Welsh Affairs Committee

Oral evidence: Pre-legislative scrutiny of the draft Wales Bill, HC 962

Tuesday 14 January 2014

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Written evidence from witnesses:

– Written evidence submitted by Gerald Holtham (DWB 03)

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Members present: David T. C. Davies (Chair); Guto Bebb; Geraint Davies; Glyn Davies; Nia Griffith; Simon Hart; Jessica Morden; Mr Mark Williams; Hywel Williams

Questions 1-75

Witnesses: **Gerald Holtham** and **Professor Jim Gallagher,** gave evidence.

Chair: Professor Gallagher and Mr Holtham, thank you very much indeed for coming along here this morning. I am David Davies, Chair of the Welsh Affairs Select Committee. We are here to scrutinise the new Government of Wales Bill, as you probably know. If I may, I will turn to Mark Williams to start with.

Q1 Mr Williams: Thank you very much and thank you, gentlemen; it is good to see you here. My questions relate to improving financial accountability. Silk was very clear in his report when he said that "the current funding arrangements for the Welsh Government do not meet the requirements of a mature democracy". In the foreword to the draft Bill, the Secretary of State for Wales has said that "These changes will give Wales more fiscal autonomy, and will make the Assembly and the Welsh Government more accountable to" the people of Wales. Do you accept that improving financial accountability is the key argument for devolving taxes?

Professor Gallagher: In general, yes, I think that that is right. Gerry will speak for himself, but I suspect he may agree with me here. What is very striking about the devolved bodies across the UK, including in Wales, is that they were set up from former Government Departments whose job was to spend rather than to raise money, but once they become Governments, they ought to have the power to raise money as well as spend it. Raising it gives them the option of having some say over how much they spend, and setting a tax rate makes them fiscally accountable to their voters.

Gerald Holtham: Yes, indeed; I entirely agree. I think one should note in the Welsh case how very small a step this is. The three small taxes under consideration might have a revenue yield of £200 million a year, which, against a budget of £15 billion, verges on insignificant. It is a good gesture, but it is not much more than a gesture. Of course, if the referendum is held and income tax is partly devolved, that will be somewhat more significant.

Q2 Mr Williams: Notwithstanding what you have said about the scale of the changes and the figures you mentioned, what hard evidence is out there and available to us to show that fiscal devolution does indeed promote greater accountability? I do not know what indicators we should be looking for—perhaps you have looked at that in your respective work—but what is the hard evidence that this does improve the situation?

Gerald Holtham: Internationally, there is some evidence that fiscal devolution leads to a flattening of tax schedules because tax competition is more effective at the top end. People on basic rate tax do not move because the basic rate changes. If you think about it, putting a penny on the basic rate cannot cost anybody more than £300 or £400 a year, which does not pay for a removal van; so nobody is going anywhere. But if you start taxing millionaires, they can move around. The presence of tax devolution means that there is some tax competition among authorities, and that does tend to flatten tax schedules. I do not know whether you would count that as a responsibility, but it shows that people are responsive to the opportunities that tax devolution affords them.

Q3 Mr Williams: As a very general, almost kick-off question—my colleagues are going to go into some of these issues in more depth—what are the advantages and disadvantages associated with the devolving of income and land taxes?

Gerald Holtham: Land taxes are a fairly obvious thing to devolve, and that is probably why local authority taxation in the UK has always been based on some form of property tax—the old rates and now council tax—because the tax base is not mobile. It is easy to identify and it is a tax that is hard to evade; it is a rooted tax base. If you are looking to extend the tax base of authorities that do not have an adequate tax base, looking for more taxes related to land does make sense, I think.

The point about income tax is that it is a tax that is very broadly paid and therefore it affects a large proportion of the electorate. As such, it increases the visibility of the tax policies of the devolved authority and, as such, it is a good tax from an accountability point of view. Unlike houses, people can move about, so there are consequences in terms of tax competition, as I have said, but in terms of being a broad-based and highly visible tax, and therefore serving accountability, it is a good one.

Professor Gallagher: I would add two things to that. I agree with Gerry that, for decentralisation, immobile tax bases are the best, and therefore property, being immobile, is very good. People are less mobile than some other potential tax bases—for example, corporate profits, which can be moved around.

If you look at the taxes that are available for devolution, there are only three big taxes. There is VAT, which cannot be decentralised under European law; there is national insurance, which is like income tax, but, in my view, for other reasons should not be decentralised; and there is income tax. As Gerry says, income tax is spread across the population—a lot of people pay it—and it is also very perceptible; people notice it. If you ask someone about tax rates, most often they would begin by talking about income tax rates. So it is a good tax for devolution because it can be decentralised and it is noticeable.

Q4 Nia Griffith: I would like to take you up on that issue of "noticeable", if I may. When you are talking about the other taxes—the stamp duty, the landfill and an adjustment to the block grant—they may not have much of an impact on people in the same way that a council tax bill coming through the door will or they see in the newspaper it says they are going up 4%, or whatever. They see their bill, and they think they are paying for all the council services, when in fact there is actually a block grant element there. How do you envisage it becoming visible for people? In what way would that income tax power have to be used for people really to feel that they were having a say in whether the Welsh Government spent more or spent less? Do you think it is realistic that the Welsh Government would do something—i.e. raise it or lower it—and how would that impact on people? Do you think it would actually happen?

Professor Gallagher: There are two issues here: perceptibility, first of all. Do people notice the tax at all? Quite often, people would not notice an indirect tax like VAT or duty because they are not absolutely sure what proportion of what they are paying is for the product and what proportion is for the tax. At the other extreme, as you say, you have council tax where the bill comes through the door and you have to fork out the cash. That is extremely perceptible.

Income tax is pretty perceptible for two reasons: one, because you see it in your pay slip every month and, two—and this is where we move into the question of accountability—because the Assembly would have to set a tax rate. It would have to make a tax decision. One of the interesting things about the way in which devolution has been funded in the UK hitherto is that, for the most part, the devolved bodies, including the Welsh Assembly, do not have to make any tax decision but the money still flows. The Scottish comparison is interesting here because, although, in principle, the Scottish Parliament had the power to vary income tax, it did not have to do anything—and, funnily enough, it did not do anything.

The advantage of an income tax power—or, to a lesser degree, the small taxes—is that the Assembly will have to take a tax decision and take a view as to whether it is better, to use Gladstone's words, to allow the money to "fructify" in the profits of the taxpayers or whether to spend money on services. That is the decision they have to make.

The issue you raise is an important one, and that is that the total budget in comparison to the tax income is not that great, and that does dilute the accountability—I agree—but one has to have a look at the relative spend and the tax base that is available. There is no system all across the world in which a sub-national Government gets all its money from the taxes it raises itself. They are all dependent on a mixture of some form of central subvention—a central grant, a share of taxes allocated or something of that sort—and taxes they raise themselves.

In the Welsh case, we have to bear in mind that there is a substantial spending need and a relatively weak income tax base. Therefore, income tax is never going to be a huge proportion of the total Welsh spending. Nevertheless, it can be a significant one.

Chair: I will just try to bring in a couple more people briefly on this question. Geraint Davies is next.

Q5 Geraint Davies: The case has been made that Wales is underfunded in terms of Barnett, certainly versus Scotland, on the revenue side, and in terms of our share of capital investment, as far as the UK is concerned, again we are underfunded. In terms of accountability, is it not the case that, if the Government are switching the focus on to borrowing, and indeed tax-raising powers to pay for that borrowing for Wales, that the focus will go on to Wales and, therefore, there will be a reduction in the accountability of the UK Government, who should be brought to account?

Gerald Holtham: There are a number of issues there. It is true, and work we did back in 2010 suggested, that, if Wales were a region of England and you simply applied in Wales the needs-based formulae used in England to distribute health spending and local government revenue support around England, you would come to the conclusion that Wales is slightly underfunded by 2% or 3% relative to what it would get if it were an English region.

I regard that as less serious than the other fact that, with the Barnett formula, if unreformed, once public expenditure growth resumes—I do not mean real growth but just growth in nominal terms—the share of spending in Wales will fall relative to England. This is just a consequence of the way the formula is set up. Let's say in England the Government decide to spend £5 a head more on any service you like. If that is a devolved service, Wales would get £5 a head more. But if you are starting from a situation where English expenditure is £100 a head, £5 on for £100 is 5%. If we are starting in Wales where it is 110%—as it would be, let's say, in the north-east of England and other poorer areas—£5 on £110 is 4.5%, or something. So you are going to get a slow move to squeeze Wales down to the average expenditure level in England, which does not happen in any of the areas of England. If needs-based assessment says the north-east is poorer and should get more, it gets more; it is not squeezed to some average.

The difficulty here is that the income tax devolution will necessarily—and, in my opinion, appropriately—increase the risks on the Welsh Government because you are replacing part of the block grant with your own income tax take, which will depend on the growth of the income tax base in your economy. If that grows more slowly than public expenditure in England, you are worse off as a result of this devolution. That is a risk. I think you have to take it because, otherwise, the Welsh Government are currently in a position where, if the economy goes to heck in a handbasket, they get exactly the same money, or, if they introduce wonderful policies that result in the Welsh economy booming, they see no benefit and still get the same money.

Unfortunately, you cannot disentangle the necessary incentives and responsibility from that other risk that, for reasons you cannot control, your income tax base grows more slowly. It is a consequence of responsibility that you have to take that risk. But it would be very helpful if the other, totally unnecessary risk implied by the Barnett formula were removed. To me, the obvious thing to do here is to say, "If you pass this income tax in a referendum, at the moment it is passed and you assume responsibilities for income tax, we will put a floor under Barnett and cease the Barnett squeeze." That would at least remove one risk—an unnecessary and unfair risk—at the same time that you are imposing a necessary risk.

