

Welsh Affairs Committee

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

Monday 12 December 2016

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Members present: David T.C. Davies (Chair); Byron Davies; Chris Davies; Dr James Davies; Paul Flynn; Stephen Kinnock; Liz Saville Roberts; Craig Williams; Mr Mark Williams.

Questions 49-97

Witnesses

Right Hon Alun Cairns MP, Secretary of State for Wales, and Guto Bebb MP, Under-Secretary of State for Wales.

Examination of witnesses

Rt Hon Alun Cairns MP, Secretary of State for Wales, and Guto Bebb MP, Under-Secretary of State for Wales.

Q49 Chair: I declare the Welsh Affairs Select Committee meeting open and I am very pleased to welcome the Secretary of State for Wales, the Right Honourable Alun Cairns, and the Minister for Wales, Guto Bebb. I will ask Mr Mark Williams to begin the questions.

Mr Mark Williams: Thank you, and I am mindful of your time stipulations, Mr Chairman, so I will get going very quickly. Perhaps inevitably, the first set of questions is on Europe. Reflecting on European funding and the extent to which areas such as mine, west Wales and the valleys, are heavily dependent on structural funds, heavily dependent on the CAP, how are you planning to replace the EU revenue streams that are currently coming to Wales? I am very mindful of the answers we get from Ministers. We have had them in the House and in Westminster Hall debates talking about guarantees to funding up until 2020. What work is in progress to develop funding streams, if they are to continue, after 2020?

Alun Cairns: Thank you very much, Mr Davies, and to Mr Williams for the question and to the Committee for the work that they have done, and the last work, which has been extremely helpful to me and to the Minister and to my predecessor.

I would say even if the referendum vote had gone the other way, we would not yet be negotiating with the Commission about settlements after 2020. It is a little bit early in that process. Having said that, we are trying to give as much certainty as we can within a situation that has challenges and uncertainties. Giving the guarantees that we have given up until 2020 is intended to reassure both those in agriculture and the communities that depend on European aid. I would be very interested in the Committee's view as—I have highlighted, for example, structural funds—some of the strongest vote to leave the European Union came from some of the communities that received most European structural funds. This is an opportunity to reshape how structural funds work, and we are at the early stages of how that develops. Ideally, we should be focusing on outcomes, where we want to go, rather than necessarily cash inputs, because £4 billion has been spent over 16 years in structural funds specifically, for which the relative GVA has not narrowed. Therefore, maybe we need to think a bit more innovatively about how we deliver the sorts of strategic structural objectives that we all want to see.

Q50 Mr Mark Williams: I think you are right to say there are opportunities and on the point you made on some of the areas that have been beneficiaries of structural funds, this Committee went to Ebbw Vale. We heard fairly clearly on the streets of Ebbw Vale about some of those issues. You would acknowledge there is uncertainty. If we are anticipating encouraging businesses such as the farming businesses to invest in the



future, what they would like is some clarity, not of the Government's negotiating hand vis-à-vis leaving the single market and so on but of work that is being undertaken to, as appropriate, protect those streams. Is that work being undertaken by the Wales Office? That is something that no doubt this Committee may well return to as things develop, but is work being undertaken to develop models of funding, whether it be for farmers or structural funds, notwithstanding the opportunities that you have said may arise? Is that work happening now to develop a model for the future?

Alun Cairns: There are two key elements in this. The most important element is to maintain the most open access to the single European market as is possible because, effectively, trade is what raises prosperity rather than the grant structure. But the grant structure and funding structure is extremely important, and maintaining the internal market within the UK is also extremely important. Therefore, we have to develop a way that works with devolved Administrations in maintaining market access in Europe and also retaining the integrity of the internal market within the UK. I will hand over to the Parliamentary Under-Secretary to talk to you about some of the work that we are doing in relation to the specific issues you talked about on agriculture.

Guto Bebb: In relation to agriculture, I think the question asked was whether the work has started and the answer to that question is, yes, the work has started. The first thing you have to do is to consult widely with stakeholders, which is exactly what we have been doing as the Wales Office and, more importantly, the Wales Office then feeding into relevant Departments here in Westminster. Whether we are talking about structural funds or about agricultural support, it is imperative that the Wales Office brings a Welsh dimension to those Departments. What is very encouraging is the way in which we are being asked to be part and parcel of those discussions side by side with other Departments such as DEFRA, for example, and making sure that we are included in meetings between DEFRA and Welsh Government in order to put the Welsh perspective. I am very pleased that DEFRA is fully aware of the fact that we have two farming unions and CLA to deal with in a Welsh context. They have different messages to convey to Government and those messages are being conveyed through the Wales Office.

That is part of the planning process for moving ahead. What we want to do, as the Secretary of State rightly alluded to, is to try to put together a plan for action that reflects upon the successes and failures of the past and tries to build upon that. The first part of the work is to talk to the stakeholders in Wales, which is exactly what we have been doing.

Q51 **Mr Mark Williams:** Thank you. That is a very welcome answer. The last one from me is on the funding: what implications does the removal of EU funding have for the operation of the Barnett formula and do you envisage some revision of that being required?

Alun Cairns: No.



Q52 Mr Mark Williams: Very good. Would you like to elaborate briefly on that answer?

Alun Cairns: It may be that you, Mr Williams, or the Committee, Mr Chairman, will come on to the Wales Bill and, of course, associated with the Wales Bill will be discussions between the Wales Office, the Treasury and the Welsh Government in terms of where we get to a settlement. That is part of it but that is not a direct revision of the Barnett formula itself. There are elements that become part of that that we want to ensure in order to make sure that Wales receives a strong settlement.

Chair: We are coming back to that in a minute. Can I then go to Liz in order to carry on with the EU questions?

Q53 Liz Saville Roberts: It is very timely, Minister, that you said you do not envisage a revision of the Barnett formula, yet in its evidence to the National Assembly for Wales Committee the NFU expressed concern that if common agricultural policy was to be devolved to Wales via the Barnett formula that would result in a 40% reduction in their budget. How do you anticipate agricultural money will be devolved in terms of funding to Wales? Do you anticipate using the Barnett formula or do you anticipate using an alternative approach?

