



Welsh Affairs Committee

Oral evidence: [Pre-Legislative Scrutiny of the Draft Wales Bill](#) HC 962

Thursday 30 January 2014

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Members present: David T. C. Davies (Chair); Guto Bebb; Glyn Davies; Stephen Doughty; Nia Griffith; Mrs Siân C. Jones; Jessica Morden; Mr Mark Williams; Hywel Williams

Questions 301-370

Witness[es]: **Andrew R. T. Davies AM**, Leader, Welsh Conservatives, **Kirsty Williams AM**, Leader, Welsh Liberal Democrats, and **Leanne Wood AM**, Leader, Plaid Cymru, gave evidence.

Chair: While the witnesses refresh themselves, can I thank them all very much indeed for coming up at short notice and very early in the morning? We really appreciate the fact that you have been able to do that. As we all know one another very well, I am not proposing that we have long introductions. Instead, I would like to call upon Siân to begin the questions.

Q301 Mrs James: It is about improving financial accountability in Wales. The UK Government's stated aim with the draft Bill is to improve financial accountability, but how important do you all think it is that the Welsh Government and the National Assembly are financially accountable via their ability to raise some of the money they spend?

Andrew Davies: I think it is very important. The Silk commission was an all-party group that looked at length into this subject. The commission report has unanimous support among the parties in the Assembly. It is a well-researched document. Ultimately, you cannot carry on having a Government that just receives envelopes of cash from the Treasury without any responsibility, so it is a fundamental and important principle.

Kirsty Williams: Thank you very much for the invitation to join the Committee this morning. The Welsh Liberal Democrats believe that it is a very important principle. We must be the only legislature, perhaps in the world, that is not responsible for raising any of the revenue that it spends, and that is an anomaly in the system. The powers are important not only for instilling a sense of responsibility, but because they give the Welsh Government a wider variety of tools to intervene to develop Welsh policy solutions for the problems that the nation faces. It is important from those two perspectives—both accountability and giving the Welsh Government greater flexibility to try to develop policy solutions to the country's problems.

Leanne Wood: I agree, too, that it is vitally important. In fact, I do not really think that there should be a choice in the matter. Financial accountability should be a must. I can understand why the Welsh Government may not want it, because the situation they are in now is a very good one for them, in that they receive money and spend it without taking any responsibility for that. Accountability should be a must, not an option, either for the Government or for the people of Wales.

Q302 Mrs James: When you are out canvassing and talking to people across Wales, how important do you think this is to the people of Wales? Do you think that they are fully engaged in this? Is this something that is popular?

Leanne Wood: Generally, I think that it rarely comes up in direct terms. People are much more concerned about bread-and-butter issues, but this is very much tied to those issues. Plaid Cymru's position is that we want additional constitutional powers for Wales—not just for the sake of it, but so we can do a particular job of work with those powers. I think that most people look at constitutional questions in terms of how they can deliver practical policies.

Kirsty Williams: No, people do not want to talk about the constitution on the doorstep. They do not now and never have, but that has not stopped Governments moving forward on the process of devolution. When you explain to people the current situation, they see that the situation at the moment does not lead to the Government taking responsibility. There is no incentive for the Welsh Government, certainly in terms of finance, to make a success of their policies. Whether their economic development policies succeed or fail is financially of no consequence to the Government at all. This potentially gives us an added incentive to ensure that the policy interventions are the right ones. When you talk to people about why the power is important for those kinds of reasons, people want to engage in that argument, but the day I knock on a door and somebody starts talking to me about constitutional reform I will probably fall over.

Andrew Davies: I think you have to look at it in a different way. I find a little bit of disagreement with my colleagues here. Yes, people do not talk about the constitutional point on their doorstep—I would be amazed if they did—but what they do relate to is that it is their money that politicians are spending. I get that put to me quite a lot—"You politicians are wasting our money," or, "You have done this or that with it." Whatever level of government you are at—whether it is parish council, local authority, Assembly, Parliament, Europe or whatever—the overriding principle has to be that it is the people's money. If you are in a position to spend that money, you have to have an element of accountability and responsibility for the way it is raised and how it is spent. That is so whatever the level of government you are at and in whatever country.

Q303 Chair: May I ask a quick almost yes/no question? Do you all feel that as a matter of principle Wales should have the same powers as Scotland? Presumably, you definitely would.

Leanne Wood: As a matter of principle, yes, but in this context the lockstep that is there in Scotland and potentially here in Wales is a constraining factor we could do without.

Kirsty Williams: Yes.

Andrew Davies: I presume you are talking about fiscal matters, not the whole gamut of powers.

Q304 Chair: No, general matters.

Andrew Davies: On general matters, I am waiting to see what Silk 2 comes forward with, because it is looking at the extra powers that might or might not be needed. It is not a simple yes or no. We as a group have endorsed Silk 1, and I await the outcome of Silk 2, so we can see exactly, on an evidence base, what is applicable and what is needed for Wales.

Q305 Nia Griffith: Can we turn now to income tax and the thorny issue of the lockstep, which, as you well know, has been described by the First Minister as an immense straitjacket? Do you see the income tax powers described in the Bill as being workable? Could you see yourselves wanting to use them in Wales as they are now, or would you suggest amendments?

Andrew Davies: Do you want me to take it?

Q306 Chair: Maybe Ms Williams could go first. Then we will try to keep some kind of fairness.

Kirsty Williams: David, you keep calling me “Ms Williams.” It is making me feel very strange indeed. “Kirsty” would be fine.

Q307 Chair: I know things are done differently up here, Kirsty, but I am trying to maintain the parliamentary tradition.

Kirsty Williams: Maybe you could just rebel a little, David.

Q308 Chair: I do not want to end up like any of their lordships for being over-familiar with people, but if that is an invitation to go for first names, I will.