Q6 Geraint Davies: But surely you have described an incentive for the Welsh Government to spend more money on economic development when they are not in charge of their own destiny, and that will cut funding for education and health, which are the main reasons that people would inward invest in Wales, other than the countryside, versus other parts of Britain. Surely, this is a recipe for disaster, is it not?

Gerald Holtham: No. The Welsh Government would have the same choices after this change as they have now. They themselves have to decide how much of their revenue they spend on health education or economic development, if they are able to do that. That is unchanged. All we are talking about is whether some of the resources that they get should be under their own control. Their freedom of action is unaffected.

Chair: Let me bring in Hywel Williams. I am conscious of the time. I am really grateful for the detail that you are giving us, and I genuinely mean that, but we have to be slightly aware that we only have an hour or so—maybe a bit longer if you gentlemen can stay a bit longer—on this session, and we are still on question 2 at the moment.

Q7 Hywel Williams: Briefly, going back to Professor Gallagher, you were talking about models from other parts of the world. When this Committee visited the Basque country some years ago, we were told in some detail about their tax arrangements, which I have to confess I can't remember now. Are there particular lessons or is there a particular model there which would be an alternative?

Professor Gallagher: No, I do not think there is. The Basque country is often cited as an example of so-called full fiscal autonomy. The headline description that is given, which is not wholly accurate, is that the Basque country decides on and collects all the taxes and remits a so-called "cupo" to Madrid. That is slightly misleading for three reasons. First, it is not actually the Basque country itself but subsidiary levels in the Basque country that decide and collect taxes. Secondly, many of the taxes they do not actually decide but are simply responsible for collecting, such as value added tax. Thirdly, one of the very major taxes they neither decide nor collect, which is social security contributions, are decided and collected by the Government in Madrid. The final constraint is that their capacity to vary taxes compared with the rest of Spain is limited by the Spanish constitution. It is almost never sensible to try and pluck a model from somewhere else and transplant it—

you have always got to look at the context—but, of all the models you might pluck, I would not suggest the Basque one.

Q8 Chair: Can I slip in a question myself, if I may, just before Jessica Morden? You have obviously studied a lot of countries around the world. You have made the point that Wales would only be responsible for raising a tiny proportion—probably under 1%, I should think—of the total £15 billion budget. That is £200 million out of £15 billion; I cannot remember the figures.

Gerald Holtham: Yes; for the minor taxes it is about a third of 1%, maximum.

Q9 Chair: Is there a model anywhere in the world that you think is a standard model, either in the Basque country, Italy, Germany or any of the devolved regions, for the percentage that a devolved region could normally be expected to raise by itself?

Professor Gallagher: I do not think there is a model, and one must remember here that there are two variables. They are what proportion of spending is decentralised and what proportion of taxing is decentralised. The proportion, therefore, of the devolved budget that is supported by tax depends on those two variables. If you have a big budget, as the Welsh Assembly does—it is responsible for pushing 40%, I think, off the top of my head, of public spending in Wales, and possibly more—and a small tax base, you therefore have a very small percentage of your budget. You could argue that, if you wanted to gain greater, as it were, physical autonomy, you should spend less and therefore have a greater proportion, and I do not think anyone is recommending that in this context. There is, therefore, no standard formula. I absolutely agree that, even if you include local taxes, where Wales is today, that does not allow it any meaningful fiscal accountability. I do not think, in practice, it is going to be possible to get to even the proportions that are conceivable in the case of Scotland, but it should be, in practice, possible, if you include income tax, to get to proportions that are at least comparable to those in local government.

Q10 Nia Griffith: We have seen your submissions that the tax take in Wales is considerably lower, and I think you put it at £1,300 as opposed to £2,000 in the UK as a whole. Given as a proportion of the budget of the Welsh Government, would the pain be worth the gain in them putting on 1p extra on that small slice of income tax, which they would have the power to do? In other words, would the amount they could raise really be of any significance in that budget?

Gerald Holtham: The short answer is no. There is a great flaw with this Bill, which stems from the fact that the British Government take the view that Wales cannot possibly have anything that they have not already given to Scotland. We are the runt of the litter: basically, we get the hand-me-downs that the other people have had and, "Don't, for God's sake, ask for anything different." It was pointed out by the Silk Commission, and indeed by the Commission that I chaired, that this lockstep arrangement—whereby you have the same tax rates for basic and higher rates and, if you increase the tax, you increase everybody's marginal rate—will make the tax in Wales virtually unusable. As an equalitarian myself, I regret this, but one has to face reality. In Wales, you simply cannot afford to raise the top rate of income tax; you just cannot do it.

People move, on average, once every 10 years; 50% of the Welsh population lives within 25 miles of the border. Anybody on £1 million or £500,000 a year has probably got two homes. You are just going to lose more money than you will gain over a five and 10-year period. Raising the higher rate of tax is impossible in Wales unless you wish to lose revenue. Therefore, if you want to raise tax, you have to raise the basic rate only. If you want to cut tax, you can cut the top rate, but these things are ruled out by this legislation. You are making sure that this is a power that is very unlikely to be used.

Chair: We must move on; thank you.

Q11 Jessica Morden: In your written evidence, Mr Holtham, you said you think the weakness of the Bill is that much of it would remain a dead letter. Is there anything you wish to add to that, given your previous comment?

Gerald Holtham: Yes, because you are asking Welsh politicians to fight a highly losable referendum. Tax is not popular, and, to be frank, neither are politicians at the present time. It is most unfair, but there it is. You are asking them to fight a losable referendum for a tax power they can't use. It does not look like a high-odds proposition to me. The only incentive the British Government are giving them is to say, "If you get this power, we will let you borrow a bit more." The difference, as far as we can tell, is between borrowing £500 million and £1,200 million or £1,300 million. Maybe that will be enough, but I rather doubt whether it will. From an electoral point of view, it is great to have accountability, but who the hell wants to be accountable if they can avoid it? You are telling politicians, "You be more accountable and we will give you a power you can't use. Now go out and persuade people to let you have tax powers." It is not exactly odds on, is it?

I think the Bill needs to be augmented, as I was saying earlier, by a promise that, if this referendum is held and passed, at that point there will be an amendment—not a wholesale reform but a simple amendment—to the Barnett formula to put a floor in place, which would at least give the politicians something to go with when they are talking to the electorate.

Q12 Jessica Morden: Thank you for that. Can I ask Professor Gallagher about the Scottish experience? In terms of the Scotland Act 2012, what are the differences between this and the draft Wales Bill?

Professor Gallagher: Very few. The scheme that is in this Bill is essentially the same scheme in respect of income tax and small taxes as it is in the Scotland Act 2012. That went through the Scottish Parliament, the Scottish Parliament supported it, and, provided another referendum goes the way in which the UK Government would like it to go, that scheme will come into effect in Scotland in 2016. We have no experience, as yet, of operating it.

I suppose I might add, however, two caveats to what Gerry said. The first is if I might address Ms Griffith's question rather more directly. Your question was not about the variability of rates but whether it was worth the pain because you did not raise very much more money. That is a real constraint, but nevertheless there may well come an occasion when a Parliament wants to raise some more money and the tax will allow it to do so. Conversely, in principle, in a Parliament the gearing works the other way in relation to saving money. If you want to cut the taxes, it does not cost you very much pain in reduced services proportionately. So that gearing argument cuts both ways.

Q13 Jessica Morden: Can I just come back on that? As they are so similar, people obviously argue the design for Scotland applied to Wales. I think we have heard Mr Holtham's view on that, but would you like to say how appropriate you feel that is?

Professor Gallagher: My own view is that, if we maintain the UK as a union with a number of different countries in it, we need to have a form of home rule, if that is the phrase one wants to use, which is appropriate to each of the countries. I do not think it is absolutely the case that every detail of the home rule scheme for Scotland and Wales needs to be the same. Obviously, in relation to powers, there is already a difference, principally the Scottish Parliament building and the fact that Scotland, always having had a legal system, has power over legal issues that are not currently devolved in Wales. I do agree with Gerry that it would be possible to adjust the funding system to reflect the realities of life in Wales where the tax base is weak and the spending need is high. His idea of at least considering whether there could be a floor to the Barnett formula is a perfectly sensible one, which I do not think would have an undesirable read-across to either Scotland or Northern Ireland.

As far as the variability of tax rates is concerned, there are two difficulties with this. One is the argument of principle that was used in creating the Scotland Act scheme, which was that questions of progressivity or regressivity in the tax systems were ones that were best dealt with at Westminster because issues of redistribution were best dealt with at this level. The second difficulty is a bit cruder. Gerry puts the positive side for allowing Wales a degree of flexibility over the higher rate to stop people leaving Wales, but, of course, it might also be seen as a way of attracting retired bankers and premiership footballers to move across the border and hand over their tax revenues. I am a bit uncomfortable, I have to admit, with that kind of tax farming.

Q14 Hywel Williams: Mr Holtham, is it your understanding that the £500 million borrowing is available before any referendum? You talked about £500 million and then £1,200 million earlier on.

Gerald Holtham: Yes. As I understand it, it has been agreed between the Welsh Government and the UK Government that £500 million total borrowing is available on the basis of the smaller taxes that are being devolved in any event before the referendum. I do not think a final number has been agreed, but that is the general understanding, and the £1.2 billion/£1.3 billion is what would happen if a similar settlement to the Scottish one were adopted after the income tax referendum, if it were to happen and to be passed. That is the difference between the two numbers, yes.

