

Welsh Affairs Committee

Oral evidence: [City Deals and Growth Deals in Wales](#), HC 48

Tuesday 15 October 2019

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Members present: David T. C. Davies (Chair); Guto Bebb; Geraint Davies; Jonathan Edwards; Susan Elan Jones; Ben Lake; Anna McMorris.

Questions 155-220

Witnesses

I: Rt. Hon. Alun Cairns MP, Secretary of State for Wales, and Kevin Foster MP, Parliamentary Under-Secretary of State for Wales.



Examination of witnesses

Witnesses: Rt. Hon. Alun Cairns MP and Kevin Foster MP.

Q155 **Chair:** Diolch yn fawr iawn i'r Gweinidogion am ddod yma prynhawn yma. Mae'n hollol bosibl y bydd rhaid i ni dorri ar draws y cyfarfod mewn munud i gael pleidlais. Does neb yn siŵr, ond rydyn ni'n ddiolchgar i Alun Cairns am redeg drosodd. Fel marathon runner, dwi'n siŵr bod hynny ddim yn broblem iddo fe.

(Translation) Thank you very much to the Ministers for attending this afternoon. It is very likely that we will need to suspend the proceedings for a moment to vote—nobody is entirely sure about that—but we are very grateful to Alun Cairns for running here. I'm sure that wasn't a problem for him as a marathon runner.

(Continued in English) May I start, Ministers, by asking you about the different model being pursued in Cardiff? There is an investment fund that is different from the other models that are in use, although I think there has been a suggestion that some of the other deals might follow that kind of model. The director of the Cardiff capital region states that she would like to explore the possibility for co-investment propositions with Government bodies such as Innovate UK. Would the Wales Office help to facilitate that?

Alun Cairns: Yn y lle cyntaf, ga i ymddiheuro am fod ychydig bach yn hwyr? Roeddwn i'n disgwyl y bleidlais cyn i fi adael Tŷ'r Cyffredin. Diolch yn fawr iawn am eich dealltwriaeth.

(Translation) I apologise for being a bit late. I was anticipating a vote prior to leaving the House. Thank you very much for your understanding.

(Continued in English) The first question is interesting, because the city deal model has grown and morphed across the whole UK. Originally, it was an England-only programme, because the funding that is normally used for economic development purposes is Barnettised, so this money is effectively additional money over and above the Barnett block grant. The good news is that the city deal programme we have already agreed, including the in principle funding for the mid-Wales growth deal, is an extra £790 million over and above the Barnett block, which is a positive stake for Wales.

Sitting suspended for a Division in the House.

On resuming—

Q156 **Chair:** Gadewch i ni ddechrau eto.

(Continued in English) Let's make a start again.

We will just go back to the first question, if that is all right, Secretary of



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State; I am sure we are not going to have any more interruptions now. Let's start from the beginning. The Cardiff region city deal is operating a different model with an investment function—there's an investment scheme there. Do you intend to explore the possibility for co-investment propositions with Government bodies such as Innovate UK? Back to you, Secretary of State.

Alun Cairns: Thank you. That is a really good question. Just to recap, I reminded everyone—this gives me an opportunity to repeat it—that this is additional money over and above the Barnett block. That is relevant to the question because the only deal agreed outside England before Cardiff was the Glasgow city deal. That was, similarly, a funding model or a finance model rather than a project-led model, so Cardiff learned from that, if you like. As other deals across the UK have developed in the interim, they have tended to become more project-based. The Swansea bay city deal was more project-led. The latest example I can highlight is the borderlands deal, which is project-led as well. No one city deal is identical to another, but the broad thrust and structure of them has moved away from the funding-type scheme to the project-led scheme, and there will be a mix in terms of how those schemes develop. Gone are the days where central Government, be that in Cardiff or in Whitehall, decided, "This is what a community needs," and then that goes ahead. It is about empowering the local community.

Cardiff was also in a position where the private sector interest and presence is probably stronger, with larger organisations that will get engaged, than it might be in a mid-Wales model. That is just naturally because of the nature of the economy in Cardiff, it being a capital city.

Q157 **Chair:** Do you feel you may have more control over a project-based scheme? After all, you can look at the projects and say, "I like that," or, "I don't like that." Under an investment model, money is going to go in other directions, and you may not see what the results are going to be for some years.

Alun Cairns: I will answer that, but can I first answer the second part of your first question, which was about co-funding? That is something that is ongoing. For example, the compound semiconductor cluster has bid for UK industrial strategy funding to combine the Cardiff capital region city deal with the first project that it has already brought forward. One will complement the other. To answer the second half of the first question, that is something we are already doing and I am keen to leverage more support.

We are doing something similar in Swansea. Although it is a project-based scheme for the active homes project, where properties or dwellings will contribute more energy to the grid than they consume, £36 million of Innovate UK funding is being invested in Swansea University to complement that scheme.

Those are good examples, in two places, of additional money being used to support the city deal. I have already highlighted the £790 million. In



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addition to that, I can point to £36 million in relation to Swansea, and, hopefully, a successful joint bid by Cardiff and Bristol universities for their compound semiconductor activities.

To answer the second question, which was about whether we have more control, we don't want control. All we want to ensure is good value for money. That is why the city deals are basically given the capacity to develop schemes. I say to all regions, "Give us a scheme that is impossible to turn down because it is such good value for money." In north Wales, for example, on the nuclear projects and Hitachi's decision to pause Wylfa—

Chair: We are going to come on to that.

Alun Cairns: People called for additional money for a city deal, but because they are project-led, we said, "Come up with a project. Absolutely, we are going to be behind you in supporting those projects." In essence, a project needs to be adding so much value to the economy that it would be foolish to turn around and say no.

Q158 **Chair:** We will come on to that in a certain amount of detail. I am tagging this on a little, but can I ask you this: if a project involved infrastructure on both the English and the Welsh side of the border, could the Welsh part of that infrastructure project be considered under any of the schemes that you are putting forward?

Alun Cairns: That is a really good question. I will ask Kevin to talk specifically, as a practical example, about projects in which you might have a specific interest.

You highlight the need for cross-border co-operation. Wales is not a nation that exists in isolation. Clearly, large proportions of the population live within small distances of the border. That is naturally where the economic activity in some of these projects is going to lie. You will know about the western powerhouse, which is morphing into the western gateway—that is the name that seems to be demanded locally. That is something that I am keen to progress. That will not interfere with the city deals, but it will allow them or economic regions to co-operate and co-ordinate, because those regions in themselves don't exist in isolation.

Kevin, do you want to highlight—?

Q159 **Chair:** Yes, I would appreciate a contribution from the other Minister on this, because what I am specifically getting at here is the Chepstow bypass. There is a situation whereby people are sometimes waiting for an hour during rush hour to get in and out of Chepstow, partly because of other things that have gone on, and it is absolutely intolerable. This situation will get worse because of the number of houses that we need to build in Chepstow and that are being built in Gloucestershire—hundreds of them. The obvious solution is a bypass. We know that. A study has been conducted and a second study needs to take place for the project to progress—WelTAG 2, which will cost about £1.2 million.

The Minister and I have met the chief executive of Monmouthshire County Council to discuss the funding, and I believe—sort of verbally—that the



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Wales Office might be willing to consider paying one third. I just wonder if you have any news for me on that, because I know the people of Chepstow would be really pleased to hear from you both on this issue.

Alun Cairns: I am certainly well aware of it, because of the number of times that you have rightly and understandably raised it and championed it. I also think it is partly a success of abolishing the tolls— which this Committee played a big part in, and you specifically as the constituency Member on the border—because it is bringing about greater economic activity. But of course there are challenges that come with that, and what you have highlighted—a Chepstow bypass—is one of those challenges that needs to be resolved. Kevin might be able to offer further information.

Kevin Foster: It is probably worth saying that there is already a cross-border growth deal in the borderlands—Scotland and northern England—so it is not impossible to use this type of structure where there is a local priority. Having visited Chepstow with you, Mr Chairman, I know how much of a priority this is and that this solution has been proposed for some time.

It was disappointing that the western gateway decided not to make it a priority for UK Government funding—I think that is a debate for us. However, if things emerge as a local priority, if it is clear that they will have an impact, if they will deliver the growth objectives and, in particular—I will briefly whack on my hat as the interim Minister of the Constitution—if they help to bring together our nations and the Union, which is one of our core goals, we need to make sure we can do it.

However, perhaps more fundamentally and on a more practical note, next week I am due to meet the Department for Transport and I will push this one forward as well.

Q160 Chair: Will you push for this? A lot of people in Chepstow will perceive that Gloucestershire County Council are merrily building hundreds of new houses and allowing the people of Chepstow to suffer the consequences of the extra traffic that is generated, and then that council cannot even be bothered, frankly, to support part-funding a report. We are not asking them to pay for a bypass just yet. We are just asking them to pay part of the cost of a paper report, which, in my opinion, is not asking a lot, given that they themselves have pushed hundreds and hundreds of extra houses into that area. Some people might think that the way they have carried on is quite disgraceful, and I say that even though I believe it is a Conservative council that is involved. It really is causing a great deal of angst in the Chepstow area. I do not want to put it any stronger than that, but I really think we need a solution and we are not getting one at the moment.