Kirsty Williams: Our preference would be the proposals for income tax as outlined in Silk. It is true that the lockstep will indeed put constraints on the ability of whatever Government are in Cardiff bay to use those powers.

Having said that, I want to make it absolutely clear that I think it is an important step forward to have a Westminster Government at least acknowledge that the Government in Cardiff bay should have some responsibility for income tax, if the Welsh people decide that is what should happen. I am quite clear that devolution and where we have got to now have occurred through a series of steps. While I would prefer not to have the lockstep, the acceptance of the principle of income tax powers coming to the Welsh Government is an important step forward, and one that should not be dismissed simply because it is not exactly what Silk recommended.

Q309 Nia Griffith: If you did not have the lockstep, what would you do with that power?

Kirsty Williams: If you did not have the lockstep, you would look to see whether you could use income tax as a way of creating a situation that would lead, perhaps, to more inward investment and lower the tax burden, particularly on the poorest in society, but a whole range of options would be available. The lockstep undoubtedly constrains those

options and makes it more difficult to use, but it is an important principle that at last the Westminster Government have acknowledged that some power over income tax should be devolved to the Welsh Government, if the people of Wales are in agreement with that.

Q310 Nia Griffith: Can you explain the connection you have made between lowering the basic rate and inward investment?

Kirsty Williams: It would give Wales a competitive advantage to have lower tax rates. It would make Wales an attractive place to live, to be and, potentially, to invest in, but these are issues for manifesto development. We are talking here about the principles. In the run-up to a referendum, each political party would have a different idea of how it would want to use those powers. At this stage, we have to talk about principles. In the referendum about legislative powers, there were things that the Welsh Government wanted to do with those powers that I did not agree with. One has to make a distinction between the principle of the institution having responsibility and powers over those areas and what different political parties would use those powers for. At this stage, it is important to say that this is the basic principle that I agree with.

Q311 Nia Griffith: Mr Davies, you have mentioned cutting tax. If we did cut 1p off income tax in Wales, by what sort of amount would that decrease the overall budget?

Andrew Davies: If we look at the basic principle, which the previous speaker touched on, of transferring an element of responsibility to the Welsh Government—whoever that is after the next election—that is a principle I think everyone would sign up to, because it goes to the heart of what Silk has said about responsibility and accountability. If you drop it by 1p on just the lower rate of tax, I am told by the research service in the Assembly that that would be a loss of revenue of about £200 million. If you move up to the 40% band and change it by a penny, there is a supposed loss of revenue of between £10 million and £16 million, but, if you look at most economies that have a low base of tax, over the medium and longer term they end up generating more revenue for the Government, because they become more competitive and dynamic.

When you look at the whole of the UK and the overheating here in the south-east—and I would not want to take business away from the south-east—many politicians from all parties have looked at how we could do it. The policy I announced last year was to have a progressive system of taxation that allows regional or country variation. If we were to get that power, we would look at that aspirational band—the 40% band—to bring in investors and maintain our current entrepreneurial base by offering a competitive rate of tax. You can do that on the 40% tax band, because every penny you drop is the equivalent to £10 million to £16 million. That is the cost in the initial stages, but I suggest that over time you would gain more tax.

Q312 Nia Griffith: You are suggesting that you would not want the lockstep and that you would want the ability to vary between the different tax rates and bands.

Andrew Davies: It is our position in the Assembly that we believe Silk should be implemented as the report stands. I have not heard an argument, other than that Scotland has the lockstep and so Wales should have it, to convince me that the lockstep is a sensible course of action to restrict any future Welsh Government from being able to use these

powers imaginatively, but I remain to be convinced if that argument can be put. We endorse Silk 1 as it stands, and obviously it ruled out the lockstep.

Q313 Nia Griffith: Realistically, would you go into an election saying where you would cut—because you would have a cut if you did cut tax—or be prepared to raise tax? Do you think any party is realistically going to have that type of manifesto commitment?

Chair: Could I push you for a quick answer to that one?

Andrew Davies: If you look at the front pages of the papers today, you guys are going to go into an election saying you are going to raise tax, so why can't any party in Wales say the same thing? The Welsh Conservatives are the party of low taxation. That is our agenda, that is what we would push, and we would want the flexibility to do that.

Q314 Mr Williams: The UK Government's advocacy of the lockstep seems to be resting on two principles: first, there has to be consistency with the Scottish system; and, secondly, following on from what you have said, they believe that it is appropriate that the progressivity of income tax should rest at UK level. Those are the two central arguments the UK Government are advancing—and, no doubt, will continue to advance this afternoon. How do you respond in detail to those positions? First, what about the issue of Wales having to be treated in exactly the same way as Scotland?

Kirsty Williams: I can understand that, especially coming from the Treasury, with the Chief Secretary to the Treasury being a Scottish MP. There was a powerful case put forward in Silk as to why you should be able to vary the tax rates independently to give that greater level of flexibility. I think is quite right and that a Government are much more likely to be able to use those powers if the lockstep is not there. It goes without saying that that is the case. Therefore, if the powers were to be given their full meaning, not having the lockstep would achieve that.

I have also heard arguments put by some people about the effect on cross-border issues and the potential disadvantage to the Treasury. People could move into Wales because of the nature of the geography, which is slightly different from Scotland, in the sense that you could get back and forth to workplaces in England but live over the border. That might have a detrimental effect on Treasury receipts in an English contest.

My preference is to move forward without the lockstep, but I do not want to lose the opportunity to establish the principle that some powers over income tax should rest at Cardiff bay. That is an important principle that we have never been able to push a Westminster Government to accept in the past. Ultimately, the Welsh people should be those who decide whether that power is appropriate.

