

Welsh Affairs Committee

Oral evidence: [Responsibilities of the Secretary of State for Wales](#), HC 172

Tuesday 19 July 2016

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Members present: David T. C. Davies (Chair); Glyn Davies; Gerald Jones; Stephen Kinnock; Liz Saville Roberts; Craig Williams; Mr Mark Williams.

Questions 1-48

Witnesses

Rt. Hon. Alun Cairns MP, Secretary of State for Wales, and Glynne Jones, Director, Wales Office.

Examination of witnesses

Witnesses: Rt. Hon. Alun Cairns MP and Glynne Jones.

Q1 **Chair:** I thank the Secretary of State for Wales for coming along this afternoon and congratulate him on his reappointment. We are all very pleased to see him again. I understand the deputy Secretary of State for Wales, the junior Minister as it were, whatever his official title is, is at the Royal Welsh Show at the moment. I will begin by asking what you think the potential advantages of Brexit are for Wales?

Alun Cairns: There are certainly lots of challenges. The advantages are that we are almost forced to look elsewhere other than Europe, and we need to remember we are not turning our backs on Europe; we are merely leaving the European Union. The nations across Europe will still remain friends and allies.

The advantages are that we will need to focus our efforts on seeking new international trade opportunities and developing relationships between Welsh business and Welsh stakeholders and those new markets. Of course, a whole series of other issues and challenges will remain.

Q2 **Chair:** The worst-case scenario is that we do not get any sort of free trade arrangement with the European Union. If that were to happen, we would trade under WTO rules. That is correct, isn't it? The average tariff charged by the WTO is 4%, is that about right?

Alun Cairns: It ranges from sector to sector.

Q3 **Chair:** Yes, but taking an average, they are fairly low tariffs, aren't they? I think it is 10% on cars, but generally much lower than that.

Alun Cairns: Agricultural products have different rates. I think they are slightly higher on agricultural products, but I can happily send a note to the Committee with an update of the range of tariffs across all sectors, if that would be helpful.

Q4 **Chair:** That would be very helpful, particularly as I was not able to get the exact tariffs from the WTO website. I am sure they are available. Also, if we were able to focus in on the areas that are particularly pertinent to Wales: lamb would be one, but high-tech manufacturing would be another.

Can you also see advantages for the tourism industry? You may not have seen it but the hotel and licensed caterers' magazine has a headline this week about the Brexit tourist boost as a result of the changes to the pound. Would you accept that Wales, which depends heavily on tourism, could benefit from the fall of the pound?

Alun Cairns: Since the referendum, I have held a series of stakeholder engagement meetings with businesses, local authorities and charitable groups. The tourism sector was one of the groups I met in North Wales last week. Without question, the tourism sector is doing very well. They



see that, if the pound has lost value to what it was earlier in the year, there may well be additional marketing opportunities and we are seeking to explore how we can tie in better links between Manchester Airport and the North Wales tourism sector representatives regarding opportunities in that area. That is potentially another advantage, but you cannot build an industry on a reduced value of the pound. It has to be built on much more than that, but it could be a short-term boost if that price value continues.

- Q5 Mr Mark Williams:** Secretary of State, it is good to see you here again. I very much welcome the discussions with those stakeholder groups. I wonder whether you have had any opportunities so far or have any plans to speak to the higher education sector. I was very concerned—and would be grateful to hear your comments—that a large number of student applications to universities in my constituency have been withdrawn since the vote on 23 June. The number of students runs into three figures, with a direct implication for funding for the universities. Specifically, what could be done in this period to address those very real concerns about the way in which we need to positively go and promote Wales as an education market? We have a lot of work to do and I fear it has been increased by the vote on 23 June.

Alun Cairns: Thank you, Mr Williams. As part of the series of stakeholder engagements I have conducted since the referendum outcome, a meeting with vice-chancellors and further education college principals was also one of those meetings. Naturally, they had concerns but we have sought to reassure them that Horizon 2020 is not subject or limited to the 27 member states of the European Union. Even Israel, for example, is part of the Horizon 2020 programme. That offered some reassurance.

- Q6 Mr Mark Williams:** This is not a fear of something that may well happen. This is something that is happening. A large number of students with their funding were coming to Wales to start this September. Those applications have now been withdrawn with the consequent loss of funding, and that is a real worry.

Alun Cairns: You make a valid point. When I met with the stakeholders, the vice-chancellors and other representatives of the universities around Wales, we explored these sorts of issues. I met them within less than a week of the referendum, and there was no clear evidence at that stage. I need to see clear evidence of the reduction—if there is a reduction—in the number of students. We are maintaining close engagement with the universities to establish the emerging picture. But, at this time of year, it is quite typical for student numbers to fall.

I take the points that have been made very seriously but I do not want to set hares running in a direction by saying it is very different from what normally happens at this time of year. We need to look at what the evidence tells us. In the feedback with higher education—when I have spoken with them—they certainly have not brought that to my immediate attention.



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As a positive step, I asked them exactly what they want the UK Government and the Wales Office to do. I have taken part in a brief video to try to underline how welcoming Wales is and higher education institutions are to international students to try to instil confidence that, although we are leaving the European Union, we are not turning our backs on our European friends and neighbours.