Kevin Foster: Also, as has been touched on, there are issues around air pollution as well, which I know is a very strong concern for you, Chair. There may well be a bit of a chicken-and-egg idea, in that it may be a case of building it in time to qualify for particular funding schemes, but of

course it is about getting that report done. On the money, I think we are talking about £1.2 million overall.

Q161 **Chair:** So one third would be about £400,000 each.

Kevin Foster: That isn't a particularly large sum, but certainly we will make the case very forcibly. We want border communities to be able to work together, to open up an integrated economy between the west of England and the south-east of Wales. It is in both communities' interests and we will certainly be pushing for it very strongly from the Office of the Secretary of State.

Q162 **Anna McMorris:** We asked the director of the Cardiff capital region about the Government's forthcoming gateway process for the Cardiff capital funding. She told us, with some frustration, that the process only takes account of how money is spent, rather than how it is generated through any investment. Could you comment on that and tell me if the review, as currently planned, will just do that, or will it have a wider scope?

Alun Cairns: It is a good point. The independent consultants that will conduct the gateway review are a company called SSQ. They will start that at the end of next year and it will be conducted over the months into 2021, so there is plenty of time to frame that. The process is that the consultants will come up and highlight what they believe to be the issues that should be looked at and measured. That is then drafted in consultation with the city region and with both the Welsh Government and the UK Government. It will then be taken forward, having got to an agreement with all of the stakeholders.

The one thing that I suspect—I don't want to make a categorical commitment—is that I'm not sure it is right for the review to look at the metro element, because that is a Welsh Government-led project. Although it is part of the wider city deal, I think the timings of large infrastructure projects are sometimes challenging to deliver within the relatively short time that the project has been up and running. I think the Welsh Government are in agreement with us that the review probably needs to consider that separately, and with a very light touch, if at all, because they will have their own regulatory and auditing models, which the Welsh Government should rightly consider and use rather than have independent consultants look at it.

Q163 **Anna McMorris:** Thank you for that. If you are looking at the economic impact and benefits as a whole, you need to look at how you are assessing those benefits and understanding the performance, to give a full understanding of that performance, and whether it is generated through investment. Can you not categorically commit to that, because that is about knock-on benefits being generated by that initial investment? Surely that makes sense.

Alun Cairns: I don't disagree with you, but I would say that ultimately, by year 20, which is the end of the programme, we will want ideally to have seen all of the public money invested—which will be both Welsh Government and UK Government money, and a small element of European



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money—as well as £4 billion of private sector money, and the job creation targets and the GVA addition.

That is year 20 but, because we are at such an early stage of the process, we need to accept that it takes time for governance procedures to be put in place. We have 10 local authorities and we have got to assess how they have managed to come together—which is positive, by the way, from my experience. Those are the sorts of things that the review will consider. I am not disagreeing with you but I don't want to pre-empt, either, what the process will take in order to get there.

Q164 Anna McMorris: Of course, this is happening and the review will be ongoing through a time of lots of uncertainty. How are you taking into account impacts of Brexit, and what are you doing about that? Also, what about the impact of the Ford closure in Bridgend? What are you doing about protecting against that and mitigating the effects?

Alun Cairns: Those are two issues but they are related—you are absolutely right. I don't want to pre-empt the way in which the review will be considered because we haven't agreed that yet. We will be absolutely engaging in the sort of review that we think would be helpful to the region, as well as, understandably, ensuring that we are getting value for money.

In reality, very little money has been spent so far because they have been getting the infrastructure projects and the infrastructure of the governance in place. Across 10 local authorities, that naturally takes time. As a general statement regarding city deals and growth deals across Wales, these are relatively small local authorities, which means that their capacity to deliver projects sometimes differs from that of other city deal programmes elsewhere in the UK. That is not a criticism at all, but it does mean that a lot of thought has to be given to how they build up the capacity to try to drive and deliver the projects that they want. I don't disagree with your question.

On the second element, Ford in Bridgend, a joint taskforce of the Welsh and UK Governments is working together, chaired by Richard Parry-Jones. It is industry led and supported by both Governments. Feedback on both sides is positive in terms of how it is working—

Q165 Anna McMorris: I am not so sure about that.

Alun Cairns: Well, I haven't heard anything otherwise. I would say that I have had positive feedback from that, and landing the INEOS investment was a great demonstration of joint work between both Governments, which is hopefully a major step in the right direction in order to try to replace and add to the jobs that we will lose over Ford.

Q166 Anna McMorris: I accept that. I suppose, though, the issue is that, for people living in Cardiff and in Wales, at the moment one in three children in Wales is living in poverty. Wales has the highest pensioner poverty rate out of all the nations. We are looking at positive investment here, and you are looking at a review, but this is all set in the context of you, as Secretary of State for Wales, helping a no-deal Brexit, or a damaging



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Brexit, to go through, which is going to hugely damage the people of Cardiff and the people of Wales.

What are you doing to help those people living in poverty, with children living in poverty, children having to go to food banks, and families having to go to food banks? That is a really shocking situation for us to be in. It is all very well to be talking about the infrastructure, the plans and the great vision, and there are some good investments being made, but this is being done at such a dangerous time. We need to be looking at how we help those people.

Alun Cairns: Several elements come out of the question. We can easily make it about Brexit, but I would say that over a 20-year period of commitment of investment to a city or a region, there will be economic opportunities and economic challenges within that 20-year period. I think we need to be looking longer term. Last night, for example, and yesterday morning, to begin with, we had the leader of Cardiff Council together with the leader of Bridgend Council presenting in No. 10 Downing Street to global investors who were looking at the UK in a new way.

One of the statements that I was delighted to hear and repeat at the event last evening at Lancaster House, where we further continued those discussions at the UK MIPIM event to attract capital investment into the city and the region, was that Cardiff is the fastest-growing city in the UK. I hear some of the issues that you are highlighting, and there are issues that need to be addressed to meet some of those challenges, but I am also sure that you are proud that you are a constituency Member for a city which is the fastest-growing city in the UK.

Anna McMorris: Absolutely.

Alun Cairns: That's good for Cardiff, but it's also good for the capital region and for Wales. The interest that that attracted from investors, be they from the middle east or the far east, is extremely encouraging, and they look on Brexit as an opportunity. We can make this about Brexit if you like.

Chair: I was wanting to come in on Brexit, which is slightly off topic but never mind.

Geraint Davies: It was supposed to be the last question, but it wasn't asked.

Chair: Can I bring in Guto on Brexit, perhaps with a city growth deal aspect to it?

Q167 **Guto Bebb:** I am very grateful, because I might be gone by 3.30 pm, before I ask the question allocated. I think your response was positive because I have no doubt that civic leaders in south Wales and in the Cardiff city region, and yourself as Secretary of State, and the Government, want to present Wales in a different manner. Just on topic, and very relevant to this point, if an investor is looking at the possibility of Belfast having full access to the single market and the UK market, but



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Wales and Cardiff not, how is that going to be positive for Wales? In effect, what we are seeing is the potential for Northern Ireland to benefit from the best of both worlds, but Wales will not be in the same position. I am worried about how that is going to make investors look at Cardiff in a more positive way than they will look at Belfast in the future.

Alun Cairns: In the first instance, your question is making assumptions on where we will get to in terms of a deal, or not doing a deal. Basically, the city deal programme is a 20-year programme, and I have already said—

Guto Bebb: Well, I tried to make it relevant to today.

Alun Cairns: I said that there will be opportunities over that 20-year period. Some will be positive, and some will be more challenging. This is a long-term commitment, and it is something for which the regions and authorities have been calling for so many years, because the European funding was always envisaged originally as that sort of long-term commitment. “Long term” in those days was considered to be seven years. I am not sure that the European funding has been spent in the best way to drive value, bearing in mind that close to £5 billion has been spent since 2000.

Q168 **Guto Bebb:** No argument on the European funding. The question is specific. I appreciate your point that we are speculating about what might be the basis of a deal, but it is very clear that the speculation amounts to Northern Ireland being in a position to enjoy the benefits of single market membership and Wales not being in the same position. I fail to see how a long-term strategy for Cardiff or any other part of Wales will benefit from direct competition with another part of the United Kingdom that is afforded a better deal than the one that Wales would enjoy.

Alun Cairns: First, I have already said it is a long-term commitment. I also think there is a lot of speculation. Even if we both humour the speculation for a moment, I think Cardiff’s proximity to London and the south-east, and also to Bristol—in terms of the productivity of cities, London is the most productive in the UK and, I suspect, in Europe. I cannot categorically say it is, but I would be highly surprised if it is not the most productive city in Europe. Bristol is the second most productive in the UK and is 34 miles from the centre of Cardiff. In the speculation that you are talking about, there will be economic opportunities in Northern Ireland and the Republic of Ireland, depending on where we get to, but I think Cardiff will have unique strengths—not only because of what it already has and what we are investing in and growing. It also has great opportunities because of proximity to other great cities in the UK. I have already highlighted Bristol, but I can also highlight London and the south-east and how we are shortening the journey time between the two, rather than having a ferry ride between one place and the other. We are where we are in terms of geography and location.