Q15 Chair: I am happy to go on with this, but we have a load of questions on borrowing afterwards. If members of the Committee want to, I am quite happy to go to it now if you feel it is more appropriate. If not, I have one quick question on tax because, happily, you managed to answer all the ones on my list in your previous comments. Would there be a difficulty in defining who a Welsh taxpayer is? Clearly, it is obvious in most cases, but there are people with two homes or people who move around a bit. MPs, for example, could well be spending more time in London than they are in Wales if they are assiduous in their duties.

Gerald Holtham: That is certainly an issue. The basis of this is residential. It is not your place of work; it is your primary residence. The fact that it has happened already in Scotland and the Inland Revenue has had to wrestle with this issue is an advantage because many of the issues and the administrative procedures they have to put in place will be there because of Scotland and they can simply apply them in Wales. But, yes, there is no doubt that to some extent with this tax, for certain people, there will be a voluntary element. If you have a house in both places and you are spending equal time in both places, there is a degree of latitude. From the point of view of outright evasion, if people want to tell their employers that they live where they do not, the Government are not going to make the employer legally responsible for the accuracy of his records when it comes to where people live. One just has to accept that there is an unavoidable margin for avoidance or evasion in this.

Professor Gallagher: To add to that, there are two points. The first is, as Gerry says, that we have had, in principle at least, this possibility in Scotland since 1999, so the Revenue was obliged to maintain a list of Scottish taxpayers. In very simple terms, people's national insurance numbers would have an "S" on them; their tax reference number is the same but they have an "S" on it. What the Bill provides for is a system that is exactly analogous to the questions of domicile used in deciding whether someone is resident in the UK or not, because, obviously, if you are resident in Wales, you are resident in the UK. The principal challenge in administering this is making sure that employers apply the correct tax code, though I have a feeling—and I have not checked the Bill on this—that elected representatives are held to be resident in the place which they represent—

Chair: I think we have given ourselves an extension—

Professor Gallagher: so that should make it easy for you.

Chair: I have had a quick look and I think you may have answered a few of the questions that Hywel and Nia were about to put to you, but Nia wanted to ask something in between, so I will let them work out whether they need to ask more.

Q16 Nia Griffith: Just on that one, imagine you are Airbus doing payroll, so you have a huge work force and you have people living both sides of the border. You are saying it would be quite simple; you would just have a tax code and it would sort itself out.

Professor Gallagher: For most people, this will be done by payroll software, and for a long time in respect of Scotland all the payroll software, in order to be compliant with

Revenue relations, had to be able to administer a potential Scottish income tax. The same should apply in relation to Wales. I am not saying it will be without problems, but, by comparison with what other countries manage, this is pretty simple.

Gerald Holtham: Mr Davies used the term "tax farming", which brings something to mind. The Inland Revenue certainly will charge, or is proposing to charge, the devolved Government for the extra costs of collecting their tax. In my opinion, this needs to be subject to a very specific contract, and I would make it a tax-sharing arrangement. In other words, "We are not going to give you the fee you want. We are going to give you some proportion of it, plus a proportion of the tax revenue we receive," because otherwise I have no confidence that the Revenue will be particularly assiduous in making sure that all the revenues that are due to Wales will actually come in. There might be a reverse Goldman Sachs process where they are not careful enough.

Professor Gallagher: I am not sure I agree with that.

Gerald Holtham: I would give them an incentive to make sure that these administrative arrangements are thoroughly applied.

Q17 Hywel Williams: Mr Holtham, could an income tax-sharing model be adopted before reform of the Barnett formula? Is this desirable?

Gerald Holtham: Anything can happen. The First Minister of Wales, of course, is on the record as saying he thinks that a reform of Barnett is a precondition for accepting income tax reform. For the reasons I have given, I certainly think it would help matters and would help to secure and win a referendum, if that is what you want.

I do think he has maybe focused on slightly the lesser of the problems with the Barnett formula. There is this calculation that we made that Wales is slightly underfunded, but it is 2% or 3%. These things are infinitely discussible. It is not a massive amount. The current austerity, of course, puts the Barnett squeeze into reverse so that the Welsh shortfall is becoming slightly smaller. It still exists, but it is becoming smaller. To me, that is a second order issue compared with this issue that, once growth resumes, the squeeze will go on and in 10 years' time, unless nothing is done, you will not be a few hundred million underfunded— you will be a billion or more underfunded. So it is essential, I think, to stop the squeeze. I would not worry too much about the 2% or 3%, but that is just my opinion. Certainly, some reform, I think, would be necessary to lubricate this process.

Q18 Hywel Williams: Quickly, to pick up with Professor Gallagher, about comparing the mobility of taxpayers between Scotland and England and Wales and England, it is not the same because the border is closer and more porous.

Professor Gallagher: That is right, yes.

Hywel Williams: My father-in-law is something of a nationalist and he usually greets me with, "How goes it on building the eastern seaboard?", but we actually don't have one.

Professor Gallagher: You are absolutely right. One of the interesting pieces of work that Gerry did in the Commission on funding for Wales was to analyse where the taxpayers were. Of course, there are a large number of taxpayers within a relatively short distance of the Welsh border, whereas, if you look at the Scottish-English border, the taxpayers get pretty thin round there and there are more sheep than taxpayers.

Q19 Hywel Williams: Can I follow up on that? Is there any merit in the argument that a higher tax rate which would be lowered would increase the take, as it were—lower tax, higher take—if we attracted people in?

Professor Gallagher: It depends what you regard as a good thing. If you think attracting higher rate taxpayers in from England is a good thing for the Welsh economy and will produce revenue for the Welsh Government, then the opportunity for doing that in Wales is much greater than in Scotland. If, on the other hand, you think that encouraging people to move from one place to another in order to minimise their tax liability is a bad thing, then there is less of that danger in Scotland and more of that danger in Wales. It depends what you value.

Gerald Holtham: Can I insert a word there? It is a perfectly reasonable point that you do not want to create a situation in which the tax base is cannibalised because there is a competition to reduce taxes. On the other hand, Governments quite happily spend money on regional policy, and what the hell is a regional policy except an attempt to move economic activity from one area to another? In my way of thinking, you have to limit this. Nobody is suggesting that Wales should be able to abolish the top tax rate and become the Isle of Man—that is not the suggestion—but a limited ability to do that is just a tax expenditure and it can be seen in exactly the same terms as any Government expenditure aimed at promoting regional development when you have large inequalities in regional activity across the country.

Professor Gallagher: I would just like to add, partly in support of that, that of course this would be very significant for Wales, but the loss would not be very significant for England.

Q20 Glyn Davies: I have a brief question on the point you have just made. Clearly, there are a lot of people who take the view that the lockstep is not sensible because it renders it unusable, and I may have some sympathy with that view. But you have just said that, if there was not a lockstep, there should in fact be a limitation on the degree. In Scotland, it was 3p—3%. If there was no lockstep, would you still envisage, for it to work properly, that there would be a limitation on, say, the amount you could reduce the top rate by?

Gerald Holtham: Yes. We must not take too binary a view here: either you have no control over the tax or you can do anything you like with the tax. If you have frameworks for what a devolved authority can do with the tax, it greatly opens up the possibilities for devolution; you can partially devolve things that you could not dream of fully devolving. I do not think you should devolve the income tax to Wales and say you can do anything you like with the top rate. I do not think the Welsh Government would do it, but that would be to invite a tax-haven kind of strategy.

Q21 Chair: Or possibly the opposite.

Gerald Holtham: The opposite?

Chair: If I may say so—if I may come in with something—you are making the assumption that, if the Welsh Assembly had that power, it might see some financial gain in reducing the top rate of tax. But I personally think, and I do not know what your opinion is, it is equally possible that the Assembly may say, "We actually don't like the rich very much. We are a left-wing party"—whichever one is in charge, possibly not including the Conservatives—"and we are going to tax these so-and-sos." Is that not equally likely to happen?

Gerald Holtham: If you look around the world, that is not what tends to happen. I acknowledge there are those instincts in certain quarters in Wales, but the brute fact is that a left-wing Government serve their people by providing public services that they could not afford if they were provided privately. The way they do that is by maximising their revenue, and raising the top rate of tax is not going to maximise their revenue.

Chair: That is not a lesson that has been grasped in all quarters yet.

Q22 Guto Bebb: Look at France at this point in time. I think political parties often do go with their instinct rather than with common sense.

Gerald Holtham: So did Mitterrand, but then he reversed it within 18 months, and I will give you quite a fluid prediction about Hollande now.

Guto Bebb: But they do do it.

Gerald Holtham: There are certain realities and it is very hard to—

Guto Bebb: I absolutely agree with you.

Chair: I started this and I deserve it, but I am going to call on Geraint.

Q23 Geraint Davies: I will not comment on Hollande's instincts either, but my understanding is that there are about 8,000 people in Wales who are on the top rate of 45p, and, therefore, if you wanted to raise the same money at 40p—if you reduced it from 45p to 40p—you would only need 9,000. So the change in the number of rich people in Wales to balance the books at a significantly lower rate is very small.

Gerald Holtham: Exactly.

Q24 Geraint Davies: Therefore, if these people are sitting on the border, the idea of tax farming and migration of large numbers of very rich people is a real opportunity for Wales, or, if you like, if you do not like the idea, the cannibalisation is there as well. But if there was not a lockstep, would you agree that there is a very significant opportunity for more money for Wales from richer taxpayers?

Gerald Holtham: That is my view and, as I say, I think you should restrict that. I take the point that they may not do it, but I do not think you should give them the opportunity to completely cannibalise the UK tax system. That is no part of my argument. But 1p, 2p or 3p is not going to have a material effect in England; it could have a material effect in Wales.

