

## Welsh Affairs Committee

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

Thursday 28 October 2021

Ordered by the House of Commons to be published on 28 October 2021.

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Members present: Ben Lake (in the Chair); Tonia Antoniazzi; Simon Baynes; Geraint Davies; Robin Millar; Rob Roberts.

In the absence of the Chair, Ben Lake was called to the Chair.

Questions 287 - 351

#### 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: Rt Hon Simon Hart MP and David T C Davies MP.

Q287 **Chair:** Bore da, good morning, Secretary of State for Wales and the Minister of State for Wales. We are very grateful that you have been able to join us this morning. Unfortunately, Stephen Crabb MP is unable to join us this morning, so I am deputising for him as Chair. We have a packed programme of questions that we want to ask you, and I am conscious that everybody will want to show that we are as efficient as possible in getting through the questions. Can I make a plea right at the beginning that both questions and answers are as succinct as possible? I am sure we can get through them in good time. Without further ado, I will ask Tonia Antoniazzi to ask the first question.

**Tonia Antoniazzi:** Good morning, Minister and Secretary of State. What input does the Wales Office have in the development of the Department for International Trade's trade negotiation strategy, including in the negotiations of the individual free trade agreements?

**Simon Hart:** I shall start on that. First of all, thanks, as ever, for the invitation to come here. It is always useful for us to hear the Committee's views, so thank you for that.

The shortish answer to your question is that we do have involvement at various stages in a sort of consultative capacity. That does not extend, by the way, to the final negotiations in the room where the deal is done, and you would not expect it. That is a matter for the Department for International Trade, having sought advice and input from the Wales Office and, by the way, pretty well every other Government Department.

Q288 **Tonia Antoniazzi:** Will the UK Government agree to our recommendation that the Welsh Government should see a draft text of FTAs prior to publication so that they have enough time to conduct an assessment of the impact on Wales?

**Simon Hart:** David may have a view on this. My view is that we are frequently reminded, especially in this Committee, for what it is worth, about the integrity of the devolution settlement. I think that where things are reserved they will remain reserved and where they are devolved they will be a matter for the devolved Administrations. We would get ourselves into very deep water quite quickly if we were to apply our own interpretation to that. I cannot speak for the Welsh Government but what I can say is that if DIT, or whoever the lead Department is for international negotiations, believes there to be a devolved aspect or consequence from what it is doing, it will consult.

**David T C Davies:** Happily, I completely agree with the Secretary of State on this. As an MP for a border constituency, I am very well aware that, for example, if the Welsh Government decide to make changes to healthcare, that will have an impact on people on both sides. In education, there are large numbers of people on the English side being



educated in schools in Wales. Of course, I respect the fact that these issues are devolved. These are devolved matters and even though changing law in devolved areas will have an impact on people outside of Wales, at this moment I do not necessarily expect that the Welsh Government should consult with everyone else and with UK Government before they make changes in devolved areas. However, the same must apply in reverse. This is a reserved matter and, therefore, it is a matter for the UK Government. Welsh Ministers will be able to feed in and Welsh MPs such as yourselves feed their views into Government in the normal way.

**Simon Hart:** There is an example, which is probably not a particularly good one but it is the most recent one in my mind, around the final stage of the Brexit negotiations where the devolved Administrations played a very full part, an almost daily part, in the negotiations. I remember that it was a recommendation of the Scottish Government at the time that they had what the Scottish Minister argued at the time was like a two-room arrangement. There was the one room where you had a large number of people as part of the consultation and then the small room where you did the deal. In the end, the small room was them and us, us being UK Government, but there was a large element of consultative activity up until that point. If the argument, which I do not think is the one you are making, was that Welsh Government Ministers or officials are actually in the room when the hands are shaken, that is even by their estimation not always practical.

Q289 **Tonia Antoniazzi:** It is the opportunity to have that consultation because it impacts on people in Wales, particularly farmers and the farming community. I want to focus on the New Zealand free trade agreement that has just been done. Were the devolved Administrations consulted prior to the agreement in principle—not necessarily being in the room—being reached with New Zealand? There is an issue there, particularly with our farming communities.

**David T C Davies:** May I quickly say that of course Welsh Government Ministers are on the ministerial implementation group meetings, including the agricultural one that I have also sat on myself with the Secretary of State on a number of occasions. In many ways, I feel that that is a good example of how the UK Government involve Welsh, Scottish and Northern Irish Government Ministers in reserved matters. I think that is a very good thing. I am sort of surprised that Welsh Government do not seem to reciprocate and involve UK Government in discussions when they are changing devolved issues. I feel, frankly, that it is all rather one-way traffic.

Q290 **Tonia Antoniazzi:** Do you want to give an example?

**David T C Davies:** For example, when the Welsh Government change the education curriculum to the Curriculum Cymreig that will have an impact on a lot of pupils who live in England. There was no consultation with the UK Government about this. There was no suggestion that UK



## HOUSE OF COMMONS

Government Education Ministers could sit on a committee like the ministerial implementation group and feed their opinions in. I am not suggesting they should have a final say or a veto over it, but there was no consultation at all. Yet over and over again we see, quite rightly in my view, the UK Government bringing in Welsh Government Ministers. They were there in all the COBRA meetings and the ministerial implementation group meetings. They have that opportunity to feed their views in, and that is right and proper. I am pleased that we do that. Perhaps the issue for the Welsh Affairs Select Committee should be: why aren't the Welsh Government reciprocating?

Q291 **Tonia Antoniazzi:** It is a good question and it is something that we can bring up with the Chair, not that I would necessarily agree with the Minister.

I have grave concerns for our farming community with the New Zealand trade agreement. Secretary of State, when did you meet the farming unions to discuss this? Could you give us a date for the most recent meetings you have had with them?

**Simon Hart:** Off the top of my head, no, I can't. I think I met NFU Cymru at the Conservative Party conference in Manchester. That was probably the most recent time. I happen to be meeting the FUW later on today, or a representative of the FUW in an unofficial capacity. They are visiting my constituency so that is a normal thing to do.

It is important in both of our constituencies, heavily reliant on agriculture as one of the key sectors, and not everybody is a member of a farming union. It is important to stress that I speak to a lot of farmers. They are not necessarily a member of either NFU Cymru or the FUW, so we just need to be careful. I think that we need to take a very broad view about the views of agriculture and where we are going with the industry, which is not always entirely represented by the union voice. It can be represented by individual farmers too.

Q292 **Tonia Antoniazzi:** I get that, but in your role what formal meetings have there been? Obviously, I know what it is like at conferences. It is usually just a chat and a photo opportunity.

**David T C Davies:** Speak for yourself.

**Simon Hart:** That is a very revealing comment about a Labour Party conference. No, I know what you mean. Between us, NFU Cymru and FUW are part of what we call our stakeholder group in the Wales Office. We meet them either at official level or ministerial level frequently. Do I have the dates in front of me? No, but if you want the dates I am very happy to provide them. We correspond quite frequently. I have sent a letter, I think, to Glyn Roberts at FUW this week about the New Zealand FTA.

**Tonia Antoniazzi:** As long as you meet them before you meet the New Zealand High Commissioner at the rugby, that is the main thing. Thank



## HOUSE OF COMMONS

you, Secretary of State.

Q293 **Chair:** I have a couple of quick questions. Minister, you mentioned the ministerial implementation groups. When did they last meet?

**David T C Davies:** To be honest, Mr Chairman, I go when I am instructed to go. I have not been to one for a couple of weeks, I don't think, an agricultural one. That will be freely available. They seemed to be quite regular up until recently. I found myself on quite a lot of them. The dates are published. It is not just the agricultural one. There are various other ones as well, so forgive me if I cannot give you times and dates.

Q294 **Chair:** To come back on Tonia Antoniazzi's question, we know that the Welsh Government had sight of some of the draft chapters of the Japan free trade agreement. Did that happen for the New Zealand agreement in principle and, if not, why not? It seems quite inconsistent.

