

Welsh Affairs Committee

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

Wednesday 23 February 2022

Ordered by the House of Commons to be published on 23 February 2022.

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

Questions 352-417

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.

Q352 **Chair:** Good morning. Welcome to Committee Room 5 in the House of Commons and a meeting of the Welsh Affairs Committee. We are delighted this morning to welcome the Secretary of State for Wales, the right hon. Simon Hart MP, and the Parliamentary Under-Secretary of State for Wales, David T. C. Davies MP, who was formerly Chairman of this Committee. It is great to see you both again. We have quite a lot of ground to cover—there are lots of different topics on the minds of my colleagues—so we will hopefully keep questions and answers as concise as possible.

Perhaps I can start, Secretary of State, by asking generally about intergovernmental relations. Very briefly, what is your current assessment of the state of play—how well the UK Government and the Welsh Government are communicating and working together?

Simon Hart: Thanks for another opportunity to come and speak to the Committee. I think that, since the last time we met, things have moved along in a positive way. There are always examples of where that doesn't work as well as some people would like—amplified by the press. But with the instigation of the IGR review, leading on to the interministerial groups, Michael Gove has worked hard with the devolved Administrations—not just the Welsh Government, obviously—to see whether there are ways in which we can apply a bit of structure to that, so that it isn't just done on an ad hoc basis and there is a bit of a framework that people can work to. It's early days yet, because not all those structures have been stress-tested, so we don't really know whether they are going to be a rip-roaring success or whether they will need further work. But the fact that we have something resembling an agreement between us and the Welsh Government on the basis of it is, I would like to think, a step forward.

Q353 **Chair:** That is very helpful. You mentioned the IGR review. Where do you see the Wales Office fitting in with the three-level structure that the IGR review sets out?

Simon Hart: As ever in our world, everything is connected to everything else, so I don't think it's easy to look at it in complete isolation. The Wales Office has become more embedded in UK Government decision making not only as a result of these arrangements, but as we have developed levelling up and other policy concepts, to use the jargon. The Wales Office is playing a more visible and active part in that process, and one of the reasons for that—I may be going off topic a tiny bit, but this is important—is that, for the first time, I think, for a while, Whitehall and Westminster are now looking at Union matters and looking at levelling-up matters, or looking at all the policy decisions through the prism of the Union and levelling up, rather than it just being somebody else's problem down the street. I think that is a really positive development. It is something we can actually tangibly point to, and as a result the Wales Office is looped into a



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great deal more decision making a great deal earlier than perhaps has always been the case.

Q354 **Chair:** I think many people would agree with that assessment around levelling up. That takes me on to Michael Gove's Department, which seems to be acquiring ever greater influence within the constitutional settlement or the architecture of devolution. How does the Wales Office relate to Michael Gove's Department?

Simon Hart: I think you should ask Michael Gove how his Department relates to the Wales Office actually. It is the same thing. I think, rather well—I would say that, wouldn't I? Because Michael has maintained his role since he was in the Cabinet Office, he has a very familiar feel. He has a relationship that goes back quite a few years with the First Ministers of the DAs. I think the link between the Departments is pretty sound. David may take a different view, but I think it is pretty good.

The other part of it, at official level, is on a slightly different plane. Sue Gray—famous for other reasons—is the Union permanent secretary. Her involvement, such as the work she is doing around freeports, has been incredibly effective. She's a very senior, well-respected civil service voice, representing not only the DLUHC but also the views of the territorial offices. She is representing those views to the Welsh Government, Scottish Government and Northern Irish equivalent. That has been able to take some of the politics out of that relationship, which is quite positive.

Q355 **Chair:** Is Michael Gove running relations with the devolved bodies from a UK Government perspective?

Simon Hart: No, and I don't think he would think that he was, either. He has a clear role in being responsible for levelling up and the Union. Every decision that I can think of that has a Union consequence, whether done at official level, in writing or face to face, has been done with the co-operation, agreement and, dare I say, consent of the territorial offices. It is quite a respectful relationship. I know that people are tempted to think otherwise, but there are not many occasions, if any, that I can recall, where decisions have been taken with a Union consequence, particularly as far as Wales is concerned, which have not been pre-agreed or pre-discussed with the Wales Office.

Q356 **Chair:** How often would you meet the other territorial Secretaries of State and Michael Gove? Do the four of you meet as a separate group within Government? Give us an idea of how it works, day to day and week to week.

Simon Hart: We haven't had a four-way face-to-face meeting in the recent past. That is not because we've been asking for one and haven't got one, but because the way we do business tends to be in other forums; it tends to be much more at Cabinet these days. That is again one of the positive developments about this.

The Union and levelling up is not a problem that is just parked on Michael's desk or mine. It has become a Government ambition and



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objective, which is run essentially with the authority of Downing Street. When we talk about levelling up and strengthening the Union, that is precisely what we mean. I have heard the Chancellor say on a few occasions to colleagues, for example, "All of your bids for CSR have to be presented through the prism of levelling up. If they're not, they are not going to get terribly far in the process." For me, in two and something years, that has been quite a significant shift. It has become everybody's challenge and opportunity.

So we meet informally all the time—Alister Jack, Brandon Lewis, myself and Michael—on numerous occasions. Our discussions may just be private conversations in a corridor, or more formalised on a wider Zoom call or in the confines of Cabinet. They have become much more frequent. The Union and levelling up as topics have appeared on the Cabinet agenda more often in the past six months than in the previous 18. That is a guess, by the way; if somebody makes an FOI request, they'll probably find I've got it wrong, but it feels like that to me.

Q357 Chair: A few moments ago you referred to the work Sue Gray was doing around freeports. Since we last met, the Prime Minister has been to Scotland and made an announcement about freeports there, and the funding that would go with it, which does not look like it is on a Barnett basis. When we have previously talked about freeports being delivered in Wales and the disagreement between the Welsh Government and the UK Government over the funding offer, you very strongly defended the Barnett principles. What has changed? Has the Treasury just blinked and given the Scottish Government what they want? Is that a signal for what will happen in Wales?

Simon Hart: It is a pity that this meeting is not in a couple of weeks' time. I think the last two times I have reported to this Committee—

Chair: There is going to be an announcement in two weeks.

Simon Hart: I will contextualise my answer. On the question of freeports, I have given a very blunt and frustrated answer to this Committee the last couple of times, which is that we need to get this thing over the line. It is really frustrating that there is a blockage in Cardiff that is preventing us from so doing. However, this time, I can say we are a great deal closer than we have been at any previous stage to getting this thing sorted. I genuinely think there is a reasonable chance that in the next few weeks, not months, an announcement will be made. As to whether it is exactly along the same lines as the announcement in Scotland, we will just have to wait and see.

There has been a significant shift in getting this thing resolved. If you ask me again in a couple of weeks what has happened to unblock the blockage, I think I would probably answer by saying that I would like to think the Wales Office played a part in taking a pragmatic view of some of the things that were getting in the way, and therefore some things have had to move a bit. We have attempted to get—and I think succeeded in getting—a bit of movement in the places that count. As a result, I think we



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will be able to launch a freeport bidding process sooner rather than later. That will be a bit of a champagne moment, I hope.

Chair: I am sure we will come back to freeports later in the session.

Simon Hart: I cannot say more just yet.

Chair: You have given us a strong hint and signal there, which I am sure other Members will want to follow up on. Let's go to Ben Lake.

Q358 **Ben Lake:** I would like to ask you first about a concern that is increasing in many parts of rural Wales as regards the purchasing of large tracts of land for the apparent purpose of carbon offsetting. Initially, I am interested to know whether the Welsh Office has a view on that trend.

Simon Hart: Can I defer to David on that point?