Chair: Thank you; this is a fascinating debate, but perhaps we should move on to Guto Bebb on the costs of a referendum.

Q25 Guto Bebb: I am not sure whether I am that interested in the question of the costs of the referendum; I am more interested in the question of the concerns that have been expressed by you as to whether we should have a referendum on the tax issue. I understand the arguments that you are making, which is that the gains from having the powers to vary tax might be small and therefore the risk is high, but surely a significant change of this nature should be subject to a vote among the people of Wales.

Gerald Holtham: Yes, I do not disagree that we have established a precedent that significant constitutional change requires a referendum, but we have got into an unfortunate position in Wales, whereby we are doing devolution on the instalment plan.

Guto Bebb: There is always a process, not an event.

Gerald Holtham: That may be perfectly sensible, by the way—I do not think that is necessarily stupid—but it would have been good to have had a referendum at the start that said, "Shall we do devolution on the instalment plan?" and, if you had got a yes vote, you then did not have to have a referendum on every minor adaptation. Even with the one on legislation, it is going to allow you to have primary legislation in—I forget the numbers—28 areas, with 32 exceptions. The public is not interested in that degree of detail. I think they want to vote on a principle and then leave it to the politicians to sort it out.

Q26 Guto Bebb: But the point made about income tax being devolved is the fact that it is visible and it will have an impact in terms of people being aware that the Welsh Government are raising taxes. Surely, the point you make about devolution of powers is not the same as devolution of income tax, because that sheer visibility does demand, I would argue, that the people of Wales have a vote on the issue.

Gerald Holtham: Yes, I do not disagree in principle that a shift of tax-raising powers should be subject to some sort of referendum at some point, but I suppose I am making the Irish argument that we should not be starting from here really. I am not sure what I would say about the present situation, but it is the case that we are holding a series of referendums on what are relatively small shifts—and that cannot be sensible. It would be better to have one and say, "Look, we are on a process." After all, political parties can run for office in Wales and Westminster on whether they want more or less, and we are supposed to have a parliamentary democracy. So I think we are overdoing the referendums.

Professor Gallagher: I think Wales has overdone their referendums, but we are where we are. The lessons I would draw from that are, "Please do not overdo them again." It is inevitable, I think, that there is going to have to be a referendum before there are income tax powers. That is the political and the legislative reality. I suppose the question is, if people are at any point thinking of further development of devolution, which is by no means out of the question, please don't put the Welsh people through yet another referendum afterwards. Could you not get this one in a job lot?

Q27 Guto Bebb: I had better identify the issue of the cost. What, roughly, would you be anticipating the cost of a referendum on income tax to be to the Welsh Government?

Gerald Holtham: I have no idea.

Professor Gallagher: I am sorry—I have not done that sum.

Chair: I do not think that was a question actually.

Guto Bebb: No; it was a question I was asking just out of interest.

Q28 Glyn Davies: I want to pursue this issue of the referendum because, perhaps unusually in my party, I am not in favour of a referendum. I think we should announce at the general election that this is our view and if the people vote us into office then we can carry it through. But I think that is probably just a view I hold and it is not going to happen. What worries me a bit more is that what we would be doing is having a referendum that might deliver a system that is not usable; it just won't be usable. Then do we have to have another referendum to amend it to make it usable, by removing the lockstep or whatever? I just see having a referendum on something that is not usable as completely mad.

Professor Gallagher: The answer to that is probably no. The reason the answer is no is that, if you look at the Scottish precedent, the reason why there has been no subsequent referendum in Scotland on extending the powers of the Scottish Parliament to the tax powers it has now under the 2012 Act is that the initial referendum in Scotland was, if you remember, a two-question referendum, "Should there be a Scottish Parliament and should it have tax powers?" Admittedly, those tax powers were relatively limited, but the principle was there in the Scottish referendum. Unfortunately, the 1999 referendum in Wales did not mention tax powers, and at some point, I guess, therefore, tax powers are going to have to be subject to the view of the people. But subsequently adjusting the tax powers is a different matter, as the Scottish precedent shows.

Gerald Holtham: The referendum should be framed in sufficiently general terms that it covers subsequent changes. I think that is the point.

Q29 Mr Williams: Following on from that, not least, we have the spectre of Part II of Silk and the possible transfer of all powers, so there may well be a referendum linked up with that lot. I hesitate to ask this question now—it is rather tame and I think I know the answer—but what difference will the devolution of stamp duty land tax and the landfill tax make to Welsh financial accountability? Given the scale of what you are saying, very little, but none the less—

Gerald Holtham: Yes, relatively little, I think it is only fair to say. Stamp duty is a visible tax. People do buy and sell houses and they are very aware of it at the time, so, if the Welsh Government do anything with it, it will attract attention. I would not say there was no gain in accountability, but it is limited, certainly.

Professor Gallagher: It is worth spotting that accountability and autonomy go together and these are powers that the Welsh Government—the Welsh Assembly—would exercise first of all to influence their total budget, but secondly, in relation to the taxes. Taxes are also policy instruments. Stamp duty is a policy instrument in relation to the housing market, and, of course, most of the other powers in relation to the housing market are devolved to the Welsh Assembly. That extends the policy tools available to the body, and that is a good thing, in my view.

Q30 Mr Williams: The same can be said for the landfill tax.

Professor Gallagher: Indeed, yes.

Q31 Mr Williams: Other than the taxes you have already mentioned, were there additional areas that you felt that Silk perhaps should have looked at, and perhaps the Government should look at—other taxes that should be devolved?

Gerald Holtham: As Professor Gallagher has said, within an economic union there are certain restrictions on which taxes it is sensible to devolve. One of the things that both the Calman Commission and Silk said might be devolved is air passenger duty, which I know the Welsh Government are keen on. It has been devolved in Northern Ireland for long-haul flights only, and I think restricting it to long-haul flights does remove most of the objections to devolution. Obviously, if you devolved air passenger duty to Wales and the Welsh Government abolished it for Cardiff airport, Bristol would have a complaint, but if it is long haul there is no long runway in Bristol—they do not do long haul—so, to that extent, it is less of an issue. I think it would have been possible to devolve long-haul APT. It is a fairly minor matter, but it could have been done, and I am not quite sure why the Treasury is so hostile. In the case of Scotland, there is not much competition in long haul between Scottish airports as the nearest one is Manchester, I suppose, so I am slightly puzzled by their reticence there. But there is that one.

I myself do not take the same view as Professor Gallagher about the impossibility of devolving corporation tax, but—but—you certainly again could not just do it. You would have to have very strict protocols on what could be done. It would require a reform in the way that corporation tax liability is assessed. At the moment, it is a brass-plate operation. If I put my brass plate in Swansea, then I pay my tax there, which is why the London

Mayor is able to go around claiming that all the economic activity occurs in London, but that is because all the companies are registered here and this is where the corporation tax is. The fact that the factory is in the Wirral or somewhere does not seem to matter. If you had a system whereby, as they do in the United States, corporation tax liability depended on where your payroll was, then you would collect it centrally and hand it out according to such criteria. If you did that and you restricted the extent to which changes could be made in it, you could devolve corporation tax, but there are two very big "ifs" there, and it is not on the agenda at the moment.

Professor Gallagher: I agree with that analysis. If you are going to devolve corporation tax, the way to do it is the way in which Gerry has described. I suppose the reservations I have about corporation tax can be summed up in the words "Starbucks" and "Amazon", in that the more complexity you put into the tax system, the more opportunity you give for evasion.

Just to complete the picture, there are a few other small taxes you might think about. In principle, you might think about capital gains tax on real property to complete the property tax bundle, although the administration of that would be very difficult because you would have to think about separate capital gains limits for real property and other assets, and that might be difficult for the rest of the UK. The other one is inheritance tax, which is a personal tax. It raises relatively small sums of money. The precedent from Australia for decentralising it is not a very attractive one, but, in principle, I guess it would be possible.

Q32 Hywel Williams: Very briefly, in your opinion does the revenue stream available from the minor taxes such as SDLT and aggregates constitute an independent revenue stream, which may in turn trigger the £500 million borrowing limit?

Gerald Holtham: My understanding is that that has more or less been agreed and, if you think about it, we are fortunate, in a sense, to be living in a time of low interest rates. If they can borrow at 4%, a shade over Treasury rate, then £500 million is only going to cost you £20 million a year. The new taxes will bring in maybe £200 million a year, so certainly there is no issue about carrying capability there.

Professor Gallagher: I agree with that.

Q33 Nia Griffith: There are two parts to my question. First, is there any motivation for the Welsh Government to vary stamp duty or landfill tax because of what would happen to the block grant? Secondly, what flexibility would they have—in other words, to charge different values of property different amounts—and, in practice, would they use it?

Gerald Holtham: The first thing to say is that the Act is mute on exactly how the block grant will be adjusted for once the taxes are devolved. There are various ways to do this and I am the world's greatest bore on this subject. There is a lot of algebra in the report of the Commission that I chaired on exactly this issue. It really depends on what discussions result in, in terms of how the block grant is to be adjusted. It is not so much the immediate adjustment—you can guess what revenue is going to be this year, or you can count what revenue is this year and take that off the block grant—but it is what you do going forward that is the big issue.

Professor Gallagher: Given how small the sums are, that should not be a major problem to negotiate with the Treasury. The interesting one is what you do if you devolve income tax.

