House of Commons
Welsh Affairs Committee

Globalisation and its impact on Wales

Second Report of Session 2008–09

Volume II

Oral and written evidence

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The Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales).

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Ms Nia Griffith MP (Labour, Llanelli)
Mrs Siân C. James MP (Labour, Swansea East)
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Mr Martyn Jones MP (Labour, Clwyd South)
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Committee staff
The current staff of the Committee is Dr Sue Griffiths (Clerk), Judy Goodall (Inquiry Manager), Georgina Holmes-Skelton (Second Clerk), Christine Randall (Senior Committee Assistant), Annabel Goddard (Committee Assistant), Jim Lawford (Committee Support Assistant) and Rebecca Jones (Media Officer).

Contacts
All correspondence should be addressed to the Clerk of the Welsh Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 6189 and the Committee’s email address is welshcom@parliament.uk.
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Mr Julian Burrell, Chairman, and Mr Dave Chapman, Communications and Policy Consultant, Wales Tourism Alliance

Ann Lloyd, Director, Health and Social Services Department, Welsh Assembly Government and Chief Executive of NHS Wales

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Mr Philippe Varin, Chief Executive, Corus and Mr James Leng, Deputy Chairman, Corus

Mr Michael Leahy OBE, General Secretary, Community, and Mr Michael Walsh, Head of Research Department, Community

Wednesday 9 May 2007

Professor Merfyn Jones, Chairman, Higher Education Wales and Vice-Chancellor, University of Wales, Bangor, and Ms Amanda Wilkinson, Director, Higher Education Wales

Monday 14 May 2007

Ms Charlie Jones, Project Manager, Union Learning Organiser, Transport and General Workers’ Union and Ms Barbara Hale, Development Officer, TUC Wales

Councillor Aled Roberts, Leader, Wrexham County Borough Council, Ms Gillian Grainger, Community Cohesion Co-ordinator, Wrexham County Borough Council

Mr John Gallanders, Chief Officer, Association of Voluntary Organisations in Wrexham (AVOW), Ms Alison Hill, Chief Officer, Caia Park Partnership, Ms Janet Williams, AVOW Health and Social Care Facilitator, AVOW

Tuesday 22 May 2007

Sir Digby Jones, UK Skills Envoy and Professor David Reynolds, Professor of Education, University of Plymouth

Tuesday 5 June 2007

Mr Jeremy Oppenheim, Director for Stakeholders and Regionalisation, Border and Immigration Agency
Mr Bill Wells, Economy and Labour Market Divisional Manager, Department for Work and Pensions

Tuesday 12 June 2007

Sir Adrian Webb, Non-Executive Director, National Assembly for Wales, Executive Board

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Reverend Aled Edwards OBE, Commissioner, Commission for Racial Equality Wales and Mr Chris Myant, Director, Commission for Racial Equality Wales

Chief Superintendent Steven Curtis, North Wales Police and Chief Superintendent Phill Thomson, North Wales Police

Tuesday 26 June 2007

Professor Robert Rowthorn, University of Cambridge

Dr Surhan Cam, Cardiff University

Tuesday 3 July 2007

Mr Padraig McCarthy, Head of Strategic Development, Dawn Pac, and Mr Mark Spragg, Business Development Manager, CSA Service Group

Tuesday 17 July 2007

Caroline Flint MP, Minister of State for Employment and Welfare Reform, and Mr Bill Wells, Economy and Labour Market Divisional Manager

Tuesday 24 July 2007

Mr Paul Whitehouse, Chairman, Gangmasters Licensing Authority
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Ms Fran Targett, Director and Mr Alun Gruffudd, Public Affairs Officer, Citizens Advice Cymru

Mrs Chris O’Meara, Chair, Mr Peter Evans, Policy and Information Officer, and Ms Sioned Hughes, Development Manager, Community Housing Cymru

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Mr Adam Jackson, Public Policy Director, Tesco

Dr Shyam Patiar, Director, Skills Development, Llandrillo College

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Mr Jeff Hopkins, Chairman, and Ms Halina Ashley, Polish Centre Manager and Secretary, The Polish-Welsh Mutual Association

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Mr Bill Goldsworthy OBE, Chair, Wales Agri-Food Partnership, Ms Norma Barry, Director, Food and Market Development Division, Welsh Assembly Government and Professor David Hughes, Emeritus Professor of Food Marketing, Imperial College, London

Mr Robert Taylor, Director, Age Concern Cymru and Ms Sarah Stone, Head of Public Affairs, Age Concern Cymru

Monday 3 December 2007

Mr Dai Davies, President, Ms Mary James, Deputy Director/Head of Policy, and Mr Huw Thomas, assembly Adviser, National Farmers’ Union Cymru, Mr Gareth Vaughan, President, Mr Emyr Jones, Deputy President and Dr Nick Fenwick, Director of Agricultural Policy, Farmers’ Union of Wales

Professor Noel Lloyd, Vice Chancellor, Aberystwyth University, and Professor Robert Pearce, Vice Chancellor, University of Wales, Lampeter

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List of unprinted evidence

The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A OPW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

1. Memorandum submitted by Ofcom
Welsh Affairs Committee: Evidence

Oral evidence

Taken before the Welsh Affairs Committee

on Tuesday 30 January 2007

Members present:

Dr Hywel Francis, in the Chair
Mr Stephen Crabb
Nia Griffith
Mrs Siân C James
Mr David Jones
Albert Owen
Hywel Williams
Mark Williams

Witness: Mr David Rosser, Director, CBI Wales, gave evidence.

Q1 Chairman: Good morning, welcome to the Welsh Affairs Committee. This is the very first session of our inquiry on globalisation and its impact on Wales; very appropriately, this morning, we have representatives from CBI Wales and the TUC. Could you introduce yourself for the record?

Mr Rosser: Good morning, my name is David Rosser; I am the Director for the CBI for Wales and the South West of England.

Q2 Chairman: Could I begin by asking you the obvious question and that is, in general terms, what has been the overall impact of globalisation on employment patterns in Wales?

Mr Rosser: In general terms there has been a shift from employment in industries which are producing goods primarily, or services, which are bought on cost and can be manufactured or produced elsewhere, so you can take two or three key industries which have those features inherent in them—textiles would probably be one and consumer electronics would be another; in the past Wales has had significant employment in both those sectors—which now have shrunk dramatically and a shift towards employment in sectors which are inherently more local in their nature, so the hospitality and tourism industry, personal services, local services, which are bought perhaps less on cost and are less easily traded and imported.

Q3 Chairman: Could I begin by asking you the obvious question and that is, in general terms, what has been the overall impact of globalisation on employment in Wales? Mr Rosser: In general terms there has been a shift from employment in industries which are producing goods primarily, or services, which are bought on cost and can be manufactured or produced elsewhere, so you can take two or three key industries which have those features inherent in them—textiles would probably be one and consumer electronics would be another; in the past Wales has had significant employment in both those sectors—which now have shrunk dramatically and a shift towards employment in sectors which are inherently more local in their nature, so the hospitality and tourism industry, personal services, local services, which are bought perhaps less on cost and are less easily traded and imported.

Q4 Chairman: In addressing the question of globalisation in Wales, would you agree with me that one of the key issues which has not been given sufficient attention is the subject of the Leitch report, and today of course there is a conference in Wales on the way in which the Leitch report will impact itself on globalisation in Wales and so on. Do you think that the issues around the Leitch report need to be seriously addressed, perhaps more than anything else, in tackling globalisation?