David T. C. Davies: I met the NFU and the FUW quite recently, in the last few weeks, and I think that was one of the first issues they raised. I understand the concerns that people have, particularly in certain areas, such as the Welsh language heartlands, that this could lead to families leaving farms. I think all political parties are signed up to the principle that we need to plant trees as part of our efforts to halt climate change. That was in the manifesto certainly of the two larger parties of Wales and also, I think, in Plaid Cymru's manifesto.

Obviously, agricultural policy is devolved in Wales and so is planning, so decisions on whether to allow a change of use will ultimately go back to the Welsh Labour Government with their Plaid Cymru coalition partners—or partners, anyway; I am not sure if it is officially a coalition.

Q359 **Ben Lake:** You are correct that planning and agricultural policy are devolved matters. One of the things the Welsh Government will need to ensure is that both the NFU and the FUW are at pains to emphasise that it is about planting the right tree in the right place. One of the concerns raised with me about some applications in Ceredigion—I know a few applications have attracted a great deal of press interest over the border in Carmarthenshire—is to do with some of the underlying incentives for some of the activity as it relates to carbon sequestration, offsetting and potential carbon credit. The emissions trading scheme, of course, is reserved to the UK Government, so I suppose my follow-up question in the first instance would be whether discussions are ongoing as regards the emissions trading scheme, with a particular view as to how we ensure that Welsh land is not just being used for the purposes of carbon offset, and that we strike that balance between planting the right tree in the right place and recognising the very important economic, social and cultural contribution that many of these parts make.

David T. C. Davies: I accept the concern behind the question. If you are asking me about the technicalities of the ETS, Mr Lake, I am going to slightly kick that one back and say that that would be something you might wish to take up with BEIS. However, as a general principle, we pulled out of the European ETS scheme as we left with Brexit, and



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obviously there were suggestions that this was going to complicate matters and that having two ETS-type schemes running parallel to each other was not a good thing, but I think we have a UK-wide scheme that we can now work with. If the point of your question is to suggest that we now need to further have different ETS schemes running across the whole of the UK—

Ben Lake *indicated dissent.*

David T. C. Davies: Okay, so that is not the point. Amending the ETS scheme in a way that enables some parts of the UK to—I mean, I am not quite sure what you are saying. I think I get what you are saying, but it is going to be complex, isn't it? I will throw it back to you.

Q360 **Ben Lake:** To clarify, then, I think what many people have in mind is that, as Ministers correctly state, the European carbon price is slightly higher than the UK one, and there is anticipation that carbon pricing will move upwards and further incentivise the purchasing of land for forestation and offsetting. The concern is that there are certain corporations and companies that clearly have ready capital, or capital to hand, in order to compete and purchase the land—companies that may not necessarily also then reduce carbon emissions in the way that both UK Government and Welsh Government priorities would like them to do.

With regards to potentially amending the ETS, the question, I suppose, is whether the Welsh Office would be amenable to, and support, exploring ways of ensuring that certain companies can only participate in carbon trading provided they also reduce their emissions at the same time. There are elements of that in the existing scheme; the concern that has been put to me in a very persuasive manner is that it does not quite offset, for want of a better word, the price signals and incentives that are built into the market as it is currently regulated.

David T. C. Davies: I think that is a question for BEIS, but my instinct is that that would be very complicated indeed, and legal issues would arise if we as a Government were to say that we have a general principle here, which is that we will pay for trees to be planted—which is what we are effectively doing, for environmental reasons—but by the way, that company, that company and that company are buying up land in parts of Wales that are culturally sensitive, and therefore you are not allowed to do that.

I fully accept that you have a reasonable concern, which may well be shared by many, but when we pass legislation and put in place a major scheme for the whole of the UK, it is going to be difficult to exclude certain parts of the UK—although that could be done by the Welsh Government on planning grounds—or to simply say that we are going to exclude certain companies because we do not like other things they are doing. I think that would be difficult, and anyway, it would be easily got around by setting up other companies to do it on their behalf, perhaps.

Q361 **Ben Lake:** Thank you, Minister, but that is not quite the point I am trying to make. The point I am making is that across the UK, surely there is a



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way in which both the UK Government and all political parties might be able to agree that, in order to benefit from carbon offsetting and carbon credits, there is a reasonable expectation on those companies—whoever they may be and wherever they may wish to plant—to also have a robust scheme of reducing their emissions.

The concern that has been put to me is that you may well have a situation where certain groups could continue to emit to a level that is unsustainable, but offsetting it by purchasing ever-greater tracts of land. At the moment, the pricing and the incentives allow them to do so quite easily, so the question is not necessarily about excluding them from planting in Wales or culturally sensitive areas—far from it. It is a broader point to amend the system UK-wide, so that companies will have to—and, I think, already need to—audit their carbon emissions and present their carbon budgets. Unless they also bring forward a credible and robust plan to reduce their structural emissions, would the Wales Office support conversations with BEIS to say that they should do that?

Simon Hart: Are you referring specifically to British Airways, by any chance?

Ben Lake: Not necessarily just British Airways, but that is a good example, I suppose.

David T. C. Davies: Let us take British Airways. Well, let me not name a specific company, but let's take an airways company. Let's say that this airways company has decided to offset its emissions by buying up land, including land in Wales, and planting trees on it. Let's say that we decide that we are going to exclude that particular airways company from this scheme. All they would need to do is purchase the permission to do this from another company. Another company could be set up, called Welsh Land for Trees Ltd, which could do exactly the same thing, and then Airways Ltd could simply purchase the credits from that separate company.

So, I am not sure this would work, but there will be much greater minds than mine in BEIS who might be able to find a way for it to work. I suspect there would be a lot of lawyers involved, and I know personally how much they can charge when they get involved in things. I would have thought a much easier way would be to use the law that we already have around planning permission, which would enable the Welsh Government to exclude certain areas using the existing planning laws. I don't think I can really answer further on that one.

Ben Lake: I have probably used up my time as well.

Chair: You have one more minute.

Ben Lake: One more minute? Oh, very quickly then—

Simon Hart: I am talking to Kwasi Kwarteng of BEIS about ETS, in a different context, and next time we speak we could expand that



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conversation to include some of the points you have raised. The moment is right for that, so I will do that.

Q362 Ben Lake: I am very grateful; thank you. Very briefly, the mid-Wales growth deal has taken a few important steps recently. How might the mid-Wales growth deal align with and work alongside some of the levelling-up funds? Do you anticipate that there will be greater co-investment and aligning of projects from the levelling-up funds and the mid-Wales growth deal?

David T. C. Davies: In theory they are separate, but there is no reason at all why they should not be aligned. The mid-Wales growth deal is now proceeding at pace, and hopefully I will be making some visits fairly soon. I have already made some initial visits to the area. Indeed, sir, you were kind enough to host me at several of them, perhaps most notably at Aberystwyth University and perhaps most pleasurably at the pub afterwards. I suppose they can be aligned, but we'll have to wait and see what projects come forward.

Ben Lake: Thank you.

Q363 Geraint Davies: Secretary of State, I am going to focus a few questions on money; I know you like talking about money. First, was the £180 million of new money for council tax rebates that was promised by the Treasury, and mentioned by you, really extra money? It has been said that that money now needs to be taken out of the health budget for the Welsh Government.

Simon Hart: This is frustrating because there is a deliberate conflation of two completely separate issues here, which I know has irritated the Treasury because they have issued a clarification on this very point.

The figure of £180 million is a genuine Barnett figure that consists of new money. Where some confusion has been confected, in my view, is around the supplementary estimates. The original budgets put forward, which are estimates, not actuals—there is nothing new about that; that has been the case for generations—are provided with the recommendation that the Welsh Government or Scottish Government do not base their numbers on estimates but on an actuality. So, when it came to the actuality of health spending to be Barnettised—

Q364 Geraint Davies: They reduced it by £180 million, didn't they?