Gerald Holtham: That is absolutely right. To answer the rest of your question as to how attractive it will be, it depends really on those discussions, but, yes, as far as I can understand it, they would have complete control of the structure of these taxes as well as the rates. It is not like income tax. If they want to abolish them or change them radically, they are able to do so, and indeed in Scotland there has been a lot of discussion about reform of the tax on housing transactions because it is a so-called slab-sided tax, which leads to big jumps at certain house prices, and trying to flatten that out is one of the things that they have been looking at in Scotland. It is quite difficult to do without causing big winners and losers as you go up the schedule, so it is not that easy, but it is the sort of thing they would have to think about.

Professor Gallagher: If I could add to that, there is, as it were, a relatively limited opportunity simply to consider reforming the stamp duty land tax, which I think most economists would agree is not a particularly well designed tax, for the reasons that Gerry says. But if the Bill goes through, we will have a system under which all property taxation in Wales will be able to be looked at in the round and, indeed, in Scotland as well. One of the UK's long-term strategic issues for the tax system is that we under-tax property, and this gives both the devolved Administrations the opportunity to have a root-and-branch look at how we tax all property, both on an ongoing basis and in relation to transactions. There is an economic argument that says you should tax property more continuingly rather than at the time of transaction. It is handy to do it at the time of transaction because there is cash around, but, of course, putting a tax on a transaction may discourage a transaction when a transaction might well be economically desirable.

Q34 Nia Griffith: Are you saying the power is here not only to have that transaction tax but to have the equivalent of a mansion tax?

Professor Gallagher: The mansion tax would be done by altering the bands in the council tax, which, to my recollection, is within the powers of the Assembly.

Gerald Holtham: In fact, they already have introduced an additional band in council tax above those that exist in England, and they have the power to completely reshape that if they wish to do so.

Q35 Geraint Davies: Is there any concern with the devolution of income tax and increased borrowing powers that we will go to a situation where the borrowing powers are maximised, therefore top-slicing the block grant, or indeed income tax, to undermine revenues in Wales, at a time when maybe we should be talking about getting our fair share of capital spend in the UK?

Gerald Holtham: When you say a "fair share of capital spend," are you referring to things like Network Rail or public agencies?

Q36 Geraint Davies: If you took HS2, you could argue that Wales should have an extra £2 billion as the share of that infrastructure investment. It is controversial, but it dwarfs what we are talking about here. Is it not the case that what has happened is the political agenda has been refocused on these marginal borrowing powers, when really what we want in Wales is capital investment? We have our eye off the ball.

Gerald Holtham: Put it this way: the Barnett formula has no statutory basis, so if the Treasury want to move the goalposts, they can put them on the halfway line and there is nothing to be done about it. When you are looking at something like HS2, if they determine that, "Look, this is in the interests of the UK as a whole. It is not specifically for England and therefore there is no question of a Barnett consequential," there is no Court of Appeal except for making a big political fuss. That is a situation which has persisted—and I make no partisan point—with every British Government that I have ever lived under. None of them has shown any appetite for reforming this, so I do not know that we are diverting attention; there was not any attention there in the first place.

Professor Gallagher: I am not sure I quite swallow the premise of your question, Mr Davies. To the extent that the Barnett formula is properly applied, Wales gets a share of relevant capital spending. You might well run an argument that says, "Given the economic development needs of Wales, the UK should divert substantial investment by the UK Government into Wales." That is a perfectly plausible argument, though I have not actually heard it made. But I do not think giving Wales the power to borrow and invest is anything other than a good thing for Wales.

Q37 Geraint Davies: Can you comment on the right level of borrowing for Wales? I know we have been talking about £500 million and that is explained, but what do you think, over time, would be a sensible level of borrowing limit for Wales?

Professor Gallagher: The Welsh capital budget at the moment under the block grant is, I think, roughly £1.5 billion—of that order—so the amount of borrowing ought to be at least in the same order of magnitude as that, by which I don't mean £1.5 billion but rather having at least the same number of digits as that. So, for £500 million, £1.2 billion to £1.3 billion does not seem to me to be, as it were, out of the ordinary.

Two things are striking. The first is that the £500 million comes, as it were, with the very small taxes, but the great slug of income tax only brings another £700 million or so. So there is no particular proportionality there. You might argue that, therefore, the £700 million was a bit weak. On the other hand, you might say the £500 million was maybe a bit generous. Provided that the borrowing is repaid, and borrowing has to be repaid, and that the Welsh Government—I say this very carefully because Governments struggle sometimes—are capable of investing it in a way that will be economically wise, and I am sure they can do that but they have to be very careful, I do not see why in principle it should not be a bit more than that.

Q38 Geraint Davies: May I say that in the past as to this—whatever it is—£15.7 billion that the Welsh Government get, to a certain extent there has been flexibility between whether they invest that in revenue and capital, and, given that if they had much greater borrowing powers they could bring forward investment in, for instance, hospitals and the like, and spread that cost over many years through borrowing, especially if they fixed them at low interest rates now, you could make the argument that the borrowing powers for Wales should be much higher, irrespective of devolution of income tax?

Gerald Holtham: I think you could, and one of the things that underpins that argument would be that, for reasons good and bad, Wales has invested much less in private finance arrangements of the PFI or PPP type, and, therefore, there are very low liabilities in Wales compared with Scotland or, indeed, England. So the Welsh Government are not carrying any particular burden of debt at the present time. If you included that, there is quite a large capacity. If you think about it, what proportion of your revenue might it be sensible to commit to debt servicing? If you said 5% for example, that would enable Wales to borrow several billion. I think the powers post-income tax are fairly tight. They could be enlarged somewhat without risk to prudence, I think.

Q39 Chair: Are we all working on the assumption that the UK Government would underwrite any bonds that the Welsh Assembly Government issued—any borrowing that they made?

Professor Gallagher: I do not think it is proposed in the Bill that the Welsh Assembly Government would get their borrowing by issuing bonds directly. They would borrow the money from the Treasury and, therefore, their obligation would be to the Treasury rather than the markets. That is perfectly sensible because the UK Government will get a better interest rate than the Welsh Government would, just in the nature of things.

Gerald Holtham: That is true in general, absolutely, although having the ability to issue bonds has the wonderful effect on the rates that get quoted to you by the Debt Management Office. Only because local authorities could issue bonds if they wanted to, did the Debt Management Office suddenly find it could charge them 40 basis points over rather than 140 over, which it was trying to do. The Silk Commission did recommend that the Welsh Government should have the power to issue bonds, but this was another area where the Scots haven't got it, so we can't have it either.

Q40 Simon Hart: A quick question, to finish off on the referendum point, is to ask whether either of you have turned your mind to a form of words which the Electoral Commission may be comfortable with and which would, I think, summarise the conversation that we have had today in a way that could be understood.

Gerald Holtham: The short answer, I am afraid, is no, I have not. Maybe other later witnesses for whom this is an area of speciality can help you more. My only thought, as I said earlier, is that the thing should be phrased sufficiently generally that we do not feel the need to keep coming back and having these very detailed referendums.

Professor Gallagher: I agree with that. It would have to mention the words "income tax". Beyond that, I would not like to do the drafting. The last referendum wording started out bad and got, if anything, marginally worse, but this one is not such a convoluted proposition.

Q41 Hywel Williams: I should ask you about the estimated cost of the implementation of the financial settlement. The sections of the Scotland Act, I understand, were £40 million to £45 million, including £10 million on the IT and £4.2 million on annual running costs. What costs do you anticipate for the Welsh Government in connection with the implementation of this Bill?

Professor Gallagher: I have not personally made an estimate of the costs. Those Scottish numbers will probably turn out to be wrong in one direction or another because it has not yet been done, though the work is going on just now and the Revenue is getting ready for 2016. It would be sensible to make a better estimate of the Welsh costs once we have seen what the Scottish costs actually are, but we are certainly talking about two figures of millions, that's for sure.

Gerald Holtham: They will be a lot less than Scotland simply because there was an element of fixed cost in this in devising and setting up the procedures, and that has been done for Scotland and can be applied to Wales. Professor Gallagher is quite right in that we are talking millions, but it will be a lot less than Scotland, I think.

Chair: Thank you very much indeed and thank you for staying on a little bit. We apologise for running over. It has been a very interesting session and it could have turned into quite a lively debate at one point as well, so we are very grateful to both of you. Thanks a lot.

Examination of Witnesses

Witnesses: **Professor Richard Wyn Jones**, Director, and **Professor Roger Scully**, Wales Governance Centre, Cardiff University, gave evidence.

Chair: Professors Wyn Jones and Scully, we have met you before, obviously, at various village halls, I think, in Monmouthshire. It is nice to see you both again. I am the Chair of the Select Committee. We are just going to start off, and apologies that we are a bit late, but we got into a bit of a discussion there. Could I start with Guto Bebb, please?

Q42 Guto Bebb: Good morning.

Professor Wyn Jones: Bore da.

Guto Bebb: We have heard a lot of evidence this morning which has highlighted the fact that, despite the significant differences between Wales and Scotland, a lot of the draft

Wales Bill appears to be very similar to what has been proposed and implemented in the Scottish context. Do you think that is a weakness or a strength of these proposals, and can you explain your response?

Professor Wyn Jones: I think, in particular, that the position in the Bill on the lockstep is deeply problematic. It runs against all the evidence in Holtham, in particular, which I think everybody accepts is the authoritative source on this; it runs against the arguments in Silk and it renders the income tax power as pretty much unusable; to vary from England is pretty much inconceivable. Of course the thing that is radically different from the Scotland Act 2012 is the referendum provision, and I hope at some stage you will ask me for my views on that.

Guto Bebb: I am sure I will, but I wanted a wider response to this first question.