Mr Rosser: The issue of skills and employability is the single biggest issue, both in assisting companies who are already within Wales to remain, to be competitive and to increase their competitiveness, but also for the individuals who might be adversely affected by the inevitable process of globalisation. How we re-equip those individuals and re-skill them to take part in the economy of tomorrow which might be quite different from that of yesterday is going to be fundamental. I find there is a lot of discussion around skills, training, education and the need to link that with the needs of employers and employment. It is not an easy thing to do, as we have proven over quite some time.

Q5 Mr David Jones: Good morning, Mr Rosser. Your memorandum points out that “Wales has a significant proportion of its larger private sector employers which are subsidiaries of international business” and that these are more likely to relocate completely away from Wales than indigenous companies. Do you consider that the predominance of multi-national subsidiaries is a pattern that is likely to persist as globalisation proceeds and would you consider it desirable for Wales to move away from this pattern, or indeed is it possible for it to do so?

Mr Rosser: The presence of international businesses in Wales has been a wholly positive one for the economy and also for our indigenous companies who have benefited from the transfer of people, transfer of technology and sourcing opportunities. They are more global in their outlook and therefore
are better able to take advantage of relocation opportunities when they arise in indigenous Welsh companies. I hope we will always see international companies in Wales and Wales will not be alone in that, therefore we need to encourage our indigenous Welsh companies to become more international in outlook themselves and to start acting more like the largest international players. The bottom line is that if we try and make Wales the best location, a location that is attractive to business in general, then it will be equally attractive to international businesses as well as a good location for Welsh companies to grow and prosper; the fundamentals are the same for both types of companies.

Q6 Mr David Jones: What is your view as to the prospects of that actually happening or do you feel, possibly, that globalisation will result in an outward migration of multi-national companies from Wales?

Mr Rosser: It is resulting in a transfer of employment within multi-national companies out of Wales and the challenge for Wales is to make itself an attractive place for new employment to be created by multi-national companies. Our memorandum points to some of the key issues that will make that happen; some of them are common to the UK—we have talked about the taxation system, the regulatory environment which makes it easy or not easy to conduct a business—and some of them are more specific to Wales, and the question of skills is probably the single most pertinent point in that respect.

Q7 Mr David Jones: Your memorandum points out that globalisation does create opportunities as well as challenges; can you give any examples of the kinds of opportunities that globalisation is providing for the creation of jobs in Wales?

Mr Rosser: I will give an example of a company I know quite well in mid-Wales, Control Techniques, which is one of the larger private sector businesses in Newtown, making electronic products for the private manufacturing sector. It employs 400 to 500 people in Newtown and is part of a wider US conglomerate and has recently opened up a factory in China. What it is doing is gradually moving its lower end products out to be manufactured in China, taking advantage of opportunities to source components in China, both for its Welsh and Chinese operations, and so making itself more competitive. At the same time its product development function in Wales is bringing on-stream newer products of higher value which it is continuing to manufacture in Wales. It will probably employ similar numbers of people in future in Wales as it has done, but they will be more highly skilled, hopefully therefore more highly paid and more highly trained. Clearly, that brings opportunities to the company, it enables it to compete on a larger scale, in a more competitive way and brings opportunities to its workforce, its employees in Newtown but, clearly, they do have to be capable of being up-skilled and retrained and willing to go through that process.

Q8 Mr David Jones: We talk of up-skilling and retraining; are those the sorts of things Welsh companies ought to be doing more in order to take advantage of the opportunities presented by globalisation?

Mr Rosser: They certainly ought to be doing that and hopefully they are, and no doubt they could be doing more of it.

Q9 Mr David Jones: What else do you think they should be doing apart from up-skilling and retraining?

Mr Rosser: Productivity generally is going to be key to competing in the new global marketplace, so investing in plant and equipment. Sometimes productivity means that fewer numbers of people will be employed, but they should certainly be investing in productivity, they should certainly be innovating. A company which continues to do the same thing today as it did five or 10 years ago probably will not be doing it in five years time. The companies which stand still are the ones which are going to suffer from globalisation.

Q10 Albert Owen: Good morning, if I could just move on to gross value added, infrastructure and energy costs, three separate issues, the first question on the GVA is that, as you know, Wales has the lowest of any UK region compared to other UK regions and 20% below the average of the UK in 2005. What are the prospects of closing the gap as the Welsh economy responds to globalisation?

Mr Rosser: That is very unclear. Globalisation offers Welsh companies the same prospects as those elsewhere and as production becomes more competitive and as markets are opened up, companies in Wales are no longer reliant on the Welsh market or just the UK market, they have the whole world in which to compete, as do companies elsewhere. Welsh companies will be driven away from low value added, low margin production and employment and will be driven more towards high value added production, employing more skilled people who are earning more. If all companies and all individuals rise to that challenge and make the move, then one could see that the GVA in Wales ought to rise to match the UK average. If companies or individuals do not or cannot make that move then prospects for certain parts of our economy are good and certain parts are actually quite poor.

Q11 Albert Owen: Do you think that concentrating on GVA as a measurement is right, because there are lots of improvements in the Welsh economy as I have read in many of your organisation’s reports; is it fair to compare GVA with different regions of the UK?

Mr Rosser: It depends what region you are looking to compare it with. A company will pay more attention to its markets and how it is able to compete in them than the overall economic picture which probably exerts the thinking of politicians and maybe people in my position. GVA at least is an international comparison, it has some rigour to it, it is reasonably up to date as economic indicators go,
although it would always be helpful to have more recent data. People are struggling always for a better one but keep coming back to GVA; it is possibly a question for your economic advisers rather than for me.

**Q12 Albert Owen:** If I could just move on to the infrastructure, you mention in your memorandum that “Connectivity with markets will also increase in importance with globalisation. Road, rail and air connections from Wales will also require upgrading.” Those are your words. To what extent does Wales’ transport infrastructure affect the economic development of Wales and are there specific areas of Wales that are doing less well because of its infrastructure?

**Mr Rosser:** It continues to be the common factor most often mentioned by companies when you ask them about the characteristics of specific locations as a good place to do business or not. It is partly Wales specific and partly UK specific; the fact that the whole transport infrastructure of the UK appears to many people to be slowly grinding to a halt impacts on the UK’s attraction as a place to do business alongside many other things. Companies in North Wales seeking to transport goods or indeed people to the south-east of England or onto the continent will struggle on the motorway system around Birmingham; companies in South Wales have complained bitterly for some time about the strategic quality of the M4 in south-east Wales to get to external markets. Individuals in companies in south-east Wales in technology sectors in particular will refer to air travel. I was at Alcatel in Newport yesterday; they are still part of a French company and now merged with a US company and executives travel regularly and frequently to meetings across Europe and the airport connectivity is not as good as one would wish in south-east Wales. If you take the example of Alcatel, which has now merged with Lucent, they have four sites along the M4 corridor now between Maidenhead in the East and Newport in the West and as it is a newly merged company one can imagine that they may be looking to determine what to do with the number of sites that they have across Europe. It is in instances like that that the transport infrastructure and proximity to airports starts to become a big issue. For individuals who might be affected by the relocation of employment, for example from some of our manufacturing heartlands to employment being created more in the cities along the M4 corridor, the quality of the public transport infrastructure connecting individuals to where new jobs are most easily being created is a key factor. Most CBI members in North Wales are along the A55 corridor and feel that that road serves them fairly well and the proximity of Manchester Airport is a distinct benefit, but again if you take the issue of Control Techniques in Newtown they are very happy manufacturing in Newtown, but they maintain their sales office in Telford because those are the people who need to be connected to customers across the UK and Telford is a far better place to be than Newtown. They would like to have them co-located, so transport keeps coming back to being an issue.