Andrew Davies: I agree entirely that you need to break out the lockstep from the principle of devolving tax responsibility to Cardiff bay. The Silk report clearly outlined a route map to the ability to have the referendum in 2017. If the Wales Bill went through with a five-year cycle and a referendum was won, the powers would not start to be used, as I understand it, until 2021. We are not looking at a referendum tomorrow, next week, next month or before this side of the election. That is important to remember, because those who are against bringing forward a referendum use the argument, "Well, we wouldn't win

one today.” We accept that; it is a difficult ask, but ultimately, if your party has endorsed the recommendations of Silk 1, you should stand by that vote.

Q315 Mr Williams: Do you think in the present political climate it is possible for Wales to have a more advanced form of tax devolution than Scotland? We know what the Treasury is going to say to that. What do you think about Wales having something different, unique and fully appropriate to what we would all see as the needs of the people of Wales?

Leanne Wood: Scotland is going in its own direction; it has a vote in September. Whichever way it is decided, things are going to be very different. We in Wales are not wedded to developments in Scotland. Our settlement is different; our two countries are in different places. From my perspective as the leader of Plaid Cymru, I am more concerned about Wales’s best interests. From our perspective, Wales’s best interests are served by having these powers without the lockstep.

Q316 Mr Williams: Andrew has just touched on my last point. Silk was very clear that he saw what he put forward as a package. Do you still see that as a package?

Leanne Wood: I do. In entering into the Silk process, Plaid Cymru compromised. For us the package was a compromise. Any cherry-picking or watering-down of the Silk commission proposals is a further compromise for us, which makes things very difficult.

Chair: We are already running rather behind time at the moment. Stephen has promised a very short question, as has Guto. Feel free, if you can, to try to insert your answer.

Q317 Stephen Doughty: For clarification of what you said to my colleague earlier, I am still confused as to the overall Conservative party position on this issue. Are you in agreement or disagreement with the Secretary of State on the issue of tax and tax rates, or is there still discussion to be had? I have heard you say slightly different things on this, and I would like to know where you stand.

Andrew Davies: There is no disagreement. We stand by the recommendations in Silk. The Prime Minister and Deputy Prime Minister came down and said that Silk would be implemented, with some caveats. For example, airport departure tax is one of the things that did not get transferred, and I can understand the argument on that. The Treasury and UK Government have sought to balance the proposals with having a Scottish model of taxation. It is for the Secretary of State to come and outline that. We, as politicians in Wales, particularly in Cardiff bay, would argue for and negotiate as much flexibility as possible, and we stand resolutely behind the recommendations outlined in Silk 1.

Q318 Stephen Doughty: But you do have different views about the rates of tax.

Andrew Davies: There are different views in all sorts of parties. Look at your own party and what—

Q319 Stephen Doughty: I am asking about your party, Mr Davies, because I think it is important to know what you intend to do.

Chair: Andrew, to be fair, Stephen has put a fair question. Your view is different from David Jones’s on this issue.

Andrew Davies: I take the point, but what we will have is a manifesto commitment to what we would do with those powers. That is the package that you put before the electorate at election time. It is for all political parties to discuss, debate and bring forward those policies.

Stephen Doughty: So there is disagreement. That is very helpful.

Q320 Guto Bebb: From what I have been listening to, it would appear that the panellists are all agreed that the lockstep is possibly problematic, but the evidence we have heard as a Committee would indicate that, if you do get rid of the lockstep, the likelihood is that the tax-varying powers will result in a much flatter tax system. While I would be very comfortable with that, I am not sure whether every member of the panel would be looking for a flatter tax system. In terms of the evidence that has been presented by Holtham—that we would end up with a flatter tax system—would some of the panellists have any concerns about that?

Leanne Wood: I think it is very premature to be discussing exactly what those different tax rates would look like. We are not likely to see these powers before 2020 at the very least. We have no idea what the economic situation is going to be like at that stage, so I think it is much wiser to wait and see what the situation is. Then we can shape Wales's tax policy in the best interests of Wales at that time.

Guto Bebb: I have always considered Mr Holtham to be very wise.

Q321 Chair: Does either of the other two panellists want to come back on that?

Kirsty Williams: Earlier I tried to make the point that at this stage we are talking about principles. It is for individual political parties to work out at a later date how they would use those powers in a way consistent with the values and objectives of those political parties. We would want to try to use any tax powers at the National Assembly to have a progressive taxation system, but at this stage we need to look at the principles. Is the principle of having some power over income tax the right one to have for the National Assembly for Wales and the Welsh Government? I believe that is the case. Each political party will then have to do a lot of work within Wales to develop its policies in response to that.

Andrew Davies: I do not think we should accept that the general principle should be: for "Wales" read "Scotland". We need to be progressive and imaginative, and ultimately we need to make Wales more competitive. We can do that only by having the recommendations outlined in Silk.

Q322 Hywel Williams: I want to ask you about the difference between a manifesto commitment you stand on and the referendum subsequently held. If you stand on a manifesto to have tax powers for the Assembly and the Welsh population elect parties that stand on that platform, is it then necessary to have a referendum?

Andrew Davies: From our position, we have clearly endorsed the package of measures that are in Silk 1. I am sorry to sound like a stuck record, but Silk believed that there was need for a referendum on this particular issue. I accept the argument that it is going to be a very tough referendum. I am not quite sure how stimulating it is going to be for the Welsh electorate to turn out and vote in that referendum. There is some traction in the point that you make about a manifesto commitment that parties have put before the electorate and

then deliver as part of their programme for government, but I am not going to deviate from our position of a clear route map to deliver the principle of taxation powers to the Assembly, which are then passed to whoever forms the Assembly Government. Silk clearly came out with the route map to a 2017 referendum with implementation, if successful, in the next Assembly term, which would start in about 2021.