Professor Wyn Jones: In terms of the detail, it follows Scotland, and in ways which are unhelpful and not supported by the evidence that we have.

Q43 Guto Bebb: You have highlighted the lockstep. Are there any other areas where you would highlight the similarities being a concern?

Professor Wyn Jones: I would say personally that is the key element of this Bill. That and the referendum provisions are the really problematic elements in this Bill.

Professor Scully: I would broadly agree with Richard and, I suppose, maybe anticipating some later discussions. Personally, I am not particularly persuaded of the principal case for a referendum, although I think as to that argument things have moved on. If you think about practically what a referendum would look like, it starts to look very problematic in terms of who is going to be motivated to go out and campaign for what looks like a close-to-unusable power.

Q44 Guto Bebb: Just to clarify on the issue of the referendum, since both of you have raised it, I take it that it is not necessarily the principle of having a referendum on the devolution of income tax powers that is a concern; it is rather the fact that the powers for income tax variation as it stands in the current draft Bill would be practically unusable even if there was a yes vote in the referendum. Is that your real position?

Professor Wyn Jones: No, that is not my position, but I do not know about Roger's. My own position is that I am against this on principle, and can I explain why?

Guto Bebb: Yes.

Professor Wyn Jones: The argument has been accepted by all parties that you need tax powers to make devolved Government properly accountable. Fiscal responsibility is an argument that is there in Holtham, in Calman and in Silk. It underpins the Scotland Act 2012. It has been accepted very widely. My question to you is, should responsibility and accountability be optional? Should those things be optional? I think no. That is my view. In principle, there should—

Q45 Guto Bebb: A response from me would be that the consent of the people is pretty important as well and, after all, the original devolution powers granted in Scotland did include a vote on the issue of whether there would be tax variation. So the principle of tax variation was part and parcel of the 1997 settlement in Scotland, but there was no such vote in Wales.

Professor Wyn Jones: There are basically three arguments put forward as to why we should have a referendum. The first is the so-called Scottish precedent; the second is that there is a kind of fundamental constitutional principle here; the third is that the public somehow demand or expect it.

In terms of the Scottish precedent, the fact is—and this is not a facetious point—that there is a precedent for almost everything in British constitutional history. In fact, Scotland offers two precedents on this issue. They had a referendum in 1997, a second question, which was the optional power to vary the basic rate. Calman changed the whole premise of that and said, "Actually, you should be forced to make decisions on income tax." There was no referendum involved there at all. That was a very different argument, "It is not an option; you are being forced to do this to be responsible." So I would say the Scottish precedent is much less compelling than people assume.

In terms of the fundamental constitutional principle, is making an already existing layer of Government more accountable a breach? The Silk Commission ties itself into knots because it argues that there is a fundamental constitutional issue around income tax powers but not around minor taxes. They struggle. The argument they end up with is scholastic in the extreme.

In terms of "Do the public accept it?" we have two bits of data on that: something in the Silk Commission, which is a very broadly framed question about devolving income tax powers completely, which is not there, and then there is also, of course, a majority there for a referendum on minor tax powers, which nobody is talking about. Then we have some evidence from just before Silk, trying to ask people. We assume that a lot of people would say yes to a referendum on anything. We do not want to have a referendum on everything, do we, so the key question is, is this an issue which is particularly important, which people feel particularly strongly about? The evidence that we have is no. The issue of shared income tax powers is not one that people have a very strong feeling for. In fact, there was not a majority for a referendum on that in the data that we collected.

Professor Scully: Can I follow up on one or two points there? In the UK in general we, frankly, have got ourselves in a little bit of a mess in terms of what are the sorts of issues on which we should have referendums and the sorts of things which should be properly left to representative democracy. We elect people, broadly speaking, to make the decisions. The House of Lords Constitutional Affairs Committee, a few years ago I think, published a very good report on this, the broad thrust of which was arguing that, essentially, there has been no principle in terms of when we hold referendums and not. It has been much more political opportunism. The Lords Committee was broadly suggesting that we should reserve referendums for major matters of constitutional principle, such as abolishing the monarchy, the Houses of Parliament or maybe setting up a devolved institution. Like Richard, I am not at all convinced that devolving income tax powers in the manner suggested by Silk is compelling. Given, as Richard said, that there are precedents for almost everything, we have in recent decades, for instance, established two wholly new systems of local government taxation in the community charge, poll tax and council tax without, I think, even the suggestion of a referendum on either. Is transferring partial responsibility over an existing tax from one level of government to another really more fundamental? I do not think so myself.

Richard mentioned some of the evidence we have gathered. We even asked people about what we thought were blatantly ridiculous items to have a referendum on, such as the 5p charge on carrier bags. You still get over 30% of people saying yes, we should have referendums on that. If people are asked, "Do you want a say?" they tend to say, "Yes." It does not follow from that, however, that they will want to take part, be interested and go out and vote in the referendum when it actually happens.

Q46 Guto Bebb: It is an interesting discussion that we can have. The demand for a referendum does reflect the loss of confidence in the political class as a whole and I think that is why people do generally say yes, they want a referendum because there is a feeling that they do want to take part and have an influence.

Going back to the original question, in view of the fact that we are now debating or scrutinising the draft Wales Bill as it stands, is it your given position that you are opposed to a referendum, full stop, or would you prefer to see that referendum become a meaningful referendum because of the issue of the lockstep?

Professor Scully: My own view—and Richard may have a slightly different view—is that I am certainly not persuaded by the principal case for a referendum, and I thought the Silk Commission I report was intellectually a very impressive document until the couple of pages when they discuss the referendum, when the standard dives down dramatically—

Guto Bebb: That is where the politics came in.

Professor Scully: and then dives back up. I am not myself a diehard opponent of referendums, but there are probably more compelling things to have referendums on than this. My biggest concerns, frankly, are practical. As has been said already in the previous session by people who know far more about it than us, these look to be fairly unusable powers. In practice, who is going to go out and campaign for this referendum on either side, perhaps particularly the yes side? We may have at least one individual here. I suspect that, frankly, this referendum would make the March 2011 referendum look like a triumph of participatory democracy. I would not be at all surprised if you got turnout levels below 25%.

Q47 Guto Bebb: Just as a final question, is it your view that the powers envisaged to be transferred as a result of a referendum, as it currently stands, are so inconsequential that there will not be a referendum called?

Professor Wyn Jones: In order to unlock these powers, why would you bother? You cannot meaningfully vary the rates, so why would you bother? The only reason to bother is to make the borrowing envelope bigger. It is surely perverse to have a referendum that is practically about the size of a borrowing envelope. That is just perverse, in my view.

Q48 Glyn Davies: To some extent—especially Richard—you are giving an opinion in terms of the referendum, which is right. To challenge that opinion with another opinion, I have always thought that the view of the people is important, but I do not think a referendum is the right way to get it. Personally, one would be content if the parties that formed the next Government had made it clear in their manifesto that this is what they were in favour of. I personally interpret that as being the will of the people. If that had not been clear in the parties' manifestos, the case for a referendum is much stronger, but that is obviously not a constitutional thing; manifestos are not constitutional documents. So this is an area with a lack of clarity, but I do think to move forward to this without the view of the people in one form is quite a dangerous thing to do.

Professor Wyn Jones: That would seem to me, Glyn, to be a sensible way of doing this if one wanted to do it. What I was trying to get at very briefly, Chair, is that the justifications that are being offered for a referendum seem to me to be very weak.

Chair: We had better move on to dual candidacy, and we will try and come back afterwards if there is time.

Q49 Mr Williams: Professor Scully, you have very consistently argued the case against the ban on dual candidacy. I recall you both came before the Select Committee at the time of the Government of Wales Bill in 2006. You have reiterated your opposition to the ban. Can you remind the Committee why you have taken such a strong stance against the ban?

Professor Scully: As I articulated in the written evidence that I submitted, the arguments against dual candidacy are flawed both in principle and have problematic practical implications. I know some people feel very strongly against dual candidacy and I do not challenge the sincerity of their views, but I do believe that they are based on a misunderstanding of the nature of the electoral system that was introduced for Assembly elections. In particular, the argument is made that defeated candidates at the constituency level have been rejected by the electorate and, therefore, they should not be able to enter the Assembly. But the proportional variant of AMS that we use for Assembly elections that is used in quite a few other countries around the world now is a voting system whereby parties, through the list seats, are compensated if they have been relatively unsuccessful in the constituencies. Parties who have been, in a sense, if you want to put it like that, rejected at the constituency level still get some representation in the Chamber, and it is difficult to see a strong principled reason why what applies to parties should not also apply to individual candidates.

The other reasons why I am opposed to a ban on dual candidacy are, first, it creates potentially perverse incentives, which I do not think legislation ought to do. For instance, if you have separate constituency and list groups of candidates, the list ones then effectively acquire an incentive for their party's constituency candidates to lose—and, indeed, one or two people here know about that directly. That is not a sensible sort of incentive to build into a system. Also for the voters, if you particularly favour a list candidate now, you maybe would want to vote against that party at the constituency level.

But I think there is a third reason that is specific to Wales. Having a very small Assembly of 60 Members, various people, including my colleague here, have argued that that is insufficient. Having such a small body, we need to do everything possible to maximise the quality of the representation within that body, having, in particular, so few people to do the Committee work and all the various roles other than leadership and ministerial. We have a relatively small number of people spread pretty thinly and we need to do everything possible to make sure that those people are of the maximum quality. The New Zealand inquiry into this system articulated the case very well that dual candidacy can help parties not ensure but make more likely the election of the people who those parties believe are their strongest candidates. In Wales, that is something we should be doing.