**Q13 Albert Owen:** Do you see any benefits with greater North-South links?

**Mr Rosser:** From a purely economic standpoint there would be some benefits in enabling companies in South Wales to do business in the North and vice versa, where currently they choose not to do so. They are probably marginal benefits because trade patterns expand along transport corridors and companies in South Wales will move down the M4 corridor as they expand their operations into the Midlands, companies in North Wales will move into the north-west of England. They might move from South to North within Wales were the transport links better, but for a company in North Wales the market in South Wales is actually quite small compared to the north-west of England and vice versa as well. I remain to be convinced that the economic benefits would repay the presumably significant costs of the infrastructure improvements.

**Q14 Albert Owen:** You did not mention the sea and I notice that sea trade is very important to Wales. As somebody who represents a poor community I can see the benefits of that, particularly for transferring some dangerous goods et cetera from the Republic of Ireland. That is just a comment. What do you think is the impact of rising energy costs on investment decisions of companies located in Wales and, importantly, those considering locating in Wales? Do you think it is just a blip or do you think there is a trend of higher energy costs?

**Mr Rosser:** I wish I could forecast the market, but I suspect a lot of that is down to some decisions that government and private businesses take together over investment in the near future. In the short term the impact of energy costs is just the absolute price rise where companies are tied into supply contracts and if they do not have energy escalators built within those then there are immediate impacts. In the medium to long term the bigger issue is the competitiveness of energy costs as opposed to their absolute level. Take an example of a paper company in Wales, part of a European group, runs one of the most efficient mills within that group and yet last winter was making a loss because of the UK energy prices. Its sister plant elsewhere in the UK shut down for a period during the winter and production was transferred to Finland because Finland has abundant, cheap electricity through its nuclear power fleet. The competitive plant for the plant in Wales in terms of production was in France and France’s energy costs were in the middle between Finland and Wales and production was not transferred. In the short term, therefore, there are impacts for companies, in the medium to long term if companies are not convinced that the UK is taking the serious strategic decisions which would guarantee a competitive energy price then that will have locational implications.
Q15 Albert Owen: Do you think the energy review is helpful for planning medium and short term?

Mr Rosser: The recent energy review certainly was a lot more helpful than the one two or three years ago. Delivery is everything.

Q16 Albert Owen: What do you see as the main difference in the one three years ago?

Mr Rosser: Clearly the issue of nuclear, at least at a UK level, seems to have been tackled head-on by the Government, but that needs then to be translated into a regulatory framework, a pricing framework, within which companies can come forward with proposals. There are some very useful statements about the planning procedures for strategic energy projects and again, as I say, delivery is everything. Coming out with the plans, we now need to see this happening, we actually now need to see an energy structure being put in place.

Q17 Mark Williams: Turning now to specifically education and training, you touched on it in earlier answers but perhaps we can talk about that in a little more depth. Your memorandum states “it is concerning that basic skills levels within the existing workforce and school leavers are not high enough when the prospects for low-skilled employment will diminish.” How do you see Wales as comparing with the rest of the UK in that context?

Mr Rosser: Equally concerning: I am not convinced that the situation in Wales is particularly worse than that across the UK and CBI members would be concerned about those issues across the UK.

Q18 Mark Williams: Have you detected an improvement in the level of basic skills?

Mr Rosser: No, I do not think we have.

Q19 Mark Williams: Moving on to questions that, again, you have touched on before, what should industry be doing or Government be doing to increase the level of basic skills, in particular in Welsh industry, to raise the level of skills in the workforce? What, at the micro level and at a macro level should we be doing?

Mr Rosser: If we focus particularly on basic skills, a number of companies do have programmes in place to tackle literacy, numeracy and basic computer skills within the workforce. I have to say this is an area where companies tend to do quite good work jointly with the trade union movement on delivering this. I have to say it frustrates a number of people running businesses that they have to do this, but they recognise that both for the individuals and for their own companies the level of basic skills within the workforce has to be increased and worked upon but businesses generally do not see it as something they ought to have to do. Many would probably tackle this with somewhat better feeling if they felt that they were dealing with the stock and the flow had been turned off as well, but the fact is that most companies recruiting new entrants to the workplace believe that the education system is still producing people with basic skills problems at the same sort of rate as it generally has done, so they find difficulty with the stock when the flow is still turned on.

Q20 Mark Williams: Are there any particular areas that your companies or companies you have worked with have highlighted specifically that need to be addressed? You talk about basic skills and that is a general term, it covers certain areas.

Mr Rosser: Literacy and numeracy are the obvious ones.

Q21 Mark Williams: Are there improvements in IT?

Mr Rosser: The CBI will then take that further to communication skills and key skills—I am gradually getting to understand the jargon—moving into key skills away from basic skills, so communication, IT, teamwork and problem-solving et cetera are all issues which are valued highly by companies and will be more highly valued as we focus more on productivity as customer service becomes a differentiator for companies because products are being commoditised.

Q22 Mrs James: I would like to focus a little more now on higher education. The CBI memorandum to the Treasury Select Committee inquiry into globalisation stated that “funding for universities must shift to focus more on meeting the skills, research and innovation needs of business”. Do you think this is happening in Wales?

Mr Rosser: No, the funding for universities is twofold, clearly one for teaching—and therefore the CBI would want that to be more highly valued as we focus more on issues which are valued highly by companies and will be concerned about those issues across the UK.

Q23 Mrs James: Both working side by side. Mr Rosser: Yes, it is just a question of rebalancing.

Q24 Mrs James: You have touched on the second part of my question here really about the knowledge transfer. I sense that perhaps it is not as effective as you possibly might like it to be, or the CBI might like, this knowledge transfer, between universities and industry and businesses. Have you any idea how...
that can be improved, or is there any work that you are aware of where there are good models of practice or something that we could build on?  

Mr Rosser: It would be very wrong of me to sit here and suggest the problem lies entirely with the university sector. My new boss, Richard Lambert, was probably best noted before he joined the CBI for his review into collaboration between business and HE and he concluded that a lack of demand by business was as much a problem as lack of willingness or desire by universities to do this. A particular problem in Wales where the company base is not strong in the kinds of large, research-intensive companies that will have the capacity and interest to go and work closely with universities—the corporate base in Wales has a particular problem on this one, and I imagine that if we encourage a lot of universities in Wales to transfer knowledge into business they may well not be doing it into Welsh business. I do not think there are any easy solutions to this; experience suggests that money and funding tends to sharpen minds and change practices which is why the CBI would suggest that a process that sits alongside the RAE that provides a cash incentive for both parties to up their game in this area is one that could be very useful.

Q25 Mrs James: Bringing both sides together.  

Mr Rosser: Yes, and if some of the funding for research specifically has to be commercially focused then that would encourage universities to transfer more energy into that, and if businesses know that there is funding for this research it will encourage them to get involved in a rather more constructive way as well. There are roles for both parties here.

Q26 Mr Crabb: How concerned is CBI Wales about the adequacy of science departments within Welsh universities? We have seen the closure of at least one major chemistry department in recent years; do you anticipate further closures of chemistry and physics departments and how does that affect the ability of higher education to support Welsh business in responding to globalisation?  