Alun Cairns: That is the sort of thing that is highlighted within our stakeholder engagement. The farming unions were early to point that out and rightly and understandably so. It is part of the ongoing debate and discussions with the Welsh Government. The devolved Administrations across the rest of the UK have an interest in that as well as the UK Government. It is in our interests to get the best fair settlement for Wales. The Welsh Government and we always want the fair settlement and whether the interpretation of that is identical, we are generally on the same page. I do not want to come out with answers for decisions that have not yet been taken, but these are an active part of the discussions that we are having. It is far too early to predict anything along those lines.

Q54 Liz Saville Roberts: In the same theme, would the Secretary of State agree that any powers repatriated from the EU must go straight to the National Assembly for Wales if they are already in devolved areas?

Alun Cairns: Again, this is part of the process. There is the Joint Ministerial Committee. There was one last week on European negotiations. There is the Joint Ministerial Committee that the Prime Minister chairs. These are the sorts of issues that are coming together. For example, the First Minister has highlighted that animal health should be done on a UK basis. There are other elements. I talked about the importance of preserving the internal market within the UK. That has to be a priority because the largest market for any Welsh producer, be it in agriculture or any another sector, is the UK. Protecting that is one of the priorities among a whole range of others. I am not sure if the Parliamentary Under-Secretary has anything to add.



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Guto Bebb: On the specific issue of repatriation, I think the importance for the farming community of ensuring a single market within the UK cannot be underestimated. From the consultations that we have had, it is pretty clear that they want to be able to sell their animals, whether that is in Oswestry in north Wales or whether they are going to Hereford in south Wales. The First Minister's comment about animal health issues is very welcome because that is pragmatic. It is looking at what will likely create a problem for Welsh agriculture, so a different set of rules in relation to animal welfare in Wales and in the rest of the UK would be problematic. This is about being pragmatic in order to protect markets for a key and essential industry within Wales.

Q55 **Paul Flynn:** How does it make sense to decide on a new policy when we have the opportunity to do it on a United Kingdom basis where there are farmers and farms in the United Kingdom getting subsidies of more than £1 million? One farmer gets a subsidy of £2.5 million; the Royal Family £500,000; the Mormon Church £750,000. As we have had a predominance of small farmers in Wales getting subsidies of about £13,000, does it make sense to start off and have subsidies worked out on Welsh priorities and not on UK priorities that are based on income support for billionaires?

Guto Bebb: I think it is going to be disappointing to members of the Committee, Mr Flynn. What we are going to respond to you time and time again is that we are at the consultation stage. It is interesting to note that the Minister in DEFRA who is responsible for agriculture has also highlighted the fact that we want to try to ensure that support for agriculture will go to where it is most needed. We have a view in one farming union in Wales that we should be doing exactly what you have just highlighted, which is to try to target smallholdings and small farmers to a greater extent than large holdings in other parts of the country. That is not necessarily the view that is reflected by all people that we have consulted with in the farming sector.

Again, I go back to the issue. We are at the point of doing in-depth consultation, so we are not in a position to give you answers on these issues. Certainly, the point you have made has been highlighted at both a UK Government level and a Welsh Government level and it has been highlighted in the consultations that I have had with stakeholders within the industry.

Q56 **Craig Williams:** Secretary of State, Minister, can I thank you for the work you have been doing in the City Deals and surrounding that and with the European Union aspects and possible match funding that has come through City Deals being delivered quickly? Can I ask you to comment on the next phase of where we are with the Cardiff City Deal and other deals of that nature, the conflicting pull for getting things done and getting match funding from Europe before we leave, whether the local authority elections would create any uncertainty—and I would appreciate your view on that—and how we progress them at a pace?



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Alun Cairns: I thank Mr Williams for the question but also the role he has played in prompting and pressing the City Deal at a very early stage. I pay tribute to him in that respect.

The Cardiff City Deal is £1.2 billion. It is the UK's largest City Deal, so we should not underestimate the scale of the opportunity but also the challenges and the governance arrangements that need to be in place in order to see that we are getting the best deal for the taxpayer, be that the local authority funding, the Welsh Government funding or that of the UK Government. I think it is a great example of all three parties and the private sector, I should say, coming together—so there are four parties—seeking to grow productivity.

In relation to the European money, I think, Mr Williams, you are probably talking about the European money that is directed towards the metro specifically. There has been an awful lot of press about that suggesting that it might be available or might not. The guarantees that the Treasury made to 2020 are there, and I would hope that the City Deal bid involving the Welsh Government and the local authorities will be well developed by the time we get to 2020. I forget the exact percentage: £106 million and 8% or £108 million and 6%, I forget which one it is, out of a £1.2 billion project. Even in the worst case scenario, which I do not envisage for a second, that is not a roadblock—pardon the pun—to the rollout or the development of the metro plan and programme. It is such a small element of the budget, an important element for which the City Deal should be successful in its bid for all of what it asks if it manages to develop a bid in time. I am optimistic, keen and very happy to support that plan to land and get to that position.

Chair: Any further questions on that, Mr Williams?

Craig Williams: I feel massively reassured. Thank you, Mr Chairman.

Q57 **Paul Flynn:** Lord Morris, who held the office that you hold during the 1970s, says, "What on earth they do on a day-to-day basis goodness only knows". He suggests that you have a job that was done as a part-time job in previous Governments. Could you tell us is the Conservatives' plan to maintain your post as a full-time one in order to compensate them for their failures to win elections in Wales?

Alun Cairns: I would say to Mr Flynn, who is being somewhat typically provocative in his question, that I had a very helpful, fruitful meeting with Lord Morris last week at his request on something that he felt was important enough to want to discuss with me personally. That was a matter in relation to the Wales Bill, on which hopefully we are getting to a good place to receive his support when it is in the House of Lords.

I would say that there has never been a more important time over recent times than now for the Secretary of State for Wales. We have already spoken about the negotiations as we exit the European Union—an understanding of the Welsh dimension, of the importance that Wales is used on elements of European policy—and ensuring that we get the right



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settlement for the whole of the UK obviously means getting the right settlement for Wales as well. That is what myself and the two Parliamentary Under-Secretaries of State are desperately keen to secure and achieve.

