



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Pwyllgor yr Economi, Seilwaith a Sgiliau](#)

[The Economy, Infrastructure and Skills
Committee](#)

13/07/2016

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Economi a'r Seilwaith
Introduction to the Cabinet Secretary for Economy and Infrastructure's
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The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Hannah Blythyn Bywgraffiad Biography	Llafur Labour
Russell George Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells Bywgraffiad Biography	Llafur Labour
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles Bywgraffiad Biography	Llafur Labour
Adam Price Bywgraffiad Biography	Plaid Cymru The Party of Wales
David J. Rowlands Bywgraffiad Biography	UKIP Cymru UKIP Wales

Eraill yn bresennol
Others in attendance

Tracey Burke	Cyfarwyddwr, Strategaeth, Llywodraeth Cymru Director, Strategy, Welsh Government
Simon Jones	Cyfarwyddwr, Trafnidiaeth, Llywodraeth Cymru Director, Transport, Welsh Government
James Price	Dirprwy Ysgrifennydd Parhaol, Economi, Sgiliau a Chyfoeth Naturiol, Llywodraeth Cymru Deputy Permanent Secretary, Economy, Skills and Natural Resources, Welsh Government
Ken Skates Bywgraffiad Biography	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith) Assembly Member, Labour (The Cabinet Secretary)

for Economy and Infrastructure)

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance**

Rachel Jones	Dirprwy Clerc Deputy Clerk
Gareth Price	Clerc Clerk
Gareth Thomas	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 09:30.
The meeting began at 09:30.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **Russell George:** Bore da, and welcome to this meeting—*[Inaudible.]* It's channel 1 for Welsh to English and channel 2 for amplification. Can I remind guests as well that there's no need to touch the microphone equipment? If there is a fire alarm, please take advice from the ushers. Are there any declarations of interest this morning? There are none. I do have one apology from Hefin David; I know Hefin is attending another committee meeting this morning, so he's unable to attend.

**Cyflwyniad i Bortffolio a Blaenoriaethau Ysgrifennydd y Cabinet dros yr
Economi a'r Seilwaith
Introduction to the Cabinet Secretary for Economy and Infrastructure's
Portfolio and Priorities**

[2] **Russell George:** I move to item 2, and this morning, I'd like to welcome the Cabinet Secretary for the Economy and Infrastructure, Ken Skates and his officials to our meeting. This is the first meeting that the Cabinet Secretary has attended in this committee of the fifth Assembly and I suspect it will be the first of many, but I'd certainly like to welcome him this morning. From my perspective and the committee's, I very much hope that we'll have a very good working relationship with you and our job is to

scrutinise you, but also to be a critical friend. And I very much hope that our committee will help you to develop policy for the better as well. Can I just ask you, Cabinet Secretary to introduce yourself and perhaps your officials to introduce themselves or for you to introduce them?

[3] **The Cabinet Secretary for Economy and Infrastructure (Ken Skates):** Thank you, Chair. Could I begin by congratulating you on becoming Chair of this important committee? We entered the National Assembly together in 2011 and since that point I know that you've taken a very, very keen interest in economic development and the development of infrastructure. Also, can I say how pleased I am to see so many new members of the National Assembly elected just this year on this committee? It's very good to be with you today and to have an early opportunity to share with you my priorities as Cabinet Secretary for Economy and Infrastructure.

[4] Before my officials introduce themselves I should just outline that my priorities include jobs and growth, and evidence suggests that the availability and alignment of the right skills with the demands of the economy, along with the right infrastructure and agglomeration effects, can drive economic growth. So, my priorities are going to concern developing the right infrastructure; making sure that we have the availability of the right skills; ensuring that we have the right and appropriate regional delivery vehicles to drive economic development and also ensuring that we have the right support available from Welsh Government to drive business development, not just in terms of growth, but also to ensure that we have a healthy environment of business start-ups. If I ask Tracey to begin introductions.