- Q7 **Mr Mark Williams:** The correspondence I had was from the end of last week, so it is very recent. I will share that correspondence with you to encourage the Wales Office to speak to universities in my constituency and more generally as a matter of urgency—as soon as possible. Figures are clear. We are talking about specific European countries. I agree with what you say about students and variations at this time, but we are talking about specific countries with concerns.

Alun Cairns: You have raised a very important point. We are in dialogue with universities. They have not brought specific evidence to our attention yet but we will ask them, as a result of your questions, for the specific evidence so we can look at trends and see whether they are different or not. We are trying to instil confidence, rather than undermine our own market by drawing attention to what is normally a drop-off at this time of year, for example. I am not saying that it is. We need to look closely at the evidence and the trends to ensure that they are different.

- Q8 **Craig Williams:** On the Chairman's broader point about leaving the EU—I am thinking locally—the city deal and the south Wales metro had exposure with the European money, and the Welsh Government are making noises off, rather than getting on with it. What are you doing to mitigate that and ensure that we keep these infrastructure projects on the go?

Alun Cairns: Mr Williams makes an important point. We need to instil confidence in the economy, and that was much of the purpose of meeting business leaders, vice-chancellors, further education principals and local authorities. There were some concerns around the city deal in Cardiff, for example, but I could remind them that, out of the £1.2 billion that has been allocated to the city deal, only £106 million is European money.

In any particular programme, there is significantly unallocated spending as part of that £1.2 billion. Therefore, there is always the opportunity to review, reconsider and reallocate spending. We can review the projects to see where savings can be made, and ask whether all the demands in the project are essential or whether they could be done in a different way to save money. Anyone managing a large project would expect to make savings or adjustments at different times. Even the most pessimistic could consider that £106 million out of the £1.2 billion scheme as an adjustment, rather than a fatality.

- Q9 **Craig Williams:** To clarify, Chair, that £1.2 billion is without any private sector levered money, so that gap could be more than filled if they engaged with the private sector.



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Alun Cairns: It is 8% of the budget, and that is 8% over quite a considerable period. My point to local authority leaders, which was accepted absolutely, was that they have had to make more than that in savings over recent years, year on year. They have been successful in making those savings and maintaining good levels of public services, so I would hope that in the very worst case, savings could be made and budgets reallocated, in normal adjustments that you would make in any large multi-million-pound project.

Craig Williams: I am massively reassured by that, but I think the Committee should keep an eye on it.

Q10 **Glyn Davies:** There has been a lot of uncertainty about the implications of Wales losing support money from the EU. We have had objective 1 money coming through under the regional development heading; there is support to farmers under CAP payments. This system of payments will go in the next two or three years. We have all sorts of demands. I have seen some people say that the level of funding will be maintained when the new systems are put in place. What reassurance can you give us that the sums of money that will not come from the European Union to Wales, which is now a major net beneficiary, will be replaced at the same level?

Alun Cairns: First, we are still full, active members of the European Union. With that come the privileges of membership, and the obligations as well. For at least the next two years, we or the third-party groups, the Welsh Government and all those seeking to apply for ERDF or structural funding will be absolutely entitled to continue doing so and drawing down funding as it is allocated.

The Government is still developing its negotiating position in terms of what happens beyond the two years from when article 50 has been invoked. The Prime Minister has said that it is highly unlikely to be invoked this year, so that gives even more than two years of reassurance to charitable organisations and local authorities, for example, seeking to draw down structural funds. That offers some reassurance.

I also think that this is a period when we can step back and look at the added value that many of these schemes have brought, and what positive outcomes they have brought to the Welsh economy. I am sure we can all point to some very good projects that have absolutely met all their objectives, created jobs, improved skills levels or delivered infrastructure projects on time and on budget. We will all know many of those, but if we are honest with ourselves, some of those projects, because of the European Union conditions, have not always delivered what they have promised, and maybe have not always delivered the sorts of project that a community would have prioritised if given unfettered access to a separate stream of funding. This is an opportunity for us to reconsider how regional aid works to develop the most effective way forward, in order to get the best value for money to improve skill levels and employment opportunities, and ultimately growth.



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I remind everyone—you, Mr Davies, and the Chairman were Assembly Members at the time—that when objective 1 funding was being awarded to Wales in 1999, to take effect from the year 2000, we were told that it was a once-in-a-lifetime opportunity and a one-off chance, because we would not qualify again. We are already in our third period of qualification. That in itself raises a question. It has not had the impact that was promised or expected, so we might need to look at how that sort of funding has been allocated and the sorts of project that have been successful under the European Commission's conditions, and whether we can look at it in a much more innovative way.

- Q11 Glyn Davies:** But it is quite an important point. In much of the debate, I have seen demands from various quarters that the funding should be maintained. You are—rightly, in my view—putting a value for money input into this funding, which suggests to me that the value for money aspects of the individual investments are rather more significant than maintaining the same totals as under the current system.

Alun Cairns: I have spoken in the stakeholder meetings to charitable organisations and local authorities, which have often been frustrated by the conditions that the European Commission have put on funding and the demands the Commission make as part of the themes that they are pursuing—the themes they have devised might not be the priorities that the charitable organisations and local authorities would pursue. Chair, you asked about it at the outset of this meeting, and one of the advantages of leaving the European Union could be a much more innovative approach to regional aid policy, rather than following the conditions that are sometimes associated with some of the ERDF or ESF funding, for example.