Q58 Chair: On that point, would it be reasonable to assume that big investors looking to come into Wales welcome the support of yourselves as Ministers and value your input in any meetings they are having with the Welsh Assembly?

Alun Cairns: I think, Mr Davies, you have rightly highlighted an area of international trade where my learned friend the Secretary of State for International Trade highlights all the time that that is a Department for the whole of the United Kingdom. Of course, we recognise that the Welsh Government have a role in attracting investment and maybe offering incentives in order to attract different companies to different parts of Wales. Therefore, ensuring that the Welsh Government's strategy and policies dovetail and do not duplicate or compete with that of the Department for International Trade is another part of the role. Liam Fox was in Wales just over a week ago. He got a better understanding of that but, of course, there is a constant evolution of policy and innovation. It is important that we bring both Departments closely together to ensure that we can land significant international projects. Aston Martin is a UK project that has come to Wales but it will have an international perspective because most of its markets are outside of Europe.

Q59 Paul Flynn: Your non-answer to my first question suggests you are looking at the future of agriculture entirely on a UK basis on the basis of the interests of the Conservative Party rather than the interests of the people of Wales. Isn't it the danger that you are there as an alternative voice to the Cabinet on Wales but not one that has a democratic mandate, which the Assembly will have? As the Assembly has more powers, doesn't the purpose in your existence as a full-time Minister become unsupportable?

Alun Cairns: I do not agree. Specifically in relation to agriculture, I will draw on my own—

Q60 Paul Flynn: No, I would like to go on to something else, if I may. I do not find your answers awfully helpful, I am afraid. On the steel industry, there is good news apparently from Port Talbot. It is very encouraging news. Can you demonstrate what you are doing and what you hope to do both for Port Talbot for the existing jobs and future jobs that might well be created through Liberty Steel, and also for the tens of thousands of pensioners of the British steel industry in Wales?

Alun Cairns: I think we would all recognise that the steel industry is in a better place at the moment and a large part of that goes down to the workforce themselves. The unions have played a significant part, as have the Welsh and UK Governments in working closely. That is an example



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where both Governments have worked closely from the day and even before the crisis broke out in March.

In terms of the specific actions that we have followed, the reduction of the energy-intensive industry package has been extremely important. It has delivered £109 million to Tata directly in terms of support. The way in which we have led the campaign across Europe to take action against dumping and the 40 trade defence measures that we have in place have reduced rebar imports to Europe by 99%, wire rod by 99% and organic coated and rolled flat steels are down by a similar order. That demonstrates how the UK Government play their part at a European level, at a UK level in supporting the energy markets, and working jointly with the Welsh Government where they have the economic development responsibility of supporting specific operations within specific plants. That is what we have seen of late.

The news over pensions is welcome news so far. I do not think we are through it yet; there needs to be a ballot among members. Challenges remain in resolving the pensions issue over the long term, but I think that some positive steps have been taken.

Q61 Paul Flynn: How many millions of pounds do you anticipate the Welsh steel industry, the Welsh health service and Welsh agriculture will benefit by when we get the return of the £350 million a week that was promised to us in the referendum campaign?

Alun Cairns: Mr Flynn, if you are suggesting that we subsidise the steel industry directly with that £350 million that you talk about, then that would effectively be a major inhibitor to exporting any of our products overseas because that would undoubtedly cause concern to the markets that we are seeking to export the steel to. We want to get to a position where we can have the most open market arrangement possible so we have access to the single European market and that provides the best opportunity for steel manufacturers, the automotive sector and every other sector, as we have spoken about agriculture so far.

Q62 Paul Flynn: Is that your answer to my question or is it something you thought of before? You do not seem to have answered the question in any way. We were told there would be extra money that we are giving to Europe in the UK campaign. How much do you expect to come back to Wales?

Alun Cairns: If you are suggesting that money should be put into the steel industry to directly subsidise it, then I think that that would be more of a hindrance to us than it would be to—

Q63 Paul Flynn: No, I am not saying that at all. I am suggesting that a vote was taken that was based on a promise, on a red bus in white letters, saying the £350 million a week that we are giving to the EU would presumably come back in 2020. What are we going to do with it? How much is Wales going to get?



Guto Bebb: Mr Flynn, I find the line of questioning interesting because you are holding the Government to account for a policy that was made by a campaign chaired by a Labour Party member.

Paul Flynn: Well, the three people who made the promise are three Brexiteers now. They are the Government.

Guto Bebb: I would state again you are holding the Government to account for promises made by a campaign that was led by a Labour Party member. The situation is very clear. If there is a return, then Wales will have a fair share, but there is a long way to go before that happens. Again, I find the line of questioning to be ill-judged.

Paul Flynn: I find the line of answering to be vacuous. Thank you.

Guto Bebb: Well, sorry about that but—

Paul Flynn: That is all right.

Q64 **Stephen Kinnock:** Continuing on the theme of steel, I was interested to hear you mention the energy-intensive industries compensation package, Secretary of State, and I want to raise a specific question on that. You will know that in the 2016 Budget there was a commitment for the energy-intensive industries compensation package to run through to next April 2017, at which point it was due to be replaced by exemption regulations so that we address the cause of the problem rather than the symptoms. The industry welcomed that, as you will recall. We were told that the regulations for making those changes would be laid in October. That has not happened. We are now told it has been pushed back to December and it still has not happened. We have the industry, therefore, looking over the cliff at returning in April 2017 to having to shoulder the full costs of the deeply uncompetitive situation that we are in in terms of energy because the money was only promised to 2017 and the regulations for exemption have not yet been laid. Can you please provide some reassurance to the steel sector that this is going to be resolved in double quick time?

Alun Cairns: Certainly steel is a priority for the UK Government. I should correct a number I gave a moment ago when I said £109 million has been paid in compensation to the steel sector in its energy-intensive industry package. It is actually now £126 million. It has gone up since the last time I looked at the number.

In relation to the specifics about the orders that you raised there, Mr Kinnock, I will happily write to you with the detail on it. I met the Secretary of State for Business, Energy and Industrial Strategy last week to discuss the latest developments in the steel industry. We recognise the importance of the sector to the whole of the UK and the importance of the industry to the strategic interests of the UK that covers so many important sectors, and developing and supporting the sector and the industry specifically is something that we are working closely on. I will happily come back with the specific detail that you asked for, but I am



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much more optimistic today than I was six months ago about the sector. I think that that is a significant tribute to the people that work there and how they have turned around so many of the fortunes.