Simon Hart: The overall spending package was thankfully less. It was a good thing that it was less. We did not have to spend the money that had originally been estimated because the vaccination programme was a success and we did not need to, so the Barnett figure was less, and the Welsh Government likewise would have required less. Therefore, they are suggesting that the £180 million is not new—but it is. It is a totally separate—

Q365 Geraint Davies: Some of us are unclear on this. The Government said that they would give £180 million for the council tax rebate, but then said, "By the way, our estimate was overestimated by £180 million, so



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we're not going to give you any more"—

Simon Hart: Or by whatever figure. *[Interruption.]* I need to clarify about the overestimate. That is a perfectly normal annual assessment of the way in which Barnett works—

Q366 **Geraint Davies:** Moving on to a different issue, the Government said that they would give £25 million for coal tips—for securing them, recovery and protection—but there appears to be a reduction elsewhere of £25 million in the same sort of way. Do you have any knowledge of that?

Simon Hart: I don't think I do.

Q367 **Geraint Davies:** Perhaps you will write to the Committee about that. Moving on quickly, the National Coal Board has said that it will need £500 million over 10 years to adapt coal tips for climate change—in terms of safety—which is £50 million a year. The Government have said that they will not give any money to the Welsh Government for that, even though it is a UK legacy of industrial activity that pre-dates the Welsh Government. It will have to be taken from health, education and other budgets. Basically, will you argue to the Treasury that this is a UK amount of money—the £500 million to ensure climate change adaptation for the safety of our communities—that should be paid by the UK Government, or not?

Simon Hart: Again, I think what you have done there—not intentionally, I know—is to jumble up a whole lot of numbers with a certain ambition in mind. I remind the Committee that when it comes to the funding request, the Coal Authority itself has suggested that ongoing costs to keep the tips safe will be close to £5 million per year, not the figure to which you have referred. Apart from that, there needs to be some clarity over exactly what—

Geraint Davies: We need that in writing then, because the £500 million is the figure that I had, over 10 years—

Simon Hart: I want to be a little bit clearer about the devolution element of this. It has never been suggested—to me, at any rate—that anything to predate the devolution settlement automatically reverts to the responsibility of the UK Government. It was made very clear at the time of the devolution settlement that not only assets, but liabilities became part of that settlement. There are numerous arguments of significant capital expense that would have pre-dated the devolution settlement, which nobody in their right mind is suggesting automatically become the responsibility of the UK Government—

Geraint Davies: But the coal from south Wales paid for the whole of British industry—

Simon Hart: The point about the devolution settlement as it refers to coal tips is that it is very clear where the responsibility lies. If, as would have been perfectly possible, at the time it was deemed that there might be some legacy issues arising out of that—the argument that you are making—it would have been perfectly reasonable at the time to have



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made provision for that. However, the Government of the day concluded that that was not necessary and the ongoing maintenance could be covered by the funding arrangements that are now in place. The UK Government have gone well above and beyond what the devolution settlement legally requires us to do.

Q368 Geraint Davies: Climate change, to a certain extent, was unpredicted, and the impacts on the coal tips of it. Let us assume for a moment that it is the case that the cost of protecting these communities from coal tips and so on from climate change is £500 million. That was not predicted before the Welsh Government, so it is a new thing, and those coal tips are there because coal was provided not just for Wales, but for the UK. I don't want to get too involved in this.

Simon Hart: But I think your argument is flawed, if you don't mind my saying. You are basically saying that anything that we could not have predicted back in 1997 needs therefore to default automatically to a reserved basis. There was no way that anyone in 1997 could have predicted a number of things—including a pandemic, for that matter—that subsequently followed. The idea that the devolution settlement is conditional on things that we did not think of is nonsense and would clearly blow up that settlement. That is why the funding arrangements are as they are.

Q369 Geraint Davies: I will move on because I was specifically thinking about coal; obviously, there are examples where I would not apply that logic. I am talking about coal provided for the UK, and that there is a problem with coal that we cannot afford.

I will move on to HS2. We have spoken about this before and you were sympathetic to the idea that Wales should have the same Barnett consequential for HS2 as Scotland does, which would be an extra £4.6 billion. You will be aware that, obviously, HS2 is a north-south connection that helps Scotland. It only takes three hours to get to Edinburgh at the moment; it takes three hours to get to Swansea from London, yet Scotland are getting all this money to speed up the connection and loads of extra money through the Barnett consequential. If Wales had the equivalent, we would get an extra £4.6 billion. In your conversations on levelling up and connecting the Union, have you had any joy in arguing the case to get our fair share in Barnett for HS2?

Simon Hart: David is the expert on HS2, but I will say that we have made significant progress in arguing for large-scale infrastructure in the UK to be looked at in the round. I think that as part of the challenges and opportunities of levelling up, whether we are looking at rail, roads or digital infrastructure, that has become part of the daily conversation.

Q370 Geraint Davies: So you are arguing that Wales should have devolution of the infrastructure enhancement like Scotland does, so that we can have our fair share—the £4.6 billion.

Simon Hart: No, I do not think that is what I am saying. I don't think that is what I said at all; if I did say that then I instantly retract it. I cannot



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remember the exact detail of the conversation that we last had about HS2 and the Barnett consequential, but I will recount one conversation I had the other day with a quarry company near Mr Miller's constituency. They were extolling the virtues and benefits of the HS2 announcements so far, in terms of their supply chain. I know that you like to move on quickly from subjects that do not suit your argument, but I will say that there are a number of companies that benefit from the announcements so far.

Q371 **Chair:** I think we are going to have to move on. If we have time we can come back to some of these issues. I will bring in Beth Winter in a moment, but I will first come back to the issue that Geraint Davies started with in his block of questions, around the disagreement between the UK and Welsh Governments' perspectives on the funding announcement.

Simon Hart: On coal?

Chair: No, not on coal.

Simon Hart: On the £180 million?

Q372 **Chair:** Yes, exactly. We have had the kind of scenarios before where we make a statement from the UK Government side around funding, and it is disputed by the Welsh Government. Why does this happen? When you are dealing with numbers that should have a basis in fact, there should not really be any room for two different Governments to have two different messages around a funding announcement. Why does it happen in such a way that there has to be a clarification and a row?

Simon Hart: There is a practical answer and there is a cynical answer. The more cynical answer is that there is always a bit of politics in play. I do not think anybody in this Room will be surprised by that.

Q373 **Chair:** Where is that coming from?

Simon Hart: I think that in this instance the Welsh Government were particularly disingenuous in trying to conflate two totally separate issues. It is not often that the Chief Secretary to the Treasury takes to the airwaves instantaneously in a fit of real indignation and frustration about something that was a positive story for families and businesses in Wales getting deliberately confused as a result of a political intervention. The fact about this announcement—and about others that came before it—was that it was indisputable that the £180 million was new money as a result of Barnett. That is absolutely indisputable. It is also indisputable that estimates are estimates, and always have been. They have always had the caveat of, "Do not base your budgets on these estimates because they will change." As a result of the success of the vaccination programme, and our early exit from some of the covid restrictions, those estimates about health spending were reduced. That is a thing to be happy about. As a consequence of that, the Barnett consequence was reduced by a similar proportion. That is not people being deprived of money they were due; it is a result of a successful vaccination programme saving thousands of jobs and thousands of businesses. To conflate 1 with 2 is nothing more than



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political, and actually damages job creation and job-sustaining opportunities in Wales. I think it is very irresponsible of the First Minister to potentially damage economic recovery on the back of a political opportunity.

Chair: Very good; very clear.

Q374 **Beth Winter:** Thank you for joining us today. I want to ask about the covid restrictions and the changes in England that were announced on Monday. The Welsh Government have not yet announced the changes that may happen in Wales. If we are going to be taking a different route, will the Secretary of State commit to argue for retaining funding for testing in Wales, if that is something that Wales wants to continue to do, and to ensure that Wales has the relevant funds in order to deliver and continue whatever restrictions the Welsh Government deems necessary, and for the period of time that the Welsh Government deems necessary?