Chair: I gently say to everyone that we may need to try to make the questions and answers a little shorter, otherwise we will be here for quite a long time.

- Q12 Liz Saville Roberts:** I will do my best. Secretary of State, it is interesting that you are evaluating the projects funded by the European structural funds, and so forth, since 1999 on the fact that we have requalified for those funds. I don't think that is necessarily the fault of the projects. We have requalified because Wales remains poor, so it is more than just the projects. I would be deeply concerned if that were a means of evaluating what sort of funding we will have in future. In fact that, in itself, would reduce funding. Given that Wales is poor, there is no way that we should be countenancing a reduction of funding. One of the things that concerns me, and Glyn touched on this, is the funding through CAP, which is considerably higher than we would receive if Wales were to be allocated funding based on English agricultural funding through Barnett. Surely this is the time for us to revise the Barnett formula per se, otherwise Wales will lose out.

Alun Cairns: In response to your first point, it is not the only measure of success, but I am sure you will recognise the "once in a lifetime" phrase that was used at the time because it was unlikely that we would requalify if the projects had had the success that many of them promised. That is



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not the only measure but, without question, if we are qualifying for the third time, which sadly we are, this is an opportunity for us to step back and reconsider how projects should be pursued and funded. I absolutely accept the point in terms of how we can better innovate.

I would also make the point, with greatest respect, that it is not about the amount of money that you put in; it is more about the outcomes that projects deliver. If we are going to focus the debate on whether Wales will get its £300 million or £350 million of structural funding from the Treasury instead of from Europe, I think that misses the point. We need to step back and look at it a bit wider. Let us see whether we can receive better outcomes from whatever sum of money we believe to be an appropriate response.

- Q13 Gerald Jones:** The Prime Minister met the First Minister yesterday, and I understand that you were also present. Are you able to give us an insight into the discussions, particularly on Brexit and the sort of input and relationship that the Welsh Government will have with the UK Government on the Brexit discussions?

Alun Cairns: I was present at the meeting, which was positive and introductory, and the sorts of issues that we are discussing today were also mentioned. The meeting was more to do with the involvement that the Welsh Government will have in the evidence gathering and on the negotiating position. The Prime Minister, as she said prior to the meeting, committed to fully involve the Welsh Government as the UK Government comes to its negotiating position. It is not as though that happens at one meeting or at a separate meeting; it is more of a dialogue and a maintained relationship. I would like to think that the First Minister and I work well together, and I am committed to maintaining that relationship, but obviously I know that he will want to maintain a relationship with the Department for Exiting the European Union. I have spoken to the Secretary of State for Exiting the European Union this morning, and I know that he hopes to engage, and that his officials are already engaging, with the Welsh Government. There are lots of moving parts, and the more discussions we have, the better each of us will understand the respective positions.

- Q14 Mr Mark Williams:** Perhaps, in view of what you have just said, one should not expect, as the position becomes clear, a sort of formal structure whereby the Assembly Government and their officials are involved—more building on existing relationships?

Alun Cairns: It is probably a mixture of both. The defined position has not yet been arrived at, because the Department for Exiting the European Union was only established last week, so for it to have come to a mature position at this stage would have been premature in itself.

There was a question from Ms Saville Roberts about agricultural payments that I did not answer, so forgive me if I take this opportunity. I met the farming unions yesterday at the Royal Welsh Show, and naturally there are some concerns over that. Ms Saville Roberts mentioned the Barnett



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allocation. The common agricultural policy payments in 2014 were in the region of £260 million, for example. So the question already exists—whatever sum of money is arrived at, or even if we work on a similar broad sum of money—whether under the current arrangements the European Union will allocate the sum of money, which is then distributed by the policies of the Welsh Government under the framework that the European Commission would establish. Some calls are being made for that money simply to go into the Welsh block. That is how I had interpreted the “Barnettisation” of it—it is not necessarily the 5.95%, it is more about that going in as part of the Welsh block. I know some individual farmers expressed concern about that, because the hypothecation of funding is an issue that may well need to be part of the debate and part of the discussion, in order to preserve the security or certainty that farmers would want. I think it is part of the discussion we need to pursue.

- Q15 Liz Saville Roberts:** Does that mean that you are considering revisiting the formula, in that case? To use different terminologies here—

Alun Cairns: I should also have said that there are no plans to change the Barnett formula from the way in which it currently works. Ms Saville Roberts will recognise that the funding floor, which was introduced at the last autumn statement, lives up to our manifesto commitment and is well within the Holtham range—the Holtham range was between 113% and 117%, I think, and we have come in at 115%. I think it was respected by all informed opinion formers that that was a very fair level in terms of what had been introduced. There are no plans to change the Barnett formula, but clearly farm support payments and the amount of money currently allocated to Wales from the European Union would be part of the discussions we would have.

- Q16 Liz Saville Roberts:** So that would be rising above the Barnett formula, if you like, or separate from the Barnett formula. Would it still be coming through Welsh Government?

Alun Cairns: These are the sorts of issues that farmers raise. Some individual farmers, rather than the unions themselves—I do not want to put any words in their mouth—quite liked the hypothecation because it offered them reassurance that the money spent for agricultural purposes in Wales could not be squeezed towards other priorities.

- Q17 Liz Saville Roberts:** I can imagine that there is a variety of views. What is your view?