Q65 Stephen Kinnock: Thank you, but it is a little surprising that you met the Secretary of State for Business, Energy and Industrial Strategy last week and the issue of this cliff edge that we are facing on the exemption to the renewables obligation and feed-in tariffs was not discussed. What did you discuss with him if you did not discuss that?

Alun Cairns: I did not say that we did not discuss it. I said it is work underway and we will be making announcements shortly. I am encouraged by the positive outlook that we have towards the sector in light of the changes that have been brought about and in light of the UK Government policy as well as the Welsh Government policy and the workforce changes that have been made.

Q66 Stephen Kinnock: I look forward to receiving a written clarification on that point. On procurement, we were told that all Government Departments would, from Easter 2016, keep records of the amount of UK steel that was being procured by their Departments. I subsequently sent written questions to every single Government Department on the level of procurement of British steel, and the response I received across the board was, "The information is not centrally held in the form requested". Can you please explain the discrepancy between what we were told in Easter 2016 and the current situation?

Alun Cairns: Mr Kinnock, I do not know specifically what question you raised with each individual Department and I will happily come back—

Stephen Kinnock: It was, "How much steel are you procuring within your departmental model?"

Alun Cairns: I can give you some examples. Network Rail, for example, has 96% British steel within its programmes. Crossrail is almost exclusively British steel and it is the largest single project across the whole of the European Union. The Queen Elizabeth aircraft carrier is 88% British steel. In all of those examples that I have looked at there is always a good reason why British steel has not been used, usually because the speciality of individual steel types are not made in the UK and that is when the steel will have been imported in order not for it to be much closer to 100%.

I will happily have a look at the answers that you were given, but I am hoping you would also take confidence from the sorts of numbers that I have talked about. The procurement rules were changed in order to make it easy as part of that package back in March to put British steel in a much stronger position to win public sector contracts. I would also say that in credit to the Welsh Government they followed the lead that the UK Government brought about at the time.

Q67 Chair: Can I just throw in, Minister, at the same meeting when we were



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told this by a lady who is now a former Minister, I raised the issue of wind farms and the fact that they are usually made with imported steel. One in my own constituency closed maybe because they could not compete with that. While I appreciate you are working on getting the public sector to purchase British steel, which is a wonderful thing and I certainly support that, could we not be doing more to ensure that the private sector organisations that are dependent on public money, such as wind farms requiring a subsidy, are also using British steel wherever possible?

Alun Cairns: I think that a lot of work has been done but there is more that we can do, and we are keen to do that working closely with the steel manufacturers as well as with the unions. It is about having clear information that is out there because there is often misinformation, for example about the aircraft carriers that I talked about. It is 88% British steel but when you look at it, the type of steel that is not British steel in that project is not made in the UK.

Q68 **Chair:** I appreciate that, but we were making wind farms, as you know, because a former colleague of ours opened up the factory in Chepstow and it is now closed. To put it very bluntly, it does seem unfair to me that British companies are having to pay more for their electricity in order to subsidise what are quite often foreign energy companies who are using foreign imported steel to generate electricity from wind, which would not be profitable without a great big subsidy from the British taxpayer. That does not strike me as common sense, but I leave it with you as a thought.

Alun Cairns: I am grateful.

Q69 **Chris Davies:** These are a set of questions, Secretary of State, relating to the Wales Bill. As you know, your Wales Bill was passed on 12 September by our House. We are where we are at the moment. To some people it does not seem as if we have made a great deal of progress. Where do you think we are with the Wales Bill at the moment?

Alun Cairns: I would think that significant progress has been made. The Members in the other place have looked at and rightly scrutinised it closely. Constitutional issues such as this deserve an awful lot of attention in the House of Lords and that is something that we welcome. The first day of report stage is on Wednesday, and the second day of report stage is early in the new year. Discussions with the spokespeople in the House of Lords are positive as well as discussions with the Welsh Government. The fiscal framework is something that we have been playing close attention to and we are in an encouraging position on that as well. Of course, this is a package that works together, both the Wales Bill and the fiscal framework, because they are so interlinked and intertwined with each other.

Q70 **Chris Davies:** My understanding is, Secretary, that the legislative consent motion from the Assembly has not yet been passed. How close to that passing are we?



Alun Cairns: The legislative consent motion would not be able to pass until the House of Lords has almost finished with it. The House of Lords will go to third reading only after a legislative consent motion has been passed. I am optimistic that we will have a legislative consent motion on 17 January. That will then enable the Lords to take it to third reading shortly after that. Of course, I am optimistic. I think that there is a very strong package of both the Bill itself with the enhanced powers but also attached to the fiscal framework that we are getting to a very good place on, and on that basis I am optimistic that we will have a legislative consent motion.

In terms of the requests that have come out from the Welsh Government, we have been able to answer most of what they have called for but also gone further in other areas. Water is one, for example, which was not one of the demands, but that is something that maybe the Parliamentary Under-Secretary might want to talk about.

Chris Davies: I would be delighted to hear from the Under-Secretary.

Guto Bebb: On water, we responded to a report that we received. There was a possibility of bringing the water element into the Wales Bill. I think it was met with surprise but welcomed by both the House of Lords and the Welsh Government, so we are aligning the water boundary to the Welsh-English boundary. The aim is to have the whole issue of devolution set on a footing of respect between two institutions. There will be a protocol established between the Welsh Government and the UK Government to ensure that both Welsh consumers and English consumers are protected within the scheme. For anybody such as myself brought up in north-west Wales, water is a totemic issue. The fact that the decisions in relation to water will be made in Wales as a result of the changes brought forward by this Bill is certainly highlighting the fact that the relationship between Westminster and Wales has changed dramatically over the period of 50 years.

Q71 **Chris Davies:** Well, change as maybe, but we are seeing clearly that there is disquiet from the Welsh Assembly regarding what is being passed. In fact, they even think we are taking further powers away from them. We know that Plaid Cymru are very unhappy that you are not passing enough powers in this Bill, and believe it or not there has even been some disquiet from this Committee and certain members of your particular party. Therefore, are you happy with where we are? Do you not regret bringing this forward? If I remember correctly, this Bill has been quoted as the last Bill, the final Bill, the Bill to settle all Bills on Welsh devolution, and we do not appear to be at that point, in fact far from it.