Q169 **Chair:** Weinidog, mae’r Llywodraeth yn gwrthod datganoli APD i Lywodraeth Cymru. Ydych chi’n derbyn y byddai datganoli APD yn creu



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boost i economi de Cymru?

(Translation) Minister, the Government is refusing to devolve APD to the Welsh Government. Do you accept that devolving APD would create a boost for the economy in south Wales?

Kevin Foster: The view that we have taken strongly is that we have concerns about the impact it would have on the wider market. We certainly think that the south-west of England and south Wales operate as a single market for aviation; people looking to book flights in Bristol and Cardiff will do similar things. We have concerns about what the impact would be. Let's talk candidly: in an era when the Welsh Assembly is declaring a climate emergency, it would be hard to imagine that it would be looking to slash taxes in this area to encourage more flying. To put the tax above that of Bristol would clearly put Wales at a huge economic disadvantage in the same market.

Q170 **Chair:** It would be up to the Welsh Government to decide what they wanted to do. The interesting thing is that the state aid rules on operation in the same market work on the basis of 63 miles, if I am correct. They say that airports within 63 miles of each other are operating in the same market. I don't know why they came up with that—presumably it is based on kilometres. You take my point? Sixty-three miles is the figure they use. Is that correct?

Kevin Foster: What we can say is that we have to look at how the aviation market operates—

Chair: Okay, but this is important to my question. The state aid guidelines consider airports to operate in the same market if they are within 63 miles of each other. I believe I am correct in saying that; I have it on good authority. In fact, it came from the Exchequer Secretary to the Treasury, Simon Clarke MP—we'll assume he knows what he is saying. On Google Maps, we find that if you go directly to Cardiff airport from Bristol airport, or vice versa, it is 61 miles. However, if you take the route down the M5, which is where most people are now directed to go, it is 71 miles. Even the 61-mile figure is door to door. I think if you chuck in the extra distance for the car parks, which seem to have expanded wildly, you could probably get it up to 63, even on the shortest possible point. What I am saying is that if you, as Ministers, wanted to, it would be very easy for you to consider that they are too far apart, under state aid regulations, to be seen as operating in the same market.

Kevin Foster: The analysis that we have seen and agree with is that it is the same aviation market between the two locations. Looking at north Wales, the connectivity is to English airports mostly, particularly Manchester airport.

Q171 **Chair:** I am sure you are right, but if by chance it turned out that I was correct, and if we could show that Cardiff airport is 63 miles or more from Bristol airport and therefore not operating in the same market according to state aid guidance, would you change your current opposition to devolving air passenger duty to Cardiff?

Kevin Foster: We would say that the UK Government's position is based on analysis of the market rather than how long something is—

Q172 **Chair:** You're basing it on the fact that they are operating in the same market, aren't you?

Kevin Foster: Our analysis indicates that it is a single aviation market.

Q173 **Chair:** But if the regulated distance is 63 miles, and we can show that in all practical terms they are more than 63 miles apart, they would not be operating in the same market, would they?

Kevin Foster: We can look at lines on a map and how the markets and communities operate. Certainly, I have always been one who says it is how economies operate—I touched on that in my comments on cross-border deals. Our strong belief, from our strong analysis, is that they operate in the same market and they compete with each other directly in the same market. The situation in Northern Ireland is very different, where there is water between it and Great Britain—they do not operate in the same market. In Scotland, there is a significant distance between the nearest large commercial airport in Scotland and the nearest one in northern England.

Q174 **Chair:** It's just that if you wanted to—

Kevin Foster: It is probably worth noting that the Scottish Government have not varied the APD, either.

Q175 **Chair:** I am just making the point that if, as a Government, you wanted to, you could say that they are operating outside those markets because they are outside the guidance that you have given me of 63 miles. I will leave that as a thought. If you wanted to, you could simply interpret it based on the route recommended by Apple Maps or Google Maps.

Kevin Foster: The point we would make is that it is not so much whether they would qualify under state aid rules but whether we believe it would be the right thing to do. Look at the decision we recently took on Heathrow: one of the bonuses there is that western rail access, if that is approved, will give much easier and simpler access to Wales. The reality is that the aviation market in south-western England and south Wales is the same aviation market.

Q176 **Susan Elan Jones:** One thing that intrigued me when the initial Government response—I say initial because I hope they will rethink this—came out was that you noticed that questions had been asked in the Committee about north Wales. That is exactly right, but broadly, if you were to go through the evidence that was given and the questions that we asked in the sessions, we came to the conclusion that it would have no impact whatsoever on air travel in north Wales to devolve APD to Wales and thereby help a large chunk of Wales near Cardiff airport. It is nonsense to suggest that it would have any impact on north Wales. As you said, there is no sense that people from north Wales will travel down to Cardiff airport at all. It is totally neutral for us in north Wales. I cannot understand how the decision on this was made. It genuinely does not



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harm us in north Wales if air passenger duty is devolved to Wales, thereby helping the economy in south Wales.

Kevin Foster: As I say, the UK Government's analysis is that Cardiff operates in a single aviation market with the south-west and western part of England. Therefore, the UK Government do not see two taxation rates in the same aviation market. Again, touching back on things like climate emergencies, arguing on the one hand that there is a climate emergency and on the other hand arguing for slashing taxes on aviation does not seem a logical position.

Q177 **Susan Elan Jones:** But that is a decision for the Welsh Government, surely.

Kevin Foster: Again, if we look at our international obligations when we talk about flying, to allow an opportunity to avoid taxation in the same aviation market would not be a positive route forward.

Q178 **Geraint Davies:** On the climate change issue, my understanding is that the ambition of Cardiff is to have Welsh people going from a Welsh airport rather than driving all the way to Bristol, and therefore there would be a net benefit to the climate.

On a different point, don't you feel you have a conflict of interest? You are supposed to represent Wales, but your constituency is in Devon, so you have a greater interest in Bristol airport than in Cardiff.

Kevin Foster: It's a similar time on the train to get to Bristol as it is to get to Cardiff. And we have a shared interest when it comes to western rail access.

Q179 **Susan Elan Jones:** What?

Kevin Foster: And this would be a similar decision. Again, the analysis and the position that has been there for some time is that this is the same aviation market. We only have to look at places like Newport to see how that operates.

We are saying that how the market operates is not based on borders.

Anna McMorris: Not really standing up for Wales, though, is it?

Q180 **Geraint Davies:** Let's go on to the Secretary of State. I know he is looking forward to hearing from me on the city deal, which we welcome. On the quantum of investment, you know that in terms of aggregate investment in railways we have some 11%; 5% of the population; 1.5% of the investment. Around the Swansea bay area, we have seen Network Rail cutting £1 billion of investment. Your Government cut a further £440 million from electrification. I know you have a £20 million proposal for a little station, but don't you feel that, given the needs of Swansea and the threat of Brexit for Bridgend and so on, we should pump a lot more money particularly into rail infrastructure and a Swansea bay metro, for example, alongside the city deal? Isn't this just peanuts compared with what we need?



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Alun Cairns: First, I do not recognise the data that you shared, but I do share your excitement and enthusiasm for rail investment. I know you will be pleased that from December there will be trains running at peak times from Swansea. They will progress across to Bristol and then not stop until they get to Paddington. Again, these are practical changes that bring Wales much closer to the economic opportunities in London and the south-east and therefore make Wales more attractive to people in London and the south-east who are looking for investment opportunities. They are practical proposals that will cut journey times significantly.

Q181 **Geraint Davies:** By how much?

Alun Cairns: The timetable hasn't been published, but I know Cardiff is one hour 42, and then there will be the journey from Cardiff to Swansea.

Q182 **Geraint Davies:** Which is an hour.

Alun Cairns: So two hours 42, which is a significant difference.

Geraint Davies: On this—

Alun Cairns: May I finish the answer?

Q183 **Geraint Davies:** Two hours 42.

Alun Cairns: Well, I don't want to be held to that because the data has been published and that is in the public domain, but from December those will be the peak times. That saves, for example, more time than any electrification would have. I know there is disappointment in the Committee about the electrification between Swansea and Cardiff, although it makes no difference in the journey time or the train that a passenger travels on.

Geraint Davies: It does.

Alun Cairns: Well, I can categorically confirm that it does not, but I am sure the Committee will share the same disappointment at the Welsh Government who committed originally to electrify the valley lines. Because of the way in which the costs of electrification rose, they decided to shift to bimodal trains in exactly the same way that we are now using bimodal trains between London and south Wales. That is a practical example of where we can achieve the same outcomes for better value for money, and I think the Welsh Government took the right decision, because I appreciate the challenges that they had.