Leanne Wood: I understand that Graham Allen has given evidence to this Committee on the question of referendums. I do not have his exact quote, but he said something along the lines that you should not have a referendum on each technical issue. I would support that. I said earlier that in entering into the Silk commission process Plaid Cymru made a compromise. We would be content to support the package in full, with a referendum, if that is stuck to in full. If it is going to be cherry-picked and the lockstep is introduced, I would argue that there is no need for a referendum. As has already been pointed out, that referendum would be very difficult to win with a lockstep. Without it, Plaid Cymru would be the greatest champions of this cause, but with the lockstep it is not something we are going to prioritise.

Kirsty Williams: If there was a consensus in political parties' manifestos, or a Government elected to Cardiff bay had stated their intentions quite clearly in their manifesto, I would welcome the opportunity not to have another referendum. Leanne has already talked about compromise. It is quite clear that to move forward in this way and to keep all political parties on board the issue of the referendum came to the fore; that was perhaps the only way in which you could get consensus on the principle of income tax. If I have to go on to the streets and knock on doors again in another referendum to achieve these powers for Wales, that is what we have done before and I suspect that is what we will have to do again.

Q323 Hywel Williams: Can I ask you a variation on this question, which is the question that was suggested to me? If a party is elected with a manifesto pledge to hold a referendum, should it then hold the referendum? We did hear from the First Minister that he thought that a referendum might not be his first choice—let's put it that way—but if there is a manifesto pledge to hold one, should it then be held?

Kirsty Williams: I think it would have to be.

Q324 Hywel Williams: And it would be necessary.

Andrew Davies: It is very dangerous for parties to break manifesto commitments and pledges. We see that in the opinion poll ratings at the moment.

Q325 Hywel Williams: Can I ask you about the nature of referendums? The first part of the question is, should it be a general question about tax, or should it be very specific about income tax and the actual proposals that we have heard already? We have had evidence that once you have the referendum on tax, as they had in Scotland, that gives a general permission to get on with it. Do you think the question should be general, such as the Scottish one in 1997, or should it be specific? As an addendum, what do you think the turnout would be?

Andrew Davies: Can we get a crystal ball out? As politicians, you do not want to be going back and forth to the electorate for referendums all the time. I would suggest that referendums are a very European thing.

Kirsty Williams: Perish the thought. Oh dearie me—not the E-word.

Andrew Davies: I will just get my inoculation now. We want to win the principle that whoever forms an Assembly Government would have the ability to raise taxation for spending or reducing the levels of tax. I believe that a general principle should be sought from the Welsh electorate that they are happy and content with that. As far as turnout is concerned, I do not think anyone round here would be able to predict that, other than to say I hope it would be very high, but form tells us that, regrettably, not many people engage in that process.

Leanne Wood: If there is to be a referendum on income tax powers with a lockstep, I think the turnout would be very low. To answer your question about whether it should be general or specific, I would say general but would take it further. Would it not be sensible to wait until the second part of the Silk commission has reported, so that when you put a referendum to the people you ask them about energy and criminal justice powers, as well as income tax-sharing powers? That could give us an opportunity to bring in a reserved powers model settlement. Then you are asking people about something really substantive rather than something very narrow and pretty unattractive.

Kirsty Williams: My preference would be for a wide and general principle around the issue of financial devolution. I would not want to get into the situation just described by Leanne with regard to a further referendum on powers. That should definitely be a matter for manifesto commitments.

Q326 Chair: Let me see if I can deal with the next questions on borrowing fairly quickly, because we are running a bit behind time. If I go from Leanne to the right, do you think that the current level of borrowing is about right or too low? Presumably, you think it is too low.

Leanne Wood: I would say that the Welsh Government should have the maximum borrowing powers, but you need to be sensible about that. You can advocate that only if you have an income stream. The questions of tax and borrowing are linked, but we want to give the Welsh Government the maximum flexibility to address the economic problems in Wales, which are great.

Q327 Chair: Could I tease a figure out of you?

Leanne Wood: No. I would not want to put a figure on that.

Q328 Chair: Presumably, if income tax was devolved, Wales would be able to borrow a lot more.

Leanne Wood: There would be more borrowing capacity.

Q329 Chair: You would like to see it make use of those powers.

Leanne Wood: Yes.

Q330 Chair: Would you also like Wales to be able to issue bonds independently, like local authorities?

Leanne Wood: Yes.

Q331 Chair: Can I put roughly the same questions to Kirsty and Andrew?

Kirsty Williams: Previously, we would have looked for parity with Scotland, which would have meant that the borrowing figure would be higher than what is currently on the face of the Bill. One wonders whether having a figure on the face of the Bill is the right approach or whether you should be looking at a prudential-type borrowing system, rather than necessarily having a figure on the face of the Bill. If you are to have a figure on the face of the Bill, I would suggest that it should be higher than it currently is.

Q332 Chair: Would you like to give an idea of how much higher?

Kirsty Williams: My understanding of the figures is that, if you were to have a system comparable with Scotland, you would be looking at £1 billion rather than £500 million.

Q333 Chair: Would you like to borrow that sort of money? Could you see uses for it straight away if you were First Minister?

Kirsty Williams: If I were the First Minister, there would be very many things that I would like to do with that capital money—and not necessarily the things that the First Minister would like to do with it. The issue is that you have to do it in line with your ability to pay back. I do not want to make a flippant comment here. If we are looking at a figure, it should be in line with Scotland, but one wonders whether having a figure on the face of the Bill is the right way to proceed. Having a prudential system like that in local government, which has to be able to demonstrate the affordability of the borrowing it takes on, might be a better way of doing it.

Andrew Davies: Every borrowing stream has to be based on the ability to pay back. That has to be an overriding principle. While we could all come up with wish lists of things we want to spend it on, I go back to my opening remark that we are spending taxpayers' money. We are mortgaging taxpayers if we are borrowing, so that has to be a principle to be worked on. I believe that the Holtham commission looked at this and suggested a borrowing figure of £1.2 billion, if you based it on the Scottish model. There was an agreement that Holtham's figures stacked up.