**Simon Hart:** I cannot tell you. I do not know the answer to that, but we can presumably find out.

**Chair:** Wonderful.

Q295 **Geraint Davies:** David T C Davies, you seem to be saying that there is some sort of symmetry whereby why should UK Government involve Welsh Government in trade negotiations when the UK Government are not involved in the curriculum in Wales. I put it to you that obviously a trade negotiation will affect all of the UK, particularly in the New Zealand case where sheep farms are 100 times as big as a Welsh farm and agriculture is the biggest sector of our economy. Therefore, we have a legitimate right of access to that. How much Welsh we speak or teach in schools and so on does not really have much of an impact on people other than possibly, as you said, on the border. It is similar with coronavirus. Coronavirus does not respect borders and if No. 10 makes a big announcement it is helpful to be involved. Surely it does not follow that the English Government have to be involved in education and it should be the case that where there is a direct impact on Welsh farmers, Welsh Ministers at least have a say outside the negotiating room.

**David T C Davies:** I am making a general point here, which is that trade deals are clearly a reserved matter.

**Geraint Davies:** They affect everyone; that is my point.

**David T C Davies:** Yes, but that is what Members of Parliament are for, isn't it, and what this wonderful Committee is for? Members of this Committee represent Welsh farmers and represent Welsh constituents in reserved matters.

Q296 **Robin Millar:** Mr Chairman, Mr Davies just made reference to an English Government. I am not aware of an English Government.



**David T C Davies:** I am not sure which Mr Davies you meant there, but if I did I apologise.

**Robin Millar:** Gentlemen, there is a trajectory that we seem to be following in government. Lord Dunlop's report looked at intergovernmental working and some of the mechanisms of that. We have, of course, our own intergovernmental relations report that is ongoing. Mr Drakeford, the First Minister of Wales, characterised UK Government relations as "generally challenging" but has welcomed the direction of things. Could you update us on those intergovernmental relations, when the joint review might be published and what areas you think may still need to be resolved and worked through between the three devolved Governments and the UK Government?

**Simon Hart:** IGR, as it is known, is largely completed. It is at negotiating stage to try to reach agreement. That proposal is now being considered by the devolved Administrations. They have not as yet, unless it has happened in the last few days without my knowledge, signed up to the final agreement. That is not to suggest that they won't, but they have not done yet. I think the final decision on this is imminent, but I cannot second guess what they may have to say. It has been a painstaking and lengthy process, so I feel that everything that needed to be said has been said. I am hoping that we can get to a conclusion fairly soon now.

Q297 **Rob Roberts:** Good morning, gentlemen. Thank you for your time. Carrying on with the theme of intergovernmental relations, I am interested in finding out what the relationship will be between the Wales Office and the new Department for Levelling Up, Housing and Communities and, further to that, whether the territorial Departments and the devolved Administrations will be expected to follow an approach to intergovernmental relations that is set by that new Department.

**Simon Hart:** It is an interesting question. We must not allow ourselves to get into the position where we think that Union matters are now only a matter for the territorial offices or for the new Department. One of the key changes in the last 18 months to two years that I have noticed is the fact that every Department of Government is now a Union Department. Every decision that we take, every spending commitment that we make, is looked at and decided through the prism of levelling up and the Union. I think that was reflected in the Chancellor's comments yesterday. Sometimes we all complain in politics that not much ever really changes. That is a significant change.

On the relationship between the territorial offices and Michael Gove's new Department, there is some continuity there. I think it was part of the design. Michael Gove, in his capacity as CDL, was responsible for Union relations, responsible for IGR and has a decent working relationship with the First Ministers, and that now continues into this new role. That relationship, by the way, with the Wales Office—and I have no doubt the Scotland Office and the Northern Ireland Office, too—is very good, very positive, very regular and very thorough. As I say, all Departments of



Government are now charged by the PM himself to take their decisions with the Union and levelling up very much first and foremost on the list of criteria.

**Q298 Rob Roberts:** Fabulous. Given that the Secretary of State for that Department, Michael Gove, also has the official title of Minister for Intergovernmental Relations, does that accord with what you have said? Does that bolster what you said, that that shows how committed the Prime Minister is about fostering positive relations in that way?

**Simon Hart:** Yes, I think it does. Michael Gove has been doing this for some time. I think he has the confidence of the First Ministers in Scotland, Northern Ireland and Wales, even if they do not necessarily agree on every policy point. I think there is often confusion between what constitutes a relationship and relationship between two Governments, so what constitutes the right of veto. Sometimes people interpret, because it is convenient to do so, that kind of relationship as meaning that everybody should be able to veto everybody else's ideas. That is not the case. Our purpose here is to try to deliver our responsibilities, whether they be reserved or devolved, to the best of our ability.

I have said this publicly before when temperatures have risen about intergovernmental relations. I think there is a public expectation that we do what we do as UK Government as well as we can and as thoroughly as we can and there is an expectation from the public that Welsh Government should do what they are responsible for as well as they can and as enthusiastically as they can, and that we should minimise the slightly tedious frequency with which we appear to have to have disputes of a rather dull constitutional nature about things that do not make much of a difference to people's everyday lives.

**Q299 Rob Roberts:** Thank you for that thorough answer. I am interested in Minister Davies's opinion on intergovernmental relations. On 27 March this year, the First Minister made remarks about the Prime Minister, and among those comments, which he was widely and rightfully condemned for, he said that the Prime Minister "really is awful". On Monday of this week he went further again in a speech by saying that the Prime Minister was the "bottom of the barrel", which I found amazing, given the current political temperature and everything that has happened over the last few weeks. Does the Minister think that language like that fosters positive intergovernmental relations?

**David T C Davies:** What the Secretary of State and myself have always sought to do is to build a good relationship with the First Minister and his Ministers. He has a different political view but we rise above that and we want to work with the Welsh Labour Government. Chairman, we would not want to respond to insults. They are not helpful and if that is how the First Minister wants to conduct himself, that is up to him. It is not how we conduct ourselves here. We want a good, professional, mature relationship with the Welsh Labour Government.



Q300 **Rob Roberts:** I appreciate that response. I want to move on from intergovernmental relations to ask a question relating to one of the announcements that was made yesterday. I am not sure whose policy area it will come under, so I shall ask you generally and you can fight it out between yourselves. Will the Government commit to allowing the Welsh Affairs Select Committee to hold a preappointment hearing for the Veterans Commissioner in Wales?

**Simon Hart:** It is a very good question. As it was only announced yesterday, we have not thought about that. Select committees do tend to have preappointment discussions with candidates or short lists. I seem to remember that on one of the four select committees I was on we frequently did that. I have to say that the Government did not always listen to what the select committee's views were, but that is a matter for them. I personally have no problem, but I suspect it is not for me to make that decision. If it is, I would be more than content to do it, yes.

Q301 **Robin Millar:** I have more questions about the spending review. I will take this opportunity to put on record my thanks to the clerk and the team for how quickly they got information and a summary of the Budget to us yesterday. There was a huge amount of information, a huge amount of good news, I would say, but to have that synthesised and passed to us so quickly was very helpful.

Secretary of State, one particular change that will have an effect right across the UK is the changes and reduction in alcohol duty. How do you think that will interact with the minimum unit pricing system that is in place in Wales?

**Simon Hart:** Can you repeat the second bit of that question? I am not sure I heard it.

**Robin Millar:** Yes. The Chancellor yesterday introduced a simplified alcohol duty scheme, where effectively the stronger the alcohol content, the higher the rate of duty that would be applied to that. In Wales, we have a minimum unit pricing system. Have you given any thought or had any insight into how those two different schemes might interact?

**Simon Hart:** Not personally, no. Have you?

**David T C Davies:** No. Presumably, if there is a minimum price scheme, that will apply even if the duty cuts mean that the alcohol beverage would otherwise fall below that price. It could be the case that some beverages will be cheaper in England than in Wales.

Q302 **Robin Millar:** Given the importance of that for retailers and businesses in Wales and the potential impact on society, perhaps we could ask for an answer to that from the right Department in due course.