Alun Cairns: I think these are the sorts of issues—we are in the evidence-gathering stage at the moment and we need to collect as much evidence as possible.

Chair: You are probably not going to get a better answer than that, for now.

- Q18 Craig Williams:** Can I take us on to, or back to, the Wales Bill? With the change of Government, we welcome the fact that the Wales Office has stayed, with you and Guto as Ministers. Do you envisage any changes in



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the Wales Bill, now that we have a new Government—the May Government? Are there any amendments you envisage at this stage?

Alun Cairns: There are amendments that in Committee I committed to reconsidering and bringing forward on Report, in exactly the way that I said on the Floor of the House at the time. There are no other changes planned.

Q19 **Liz Saville Roberts:** I want to ask about the list of reserved matters. I have two questions, really. First, given that the Bill is going at great speed through this place—if I understand correctly, it is to return in September—

Alun Cairns *indicated assent.*

Liz Saville Roberts: —do you think there has been sufficient time to scrutinise the list of reserved matters effectively? That was certainly a worry with the draft Bill.

Secondly, this Committee and the Assembly's Constitutional and Legislative Affairs Committee have asked for justification of those reservations. We have had the explanatory notes, which one official explained to us as being justifications, but with due respect, no, they were explanatory notes. Could we please therefore expect a more detailed justification of why certain areas in certain subjects are reserved when we get to Report stage?

Alun Cairns: On the first point about the time that was given for scrutiny, I remind Members that both debates finished early, so there was ample time for greater scrutiny in the Chamber. All Members of Parliament could have offered more scrutiny if they had felt that was needed, but I can only assume, as the Minister responding to the debate, that they believed there was sufficient time to scrutinise it. Even Second Reading finished early as well, so every debate we have had so far on the Wales Bill has concluded before the allocated time was up.

On the explanatory notes, they do explain the reasons for reservations. Generally, the approach I have taken goes back to “powers for a purpose”. Because 90% of our population live within 50 miles of the border, there are some issues that clearly are complicated because they cross both. The question I ask is: is there extra value in the UK Government holding on to it, or is there extra value in the Welsh Government devolving it? I have tried to take a practical, pragmatic approach in terms of making a judgment about which is the best Government to deliver on the policy objective, bearing in mind the cross-border issues, of which there are so many.

Q20 **Liz Saville Roberts:** I think we had sufficient time on the day; we did not have many days in preparation. That is the critical point. There is a definite feeling that this was pushed through at a certain speed at this time, before the summer, which in itself has not been necessarily conducive to wider consideration; and then there is the sheer number of reserved matters. To reiterate, we have requested justification; not an explanation of what that power means, but why it should be the case. I



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ask again whether we could have that before this next comes back at the Report stage.

Alun Cairns: I will happily engage in a dialogue with you and the Plaid Cymru group if they wish on any particular amendments that they want to go through or the group of amendments and the rationale behind each of them. That would be quite a lengthy conversation, but I am happy to have it. I would add that the absolute number of amendments is a red herring, because it is about the specificity that is required in order to prevent us ending up in the Supreme Court. A clause or reservation could be simply one line or a few words, but in order to provide even more power to the Assembly, it would need those few words together with a series of exceptions to that reservation. So it would look to be longer, but in reality it would provide further powers to the Assembly and to the Welsh Government. So just focusing on numbers is not necessarily the most robust way of assessing whether that is a better package.

In relation to the time, we have been through draft prelegislative scrutiny and a draft Bill, and at that stage we were being accused of dragging our feet. At a later stage we were accused of rushing it through, so it is quite difficult to balance, and I accept it is difficult.

Chair: I am going to rush you through this. Are there any further points on that?

- Q21 **Gerald Jones:** I have a quick point on discussions with officials in the Assembly about how the Bill in its current form will impact on the way the Assembly works. I appreciate that there would be ongoing discussions anyway, but can you give us an update on current thinking?

Alun Cairns: That is a good question. We are maintaining an ongoing dialogue with the Welsh Government officials and, in relation to the workings of the Assembly, with the Presiding Officer. Many of the changes and amendments that were brought forward were a result of the request from the new Presiding Officer. It is only right and proper that we give due consideration to those. I cannot think of an example where we have absolutely rejected anything outright that the Presiding Officer has called for—for example, in relation to the operation of the Assembly and how it would work. I could be corrected in that, but I can't think of anything, because we have tried to work practically and pragmatically with the previous Welsh Government and the current Welsh Government, and the previous Presiding Officer and the current Presiding Officer.

- Q22 **Mr Mark Williams:** I have a specific question on a possible amendment. I concur with what Liz Saville Roberts said about the timing to prepare amendments. This relates to a concern of the Welsh Language Commissioner. I have been writing to the Wales Office since the end of 2014 on this issue. It is about the issue of civil registration—the registration of births, deaths and marriages—in the Welsh language specifically; not the obligation to register in the English language or bilingually, but specifically to register in the Welsh language.

You have had a letter from the Welsh Language Commissioner in the last



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few days. I wrote to you in 2014. At that point, the answer was, "This is something that will be discussed in the St David's Day process." It was discussed but nothing was forthcoming. I don't want to put you or your officials on the spot in any shape or form, other than to say that if you could look at the issue raised by the Welsh Language Commissioner and my earlier correspondence, that would be very helpful. This may be an area for a specific amendment on Report, and it would be very helpful if you could look at that over the next few weeks.