To come to the second element of your question, I am excited by the West Wales Parkway train station because it brings Swansea and west Wales as a region much closer together. It has the capacity for saving tens of minutes, say, between Carmarthen and Swansea and obviously then everywhere further east from there. I think that this brings railway access to so many people who at the moment automatically jump in the car, because if it was electrified or not, it would not make their journey times any quicker or any easier—or in accessing the train. So if you think of it from a passenger point of view what gives you the best outcome? This



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new train station, West Wales Parkway, will give the best outcome to people from Ammanford, to people from Gorseinon, to people from Fforestfach, to people from Llanelli—all of those places that at the moment don't readily turn to the train because of the way in which the times of trains, because of the way the track is laid, take a lot longer than they would otherwise like.

Q184 Geraint Davies: What I was trying to say is that your Government has cut something like £1.4 billion out of rail investment in the Swansea bay city region. You are talking about an investment of £20 million.

Alun Cairns: No, no—shall I clarify?

Geraint Davies: No. If I can finish the question, you are talking about a proposed timing of possibly two hours 42 from Swansea to London. Yet the timing from London to Manchester will be cut from two hours 10 to one hour 10. We can already get all the way to Edinburgh in four hours. It takes nearly three hours to get to Swansea. HS2 will cost—what is it?—£80 billion now, and you haven't fought to get our 5% fair share. Basically you are completely letting down Wales—what you are doing with HS2, isn't there an argument, in fact, that that money should be spent more proportionately for Wales, when you are just letting it fritter away?

Alun Cairns: Chairman, I am really aghast at the inconsistency Mr Davies is showing with his data. He is happy to include all the HS2 spend between London and Manchester, and that, then, is all—but on the logic that Mr Davies is showing he would only include the Manchester spend for Manchester, because he is only including the Wales spend for Wales. So for example the upgrade—

Q185 Geraint Davies: We want the Barnett consequential from HS2; why aren't you fighting for it?

Chair: Let Mr Cairns make his point.

Alun Cairns: I think you are forgetting that Wales has received Barnett consequentials for HS2 so far of £700 million. That is a significant uplift, right? So that is a positive step the Welsh Government rightly received, and which compared differently with some capital projects that were pursued by the previous Labour Administration. You have also got to take into account the £2.6 billion that has been spent to modernise the Great Western main line. The best example to highlight it is the Halton Curve investment. It is really important in north-east Wales, but the investment is taking place in England; so the logic on which you are assessing spend and benefit to passengers is completely illogical, because you have to take into account it is part of a network. There is absolutely no benefit to having spend in one part if it doesn't lead to anything and benefit in terms of passenger journey times and passenger experience. The Great Western main line upgrade is close to £5 billion, if you include the trains. I could argue that that benefit is being experienced by constituents in Swansea West.

Q186 Geraint Davies: I know, so there will be 15 minutes' saving from



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Paddington to Cardiff, no saving from Cardiff to Swansea, no Swansea metro, and cutting £1 billion from £1.5 billion.

Alun Cairns: But, Mr Davies, you are completely misunderstanding that electrifying between Cardiff and Swansea wouldn't save any time at all, because—

Geraint Davies: It would if that money was spent on the Swansea metro.

Alun Cairns: It would not save any time because of the topography in the area and the number of bends in the track, so whether it was running on electric or whether it was running on diesel-generated energy makes no difference to the time, and surely it is the time that we want to be focusing on. I can save tens of minutes with a new train station that would also benefit a lot more passengers.

Q187 **Geraint Davies:** All I am trying to say is the money that has been stolen from Swansea should be spent on a Swansea metro. That is what I am saying. Why aren't you fighting for that?

Alun Cairns: We are happy to look at any proposals that come forward, but I would also say that a new train station that will provide access to new passengers to use rail, which has been ignored for investment for decades, is a great step as a starting point on any metro—

Q188 **Geraint Davies:** On the city deal, will you look at the idea of incorporating a Swansea metro into the Swansea city deal?

Alun Cairns: For all the city deal programmes, we have said that if there are compelling cases that will raise GVA, increase employment and deliver the Government's objectives, of course we will look at those sorts of options. *[Interruption.]* Mr Davies, I have also got to remember that we need to respect that there is a devolution settlement. The £790 million coming in relation to the city deals programme is additional to Barnett—

Geraint Davies: Yes, you've mentioned that three times.

Alun Cairns: I would also say that an English MP could argue—something that I am consciously pushing—that that is money that should be spent in England, but Wales is already taking it. That is the right thing to do.

Q189 **Chair:** I have a question that might be helpful.

Rydych chi wedi dweud fod Cymru wedi cael Barnett consequentials i gymryd cyfrif o'r arian rydyn ni'n mynd i wario ar HS2. Ar hyn o bryd, dw i'n credu mai cost HS2 yw £53 biliwn, ond mae'n debyg y bydd hynny'n mynd i fyny i £88 biliwn—does neb yn siŵr. Os yw'r gost yn mynd i fyny, a dwi'n siŵr fod hynny'n mynd i ddigwydd, ydych chi'n mynd i ofyn am 5% o Barnett consequentials o arian ychwanegol i ddod i Gymru?

(Continued in Welsh) You said that Wales had Barnett consequentials to take account of the money we will spend on HS2. At the moment, the cost of HS2 is, I think, £53 billion, but apparently that will go up to about £88 billion—nobody is quite sure. If the cost does go up, and I am sure that will happen, will you ask for 5% Barnett consequentials for additional



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funding to come into Wales?

Alun Cairns: Y rheswm wnes i sôn fod 'na Barnett consequentials wedi cael eu rhoi ar y gwariant hyd yn hyn yw gan fod rhai sylwadau wedi cael eu gwneud yn dweud nad ydyn nhw. Mae hynny'n gwbl anghywir. Mae'r ffordd cafodd y datganiadau am y Barnett consequentials eu dehongli yn gwbl anghywir. Dwi wedi rhoi sawl ateb i Aelodau Seneddol sydd wedi rhoi'r cwestiwn lawr. Mae 'na Barnett consequentials.

(Translation) The reason I said that Barnett consequentials had been given on the expenditure so far is because comments were made stating that that was not the case. That is absolutely incorrect. The Barnett consequentials and the way in which the statements were interpreted were incorrect. I have already given several responses to MPs who have asked that question. There are Barnett consequentials.

Q190 **Chair:** Ond rydych chi'n derbyn yr egwyddor y dylen ni gael Barnett consequentials o achos y gwariant ar HS2, ac rydych chi'n iawn. Felly os yw'r gwariant yn mynd i fyny, mae'n rhaid i ni gael mwy o Barnett consequentials.

(Translation) You accept the principle, though, that we should have Barnett consequentials because of the additional expenditure on HS2, and you are right. Therefore, if the spending goes up, we have to have more Barnett consequentials.

Alun Cairns: Fel dwi wedi dweud, ac fel ydych chi'n gwybod, Gadeirydd, mae HS2 o dan review ar hyn o bryd felly dwi ddim yn mynd i sôn yn bellach ynglŷn â HS2 achos dwi ddim eisiau dylanwadu mewn unrhyw ffordd ar y review, sy'n cael ei wneud yn gwbl annibynnol.

(Translation) As I have said, and as you know, Chair, HS2 is currently under review, so I will not state anything further about HS2 because I do not want to influence the review, which is being done completely independently, in any way.

Q191 **Chair:** Ond os ydyn ni'n mynd ymlaen â HS2 ac os yw'r gost yn mynd i fyny, rydych chi wedi derbyn yr egwyddor y dylai Cymru gael Barnett consequentials ar HS2. Felly os yw'r gost yn mynd i fyny, ddylen ni gael mwy o arian.

(Translation) But if we proceed with HS2 and the cost does increase, you have accepted the principle that Wales should get Barnett consequentials on HS2. So if the cost goes up, we should have more money.

Alun Cairns: Fe fydden i'n dweud, edrychwch ar y dystiolaeth hyd yn hyn. Mae 'na Barnett consequentials wedi cael eu rhoi tuag at y gwariant.

(Translation) I would say, look at the evidence thus far. Barnett consequentials have been given towards that expenditure.

Q192 **Jonathan Edwards:** Wna i ddim dechrau dadl ar HS2. Dwi ddim cweit yn credu fod yr Ysgrifennydd Gwladol wedi amlinellu'r llun llawn. Hoffwn i droi at fargen ddinesig rhanbarth Abertawe. O'r hyn dwi'n ddeall, yn amlwg mae 'na arian Llywodraeth Prydain, Llywodraeth Cymru,



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awdurdodau lleol ac arian preifat. O edrych ar y gwahanol gytundebau ledled Cymru, mae 'na wahanol lefelau o ran pwy sy'n cyfrannu at y pot. Yn achos Abertawe, mae 'na lot mwy o ddibyniaeth ar arian cyhoeddus lleol ac arian preifat lleol nag, er enghraifft, yng Nghaerdydd. Allwch chi esbonio beth oedd yr athroniaeth tu ôl y penderfyniadau a wnaethpwyd o ran sut oedd y cytundebau yma'n cael eu hadeiladu?

(Translation) I will not start an argument on HS2. I do not think the Secretary of State has quite outlined the full picture. To turn to the Swansea bay city deal, from what I understand, UK Government funding, Welsh Government funding, local authority funding and private funding is involved. To look at the different deals across Wales, there are different levels in terms of who contributes what towards the pot. In Swansea's case there is a much greater reliance on local public funding and private funding than in, for example, Cardiff. Can you explain the philosophy behind the construction of these deals?