Q334 Chair: Is the £1.2 billion what you would like to see?

Andrew Davies: Ultimately, as a politician, I would want as much flexibility as possible. It does not necessarily mean that I would want to borrow up to that figure, because my principles as a Conservative are to make Wales more competitive. I believe we can do that by lowering tax rates rather than Government incurring more borrowing and having to use all that revenue to service it.

Q335 Chair: You would like the flexibility to be able to borrow more.

Andrew Davies: All politicians want as much flexibility as they can get. I would argue the case that Holtham had a very sound argument in the projections that he put forward, albeit that that argument is now four or five years old.

Q336 Chair: In an ideal world, if you were First Minister, you would be looking to cut taxes and to be able to borrow more money.

Andrew Davies: The fact that you have the facility does not necessarily mean you have to borrow it. It would be nice, as any business would tell you, to have an overdraft facility that was as flexible as possible. It does not mean you use it all the time; I think that is an important principle to remember. From the Conservatives' point of view, we would be looking to lower tax levels, because we believe that is the shortest way to have an economic impact in Wales.

Q337 Hywel Williams: Do you agree with the First Minister that there must be Barnett reform, fair funding or whatever you want to call it before we have devolution of income tax? He made very clear that he was very reluctant to go for income tax devolution before the fair funding issue was sorted. He said that, if the Welsh Government went cap in hand to London for more money, they would say, "Well, you've had income tax devolution. Bump up the income tax. We won't give you any more money."

Andrew Davies: The First Minister has been a very good bricklayer on this so far in building as many walls and obstacles as he possibly can to take this forward. I can understand that. I know there is a bit of a renaissance in the construction industry, so perhaps he might get a part-time job there laying more bricks. I hear what he says. Holtham identified what he believed was a £300 million shortfall. That work is now four or five years old, but I do not think we need to use that as a block to taking forward the proposals in Silk 1. His own party in the Assembly voted on Silk 1.

As I said earlier, Silk 1 had the time frame for the referendum and the principle, which has been touched on by other speakers here today, of devolving that responsibility. We should endorse what our parties have endorsed in the Assembly and take that forward. We can have the debate and discussion about Barnett, which will be a continuing one, but, given the obstacles that also relate to Scotland, I suggest that is going to be a very complex debate.

Leanne Wood: As you know, Plaid Cymru has campaigned for more than a decade for reform of the Barnett formula. There is no doubt that Wales needs that additional money, but we would dispute the link between income tax powers and borrowing. I accept that Silk mentions the Barnett formula, but it does not link them; it is a false association to link them. I would agree that it appears to be set up as a deliberate blockage. There is a way of resolving this. If all the political parties put in their manifestos for 2015 that Barnett should be reformed, we could move ahead with this without having to wait.

Kirsty Williams: The Welsh Liberal Democrats believe that we should move to a needs-based formula for funding Wales. We also believe that, given the timetables that have been outlined this morning, any move to income tax powers is not going to happen overnight. There could be a twin-track approach to developing a needs-based formula, which in itself is a very complex thing to do. If it was easy, people would have done it already. Even if there was political agreement to do it—which is never easy to achieve—and you started on the process, developing the needs-based formula would take some time. You would then have to have an implementation regime as well. You could not simply move from an old to a new way of funding overnight. There is a timetable outlined in Silk, but you could have a twin-track approach to get ready for the devolution of income tax and to move to a needs-based formula at the same time.

Q338 Hywel Williams: Can I therefore ask you a slight development on that question? The Government here have said that they have no plans to review the Barnett formula during this Parliament—that is, before 2015—but the Bill will be before us shortly. Just to be clear, would you support the Bill without Barnett reform?

Kirsty Williams: Yes, I would. I think—

Q339 Hywel Williams: It is basically yes or no.

Kirsty Williams: Yes, I would, but let us be absolutely clear: there is going to be no decision about funding reform this side of September. After September, we will have to wait to see what has happened. The Barnett formula may not exist if the Scots decide to become an independent nation. The whole way in which we fund nations within the UK will have to change anyway, so it seems prudent to me to wait to see what will happen in Scotland and then move forward on that basis. It would be impossible to come up with such a major reform before the general election.

Andrew Davies: Of course I would like to see the Bill progress. I look forward to its entering the parliamentary system and to getting it on the statute books.

Leanne Wood: Yes, that is a move we will need to make.

Chair: I turn to my colleague from the Labour party, Stephen Doughty.

Q340 Stephen Doughty: I want to come to the issue of dual candidacy. Slightly uncharitably, this has been dubbed by someone as “Leanne’s law,” but I always saw it before as German’s gambit. Baron German benefited from this; he stood in the Torfaen constituency election, lost it but ended up as Deputy First Minister after winning on the list.

Kirsty Williams: Clever, wasn’t it?

Q341 Stephen Doughty: It was very clever. I think that the ban on dual candidacy should stay. What have been the consequences of the ban on dual candidacy for the Welsh public? How has the Welsh public lost out from the ban on candidates standing both on the list and in constituency elections?

Kirsty Williams: Have they lost out? I am not sure they were disadvantaged by the old system. After all, the proposals for the old system formed the basis of the referendum. The people of Wales voted for the creation of the National Assembly on that basis, and on the basis of cross-party agreement that that would be the electoral system for the National Assembly for Wales. It was only the Labour party that changed its mind at a later stage and decided that it did not like the system. There is no evidence from experience in London—or, indeed, Scotland—that people are disadvantaged by a system of dual candidacy.

Q342 Stephen Doughty: But is there any benefit to the public from having a system of dual candidacy? One of the reasons the position of the Labour party changed was a lot of feedback from the public that they were finding it quite confusing that you could have three candidates standing in an election who were defeated but suddenly all ended up in the Assembly. What benefit was there?