Q50 Mr Williams: We will come on to the size of the Assembly in a minute. You touched on international work. Can you remind us of other examples where such a ban exists? I seem to remember one country that was used remorselessly—unsuccessfully as it happened—at the time of the Government Wales Bill, but can you remind us of those international precedents?

Professor Scully: There are two variants of these mixed-member systems: mixed-member proportional, where the list seats are allocated in a way that compensates for the constituency results; and a mixed-member majoritarian, where there are effectively two separate elections. Among mixed-member proportional, Wales leads the world. We are the only sub-state nation, region or country that has introduced a ban like this. I am aware that it was considered seriously in two Canadian provinces but not ultimately introduced. It was considered in two Canadian provinces, Prince Edward Island and New Brunswick, I believe. It was also looked at very seriously in a very detailed review of this system in New Zealand but decisively rejected. The only examples that I am aware of where a ban has been introduced has been in the systems where you have ostensibly constituency and lists running as two separate elections. I am aware certainly of four national systems that have introduced a ban—South Korea, Taiwan, Thailand and the Ukraine, the last two of which are not particularly examples of good democratic practice.

Glyn Davies: Thank you for that.

Q51 Mr Williams: Moving on, you talked about the size of the Assembly. The draft Bill does nothing to change the size of the number of Assembly Members. I think Professor Scully has indicated, and many of us would agree, that it should. The size of the Assembly, Professor Wyn Jones—

Professor Scully: Richard has been involved in work on this.

Professor Wyn Jones: Yes. We published a report with the rather low-brow title "Size Matters", which looked at the size of the Assembly and I think has been the only serious attempt to look at the size of the National Assembly for Wales. There was no process. If you look back at the Labour party's internal processes in the 1990s that led to the

60-Member proposal—and of course the Assembly had very different powers in the early days anyway—there was no systematic look at the size of the Assembly and the implications of that. We tried to do that and tried to marshal as much international evidence as we could. Obviously, I would refer colleagues to the report for the detail, but the headline is that there are 42 Assembly Members to do all the work that is required in terms of scrutiny. That is a very small number in international terms and a low number when one considers, in comparative terms, the relative power of the National Assembly. Our best estimate of the right kind of size—I accept that people would have different views and it is not an exact science—is that around 100 Members would make sense in terms of the relative powers of the Assembly.

Also, I would make the point that there is a context here of where do Welsh elected representatives sit? I think it is still on the statute book as a proposal that the number of Welsh MPs gets reduced—maybe I should not mention that in present company—but we also now have some leaks coming out of the Williams report suggesting a major cut of councillors in Wales. We have, in comparative terms, arguably too many MPs, certainly too many councillors—we can probably all agree on that—and we look light in terms of holding what is now a powerful Welsh Government to account in the Assembly.

Q52 Mr Williams: So the fact that the draft Bill leaves in place the current linkage between the size of the National Assembly and the number of Welsh MPs is unhelpful.

Professor Wyn Jones: In my view, yes, absolutely.

Q53 Mr Williams: Not least, as you say, if we were to go down the line in Westminster at some future point in terms of reduction of MPs, then the fears that have been raised in the past would be realised again. Do you have anything to add to that?

Professor Scully: No. On this issue, at least, I broadly agree with my colleague.

Q54 Mr Williams: Good. Finally, Professor Scully, you argue in your written evidence that it would be more appropriate for the National Assembly to be responsible for decisions about its own elections. As a good devolutionist, I agree, but why?

Professor Scully: In the long term, I am not convinced it is really appropriate for Parliament here to be deciding major matters on the electoral arrangements for another body with its own democratic mandate. I have also suggested, as part of that, that one might look to build in some sort of structures to ensure that any future changes to electoral arrangements command broad cross-party support. As I mentioned in my written evidence, parties are inherently interested parties—interested actors—when it comes to electoral arrangements. That is unavoidably so. That being the case, I think it should be made difficult for politicians to change electoral arrangements. It should not be easy to change the electoral system in a way which may just happen to be more favourable to your own party. If at some point the power over setting the rules for Assembly elections is transferred to the Assembly, that should be done perhaps, but only with a sort of supermajority requirement imposed. My suggestion is that a pretty high majority—actually a three-quarters majority—should be needed for any substantive changes in electoral arrangements. It should not be possible for one party, or a coalition with a very narrow majority, simply to change the rules to make things a bit more helpful to themselves. That goes for whoever is in power at whatever time.

Q55 Jessica Morden: Going back to dual candidacy, the famous example of this is Clwyd West where, in 2003, Alun Pugh gets in and all the other three candidates end up on the list. Clearly, that is ludicrous. How would you defend that particular result, where all three losers end up on the list?

Professor Scully: I would not myself attach that particular description to those individuals.

Jessica Morden: All right; that is a fair point—the losing candidates.

Nia Griffith: Could I just add to that?

Chair: Can we have an answer first?

Q56 Nia Griffith: If I could just ask this, it is on the same question. Essentially, on the impact assessment, a majority of the respondents would agree with what Jessica Morden has just said. They find it very difficult to conceive. They have said they would like to keep the ban in place. How does that play? It is the public perception.

Professor Scully: First of all, on Ms Morden's question, Clwyd West was clearly an extreme example of the general phenomenon that dual candidacy allows for. It is, I suppose, a relatively exceptional instance of what the system is set up to allow. If parties happen to put particular individuals high on the list, parties being compensated for their relative lack of success in the constituencies, you can see those individuals being elected through the list. It is very unusual that they all happen to come from the one seat.

Q57 Jessica Morden: It was because it was a marginal seat, was it not?

Nia Griffith: A marginal—

Professor Scully: That is basically what the system exists to do. That is how the system operates internationally and was understood at the time of the 1998 legislation.

Q58 Guto Bebb: Would the concerns being expressed about Clwyd West have been mitigated if we had had an open-list system rather than a closed-list system? The problem with the closed-list system is that it is very much in the hands of the parties, whereas people would have a feeling that they had voted for somebody on an open list. Would the open-list system mitigate the concern that losers, for example, are still returned?

Professor Scully: As to an open-list system where the list votes were cast perhaps for that particular individual on a party list, that would need to be looked at. That possibly complicates the system a little bit further. But, yes, if people really want to reject particular individuals, then an open-list system clearly facilitates that.

To move on to Ms Griffith's question on what the people think about this and so on, I do not think we have yet really had any robust evidence on this. Sure, people write in with their views and so on. At the time of the 2006 Act, arguments were made by the then Government that certainly went well beyond the evidence on public attitudes that existed to support them.

In terms of relevant evidence from the vast amount of survey work that we have done, we do not find that many people seem to be greatly bothered about this. The only two ways you could try and get at public opinion systematically would be, first, a fairly large amount of focus group work conducted by genuinely neutral parties putting the cases both for and against and walking people through the arguments on both sides. If you did that with a sufficiently large number of people, you might come to a clear view. The other sort of evidence one could use on public attitudes is that, if the public really objected, that would presumably hurt the parties that most use dual candidacy. In Scotland, it has been used heavily by the SNP and it is not self-evident that that has harmed them a great deal. In Wales in 2003, dual candidacy was used by far the most by the Labour party and the Conservative party—the two parties who actually increased their share of the vote and their representation. So, again, it is not obvious that there is a major negative public reaction there if we look at the behaviour of the voters.

Q59 Chair: We are going to have to gently move on again, looking at the time. It is a related issue, so perhaps I could ask Professor Wyn Jones about this. We have dealt with dual candidacy, but we also want to ask about double-jobbing. Obviously, I have to declare an interest having been an AM and an MP for two years. My view is that there is no reason why that should not happen. You don't get two salaries for it and I feel strongly that people should be able to go backwards and forwards. I think it was to the benefit of the Assembly that a number of—may I say?—mainly Labour and Plaid Cymru MPs became Members of the Welsh Assembly to give it some experience, if you like, when we started off. But anyway, this is not my evidence session. What do you think about that?

Professor Wyn Jones: I am not sure I have a professional opinion on this. I have a personal prejudice, which I am happy to share with you.

Chair: Tell us.

Simon Hart: Let's hear it.

Professor Wyn Jones: If I was a voter, I would want somebody concentrating full time on a particular job, but my general position is that it is up to the electorate to decide. If the candidate is being up front, then the electorate is perfectly within their right to make the call either way. I personally have a view, but—

Professor Scully: I have one very minor point on this. It does, to some degree, get back to the whole issue of the size of the Assembly. Again, if we were only going to carry on having 60 AMs—the whole point being that we really need them to be working across a pretty broad range, so we need very high-quality people—we almost certainly need them there full time, working flat out. I dare say people who are double-jobbing for a while would do it with the best of intentions, but presumably their work as an MP would also be fairly arduous.

Q60 Chair: What about the fact that there is no ban on people being councillors or MEPs at the same time, or, indeed, in having outside work, just as many Members of Parliament manage to combine the role of MP and Minister, and a Minister presumably has a pretty big role, as does an MP. I absolutely do not see that it is impossible and I felt personally that I was able to carry out the role perfectly well in both places.

Professor Scully: The view I was articulating is my personal preference. There are lots of things I feel but I would not want to have laws passed to enforce them, and I think this would be one of them. I would not necessarily go as far as saying this should be absolutely prohibited in all circumstances.

Q61 Nia Griffith: Can I raise the issue of the actual legislation here, which has a six-month limit? Do you see that as the most sensible and workable limit? I am taking an example now of supposing that somebody in 2015 who is currently an AM becomes an MP, which is quite likely because there are some candidates. If they then have to give up after six months, they would be causing a by-election; whereas if there were a different limit, they could be in the 2016 Assembly election. What do you think would be workable in this legislation?