Alun Cairns: I think that this Bill will bring about certainty, clarity and simplicity. I want to get to a position where anyone living or working in Wales, or elsewhere for that matter, will understand who is responsible for what. The list of reservations is clear as to where the responsibility lies with the UK Government. The last thing we want to do is end up in the Supreme Court; that leads to a very challenging relationship between



the two Governments. The Parliamentary Under-Secretary and I are working extremely hard to maintain a positive relationship with the Welsh Government. I think we have got to that place over the Wales Bill and I think we are getting to that place in the discussions be it over international trade or a whole range of areas. We can relax that Wales has two Governments, one that is a Welsh Government that deals with devolved issues, and then another that is a UK Government that deals with reserved matters. I think that that is a positive position to be in and the Bill is about giving clarity of where the boundary lies.

- Q72 Chris Davies:** I think the big question on this Bill is whether it will be followed by yet another Bill very quickly, but we will have to see. What is not contained in this Bill for those that are dissenting slightly—which includes myself, as we know, because we have had many a public and private discussion on it—is when we look at the PISA results only last week, yet again Wales is at the bottom of the queue as far as the UK devolved countries are concerned. Do you not wish that there would be a mechanism in there to take powers back to this place to be able to sort out? Just as the Welsh Assembly have the powers to put local authorities under special measures and hospitals under special measures, don't you think there should be an opportunity for us to do the same?

Alun Cairns: No, because education is a devolved matter and I think that people, parents, will be able to express their disquiet at the ballot box and challenge the Welsh Government Ministers and the Welsh Government as a whole on the success or failure of any particular area of policy. That is the nature of devolution and people will express their feeling over the policy through the ballot box when it comes to the elections every five years.

- Q73 Chris Davies:** I shan't go on too long on this, Chairman, because I understand that the majority—

Chair: I think we may be sparking debate on the other side.

Chris Davies: The majority voted for this in this House so I have to accept it, same as my colleagues sitting directly opposite me fully now embrace the European referendum vote and accept the referendum. Secretary of State, we are seeing after the Wales Bill, after Brexit, a great deal happening with City Deals for Wales. Prior to Brexit and until we leave we have had great EU aid for parts of Wales but certainly not for mid Wales. We see council funding from the Welsh Assembly very poor to mid Wales in particular. A lot is happening in the south, a lot is happening in the north, but what do you further propose post Wales Bill, post Brexit, for mid Wales? How can you further enhance mid Wales?

Alun Cairns: I will hand over to the Parliamentary Under-Secretary.

Guto Bebb: You raise an interesting point. First of all, I would argue that the improved relationship between Westminster and the Welsh Government in Cardiff is highlighted by the fact that the Cardiff City Deal has been signed, which is a partnership approach, more money coming



into Wales. The same hopefully will happen in relation to Swansea. The most mature development that we have seen is the way in which the Welsh Government have embraced the concept of a cross-border North Wales Growth Deal, which is a real step forward, it is acknowledged, in economic reality in north Wales, which is that there is an economy there that is a cross-border economy. People want to see the strength of the north-west economy and the north Wales economy interlinked in order to ensure that we have added prosperity, which leaves us in a situation where we need to do something in relation to mid Wales.

I fully accept your arguments that what we have seen since the advent of European funding to Wales is that Powys, for example, has fallen from being well above the average to being below the average. That is an issue that we need to resolve. One of the arguments I have put forward in relation to the possibilities that now exist for new structural funding in Wales is that we will not have an artificial barrier. I fully realise why the barrier of west Wales and the valleys was created for European funding purposes, but I was speaking in Wrexham recently and there are parts of Wrexham that are poorer than most of north Wales yet not able to receive any support. The same is true in the mid Wales context.

I am very keen to make sure that the partnership approach that was generating City Deals in south Wales and the North Wales Growth Deal will be replicated in due course in relation to mid Wales. I fully understand and fully respect that we need to ensure that the prosperity that was enjoyed in mid Wales is recreated and built upon in a positive manner.

Chair: I think I had better move on if we have finished, Chris Davies.

Chris Davies: Well, I could carry on, Chairman but I won't.

Chair: Personally, I would quite enjoy it if you could, but as Chairman I think not, if that is all right.

Q74 Mr Mark Williams: In response to my friend from Brecon and Radnorshire, I used to teach in his constituency. Back to the teaching point, I wanted to take the opportunity to congratulate the Government on the devolution of teachers' pay and conditions in the Wales Bill. Does the Secretary of State acknowledge that will give the Assembly an important tool to deal with some of the real issues, say, of teacher shortages that mid Wales has been blighted with for many years? The devolution of another education responsibility is a really positive move.

Alun Cairns: I am grateful to Mr Williams for raising this and I will be frank. There were some questions naturally around it: was this the regionalisation of pay? In a mature discussion with the Welsh Government, we got to a position where we understood that there were significant benefits and merits in devolving it and this was something that was asked, something for which we had mature discussions and something that we could come to a joint position on. I think that that



demonstrates the positive engagement that we are getting on both sides of the M4.

Q75 Liz Saville Roberts: Secretary of State, you mentioned that you appreciate clarity in relation to the Wales Bill, yet last week in discussing the Wales and Borders railway franchise the Transport Secretary said, "I am happy with their"—their meaning the Welsh Government—"taking control of the Welsh valleys lines, with a view to developing the metro system that they hope to put into service, but the Welsh franchise is not purely Welsh; it runs through large parts of England as well. We cannot have a situation where we, the Government in Westminster, give up control over services in England to the Welsh Government without checks and balances. That is not going to happen". Yet this contradicts what was stated in the "Powers for a Purpose" document that said that the Welsh Government would have full responsibility for specifying and procuring a rail franchise to deliver services after the existing Wales and Borders franchise expires in 2018. I could go on. There is evidently some confusion about this. Could the Secretary of State now clarify this matter?