Mr Rosser: I do not think this is specifically a Welsh problem; I am not sure I could distinguish and say that the situation in Welsh HE was better or worse than that for HE across the UK. Science departments are closing in universities across the UK and companies are increasingly now talking about the lack of graduates with training in physics, chemistry, mathematics and it is starting to become an impediment, particularly for those companies that we might hope would lead our charge into globalisation. I have to say that when I sit in front of a group of innovative, technology-based companies and ask them what they pay their science graduates when they bring them into the workforce, compared to what legal firms will pay lawyers or City banking firms will pay bankers, there tends to be a lot of shuffling of feet and glancing down at the table. Having studied some economics, I would have thought the market ought to come out in this area, so it is becoming a problem for a number of companies, I do not think it is specifically a Welsh problem and globalisation here actually could be one potential solution. Globalisation is about moving people as much as it is about moving goods and companies. If I think of the example of GE in north Cardiff which used to be Amersham and now is GE Healthcare, since being acquired by GE all jobs in the group are advertised on the company’s intranet and so all of a sudden Amersham are receiving job applications from people in India, across the globe, interested in coming to work for them, and we will see a lot more people moving around.

Chairman: Mr Crabb, you now want to ask some questions on taxation?

Q27 Mr Crabb: That is right. In recent years there has been a significant amount of evidence suggesting that the UK has fallen down the international league table of competitiveness; to what extent do you think that helps explain what is currently happening within Welsh industry and particularly Wales with regard to manufacturing?  

Mr Rosser: There are many contributory factors to the attractiveness of a country, of a location, to a business; taxation is one of them but a very important one. It will have two impacts on companies and the companies who are, if you like, Welsh indigenous may have a lower propensity to go elsewhere. Higher tax takes by the Treasury, coupled with increasing costs, mean that there is less money to reinvest in productivity enhancement, in training, et cetera. Companies which are global by their nature will have operations in many parts of the globe and they will take location decisions and, in my experience—I used to work in inward investment for the Welsh Development Agency—particularly for US companies tax was a very significant part of that location decision. I was with an insurance company recently, actively considering moving its headquarters—this company is not in Wales—to Ireland; in the UK we do two things, we apply a much higher capital adequacy requirement to insurance companies than the EU norm so for every £1,000 of business you write in the UK you have to maintain £10 of capital, while if you are in France or elsewhere in the EU it might by £5, so it is immediately double the capital, and we are increasingly becoming uncompetitive on tax. This company is thinking of moving to Ireland because it will have to maintain half the capital for a given amount of business and will be taxed at 12.5%. These are not difficult companies to move, so the fact that the UK has been tax-competitive and our trend is going in one direction whilst the trend of certainly our EU competition is moving in the other direction is becoming an increasing problem.

Q28 Mr Crabb: In the memorandum submitted by the CBI to the Treasury Select Committee inquiry into globalisation the CBI argued that commercial activities of companies should not be hampered by “excessive regulation, taxes . . . and other barriers to competitiveness.” Are you able to offer us just a few examples of where you think that the need for good job security, pension security, good working
conditions should be more appropriately balanced with the need for labour market flexibility? What I am getting at is business organisations always talk about the need for a light touch of regulation, yet they often come up with specific examples. Are you able to offer a few here?

**Mr Rosser:** I have just given you one about the capital adequacy requirements for insurance companies. Many of them are about implementation—one hesitates to use the term policing because it sounds as if you get away with it elsewhere and you do not in the UK, which is not what I mean to suggest. Look at a company like Dow Corning, operating a chemical plant in South Wales; it operates chemical plants across the EU and they know that the way in which environmental and health and safety legislation, for example, is implemented, regulated and appraised in other EU countries is lighter touch than in the UK. It requires less management time being given to completion of forms, it requires fewer inspections and at lower cost. Dow Corning is a highly reputable US company which will employ the same safety standards wherever it will be; it does not have accidents in its EU plants that it does not have in the UK because of this. There are a number of examples, each of which may seem small in their own rights, but when you accumulate them, and international companies feel this quite strongly because they experience it and environment managers from different places will get together and will be puzzled at the way the UK companies have to do things. We appear not to regulate and implement on any kind of risk-based assessment in the UK where it is almost tempting to think that our regulators and inspectors will pay more attention to the responsible, visible, open companies than they will to the cowboys in the back street, because it is easier.

Q29 **Mr Crabb:** What effects do you think devolution, the creation of the Assembly and now the new Government of Wales Act and the increased powers of the Assembly are having on the regulation of Welsh business?

**Mr Rosser:** To date, modest—a modest difference, a modest impact. Most will tend to be in the technical implementation of specific regulations rather than the broad brush approach, so some delays in implementation of regulations happen in England but will happen in Wales six or nine months later with consequent procedural difficulties for companies in the meantime. On other occasions it is in a different direction, so we are implementing the smoking ban in Wales three months ahead of England and, given the usual time it takes to get planning applications through, that will give a problem to some of our companies in the hospitality industry to cope with that. Largely they are quite minor and sometimes in Wales’ favour, regulations are implemented rather more sensibly in Wales than perhaps might be done by the Whitehall machine here, but to date there has been a modest impact. We are looking quite carefully at what the implications of the Government of Wales Act might be for businesses in Wales and we would like the Assembly to take quite a proactive approach to understanding the impact of what it might consider doing on business, we would like to see some form of regulatory impact assessments or some such tools being applied before regulations are introduced and not afterwards. We just need to be careful that the Welsh Assembly Government does not regulate because it has now the powers to do so. The whole purpose of this inquiry is that business is mobile, and Wales is quite a small market; we make it terribly different at our peril.

Q30 **Mr Crabb:** Thinking about the European level, what is the impact of European regulation on Welsh industry and, specifically, the prospects for further inward investment?

**Mr Rosser:** I had a meeting with some members yesterday with the head of the European Commission representation in the UK who was very strongly making the point that it was not European regulation per se, it was the way the UK implemented it; I suspect it is a bit of both. Despite all appearances to the contrary, business and the CBI will not fight against every bit of legislation that comes in, but we would look to see that it has a purpose and that it takes into account the competitiveness of the EU as a whole with economies that we are competing with elsewhere in the globe, it is not sufficient to have a level playing field just within Europe, so regulations such as the Reach directive, for example, on the use of chemicals can significantly change the attractiveness of the EU as a whole as a place to do business with certain categories of companies. That will impact on businesses across the UK fairly evenly, so Wales is not particularly disadvantaged or otherwise by those.

Q31 **Mr David Jones:** Just a brief supplementary question, in your view is the phenomenon of gold-plating of EU regulations by the UK a real phenomenon or is it another urban myth?

**Mr Rosser:** We think it is a real phenomenon. As I say, examples such as companies who have operations in many countries across the EU will tell us that the UK is very stringent in the way it applies EU regulations and overly bureaucratic in the way that it monitors and polices them. It would be nice to have more examples from companies coming forward, which is always frustrating.

Q32 **Hywel Williams:** I would like to ask you a question about corporation tax and inward investment. How significant or insignificant is the rate of corporation tax in Wales in influencing inward investment in your opinion?

**Mr Rosser:** It varies from company to company and it impacts certain source countries more than others. As I say, from my experience in having worked in inward investment it was always a very major factor for American companies. American companies seem to have their effective rate of corporation tax as a key performance measure for them, and therefore American CFOs would always have a very close look at the impact of corporation tax in the country...
they are going to on their own overall performance. The fact that American companies had a propensity to look at Ireland anyway, where the disparity is probably the greatest, did not help that; in my experience it was less of a factor for Japanese companies. International companies also clearly apply tax management techniques which are far beyond my understanding to post profits in the countries that are most conducive in terms of corporation tax rates, so it is partly the impact it has on the fundamental location decision and it is equally where a company then chooses to post the bulk of its profits and hence pay revenues, so for both reasons a lower corporation tax rate would seem to be more beneficial for the UK economy overall.