Along those lines, again there were announcements yesterday from the Chancellor to do with the growth deals that are in place. There was reference to an acceleration of, I think, the Cardiff City deal from the



## HOUSE OF COMMONS

Dispatch Box. In the Red Book it talked about all four growth deals. Have you had any insight into what will happen to the growth deals as a consequence of yesterday's Budget and could you share that?

**David T C Davies:** We are working to accelerate them and that will probably mean that as the projects come forward they will be signed off more quickly. That is what I hope to see happening. We are already working very hard on that. The Secretary of State and myself have been responsible for signing off a number of growth deals already and there are more in the pipeline.

Q303 **Robin Millar:** My concern, as you might understand being a north Wales MP, is the rate of progress of these deals, so I really welcome the acceleration. It was just a question as to whether you had any thoughts about how that might be accelerated, whether there was anything that we could do as the UK Parliament or whether these were actions that in north Wales the North Wales Economic Ambition Board needs to take on to accelerate progress in what it is doing.

**David T C Davies:** I have been meeting regularly with the North Wales Economic Ambition Board and I have visited north Wales on several occasions and seen the sites of some of the proposed projects. I am not sure how much I can say about it here, but there are several that I think are close to finding their way into a ministerial box. I welcome that and there will be many more behind. All we can do is encourage the economic ambition board to bring them forward, but also to bring them forward in good time. Frankly, various accountants and others will have to go through them carefully to make sure that they add up, and obviously that has to be done by Welsh Government as well as by the UK Government officials before they come back into the ministerial box for sign-off.

I can absolutely assure you that we want them signed off as quickly as possible. There is one in particular that I am hoping to see quite soon. It is very much in our interests. I love visiting north Wales and I want to be back up there as soon as possible with a hard hat and a hi-vis vest looking at exciting projects as they are built.

**Robin Millar:** Wonderful, and a good example of Welsh and UK Government interparliamentary working as well.

Q304 **Chair:** May I intervene very briefly on that topic? Minister, you mentioned progress on different growth deals. To perhaps put a negative slant on things, are there any growth deals or part of any other growth deals where you have concerns about their progress?

**David T C Davies:** I know exactly what you are getting at, Mr Chairman. I have been up to mid Wales, and thank you very much for taking me to your local pub as well when I was there visiting your local authority leader to look at that particular deal. I think we are now coming towards heads of terms sign-off for the mid and west Wales growth deal as well. I



## HOUSE OF COMMONS

think that where perhaps the timetable was not moving on as quickly as many of us would have liked, things are now back on track there.

**Chair:** Fantastic, thank you. I think the Pentre Arms in Llangrannog was also very happy to see to you.

Q305 **Robin Millar:** Yesterday there were lots of references to there being a Union theme within the Budget. One of the things that came up was the issue of levelling up and the shared prosperity fund. What role do you have as the Wales Office in the development of the levelling-up White Paper? Is it your expectation that that White Paper will set out a role, for example, for the devolved Administration?

**Simon Hart:** Significant and, yes, I think is—

**Robin Millar:** I am happy with that as an answer.

**Simon Hart:** Will that do? Yes. The only caveat to that is that both of us, as you will understand, have to be careful about levelling-up bids that may impact on our own constituencies and stand back from that particular element of it. Judging from the reaction we had yesterday from local authorities and MPs who had sponsored bids and local authority officials who had put a lot of work into those bids, the reaction to the positive outcomes was great, really good.

**Robin Millar:** There was a flurry on social media last night, I noticed.

**Simon Hart:** Yes, very happy.

Q306 **Robin Millar:** When do you expect the White Paper to be published? Can you give us any indication?

**Simon Hart:** I am not able to give you a date on that yet.

Q307 **Robin Millar:** It is DLUHC that holds the pen on that?

**Simon Hart:** Ultimately, it does. Yes, it does.

Q308 **Robin Millar:** On the European structural funds, obviously comparisons will be made between the ESI funds and the shared prosperity fund. Are you able to provide any additional details on the promise referred to in the Budget Statement yesterday that Wales will secure the same funding it received under ESI funds?

**Simon Hart:** Yes, it was mentioned in the margins as well as, I think, in the main speech. I cannot quite remember the exact words. In purely numerical terms the commitment, as you know, was to not a penny less. The EU tail-off, as we call it—that might not be the expression that the Treasury uses—is £330 million going to £370 million this year. There is a five-year average, but that is the number we are looking at for the next financial year. Obviously, within that there are various subsets. We have been talking about agriculture funding remaining on a flat cash settlement. That is contained within the block grant, which is currently



£15.9 billion and now will be £18 billion as a result of yesterday's announcement.

Then, of course, the UK shared prosperity fund is a different pot. It was mentioned in brief yesterday in the context of adult numeracy and literacy and a further commitment—and I anticipate what the Committee might think because we have talked about it before—to produce the detail on what the quantum of that might be in years 1, 2 and 3, the period of the spending review, and those will be published relatively soon. Whether that is this side of Christmas is a matter for the Treasury.

**Q309 Robin Millar:** I was in a Subsidy Control Bill evidence session—lucky me—a couple of days ago. The reason I mention it is because we had quite a lengthy discussion about the structure of the European funding and how it has come across into the UK. The point was made that there are lots of different ways of prioritising funding. Maps and “need” and how we measure that need might vary. Do you have any insight as to whether the shared prosperity fund will just lift and shift across the same criteria from the European funds or do you think there might be different bases for the allocation of funding?

**Simon Hart:** I think there should be a different emphasis and a fresh look. I think that is partly what drove the 2016 referendum result, the fact that there was always this feeling, rightly or wrongly, that there were vast sums of money knocking around the system but none of it ever quite ended up where anybody necessarily noticed it or wanted it. There might be those who think that that is an unfair generalisation, but it was certainly something that I think drove the vote in the direction that it went.

Involving a wider circle of expertise than simply people like me or people like Mark Drakeford is a good thing. I think that a lot of the prioritisation and the feel for this that we are getting comes from local authorities and stakeholders, the education sector and others. That is hugely refreshing for me and it is one of the arguments that I have been having in the open with the Welsh Government.

We have 22 local authorities in Wales directly accountable to their electorate and which have a very good feel for the particular pressures and opportunities in their individual communities, often I think a more intimate feel for that than perhaps we might have if we are absolutely honest because we are not necessarily embedded in those communities 24/7. I think that the Levelling-Up Fund has been a fascinating process for that reason. We are now able to get a much closer feel for what really matters to communities across Wales, whether they are urban or rural. The insight that this is providing us will alter the prioritisation of the distribution of those funds and we should welcome that. I think it will be driven by jobs and opportunity and livelihoods perhaps in a way that it has not been or has gone a little bit stale in the last few years.

**Q310 Rob Roberts:** I sensed that Mr Millar was coming to the end of his



section on funding so I wanted to get in quickly about the Levelling-Up Fund. There was £120 million allocated to Welsh projects yesterday in the Budget, which is wonderful news all across the UK. Am I to infer from that that there will definitely be other rounds of Levelling-Up Fund allocations in the future?

**Simon Hart:** Yes, absolutely.

Q311 **Rob Roberts:** I think the figure for Wales was £400 million or so out of the total £4.8 billion pot. Are we safe to assume that there will definitely be other opportunities?

**Simon Hart:** Absolutely. One of my jobs in the next few days is to talk to local authorities that did not put in bids or those that perhaps put in bids that did not get through to try to encourage them to have another go and look at other options. This is ongoing. I think I am right in saying, and somebody will correct me if I am wrong, that it is for the lifetime of this spending round. This is an ongoing funding commitment, yes.

Q312 **Geraint Davies:** Just quickly so that we are clear on the overall shared prosperity fund funding, am I right to say, Secretary of State, that the Government are standing by their commitment to match what the European money was, which was something like £375 million a year? That will be spent in Wales, albeit in a slightly different way?