Alun Cairns: Mae hwnna'n gwestiwn da, ond mae'r prosiectau'n cael eu hadeiladu'n lleol, felly mae'n dibynnu pa fath o dystiolaeth oedd yn cael ei gyhoeddi a pha fath o gefnogaeth oedd yr awdurdodau lleol eisiau ei roi. Mae 'na drafodaeth yn cymryd lle, ond mae'n rhaid mai'r awdurdodau a'r busnesau a'r rhanbarth lleol sydd yn gwthio'r agenda fan hyn. Mi allwch chi edrych ar y ratio o arian preifat rydyn ni'n ei ddisgwyl o'i gymharu, efallai, â'r arian cyhoeddus yn gyfan. Mae'r ratio yn Abertawe, er enghraifft, yn llai na'r ratio yng Nghaerdydd. Dwi'n meddwl fod hwnna'n deg achos mae mwy o gyfle, fydden i'n dweud, yn enwedig ar amser cynnar yn y cynllun, i Gaerdydd ddenu mwy o fuddsoddiad preifat. Felly mae eisiau bod ni'n defnyddio'r cynllun tyfu'r economi yn Abertawe a'r rhanbarth er mwyn denu mwy o arian preifat, ond yn realistig hefyd rhwng y ddau le. Does dim un cynllun yn gwmws yr un peth â'r llall.

(Translation) That is a good question, but the projects are constructed locally, so it depends on what type of evidence was published and what type of support local authorities wanted to provide. A discussion is taking place, but it is the local authorities, the businesses and the local region that push the agenda. You can look at the ratio of private funding we anticipate compared to the public funding in its entirety, and in Swansea, for example, that is lower than in Cardiff. I think that is fair because, particularly with it being early days in the plan, there is more of an opportunity for Cardiff to attract greater private investment. Therefore, we need to make use of the Swansea bay region growth deal to attract more private funding, but also realistically between the two areas. There are no identical schemes.

Q193 **Jonathan Edwards:** Fy nealltwriaeth i oedd bod 'na ddibyniaeth eithaf sylweddol o ran arian preifat yn achos Abertawe. Ydych chi'n gallu rhoi braslun i'r Pwyllgor o ba mor llwyddiannus mae'r fargen ddinesig wedi bod yn denu lawr yr arian preifat hynny? Ydyn ni'n debygol o gyrraedd y targed o £1 biliwn a gafodd ei gyhoeddi gan Lywodraeth Prydain o ran y cynllun yn ei gyfanrwydd?

(Translation) My understanding was that in Swansea there was quite



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significant reliance on private funding. Can you provide us with an outline of how successful the city deal has been in attracting that private funding? Is the scheme likely to reach the £1 billion target announced by the UK Government?

Alun Cairns: Y rhanbarth wnaeth gynnig y ffigurau yn y lle cyntaf, felly dyna o ble mae'r ffigur wedi dod. Nid Llywodraeth y Deyrnas Gyfunol sydd wedi bod yn gwthio'r ffigur heb fod hwnnw wedi cael ei gyfrannu neu ei gynnig gan y rhanbarth. Hyd yn hyn, er bod 'na ddau brosiect wedi cael cefnogaeth—y digital district yn Abertawe ac Yr Egin yng Nghaerfyrddin—mae'r rheiny yn amlwg yn gynnwys yn y prosiectau. Felly, er bod 'na £18 miliwn wedi cael ei roi—ac mae 'na addewid o £18 miliwn arall yn yr ail flwyddyn gyda terms and conditions sydd eisiau cael eu cytuno—mae sut mae'r arian hynny'n cael ei wario ac ar ba brosiectau i fyny i'r rhanbarth, achos mae llawer iawn o hyblygrwydd ganddyn nhw. A dyna ydyn ni eisiau gweld—eu bod nhw'n cymryd cyfrifoldeb a rheolaeth dros y peth, nid bod unrhyw Lywodraeth ganolog yn dweud, "Hwn yw'r agenda ac mae'n rhaid bod chi'n cyflawni ar hyn." Mae 'na egwyddorion. Mi fydd 'na gateway review ar y bumed flwyddyn, ac mae eisiau bod ni'n cofio hefyd bod hwn dros 15 mlynedd, nid 20 mlynedd fel sydd yng Nghaerdydd.

(Translation) It was a region that put forward the figures in the first instance, so that is where the figures have come from. It was not the UK Government that pushed the figure without its being offered by the region. So far, even though two projects have gained support—the digital district in Swansea and Yr Egin in Carmarthen—clearly they are at an early stage. Even though £18 million has been put in and there is a promise of another £18 million in the second year, with terms and conditions to be agreed, how that money is spent and on what projects is up to the region, because they have a lot of flexibility. That is how we want things to go. They need to take responsibility and control, rather than any central Government saying, "This is the agenda. You have to deliver this." There are principles. There will be a gateway review in the fifth year and we need to bear in mind that it is over a 15-year period, not a 20-year period, which applies to Cardiff.

Q194 **Jonathan Edwards:** Fe wnaeth cynrychiolwyr y rhanbarth ddweud eu bod nhw wedi gofyn i Lywodraeth Prydain gyflymu rhyddhad yr arian atyn nhw er mwyn lleihau'r pwysau ar eu cyllidebau nhw fel cynghorau. Ydych chi'n gallu rhoi bach o fraslun o'r hyn mae Llywodraeth Prydain wedi'i wneud mewn ymateb i'r cais hynny?

(Translation) Representatives from the region told us that they had asked the UK Government to accelerate the release of the funding to them, in order to reduce the pressure on their budgets as councils. Are you able to give us an outline of what the UK Government have done in response to that request?

Alun Cairns: Deialog yw hwn. Dwi'n fodlon siarad trwy'r amser am unrhyw gynllun, ond mae'n rhaid i ni gofio bod y cytundeb wedi cael ei wneud pan aeth Theresa May i'r stadiwm Liberty yn Abertawe a chytuno arno. Mae'r cryfder o feddwl fel hyn yn teimlo'n gwmws yr un peth gyda



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Llywodraeth Cymru a gyda Llywodraeth y Deyrnas Gyfunol. Eto i gyd, mae 'na hyblygrwydd o ran pa fath o brosiectau maen nhw'n datblygu tu fewn i'r arian sy'n cael ei drosglwyddo, ond os oes 'na unrhyw brosiect sydd ddim yn gallu cyflawni'r targedau, a bod nhw eisiau newid yn gyfan gwbl, mi wnawn ni edrych ar hwnna hefyd. Mae 'na heads of terms wedi cael eu cytuno, a thu fewn i egwyddor yr heads of terms yw'n blaenoriaeth ni, ond mi wnawn ni wastad drafod er mwyn cefnogi a helpu.

(Translation) This is a dialogue. I am willing to talk about any plan, but we have to bear in mind that the deal was struck when Theresa May went to the Liberty stadium in Swansea and agreed it. The strength of thinking feels exactly the same in the Welsh Government and the UK Government. However, there is flexibility on what kinds of projects are developed within the funding, but if any projects cannot deliver the targets and they want to change it entirely, we will look at that. Heads of terms have been agreed and that is our priority, but we will always have discussions to support and help.

Q195 Geraint Davies: On that point, there is concern that changing circumstances from a hard Brexit and other economic shocks—loss of convergence funding—may mean that the great majority of the money is needed up front on the back of council tax payers, who will lose out in their school facilities, etc., while the UK Government are dragging their heels and just paying money in never-never land. Is there not a real risk that, because there is not enough money to go around, the Government have set up a situation where council tax money is being bet on these projects, and if they do not succeed, local people will be burnt without the UK Government putting their hand in their pocket?

Alun Cairns: Local government funding is a matter for the Welsh Government in terms of how they decide to support local authorities. We want regions, which have rightly welcomed the opportunity and challenge, to be responsible for the projects. With that, of course there will be an element of risk, but that is something they will want to respond to and thrive, because that is what gives them greater opportunities. Instead of having projects done to them, they are responsible for driving the project. The leader of Swansea Council, for example, has been really keen to accept and drive that responsibility because of the uplift that it will bring. I see it as a positive step of authorities rightly taking control over their ambition. They will rightly be supported and rewarded by the investment in business and by the electoral gains that will come from a wealthier city presumably.

Q196 Geraint Davies: But there has been an independent review and obviously the local authorities have to have new skills and new capacity, because this is a new venture for them. It is all very well saying, "Oh, they'll have this opportunity to manage everything." Isn't this just throwing that in their lap, with an opportunity for somebody to drop the ball? Then you can just wipe your hands of it and say it is all someone else's fault if something goes wrong.



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Alun Cairns: No. That's why the gateway reviews are there in order to provide a supportive role. I also think you are misunderstanding the difference between capital investment and revenue. The UK Government's projects are capital projects and that's why we will be driving capital. We can't switch capital funding for revenue funding within that. If you feel that there is a case that needs to be made, the Welsh Government are probably best placed to answer. They are not only responsible for local government funding and the capacity that that brings, but for the revenue-type schemes within those projects as well.

