufficient thought, in my view, to exactly what we are attempting to achieve. If our shared ambitions here are about recognising the value and importance of work and making work pay and supporting people into work, then those kinds of solutions can be rather clunky and crude ways of addressing them.





It all sounds quite good, but the devil is in the detail. Vaughan Gething went much further than I would have done in his critique of his proposal that his own Government are now coming forward with.

**Q273 Beth Winter:** The purpose of a pilot is to look at the pros and cons of such a project. Looking at some of the comments you have previously made, I have been involved in the whole process and extensive research does evidence the benefits of a UBI. The First Minister in Wales has committed to undertake the pilot and there is overwhelming support in Wales. Numerous local authorities have passed motions in support of the pilot. I do hope that you will engage with this process and the dialogue that is forthcoming in the next session in Wales.

**Simon Hart:** Thank you. I know David is itching to say something as well. I will make a slightly barbed comment—it has been a running theme in this Committee—about collaboration and co-operation. For this scheme to work, it needs the absolute co-operation and collaboration of DWP and the Treasury. The first we knew about it was when we read it on the BBC News app. If the Welsh Government are serious about making these things work, it is a two-way street and they do need to engage with the two Departments that are fundamental to its success rather than leave us all to read about it on a Saturday at home on our phones, which is how this happened. Perhaps you would be kind enough to pass that comment back as well.

**David T C Davies:** I did a bit of research into it myself. It has been extensively trialled in Alaska, which has a relatively small population and an enormous amount of mineral wealth. The amount they managed to come up with was between \$1,000 and \$2,000 a year, nowhere near enough to live on, but people were in favour of it.

Funnily enough, when the Democrats realised that it was eating into money for public services, they decided to reduce it. Hardcore Republicans came along and said, “No, let us give everyone \$6,000 or \$7,000 a year”. Then they found they could not do it without slashing funding for universities and health. I am fascinated that Mark Drakeford apparently wants to adopt an idea that has been extensively trialled and found not to work by radical Republicans in Alaska. It is an idea that will give everyone money, but will mean huge cuts to public services. Even in Alaska, they were not able to set it at a liveable level.

**Chair:** Minister, we have just announced an inquiry into welfare generally, so we will have time to come to some of these arguments. Beth, did you want to finish off your line of questioning?

**Beth Winter:** Yes. I could cite extensive research to the contrary as well. I will also reference the inquiry we will be conducting. I look forward to pursuing this conversation further with you. Thank you.

**Q274 Chair:** To finish off this particular discussion on UBI, do the Welsh Government in legislation have the powers to run a pilot scheme relating



to welfare payments?

**Simon Hart:** I do not know. I am guessing here, but I suspect it could probably find ways of funding the scheme. It requires data-sharing with the DWP and Treasury in terms of who would qualify. To do it in complete isolation I suspect is unlikely and probably unwise because there may be some quite complicated issues. Again, that is a good question for someone.

**Chair:** As a Committee, I am sure we will raise it when we get our teeth more fully into it.

Q275 **Geraint Davies:** Secretary of State, just for clarity, you said on freeports that if the Welsh Government do not come forward and progress a freeport, the UK Government may force a freeport. Can I be clear? Given that the Welsh Government are saying they are not happy that Treasury has given them only £8 million for a freeport while English freeports get £26 million, if you do enforce a freeport on Wales, will it be a dwarf freeport worth £8 million or will your freeport get the whole £26 million?

**Simon Hart:** Thank you. I reject the use of the word—forgive me for saying this—“forcing” a freeport on Wales. I believe this is a fantastic opportunity for Wales. If the accusation is that I will force jobs and prosperity on Wales, then I plead guilty in front of this Committee.

In terms of what you say about the financial side, I do not buy the argument that it is £8 million versus £26 million because the UK Government will deliver a number of other benefits like tax, customs, planning and innovation and the Welsh Government will benefit from elements of this. The calculation is not quite as clear as spending a bucketload of cash on these initiatives in England and short-changing Wales. That is absolutely not right. We want the offer to be as similar in value as it possibly can be. Clearly if you are an investor, you will want to see that your investment in a Welsh freeport will yield all of the benefits and opportunities that doing something similar in England would. It is in nobody's interests to go down that road, which is why it is so important that the Welsh Government find ways of making this work rather than find ways of making it not work.