**Simon Hart:** Correct. There are lots of different—I have a piece of paper here somewhere.

Q313 **Geraint Davies:** No, okay. Secondly on how that is spent, you have just said that you will be spending it on what matters to people, as you put it. Previously, it was done specifically on poverty. In other words, you seem to be saying that we will move from needs to wants, what people want and what people think matters. To what extent will the money be shifted from the areas of deprivation, where it is currently focused on skills, productivity and job creation, to other areas, out of those needy areas to what people want for other reasons?

**Simon Hart:** In many respects, I think it is completely the opposite. We have seen quite a lot of investment over the years not find its way into those areas that you referred to. The clue is in the name “levelling up”. The idea is that your postcode and the place of your birth should not define your life chances. We are trying to make sure that if you are in some of the more challenged areas of Wales your chances of getting a job and being able to earn a reasonable living or buy a house or whatever it is you want to do are just the same as if you were born in Buckingham. That is what levelling up is about.

Q314 **Geraint Davies:** In that case, it would be driven by need, wouldn't it, Secretary of State? Do you see what I mean? At the moment it is driven by need and poverty and levelling up, if you like—

**Simon Hart:** There is no reason why that will change. We could all sit here and list numerous examples of investments that have been made



## HOUSE OF COMMONS

that leave even the most level-headed of us scratching our heads and wondering how on earth these vast sums of money could be spent on what, let's face it, are in some cases nothing more than vanity projects that do not actually create jobs, sustain jobs or address poverty. Those are the kinds of things that drove people to vote in the numbers that they did in 2016 and why change is so crucial when it comes to the funding allocation this time around. It is why we want to bring more people into that decision-making process and get more advice from local communities as to what will address the concerns that you rightly point out.

I will add one thing. The community renewal fund, the details of which I don't think have been published but they might be published soon, includes applications to continue the schemes that have been funded under the traditional method for some time. There is already quite an effort to preserve some of those vital schemes, some very good schemes that I know you are referring to, just under a different funding model than before. The idea that everything that has gone before will come to a cliff edge is not an accurate assessment of what is happening.

**Q315 Geraint Davies:** Which vanity projects were you thinking of that you mentioned there?

**Simon Hart:** Well, how long do you have?

**Chair:** Not much time.

**Simon Hart:** For example, I was astonished the other day to see £140,000 spent on a road sign on the road into Carmarthen that nobody can see. I was amazed at the funicular in Ebbw Vale that cost goodness knows how much money and broke down I can't remember how many times. I am not sure that it was ever actually used. It did not create anything like the jobs that it was expected to do and, as far as I am aware, contributed nothing to the economic recovery of that area of Wales. There has been money given to Chinese food interests that are based in England under that scheme. Those sorts of things need to come to a halt. David has some examples as well.

**David T C Davies:** I think Mr Davies asked for one but I will—

**Geraint Davies:** I guess there will be a few examples—

**David T C Davies:** Many examples.

**Q316 Chair:** Order, gentlemen, I know we are all very exercised on this point. On the future, how are we to compare whether or not Wales receives the equivalent amount of funds that it used to have from the ESI? Are we right to assume that that funding will come from the SPF, the Levelling-Up Fund or the community renewal fund? Are there any other pots of funding that should also be taken—



**Simon Hart:** It does get EU tail-off funds as well. There is a tail-off period in which Wales will receive £370 million in the financial year that we are talking about. Those sources of money for existing projects will continue to flow into the country.

The raw numbers on this are that currently money flowing into Wales is in the region of £16.2 billion. As a consequence of the Barnett uplift yesterday, EU tail-off, the Levelling-Up Fund, and not even including the community renewal fund or UK SPF, because it has not been announced yet, it comes to £18.4 billion. We are already seeing £2.2 billion more coming into Wales as a result of these measures than was the case before.

Q317 **Robin Millar:** After that little digression, I want to turn to this point in more detail. One of the projects named yesterday was the Multiply scheme, UK-wide adult numeracy, as something that is really important for the economic growth of a post-Brexit, post-pandemic UK. Adult numeracy and the skills area is a congested space, perhaps even more so in Wales where there are devolved responsibilities and private sector and public sector bodies involved in it. Can you give us any insight into how that scheme will operate in Wales, please?

**Simon Hart:** I cannot give you the detail. I can give you the background. I know that the reason that it is a UK-wide scheme is nothing suspicious or conspiratorial. It is because schemes of this nature need to take into account the cross-border nature of our economy and communities. There is nothing about that that should worry us. I think what should worry us, and I was not even really aware of this myself, was what was said yesterday about adults with poor numeracy and literacy skills being twice as likely to be unemployed and to receive, I think, in excess of £1,000 less by way of salaries or wages in a 12-month period. Those are quite shocking figures.

The exact implementation of this, as ever with these things, will take some working through. We have already made approaches to the Treasury to remind it of its obligations as far as the Welsh language is concerned as well. That needs to be taken into account in this process. As far as the detail, I cannot give you more than that.

Q318 **Robin Millar:** Thank you. Referring to my previous point that the nature of priorities may be different in a shared prosperity fund, to clarify, do you have any idea when those priorities might become public?

**Simon Hart:** No. I should almost apologise for what I said the last time we were before this Committee, which was that the announcement was imminent. I think I might have said that at two previous Committees and I am going to say it again now. I am sorry if my definition of "imminent" does not quite match the dictionary, but these things do take time. The Chancellor's view yesterday was that he would rather do that in a proper, considered way where we could explain in more detail precisely what the



## HOUSE OF COMMONS

fund looks like and how it would be implemented rather than lose it in the morass of information that was knocking around yesterday.

**Chair:** The next section of our questions is on the net zero strategy. Mr Millar, I have you down for question 9.

Q319 **Robin Millar:** This is, as the Chairman says, a change of tack, really. Obviously as a north Wales MP I am very interested in some of the large energy schemes that would have a huge impact on north Wales, but a UK-wide impact too for the amount of energy they might create. I have an interest in some of the green energy or the renewables such as tidal range schemes and the possibility or potential for those. One that has been in the news in the last couple of weeks in particular has been the name of Wylfa Newydd again. It has resurfaced. What is the current state of discussions on the development of a new energy project at Wylfa Newydd?

**Simon Hart:** I will start very briefly and then hand over to David for the more detailed bits.

I am quite cautiously optimistic about where we are with this. I think that there was a sense of people being exasperated by the departure of Hitachi. I think that the emergence of some American interest in this project has resurrected people's interest and enthusiasm for the scheme. Whichever company or whichever country or whichever potential investor we might talk about in this context, the one thing that is a common theme throughout is that this site remains a world leader for this kind of energy production and that will not change. We are encouraged by that.

We were further encouraged by the BEIS announcement on Tuesday, I think it was, about the future nuclear fund that provides a significant amount of cash for future investors to build up proposals and take it to the next stage. I do not want to suggest that this is in the bag. It has a long way to go, but I think that the Government's commitment to nuclear and large-scale nuclear is quite clear.

Q320 **Robin Millar:** Could I interrupt you there? We had an evidence session a couple of weeks ago where Bechtel, Westinghouse and a range of other interested parties came and gave evidence, so we are up to speed on that. I was hoping to nail you down on the record as to whether the Government might use any of that future nuclear enabling fund to secure an investment in Wylfa Newydd.

**Simon Hart:** The one thing I will not easily comply with is being nailed down on something of such commercial sensitivity.

**Robin Millar:** I have to ask.

**Simon Hart:** You have to ask and I have to not answer, yes. Unfortunately, much as I would like to, I think it would be inappropriate for me to imply anything that would leave people thinking that an individual project was necessarily further advanced in the Government's



thinking than it actually is. I think that we should take some comfort from the fact that the future nuclear fund was announced, that Wylfa was announced in that statement, and that it remains a world-leading site for large-scale nuclear as well as SMR. I think that we are in as good a position as we could be in those circumstances.

**David T C Davies:** Mr Millar, you will be aware that to get to net zero by 2050 we are told we need to double the amount of electricity we produce because effectively all of the technologies we will need, including hydrogen, require electricity from carbon-free sources.