Alun Cairns: I hope you know my approach to the Welsh language and that I try to be as open, inclusive and as involving as I possibly can. On that basis, I don't have a direct answer now. I know it is being actively considered and reviewed at various stages. I am trying to remember what issues came out of the discussions that I have been involved in in relation to this, but I will happily report back to the Committee as soon as I can gather the information you need.

- Q23 **Mr Mark Williams:** I am just very keen, if this is something that needs to be considered in the latter stages of the Wales Bill, that it does not get lost, because it is important. The Welsh Language Commissioner has told you that she has had quite a few representations from people who want to register exclusively in the Welsh language specifically.

Alun Cairns: Point well made.

- Q24 **Chair:** Finally on this—I don't think you'll be able to answer this question; I'm not sure about it myself—I recently met with a community action group who were concerned that community-run buses are only able to operate within a radius of 15 miles if they are transporting people with disabilities, for example,. As far as I can gather, that is down to central Government legislation. Given that this involves transport issues and disability issues, I would have thought that this might be an issue that we would support devolving to the Welsh Assembly Government, if we are not doing so already. I appreciate that you probably won't know the answer off the top of your head.

Alun Cairns: I will happily investigate and confirm, but I can say that within the Bill, of course, is the devolution of buses and the legislation surrounding that. But I will happily confirm whether the specific issue you raised would be included within that or whether it is complicated because it is a disability issue.

Chair: That would be great. Thank you.

- Q25 **Glyn Davies:** Can I just ask you about the referendum on income tax-raising powers? One of the most significant parts of the Bill is delivering financial accountability to the Assembly through the devolution of income tax. There has been some controversy, on my own side of politics, about whether the referendum should be in place. I may take the view that the Prime Minister and the Government were right to drop the demand for a referendum, but can you explain to us as a Committee exactly why you think it was dropped?



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Alun Cairns: You will be aware that there was a commitment to introduce a funding floor in the expectation of a referendum on tax-varying powers to the Welsh Government or to the Assembly, but it appeared that the referendum was not forthcoming. Add to that the recent experience of a referendum—if that has not underlined our position even more—and I think that devolution has moved on, even since the Scottish referendum, and between the commitment and the most recent referendum on Europe. We have seen how divisive they can be sometimes. Therefore, sometimes the Government need to make a decision, and they have made a decision that the referendum is not needed.

This is about mature, accountable devolution, whereby the Welsh Government will have the autonomy, responsibility and freedom to vary taxes, because people automatically assume taxes would rise. That is certainly not something I would want to see. I would be keen to see Wales becoming something of an attractive location to invest because taxes are lower.

- Q26 **Glyn Davies:** Clearly, because the referendum has been dropped, income tax powers will be devolved to the Welsh Government as part of the Bill. Is that certain? Are we absolutely certain that this Bill hangs together, and that we will not find that one part might be devolved that the Welsh Government approve of, and another part won't—that there is no picking and choosing and if the whole Bill does not go through including tax raising powers, then nothing goes through? Is that the position?

Alun Cairns: In terms of the implementation, we are going to maintain our dialogue as to how and when the Bill will take effect and what elements of the Bill will go through. We are well aware that the Presiding Officer is keen on the powers in relation to how the Assembly runs itself sooner than maybe the practicality of devolving of varying taxes, because of the work that would need to be done in the interim. It is not as straightforward as "This must all happen at the same time, all together," but I do not want anyone to interpret that as my saying tax powers will not be devolved, because they will be devolved to the Welsh Government. It is absolutely an essential part of Government policy.

Chair: I fear the public probably would not want another referendum, whatever might happen.

- Q27 **Liz Saville Roberts:** We were having a debate among ourselves in the private session about the implications for income tax. I think, almost using that as a rule of thumb, that there is concern and different interpretations regarding the potential impact of this income tax change. Obviously this is so important in terms of safeguarding public finance beyond just devolution. Can you assure us that the fiscal framework will be agreed, or at least that there will be some fairly good idea in the form of a statement of intent published, before the powers are transferred?

Alun Cairns: I would say that it is absolutely our intention to get a Barnett adjustment or fiscal framework, whatever you want to call it, agreed with the Welsh Government before the Bill concludes its process



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through Parliament. That is without question our intention. The only model we have to work from is the Scotland Act. That was exactly the process of engagement between the Scotland Office, the Treasury and the Scottish Government, and that is the process I plan to follow on the same basis because it worked. I think that that is a healthy, open, constructive way in which to pursue it.

- Q28 **Liz Saville Roberts:** In relation to Minister of the Crown functions, I want to ask your reason for being prepared to transfer full Executive functions to Scottish Ministers but not to Ministers in Wales. Why was it necessary to restrict this transfer only to common law powers in Wales, when there was a transfer of the powers in full to Scotland?

Alun Cairns: I didn't hear the question; I am sorry.

Liz Saville Roberts: To boil it down, Minister of the Crown functions—full Executive powers—are to transfer to Scottish Ministers but not to Welsh Ministers. What is the rationale behind that?

Alun Cairns: Many powers will be transferred by order, as we previously committed to, and that will happen; but many of them also relate to cross-border issues as well, which don't exist in Scotland in the same way. Also, I think that the functions in Scotland were very different from those in England, simply because of the nature of how devolution and different powers have been used in Scotland compared with Wales. If that isn't sufficient detail, I will happily go through it with you and arrange for officials to discuss those things.