Q276 **Geraint Davies:** In the event that the Welsh Government does accept the offer of having a third as much as an English freeport, you will enforce a Welsh freeport, but will you give any extra public money, as it will be getting a smaller amount? All the English ports have the same money and the Welsh one has a Barnett. We know what the facts are. It is getting less. Will you give this small amount for your freeport, which is bound to be a failure if it is enforced at that level, or will you give it the full quota of English money?

**Simon Hart:** As I have said, I do not accept the argument that it is just a freeport but a third of the value. That is a bit of spin, which has been used to try to justify intransigence in this particular instance and to



account for the First Minister's ideological objection to freeports. I do not accept it. We want to—

Q277 **Geraint Davies:** Can you guarantee an equivalent amount of money will go to a Welsh freeport, whether it is forced or whether it is voluntary?

**Simon Hart:** As I said, the freeport initiative is intended to offer equal opportunity around the whole of the UK. It makes complete sense that in devolved areas the formula has to be a bit different because different Governments have their hands on the various different levers and therefore benefit in different ways. But of course it makes sense to create as much parity as possible. It is easy to do this. It requires the Welsh Government to share our mutual ambition, I hope, to create jobs and prosperity in the parts of Wales that need it rather than to rely on ideological opposition to something that is widely considered by the industry to be a force for good.

I hope we do not have to go down this road, but if in our determination to deliver on our manifesto commitment for at least one freeport in Wales we have to rely on reserved powers, then it is everybody's interests to try to make sure that the final product is as closely aligned with freeports across the rest of the UK as possible. There is an easy way of doing this. If you—as I know you do—share my desire for inward investment, then any help you can give us will be much appreciated.

Q278 **Geraint Davies:** To be clear, that would mean less workers' rights in these freeports than prevails outside. That is one of the objections.

**Simon Hart:** I have not received a single piece of correspondence from a single body in Wales around that concern, not one.

**Geraint Davies:** I will write to you about the diminution of workers' rights in freeports in that case.

**Simon Hart:** Please do.

Q279 **Geraint Davies:** Can I ask you about the Union Connectivity Review and whether you are intending to support that review and the recommendations? How will the UK Government provide funding for that?

**David T C Davies:** The final Union Connectivity Review will be due out later on this year, quite shortly, in the next couple of months. There is already a great deal of money that is being spent at the moment: £2.8 billion to modernise the Great Western Main Line, which I mentioned earlier on, £450 million for the resignalling in south Wales, £125 million for the south Wales metro, which is being built as we speak, £4 million for the Bow Street station in Aberystwyth, which I was pleased to be at the virtual opening of a few months ago, and £2.7 million for the Cambrian line signalling upgrades. Already a lot of money is being spent at the moment. When the final report comes out, I am looking forward to further announcements.



**Q280 Geraint Davies:** On the money then, since you mentioned it, our proportion of enhancement investment in the rail infrastructure as opposed to day-to-day running, Wales has had over the last few decades something like 2%, certainly over recent years, versus 5% of the population. In the case of Scotland, the enhancements are devolved. The responsibility for investment in the infrastructure announcements has been devolved in Scotland.

As Welsh Secretary, are you prepared to press for us having the same powers in Wales as they do in Scotland to invest UK money in rail infrastructure now that we have Transport for Wales up and running?

**Simon Hart:** Shall I go first and then David might come in?

**Geraint Davies:** I do not know if David has the detail, but I just wondered about the principle. Are you willing for us to be level with Scotland in terms of having the same powers of responsibility for rail enhancements?

**Simon Hart:** If it is a coded question around further devolution, I might disappoint you, I am afraid. Although we were quite happy to strike an arrangement around the Core Valley Lines, that was rather different.