Q33 Hywel Williams: Are you familiar with the debate in Northern Ireland around reducing corporation tax there because of the perceived competitive advantage of the South?

Mr Rosser: I am aware it is being discussed, yes.

Q34 Hywel Williams: On both sides of the political divide in the North. Do you have any observations about varying corporation tax within a unitary state such as the UK on a regional basis?

Mr Rosser: As to its feasibility, that is probably one for the Treasury rather than the CBI. Undoubtedly, varying—lowering, which is hopefully what we are talking about—the rate of corporation tax would have a far greater impact on companies than the range of business support schemes et cetera that we spend money on currently. It also has the added benefit of supporting profitable businesses, which presumably we would all like to do. I am aware of this debate in Northern Ireland and aware that it is starting to be talked about within Wales and I have talked to some companies about this in Wales, as to their likely reaction. I have to say it is mixed; those companies which are traditional recipients of significant grant income sometimes take the view that actually they are likely to get more benefit from receiving grants than paying a lower rate of corporation tax, but many of the representatives of some of our international companies will focus far more on rate of tax. I guess there are winners and losers and, overall, reducing some of the grant dependency in Wales and focusing our efforts on supporting profitable companies is probably a more attractive proposition philosophically.

Q35 Hywel Williams: Thank you. Can I just refer to a phrase that you used in point 8 in your submission, which is the need to encourage free trade and the movement of labour. What changes to the tax regime in general would you recommend in order to encourage free trade and the movement of labour?

Mr Rosser: The UK does pretty well with its credentials on free trade and movement of labour, better than most, certainly within the EU. A number of our retailers are very disappointed at some of the tariffs reintroduced, for example, on some items of clothing within the EU which just serve to put up prices to our consumers here in the UK. The UK has a pretty good story to tell on this, and certainly the stance we have taken on welcoming migrant labour to the UK over recent years has had a significant boost to the economy overall in moderating wage increases and keeping inflation down, and in helping many of our companies in the UK and Wales to fill labour shortages.

Q36 Nia Griffith: The CBI memorandum to the Treasury Select Committee talks about needing an increase in the research and development tax credit; what sort of scale are we talking about, what sort of increase would be needed to actually make any difference in terms of investment in job creation in Wales?

Mr Rosser: That memorandum, which was prepared by my colleagues nationally, refers to an effective 10% take as being appropriate and I will defer to their greater expertise. I have to say if you talk to any of the individuals running Terry Matthews' businesses in Wales—Terry Matthews' commitment to Wales cannot be questioned—they refer to the far greater incentives for doing research and development that he will experience in Canada compared to the UK, far greater than the 10%. At the moment it is quite a narrow application of research and development tax credits and we could do with seeing both the scale of tax credits but also the scope of it, the expenditure for which it can be claimed, increased and just made easier. One sense at the moment is that it is those companies who are always participating in research and development who are largely claiming it and hopefully doing a little more as a result of it, but I am not sure I pick up too many signs from businesses that it has significantly changed behaviour yet. I would have thought that the 10% figure quoted in that memorandum would probably be at the lower end of what was needed to effect significant change.

Q37 Nia Griffith: Perhaps we could move on now to the labour market and migrant labour. It has come as quite a surprise and a shock to people in Wales to find that areas where there is high economic inactivity or traditionally high levels of unemployment have in fact themselves now got quite a large component of migrant workers, and you yourself refer to this in your memorandum. Can you give us some examples of where migrant workers have come into these areas and what sorts of industries do actually employ migrant labour in Wales? Does that indicate any skills shortage; are there any reasons why that is actually happening; what is the motivation behind it?

Mr Rosser: I wish I understood this fully and I keep being astonished by the variety of companies that have particularly Eastern Europeans employed. Traditionally one first detected it in the agricultural sector, in food processing, some of those industries that you traditionally associate with being low skill, low wage. I have to say that it has gone way beyond that; I find lines of Lithuanians in automotive components factories. Airbus, I believe, recently started employing Polish engineers and I came across a company the other day employing a Polish
surveyor; sometimes you can pigeonhole it as these are jobs that Welsh people do not want to do, they do not pay much, other times you can look at them and think skills shortages are being solved here. It just seems to be across the board.

Q38 Nia Griffith: What sort of relationship do you have with agencies? Are agencies, shall we say, proactive in terms of pushing their services on companies; are they marketing the migrant workers, perhaps in a way that would not happen in, say, job centres or something?

Mr Rosser: They certainly are active in helping companies fill vacancies with migrant workers. I do not have much experience, I am afraid, of whether the job centres are doing that or not. Some agencies have set up offices, including Welsh agencies, in Warsaw in Poland, and they will manage the procedures around assessing skills, providing paperwork, providing accommodation. When that process is undertaken by an agency the cost of employment to the employer in Wales is higher than if they were employing Welsh workers, so it is not a low cost or cheaper option in that sense. Other times, companies will report that individuals make their own way here to the UK, or they follow people they have known who have made the trip and will be applying to companies in their own right as individuals.

Q39 Mrs James: I have come across this in my constituency and one of the things that concerns me greatly is that the employer, i.e. the company where the agency worker is working, is very quick to say this person is not my responsibility, he is actually the responsibility of the agency. Do you perceive a blurring of the edges of the responsibility of an employer to an employee?

Mr Rosser: There are different employers just as there are different workers. I equally know employers who will take migrant workers on and, after six months, will put them on the books as permanent workers. After six months they have got a bank account, they have got an address; they have got what it takes to set up as a citizen in this country. Where an employer is looking to recruit with a long term need I would hope that is what they would do; where an employer is looking to fill a seasonal vacancy then maybe they are more likely to take the route that you have experienced. As I say, there are a variety of approaches, but certainly I know employers who now have Eastern Europeans on the workforce, they regard them as long term employees and those workers are putting down roots.

Q40 Nia Griffith: Can I just ask you a bit further about the agencies again? Is there an advantage that companies see in not taking on that employer responsibility that Siân has just been referring to, and they can, say, have 100 workers one week, 50 the next week or whatever, they have a flexibility with that agency link. Is that a factor at all that you have found?

Mr Rosser: Yes, it is very much a factor. It is a factor whether it is agency workers who are Welsh or whether they are Polish. There is a flexibility benefit in having agency workers for certain employers for certain requirements, and every time we ratchet up employment laws that advantage increases. There is a balance for employers; for some it is seasonality, but equally we are talking about a full employment situation in this country where skilled, good people are not easy to come by. If you get a skilled, good worker it would be in most employers' interest to do what it takes to keep them, whether they are Polish or Welsh.

Q41 Nia Griffith: Do you think there are any particular barriers to indigenous unemployed people getting back into the workplace, any reasons why perhaps they are not being taken on?

Mr Rosser: I have never yet met an employer who has looked me in the eye and said "I would rather take a Pole than a Welsh person." As I say, if they are taking them on through agencies it is generally more expensive to take on a Pole rather than a Welsh person and the employment experience for Eastern Europeans is wholly positive, they are regarded as exceptionally good workers. Why is it that companies in Anglesey or the Heads of the Valleys will be employing migrant workers when there is a high level of economic inactivity? I am not sure I know but I can imagine there are three possible types of reasons: one is employability, is the individual employable, and given that a number of these roles are relatively unskilled that will be a factor in some cases; another presumably is that an individual who is not working has responsibilities which make it difficult for them to enter the workforce—caring responsibilities seem to be the obvious one—and the third, I have to say, is probably desire or desire set against cost-effectiveness for that individual of leaving their current arrangements and coming back into the workplace. I am not sure I have sufficient knowledge to unpick those; there are probably people far better placed than me to do so, but I am struggling to think of other factors that do not fall into one of those three categories. As I say, I have yet to meet employers who will discriminate against Welsh people to get in Poles; you might say they would not tell me that, but they have not.