To me, it is a bit of a no-brainer here. On all of the visits I have undertaken to north Wales, one thing that has been stressed is the absolute cross-party commitment to a nuclear power station there. We all know that one of the problems that nuclear sometimes faces is that people have fears about it. They are a bit illogical when you look at it. The great thing about it is that it is supported by Welsh Government, the four major political parties in Wales, the local authority and the North Wales Economic Ambition Board. All of the major stakeholders support it, so that will make life a bit easier to get things through planning.

Q321 **Robin Millar:** I think you are right. I certainly did not mean to imply that it was only my own interest. Across north Wales, as you say, I think every MP is keen to see the economic benefits of that. The UK as a whole would see the energy benefits of it and my colleague, Virginia Crosbie in Ynys Môn, has been leading the charge prominently in this House and making the case for it.

I have one final question. If you cannot make commitments, and understandably so, on the new nuclear fund, the RAB funding scheme appears to be key in advancing discussions with developers. Are you aware of the Government's commitment to that? Have you heard anything more about that that you could share with us?

**David T C Davies:** Absolutely. I was on the Public Bill legislation committee when that was being discussed a few weeks ago. I think I saw it down on the Order Paper. Yes, I am getting a nod here. It is certainly progressing through. It is fair to say that it is progressing through rather quickly by parliamentary standards, so the Government are clearly showing their commitment once again. It is being done with a very specific purpose and that is to get a nuclear power station project off the ground before the end of this Parliament.

Q322 **Geraint Davies:** To follow through, Secretary of State, on nuclear with a view towards net zero, obviously nuclear has to be part of our net zero strategy. It seems to me that, given that the Government can borrow at much lower interest rates than the private sector, there is a strong case to have a publicly owned nuclear power station in Wylfa, be it constructed through private sector contractors, and for us to take the risk at the lower cost and to reap the benefits. Is this something that we actively looked at in Government or is there ideological opposition to this and we



want the private sector to build it at a greater cost and to then pay for that cost?

**Simon Hart:** There has been no mention of this being a public project over and above the fact that the taxpayer is likely to be subsidising, with whichever definition of the word you want, to a significant degree anyway. I think that it would be for BEIS to answer this but as far as I am concerned that has not been one of the options under discussion.

Q323 **Geraint Davies:** Is that something that you might put on the table to them? It happens in other countries and I am thinking, on value for money for the taxpayer, that if we can borrow more cheaply than the private sector, we should pay for it and run it rather than just pay their additional costs and for their risk.

**Simon Hart:** At the risk of frustrating you, I can say that I know that every option is always considered when it comes to these things and either accepted or dismissed. In this instance, I think that the funding model that is being pursued is the preferred option.

Q324 **Geraint Davies:** Can you say, just briefly, what the net zero strategy means for Wales in jobs and investment and whether there has been consultation on this? Wales has taken a bit of a lead in various areas, in the wood economy for example, and other issues to do with energy and transport. Was that consulted on and what difference will it make to Wales, in a nutshell?

**Simon Hart:** I think this is one of the areas where there is collaboration and co-operation between the UK Government and the Welsh Government for the simple reason that we are dealing with a global crisis that requires a global response. I do not think that there is anybody in either Government who does not realise that we will only achieve our net zero ambitions if we work together as the United Kingdom but also work together as a global community.

The other very revealing part, I thought, of yesterday's statement from the Chancellor was that this is, of course, a moral obligation for all of us but it is also a huge economic opportunity. I would like to think that in some of the investment decisions that were revealed yesterday and some of the projects that, for example, we sign off in the Wales Office around city and growth deals, the criteria is measured against net zero ambitions. That would not have been the case a decade or two decades ago. I think we are absolutely in the same place as Welsh Government in terms of our ambitions.

Q325 **Geraint Davies:** Weren't you surprised, given that we have COP26 next week, that in the Budget the Chancellor decided to reduce the cost of flying planes and driving cars?

**Simon Hart:** No, and he qualified those comments as well. He made it absolutely clear where the damage comes from as far as international flight is concerned.



## HOUSE OF COMMONS

There has to be a balance to be struck here. Personally, I think it is crazy that there is this moratorium on road improvements in Wales, allegedly for the purposes of further advice on climate change. We are not going to address our net zero ambitions if we crash the economy in other respects. We have to have a state of the art rail system, road system and air passenger system. The idea that it has to be one or the other is clearly nonsense. We want to make sure that these elements of the economy work as effectively as they can and achieve their net zero ambitions.

Airbus is a good example. Its jet zero ambition is to be the first plane manufacturer in the world to be able to fly a hydrogen-powered passenger jet. That is being done in Wales with the full support of Welsh Government and UK Government. David is itching to—

**Q326 Geraint Davies:** I know, but just on the top line, we are hosting COP26, we are not just going there. In the Budget the week before, wouldn't you have expected some fiscal measures that would be showcased to the world that would not make flying planes and driving cars cheaper and, in fact, would make trains a bit cheaper or whatever at the margin and perhaps help air quality and climate change as well?

**Simon Hart:** I think that it is a pernicky point, if you don't mind me saying, but David is keen to say something.

**David T C Davies:** I am itching to get in because, of course, I was on the Welsh Affairs Select Committee with Mr Davies and Mr Lake when we looked at devolution of air passenger duty. I remember that we recommended that it should be devolved so that Cardiff airport could cut APD. We saw a letter from Mark Drakeford, the First Minister—and I have it; I can refresh your memory, Mr Davies—which said he wanted APD to be cut to support Cardiff airport. Meanwhile, since then we have heard lots of Labour MPs calling for a special deal for the aviation sector, telling us about the difficulties of the aviation sector. We have delivered exactly what Labour MPs have been calling for, a cut to APD and support for the aviation sector. I am surprised that you are not more pleased with that, Mr Davies.

As far as net zero is concerned, of course, we are supporting all sorts of projects across Wales and the wider United Kingdom: £4.8 million for the Holyhead hydrogen hub; £21.5 million for the South Wales Industrial Cluster; £15.9 million to help develop hydrogen trucks in my old workplace, Lucas Girling, which is now called something else, in Cwmbran. I only met yesterday with the Celtic energy cluster to discuss how we can work with the Crown Estates to get floating offshore wind developed in south Wales.

**Q327 Tonia Antoniazzi:** What we wanted in that report, Minister, was that we devolved it to Wales so that the Welsh Government could decide themselves what to do with it.



**David T C Davies:** Mr Drakeford said he wanted to cut it. I have a letter from him.

Q328 **Tonia Antoniazzi:** What gets me is that it seemed to be a very odd announcement in the Budget yesterday because the actual discussion around COP and climate change was hardly evident. They did not marry up, really, did they?

**David T C Davies:** I did not write the Budget speech. I can set out all the commitments that we have made within Wales to net zero and the projects that we have already signed off and the projects that are coming forward, including the Morlais project. I hope that that will be one of the first that comes towards us; it is not signed off yet.

My point on APD, since Mr Davies raised it, is that Mr Drakeford wrote to Cardiff airport assuring them—and I think I may have retweeted the letter yesterday—that he was looking to cut APD. We have heard many Labour MPs saying that they wanted something done for the aviation sector. We have delivered what Labour asked for.

Q329 **Geraint Davies:** So that we are clear on this, there is an argument that if APD is lower in very small airports like Cardiff and elsewhere in the United Kingdom, people will travel less distance, particularly in the Cardiff case, putting to one side the devolutionary issue. Instead of travelling further to Bristol, for example, more people will fly from Cardiff and, therefore, for the same amount of flights there will be a lower carbon footprint. There is a consistent argument around that, so it is not as easy as to say Mark Drakeford—obviously Mark Drakeford is committed to climate change.

Moving on, you will be aware of the Blue Eden project in Swansea, which is a very creative project, a multi-billion pound project that will give rise to solar panels, battery and, in particular, a new tidal lagoon. Is this something that you support, Secretary of State, and doesn't it show that if we give more investment to Wales we have the creativity to help the UK deliver net zero?