Alun Cairns: I certainly can and I think this goes back to the heart of one of the questions that Mr Flynn asked earlier on about the role of the Secretary of State for Wales. For the Wales and Borders franchise, you can travel from Manchester to Wrexham or Chester and you could live in England but, of course, where is your democratic accountability line if the Welsh Government have complete responsibility for that? This is another area where there has been joint working genuinely, where the democratic deficit that you would end up with, for example, from Manchester to Cheshire or to Chester will naturally be a concern on the English side of the border but the lion's part of the franchise is on the Welsh side of the border. The arrangement that we have come to is where the Welsh Government are administering the franchise but for which there is close working and co-operation with the Wales Office and the Department for Transport in order to make sure that we meet the needs and demands of people on both sides of the border. I will hand over to the Parliamentary Under-Secretary who can share with you some further detail.

Guto Bebb: I don't have much to add, to be perfectly frank, but it is something that I am very aware of. I have a fantastic new train service running from Llandudno in my constituency to Manchester, but a big chunk of that journey would be entirely within England. You jump on a train in Chester, end up in Manchester, yet if you are unhappy with the service there is no way in which under the current scenario you would be able to bring that concern to an elected representative that would have an effect on the change.

What we have worked towards is to ensure that we have an accountability structure within the agreement for the franchise to be devolved. This is again where we are trying to move away from it having to be in Cardiff or having to be in Westminster. We are trying to highlight



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how both Parliaments can work together, both Governments can work together, in a way that ensures that the end user of the service is protected in an appropriate manner.

Q76 Liz Saville Roberts: Could you reiterate to this Committee, as we heard before from the Department for Transport, that the mapping for the Wales and Border franchise will remain the same in 2018?

Alun Cairns: The franchise has been advertised, that is part of it. There is absolutely no intention to do that but, of course, the Wales Office, the Department for Transport, the Welsh Government will want to work together to ensure that the interests of Welsh passengers are served properly, but also that the interests of English passengers who do not get into Wales who are part of that franchise or who will be subject to that franchise negotiation are also satisfied. It is something where the Welsh Government and the Department for Transport are satisfied and I hope that that would get a welcome on both sides. We are at a position where everyone feels that their interests are protected as well as giving the opportunity to the Welsh Government to grow the service and develop it.

Q77 Chair: Can I come back on that? I am not sure I am satisfied. If we are going to have something that can give confidence in place, surely English MPs in areas like Chester need to have the same right to quiz Assembly Ministers as the Assembly members in Welsh parts that are served by the franchise, otherwise people in Chester are going to lose their democratic right.

Alun Cairns: The way in which the franchise has been negotiated provides an opportunity for the Department for Transport or for the Secretary of State, in order to take action, to work jointly with the Welsh Government. That has satisfied the Department for Transport as well as the Welsh Government in pursuing the franchise negotiations. I think we have to get to a position where we are mature in how we pursue these issues rather than simply breaking down because responsibility lies elsewhere. It is a positive number.

Guto Bebb: I think the franchise agreement is crucial to the North Wales Growth Deal because it is cross-border and we have to have accountability for the north-west of England and north Wales. The accountability structure would obviously be to two different Governments so the fact that the franchise has been resolved in a way that is quite constructive means that we can move forward with the North Wales Growth Deal proposal, which will acknowledge the fact that we have different accountability but does not preclude us from doing something that is necessary for the economic wellbeing of north Wales. It is moving devolution forward, getting away from the concept that we ever had a border there and you cannot have anything that works across that border. That is not the reality in life and it is not going to be the reality in the way we try to work with the Welsh Government moving forward.

Q78 Chair: Maybe we could set precedents there for people who are reliant on



the health service in Wales but live in Gloucester.

Alun Cairns: This has been raised with me and only in recent weeks I have had meetings with people on the Gloucester side of the border. It has been widely highlighted and we are considering that both in the Welsh Government and the Department for Health to try to explore the pilot that appears to have worked successfully. Let's see a proper evaluation of it and see where we can go from there.

Q79 **Liz Saville Roberts:** When we consider that this Wales Bill is the Wales Bill to end all Wales Bills, alongside that, interestingly, Charlie Taylor's review of youth justice was published today and one of its core recommendations, as was hinted at earlier on, was that there would be greater devolution of the youth justice system. Of course youth justice covers England and Wales but the majority of services for children and young people in Wales are already devolved. Would you agree with the Silk commission, and all those who have contributed to this report, that greater devolution of the youth justice system in Wales would provide better outcomes for young people in Wales?

Alun Cairns: We would absolutely agree that many of the levers to influence criminal activity among certain people lie with the Welsh Government. Much of that would be on training, social services support and a whole range of services across the justice sphere. I think we can get to a position where joint working between the various agencies puts us in a strong position, but we have said that we don't see the need for a separate jurisdiction. We recognise there is a need to continually work on the administrative arrangements to ensure that it adequately meets the demands and aspirations. I think that we are getting to a position that is productive and works on both sides and I would say that youth justice is a part of that.

Q80 **Mr Mark Williams:** A very specific and very quick question on the position of S4C. There was a very welcome announcement in February from the Government freezing the DCMS component of S4C's budget and the announcement of a review. Where are we on the review and where are we on the likelihood that a freeze in any potential cut of the DCMS contribution will be a reality as we move forward? I would appreciate you answering very quickly. Craig Williams asked the Leader of the House standing for the Prime Minister about this last week and was given the usual answer about protecting S4C's budget in terms of the BBC contribution but I am asking specifically about the DCMS component of that and the status of the review. Where are we?

Guto Bebb: As you are well aware, the decision was made last year to protect the S4C budgets moving towards the review into the responsibilities of DCMS and the pressures on DCMS in relation to the BBC charter review process. That review has been pushed back but we are expecting the terms of reference and the chair of the review to be in place before the end of the fiscal year. My expectation is that review will



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be undertaken with the aim of ensuring that it has been completed before the end of the calendar year 2017.

In terms of the revenue streams, there were promises made in relation to protecting the S4C budgets for a year. Due to the fact that the review has been held back, there is a question as to whether the funding will be protected for another year, and those issues are currently under discussion.

Q81 Mr Mark Williams: I would hope at least there is appropriate lobbying from the Wales Office ministerial team that that freeze will continue until the review, which we hear, rather reluctantly, is delayed for a year.