Chairman: Could I thank you for your evidence today and draw your attention to the fact that, as you already know, later on in the inquiry we will be exploring as a theme population movements, food, broadcasting, creative industries. If you feel that you would like to give written evidence on those subjects, we would be very pleased to receive it. Thank you very much.
Witnesses: Mr Derek Walker, Head of Policy and Executive Member, Wales TUC, gave evidence.

Q42 Chairman: Good afternoon, could I welcome you to the Welsh Affairs Committee and, for the record, could you introduce yourselves please?

Mr Richards: My name is Andy Richards; I am an executive Committee Member of the Wales TUC.

Mr Walker: My name is Derek Walker; I am Head of Policy and Campaigns at the Wales TUC.

Q43 Chairman: Thank you very much. Could I begin by asking you in very broad terms what has been the impact of globalisation on employment patterns in Wales?

Mr Richards: Could I say first of all, Chairman, that obviously Derek and I deal in different fields in the Wales TUC and obviously it will be the Derek and Andy show today. As far as the impact of globalisation in Wales is concerned, it has generally been bad news as far as manufacturing industry is concerned. Obviously, globalisation has made a huge difference to the quality of life of people in the UK and across the world, but there are victims as well as winners and too many British workers are losing their jobs when companies move abroad or fail to compete. The Wales TUC point of view is that cheap DVD players and clothes are scant compensation if you are being downgraded to poor quality, insecure and low-paid work. Of course, we cannot put the genie back in the bottle now, we cannot say stop the world I want to get off it, but we do feel the Government must provide support to older and unskilled individuals to help them adapt to the opening up of world markets and ensure that all UK workers benefit. The UK also has a responsibility in our view, Chairman, mainly through international trade agreements, to make sure that workers in developing countries have access to decent work. The figures that we are quoting to the Committee give a stark reflection of the toll that globalisation is having on our manufacturing sector in Wales. Manufacturing employment declined from 207,000 in December 1999 to 171,000 in December 2006, which represents 2038 will be year zero for Welsh manufacturing; it has generally been bad news as far as manufacturing industry is concerned and, on the other hand, are there any industries that are gaining from globalisation?

Mr Richards: The number of industries gaining from globalisation does not slip readily from the tongue.

Q44 Mr David Jones: Good afternoon. You have given an indication of the negative effects of globalisation upon Welsh industry, which industries would you say have been particularly adversely affected by globalisation and, on the other hand, are there any industries that are gaining from globalisation?

Mr Richards: The number of industries gaining from globalisation does not slip readily from the tongue.

Q45 Mr David Jones: You cannot think of any?

Mr Richards: No, not really, and of course the worst effects of globalisation, as I have said, are affecting manufacturing industry. We have seen a number of industries relocate from Wales—we do have that data with us. In recent times we have lost Continental Teavis, Dura Automotive Systems, Hills Industries, Sankeen Power Systems, Crabtree & Evelyn, Thomson Broadband, Panasonic—the list goes on and on.

Q46 Mr David Jones: These are different sectors; they are not particularly the same manufacturing sectors though.

Mr Richards: Predominantly manufacturing we say.

Q47 Mr David Jones: What about the different types of manufacturing?

Mr Richards: Yes, in the manufacturing sector.

Q48 Mr David Jones: Would you say that some regions of Wales are feeling the impact of globalisation more than others?

Mr Walker: If I could come in there, it is probably true to say that we are losing manufacturing jobs across Wales and all parts of Wales are affected. As David mentioned earlier, perhaps because of the predominance of manufacturing industry in south-east and north-east Wales those areas are particularly affected, but I do not think any part of Wales is immune from losing these jobs. It is perhaps useful to think about the types of people who are losing out from globalisation rather than the regions, and I guess it is going to be those with the lowest level of skills and older workers who particularly suffer from globalisation, who cannot then transfer to other areas of work.

Q49 Mr David Jones: Is that a uniform pattern across Wales?

Mr Walker: This is happening across Wales, certainly; yes, that is the case.

Q50 Mr David Jones: What has been the impact of globalisation upon trade union representation in Wales?

Mr Walker: Trade union representation across the UK at the moment is fairly stable, although in the past it has been falling. Wales still has a higher level...
of trade union representation than other regions of England; we are roughly around about 37% whereas English regions may average around 27%, so in Wales we have a fairly traditional make-up of trade union membership, with high numbers of male members working in manufacturing sectors and we have been hit hard by that. Unions have been able to recruit in growing areas of the economy, those areas of the public sector that have grown and those areas of the private sector that have grown such as retail and hospitality and the like.

**Q51 Mr David Jones:** In terms of the impact of globalisation on trade union representation, it is not significant.

**Mr Walker:** At the moment it is a stable situation.

**Q52 Chairman:** Can I follow up on that question? How has the Wales TUC responded to globalisation in terms of strengthening its links globally? I know that some unions, like the Transport & General Workers, have historically had strong links with other unions through Ford and whatever; how has that accelerated as a result of globalisation and does Wales TUC have a particular role to play in that?

**Mr Walker:** Yes, we do, certainly. The TUC in particular is developing links with unions across Europe and beyond in order to share information and good practice, particularly of course in terms of strengthening links globally. Perhaps we will come on to this later—good information about the circumstances they are likely to come across when they come to Wales, so we are looking to extend that work and that has largely been led through Congress at the moment, but at the Wales TUC level we are looking to do that as well through various projects.

**Mr Richards:** If I could amplify that, obviously the individual unions are investing a lot of time, effort and resource into strengthening the international links that they already have with global union organisations such as the T&G has links with the SEIU and its sister unions in the States and elsewhere, the Teamsters Union, simply from the point of view that if we are going to engage with companies on the global stage we have to have, obviously, global trade union links. It is more difficult in some countries, obviously, particularly in Colombia, where trade unionists are being murdered daily and of course in China, the greatest competitive threat to Europe, where, given the nature of the regime, free trade unions are absolutely banned. We feel, therefore, that the development and strengthening of international trade union links is crucially important, yes, and we are doing a lot of work on that.

**Q53 Nia Griffith:** We hear a lot about the need for greater flexibility when we talk about globalisation, but how can that need be actually reconciled as a need for job security, acceptable working conditions and retirement benefits, because most of us would understand flexibility as meaning possibly an erosion of some of those provisions.

**Mr Richards:** Not necessarily; flexibility within the workplace is the key element to a company surviving. There are many examples where the unions have been involved in flexible and lean manufacturing agreements with companies to concentrate on a core workforce, core activities and perhaps departing from some of the practices which are very costly to a company. But those agreements, in the best unionised companies, are always based on the fact that there is no compulsory redundancy clause. If we allow that transition to be made through natural attrition then we have no problems with it, it does not necessarily follow that there are ill-effects. I can say that one of the key sector support initiatives that was taken by the Welsh Assembly Government recently, the Accelerate Wales programme, focused heavily on manufacturing efficiencies and lean production, but against the background that if you are going to ask a workforce to adopt flexible working practices and say that the result of that is that you are going to be thrown compulsorily out of work, you are not going to get too far on the agreement, but flexibility in itself is one of the key parameters that that initiative is working to.

**Q54 Nia Griffith:** In the case of redundancy or reduced earnings, you have mentioned the role of the trade unions and industry; is there also a role for Government in terms of tackling the problems of workers who experience the negative effects of redundancy or reduced earnings?