Simon Hart: The basic answer to that is no. I know that the view is that the Welsh Government has been substantially funded throughout the crisis, with significant funds for its handling of covid. The UK Government's view is that there is sufficient funding available, should the Welsh Government choose to extend those restrictions or regimes in any way that seems appropriate. But as an absolute fall-back, it does of course have its own ability to adjust taxes if it wishes to engage in expenditure that runs over and above that. There is nothing to stop the Welsh Government using its own tax-raising powers to achieve its own objectives.

Q375 **Beth Winter:** So if we have extremely vulnerable groups of people, which we have in Wales, and the Welsh Government deems it necessary to continue with free testing for those groups, you are saying the UK Government would not—

Simon Hart: The UK Government's view is that the Welsh Government is already funded to do that. It is not a case of denying funding; it is saying that the funding that has already been provided is sufficient. Whether it is a case of the block grant or, indeed, the covid emergency measures, there continue to be substantial sums of money that have been made available to the Welsh Government to do exactly that. Our view is that, as I say, it is not a case of denying funding. It is saying, "You've had these sums and, of course, it is entirely within your power to use them as you see fit."

Q376 **Beth Winter:** We will have to agree to disagree on that. On the subject of returning to work, are you aware that the PCS trade union parliamentary group recently wrote to the Secretary of State for Work and Pensions regarding the requirement that the Department for Work and Pensions staff in non-public-facing roles return to their workplaces in England by the end of February? DWP staff in Wales have been required to do the same, despite the fact that the Welsh Government guidance is still to work from home where necessary. Can you confirm that DWP staff in Wales should follow the Welsh Government guidance and work from home where necessary, and that they will not be required to follow



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England's rules?

Simon Hart: That hasn't been raised, so I am not sure I can give you the answer that you require. But we are all well aware that if there are different statutory regulations and impositions in different parts of the UK, those are the ones that we should abide by. All of us in this room have had to put on a mask or take off a mask as we have gone through the Severn tunnel or whatever it might have been, and we have done so diligently throughout the whole pandemic process. But I am not aware of the specifics that you raise. Are you, David?

David T. C. Davies: Are these Welsh Government regulations, or is it advice?

Q377 **Beth Winter:** The Welsh Government's guidance is that people should work from home.

David T. C. Davies: But that is guidance, not regulation.

Beth Winter: But it is encouraged.

David T. C. Davies: Is there any definition of what is necessary?

Q378 **Beth Winter:** It includes people with caring responsibilities. People who are vulnerable have been asked and required to return to work. I can follow this up in writing if need be.

As a supplementary to my colleague's question about the coal tips, I really feel it is necessary to push on this. My constituency has the highest-risk coal tips in Wales, and residents near the tips genuinely live in fear. We had Julie James here in the past couple of weeks who reiterated the same point: the legacy of the coal tips will cost between £500 million and £600 million over the next 10 to 15 years. I heard what you said to my colleague, but in all honesty this is the legacy of the coal tips, and I feel that the UK Government have a duty. This is outside the normal circumstances, because nobody could predict what was going to happen in terms of climate change for the devolution settlement. I would like to think, given the severity and risk involved, that the UK Government would have discussions with the Finance Minister about what can be done to fund—

Simon Hart: I will start off, and then David will come in. First of all, it was a combination of the UK Government and Welsh Government that set up the investigation into this around the time of Storm Dennis. I remember having a conversation with Mark Drakeford at the time and saying, "We need to deal with this, and we need to deal with it urgently." We therefore convened a group that has led to the study and the identification of the coal tips that posed the greatest risk, and then any costs associated with making those safe—some in the short term, some in the longer term. That is why the UK Government made sure that £31 million was made available. We didn't have to do that, but we did, because of the urgency of the situation at the time.



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It is also worth remembering the £5.2 billion commitment by UK Government to invest in flood alleviation at the time that was subject to Barnett, which obviously provides the Welsh Government with a significant sum of money to undertake its statutory and devolution-based responsibilities around flood defence, alleviation and damage, of which this is a clear example. The notion that somehow the two Governments have not been working together, or that somehow we have not put our hand in our pocket to try to help deal with the problem, does not stand any scrutiny.

It is worth adding that this is clearly an ongoing issue, but I go back to what I said earlier about the legacy element of this. Around the time that the devolution settlement was agreed, there were all sorts of debates around what constituted potential legacy issues. That would have been the time to look at whether these things should have been enshrined in the settlement. They weren't, and they weren't for a very good reason. There are numerous examples of potential large sums of capital expenditure around legacy items which we could not have possibly predicted then. If you are arguing that somehow the devolution settlement excludes anything that we might not have thought of at the time, that completely destroys the purpose of the devolution settlement in the first place. On that point, I think we will probably fail to agree. I know that David has some other helpful comments.

David T. C. Davies: I will make a very quick point. The figure that we have is that the Coal Authority has suggested it needs £5 million a year to keep those tips safe. In the last year, the Welsh Government received an extra £4.2 billion—800 times the £5 million figure. I respectfully say that if the Welsh Labour Government think that those coal tips are unsafe, they must act now to put them right. They have the money to do it. They have had 800 times more than they need—

Q379 **Beth Winter:** They clearly disagree, and I would urge you to have conversations with Rebecca Evans and the Climate Minister on this.

David T. C. Davies: If they think those coal tips are unsafe, they must act now.

Q380 **Beth Winter:** But they don't have the resources, which is why at the last Budget they requested a £60 million increase—

Simon Hart: But they do.

Beth Winter: We will have to agree to disagree—

David T. C. Davies: It's £5 million; they've had £4.2 billion in the last year.

Beth Winter: Can I quickly move on to the levelling-up agenda?

Chair: Very quickly.

Q381 **Beth Winter:** Can the Secretary of State say any more about the role of the Welsh Government in delivering the shared prosperity fund?



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Simon Hart: Shared prosperity is, I hope, going to be launched during March and certainly by the end of the financial year. The expression that we can use is, discussions with the Welsh Government are ongoing. Those discussions are being led by Michael Gove and his team, and they involve the territorial offices, like ours, and officials and Ministers within the Welsh Government.

Q382 **Beth Winter:** The pre-launch guidance states that engagement with partners in the devolved nations will take place. The “Delivery geographies” document identifies four regional groups: North Wales, Mid Wales, South West Wales and South East Wales. Will you confirm whether the discussions on funding for those local authority groups have been conducted with them directly, jointly with the Welsh Government or via the Welsh Government alone?

Simon Hart: Sorry, will you rephrase that last question?

Beth Winter: What involvement are the Welsh Government having in the establishment of those groups in Wales? Surely, it should be the case that levelling up in Wales is led by the Welsh Government. My concern is about the—

Simon Hart: Yes. This is a collaboration; it is not a competition. We want as many people as possible to be involved in the decision-making process. One of the things that I find slightly mystifying in our discussions so far is that the Welsh Government clearly do not trust anyone else in Wales to be part of this—they do not trust local authorities. We want lots of people involved in this, the Welsh Government among them, but not exclusively so.

Beth Winter: Why—

Chair: Sorry, we will come back to this if we have time, but I will move to Robin Millar, please.

Q383 **Robin Millar:** Thank you, Chair. Gentlemen, good to see you this morning. I will turn to intergovernmental relations—it is the hot topic on everyone’s lips and the thing that keeps us all awake at night. The context is that we as a Committee have had a single inquiry session into intergovernmental relations, and I do not want to revisit that, but I am interested to explore your perspectives on it as the Wales Office. Many of the direct questions, as you rightly pointed out, should and will be directed to Michael Gove as the Minister for Intergovernmental Relations.