Q197 **Geraint Davies:** May I finally ask you about the Swansea bay tidal lagoon? I know you have been an outspoken critic of the Swansea bay tidal lagoon, but do you think there is a possibility of a new funding scheme that could be integrated into the Swansea bay city deal, to have a holistic approach to aggregate investments?

Alun Cairns: Again, Chairman, I think my position is being misrepresented. I am a strong supporter of the tidal lagoon but not at any price. It has got to be good value for money for the taxpayer. I don't know if Mr Davies is still on the Public Accounts Committee, but he has been in the past. I or an accounting officer would be in front of the Public Accounts Committee if money was not spent properly.

The reality is that I am a strong supporter of the lagoon, but when the project was decided upon the cost, even compared with alternatives, was three times more for the energy that would come out of it. Since then, the cost of renewable energy has fallen even further, so it is well in excess of three times more expensive.

Q198 **Geraint Davies:** Have you looked at the latest costings? These are old-fashioned figures you trotted out some time ago, aren't they?

Alun Cairns: We will always look at any proposal because we have set ourselves a zero net carbon target that we want to deliver. There will be all sorts of technologies. It doesn't make sense if you can buy three times as much green energy from one scheme compared with three times less from another scheme, if you like. That's the sort of tension that we are going to get.

Chair: Can I gently say that we have quite a lot to get through because we started late? We might to speed up a bit up.

Q199 **Guto Bebb:** Gan mod i'n gadael am hanner awr wedi tri, dwi'n ddiolchgar am y cyfle i ofyn cwpl o gwestiynau am y cynllun twf yng ngogledd Cymru. Er gwaethaf fy nghwestiwn i am Brexit, dwi yn credu, yng nghydestun gogledd Cymru, mae 'na groeso pendant i'r buddsoddiad sylweddol.

Un cwestiwn sydd angen ei godi ydy bod partneriaid yn y gogledd ac yn Llywodraeth Cymru wedi awgrymu bod 'na ddim rhagrybudd wedi bod y byddai'r swm sy'n cael ei fuddsoddi yn £120 miliwn yn hytrach na swm uwch. Oedd cyfanswm y buddsoddiad o £120 miliwn, sy'n cael ei groesawu, yn swm oedd Swyddfa Cymru yn gobeithio'i gael neu oedd 'na



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swm uwch mewn golwg? Yn ail, os oedd 'na swm uwch mewn golwg, fyddai 'na bosibilrwydd o fuddsoddiad pellach i ogledd Cymru pe byddai 'na brosiectau yn dod i'r fei fyddai'n perswadio Swyddfa Cymru a Llywodraeth Cymru o addasrwydd y prosiectau hynny a'r ffaith eu bod nhw werth y buddsoddiad?

(Translation) Because I need to leave at 3.30pm I am grateful for the opportunity to ask a couple of questions about the north Wales growth deal. Despite my question about Brexit, in the context of north Wales I believe that there is a definitely a welcome for the significant investment.

One question that needs to be asked is that partners in north Wales and in the Welsh Government have suggested that there was no forewarning that the sum invested was to be £120 million rather than a higher sum. The total investment of £120 million was welcomed, of course, but was that the sum that the Wales Office hoped to achieve or was there a higher sum in mind? Secondly, if there was a higher sum in mind, is there a possibility of further investment for north Wales if projects came through that persuaded the Wales Office and the Welsh Government of their suitability and that they were worth the extra investment?

Alun Cairns: Ga i ddiolch i Mr Bebb am ei gwestiwn? Ond efallai gan fod Kevin Foster, y Gweinidog, wedi bod yn ymdrin â'r cynllun yn gyfan gwbl, wna i drosglwyddo iddo fe.

(Translation) I thank Mr Bebb for his question, but because Kevin Foster, the Minister, has been dealing with the scheme in its entirety I will hand over to him.

Kevin Foster: I think it is probably safe to say that the £120 million was calculated on the basis of the quality economic case and value for money approach that was submitted by the local partners, but you asked whether there is the prospect for more. Let's be clear: they have already secured another £7 million through the local full fibre networks. If they secure additional funds on compelling cases from other funding pots, that doesn't then get netted off the growth deal money, shall we say. The growth deal money is still there, so that is £7 million already on top of that.

We have a very productive relationship with the Welsh Government and with the partners in north Wales, all focused on the same goals. We have got £120 million from the UK Government matched by the Welsh Government, with a suite of priorities that we can get on with. Perhaps compelling cases will come forward in the future that would deliver on the objectives. This is not just about the schemes as we sign them off today. This is about setting up a structure and a way of working that can deliver more in the future. As I say, they have already got another 7 million quid out of the UK Government for the benefit of the people in north Wales. There is no reason why, with compelling programmes, they could not do more.

Q200 **Guto Bebb:** I accept all that. The reason I ask the question is because when we heard evidence from the economy Minister in Wales, Ken Skates, it was apparent from reading between the lines that the



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expectation in the Welsh Government was that the sum allocated would be higher than £120 million and therefore he was very keen to highlight the fact that he was willing to match-fund on a pound by pound basis any additional projects. That is the rationale for the question being asked. Obviously, we appreciate the fact that this is a partnership between the two Governments. I absolutely subscribe to the view that having two Governments is a positive for the opportunities in north Wales. That partnership with the partners in north Wales is also something that has been built from the bottom up, so it is a very strong partnership.

The likelihood of an additional sum within the growth deal structure rather than additional sums from other Departments is what I am getting at.

Kevin Foster: To be clear, it is actually a partnership between all three tiers. The two Governments work together, but the local tier drives in the context of north Wales.

Guto Bebb: Absolutely.

Kevin Foster: We work together very well with the Welsh Government and with the local tier. We have a budget. We have some good projects there, some very strong ones that we can get on with, that will make a real difference. If compelling cases come forward in the future—I note Ken's kind offer: a bit of a two-for-one deal in some ways. If he puts a pound in, he gets two. If some constructive projects that had a very good business case came forward, we would not rule them out, but for now we need to get on with delivering some high quality projects that we can do well within the budget of the current £240 million.

Q201 **Guto Bebb:** So subject to the success of what we have currently got scheduled, there is a possibility that more money could be found within the context of the growth deal.

Kevin Foster: In the concept.

Q202 **Guto Bebb:** If value for money is offered.

Kevin Foster: Yes. If it delivers the objectives and takes things forward, and if it delivers outputs. Dyfrig Siencyn, who chairs the North Wales Economic Ambition Board, put it very well in one of our challenge sessions. His goal is that ultimately his board sees opportunities locally and sees a path through for them. If we can deliver goals like that with good sound value-for-money cases—of course, you could go on exponentially. There comes a point where we have a strong budget and they can deliver a strong suite of projects that the region has worked hard to identify that deliver firmly on all the objectives that all three of us have. The deal is not just about the UK Government's, the Welsh Government's or the local council's priorities. There could be potential in future. As I say, they have already, in other areas, used coming together in this structure to get more money in.

Q203 **Guto Bebb:** Jyst i droi at yr Ysgrifennydd Gwladol, ond efallai mai'r Gweinidog fydd yn ateb. Mae'r cwestiwn sydd wedi cael ei baratoi yn



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awgrymu ein bod ni'n gorfod holi os ydy Wylfa yn debygol o syrthio i mewn i'r cynllun twf maes o law. Fy nheimplad i ydy bod Wylfa'n gynllun mor sylweddol ar lefel Brydeinig nad ydy o'n mynd i syrthio fewn i'r cynllun twf fel y cyfryw. Yn naturiol, mae 'na siomedigaeth yng ngogledd Cymru oherwydd y penderfyniad i ohirio datblygu Wylfa. Dwi'n pwysleisio'r gair "gohirio". Ond beth ydy'r sefyllfa ddiweddaraf? Oes 'na obeithion gwirioneddol y gall y Llywodraeth ymyrryd yng nghyd-destun cefnogaeth i ddatblygiad Wylfa Newydd mewn ffordd adeiladol? Dyna'r cwestiwn cyntaf.

Yn ail, oes 'na brosiectau wedi dod o'r bartneriaeth yng ngogledd Cymru er mwyn gwneud iawn am y ffaith fod 'na ohirio wedi bod? Hynny yw, pan gawson ni dystiolaeth gan arweinydd Cyngor Môn, mi oedd 'na dystiolaeth yn cael ei gynnig bod 'na brosiectau wedi cael eu cynnig fyddai'n gallu cael eu blaenoriaethu er mwyn gwneud iawn am y ffaith ein bod ni'n mynd i orfod aros cyn gweld y buddsoddiad yn Wylfa. Felly dau gwestiwn: un, beth ydy'r sefyllfa ddiweddaraf efo Wylfa? A'r ail gwestiwn, oes 'na brosiectau wedi cael eu cyflwyno fyddai o bosib yn gallu cael eu datblygu tra'n disgwyl datblygiad yn Wylfa?