**Mr Walker:** Certainly. The effects of redundancy, as I have said before, have particularly hit certain groups and what we need to concentrate on is retraining and constant training for people who are particularly vulnerable to the impacts of globalisation. What we see some of evidence of is that where big companies close down or relocate and they get the glare of publicity retraining packages and support and careers advice are very much available and proactively available, but we think they also need to be made widely available to those smaller companies that might relocate out of the glare of publicity. I am not an expert on the types of support that are available. I know there is a ReACT programme run by Careers Wales which provides training support to everyone, but for smaller companies that proactive approach to offer support and training to people likely to lose their jobs is not always there. Our experience also is that if there has been a culture of learning within the company, ideally in partnership with a union, then there are more likely to be better learning outcomes and better training uptake when redundancy situations arise.

**Q55 Nia Griffith:** You mentioned the lack of manufacturing strategy and the CBI say in their memorandum that preserving low cost manufacturing operations in Wales is ultimately a fruitless exercise, so what should be done to deal with this problem of the vulnerability of manufacturing jobs and the fact that we do have still significant numbers of low-skill jobs?
Mr Richards: It is a huge debate and a multi-faceted question that you pose there. Obviously, there are a number of key parameters against which companies decide to set up in the UK or in Wales but transportation is one part of that. The provision of low cost energy which is safely supplied to industry is another facet of that. Taxation plays a part in that. From our point of view, what my colleague from the CBI may have been referring to is that a lot of the low-skill, low value-added jobs are most at risk from exporting overseas and there is some truth in that. What we have to build on in my view is industry support programmes which do not simply give money to companies to put in their pockets and run away with. We want to give money to companies to provide support which is designed by the industry itself. Let me say something about this Accelerate Wales programme that we have put together to help smaller manufacturers in the automotive supply chain in Wales. That was designed by the industry itself and what we did was to take champions out of places such as Ford and other big companies who were well versed in lean production, lean manufacture, training, et cetera, and second those into smaller companies. Some of the companies have since moved out, that is, true, and Continental Teves was one, but a number of automotive supply companies benefited from the advice of a specialist being provided for them by our programme. The overseeing committee of Accelerate Wales was made up of people like myself and people from the Society of Motor Manufacturers and Traders and the Engineering Employers Federation. We had to have the odd civil servant there, of course, but it was a most effective way of assisting companies to protect themselves from within, not by giving them X amount of money so that they could run away with it. There is an argument, of course, that the recipients of public money exercised for private means should have some form of regulation upon them and there should be some penalty if they simply up sticks and move away. It is a multi-faceted argument and most certainly the big benefit of the Accelerate Wales programme was that it was not just giving money away; it was saying to employers, “You are going to have to help yourselves as well as us helping you”. It was a key initiative and I am surprised that more has not been reported about that.

Mr Richards: The WDA was a brand name known around the world. They were particularly good, and they were well thought of by many multinational companies that I have dealt with, particularly Ford, and they were very good at support for indigenous industries. There were, of course, some bad patches that they went through, one of them being, of course, the LG plant, but in the main, whilst I believe that the WDA suffered latterly with the size of the Crewe admission, I think in its day it was well thought of by most of the industries, and copied, by the way. I went to Chihuahua engine plant one time in Mexico and they were talking about the WDA as if it was their own, so it was well known there.

Q57 Hywel Williams: Do you think that the WDA and the Government in the past and now the Welsh Assembly Government are good at spotting winners?

Mr Walker: That is an interesting question. It is very difficult to anticipate sometimes what could be a good business. Who would have anticipated Google, for instance, being such a huge company 20 years ago? It would just be impossible, but we can do work to anticipate growing sectors of industry and support them. What we are advocating is more than just picking winners. It is identifying strategic areas, not just businesses but strategic areas that we can coalesce around and develop and build within Wales so that they are less likely to leave because of the support and the skills and all the rest of it within the country.

Mr Richards: The WDA was a huge measure that we have an expertise that we can build on and develop clusters of industries that can work together and play off each other. If we lose that industry it is very difficult to get it back. There needs to be government supporting intervention in those cases but also in those industries that might not fit those criteria but have an important impact locally in terms of the economy and the devastating impact that would be felt by that economy if they were to leave.

Q56 Nia Griffith: The TUC memorandum to the Treasury also mentions developments in places like Sweden, Denmark and Germany for specific types of industry there, like environmental industries. Do you see a role for government in pushing or promoting specific developments?

Mr Walker: Certainly. We are really trying to encourage governments to go beyond just providing the so-called horizontal measures of a good environment for business, including tax skills, which are obviously important, but also taking a far more proactive approach to developing our industry and our manufacturing and identifying those businesses that have particularly got good growth potential with high value-added products, where we already have an expertise that we can build on and develop clusters of industries that can work together and play off each other. If we lose that industry it is very difficult to get it back. There needs to be government supporting intervention in those cases but also in those industries that might not fit those criteria but have an important impact locally in terms of the economy and the devastating impact that would be felt by that economy if they were to leave.

Mr Walker: You mentioned earlier on the Leitch Review. Although we have not done our formal response at the Wales TUC yet, we were encouraged by the approach set out in that document and the need for a real culture change in terms of education and skills. The feeling we have also is to support the recommendation in the document for compulsion on employers to train their workforce because what cannot be expected is for the state to be doing all of this. It needs to be done by the companies that benefit from this themselves. Some of our affiliated unions will talk of experience whereby in some companies it would be cheaper to poach workers who were already trained by someone else than deliver the training themselves. I think we might all recognise that picture.
Q59 Mrs James: The TUC’s memorandum to the Treasury Committee argues this point, that it is a joint role between employers, employees and the Government to ensure that training needs are met. What is your role as a trainer, and I am very aware of WULF, the Welsh Union Learning Fund, so could you tell us a little bit more about that and how successful it has been?

Mr Walker: From our perspective it has been very successful. An approach that involves trade unions with employers putting learning on the agenda and delivering it has been hugely successful. The advantage, obvious to us maybe but not obvious to everybody, of the union being involved in this process is that we are far more able to reach atypical workers, part-time workers and so on, that employers would not be able to reach. Also, there is a barrier to people explaining their basic skills needs to their employer, whereas that does not happen so much with the union, so the union really adds value to this picture. The model that we use generally in terms of union learning is for there to be a union learning rep identified and for them to be trained, for there to be employer commitment to joint working in this area; otherwise it does not work out, and therefore for the union learning rep to undertake a skills analysis to identify what is needed in that workforce in terms of vocational skills but also basic skills. You mentioned WULF. What often happens then is that a bid will be put into the Welsh Union Learning Fund to develop the capacity and the infrastructure for the learning environment in that workplace. Where that infrastructure is put in place it is more likely that there will be an ongoing commitment from the employer to training and learning. There are a number of very positive WULF projects around Wales. I think we have had about 104 so far which are making a huge difference to the learning culture within workplaces. There is a company in Ystradgynlais called SEWS, where a project has been so successful that something like 70% or 80% of the workforce have taken up the opportunity to do training and a good proportion, maybe 40% or 50%, of those have gone on to do further training, so it has proved to be very successful and I know Andy has good WULF projects within the T&G.

Q60 Chairman: Could I ask a supplementary here? What you are describing is very interesting. Could I suggest that it is somewhat introspective in relation to the fact that you have now had the Welsh Union Learning Fund for 10 years. This is an inquiry on globalisation. Are there any projects that actually address that fundamental question, the impact of globalisation on the workforce?