Liz Saville Roberts: I would appreciate that.

- Q29 **Mr Mark Williams:** I have a question relating to the Wales Bill as well, but first I want to ask about the extent of the conversations you are having with the Treasury about the impact of developing income tax on future Welsh budgets. How much of an ongoing dialogue is that?

Alun Cairns: The dialogue is ongoing between officials of the Treasury, the Welsh Government and the Wales Office. We met with the previous Chief Secretary to the Treasury and I am looking forward to meeting the new Chief Secretary to the Treasury shortly in order to maintain the dialogue. I think there are active discussions and we all want to get to an amicable positive outcome.

- Q30 **Mr Mark Williams:** Running in parallel with the Wales Bill have been the discussions on the Justice in Wales Working Group. During the first day of Committee, I asked you about the extent to which you had talked to the Assembly Government about that group—it is a joint group, which is very much to be welcomed—and you were very clear that there had been a dialogue. The First Minister seems to have a slightly different recollection of appointments to that group. Can you clarify the situation from your perspective? I ask in the spirit that it is really important that the group includes officials from both Governments.

Alun Cairns: That is absolutely the point: it is an officials-led group—it is not about an invitation to a Minister here and a Minister there—that will



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make a recommendation to the Ministry of Justice about how we should respond. We are absolutely engaged with Welsh Government officials. They will have received an invitation, but there was perhaps a misunderstanding about whether a Minister would be invited. I am certainly not sitting on the working group. It is about officials coming up with practical solutions so that we can come up with the distinct arrangements we need to meet the justice needs of Welsh legislation.

Q31 Mr Mark Williams: You are satisfied that there are arrangements in place and it is now moving ahead.

Alun Cairns: Yes.

Chair: Let us move on to the steel industry, with particular regard to Tata and Port Talbot. Can Stephen Kinnock start us off?

Q32 Stephen Kinnock: I want to start by asking whether you could pass on my thanks to the new Secretary of State for Business, Energy and Industrial Strategy, who telephoned me on Saturday morning. We had a very good conversation about the future of the industry, and it is very good that he is going to Port Talbot tomorrow. I am very pleased that the words "Industrial Strategy" are in his job title. That is a massive step in the right direction. It would be good to hear what you think that will mean in practice. What would you expect from the new Secretary of State in terms of his setting out his new agenda for an industrial strategy? What will that mean for the steel industry in terms of procurement, business rates, energy prices and a long-term approach to matching supply and demand? Can you set out what you think the significance of the industrial strategy part of his job title is and what that will mean for the Welsh steel industry?

Alun Cairns: I agree with you on the engagement that we have already had from the new Secretary of State. I have spoken to him about this issue today. Unfortunately, I cannot be in Port Talbot with him tomorrow, but I am meeting one of the bidders for the Tata plant in London tomorrow. I didn't want to compromise or cancel one meeting while the Secretary of State is in Port Talbot. There is active engagement from the Wales Office and from the new Secretary of State.

We need to recognise where the previous Secretary of State got us to. An offer of hundreds of millions of pounds was on the table, with a stake of up to 25%, together with a whole package of support from both the UK and Welsh Governments, as well as the energy commitments, the procurement changes and the business rates issue. The latter is a Welsh Government responsibility, but I know they were actively looking at that. A whole package came forward, which is an excellent demonstration of how the UK Government—both the previous Secretary of State, until last week, and now, with the proactive approach of the current Secretary of State—have put us in a much stronger position than we were in at the beginning of the year, when Tata first disclosed its possible intention to close down the plant or divest itself of the asset.



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On the industrial strategy element, in relation to the steel plant, I expect the current Secretary of State to continue with the same enthusiasm that his predecessor showed and to do everything possible to secure a deal. Much of the visit tomorrow is to get the latest understanding from Tata, following its most recent board meeting, and to get a better understanding of how all the parts—of Tata and the Welsh Government, and where the UK Government offer stands—come together.

- Q33 **Stephen Kinnock:** Thank you. I would appreciate your views on the mooted joint venture between ThyssenKrupp and Tata Steel Europe. It is important to note that there are some concerns around the fact that ThyssenKrupp does not really have a history of having an interest in the British side of Tata Steel's European business; it has generally expressed far more interest in the continental European side of the business and particularly the Dutch plant in IJmuiden. As a result of that, there is a risk of a narrative developing around allowing the British side of the business to wither on the vine in order to consolidate and strengthen the competitive position of the Dutch side to the business. I was wondering whether you would like to make any comment on that.

Alun Cairns: The investment of any third party in the plant is a positive step—I start from that point—and the UK Government stand to invest hundreds of millions of pounds in the operation, and with that, of course, would come conditions. That would offer the reassurance that there would be a genuine strategy, because of course we would need to conduct proper due diligence of any sort of investment that the taxpayer would support.

I have heard some concerns expressed in the media about ThyssenKrupp's intentions, but I have spoken to some of the people who have asked such questions and asked for any evidence on which those concerns are based, and that evidence is purely speculative. I am not sure whether that offers us the greatest confidence. I think we need to look at the evidence that is there and the evidence that we can see is that ThyssenKrupp is prepared to invest significant sums of money in a joint venture scheme, with the offer of support from the UK Government, and that in itself we can take encouragement from, because it shows ThyssenKrupp is prepared to spend money and if you are prepared to spend money then it is fair to assume that there will not be the worst possible outcomes.