(Translation) Turning to the Secretary of State, although it might be the Minister who ends up answering. The prepared question suggests that we ask whether Wylfa likely to fall into the growth deal at any point. I think Wylfa is so significant at UK level that it will not fall into the growth deal per se. Naturally, there is disappointment in north Wales because of the decision to postpone the development of Wylfa—I emphasise the word "postpone"—but what is the most recent position? Is there any genuine hope that the Government could intervene constructively in the development of Wylfa? That is the first question.

Secondly, are there projects that have come through the partnership in north Wales in order to make up for the fact that there has been postponement? We heard evidence from the leader of Anglesey Council that projects had been suggested that could be prioritised in order to make up for the fact that we will have to wait before seeing the investment in Wylfa. So two questions: first, what is the latest situation with Wylfa, and secondly, have any projects been presented that could possibly be developed while anticipating developments in Wylfa?

Alun Cairns: Diolch am y cwestiwn. Ga i ddweud unwaith eto, dwi'n cwbl gytuno mai wedi'i ohirio mae'r prosiect. Mae 'na ddeialog yn mynd ymlaen drwy'r amser gyda Horizon.

Lai na phythefnos yn ôl, roeddwn i'n gobeithio cwrdd â chadeirydd Hitachi gyda Phrif Weinidog Cymru, Mark Drakeford, y ddau ohonon ni yn yr un cyfarfod gydag ef er mwyn dangos cefnogaeth tuag at y cynllun. Mae canlyniad y development consent order ar fin cael ei gyhoeddi, erbyn diwedd mis Hydref dw i'n meddwl, felly mae hwnna'n mynd i roi cyfeiriad newydd i'r penderfyniadau neu'r opsiynau sydd ar gael i Hitachi fel buddsoddwyr. Felly mae'r berthynas yn dda, mae'r berthynas yn gryf. Yn amlwg, mae'r penderfyniadau dal i fod i fyny iddyn nhw, ond mi wnawn ni gydweithio achos maen nhw'n dal i fod yn gweld y cyfleoedd. Mae'r Llywodraeth yn ymgynghori ar y regulated asset base-RAB-model o



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ariannu, ac maen nhw wedi ymateb yn bositif i hwnna. Ond eto i gyd, mi fydd eisiau deddfwriaeth, a dwi mor falch eu bod nhw yn ymateb fel y maen nhw i'r ymgynghoriad sydd yn mynd ymlaen ar hyn o bryd.

I'r ail gwestiwn, mae 'na ddau phase yng nghynllun tyfu'r economi yn y gogledd, felly efallai fod Kevin eisiau sôn am yr ail phase achos mae hwnnw yn rhoi cyfle er mwyn datblygu'r math yna o gynlluniau.

(Translation) Thank you for the question. May I say once again that I absolutely agree that it is a postponement of the project. There is a constant dialogue taking place with Horizon.

A fortnight ago or less, I hoped to meet with the chair of Hitachi with the First Minister of Wales, Mark Drakeford—the two of us at the same meeting with him, in order to show support for the scheme. The outcome of the development consent order is about to be published, by the end of October I think. That is going to show what decisions or options are available to Hitachi as investors. The relationship is good. It is a strong relationship. Clearly, the decisions are still up to Hitachi, but we will work together because it still sees opportunities. The Government are consulting on the regulated asset base—RAB—model of funding, and it has responded positively to that. Again, there would need to be legislation. I am very pleased that Hitachi is responding as it is to the consultation that is taking place at the moment.

On the second question, there are two phases to the growth deal in north Wales. Perhaps Kevin would like to talk about the second phase, which provides an opportunity to develop those kinds of plans.

Kevin Foster: There will be two phases. One of the projects, as an example, is a low-carbon energy centre of excellence that has been suggested by the region. It would support Wylfa, if it happens, or it would support other businesses and energy interests. It is worth remembering that there is a range of interests in the nuclear sector in north-west Wales, as you know, as well as other renewable energy sources.

There would potentially be some greater flexibility in the later phase of the growth deal to react to any change, particularly if Wylfa came through, and to ensure that local people had the opportunities to take. It is probably safe to say that the scale of Wylfa overall is something that would be dealt with at a UK level, but there are clearly aspects in the north Wales growth deal that can support local people to take advantage of the opportunities. What we do not want is just to see the jobs and investment coming into the area, which is fantastic, but local people not being able to see the route through to them.

Alun Cairns: I would also add that I think that the Government's commitment under the model that did not progress, of us taking a third equity stake as well as covering the capital costs—some people thought that that was possibly too generous—was a good place to be in to be on the right side of support behind the project.



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Q204 **Guto Bebb:** Specifically on this project, I don't disagree with the Secretary of State at all in terms of the commitment of the previous Administration to Wylfa and the financial commitment. I think the complexities of Wylfa are highlighted by the fact that when Horizon pulled out, its stock price went up. The complexities are understood, but I just want to clarify the Minister's comments. When we had evidence from Anglesey council immediately after the suspension of the Wylfa project, we were told that there were projects that it had that were ready to run and to be implemented. Has the Wales Office received any notification of such projects?

Kevin Foster: In terms of projects supporting Wylfa, or more general projects?

Q205 **Guto Bebb:** Projects that could be implemented in an Anglesey and north-west Wales context, while the delay in Wylfa was being dealt with.

Kevin Foster: Yes. I touched on the low-carbon energy centre of excellence, renamed from the nuclear one, around a lot of the skills. If the project goes ahead, we want to have people in training ready with skills to take that up. If the project starts on a Monday, you cannot start the skills training on the Friday.

Q206 **Guto Bebb:** Have they have been progressed? What I am getting it is that we had clear evidence—I think the Chair would agree—that the council had projects that were ready to run. The question I am asking is whether you have received those projects.

Kevin Foster: There are a range of projects that will be part of the first phase of the north Wales growth deal, which have been agreed with the region and which will benefit the area.

Q207 **Guto Bebb:** I don't want to be awkward; you are not my target here at all. I understand that there is a range of projects in the growth deal. The evidence that we had from Anglesey, if I remember correctly, was that there were additional projects that it was willing to put forward as a result of the fact that Wylfa had been delayed. Has it presented additional projects?

Kevin Foster: It is ongoing. As we touched on, there are two phases. Certainly, the second phase of the north Wales growth deal is not closed off in terms of what projects could go into it, subject to the overall headings, one of which is low-carbon energy.

Q208 **Guto Bebb:** I was not going to follow up on that, but I have to ask this one because I would be wrong not to. On top of all this, where are we going with small modular reactors, which is my pet subject?

Kevin Foster: There is certainly enthusiasm within the north Wales growth deal and ambition to make sure that small modular reactors find their natural home in north-west Wales as the first place they could be developed and taken forward. A key part of the North Wales Economic Ambition Board's work on the growth deal with the UK Government and



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the Welsh Government has been how we create the right conditions for that, separate to the discussions around Wylfa.

Chair: Rydw i wedi cael nodyn i ddweud fod gan y Gweinidog gyfarfod am chwarter i bedwar, felly naill ai gallwn ni gario ymlaen am 10 munud neu gallwn ni aildrefnu'r holl gyfarfod.

(Translation) I have had a nod to say that the Minister has a meeting at quarter to 4, so we can either press on and get through the questions in 10 minutes, or we could rearrange the entire meeting.

Q209 **Susan Elan Jones:** Mae Mr Bebb wedi gofyn lot o gwestiynau. I fynd yn ôl at gytundeb twf gogledd Cymru, mae bron pawb wrth gwrs o blaid y cytundeb twf, ond roedd 'na lai o arian na'r hyn a ddisgwylid ar gyfer y cytundeb. Ga i ofyn i chi pam na wnaethoch chi drefnu hyn ymlaen llaw gyda Bwrdd Uchelgais Economaidd Gogledd Cymru?

(Translation) Mr Bebb has asked many questions. Going back to the north Wales growth deal, almost everybody is of course in favour of the growth deal, but there was less money than anticipated for it. Why was it not organised in advance with the North Wales Economic Ambition Board?

Kevin Foster: The money was announced as it was stated. We have had projects come through from the North Wales Economic Ambition Board. We believe that there is a strong suite of projects in the first phase and we are open to others in the second phase. Our mind is not closed. If we see strong projects coming forward that deliver the objectives, deliver for the people of north Wales and deliver value for money for taxpayers in Wales and the United Kingdom, we will consider them.

Q210 **Susan Elan Jones:** Am I therefore right in thinking that the Wales Office will provide support for the bids? What are you doing on that? What further help and support will you be able to give?

Kevin Foster: It is about having an ongoing discussion. Members of Parliament play a strong role as well, working with the local councils, on what comes forward. We have had very good and positive engagement about the first phase. We are having ongoing positive engagement about the second phase. As touched on, they have already benefited from further UK Government money in terms of grant funding around full fibre networks. Certainly, we will be happy to provide whatever support we can. We have a very productive relationship with the Welsh Government, particularly Minister Ken Skates. We are happy to look at what support we can provide for emerging projects going forward.

As I say, a lot of this is also about projects being locally driven. It is fundamentally not about someone sat in Whitehall or Cardiff saying, "I know what would be a good idea in north Wales; let's stick it there and let's give some money to it—that's what we will do."