[5] **Ms Burke:** Bore da. Good morning. My name's Tracey Burke and I'm the director of strategy in the Cabinet Secretary's department.

[6] **Mr J. Price:** James Price, Deputy Permanent Secretary, Welsh Government.

[7] **Mr Jones:** Hello, I'm Simon Jones, director of transport and information and communications technology infrastructure.

[8] **Russell George:** Thank you for introducing yourselves and for your words as well, Cabinet Secretary. We do have some questions, but I think this morning is more very much about you setting out your stall to us and your priorities. You've done that in brief, but I wonder if you would like to expand on what you've said, and then, from there, Members will have some

questions. I should say that we've got up until 10 o'clock and that'll be the end of our public session today.

[9] **Ken Skates:** Okay. Thanks, Chair. I will outline—. I've already touched on some of the key areas, so I'll just go into those in a little more detail and then take questions from Members.

[10] On skills, we'll be launching an all-age apprenticeship programme that will contribute to supplying the future skills needs of companies and communities in Wales. We'll also continue to deliver a range of skills programmes designed to meet the needs of companies investing in or growing their activities in Wales. In terms of infrastructure, the national transport finance plan sets out a five-year programme to modernise our transport networks across Wales, connecting communities and businesses and ensuring that people can access quality jobs close to home. Where those jobs are not available on the doorstep, people should be able to access them as quickly as possible.

[11] We're going to be continuing to press the case with the UK Government for electrification of the north Wales main line; I know that this has been a particular concern for north Wales Members. We are going to be rolling out and following phase 1 and phase 2 of the south Wales metro, which will be procured alongside the new franchise. We will be looking at progressing work on a north Wales metro scheme. We're looking at bus services as well, particularly in the context of regulatory powers. Our plan, our vision, is to ensure that we have a modern transport network fit for the twenty-first century.

[12] In terms of roads, we intend investing heavily in our main arteries of the A55 and the M4, but also we wish to ensure that there is a reduction in the levels of congestion between the north and the south and also around urban areas, and also ensure that, in rural areas, people are able to access opportunities and use public transport in a more seamless way.

[13] In terms of agglomeration, there is a considerable amount of work that's already taking place in the city regions of south Wales. Last week, I hosted a summit in north Wales, which included key partners from not just north Wales, but also the north-west of England. I also intend meeting with individuals from Midlands Connect to take advantage of the growth of the midlands economy.

[14] In terms of the European Union, I have produced a 10-point plan and presented it to the First Minister—a plan aimed at boosting confidence at a time when there is considerable uncertainty and anxiety in the business community. I've also announced a new economic strategy. I announced this shortly after being appointed. The current strategy was devised at a time when we were entering a very deep and prolonged period of austerity. I announced the intention to create a new strategy, with one eye on the possibility of Britain remaining in the EU, in which case, that strategy would be developed as a post-austerity economic strategy, but there was also always the possibility of Britain voting to leave the EU, as it eventually did, and so my intention in that event was that the economic strategy would be a Brexit strategy. Work will be progressing over the summer on the overarching vision. This is a strategy that will be cross-cutting and it will be cross-Government. It will outline the vision, or at least we will be outlining the vision in the early part of the development of the strategy of a Government that is able to deliver a more prosperous and secure Wales. So, we've four strategies; this will be one of them, the other three being a united and connected Wales, an ambitious learning Wales, and a healthy active Wales.

[15] Then, in terms of business priorities, there are a number that I'll be taking forward—they're too numerous to mention here, and some too confidential, but the most significant is, of course, Tata Steel, and we will continue to strive for the best outcome for workers in the steel sector in Wales.

[16] **Russell George:** Can I thank the Cabinet Secretary for that comprehensive overview? I'll ask the first question, if I can. I'm pleased that you mentioned the economic strategy, and you'll be developing that over the summer. I'm particularly pleased about that, because there wasn't an economic strategy update in the last Assembly, or from the last Government. Can I ask you: you mentioned you'll be developing that over the summer; when do you expect to have something formal to present?