The taxpayer money will only be used if there is a viable, sustainable future in steelmaking. It would not be in anyone's interests to invest money into a plant that we did not believe had a long-term and viable future. That is quite clearly what taxpayer money is intended to do, and if ThyssenKrupp is the partner in investing that money along with Tata, then of course appropriate due diligence would be conducted.

- Q34 **Chair:** Minister, one of the concerns put to me by small suppliers, some of which are based in or near the constituency, is that they are not feeling all that confident about giving credit to Tata in the current situation, and some of the small suppliers I spoke to—I don't want to name names—have reached a certain credit limit, which is quite a generous one, and



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feel that they can't go on any more, even though bills are being paid on time. They have asked me to ask you whether you can talk to the Treasury—presumably you can—about whether or not some kind of insurance scheme could be put in place for small and medium-sized companies that are acting as suppliers to Tata but that have been told by their banks or their owners—

Stephen Kinnock: And by the credit insurers.

Chair: And by the credit insurers that they cannot go beyond a certain credit limit. It is quite a big issue in itself in the south Wales area.

Alun Cairns: The Government have an active engagement programme with Tata's customers in order to ensure that they continue to buy the steel and to better understand their intentions, and that in itself provides greater confidence to Tata, which in itself provides greater confidence to the suppliers to Tata themselves, because if everyone believes that there is a long-term viable business in place, then everyone stands to gain.

Q35 **Chair:** Do Tata's suppliers have any direct contact with Government? For example, could they be part of that group?

Alun Cairns: We have an active engagement programme, but I think I know the company that you mean, because I have had representation from someone I know—

Chair: You do, in fact—yes, that is correct.

Alun Cairns: And I will feed that in.

Q36 **Chair:** But presumably other companies are in the same situation?

Alun Cairns: Well, part of my engagement programme early on, when the news emerged from Tata, was to go to a number of the suppliers to try to instil confidence in them that we stand ready and waiting to support an investment in the plant, which will then hopefully give confidence to suppliers that the plant will be operational over the longer term because of Government intervention and Government support.

Q37 **Craig Williams:** Can I ask about the British Steel pension scheme? Can you update us on the Government's current plans?

Alun Cairns: The Government have consulted and the consultation closed on 24 June. There were a large number of responses—thousands of them. Naturally, it will take time to work through that scale of response. I think that is a positive response because it demonstrates the number of people who are interested and who have a view on how the Government should respond in seeking to support an industry over the long term.

Q38 **Craig Williams:** So no plans yet?

Alun Cairns: There will be a public response to the consultation in due course. I don't think that is unreasonable, bearing in mind it closed on the 24th. There were several thousand responses and we have to work our way through those.



- Q39 Glyn Davies:** Can I just look at how Brexit impacts on the relationship with Tata Steel? Will the UK be able to subsidise the Port Talbot works in a way that would not have been allowed under EU state-aid rules, if we are no longer a member of the European Union?

Alun Cairns: The support that the UK Government had offered to make available, or offer to make available, is on commercial terms. I think that is right for two reasons. First, it is right for the taxpayer, and secondly, it is required under state-aid rules. The Government have not changed their position and I hope that we are not here in two years-plus time, still offering to make that sum of money available, because I hope the issue will have been settled in a positive way.

It would only be after that stage that we could enter them on non-commercial terms, with all of the potential complexities and debates that we would have around that. While we are still full active members of the European Union—I mentioned earlier the reassurance that that will offer some charitable organisations and groups that bid for European funding—with that comes the obligations. It would completely undermine our negotiating position if we chose to completely ignore the obligations that being a member of the European Union brings.

- Q40 Glyn Davies:** You will probably give me the same kind of answer to the next point. Were we to join the European economic area, would we still have to abide by state-aid rules, or would it give us greater freedom from them?

Alun Cairns: Those would be subject to the negotiations that the Department of the Secretary of State for Exiting the European Union would undertake. I don't want to undermine or pre-empt what the new Secretary of State will do, but clearly he and the Government will want to get the best deal that works for Britain.

- Q41 Chair:** Could I come on to one of my favourite topics, Minister, which is the Severn bridge? Would you accept that when Severn bridge tolls are halved, it is going to have a positive impact on the Welsh economy?

Alun Cairns: I think the work that this Committee did has been extremely important in informing the Government. When I was a member of the Committee, I think six years ago, that was the first report undertaken. That has set the agenda, which has called for a review of the tolls. Reducing the tolls by half will have a significant impact. The Committee concluded at the time that a reduction would be positive.

We have also got to remember, though, that there will potentially be an impact further on down the motorway, because of increased traffic. There was some thought given to the argument that reducing the tolls would be difficult because it will only cause further hold-ups down the motorway. Those comments are something that I would never accept for a second, because clearly it just underlines the reason why the M4 around Newport needs to be resolved. Clearly, I think there will be a very positive impact from halving the tolls.