**Simon Hart:** The thickest part of my brief here is on inward investment for net zero-related objectives in Wales. I think it is one area where we could spend an entire session listing—and if you push us we are very happy to do that—our commitments to net zero and climate change-related developments and job creation in Wales, if that is what you wish.

On Blue Eden, formerly known as Dragon Energy Island, as you know there has been a chequered history about tidal lagoon power in your constituency, which has made everybody quite wary about proposals. However, Swansea City Council has come up with an interesting idea and we have been supportive of it. We have not contributed any money as yet and that may change, who knows, when we see exactly what this latest proposal contains and whether, in fact, public money is necessary at all.



## HOUSE OF COMMONS

The idea of being at the cutting edge of tidal lagoon technology development in Wales is great. We think that Swansea City is doing a good job on this. We are very happy to get behind their idea but, of course, if they come for cash, taxpayers' money, we will obviously need to go through the proper process in assessing whether that provides value for money.

**Q330 Geraint Davies:** In the event that they do as you say, you will have an open door. It would inevitably reduce the cost to consumers of green energy and that is presumably something we want to encourage at a time when the global situation on energy costs is very bad.

**Simon Hart:** The bar is high, of course, and so it should be but, yes, we are very keen to look at tidal energy as a cutting-edge technology.

**Q331 Rob Roberts:** As Mr Davies brought up tidal lagoons, I am interested to talk very briefly. I have spoken with Minister Davies previously about the tidal lagoon project in Mostyn in my constituency. Given that a couple of weeks ago BEIS published the latest contract for difference proposals and funding options, how much availability is there within the Wales Office to offer assistance to projects like the Mostyn one to negotiate how best to put together a bid for that funding? Is there something that the Wales Office can say it has resource to assist or assess applications before they go in and that type of thing?

**David T C Davies:** Mr Roberts, we would not normally assess applications before they go towards BEIS, but BEIS is willing to look at any applications that come its way. The challenge for anyone with a tidal lagoon project is to be able to set out clearly what the construction costs are, how many megawatt hours it will generate and what, therefore, a strike price would need to be to make it pay off. I am aware of projects that have found it challenging to do that, but clearly those are the basics and anyone who submits an application to BEIS is welcome to come and talk to us. I am happy to talk to anyone, but I think the project needs to go in and be put together and people need to think about what a strike price is. This is not my area. I am not a BEIS Minister. I am a humble assistant to the Secretary of State for Wales.

If one puts forward a strike price that is over £150 a megawatt hour, that will be challenging. One of the reasons for that, of course, is the success of the wind industry where we are seeing prices now coming in at £45 to £50 a megawatt hour. Even offshore wind is getting cheaper. Figures I see bandied around for floating offshore, which is a relatively new technology, are coming in at not much more than £100, so these are the challenges. I am not a BEIS Minister. People with greater minds and knowledge than me will have to look at applications, but I am very happy to talk to anyone who puts in an application because we are very open minded. We want to see as much renewable energy as possible being generated in Wales and we will support anyone with a good application in putting that forward.



## HOUSE OF COMMONS

**Chair:** We have made great progress through the questions but I understand that the Secretary of State and the Minister need to leave at half past.

**Simon Hart:** Ideally. If it is a few minutes—we are visiting levelling-up success stories this afternoon and I know you would not want to delay us from that particular pleasure.

**Chair:** If answers could be as succinct as possible that will enable us to get through the questions.

Q332 **Geraint Davies:** Secretary of State, you will know that the Welsh Affairs Committee recommended rail funding for Wales be done on the same basis as it is for Scotland with HS2. In other words, Scotland gets a proportion of the total cost of HS2. According to its population it gets 91.2% of that proportion and, in the event that Wales got its Barnett share equivalent to Scotland, we would get an extra £4.6 billion, which is more than twice the uplift in the Budget, as it happens. That would be an enormous injection of money to help Wales deliver net zero, not least in having a metro across South Wales. Is this something you have looked carefully at and will support and lobby Treasury for, so that we have our fair share of HS2?

**Simon Hart:** This argument has been made many times and it has been rejected many times. I don't think it is the silver bullet that you perhaps describe it as, to be honest with you. Subject to what we see in the Union connectivity review, which is due to be published quite soon, there is a range of schemes, particularly around rail, that we are investing in or attempting to invest in. We will take Sir Peter Hendy's advice when we see it in its final form. That should have been by now but it isn't. I think the spending review enabled that to be delayed by a short amount.

Looking at my notes here, we have talked about £2.8 billion to modernise the Great Western Main Line, £450 million re signalling in south Wales, £125 million for south Wales metro, £4 million Bow Street Station, Aberystwyth, with £2.7 million as part of the Cambrian line signalling upgrade and so on, the Global Centre for Rail Excellence, which I think we have put something like £25 million towards. I like to think that there is a significant evidence of the UK Government's commitment to rail improvements in Wales, which I hope will achieve precisely what you would like it to achieve. I don't think necessarily just by Barnettising HS2 you get to the same place over the same period of time.

Q333 **Geraint Davies:** As you have said, there obviously is investment in Wales and connecting Wales on the rail system. I think we know that. The difficulty is whether we get our fair share. In particular, in respect of HS2 my understanding is that now you can go from London to Manchester in two hours 10 and you will be able to go in one hour 10. Already you can go to Edinburgh in three hours and it takes three hours to get to Swansea, and they will be speeding that up as well by more than an hour.



## HOUSE OF COMMONS

Given that Scotland is benefiting from HS2 directly—and we hear that in fact Crewe will not be connected to Manchester with HS2—the evidence we have heard is that the benefits of HS2 itself will be slight and negative, if anything, because it will move jobs from Swansea, for instance, to Manchester. Virgin is an example of this. Don't you think the Welsh Office should at least—

**Simon Hart:** If anything, your comments demonstrate that this is a UK-wide infrastructure challenge. Simply resorting to Barnett as a means of resolving something, which is clearly about joining London with Swansea or Crewe, Manchester and north Wales, you cannot have it both ways. If we did Barnettise HS2, the Welsh Government are limited to purely doing infrastructure within Wales and not actually joining up the UK by way of a UK-wide infrastructure project. That is what we should be doing and that is what we are doing.

Q334 **Geraint Davies:** Perhaps I am being unclear. Obviously, the links to Swindon and Bristol help Bristol and Swindon as well as Wales, and we know that. In the case of HS2, it is the north-south link that certainly benefits Scotland. Scotland is getting a big Barnett share and, given it doesn't go west-east, the argument is that we should get our share and why won't you fight for that?

**Simon Hart:** I have just listed what I think our share is. The fact that it doesn't come courtesy of the Barnett formula I think is arguably a good thing.

**David T C Davies:** This doesn't take account of the improvements that will take place, the south Wales relief line and the north Wales coast line. I met with Network Rail. I went to an event about two weeks ago with Network Rail in Chepstow where it was talking about the multi-million pound improvement it is going to make to the line just outside Chepstow on the English side in Gloucester, but improvements that will help rail passengers from Wales. One of the points it made to me—and I am sure Network Rail would make this to the Committee as well—is it is very difficult to look at rail in a Welsh-English perspective because an improvement to part of the railway network in England, such as the one just north of Chepstow, will help people from Wales. Therefore, Barnettising it would make things very complicated.

Q335 **Rob Roberts:** I am interested in freeports and the current status of negotiations with the Welsh Government regarding one or more freeports in Wales. Mr Drakeford said that there were remaining areas of disagreement with the Welsh Government, when he appeared before us previously. I am interested to know what progress has been made in those discussions.

**Simon Hart:** None.

Q336 **Rob Roberts:** Can you expand a little?