Our ambition, as David has just pointed out, on the back of the various commitments around levelling up and strengthening the union, as well as the Hendy review, is to continue to invest quite substantial sums of money. You kindly pointed out the difficulty over two decades. Of course we have only been the Government for one of those decades in which the level of investment has been substantially more—if I can be a little bit cheeky—than it was in the previous decade. Actions speak louder than words. Those figures that were given out earlier give a flavour of what we have been able to do in a pre-Covid environment. We have recognised that there is a lot more to do—roads, rail and digital infrastructure—which the various reviews and commitments are about.

**Q281 Geraint Davies:** So we are clear on what you have just said, we are not getting a proportionate share of HS2. That will involve the displacement of Welsh jobs. Are you willing to fight for that and are you willing to fight for better and faster connectivity between Bristol and Cardiff and Swansea, for instance?

**Simon Hart:** I absolutely and fundamentally challenge that notion that somehow HS2 does not benefit Wales. Apart from the supply chain activity, which is fairly substantial, the most recent announcements over the next stage of HS2 make a significant difference to infrastructure and transport potential in north Wales as well as the supply chain and construction element of that. In the 20 years I have been travelling up and down the Great Western Line from Paddington to Talbot, I have seen a steady rhythm of improvements in timings, rolling stock, stations and everything associated with that. There has been gradual improvement. In fact, my journey is shorter rather than longer.



I do not recognise this default setting of describing everything in Wales as miserable and pointless and hopeless. We have huge strides to make, but we have gone a long way. Levelling up is an exciting proposal and we are pushing on things like the Swansea pathway, which I hope will benefit your constituents. These are all proposals. But as David said earlier on, they do take time. Infrastructure has a long horizon to it, but I absolutely do not buy the idea that creating a better backbone or spine to the UK rail infrastructure by way of HS2 does not have benefits for every region. It does.

**Q282 Geraint Davies:** To be clear, Secretary of State, HS2 will reduce the time it takes to get from Paddington to Manchester from two hours 10 minutes to one hour and 10 minutes, while the time it takes to get to Swansea will still be three hours. Are you seriously saying investment will not be displaced from Swansea to Manchester because of that? It will. What are you doing about it? It seems you are doing nothing.

**Chair:** We are going to move on.

**Simon Hart:** I have lots I would like to say, but the Chair has, probably quite rightly, fixed me with—

**Q283 Geraint Davies:** It is a reasonable question. There will be a time reduction and you are saying it will help Wales. I cannot—

**Simon Hart:** I think you are wrong.

**David T C Davies:** We are doing something. We are modernising the freight lines between Bristol and Cardiff to enable more journeys to take place and to enable people to leave their cars at home and go on the train. We are already doing that.

HS2 is not just about knocking a few minutes off the times. It is about enabling vastly increased numbers of people to use the trains, which will be powered by electricity from renewable sources, rather than cars. Anyone who cares about Britain becoming carbon neutral by 2050 should be a huge champion of HS2. It has to be built where the maximum number of people will be encouraged to use renewable electricity for transport purposes rather than petrol and diesel.

**Q284 Dr Wallis:** Moving on to the recently announced Plan for Wales, I listened to that announcement intently. How many, if any, of the announcements in the Plan for Wales represent new funding for Wales?

**Simon Hart:** It is definitely a consolidation of new and existing. It is an attempt to combine all of the things that we had included in previous manifestos and subsequent spending reviews and budgets in an easy to read set of ambitions.

I can pluck out of it some examples that I hope give it some credibility in terms of its new announcements and investments somewhere subsequent to the Budget: the Holyhead hydrogen hub, Meritor in Cwmbran, a post-



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Budget £16 million investment, the south Wales industrial cluster, £20 million, and the Global Centre for Rail Excellence, a joint project with the Welsh Government, which we got over the line with a contribution in the Budget of just over £30 million.

Those are just some examples that I jotted down before the Committee of announcements that are actual cash and actual activity that will translate into actual jobs. It is not a wish list of lovely fluffy ambitions that have no particular delivery attached to them, but things that we said we would do or sectors that we said we would support, which we have. David has mentioned quite a few transport initiatives as well.