[17] **Ken Skates:** Okay, so just this week, I recorded a video, which will be placed on the Welsh Government website, which invites all stakeholders, including members of the public, to submit ideas, observations and recommendations over the summer. We will gather that information. We will hold numerous stakeholder events. It's then our intention to distil the information that we receive with the development of a strategy in 2017. I can't give fixed dates at this moment in time, but it is our intention to be able to present something to you, during the latter part of 2017.

[18] **Russell George:** Okay, thank you, Cabinet Secretary. Can I ask Adam Price?

[19] **Adam Price:** Yes, thank you. You mentioned Tata Steel, which is obviously one of the major items in your ministerial in-tray at the moment. Just to clarify, have you now assumed the main responsibility—it was the First Minister previously—for Tata Steel?

[20] **Ken Skates:** It's still with the First Minister, but given the significant elements of the challenges that are being faced, I'm working with the First Minister in this area.

[21] **Adam Price:** You mentioned in your response yesterday to the urgent question that you were seeking to speak to Tata Steel urgently following their announcement on Friday. Have you been able to do that yet?

[22] **Ken Skates:** We've had a meeting accepted; we're just waiting for the opportunity to meet with them, but we hope that it will be as soon as possible—

[23] **Mr J. Price:** It's next Tuesday.

[24] **Ken Skates:** Next Tuesday.

[25] **Adam Price:** Okay, I'm grateful for that. The First Minister during First Minister's questions yesterday talked about the kind of guarantee that Welsh Government would be looking for in return for any public investment, and he referred to a guarantee of continued investment over a certain number of years. Are you able to tell us—? What's the minimum number of years that you'll be looking for in such a guarantee—is it five years, is it 10 years?

[26] **Ken Skates:** This is a matter that James spoke with the First Minister about on Monday, so I'll invite James to speak.

[27] **Mr J. Price:** I'll give as full an answer as I can without breaching any confidentiality at the minute, and also bearing in mind it's a bit of a mixed feast. So, in terms of the way that we work with any company, what we're trying to do is maximise the commitment we can get from the company without pushing it so far that we can't get any commitment from the company, so it's a standard negotiation process. Traditionally, we've looked

for around five years; we might want to go beyond that in this case. And we will then also look to maximise the number of jobs. So, in a typical situation like this we would be looking to maximise the number of jobs that a company would guarantee to keep or to grow to, and maximise the amount of investment over a certain period of time.

[28] The other thing that is key to think about in this is what the punishments are if the company doesn't adhere to this. And with a situation like Tata—and, in actual fact, with any of the potential Tata outcomes, it's by no means impossible but it's quite difficult, and the structure of any of those guarantees, I think, would look quite different depending on what the future was. So, if it was a big conglomerate with lots of money behind it, potentially you could get an inter-group company guarantee. If it was a stand-alone management buyout, we might have to look at a different mechanism. But, clearly, we would look to protect both the money that Government puts in, but more importantly get a good outcome for both steelmaking and jobs in Wales.

[29] **Adam Price:** Okay. In relation specifically to the joint venture proposal that Tata put into the public domain, specifically mentioning ThyssenKrupp, the UK Government on Monday confirmed that their original offer of taking an equity stake also applied, potentially, to that arrangement. Is that the position of the Welsh Government? Would you participate potentially as an equity stakeholder in a joint venture between Tata and ThyssenKrupp?

[30] **Mr J. Price:** So, again, I need to be clear I'm speaking as an official and from a technocratic perspective here—there are no politics in what I'm saying here. The First Minister, though, has been clear all along that the steel situation and, in fact, the heavy industry situation in the UK is a consequence of UK policy more than it is anything to do with devolved policy, and a particular part of that, of course, is high energy costs within the UK environment. And for that reason, the UK Government needs to make a proportionate contribution to any of the costs that fall to the Governments of the UK to resolve the Tata situation.