**Simon Hart:** The Welsh Government do not want to come to the party on this one and I think it is a tragedy. I think jobs are being lost to English freeports. I think it is an ideological resistance, it is mystifying and it is political. We reserve the right—although we would much rather not, some colleagues will be pleased to hear—to go down the route of a reserved freeport. We will do that if we have to. This is a manifesto commitment, and I have said before in front of this Committee that it is a case of when not if. There is always room to manoeuvre in these things but we have attempted to be as open for business as we can be on this particular issue and I very much hope that we can persuade the Welsh Government. It will be Michael Gove's job to persuade the Welsh Government to re-enter the ring and start talking about how we can make this happen, rather than how we can make it not happen.

Q337 **Rob Roberts:** I asked the First Minister about it when he appeared before us and he said, "I have nothing to say about it because I am not going to trumpet the policies of another party that we don't agree with", so that will back up what he said. Do you have a deadline for when you may reach an agreement and at what point?

**Simon Hart:** There are some similar challenges with the negotiations with the Scottish Government, and so we are attempting to navigate our way round those at the same time. I think the clock is ticking. The displacement argument that potential inward investment to Wales might be being lost to English freeports is a very real threat, so we need to get on with this.

I urge colleagues of the First Ministers who may be less ideologically opposed to it—and some of them are; I spoke with some of them and they are as mystified as I am—to look very carefully at the potential damage this is doing and, more importantly, what potential opportunity there is and see if we can get back around the table. I am sure we can. This cannot be beyond the wit of man.

Q338 **Rob Roberts:** One would hope not. My final very brief point on freeports is that there will be one in the Liverpool city region. The whole of north Wales has about half of the population of the Liverpool city region. Secretary of State, do you not agree with me that there would be no reason not to be able to extend the freeport zone across the whole of north Wales rather than being restricted to that 45-kilometre limit?

**Simon Hart:** I am not shy in saying that I think the notion of cross-border freeports is completely reasonable, for the reasons that you point out, because economic regions do not tend to necessarily mirror administrative regions. We know from the excellent work of the Mersey Dee Alliance that it looks at the north Wales/north of England economy as one economic block, in the same way as sometimes south-east Wales aligns with the south-west and Midlands and mid-Wales with the West Midlands, I think. These economic zones are how we do business every day of the week in Wales and I think that freeports could easily reflect that, yes.



## HOUSE OF COMMONS

Q339 **Geraint Davies:** On this, Secretary of State, my understanding is that the English freeports are being offered something like £25 million to set them up and the Welsh freeports just £8 million, so if you do impose your freeport in north Wales, will that be an £8 million little freeport or—

**Simon Hart:** Nobody said north Wales, by the way, but I take your point.

**Geraint Davies:** Will you be imposing an £8 million freeport or a £25 million? One of the issues isn't ideological. It is about fair shares and—

**Simon Hart:** The numbers are intended to reflect Barnett. They are based on the Barnett formula.

Q340 **Geraint Davies:** Why don't you accept Barnett on the HS2, if you are accepting it for this?

**Simon Hart:** There is absolutely no comparison between those two proposals. As far as Barnett is concerned for freeports, there was a lump sum of money that was Barnettised and that is how we have co-existed for 23 years, or however long it has been since the devolution settlements have been in place. It is for others to decide whether there is any flexibility within that, but the important thing is because of the nature of freeports the Welsh Government benefit from the tax regime that a freeport would enjoy in a way that is different from England. That is why there is the differential between the figures because there is that uplift that the Welsh Government would benefit from.

**Chair:** I am afraid we will have to move on.

Q341 **Geraint Davies:** Barnett is critically important. Do you think that an £8 million Welsh freeport can realistically compete with a £25 million freeport in Liverpool with a much bigger business footprint as well? Is that fair play?

**Simon Hart:** It seems to me you are saying that the Barnett formula isn't fit for purpose or the devolution settlement isn't fit for purpose. If that is what you are saying, we need to—

**Geraint Davies:** No, I am saying there are—

**Chair:** I am afraid we will have to draw a line under that now, sorry, gentlemen.

Q342 **Simon Baynes:** Thank you to our witnesses. My question is about port facilities post-Brexit. Can you update us on the latest state of progress on the HMRC and SBS facilities needed at Holyhead and, in particular, when you expect the HMRC facilities to be operational? Secondly, what discussions have you had with the Welsh Government regarding the contingency measures that may be required between the introduction of SPS checks in 2022 and mid to late 2023? I think you know the full remit of the issues I am asking.

**Simon Hart:** I think I can give you a partial answer but I am not sure I can give you a complete answer. I was in a meeting earlier on this week



about the port infrastructure, at which the Welsh Government were well represented at ministerial level. It is more advanced in Holyhead than it is in Fishguard and Pembroke. That is partly because of HMRC and the reserved nature of activity in Holyhead, which is not reflected in Fishguard and Pembroke where the responsibilities are devolved.

The UK Government have made—I have the letter here somewhere—a reasonably open-ended offer to the Welsh Government to finance the per capita expenditure necessary for Fishguard and Pembroke. I think there isn't a figure put on that for the year 2020-21, so we are running out of time on that but there is provision within the commitment to extend that 2021-22 if the business case is made.

What the UK Treasury is waiting for at the moment is a business plan from the Welsh Government that will set out what the cost is of the BCP infrastructure requirements. We have not received that. We need to receive that to be able to advance any financial commitment to this at all, even though, by the way, it is devolved. We are breaching the devolution settlement to come up with this cash. We think that is a perfectly reasonable argument.

From what Lesley Griffiths said in the meeting, I think there is some imminency to the identification of a location and the commencement of the work proper, so I think we are getting there but it is not going to be ready any time soon. Therefore, there will have to be temporary measures put in place. Unless David knows more about Holyhead—that is a different set of challenges—but I think they are further ahead and they have some infrastructure in place on the ground, but I will just double check on that latter point.

**David T C Davies:** For north Wales, HMRC has said that the Road King site will have temporary facilities for January to enable them to conduct import checks, but I presume that will not be the SPS ones because that is still devolved.

Q343 **Simon Baynes:** Therefore, in general terms, there seems to be delay from the Welsh Government putting matters in place but the UK angle to it is better on track?

**David T C Davies:** I had better let the Secretary of State answer that.

**Simon Hart:** It is a big challenge. I don't think I am saying this is an act of incompetence but it is unquestionably a devolved matter and it is taking some time. I hope it is helpful that we have been able to commit to the funding of this as an extraordinary payment. We need to have the information from the Welsh Government on what that might entail before we part with the cash, and I think everybody realises that is the case. The relationship between the Welsh Government and the UK Government on this is frequent and very positive. It is just taking a long time.

Q344 **Chair:** For the sake of clarity, when do you expect the HMRC facilities to



be operational?

**Simon Hart:** In Holyhead?

**Chair:** Yes.

**Simon Hart:** I can tell you that full customs import controls will be implemented at the border in January. Potential contingencies are being made if there are disruptions to queues that would be caused by lack of trader and haulier readiness or readiness of the ports themselves to carry out checks.

Q345 **Chair:** On the delays in the other facilities, you referred to some difficulties that the Welsh Government are experiencing. Do you have a clear idea of what those difficulties are and are there measures afoot to address them?

**Simon Hart:** In some cases it is simply identifying a suitable site. It is finding a site that works for both Fishguard and Pembroke and the local authority is heavily involved in that. It may have identified a site but it then has to go through quite a significant legal process of finding out who owns it, how much it would cost and what the development costs would be, delays, planning and environmental issues and so on. There will be temporary measures put in place there too. I think the anticipation is something to be up and running by 2023.

By the way, if I get any of these things wrong I can always put them right in a letter. I am just looking on here but I am pretty certain that is right. It was only on Monday or Tuesday that we had the latest report from the Cabinet Office on this subject.

Q346 **Rob Roberts:** We are coming to the end of your very generous time, gentlemen. Have the Welsh Government consulted your office on their independent commission on the constitutional future of Wales? How do you anticipate interacting with that commission as it moves forward?

**Simon Hart:** The answer to your first question is no. I would not necessarily expect that, but I hope that we might be in a position to give evidence to the commission when it is up and running. I feel as though I could save everybody a lot of time and effort by second guessing what the outcome may be but that might be a bit flippant, so we probably ought to let it run its natural course.