This goes to the heart of what I said earlier on in this meeting. I want the UK Government to do precisely what it says on the tin, which is to govern for the UK, every corner of it, every community, every family, every business, every charity, every university. I want to be able to persuade that the UK Government are a force for good and the contact they have with it is as warm as we can make it and in a way that does not threaten or impinge the responsibilities of devolved Government.

**Q285 Dr Wallis:** Do you intend to set aside time for a general debate on the floor of the House, or perhaps once social distancing restrictions have eased to allow it, in a session of the Welsh Grand Committee on the Plan for Wales?

**Simon Hart:** We tried it earlier, but we were thwarted by Covid, among other things. We did have a short St David's Day debate in the Chamber, as you are aware. Yes, we will resurrect the Welsh Grand. That commitment will be received with mixed enthusiasm by colleagues, but it will be more meaningful if we can have more people in the room. A Welsh Grand by Zoom is probably a recipe for frustration. We will definitely take up the challenge.

**Q286 Dr Wallis:** It is fair to say you characterised the Plan for Wales as one of many initiatives and policies that aim to make the UK Government ever more present in Wales. Are you concerned that the Bishop of St Davids' comments, which have been widely discussed in the press and on social media—and comments such as hers—will have an impact on how the UK Government are received in Wales?

**Simon Hart:** David T C Davies and I had a conversation with the church yesterday. This has caused significant offence for people who expect their clerical leaders to be perfectly entitled to express views, as the church always has on political matters and on issues, but not necessarily on political preferences.

In the case of the Bishop of St Davids, it was not just a casual aside. It was a full-scale, consistent, sustained, bitter and unpleasant attack on people who chose to have a different political output to her, so much so that even her Twitter bio was filled with all of the usual Momentum-based slogans, which is remarkable, given that in her own area of St Davids



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there are two Conservative MPs with more than 50% of the vote and two Senedd Members elected in the last month, both Conservative. This is an extraordinary act of intolerance, which is completely unacceptable in any circumstances. It seems to me that the Bishop would not have said that about anybody who happened to pursue a different religion or a different lifestyle. There was something about her judgment that says, "It is fine. They are Tories. We can say what we like and it will not matter".

That is completely unnecessary, so much so that I have written to the Archbishop of Canterbury, who is currently away. We do not have an Archbishop of Wales at the moment. We had a call with a representative of the Archbishop of Canterbury's office yesterday, in which we were assured that we would be having a letter from the Archbishop and possibly a letter also from the Bishop of Bangor, who is standing in as the interim Archbishop of Wales. I also had an off the record conversation yesterday with a different archbishop, who I have to say expressed considerable contrition and was mortified and horrified and embarrassed.

In an era when we are trying to create equality, when we are trying to make the internet a kinder place and when we are trying to be more understanding of different views that are expressed, it does not make much difference to electoral outcomes, but it does create a sour taste between people who expect a bit of this kind of stuff in the world of politics but do not expect it from their archbishops or bishops. This has shone an unfortunate and bright light on individuals' judgments. We have not heard the end of it yet.

**Virginia Crosbie:** Thank you, Minister. I have received a significant amount of support from the Christian community here on the island.

I would like to share with you that I received a letter from the Bishop of Bangor. He apologised unreservedly for the behaviour of someone who was associated with the Church in Wales. He said their behaviour was unkind and unacceptable and he is addressing the specific behaviour with the individual concerned and expects it not to happen again. More generally, he has repeated his guidelines on the appropriate use of social media and the Christian responsibility for tolerance and respect through his regular Bishop's letter.

I add to my colleague's comments that clearly there are some within the Christian community and within the Church who are trying to do something positive and proactive about this.

**Chair:** Thank you. We do not need further discussion on this matter. We have finished slightly early, which will be a pleasure for your ears particularly, Secretary of State, as I know that you have a Cabinet subcommittee to get to. Thank you very much for your time. We will see one or both of you again shortly for different individual inquiries that we are pursuing. As I said at the outset, we are grateful for the level of engagement we are getting, but you will appreciate as well that a lot of issues are of immediate relevance and concern to our members. Thank



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you very much. My thanks to colleagues as well for their participation today.