[31] So, I think that would lead us to a position where the UK Government ought to be putting significant funds into this; Welsh Government will also put significant funds into an outcome. And when I say 'this'—whatever the best outcome is. It may be that participating in equity is the appropriate thing for the Welsh Government to do. At this stage, my professional judgment would be that that's best left to the UK Government, and we've got

other levers that we could exert, but that wouldn't exclude that as being a potential.

09:45

[32] **Adam Price:** If that's the professional judgment—*[Interruption.]* Okay, in that case, I would be interested to know, if that's the professional judgment, what's the political judgment?

[33] **Ken Skates:** We've been clear all along that we want the best deal and best future for the steel sector in Wales and if, based on professional advice, that would enable us to secure the best outcome for the steel industry, then we would clearly give that very careful consideration and go along with that.

[34] **Adam Price:** One last, very specific question: the Welsh Government has been paying the professional fees of one of the bidders—the employee and management buyout team of Excalibur. You've said, Cabinet Secretary, that the sale process, as far as you're concerned, is continuing, so can we read into that that you will be continuing to provide that financial support to the Excalibur team?

[35] **Ken Skates:** I met with them to discuss this; I met with them yesterday afternoon to discuss the move forward for them and any support that they would wish to be seeking from the Welsh Government.

[36] **Adam Price:** So, that's a 'yes', you will be supporting—

[37] **Mr J. Price:** Can I come in on some details? So, they have had funding signed off and the funding that they have signed off will allow them to continue for some time, but how long that some time is, I don't know. Clearly, we have to—and this, again, is me speaking as an official—guard public finance, so we have to make sure that all funding we put into anything has a potential sustainable future and can deliver something. But they can certainly continue for some time.

[38] **Adam Price:** I'm grateful, thank you.

[39] **Russell George:** Clearly, there's a big piece of work here for, perhaps, the committee and there's an opportunity for us to invite the First Minister to a future meeting as well. Jeremy Miles.

[40] **Jeremy Miles:** Thank you. I was pleased that the question of infrastructure was near the top of your list of priorities. I know that responsibility for infrastructure is split between your portfolio and that of the Cabinet Secretary for finance, but the establishment of the national infrastructure commission, I think, is in your portfolio. What are your thoughts on the remit of that and on the timescale to get it up and running?

[41] **Ken Skates:** Our proposal that we've presented to Plaid Cymru as part of the compact mirrors the development of the UK infrastructure commission, which began as a non-statutory body, but the UK Government has decided that it would become a statutory organisation. We have presented a plan that would see the development of a national infrastructure commission, offering independent expert and technical advice on a long-term strategy for investment in economic infrastructure. We propose to establish an independent expert and technical advisory commission on a non-statutory basis, as I've outlined, which would look at the long-term needs, based over a period of five to 30 years. The commission methodologies would enshrine the principles of the Well-being of Future Generations (Wales) Act 2015 and the five ways of working. It would also inform the national development framework, which provides a longer-term perspective on infrastructure needs, looking from 20 to 25 years ahead, but it won't revisit decisions that have already been made. It will be required to give consideration to the recommendations of other bodies that have a statutory role in relation to infrastructure. These plans have been discussed at Cabinet just this week and we expect to be able to take forward work, based on agreement with the main opposition party, as soon as possible.

[42] **Jeremy Miles:** How will the work of the Wales commission, if you like, relate to the work of the UK-wide commission?

[43] **Ken Skates:** We would aim to have a member of the UK commission on the Welsh commission as well, to reflect the important cross-border nature of infrastructure projects in Wales and in England.

[44] **Russell George:** Mark Isherwood.

[45] **Mark Isherwood:** Good morning. How will Welsh Government policy and programmes for skills provide jobseekers with the skills needed by the Welsh labour market? I think particularly of three things. I understand that the UK Government programmes operating in Wales are due to end next year. The Welsh Government clearly has some programmes of its own; has

there been any actual or proposed discussion over how that might be better integrated in the next round? Secondly, I visited a company on Monday in the context of apprenticeships. They had done a deal with a local college to provide apprenticeships, in their case in food science, but nobody applied for the courses. So, we can get the horse to water but how do we make it drink where there's clearly a market need for those skills? And finally, particularly, although you may wish to refer to other areas, how do we best reach into the least prosperous areas to help and support learners—young learners and later learners—in those communities, looking at the best practice that exists, for instance the latest figures at Glyndŵr and success in that particular demographic?