Professor Dan Wincott, who has the Blackwell Law and Society Chair at Cardiff University School of Law and Politics, wrote an interesting article about the review and the proposals for a UK intergovernmental council. He basically talked about the importance of the language being used and how this is a very contested space. My simple question for you is: do you see this as helpful to you in your work, as Secretary of State and Minister?

Simon Hart: When you talked about the sort of thing “that keeps us all awake at night”, it reminded me of some polling that I saw only this week



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about public priorities in Wales. It put constitutional arrangements at the bottom of a long list, and in low single-figure percentage terms, of what keeps the public awake. By far the largest proportion of the responses were about health and social care, the covid response and related economic matters. That is no surprise, and does not vary much—interestingly enough—between England, Wales, Scotland and Northern Ireland.

Robin Millar: Perish the thought!

Simon Hart: To get to your point, I don't want this to be too complicated. We know what the Welsh Government are responsible for, we know what the UK Government are responsible for, we know what local authorities are responsible for and we know—or are becoming increasingly familiar with—what the available funding streams are going to be for those institutions to undertake their responsibilities.

I have to say, I do not want to spend too much time agonising over what is, I am sure, a very worthy and brilliantly written academic analysis of all this; I just want to get on and do it. Let us actually do some stuff. Let us build a few places, create some jobs, get the economy going and harness all the expertise, enthusiasm and innovative spirit that we know exists. That is what levelling up is about.

I do not want to spend my life—if others do, that is up to them—making this into one massive exercise in intellectual analysis. It is really simple: basically, what we are trying to do is to create the same life opportunities in Machynlleth as in Maidenhead. That is all that this is about. It is not complicated, and I want to keep it really simple and to get the money to the right people at the right time in the right way, to create well-paid and lifelong opportunities in the job market. If we can do that, we will all have fulfilled our obligations.

Q384 **Robin Millar:** I note your comment about health. Perish the thought that politicians might be populist in their thinking, but it does fall to Committees like this and worthy sessions like this to ask these questions.

Simon Hart: That is true.

Robin Millar: And I take from your answer, without wishing to put words in your mouth, that it must not get in the way of doing stuff. Would that be a fair summary?

Simon Hart: It very much mustn't.

Q385 **Robin Millar:** With that in mind, one of the inquiries that is currently running in this Committee is to do with tourism—the importance of Wales as part of the UK offer of tourism worldwide and attracting tourists from all over the world to Wales. Another one, which I have a particular interest in, is to do with the impact of UK trade and climate policy on Welsh family farms, and my colleague Mr Lake has asked you a couple of questions about that. The simple point is this: would you want a seat in this intergovernmental council, which has wide-ranging powers to discuss



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issues like that, in your role as Secretary of State? For your territory as Secretary of State, is it important that you have an involvement in those, and therefore should you be involved in them?

Simon Hart: Oh, most definitely. Earlier on, we were talking about the way in which the Whitehall and Westminster mindset—the Government mindset—has changed favourably in the direction of levelling up and recognising the strength of the Union. I absolutely endorse the model you have just suggested, and I actually think it works quite well. It can always be better, obviously, but it is the first time for a long time that we have got different stakeholders in Wales, whether the Welsh Government or a research and development outpost somewhere out in the middle of nowhere. We want to embrace both with equal enthusiasm.

By the way, I do not think that the groups, the process and the mechanics—the mechanism that has been set up—compromises that. I think it provides a bit of structure, actually; that is why we are happy to go along with it.

Q386 **Robin Millar:** That leads me on to my next question. I have asked you whether you wish to be involved in those discussions and you have said yes, but what we have seen in recent days and weeks is—shall we say—an eagerness on the part of colleagues in the Welsh Senedd and the Scottish Parliament to get involved in non-devolved matters and to take positions on foreign policy—for example, with visits to the Ukraine, making representations there. We have had the leader of Plaid Cymru, I think it was, and also the Counsel General for Wales. Does it cut both ways? Is that helpful, or not?

Simon Hart: As I say, we know what we are responsible for, and we should not necessarily start agonising about all these things unless we can be absolutely sure that we are doing what we are responsible for to the best of our ability. Therefore, the example you give about the Ukraine visits becomes a massive distraction: it becomes confusing, and it starts blurring the lines between reserved and devolved competencies. Worst of all, in that particular instance, there is the real chance that it poses a significant risk.

Reaching into the pile of papers here in front of me, it is not often that the Foreign Office is forced to send a letter to the deputy leader of Plaid Cymru expressing “deep concern”—not even concern. “The Foreign Office has been advising against all travel to the Ukraine since the 11th of February and recommending that all British nationals in the country should leave now. This advice applies equally to Members of Parliament and the Senedd.” I could go on. I want to underline the seriousness of the situation: this is an absolutely stinging letter, and that kind of thing, where—for whatever reason—there is a deliberate breach of the established protocols is deeply unhelpful.

Q387 **Robin Millar:** In some ways, you have confirmed there one of Professor Wincott’s observations: much as the deckchairs may have been rearranged from the old JMCs and previous intergovernmental relations,



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at the end of the day, this is going to boil down to co-operation and good will between all sides. That seems to be what you are saying.

Simon Hart: By all sides, you mean the different Governments?

Robin Millar: The different parties—exactly. The different Governments.

Simon Hart: Yes. Although it is easy, and sometimes even tempting, to highlight the disagreements, the fact is that there are also an awful lot of areas of agreement. In a number of the big funding decisions that we will be taking—possibly around freeports, possibly around big infrastructure projects that are coming up and around some of the levelling-up and shared prosperity agenda—the relationship between ourselves, the Welsh Government, local authorities and others will be absolutely central; the success or failure of these things will be absolutely conditional on that co-operation.

As I say, I think that six or seven times out of 10 it works quite well, but there are other occasions where it doesn't work quite so well. I think one of the examples earlier about the deliberate conflation of some of the funding announcements recently is one such example. There are plenty of good ones. Almost every morning, I have to sort of slap myself across the face, take a deep breath and say, "Right. Behave yourself. Do what's best, not what's popular." I do not always succeed, I regret to say, in my ambitions.

Q388 **Robin Millar:** Can I bring my line of questioning to a conclusion, then, by focusing on the positive? I was interested, Minister, in your comments about how planning might be used to complement UK-wide policy regarding climate change and, in that way, manage some of the impacts or unintended consequences of climate policy in Wales—for example, through the purchase of land and forestation of it. That is an area that we are looking at currently. Are you optimistic about co-operation in that kind of space? Is it fair to say that that is how you see things?

David T. C. Davies: I am all for co-operation. I could answer that question a lot more widely as to why I feel that the Wales Office has done everything possible to co-operate and show the spirit of co-operation with Welsh Government, and that hasn't always been reciprocated.

To bring it back down to that specific point of the planning, I don't think any co-operation there is required, because it's a fully devolved matter. So I will wish the Welsh Government—Labour and Plaid Cymru—all the best and see what they come up with. But it requires no co-operation from us, because it's a devolved matter.

Q389 **Robin Millar:** Can I push—

Chair: We can come back to this if there is time at the end, but in fairness to all Members, we will move on. Ruth Jones, please.

Q390 **Ruth Jones:** Thank you, Chair, and thank you, gentlemen, for coming this morning. It is good to see you both in person.



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I am officially the mopper-up, so I have a couple of questions going backwards. In terms of coal, the Aberpergwm extension application has been put in. The Welsh Government says it does not have the power to approve or veto licences, BEIS has deferred the decision to the Coal Authority, and the Coal Authority says that it is up to the Welsh Government. So, circular economy or what? It is a bit interesting. What is the Secretary of State's understanding of the separation of the powers here? Would you agree that it is essential that this extension is cancelled, because of the necessity for us to come in line with our COP agreements on carbon?