Guto Bebb: I think it was recently stated that the Secretary of State and myself have a track record of lobbying on this issue and lobbying is continuing now we are both in a ministerial position.

Stephen Kinnock: This is a different topic altogether. It is about social care.

Chair: Can I go to Bryon first of all—we have some stuff on the autumn statement—and then maybe will come back to that in a minute?

Q82 Bryon Davies: Good afternoon. You have said that the Chancellor's autumn statement was good news for Wales. Not only does it help build an economy that works for everyone across Wales and the rest of the UK, it provides a significant overall uplift in the Welsh Government's capital budget. You said this comes as a result of the Chancellor's decision to focus on infrastructure. Can I ask you a two-part question? The first part is: what would you like to see this investment of £400 million infrastructure spending spent on? The second part is: were you as disappointed as I was not to have heard mention in the Chancellor's autumn statement of the Swansea tidal lagoon?

Alun Cairns: Shall I take the last part first on the proposed Swansea Bay tidal lagoon? Of course at the time of the autumn statement the Charles Hendry report, the Hendry review, had not yet been submitted and it would have been premature to have made any sort of comment on it. That report has now been received and will receive proper due consideration as, Mr Davies, you would rightly expect. We need to work through the review. I was not surprised for a second, and I don't think it was practical in any way that the tidal lagoon would have been referred to in the autumn statement.

In relation to the capital budget, I think it is £436 million, which is a significant uplift on an already significant uplift previously. It was previously 16% and is now 23% uplifting in real terms in capital budget. I think that demonstrates the positive agenda that we are taking all across the UK on infrastructure, but it places an awful lot of power and cash in the hands of the Welsh Government to deliver some significant infrastructure projects around Wales.



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Who knows, this could be an opportunity to reopen the debate on the Commonwealth Games. That would be potentially an exciting prospect. Of course, these decisions are down to the Welsh Government but an extra £436 million of capital could go an awful long way to demonstrating the most outward looking, international, ambitious nation and the Commonwealth Games is something that could rightly highlight. A secondary school is £20 million or £25 million or a hospital is about £75 million. We can do the maths; how many schools, how many extra hospitals can be build out of that sum alone? I want to see real projects happening that can have a significant impact for your constituents, Mr Davies, my constituents and everyone else's constituents around the table.

- Q83 Byron Davies:** Can I come back to the tidal lagoon, please? I think that the ordinary man in the street would be finding a little tedious the whole procedure from the time this was referred to Charles Hendry to look at and the fact now the Government have it and will be mulling it over for the next few weeks, few months, who knows. Can I ask you what your part particularly is in this and what you are doing with the Treasury to move this on now?

Alun Cairns: It was said at the time that the review was commissioned, "Let's see if we can make the project fly". It is about landing the project but at the same time we have had an early discussion about the energy costs for industry. Steel was mentioned. We would like to see a project but only if it is value for money for the taxpayer and does not give us extra energy costs that have to feed into the consumer or on to industry thereafter. We need to respond to the review. We need to analyse the review in detail and see if anything else needs to happen thereafter. But with great respect, Mr Davies, it has only just been received. It is a hefty report and we need to take time to go through it properly to ensure that we come to the right decision, both for the potential for the project but also the potential and risks for the taxpayer.

- Q84 Byron Davies:** You are not going to give me a timescale on this, are you?

Alun Cairns: We will be doing it as quickly as we possibly can.

- Q85 Dr James Davies:** As you probably know, I am involved with the Mersey Dee and North Wales APPG and the rail taskforce. I would like to ask you what your views are on additional capital spending in north Wales, particularly in relation to rail but also the fully devolved trunk roads?

Guto Bebb: I was going to make the point in response to Mr Davies's question that notwithstanding the positives of a North Wales Growth Deal, the added £436 million to the capital budget of the Welsh Government means that we should be addressing some of the pinch points on the A55. Knowing your constituency well—and I am even further west—the importance of the A55 towards prosperity across north Wales cannot be overstated. It is a main trunk route into the port of



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Holyhead that serves Ireland. I would highlight that as an easy way, it doesn't even have to be part of the North Wales Growth Deal, it can be done and should be done.

I fully subscribe to the aspirations and ambitions of the Mersey Dee Alliance to ensure that we have a strong cross-border connectivity in place. For example, there are proposals in place that have been argued for to improve the road network between Oxfordshire and mid Wales, which is again crucially important in relation to the development of mid Wales. If you are travelling from Oxfordshire down to Welshpool, that road does require a significant investment. That significant investment would have to be done on a cross-border basis, but with this added funding it is something that should be addressed prior to the needs being decided in the North Wales Growth Deal.

These are opportunities that I think we should be lobbying very hard for in the north Wales context.

Q86 Dr James Davies: Thank you. You touched on the North Wales Growth Deal, which of course features in the autumn statement. What is your view of the way that this will now progress, including its timeline and also the obstacles that are likely to be faced?

Guto Bebb: We were extremely pleased that the Chancellor reiterated once more the fact that the Government are very open to the North Wales Growth Deal. I think the North Wales Ambition Board and the Mersey Dee Alliance are working very well together. I was very pleased to take the Minister for the Northern Powerhouse to Chester and Deeside in order to see why we think a cross-border element is so important for a North Wales Growth Deal. At that meeting it was highlighted why there was an emphasis being placed on transport in terms of rail and road. The conurbation in north-east Wales and the north-west of England is a significant population, which does not acknowledge that border on a day-to-day business basis. The argument is very well made at that point.

In terms of how we see this and how the intercity is developing, we have had the ambitious overreaching goals being highlighted by both the North Wales Ambition Board and the Mersey Dee Alliance, but what we now need to do is to build up a proposal that comes from the areas in question. One of the issues with these growth deals—and I think the partners and stakeholders in north Wales have grasped the issue—is that it is not Westminster or Cardiff saying what should be done in north Wales. It is the people on the ground in north Wales being challenged to come up with an ambitious but achievable programme. I am confident that as we move forward we will be in a position to hopefully deliver on the Swansea city region and then subsequently on the North Wales Growth Deal, but it does depend upon what comes from the locality.