[46] **Ken Skates:** Can I thank Mark Isherwood for these important questions and suggest that the committee might wish to invite the Minister for science and skills to attend an early session to discuss employability policy and the progress that has taken place on the youth engagement and progression framework? In terms of the employability skills programme, this represents something of a different approach to employability training through Welsh Government and it's been developed using evidence and research that's been gathered as part of a recently commissioned internal evaluation of national and international adult employability training provisions, along with the feedback that we've had concerning the Work Ready programme and skills conditionality pilots. Tracey, do we have any more on employability that we can give to the Member today?

[47] **Ms Burke:** I think that the Minister for Skills and Science made a statement last week setting out her forward plans for employability policy and that there'd be an employability skills programme, which would launch in April 2018, which would bring together Jobs Growth Wales and some of the other employment programmes.

[48] **Mark Isherwood:** I think the issue there was with, as I understand, the UK Work Programme in Wales in its current format ending—programmes like Work Choice coming to an end, Welsh Government bringing forward its own programmes and the dialogue between the two, to hopefully knit and provide collectively for the needs of everybody in Wales.

[49] **Ken Skates:** There is very much a need to ensure that the policies and the interventions by UK Government integrate well with what we do here in Wales. I expect as soon as the new Government in Westminster is formed following Theresa May's election as leader of the Conservative Party, and

therefore Prime Minister—as soon as the Government's been formed, the Minister for Skills and Science will be meeting with her respective Secretary of State in the Westminster Government to discuss how we can ensure that there is closer integration of policies on both sides of the border.

[50] **Mark Isherwood:** I mentioned the apprenticeship gap—this particular firm is investing, so it can provide more opportunities and more opportunities for apprenticeships, but the problem is the applicant gap, although the provision is there.

[51] **Ken Skates:** Absolutely. Sorry, I meant to touch on that point. James.

[52] **Mr J. Price:** We were actually talking about this earlier today. So, I think the skills sector as a whole has gone through quite a massive transformation, really, over the last five years in terms of trying to ensure that the skills that they provide are the skills that business needs for the future. I'm sure there's still more work needed, but for example, I believe that within the next 18 months, 80 per cent of all the apprenticeship frameworks will have been reviewed, but you still have a problem if you're providing the skills that business want and then nobody takes up that skills offer. For me—and this is something we're going to have to look at in terms of the economic approach going forward—how we bridge the gap between the individual, who's the person who's demanding it, and the skills that they then demand. So, giving people proper labour market intelligence, allowing people to understand the benefit of engaging in certain types of skills and maybe the slight disbenefit of engaging in other types of skills should help the market operate much more effectively. So, I think progress is being made, but the point you made there—how do you get people to understand the benefit of investing in different types of skills for themselves personally—Is a key thing we need to look at.

[53] **Russell George:** We have got some other subject areas. We've only, unfortunately, got up until 10 o'clock today so can I ask Vikki Howells to raise her question?

[54] **Vikki Howells:** Diolch. My question's regarding the M4 relief road. Obviously, we know that there's a public inquiry, which will begin in the autumn of this year, but specifically regarding the Well-being of Future Generations (Wales) Act, I know that you've said recently, Cabinet Secretary, that you'd be mindful of the duties under that Act when you're making a decision on the M4 project, but I wondered whether you'd be in a position to

clarify for us today how you will go about being more mindful of those duties.