Professor Scully: If you are going to do this, possibly a slightly longer term to allow for precisely the sort of situation that you referred to would be sensible. To some extent, it might depend, in the long term, how long the gap is going to be between general elections and Assembly elections. If it is continuing to be 12 months, maybe a short extension of this period towards 12 months, or at least up to the point at which the Assembly is devolved and you have the campaign, would presumably be sensible.

Professor Wyn Jones: As I understand it, the timetables are now locked in, so it would make sense. That is a very good example of a problem you could avoid by having that as a year. That makes a lot of sense to me.

Q62 Jessica Morden: In the draft Bill, there is the mention of changing the term of the length of the Assembly from four to five years. Do you think that is desirable?

Professor Wyn Jones: I think it is probably inevitable. I do not think it was particularly desirable. We are only now starting to work out some of the implications of extending the Assembly term. For example, the affordability of the Welsh Government's commitment around higher education for that extra year is going to be very difficult indeed. But once they moved this place to a five-year fixed term cycle, it was inevitable that that would happen in Wales. It is very important to avoid having devolved and Westminster elections at the same time.

Q63 Jessica Morden: Why is that? What is wrong with having elections on the same day, which would save a lot of money, thereby reducing the cost of politics and increasing turnout?

Professor Wyn Jones: It is about accountability. It is about making sure that you are trying to focus on the level of Government which is responsible for whatever particular issue that you have feelings about. There is a real problem in the Welsh context—and it does not work very well for MPs—in terms of how the electorate attribute performance. I am not sure if you are aware of this, but when things are going well, the electorate think it is all down to the Welsh Government, even in non-devolved issues. Then in devolved issues, when it is going badly, they blame you guys. It is quite amusing, but it is not actually good for democracy. So trying to separate these is quite important.

Q64 Hywel Williams: Is there a Scottish example that we could look at as having simultaneous elections?

Professor Wyn Jones: I was saying that I do not favour simultaneous elections. I think it is important to try and separate out accountability. It is imperfect, but having it all on the same day makes it very difficult.

Q65 Glyn Davies: It seems to me an interesting point. Again, I am not wholly comfortable with changing to a five-year term; I think a four-year term is more suitable, generally. You sound as if you might agree with that.

Professor Wyn Jones: Yes.

Q66 Glyn Davies: Because we are having so many elections now—European elections, council elections and referendums—there are bound to be things happening on the same day. So why is it specifically different such that an Assembly and a parliamentary election cannot be held on the same day—or a month apart? The rules allow for them to be a month apart.

Professor Scully: Possibly a month apart would be the worst of all worlds in that both the voters and the campaigners would be just about getting over one election when they would have to launch straight back into the next. Whichever set of elections came second, the campaigners would get a very rough reception from the voters, "Not you lot again." The voters need to have some time to recover from the first election. In the Welsh context, though, having a relatively weak Welsh news media, it is all the more important, if you are going to have an Assembly, that the election should be separate from the Westminster election because, otherwise in Wales, all issues related to the Assembly, its competencies and policy programmes of the different parties would get completely swamped by the agenda of the London-based news media. It would raise some problematic questions about the legitimacy of the mandate of whoever was in power in Cardiff Bay. Just to go back to a point Richard was making and expand on it slightly, if I may—

Glyn Davies: So if it is six years, you would have got six years.

Professor Scully: We have gathered quite a lot of very systematic evidence on this in Wales, and it is a repeated finding year after year in surveys about the lack of clarity of attribution for policy responsibilities, with people for devolved or non-devolved issues being overly likely to attribute good news to people in Cardiff Bay and bad news to people in London. It is amusing if you go and tell an audience of people in Cardiff Bay that, but it should not be like that. It is really quite unhealthy. If people in the devolved institutions are messing up, they should be held responsible for that.

Q67 Simon Hart: Just on a practical point, we have talked also about adjusting the number of AMs and MPs, so that will inevitably result in constituency boundaries that are not identical. Therefore, if you have concurrent elections on different boundaries, do you agree that that compounds the problem?

Professor Scully: That would be just one more complication. That would also make things rather complicated for a lot of the people who do the mundane work of electoral administration, which is an unglamorous but very important job, and we do not particularly need to make their job any harder.

Chair: We are running out of time a little bit so I am going to ask Geraint Davies to ask the next question quickly.

Q68 Geraint Davies: Professor Scully mentioned that when you ask people, "Do you want a say?" and it was in relation to referendums, they tend to say yes. Would you agree then that, if you say, "Would it be better, other things being equal, to decide things locally rather than over there?" they also say yes? Also, you mentioned that people at the moment tend to sort of blame Westminster and praise Cardiff. Do you think there are inherent problems and that we may end up with a situation where people have referendums where they vote for something that is not in fact in their interests because there are economies of scale, or whatever it is?

Professor Scully: I am not sure about that. If you ask people and they have not been thinking about it a great deal, "Do you want a say?" they tend to say yes. If you ask them about which level of politicians they trust most, it tends to be those who are a little bit closer to them physically, geographically. When it comes, though, to real referendums, asking people about their views, slightly different dynamics start to kick into play. First of all, a lot of people who said, "Yes, I want a say," do not get interested at all and do not turn out and vote. Of those who do participate, there is pretty robust international evidence, with which I think British experience is consistent, that there is a reasonably strong sort of status quo bias to referendums. In other words, if people are unsure, they tend to vote for what they have now. To get people to vote for substantial change, you do generally have to make a reasonably compelling case.

Q69 Geraint Davies: I am just making the point that you sort of made the point that, other things being equal, the proposition of devolution is very attractive because it is always, "We will do more here," even if in the outcomes it is not always as attractive.

Professor Scully: What we are finding from our public survey evidence is that it is more about attributions, particularly of blame. If you think things are going badly—and most people think lots of things are going fairly badly much of the time—who ultimately is going to be responsible for that, or who are you most likely to attribute blame to? People in Wales are disproportionately likely to attribute that to Government in London and to Westminster, and they have lower levels of trust in MPs than they do in AMs, even though I do not think there is any very detailed evidence that people know more about their AMs or whatever.

Q70 Geraint Davies: I think Professor Wyn Jones mentioned that he thought we should have 100 Members in the Assembly and that would be representing 3 million people in Wales, but, of course, there are nearer to 60 million across the United Kingdom. Do you think, from your point of view, it would be a good idea to have 20 Assemblies of 100 Members with devolved powers everywhere? Obviously, I appreciate that 20% of people in Wales speak Welsh, but, putting that to one side, in terms of the efficacy of government, do you think there is a case for more and more of these units, localised Welsh Assembly-type Governments elsewhere?

Professor Wyn Jones: I am happy to discuss my views on how you govern the UK, but the point—

Geraint Davies: I am thinking of the cost and the overheads of administration as well.

Professor Wyn Jones: I am trying to make and the report tries to make is a different one. We have now in Wales a powerful Welsh Government. It has a large budget and extensive powers, and the question is, is it being held effectively to account and can 42 Back Benchers do that? I think the evidence suggests not. It is in the context of an already-existing Government: is that being held properly to account? It is not a general point about, "Should you have regional devolution in England?" or whatever. I happen to think not, but that is beside the point.

Q71 Geraint Davies: Why not? Why should they not have it?

Professor Wyn Jones: Because there is no demand at all in England for regional devolution—at all.

Geraint Davies: So it is about demand—not outcomes then. It is a political question.

Q72 Chair: We are probably getting slightly off argument, but it is a very good question and I find myself in some sympathy with my colleague here. If you do not think they should have regional devolution, do you not think they should have in England an English Parliament—the equivalent of the Welsh Assembly or Scottish Parliament?

Professor Wyn Jones: Personally, yes.

Chair: That is a great short answer. Can I turn to Simon Hart who has one final question?

Professor Wyn Jones: It is not a UKIP answer.

Q73 Simon Hart: It is a sort of "And finally" question, but I just wondered what you read into the rebranding of "Welsh Assembly Government" to "Welsh Government". What does that mean to you and what does it mean to voters?

Professor Scully: My own view is that it is essentially recognising a fact on the ground. This has become customary usage. It is the term that has been adopted a little bit like, in the 2006 Act, the recognition of the effective de facto abolition of the body corporate and the establishment of a separate Executive and legislature. That had become an established fact on the ground and was recognised in legislation. I think this is fairly similar really.

Professor Wyn Jones: Just to add to that, we were talking earlier about attribution and who is responsible for what. Clearly, there was huge confusion in the early years of devolution and a lot of frustration that people were not recognising a difference between the National Assembly for Wales and what the Executive in the Assembly was doing. There was not that kind of awareness. We have seen since then a gradual attempt to make sure that people are aware there is a Government that is being held to account by the National Assembly. I think that WAG—the "Assembly" there—was probably slightly confusing. Therefore, "Welsh Government" probably makes it a little bit clearer that there is an Executive and a legislature.

Q74 Simon Hart: Is there any evidence that suggests that voters have cottoned on to that yet? I have to say, if our constituency caseload is anything to go by, there is precious little evidence that that has made any difference at all.

Professor Wyn Jones: There is some evidence that, over time, there is a little bit more clarity than there was, but there was complete confusion in the early years of devolution.

Q75 Simon Hart: So it is now only partial confusion.

Professor Scully: Yes. It is improving from a low base; I think that is the technical term.

Professor Wyn Jones: It is improving from a low base, yes.

Chair: We will end on that positive note. Thank you both once again. It was entertaining, interesting and useful, so we are very grateful.