Simon Hart: I will deal with the first bit and David can deal with the second bit. I think this will confirm what you have just said about circular economies. The Welsh Government did not direct the Coal Authority to stop the authorisation of the unconditional licence, despite having the power to do so. Therefore, I suggest you direct your questions to those in the Welsh Government. That further explains why there is probably not enough clarity around this. David, do you want to deal with the second bit?

David T. C. Davies: On the second point, it is strange that we find ourselves, 30 years or so after I joined the Conservative party, with the Labour party wanting to shut down coal mines and accusing us of keeping them open, but let's pass over that irony for a minute.

We get less than 2% of our energy from coal and it's being phased out. If we phase out immediately the sources of that coal, then we will have to import it from elsewhere. If there is one lesson that I think must be in all of our minds at the moment, it is the importance of not being dependent on other countries for our energy sources. In so far as we possibly can, we should be using our own energy sources, be that coal, gas or anything else, until such time as they are phased out and we hopefully reach carbon neutrality by 2050.

Q391 **Ruth Jones:** In order to keep our carbon emissions down, in line with our agreements at COP26, would you not agree that opening or extending a mine is surely flying in the face of that?

David T. C. Davies: No, I would not necessarily agree, because if we then close that mine down and import coal from somewhere else, I suppose we could artificially reduce our own carbon emissions by adding them to the emissions of another nation, but we are not really reducing overall the amount of carbon that we use.

We still receive 2% of our energy from coal, or just under that. That is being phased out, but it is not going to be phased out tomorrow. We have to decide—do we want that coal to continue to come from a Welsh mine, supporting Welsh jobs, or are we content to bring it in from somewhere else, and probably add to the carbon emissions because there would be greater transport emissions in doing so?

Q392 **Ruth Jones:** Let me go back to the Secretary of State. You said very



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clearly that the Welsh Government have the powers. Is that correct?

Simon Hart: That is what I have been told.

Q393 **Ruth Jones:** Thank you. Let me move on to freeports. Obviously, a decision is shortly to be made—in weeks, not months. That is great; we are very happy about that. I suppose the question is, why in Wales is there only one freeport? Why has the decision been so long in coming? In the light of the financial announcements on the English and Scottish ports, will the Welsh port also be getting £26 million from the UK Government?

Simon Hart: Thank you. On the question of the money, can I duck that for one more session, because those discussions are still in play?

On the question of one freeport, the manifesto wording—forgive me for smiling when I say this—is a minimum of one. It is important that we don't digress too far from what we committed to in our manifesto, at this stage, but the general conversation around freeports has always been that if they are the success that we hope them to be, there is no reason why we can't build on the portfolio of freeports across the whole of the UK as we go forward.

On the delay, you have heard me answer this question before. We had originally hoped to reach agreement with the Welsh Government and the Scottish Government over a year ago—it might even have been 18 months. I think it was November 2020. Anyway, the fact is that we couldn't get agreement with the Welsh Government. At that stage it wasn't, interestingly enough, necessarily about the money; it was about the ideology. We were led to believe at the time that there was a sort of ideological resistance at the top of the Welsh Government to the concept of freeports.

I am really pleased that we seem to have got over that hurdle now and we are arguing about other details—very important, but less ideological matters. It will be great if we can get this thing over the line, so we are prepared to forget all of the past debate as long as we can get the thing done.

Q394 **Ruth Jones:** Obviously we shall be looking with interest at the figure, because obviously Wales wouldn't want anything less than any other part of the UK, in terms of figures, but we will wait for the announcement.

Simon Hart: Absolutely. I take your point.

Q395 **Ruth Jones:** Moving on, Minister Davies mentioned energy. I am looking in particular at the grid constraints within Wales. We have a great deal of difficulty at the moment. Even if we produce the renewable energy, how do we actually get it out? How are the UK Government working with the Welsh Government and stakeholders to make sure that our renewables can be utilised fully and that we can get energy on to the grid and out to where the power needs to be?



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David T. C. Davies: The main stakeholder here is obviously Ofgem. Certainly the UK Government and I think the Welsh Government are talking very carefully to Ofgem about that. We have all had discussions with them and they are aware of the problem.

One of the visits that I undertook years ago with the Welsh Affairs Committee was to the headquarters of National Grid, which was absolutely fascinating. They explained in simple terms the real challenge of balancing the grid and why it is becoming so much more challenging as we switch to renewables.

I can't give a fantastic answer to this, because it is quite technical, but I can say that the Government are well aware of the problem, Ofgem are aware of it, I assume the Welsh Government are, and everyone is talking to each other about how we overcome it. There are various things that I can't go into now but, looking further into the future, some of that balancing is going to be done through the use of things like smart meters and possibly better storage, even using electric cars as storage to overcome difficulties.

The basic problem here is that the amount of electricity on the grid has to more or less exactly match the amount coming off, second by second. It was hard enough to do that when there was a predictable supply of electricity going on to the grid and you had to guess what was coming off, but now we have to guess what is going on and coming off, second by second, and it becomes quite technical and challenging. Somebody from National Grid would give a much better response than I could. I will simply say that it is a problem, that we are aware of it and that discussions are ongoing.

Q396 **Ruth Jones:** I think we are all aware of the issues, and we have all been very heavily lobbied by companies. For the UK to become a net exporter of renewables, which is potentially possible, we need the grid to be fully up and have sufficient capacity. What are the UK Government doing to facilitate that?

David T. C. Davies: I am probably going a bit above my pay grade here; my understanding is that before we become a net exporter, by 2050 we will have to generate two to three times the amount of electricity that we currently do. That is in order to meet the enormous increase in demand coming as a result of electric cars, ground-source and air-source heat pumps and the use of hydrogen, which in order to be green will come from electricity. The Government are aware that there will have to be a major reconfiguration of the grid across the whole of the United Kingdom. However, I cannot say more than that. You are correct that there is a problem here; there are challenges to be met and conversations are being had. It is over to BEIS, Ofgem and National Grid to go into further detail about how that will be dealt with.

Q397 **Ruth Jones:** Obviously there has been a backlog of court cases in Wales, due to the pandemic and so on. There was a couple of spiky written conversations about the ability and capacity of courts in Wales to take on



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the backlog. I wondered how the Government were looking at mitigating against the backlog; how are you working to ensure that the backlog is eased and that cases are brought to court as quickly as possible?

Simon Hart: You go first.

David T. C. Davies: Yes, there is a problem there as well. The Ministry of Justice is working very hard to bring cases down. One of the things that it can do is to move cases around, and across from Wales into England if necessary. That is one of the great advantages of not having a devolved justice system. The second thing that the Ministry of Justice would like to do is to look at the rules and regulations around covid; the more restrictions that are in place, the more difficult it is to have court cases. Hopefully, the complete easing of restrictions in England will reduce the backlog more quickly. I am sure that the Welsh Government may wish to take note of that, and that they understand that the more they lift restrictions in line with England, the quicker we can get through the backlog.

Q398 **Ruth Jones:** I would like to pay tribute to the MOJ staff, who have worked so hard and done their best within the restrictions to ensure that restrictions are not the cause of the backlog. That is one thing. You talk about moving cases; that is fine for people who may be already in prison. However, moving a case from north Wales to Bristol will cause logistical issues.

David T. C. Davies: That certainly would. However, moving a case from Newport to Bristol might not cause so much of an issue. I believe that there are certain things, such as speeding offences, that can be dealt with en masse from centralised places. I have had magistrates coming in to talk to me about that. It is possible to do it because we do not have a devolved justice system; I am sure that is something that Members might want to think about. The great advantage of having a non-devolved justice system is that we can do that. It is not a silver bullet, but it is helpful.