Kirsty Williams: I have never had members of the public express that concern to me. I do not think that the public have necessarily been harmed by doing away with the system. Perhaps you could argue that, with particularly sophisticated electorates, people used the system to deliver a range of candidates that they wanted to see at the National Assembly for Wales.

If I am honest, I think it can put politics in a bad light, because potentially you have game playing. You suddenly have a system where perhaps it is necessarily not in your interests to have your party do well. A system in which suddenly your party's success at one level might do you down as an individual is very insidious. That does not necessarily put politics in a good light and may make some Assembly Members who are so minded work in a way that is perhaps less than advantageous to some of their electorate.

Andrew Davies: I know that it affects the Labour party considerably. I am sure the big discussions that went on in Labour branch meetings were the reason why the law was changed. The Electoral Reform Society, for example, was fully supportive of the link back to dual candidacy. Scotland has maintained that. I know I said earlier that for "Wales" we should not read "Scotland," but there is a general opinion that this was a bit of gerrymandering by the Labour party in the mid-2000s. That is why it was changed; there was no real electoral basis for it. Ultimately, the Bill contains a provision for it to be reintroduced, but I am pretty relaxed about it.

Q343 Stephen Doughty: If I can press you, what would be the benefit to the public of allowing this to happen again?

Andrew Davies: As I said, I am pretty relaxed about it. I was not in the Assembly when dual candidacy existed. You referred to a far earlier time and specified the former Deputy First Minister. I would ask you to ask people who experienced the system as such; I came in in 2007. I am pretty relaxed about it, but recommendations have been put forward by the Electoral Reform Society; I think Silk touched on it as well. Use the evidence and make your conclusions from it rather than from Labour branch meetings.

Leanne Wood: No one has ever raised this question with me, either one to one or in a public meeting. It is certainly not something that anybody has ever been enamoured of or excited about in my company. To be honest with you, the only people I have ever seen get excited about it are politicians. It is pretty undignified to see politicians arguing about electoral systems, and it is quite off-putting. This is an issue that should not be used as a political football.

I would like to say on the record that the d'Hondt system was Labour's invention when it put together the initial Government of Wales Act. It was not our system. It was used well by Labour in 1999 and in 2003. The then First Minister stood in a constituency and on a regional list in 1999; the Member for Rhondda stood in a constituency and on the regional list in 2003, so it is a system that has worked well for Labour. I think that threatening to change the system whenever there may be a change of Government hue is very undignified and shows a lack of respect for our national institution in Wales.

Q344 Stephen Doughty: But could you answer my specific question: what benefit to the public would there be in allowing AM candidates to stand both on the list and in the constituency?

Leanne Wood: I suggest that if you asked your constituents that question you would not get a very helpful answer, because most people do not care.

Q345 Stephen Doughty: So the change is to benefit parties, specifically yours and others.

Leanne Wood: There is a question of democracy here. Where else in the world does a ban exist?

Q346 Stephen Doughty: There are very few places where this system exists. I do not see a convincing case that this in any way benefits the public or increases democratic participation.

Leanne Wood: I do not see a convincing case for the ban.

Stephen Doughty: It is an interesting debate.

Q347 Chair: I am quite tempted to ask you a few questions, Mr Doughty, but I am not really allowed to do that.

Kirsty Williams: The system that Mr Doughty is so upset about was the system that was put to the people in the referendum prior to the Assembly.

Q348 Stephen Doughty: With respect, I do not think people got into that level of detail, and they saw that it did not work.

Kirsty Williams: That was what people voted on.

Leanne Wood: It was a package.

Q349 Stephen Doughty: I have made my opposition to this system very clear. I do not think it should have been there in the first place.

I want to ask a second question about the issue of a ban on AMs sitting as MPs. There has been a discussion on this. We heard some interesting evidence from the First Minister about whether a ban should also be applied to councillors and Members of the House of Lords. What is your position? Should AMs be allowed to sit in other legislatures or councils? I would count the European Parliament in this as well.

Leanne Wood: Being a politician in the National Assembly for Wales is a full-time job, so to do another job on top of that would be difficult.

Kirsty Williams: There should not be double-jobbing as Assembly Members and MPs.

Q350 Stephen Doughty: Councillors?

Kirsty Williams: As Assembly Members? I am quite relaxed about that. Many councillors have full-time day jobs and combine that with their council duties. They do so diligently and very well. I have no problems with Members of the House of Lords sitting as Assembly Members either.

Andrew Davies: To be honest, I do not lose sleep at night over it. People have to be voted to those positions, and the electorate can make up their minds about whether they want their elected Members to serve in one, two or three places. I happen to think it is better to

focus on the one job, but, ultimately, if people want to put themselves forward, they have to seek the electorate's endorsement to go forward. If their electorate are happy with that, that is up to them, but I do not lose sleep over it.

Q351 Chair: May I leap in on this and direct it more at Leanne Wood? We have a slight difference of opinion here. I did both jobs for two years. I respect your opinion that people should concentrate full time on one or the other, but surely if somebody is a Minister in the Welsh Assembly, they are effectively doing another very important and big job on top of their role as a constituency or area representative.

Leanne Wood: I would not say it is impossible to do, but to do one job properly most people would need to give it their full attention.

Q352 Chair: Of course, but can I try one more time on this? Surely, one of the biggest roles of an Assembly Member is representing the constituency or region and dealing with a lot of local issues. In my experience, those issues have been pretty much the same whether one is in Parliament or the Welsh Assembly. I am not suggesting it is easy, but surely you would accept that it is possible to do both those roles. Certainly, for a temporary period, it ought to be possible to do it, especially if as an Assembly Member or MP you are not serving in another position, such as a Select Committee Chair or Minister.

Leanne Wood: I would accept it is not impossible to do, but just being in meetings is very time-consuming, whichever role you are talking about, so it is not ideal.