The final point I would make is that people need to remember that while the cross-border connectivity between north-east Wales and the north-west of England is crucially important, the economic potential in north-



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west Wales is also crucial for the success of any growth deal for north Wales, so it has to be an across north Wales proposal.

Q87 **Stephen Kinnock:** I am conscious that we were supposed to finish at 5.00 pm.

Chair: We were but I am sure we have a few more minutes yet. Do you have a few more minutes, because I have a few questions about the Severn Bridge? I am sure the Minister is fine for a few minutes.

Stephen Kinnock: Given that we have had a lot of news today about the crisis in social care in England and given that in Wales council tax is £156 per year lower in Wales than it is in England but we also spend 6% more on health and social services in Wales than in England, clearly something is going right in Wales or is going badly wrong in England. I was wondering whether you might encourage the Secretary of State for Health to meet with the Cabinet Secretary in order to learn and understand more about why we are getting it right in Wales and perhaps this could be a good model for managing the system in England.

Alun Cairns: From the position of council taxpayers in Wales, I am not sure they would subscribe to the situation you have highlighted, Mr Kinnock. You would be well aware that there has been a pretty near zero increase in council taxes over the last five or six years in England where there have been significant council tax increases of maybe 25% or more in some cases across Wales. The Department for Health and the Department for Communities and Local Government regularly communicate with the Welsh Government and I am sure that there are good practices that each Administration has to learn from the other.

Q88 **Chair:** I am tempted to mention business rates but I will stick to the Severn Bridge for a minute, if I may. Secretary of State, when is the handover plan going to be published?

Alun Cairns: I can let you know that we will be going out to consultation soon in relation to the proposed changes of halving the Severn tolls. That was a commitment. We will be making an announcement shortly in relation to that consultation. It is of extreme importance not only to your constituency, Mr Davies, but to everyone across south Wales because it is the gateway to Wales and the increased charges that are a result of the Act that was written decades ago have naturally raised frustration.

Q89 **Chair:** I am glad you recognise that and you obviously recognise, because we have gone through it before, that the tolls are currently bringing in around £90 million in revenue every year and the maintenance costs of the bridge are about £14 million to £15 million a year, depending on what they have to do, which means that there is scope for an even more generous cut than the 50% one that has been promised, is there not?

Alun Cairns: Mr Davies, I would also remind you that even when the bridge comes back into public ownership there will still be a significant debt on the bridge that will need to be repaid. Maintenance of the bridge



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will be ongoing. This is the sort of thing that the consultation will be looking at and I have absolutely no doubt that you and the Committee will want to express a view when we go out to consultation.

Q90 **Chair:** This cut that has been promised at 50%—50% on the tolls as they are in 2018 but still 50%—is absolutely guaranteed, isn't it?

Alun Cairns: That is the Government proposal but there is a consultation going on to how that can be achieved.

Q91 **Chair:** So it is not quite guaranteed?

Alun Cairns: The announcement has been made in Budget 2015, I think it was, or 2014, and it is something that is Government policy. There will be a consultation that talks about how we can—

Q92 **Chair:** Last question on this. I am not quite sure from what you have said whether it is 100% guaranteed or not. I am thinking it probably is.

Alun Cairns: I can assure that there is a plan—

Chair: Will it be effective on 1 April 2018? Can I say to my constituents that on 1 April 2018 at midnight those tolls are going to be halved?

Alun Cairns: Clearly these are the sorts of issues the consultation is looking at and I will be in a position to give you further details about the consultation very soon. I would take this as a positive response, don't interpret it as a negative response in any way, but I don't want to pre-empt the consultation that is due to be published.

Q93 **Paul Flynn:** Severn Bridge tolls started four years before you were born, Secretary of State. Do you expect them to continue when you reach retirement age?

Chair: Your retirement age, Paul?

Paul Flynn: No, I don't have one. I don't understand the word.

Alun Cairns: Clearly I would hope, Mr Flynn, that you would accept that the 50% reduction that is proposed, subject to a consultation and so on, is a welcome step. The debt will still need to be repaid and there is also the ongoing maintenance. There is a division across the bridges and links across estuaries that generally a charge—

Q94 **Paul Flynn:** There was a fascinating core finding that said that 50% of the population didn't understand what 50% means. You have been quoted as saying that the toll should be £3.70. How is that 50% of £6.70?

Alun Cairns: I was talking about of that order and I talked about it by the time the bridge comes into public ownership for which there will be an inflationary fee. There is an increase that goes up in January, as a result of the Act that ties the increases with the retail price index, but I would ask, Mr Flynn, please wait for the consultation to come out and



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that is an opportunity to engage further on the detail that we include within the consultation.

Q95 Paul Flynn: In my view, the people of Wales are being ripped off by having one of the few stretches of motorway, which the Severn Bridges are, tolled and this has gone on for all these years now and because of the deals done a long time ago by a previous generation. There seems to be absolutely no reason why this shouldn't become a national responsibility and the psychological barrier to south Wales, which is very damaging, could be removed.

Alun Cairns: I am governed by the Act of Parliament and the Act of Parliament will have struck a deal with the Severn Bridge company. We have an obligation in order to deliver that but I would hope that reducing the tolls by half is seen as a very positive step, although there will be a debt that remains outstanding. It demonstrates the scale of the project. We will be going out to consultation very shortly and that is an opportune time to respond directly to the questions that are included, such as what is the prospect of free flow traffic and the impact of that. There will be costs to administer that in itself, by the way.

Q96 Paul Flynn: You stand by the figure of £3.70?

Alun Cairns: I would say wait until the consultation goes out.

Q97 Chair: I would finally say that I hope that in the consultation the Minister will put down the level of the debt, which I understand is about £80 million or of that order, and show that against the revenue that is being made at the moment, the £90 million against the £15 million maintenance. Also perhaps the consultation should include the amount of extra revenue that the Government have had as a result of changes to the industrial buildings tax and the court case on VAT, which gave them considerably more unexpected revenue than they forfeited in unexpected extra costs that are now being sought by the Government. I hope all that information is in there and we will be responding in full to it.

Alun Cairns: I have no doubt, Mr Davies, that you will be making those points in your response to the consultation.

Chair: I will. Thank you very much indeed, Secretary of State and Minister.