Q211 **Susan Elan Jones:** It is also a challenge to have these wider projects that have an impact across north Wales. That is where governmental help is really important.



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Kevin Foster: Again, to be fair to the Welsh Government, the nature of some of the projects under discussion are that they spread. We are not just talking about one project here, one project there and one project in another place. There are one or two examples that will genuinely spread the benefit, and they are inherently slightly flexible as well, to allow, if there are emerging opportunities, for them to take those opportunities, subject to the usual conditions that any of us sat around this table would attach. Certainly, we see it as an ongoing relationship, and not just on issues around the growth deal. The Secretary of State touched on the Halton curve. That was separate to the growth deal but it was a transport improvement in England that reopened direct services to Liverpool, which is of great benefit to north Wales. Similarly, they can use it to engage in discussions with the northern powerhouse Mayors in Merseyside and Greater Manchester on items that would benefit them all. It gives them a voice in that process, not just in extra projects for growth deal funding.

Q212 **Ben Lake:** O ddeall fod angen i chi fynd ar frys, Ysgrifennydd Gwladol, doeddwn i ddim am i chi adael heb drafod ychydig ar gynllun y canolbarth, yn enwedig o wybod cymaint ydych chi'n hoffi Ceredigion. Felly fe ruthra i drwy ambell i gwestiwn yn gyflym iawn. Yn sgil ymadawiad yr Arglwydd Bourne o'r Llywodraeth, pwy fydd y Gweinidog nawr â chyfrifoldeb dros gynllun twf y canolbarth?

(Translation) I understand that you need to leave urgently, Secretary of State, but I did not want you to leave without having an opportunity to discuss the mid-Wales growth deal, knowing how much you like Ceredigion. I have a couple of quick questions. Following the departure of Lord Bourne from the Government, who will now be the Minister responsible for the mid-Wales growth deal?

Kevin Foster: That would be me. I have already had one invite to visit—from you during questions, I think—and I look forward to taking that up at some point.

Q213 **Ben Lake:** Fantastic. Thank you, Minister. In that case, the following questions are aimed at you. I know that the Welsh Government responded with a note of criticism to last week's announcement of the initial £55 million investment from the UK Government. Could I clarify that that is the first instalment, as it were, and that if the projects come to fruition and prove value for money, there is a possibility that investment might be greater in the future?

Kevin Foster: Absolutely. We always have to start somewhere, and I notice that the statements from the region welcomed it overall. As we touched on with the north Wales growth deal, exactly the same will apply for the mid-Wales growth deal. If compelling projects come forward that would meet our goals and make a difference, the Secretary of State and I will push them. But we have to start somewhere, and we think this is an appropriate way to do so.

Alun Cairns: We were keen to show momentum and commitment. The phrase I have used is "down payment", in order to show what kinds of things we can work with. I am excited about the response that has come.



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Q214 Ben Lake: That is to be welcomed as a first step. I know it is still very early days for the mid-Wales growth deal, but a key part of that, as with all the growth deals, is leveraged private investment. Have we got to a point where there is even a rough estimate or ambition as to how much private investment we would like to unlock?

Kevin Foster: We will probably have to be working with partners to get a clear assessment on that. The projects are now coming forward and, to be fair, there has been a very positive reaction from local government and Members of Parliament in the area, who want to get on with this, but once we have projects, we can make a proper assessment.

Q215 Ben Lake: Fantastic. My last-but-one question, you will be very happy to hear, is about the heads of terms for the mid-Wales growth deal. Do we have a rough timeline or expectation as to when we will have that all signed, sealed and delivered?

Kevin Foster: The stakeholders locally have suggested by March 2020. I have to say that we would see that as ambitious. On previous experience, we would say it would probably take six months to a year. But again, we are keen that this does not become Whitehall directing with, "We have got a deadline and we need to get it done. These are the projects you need to put in", and do a cut-and-paste job. It is very much about them coming up with the projects that they want, and we will work appropriately. We are ambitious to get on, as I am sure the Chairman and you, Mr Lake, will be. We want to get on and start delivering stuff once we can.

Alun Cairns: I would also add that lessons are being learned from each of the growth deals. Consultants have reported on the Swansea bay city deal, for example, which they will want to reflect on. There will be approaches in north Wales, and there are two-stage projects that I am sure they will want to learn from. I do not want to impose any model on mid-Wales, because its economy will be different from north Wales, south-west Wales and south-east Wales, but there will be elements that it can pick up.

Q216 Ben Lake: That brings me to my last question, which is about the relationship between the mid-Wales growth deal and other parts of Wales. There was evidence from, I think, Dyfrig Siencyn in north Wales, and I believe some members from Carmarthenshire County Council asked the question as to whether they could benefit from the mid-Wales growth deal. In terms of geography, there is an argument for perhaps including some of those areas. My question is a neutral one, in a sense: could that be possible, if the appetite was there locally?

Kevin Foster: You have hit the nail on the head there. If the appetite is there locally for a project and the local board wants to come forward, the Welsh Government would have to take its view and we would have to take a view, but, generally, this is not about lines on a map; it is about communities and economies and making a genuine, transformative difference. If projects come forward from local partners that meet the usual value for money and job growth caveats that all of us around this table have, we would certainly consider them. As I say, it is about it being



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locally driven by the partners and seeing what they want to come forward with, to the benefit of their own communities.

Q217 Chair: Jyst i gloi, Weinidog, pan wnaethoch chi ddod o flaen y Pwyllgor ym mis Ebrill, fe wnaethoch chi siarad am y shared prosperity fund. Does dim manylion gyda ni eto am sut fydd y fund yn gweithio. Allwch chi ddweud pryd fyddwn ni'n ffeindio mas mwy am y fund?

(Translation) To conclude, Secretary of State, when you came before the Committee in April, you spoke about the shared prosperity fund. There are no details yet to hand as to how the fund will work. Could you tell us when we will find out more about the fund?

Alun Cairns: Mae hwnna'n gwestiwn da. Dwi'n awyddus i ddatblygu ar yr ymgynghoriad hynny a'i gyflawni, ond y broblem yw, dydyn ni ddim yn gwybod ar ba dermau rydyn ni'n gadael yr Undeb Ewropeaidd, a hyd yn oed os ydyn ni'n gadael ar hyn o bryd. Ynglŷn â'r arithmetic—

(Translation) That is a good question. I am eager to develop our consultation and deliver on it, but the problem is that we do know on what terms we are leaving the European Union or even if we are leaving the European Union at the moment. In terms of the arithmetic—

Q218 Chair: Byddwn ni'n ffeindio mas yn fuan, dwi'n siŵr.

(Translation) I am sure we will find out imminently.

Alun Cairns: Gobeithio. Pan fydd sicrwydd gennym ni, mi allwn ni ymateb wedyn yn glou, ond dwi'n gobeithio y bydd gan y rhanbarthau economaidd yng Nghymru feddwl eu hunain hefyd. Dwi'n gobeithio, yn lle bod jyst un meddwl yn dod o Gymru, mi fydd yr awdurdodau lleol, Llywodraeth Cymru—yn naturiol—a'r rhanbarthau yn cydweithio a chynnig gwahanol syniadau a gobeithion o ran sut ddylai'r cynllun weithio. Mae 'na gymaint o gynlluniau wedi bod, o brosiectau Ewropeaidd i brosiectau city deals a growth deals. Mae hwn yn fodel cwbl wahanol. Mi allwn ni roi hyd yn oed mwy o rym i'r awdurdodau lleol ac i'r busnesau sydd eisiau elwa allan ohono fe.

(Translation) Hopefully. When we have an assurance, we will be able to respond promptly, but I hope we will have some thoughts from the economic regions in Wales as well. I hope that rather than there being one set of thinking coming out of Wales, the local authorities, the Welsh Government—naturally—and the regions themselves will work together and propose different ideas, and hopefully state how they feel these schemes should work. There have been so many schemes, from European projects to city and growth deal projects. This is a totally different model. We can perhaps give even more power to local authorities and the businesses that want to benefit from this.

Q219 Geraint Davies: I just want to make the point that obviously, the shared prosperity fund is a replacement for convergence funding. Isn't there a problem here? This is not just about having an assurance that we will have the same estimate for the money. There will be a gap, won't there? We don't know what is happening with the shared prosperity fund, but



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had we remained in the EU we would know what was happening with convergence funding.

Alun Cairns: If we remained in the EU, we certainly would not know what would be happening in terms of the successor of convergence funding. We would not be in that position, so at least there is more commitment behind this, because there is a policy of the UK shared prosperity fund. There is also a financial commitment that has been highlighted, and therefore I think authorities, stakeholders and the third sector are aware that there will be a scheme. If we were to remain in the European Union, we would have no idea as to whether Wales, or west Wales and the valleys, would qualify.

Q220 **Chair:** You seem to be saying that if we want certainty about it, we need to leave the European Union as quickly as possible.

Alun Cairns: I wholeheartedly concur.

Chair: Thank you, everyone. Thank you, Minister, for coming along here today, and we hope you make your meeting. Diolch yn fawr iawn.

Alun Cairns: Diolch yn fawr.