Q353 Chair: But shouldn't the electorate be able to decide whether their representative is doing that job well enough or not, rather than politicians in Westminster?

Leanne Wood: Yes, ultimately the electorate should, but I put the case that it is not an ideal situation.

Chair: I agree with that.

Q354 Glyn Davies: I think you have really answered the question. Generally speaking, the answers indicate that it is not a sensible thing to have people serving in the two institutions. I think there is a reasonable case to extend that to other sorts of occupations, because being an MP or AM is a full-time job. The issue is whether we should allow the electorate to decide that or pass a law to ban it. As far as I know, every political party is, generally speaking, against the principle. Do you think we need to pass a law to ban something that nobody really wants to do anyway?

Leanne Wood: No, to be honest. This is not the kind of thing that keeps me awake at night; it is not one of the more central aspects of the Bill. I am putting forward the view that I know the amount of time it takes to do the job of an Assembly Member properly and would find it difficult to see how you could do two jobs properly.

Chair: That is probably a very fair answer. Are you happy with that?

Q355 Hywel Williams: I want to develop the point slightly. They say that unsuccessful generals fight the last war rather than the next one. We are going to see a change in the responsibilities of Assembly Members. Do the enhanced powers of the Assembly change the arguments anyway? In a moment, we will turn to the question of capacity. The 42 Back

Benchers have got lots to do already, but they may have more to do in the future. Does the change in circumstances change your view anyway?

Leanne Wood: There will be more work, so it will be even more difficult to do two jobs.

Kirsty Williams: We support the ban on double-jobbing.

Q356 Mrs James: I want to revisit one of the things that you said, Ms Williams, particularly about councillors and those who sit in the Assembly. I have a very good working relationship with one of your party members who is a representative both in the Assembly and on the local council, but where is the honesty in all of this? Sometimes people do not really know what label people are representing. Nowhere does it say that you have to reveal to the public that you are standing as x but at the same time you are also y. I always find it very surprising that nobody seems to want to advertise the fact that they are also a local councillor; they tend to make the piece of literature specifically about that election. I often meet a lot of people who are confused, not just about elected Members and different tiers of government but about the regional lists. Sometimes people are very unaware of what those are. I have lost count of how many times I have been called “Councillor James.” We all need to be a bit more honest about it.

Kirsty Williams: I do not know what you are implying.

Q357 Mrs James: I am saying that if we stand in certain roles we should say we have other roles as well. If we were elected to another body or in another election, we should say so in our literature.

Chair: Let’s have a last quick response to that.

Kirsty Williams: I think people in Cwmbwrla are perfectly aware that Peter Black is the Assembly Member and the councillor for Cwmbwrla.

Q358 Mrs James: I have great respect for Peter.

Kirsty Williams: If people had any concerns about that, they would not have returned him to Swansea city council.

Mrs James: I agree.

Chair: We will now look at terms.

Q359 Guto Bebb: When we were in Cardiff taking evidence, the First Minister welcomed the move to change the Assembly term from four to five years. Do you agree?

Andrew Davies: I think it is a logical progression, given that the Westminster Parliament is now on a fixed term. You do not really want elections on the same day. It does concern me to a point that, in going to five years, the Assembly has to keep up the steam on the political narrative and drive. That is the same in this institution, where the last 12 months of a term, especially in a five-year period, can be challenging, but it would not be desirable by any stretch of the imagination to have both elections on the same day. I think that can be said about many institutions.

Kirsty Williams: I am happy to move to five years and to avoid elections on the same day as Westminster. The evidence from the Welsh Government clearly suggests that confusion may ensue if both the Assembly and the Westminster elections are on the same day.

Leanne Wood: Plaid Cymru is also happy for the elections to take place on separate days.

Q360 Guto Bebb: The vast majority of European legislatures serve for four years or less. Is there any evidence to show that five years is a good decision, or is it just a compromise for the convenience of political parties in Wales? The evidence is very clear that most European legislatures do not sit for more than four years.

Andrew Davies: I think you make a very good point, Guto—if we can use first name terms at Westminster.

Q361 Chair: I am sure we are setting a precedent here.

Andrew Davies: It will be interesting to see some of that evidence coming through, because for the first time you have moved to a fixed-term, five-year cycle. There is evidence that when Parliaments here have gone to five years before, perhaps because Prime Ministers are not so sure about going to the country, the last 12 months have just been treading water. I hope that we in Cardiff bay—because we have far more imagination, ability and dynamism—will drive that last year to be progressive politicians.

Q362 Guto Bebb: I have a second question to all of you. Despite saying that he welcomed the move from four to five years, the First Minister also said that the decisions on electoral arrangements should be for the Assembly, not for Westminster. What is your view on that?

Leanne Wood: I would agree with that.

Kirsty Williams: Yes, they should.

Andrew Davies: Undoubtedly, that should be the case. We now have Ministers who are appointed by the Crown, we have a Government fully divorced from the legislature and we make primary legislation, yet we do not control our electoral arrangements. It is perverse that that is not included in the Bill. I think it should be transferred, with the requirement of a two-thirds majority of the Assembly to change those arrangements, which would be sensible. In my view, the argument is made, and I hope that at some point consideration can be given to including that in the Bill.

Chair: Finally, we come to the multimillion-dollar question that many of us are keen to ask. Who is going to take this one? You all know what is coming.

Q363 Glyn Davies: One issue that is discussed quite a lot is the number of Assembly Members, whether this relates to the ability to scrutinise matters or whatever else. If there is a referendum and there are tax-raising powers, that position will probably become more extreme. Do you think there should be an increase in the number of Assembly Members, and to how many?