Simon Hart: There are a couple of things that may be worth pointing out for the record. There are now fewer outstanding trials than there were pre-covid in Swansea, Mold and Caernarfon—well, we are nearly there, at any rate. However, in south-east Wales there are approximately 400 trials above the pre-covid baseline, with just over 300 of those in Cardiff, Newport and Merthyr. Custody time-limit trials have proven to be a challenge, but we have not missed one. Magistrates courts are now fully recovered. In terms of capacity, dock extension carried out in Newport and Swansea has allowed us to undertake large, multi-handed trials that accommodate 12 and 10 defendants in the dock, respectively. There are 22 Crown court courtrooms operational, with 18 able and safe to hear jury trials. It is a mixed picture, but you are right to commend MOJ staff, because it has been a remarkable performance. In fact, Wales outperformed the rest of the UK in that respect.

Q399 **Chair:** I have a few supplementary questions that my colleagues and I would like to raise that will take us to the end of the session. Turning



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back to the freeport discussion and the announcement that will be made shortly about the opening, hopefully, of a bidding process, can you give us a sense of how tightly drawn that process will be? I ask that because there are always two competing priorities for Welsh ports that need marrying up—the commitment to deliver at least one freeport and the need for a port strategy to enable renewable energy to flourish. One learning point from our inquiry into renewables was about the need to do work to ensure that Welsh ports—principally in south Wales, west Wales and Milford Haven—can capture the opportunities of that. I understand that the ports of Milford Haven and Port Talbot have been speaking to each other about a potential collaboration to capture some of the opportunities of floating offshore wind. The investment lining up means it is probably the most important and exciting development for Welsh ports that is currently on the agenda. In a freeport bidding process, is there a risk that you end up cutting across those potential areas of collaboration and pitting individual ports against each other, when what we actually need is a joined-up strategy to ensure that the maximum benefit can be captured for Welsh ports?

Simon Hart: I think you're absolutely right to point that out. The argument around displacement and the effects of competition distorting the benefits of the freeport was actually raised by the Welsh Government early on. It is a legitimate argument. Part of the delay in getting to where we are has been attempting to resolve those issues. Without prejudging what the outcome may be or, indeed, who the successful bidder or bidders may be, it is fair to say that we are not feeling particularly constrained by the need to make sure that every freeport in the UK is absolutely identical in its shape, size, ambition and bid. That would be to fall into the trap that you rightly describe.

As I say, this is not finished business yet. However, the conversations I have had indicate the desire to be as open-minded and as flexible as possible to accommodate geographical and economic opportunity differences that will occur across the Union.

Q400 Chair: So, you could potentially have a free/greenport encompassing both Milford Haven and Port Talbot that was focused on delivery of floating offshore wind?

Simon Hart: The one thing I have been told time and again is that I must not, under any circumstances, refer to any potential bidder by name, lest it be interpreted as a—

Chair: Let me refer to them by name, and you can just tell me whether it is potentially possible.

Simon Hart: I have probably said far too much on freeports already. I am worried that Sue Gray may be on the phone soon after this meeting to reprimand me for having probably undone months of her hard work. I hope I haven't done that. You can say what you like, but I am not sure I can.

Q401 Chair: Thank you very much; that is extremely helpful. I have a quick



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question about agriculture: to what extent are the UK and Welsh Governments talking to each other about the future vision and policies on agriculture, and to what extent is there opportunity for a UK-wide agricultural framework? Certainly, speaking from a personal capacity, it doesn't make a lot of sense to have four different nations of the United Kingdom pursuing potentially quite different agriculture aims, when actually there is a lot to be gained from joining up the strategies.

David T. C. Davies: I'll kick off. Up until now, while we were members of the European Union, the four nations of the UK have all been pursuing slightly different agriculture subsidy regimes, and they will continue to have the right to do that in the future. There has to be an overarching framework to make sure that one nation isn't unfairly subsidising any particular industry. Perhaps I should not use actual examples; however, we wouldn't want to see a situation where one nation suddenly decides to unfairly subsidise its beef industry in a way that undercuts everyone else. That is why we have a rule that means that the UK Government will have an overarching ability to prevent unfair subsidies. That was always the case when we were part of the EU, of course, because they had that same power.

Q402 **Ben Lake:** Turning to the Veterans Commissioner for Wales, I have two very brief points. First, might the UK Government consider allowing this Committee to undertake a pre-appointment hearing for the individual looking to take up the role? Secondly, may I make a particular case for the remit of the commissioner to include, if it does not already, veterans of the merchant navy? I wonder whether that is something that could still be considered, if it hasn't been considered already.

Simon Hart: I am seeing the final four this afternoon, with a view to making an announcement on this hopefully in the early part of next week. That rather limits the Committee's ability to do pre-appointment scrutiny, but I hope that the Committee will have a chance to meet the successful candidate sometime soon anyway. You make a very interesting point about the merchant navy. Can I take that away? I always think with these things that there is no point in being restrictive for the sake of it. If there is an argument for it, that would be great. I might introduce that into the conversations that I am having this afternoon.

By the way, for the sake of clarity, this has been a collaborative exercise with the Welsh Government. The relevant Minister has already seen the shortlist and made some comments on the applicants, which we have taken into account, and which will be taken into account when we make the final decision.

Q403 **Geraint Davies:** Secretary of State, on the emissions trading scheme, it has already been mentioned that British Airways is running around buying up tracts of land to fly more planes—basically sheep farms, so that we can import more sheep from Australia. Alongside that, we have the Government spending £800 million a year to burn the 7 million tonnes of wood that we import through Drax power stations. That is not counted in our emissions trading. Will you urge the Government to speed



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up the consultation on our emissions trading scheme, and to involve and embrace the Welsh Government in that consultation, so that we do not get these strange contradictions and undermine our agriculture in the process?

Simon Hart: I am more than happy to raise that point with the BEIS Secretary of State when we next meet, which we do probably fortnightly as a matter of routine. As we know, with our net zero ambitions, it is a transition. I don't think that our ultimate objectives and ambitions will necessarily be compromised by some of the anomalies that you mention. As my colleague said earlier, in some cases we don't want, by being overly strident in the early stage of that transition, to compromise either our resilience or our employment opportunities when the overall objective is within our grasp. We have to be sensible about reaching net zero without damaging the economy, which I know we all agree on; but your general point is a good one, and I will raise it.

Q404 **Geraint Davies:** Finally, on climate change adaptation funding, there is a special situation in Wales, because the Welsh valleys are particularly susceptible to flash flooding and therefore very small changes in the climate can give rise to a lot of flooding. Obviously, there is a knock-on effect on the coalfields, but we also have issues around our coastline. Will you make the case to the Government that the Barnett consequential—namely just 5% of the money for climate change adaptation—may not in this particular case be appropriate? In certain circumstances, we may need extra funding—obviously we have already talked about coal, but linked to our topography and where our population sits.

Simon Hart: I think there are lots of places in the UK that would claim similar, specific special pleading—and legitimate special pleading, by the way. There are plenty of places that I can think of off the top of my head, particularly dotted around the more hilly areas of the UK, that are susceptible to exactly the risk that you describe. I think that the UK Government have always been pretty open-minded about being able to extend packages of support and emergency support where necessary. I do not necessarily think that it needs to be revisited by way of Barnett, but I think that the UK Government is always very happy. I remember Prime Minister David Cameron visiting Newgale, in the Chair's constituency, back in 2011 or something like that.

Chair: You have a very good memory.

Simon Hart: So the UK Government will—when there is a flooding or tidal catastrophe, we are always here to help.

Q405 **Geraint Davies:** So if there is a special need for Wales, you will stand up for Wales.

Simon Hart: Absolutely.

Q406 **Geraint Davies:** Including—I don't know—if we need more testing for impoverished people? We have a disproportionate number of poorer, older and sicker people. If we want to test that group of people for a bit



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longer than the overall population and we need the funding for that, will you stand up for that?