As we are emerging from probably the biggest economic crisis that any of us will experience, trying to find ways of rebuilding the economy, create jobs, encourage inward investment, revive the Welsh economy and deliver on levelling up and things, I have to say I find it remarkable that we will spend time on a navel-gazing exercise around constitutional settlements. We both know what we are responsible for. The Welsh Government know what they are responsible for; I know what we are responsible for.



I think the public expects us to undertake those responsibilities urgently and professionally. The prospect of having a long session of rather dry academic disputes about the minutiae of the devolution settlement will leave voters mystified. I think that kind of obsession with constitutional matters possibly explains why turnout at Senedd elections is around 46%, because it doesn't get the juices flowing and I think we should be concentrating our efforts on economic recovery. I will take a cheerful, willing and enthusiastic part if I am invited by Dr Williams, as chair of this commission. If I am invited I will make my case.

**Q347 Rob Roberts:** To follow up on that and matters of devolution generally, we have previously heard that the Welsh Government want to devolve competence of some Treasury functions to create a new vacant land tax. Is it really the time to be talking about enhanced devolution with all the things that are currently going on?

**Simon Hart:** I personally do not think so. Having taken part in numerous elections in Wales—local, Senedd and general—I have yet to be accosted on a doorstep by somebody who wants to discuss the further development of land tax, for example, as a priority. I have just noticed this in the last few months and I noticed it yesterday in the response to the Budget Statement.

The Budget Statement injected well over £2 billion into Welsh coffers, which is all about job creation and all about helping people in the most challenged areas of Wales. The response from the Welsh Government was that it challenged the devolution settlement. One, it doesn't and, secondly, I think our priority ought to be jobs and livelihoods. I just don't understand why anybody would want to respond to a Budget Statement by talking about, as I say, the minutiae and dry academic elements of the devolution settlement. That genuinely is not what is being discussed in the Plas Hyfryd in Narberth this evening.

**Q348 Rob Roberts:** On the subject of jobs and livelihoods, in 1998 the average wage in Wales was about the same as it was in Scotland. Twenty-odd years later, it is now 20% behind the average wage in Scotland. In education, the PISA scores that measure language, maths and science are consistently the lowest across the four nations of the UK. Is devolution working for Wales?

**Simon Hart:** Devolution could work. That is the point. Devolution could work, should work, can work, and so I am not anti-devolution. In fact, a lot of the thrust behind the Levelling-Up Fund is about interpreting devolution much more literally than has been the case before. In the past, I think everybody thought devolution meant just rebranding something in Whitehall with something in Cardiff and that is the devolution box ticked. That is utter nonsense. Devolution is talking to 22 local authorities in Wales and to all of the elected councillors who deal with these things every day.



I think that it is reprioritising and getting a better understanding for what will improve education outcomes, hospital treatment and people's economic chances. Getting that information, whether it is from universities or schools, frontline NHS workers or elected councillors, is devolution, not just parking a problem in Cardiff any more than parking a problem in Whitehall is a solution.

I am not anti-devolution. I think it is a great idea, but I think the commission that the Welsh Government ought to have launched—I would argue it would be better and more revealing if they had done one on their own performance than necessarily just on a constitutional niche area.

Q349 **Rob Roberts:** My very final question on this topic, Chair, because I sense the Minister is itching to get away. Up in the north, Flintshire County Council has had its budget cut by £92 million in the last decade. It has had a council tax rise of almost 9% in 2019-20, a 25% council tax rise over the past five years. It continues to be one of the hardest hit councils in Wales in its funding from the Welsh Government. Is it fair for north Wales and my constituents—who consistently tell me that they are increasingly disenfranchised from Cardiff—that rather than devolving further powers from Westminster, the real way of thinking in Wales should be that north Wales itself should be getting more powers from Cardiff? If not, should we just scrap the whole thing as a flawed project because it has clearly and continually neglected north Wales?

**Simon Hart:** I will pass on the last point.

**Rob Roberts:** I thought you might.

**Simon Hart:** I will work my way back. The idea of devolving more powers to local authorities, or indeed to growth deal areas, is one that I think the Welsh Government have said they are keen to do. I wonder whether this commission—which I am sure, considering that it is being funded by a former Plaid Cymru candidate and the former Archbishop of Canterbury, is unlikely to be suggesting anything other than large amounts of extra powers for Mr Drakeford—should not also be looking at whether or not it is time for the Welsh Government to start devolving powers downwards to local authorities or to local authority regions.

The local government funding formula is the problem here, because Monmouthshire is one of the worst hit as well. That goes back to the early 2000s when the Welsh Labour Government changed the formula that they use to allocate money to local authorities across Wales. They did so, frankly, by jiggling with quite technical areas, such as the percentage of elderly people, the wages and so on, the way they looked at sparsity, in ways that, no doubt coincidentally, seemed to be quite beneficial to certain local authority areas and not beneficial to other local authority areas such as Monmouthshire and your own. The key to getting fairness is to change the local government funding formula. It is rather a dry issue but I suggest one that a committee might want to look at at some point.



Q350 **Chair:** Thank you very much. To take you back to the connectivity review, the total sum of £43 million appears to have been put aside to “address the recommendations” of the review. Will further UK Government funding for projects be announced once more detailed proposals have been published?

**Simon Hart:** I think the figure that you are talking about is for development funding. I will read you what it says—that will be easier—“Included in yesterday’s Budget will be £23 million of new funding for the Union Connectivity Review across the spending review. This is in addition to £20 million development funding made available in 2021-22 and announced in the publication of the interim report in March 2021. This funding will be used to address the recommendations made by Sir Peter Hendy on improving UK-wide transport connectivity, working alongside the devolved Administrations. It sets the funding for the next three to four years” and so on.

Q351 **Geraint Davies:** The Secretary of State will know that if you look at the city regions of Swansea, Cardiff and Bristol together there are about 3 million people, similar to Manchester-Leeds. Manchester-Leeds gets about eight rail journeys a day and we get one. If the Hendy review and the Union Connectivity Review say that we need to build that connectivity across border, will you support that and ask for more funding for it? I know we did not see eye to eye about the funding point on the HS2 and so on, but it is the case that historically Wales—it has got better recently—has had about 1.5% of UK infrastructure spend. If there is a strong case, will you back it and ask for the money? £10 million or whatever it is isn’t going—

**Simon Hart:** I think the point is quite reasonable. There is no point in commissioning people like Sir Peter Hendy if we then just roundly ignore their findings. Clearly, we have to make an assessment of whether they meet all of the other criteria that would have to apply around trade-offs with other investment opportunities, the cost effectiveness and value for money for tax, all of that, but it would be wrong of me to say now that I am going to endorse whatever it is that Sir Peter Hendy says at some stage in the future.

From my conversations with him, I think this will be a very helpful report that will concentrate our minds. There will be some things that we will see as a really good idea and we should vigorously pursue. There will be other things that we might think are a great idea but will cost more than we can currently afford. I don’t know. Any report of this nature would come up with a green, red and amber type of proposal, but I am looking forward to seeing it because I think it will give us huge strength, all of us as MPs let alone in the Wales Office.

I think it will give strength to our elbow to be able to go to the Treasury, go to whoever and say, “This is the recommendation. These are the economic benefits that this will bring. Therefore, we think that, whether it



## HOUSE OF COMMONS

is in this spending round or in the next, we should be getting behind it". I want to find ways of supporting it.

**Chair:** Thank you. Secretary of State, Minister, we have reached half past. Thank you very much for attending the Committee session this morning and for your answers. I hope that I can assume that if we do need any further clarification in writing, which we would be happy to receive—

**Simon Hart:** Very good. I was passed a note about DAs and the New Zealand free trade agreement, for example, so they have seen a draft text related to the areas of devolved competency. We can confirm that. We can formalise that in a letter if it would be helpful.

**Chair:** Thank you. That would be appreciated. Thank you very much.