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- Q42 **Chair:** In terms of the handover plan—I appreciate it is not your responsibility but clearly you have an interest here—I have gained the impression that the Transport Ministry need to move a little bit faster to ensure that there is a handover plan in place by the end of the summer, before October, when we might be as little as one year away from the end of the concession. Are you in a position to influence the Department for Transport to make sure that happens?

Alun Cairns: I work closely with the Department for Transport and, in securing the reduction by 50%, we worked hand in glove with the Treasury. That is something I will happily raise, but our intention as it stands is to go to consultation in the autumn to consider how the reduction in tolls will work, the opportunities for the free flow of traffic, for example, and what complexities that would introduce. That is the position that we want to get to and demonstrates that it is clearly part of the Department for Transport's active consideration.

- Q43 **Chair:** Finally, I have an inkling that it might be illegal for any Government to make a profit from tolling. So when the concession ends and the Government seek to recoup the £60 million or £70 million they spent on the old bridge—I have my thoughts on that, which you have heard before—there will be a question about what happens in the longer term when all the debts that the Government are seeking to recoup have been recouped. I would be very interested to know your position and whether you believe it is legal for the Government to be making a straightforward profit from tolling.

Alun Cairns: I am not familiar with the legislation that you are pointing to, and I question whether there is European legislation, which of course might not apply at the appropriate stage. I will happily reflect on that.

- Q44 **Craig Williams:** Can I build on your point, because the DfT Minister, Andrews Jones, who I think I am right in saying has stayed put, made some welcome statements to the Committee when we were looking into the Severn bridge and said the Government wouldn't be seeking a profit. So given that he said that, wouldn't that imply that the tolls will be going down further because the maintenance is not 50%?

Alun Cairns: Well, these issues will be part of the consultation in terms of what the obligations are after the tolls have been reduced by 50% and with the free flow of traffic. The cost of the free flow of traffic is significant. Let's not underestimate that. From the models that exist elsewhere—for example, the Dartford crossing—the operating company and the ways of doing it can run into a significant cost.

- Q45 **Glyn Davies:** We need clarification from the Secretary of State. We know there has been a lot of discussion about the sort of review there will be. The Committee contributed to it and the charter review contributed to it. There are two things. First, can you tell us exactly what the review will be? What will it be a review into? Secondly, because of the crucial part of timing in the lead-up to programmes—S4C must know a long way ahead—what timing is there on the review? Is there a danger of it being delayed and making life impossible for programming for S4C?



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Alun Cairns: We expect the review to start as the charter renewal concludes. That is the outline, simply because of resources to deliver both projects. We want the expertise that is working on one to inform and work with the review as well. The terms of reference will be published before that, and I would expect the review to start its consultation and deliberations early next year.

Q46 **Glyn Davies:** The scale of the review is quite important, isn't it?

Alun Cairns: The Secretary of State's statement will have outlined the thinking on that. Of course, if the Committee has strong views, we would happily receive them and consider them.

Q47 **Liz Saville Roberts:** I have one last question, which is separate from what we have been asking before. Considering the likelihood of this Committee undertaking an ongoing report—I don't know if that is the right term—into the impact of Brexit in Wales, I think that is something we would be remiss not to do. We are talking not about the next few months, but about months and years ahead—ongoing. What do you think will be your role, and the role of the Secretary of State for Wales, and also the role of Welsh Government, in these ongoing discussions and developments?

Alun Cairns: That is a good point. It is certainly not for me to suggest what the Committee should do, in terms of its workload, but if it showed an interest in the issues surrounding Brexit and taking evidence sessions, that could be very helpful to the Government by coming out with the views and thinking of, for example, the unions, the stakeholders, the employers and so on.

My role will be to respond to the Cabinet reports, in which the ultimate negotiating position is concluded. I will also work closely—we have already had a preliminary meeting this morning—with the Secretary of State for Exiting the European Union. I know that he is keen to engage with the Welsh Government. We will all maintain an active dialogue. The full Cabinet will conclude the position, ultimately, and I will be playing a part in that Cabinet discussion, too.

A whole series of threads will inform the decision, because local government has an interest, as does agriculture. All those threads will be informing the Secretary of State for Exiting the European Union, and I will be feeding into that thread from a Wales perspective. Wales has gained a significant amount of resource from the European Union, and that clearly needs to be reflected in those discussions and considerations.

Q48 **Craig Williams:** I have a quick question, given that we are talking about the Committee, which has just agreed an inquiry into the Welsh franchise, looking at how the Welsh Government and the Department for Transport work together. I was just wondering, Secretary of State, whether you could expand on your role within that and the all-Wales franchise for rail. As that develops, how will you be protecting what currently exists?



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Alun Cairns: Discussions are ongoing. I have spoken to the Cabinet Member in the Welsh Government about these issues. It came up in the first meeting we had, and we have met several times informally since that meeting. I have spoken to DfT about those issues. It is about bringing both sides to a position that works for the passengers that originate and travel through Wales and in Wales and for the passengers that originate and travel through England. It is about coming to an outcome where the appropriate decision makers can be held to account. If you live in England and it is wholly devolved, it clearly means that you do not have an elected representative who could pursue an issue. Likewise, we need to consider the aspect on the other side as well. A Welsh individual would have a Member of Parliament and an Assembly Member in order to pursue an issue, if they were dissatisfied with the level of service or the outcome of the policy.

Chair: We have just about finished on time. Secretary of State, thank you very much. I also thank Mr Jones for coming along, and your officials.