Simon Hart: We have talked a lot about the Union and levelling up and so on. However, I have learned in the last two years that we get heavily reprimanded by the Welsh Government should we ever step even an inch into territory that they consider to be devolved. I do not want to sit here and say we are about to intervene in a devolved area, because that always comes with the penalties that we have all become used to. But I am a Unionist: I believe that the Union matters, and where possible, we support the overall direction of travel of the UK, while at the same time respecting the devolution settlement. You can't have it both ways. We can't adhere to the letter of the law of the devolution settlement but then, when anything difficult happens, say to the UK Government either "You're to blame" or "Can we have a few more quid?" Devolution is a two-way arrangement.

Q407 **Ruth Jones:** Going back to the levelling-up White Paper, obviously we are all eagerly awaiting the shared prosperity scheme—with anxiety, it has to be said, because the criteria are still not clear in terms of when the money will be distributed, how much it will be, and all the rest of it. Has the UK Government actually held the ministerial meeting with the devolved Administrations that was promised in the levelling-up White Paper?

Simon Hart: No, not yet. It is in the planning.

Q408 **Ruth Jones:** Okay, but given that the shared prosperity fund is going to be launched in April, that does not give a lot of time for the planning meeting to be held.

Simon Hart: All these things are always to a tight timetable; I agree. But looking at the overall pace at which we have been able to deliver these things, given that we have been under the cloud of the pandemic, I actually think that neither the Welsh Government nor the UK Government are complaining about lack of pace at the moment. I haven't heard of that complaint.

Ruth Jones: I am sure we will return to this at some point in the future.

Simon Hart: I am sure that, as a result of saying that, I will now get a complaint.

Q409 **Chair:** On the shared prosperity fund, is the idea to give the money directly to Welsh councils, like what happened with the levelling-up fund, or to regional structures within Wales?

Simon Hart: That is not decided yet.

Chair: Okay.

Q410 **Beth Winter:** I want to pick up on the cost of living crisis. I think it would be a shame not to take the opportunity to relay how concerned constituents and stakeholders throughout Wales are about the impact that that is going to have. The UK Government could and should be doing



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far more—whether it is a windfall tax on energy companies or ensuring that public sector staff receive a proper increase in their pay.

I am sure you will bandy back figures to me, but behind all the figures there are real people. My constituency, Cynon Valley, has the highest level of economically inactive people in the whole of the UK—62% of constituents. Linking this with the levelling-up/shared prosperity agenda, there is no mention in the levelling-up White Paper about targeting the coalfield communities. We had an Industrial Communities Alliance APPG meeting yesterday about how the coalfield communities will be included in these strategies. I would really appreciate it if you could take it back to the Treasury, with the forthcoming Budget, that more needs to be done for communities. Wales is disproportionately affected. We have high levels of poverty; people are struggling and suffering, and we need more from the UK Government. There are alternatives.

David T. C. Davies: First of all—we discussed this yesterday in Westminster Hall—the Government accept, and I fully accept, that there is a cost of living challenge, if you like, going on. It is not just in Wales; it is in the whole of the UK—the whole of the world. We have seen gas prices quadrupling in a year or so, which presents a challenge to all of us.

We have tried to target those most in need. I accept what is behind your question; that sentiment is quite correct. Handing out a massive pay increase to all public sector workers—including, presumably, MPs—isn't going to target the least well-off, who you just referred to. A windfall tax on oil companies isn't necessarily going to help. At the moment, we want and need them investing in the United Kingdom, do we not?

I could go into a bit more detail there. I spent 20 days with Total, and they said that they can make big money one year but very little the next; it depends. When they set out to drill somewhere, they can end up losing billions of pounds if there is no gas or oil there. Taxing them will simply mean that they pass costs on to the consumer. That will increase prices or make it less likely they invest, which means fewer jobs and less of our own oil and gas, so that is not the answer.

We have tried to target the least well-off people, who you just referred to, through things like the council tax rebate, which has been extra money for the Welsh Government, and the £200 rebate on bills, but also by looking at things like universal credit—changing the taper rate—so that your constituents can earn more money if they go into the workplace.

There are 1.3 million job vacancies. I often hear Labour MPs saying, "There aren't enough people here; we should be going back to free movement and having more people coming in from abroad to take all these jobs." We don't want that. We want people like your constituents to feel safe to go back into the workplace, to take those jobs and to receive the commensurate salaries for them, rather than relying on cheap labour from abroad.

Beth Winter: I would love to invite you both to come and visit the Cynon Valley.

David T. C. Davies: I will probably take you up on that.

Beth Winter: That's a genuine invitation—because the reality is very different.

David T. C. Davies: Genuinely, I would be interested, so I will perhaps take you up on that.

Q411 **Robin Millar:** A quick follow-up question on the shared prosperity fund. The UKIM Act, which I believe makes provision for these payments in part, does not specify that the money needs to be given to local authorities or regional bodies. Can I encourage you to ensure that proper consideration is given to other groups that may wish to make representations for funding directly? I think that fulfils the spirit of levelling up, and it does not restrict us to only public sector bodies making applications.

Simon Hart: I absolutely agree with that sentiment. As you have seen with the way we have dealt with levelling up, the more people at the sharp end of economic hardship and opportunity who have a role in this process, the better.

Q412 **Chair:** We have almost exhausted our time together; we are grateful for your answers. I will finish by asking a question about another theme that we have been following as a Committee: post-Brexit border controls. Has there been any progress on border control points at Holyhead or in west Wales?

Simon Hart: It's pretty slow.

Q413 **Chair:** Why is that?

Simon Hart: In our part of the world, in west Wales, the identification of a site has not been agreed yet, let alone the purchase of it or the building of the necessary infrastructure. There are going to be temporary infrastructure arrangements.

Q414 **Chair:** That is the one the Welsh Government are leading on?

Simon Hart: Correct.

Chair: And are the UK Government leading on Holyhead?

Simon Hart: Correct. In Holyhead we are further forward, because there is an HMRC element to it—it has not been without its obstacles—but for Fishguard and Pembroke we are still not even at the point of the identification and purchase of a site.

The UK Government have repeated their offer of financial capital—financial assistance—for the purchase and creation of the necessary sites, dependent on a business plan to be submitted by the Welsh Government. Unless that has arrived in the very recent past, I have not had any indication that that business plan has been received, so UKG has not been asked for the cash. But we have to recommit with each financial year, and we keep recommitting that pledge.



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Q415 Chair: The UK Government are talking about bringing in a digital border model from 2025, and we are already a quarter of the way through 2022. Is this infrastructure ever going to happen? Should we not be thinking about moving directly to a digital border model, avoiding the need for what seems like an incredibly frustratingly slow process to set up new border control checking points?

Simon Hart: I don't think there is any limitation on the proposals that the Welsh Government could come forward with. If they fulfil the legal minimum, then I think—

Q416 Chair: But we—the UK Government—are in charge of the overall post-Brexit port strategy, aren't we?

Simon Hart: Correct.

Chair: And the new border operating model.

Simon Hart: Well, yes—but with “no” in brackets, in so far as the physical infrastructure element is a devolved matter. This is not the complete responsibility of the UK Government. This is where these things become bloody complicated. Excuse my French.

Q417 Chair: Meanwhile, port traffic through the Welsh ports with Ireland is 30% down.

Simon Hart: Meanwhile, there is an economic cost to this delay; you are correct. I hope next time you have a chance to speak to Welsh Government Ministers, you will ask them why they think there is a delay. I hope at the time you will have in your hands the two most recent letters from the Treasury, which recommit to the financial assistance that they appear to occasionally forget to mention.

Chair: Okay. Secretary of State and Minister, thank you very much for your time this morning and for your full and frank answers. We look forward to seeing you again in due course, and we look forward to the very positive announcement, hopefully in the next couple of weeks—I think you committed to that, Secretary of State—on freeports.