[55] **Ken Skates:** Well, I very much welcome the Act. This is a piece of legislation that is groundbreaking. We're very proud of it. The M4 project's sustainable development report was published in March, and that considered how the M4 project aligns with the goals of the Act, bearing in mind that the process leading to the current position largely predates the Act. A public inquiry, as you've already mentioned, is to be held in the autumn, and I am in no doubt that the well-being goals will be tested against the Government's proposals for the black route relief road. I can assure you that the Well-being of Future Generations (Wales) Act will be central to the decision over the M4. I've already stated in the Chamber that the M4 project could contribute to at least two of those goals, primarily the economic prosperity of the region and also in helping to create a more cohesive community. So, we are bearing in mind the goals of that Act in every decision that we take concerning the M4.

[56] **Vikki Howells:** Thank you.

[57] **Russell George:** David Rowlands.

[58] **David J. Rowlands:** Yes. Good morning, Cabinet Secretary.

[59] **Ken Skates:** Good morning.

[60] **David J. Rowlands:** You've mentioned a new transport strategy, effectively upgrading that of 2008. Is there also a need to reprioritise the national transport finance plan to reflect the new priorities of this new Government?

[61] **Ken Skates:** Okay. Well, the Wales transport strategy provides a strategic policy framework for all of our transport-related work activities up to 2030, and then we have the national transport finance plan, which was published in July 2015 and outlines interventions going up to 2020. We have taken a considerable degree of advice. People have been invited to offer opinion on this matter and, through public consultation, it's quite clear that people wish to see this as a live document that can be periodically updated. Therefore, we will update the plan periodically to reflect developments over time and the changing profile of Wales.

[62] **David J. Rowlands:** Fine. Thank you.

[63] **Russell George:** And Hannah Blythyn.

[64] **Hannah Blythyn:** Thanks, Chair. Cabinet Secretary, in your introduction you mentioned the summit in north Wales with key partners in north Wales and across from the north-west. I was wondering if there's a timetable for taking that cross-border co-operation forward and what mechanisms are being considered to enhance that co-operation.

[65] **Ken Skates:** Okay. Well, this area of work is a priority that I'm trying to take forward at maximum speed, given that the growth deal bid for north Wales needs to be presented at the end of this month. So, I'm working with colleagues within local government, and also stakeholders in north Wales, to ensure that the outline, the vision for north Wales dovetails with that presented by the Cheshire and Warrington Local Enterprise Partnership for their growth deal. As a consequence of the summit on Friday, we've established a tight working group to be able to consider the concerns that were raised on Friday. I have to say, in my time in public service I've not experienced the sort of demand and desire for cross-border collaboration that I am witnessing now on both sides of the border. Friday's summit offered an opportunity, for the first time, for key stakeholders to come together to discuss how we can better utilise the skills, the economic development that has already taken place on both sides of the border, and the expertise on both sides of the border to generate wealth and opportunities both in north Wales and the north-west. But, again, I think it's important to ensure that we also have better dialogue with the west midlands—some key stakeholders there—to ensure that mid Wales is also able to offer Midlands Connect and other initiatives a unique offer that presents the economic strengths of mid Wales and utilises any and every programme that Midlands Connect and other initiatives are able to offer.

10:00

[66] **Russell George:** Well, thank you, Cabinet Secretary. I'm glad you ended on mid Wales in your contribution, there; that's welcome. [*Laughter.*] Can I thank you for your time this morning? Certainly I think that committee members will want to take up your suggestion of inviting your colleague Julie James to meet with us as well. Can I say that, if there are any areas that you think would be helpful to the committee, perhaps you could write to us over the summer? Or, if there are developments over the long summer recess, if you could write to the committee, that would be helpful as well.

[67] **Ken Skates:** Indeed, thank you. I should just flag up that the mid-term review of the tourism strategy will be published, and that might be something that the committee wishes to consider as a very early, rapid piece of work.

[68] **Russell George:** Yes, we're very grateful. Thank you, Cabinet Secretary.

[69] I ask Members to wait here a moment, but that does end our public session this morning. We'll be meeting some stakeholders following a short break.

Daeth y cyfarfod i ben am 10:01.

The meeting ended at 10:01.