Leanne Wood: The Presiding Officer has made an excellent case for increasing the number of Assembly Members. As you say, as more powers are conferred on the Assembly the issue of capacity will become an even greater question. However, I do not think it would be acceptable to people in Wales to have an increase in the overall cost of

politicians in Wales. If we are going to increase the number of Assembly Members, there need to be decreases in the number of politicians elsewhere. The Williams review, which has just reported in Wales, advocates reform of local government. This would be a good time, perhaps, to reduce the number of councillors in Wales. I would also argue that we need to look here. As powers are moving from this place to the National Assembly for Wales, we could reduce the number of MPs as well.

Q364 Stephen Doughty: I would be interested to know the views of Kirsty and Andrew as well. Specifically on the issue of sitting hours, we had an interesting discussion with the Presiding Officer. A lot of people have suggested that in addition to having more AMs the Assembly needs to sit for longer, which would give more time for business. Perhaps the way business is conducted in the Assembly needs to be rethought to make more space for these new powers, if they do come.

Andrew Davies: We should get a caravan and start touring Wales to make the case, shouldn't we, Stephen? I have called for a full procedural review in the Assembly about the way we do business and about being more relevant. At the moment, we have a Government day on a Tuesday, an Opposition day on a Wednesday and a committee day on a Thursday. There is scope to be more flexible. In fairness, the Presiding Officer has led the charge on this. A reforming agenda is very welcome. Undoubtedly, we have to look at the way we work in a more imaginative way. To be honest, Wales needs not more politicians but more entrepreneurs; I think most people agree with that.

The other point is the understanding, which Siân touched on, about the roles of everyone. Given the change from "Welsh Assembly Government" to "Welsh Government," one huge help would be changing the name of the Assembly to "Parliament." That is a vital piece of work that needs to be done, so you can get the confusion out of people's minds. At the moment, the Assembly gets blamed for everything, because of the old days when everything was in one melting pot. Now we have an Executive that is out of the Assembly and a primary legislature, so it is logical to move to the word "Parliament." It would not be a big change, but in terms of perception and over time it would make a significant contribution to people's understanding of where responsibility lies and what politicians do for them.

Q365 Hywel Williams: As Welsh politicians, do you detect a change in view within the electorate? The polls show that people now attach more importance to the Assembly and that elections to it are not seen as second order, as they once were. Do you think that might persuade people that we should have more Assembly Members?

Leanne Wood: Only if it does not increase the cost.

Kirsty Williams: There has definitely been a journey since 1999. I am the only person here who has been there since 1999. As the years have gone on, there has definitely been a greater understanding in the electorate about the individual roles and responsibilities of Assembly Members and MPs. We had issues around capacity even before the idea of greater fiscal devolution arose. The new legislative powers have put the focus on capacity. While some of that can undoubtedly be done by extending sitting hours and the number of weeks that the Assembly sits, which the Welsh Liberal Democrats are very much in favour of, that does not change the capacity of individuals to cope with that work load.

It will be interesting to refocus our minds on this issue when we see what Silk 2 may or may not say about greater responsibility over a wider range of issues. As Leanne has said, it is a difficult ask for the people of Wales to employ more politicians. It should be seen in the context of what local government does and what the role of Westminster will be in the light of greater responsibility for the Welsh Government. I can see a situation where you could look at reducing the number of MPs and, potentially, the number of councillors, and increasing the number of Assembly Members. The Richard commission made that point many years ago, even before the issues of legislative powers and financial responsibilities arose.

Q366 Guto Bebb: Before we all become too wedded to the idea of more Assembly Members, the Committee has received evidence that highlights that, if Assembly Members did the same amount of casework as the average European Member of Parliament, or Member of an Assembly, it would free up the time of 12 Assembly Members, because the balance between constituency casework and working in the Assembly is very skewed towards constituency casework. Have you got any sympathy with that view? If you free up 12 Assembly Members' worth of time simply by working the European average in your constituency, that is a huge saving and a huge amount of additional scrutiny without any additional cost.

Leanne Wood: Is there a time and motion study you are referring to here?

Q367 Guto Bebb: I am referring to evidence we received from Professor Bradbury looking at various services relating to constituency casework undertaken by Assembly Members compared with Members of other European legislatures.

Andrew Davies: I do not think that bears any relevance to my working day. If I take this week as an example, I have had a huge influx about post-16 school transport from the northern part of my region, because there are huge changes about whether or not students will be able to access it. The various commissions that have looked at what AMs do—regional and constituency—have evidenced that it depends on what priority the Assembly Member, precisely like a Member of Parliament, chooses to place on their work load. Are they going to spend their time in committees and doing legislation? Are they going to do constituency-type work and maybe not so much legislation? It is the role of the Assembly Member, like the MP, to prioritise. At the end of the cycle, they have to put themselves before the electorate to be considered for re-election. I do not see any correlation between what you have just said and the work load that I and, I know, other Members experience, but I hear what you say, Guto. There is some evidence out there that points to that.

Q368 Chair: I have a last quick question for all three of you: should there be 60, 80 or 100 Assembly Members?

Andrew Davies: More entrepreneurs than politicians.

Q369 Chair: 80 or 100, Kirsty.

Kirsty Williams: Those are arbitrary numbers. You need to do a concerted piece of work that looks at the roles and responsibilities of each level of government. The Richard commission talked about 80 Members years ago, before the Assembly even had the work load that it has now. As for Guto's point, I do not think my, your or anybody's

constituents would appreciate a sign on the constituency office door that said, “Sorry, go away. An academic says I have to spend less time doing casework.” That is not the way politics works or the way the public would want it to work.

Q370 Chair: I do not think I will get a straight answer from you, Leanne.

Leanne Wood: No. I would just say not 60.

Chair: Okay.

Andrew Davies: There are some in here who might say that.

Chair: We have run out of time, but we could have had another wonderful hour on this; it was just starting to get very lively. Thank you all very much once again for coming up at quite short notice and early in the morning. We appreciate your contributions.