Mr Richards: One of the issues that we are dealing with here is that a number of questions have been asked about the use of migrant labour by companies in this country and, of course, the Welsh Union Learning Fund has been quite crucial to us. I will give you an example of the Arriva buses in north Wales. We have been through that programme teaching bus drivers how to speak English and Welsh, and so it is quite key. Obviously, we would want employers to take up their responsibility to provide training in-house. One of the examples that we had was the educational development scheme at Ford, because we realised that a lot of the workers within these industries had left school at 15 and had not learned since that time, so those sorts of initiatives are going to teach people how to learn again. WULF has had a spin-off in many different areas.

Mr Walker: Can I follow up on that? Far from being introspective, I think the opposite is the case. What these projects are doing is giving people the basic skills and the transferable skills for them to be able to cope within a global economy and find new work if their companies relocate so I think it is fundamental to the globalisation issue.

Chairman: Perhaps my observations have been coloured by reading the review of the Welsh Assembly Government support for union learning dated 12 July 2006 where one does not get a sense that it is located anywhere in a global situation. That is an observation on my part and perhaps it is a question we need to pose to the Welsh Assembly Government rather than to you.

Q61 Mark Williams: We have concentrated our remarks just now on training opportunities in the workplace. What about retraining opportunities for those who have been made redundant? What is available for those people? Are people taking advantage of those opportunities and what is the role of the trade union movement in helping workers to retrain?

Mr Walker: Much of what I was saying earlier answers this point. There are programmes available for people who are made redundant and extra training is made available when there is a lot of publicity around the closure, but when there are small companies that close down they perhaps do not receive the same support and they need to. I am not an expert on the different training programmes that are available. ReACT is one I mentioned earlier that is available. To answer your point about the union role in this, the union role is crucial because if the unions are involved in delivering and supporting learning within a workplace and they are able to ensure that that learning culture happens within that workplace, then those people who are possibly made redundant after that are able more easily to find work because it is those with the lower skills that find it difficult to find work, especially if they have to move sector.

Q62 Mark Williams: I cite one example from my constituency, the Dairygold factory that closed. That was not a unionised plant and you are right. We managed to get more publicity on that case and the media swung in, as did Careers Wales and the county council with some success. There were some good attempts to get people back to work but, as you say, the lack of sufficient inside training fostered by the union was very regrettable.

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Mr Richards: If I may offer a point of view on this, the dilemma for us is this. Retraining redundant workers over the years, and obviously we would prefer to have workers upskilled and trained as highly as they can be while they are in work so that they can contribute to the competitiveness of the company, has been seen—and forgive me; I am not criticising yourself—as a sop, has it not? “We are losing 100-odd jobs down the road, so we will retrain them all”. The difficulty we have got now with the effects of globalisation that we have seen so far, plus the potential effects of globalisation that we know are to come, is that this is going to affect a number of companies, although not Corus. We are going to have to deal with literally thousands of people all at one go coming out of work from the Rover crisis. You can train people as much as you like but in that situation where you have got masses of people being made unemployed you are simply upskilling the jobless. We are not creating any jobs from that; that is our worry, and, of course, future product sourcing and investment decisions which will have been made five, maybe six years ago, are coming out now with a delayed action impact upon us. Engine programmes, for example, in the automotive industry have a six-year cycle, so decisions made six years ago are going to have a knock-on effect for us. China, which is the big industrial threat to us, are training graduates at a rate of knots. They are already producing Boeing wings and Airbus wings virtually in the same factory over there. Once their steel mills come on line very shortly the amount of hot-rolled slap that is going to be cheap and that is going to be entering world markets is going to have a further effect. We do not want to paint too black a picture but things are not exactly rosy as far as manufacturing and the impact of globalisation are concerned.

Q63 Mark Williams: You are aware of high levels of economic inactivity in some parts of Wales. Over and above what you have already said, and I appreciate what you have said in particular about the limitations of training given what is going to be happening and now it is a much bigger picture than that, what barriers do you feel are currently preventing the economically inactive from participating in the rapidly changing labour market and what measures should be taken to ensure that the current economically inactive can at least have a chance?

Mr Walker: You are right to identify this as an important issue. If far more of these economically inactive people are able to join the workforce then that is going to greatly add to our GDA. The barriers are multiple and complex and I do not profess to understand them all. The Assembly did some work on this a couple of years ago and it looked into the issue of low levels of skills. That was a big problem. Obviously, there are fewer jobs now you can do if you have no skills. It also talked about poorer skills, where self-esteem and other issues might play a role in getting people back to work. Child care was another issue, caring responsibilities, the benefits trap. There were more mentioned in the report. It is a hugely complex picture. One of the initiatives that we really welcome from Jobcentre Plus has been the Wales Want 2 Work programme which they are piloting in a few areas around Wales and which has been very much about working with people to get back to work. It is about understanding what the barriers are for those individuals and helping them to break down those barriers in terms of dedicated specific skill support, mentoring and ongoing learning when they are in that workplace. They have also done work around benefits, I understand, so that people feel secure that if it does not work out they are able to get the benefits that they were on previously. From our perspective that is a very good initiative and I think it is showing results.

Q64 Hywel Williams: Can I ask you about government support for research and development? What does the Government here in Westminster and the Welsh Assembly Government need to do to ensure that there is a sufficiently high level of research and development to promote innovation and competition within industry?

Mr Richards: The Government has implemented R&D tax credits to encourage investment in research and development but we believe that such is the importance of research and development in securing companies to their locality that these should be increased in size and scope and we should be looking at spreading government support for science and industry collaboration beyond the existing concentration at Oxbridge, the south east and the home counties. Aside from encouraging existing employers to invest in research and development there is a need for universities to become far more involved in the delivery of R&D to manufacturers. Our higher education establishments are an invaluable source of knowledge and expertise and, unlike multinationals, are indigenous to Wales and rooted within their communities. R&D does anchor companies and plants to the locality. We have had a classic example in Llanelli just recently where it was decided that the research and development centre there, which included a state-of-the-art wind tunnel, should be moved to France and, of course, as a result of that we are into all sorts of negotiations down there in Llanelli now where it looks very much like the company see France as being the sexy location to produce. With regard to research and development and technology training centres, and certainly those which have been funded by government grant aid, we really should be saying to these companies, “Look: there is a penalty if you are going to up sticks and move off”.

Q65 Hywel Williams: Are you aware of any differential take-up in R&D tax credits between companies, between different aspects of industry? I am just thinking in terms of what the actual activity is or actual size of the company. For example, do small companies take them up to a lesser degree?

Mr Richards: No.

Mr Walker: I do not have any awareness of the difference.
Q66 Hywel Williams: I was just wondering whether the overall size of the companies in Wales might be smaller. Can I just ask you about regulation? Whereas the UK Government and the CBI have argued that reform of regulation is a necessity and a priority, the TUC says that in terms of regulation “reforming it should not be a priority for globalisation policy”. It seems to take a diametrically opposite view. Can you explain your position on this?

Mr Richards: I cannot. I did not write that.

Mr Walker: The research we have done on regulation, for example, around employment and redundancy shows that Britain, the UK, is lowest or near to the lowest of all the tables looking at regulation. This is on the agenda because business organisations have been very successful at putting this on the agenda, but I do not believe it is such a big issue. We compare very favourably to most of our competitive countries in terms of regulation.

Research that we point to in our submission also quite clearly shows that when you get to a certain level of development in terms of economy with property rights, intellectual property rights, company law and so on these slight changes make very little real difference in terms of business decisions and whether businesses are attracted to coming to Wales or its profitability. We refute that argument wholeheartedly.

Q67 Mrs James: I want to turn to infrastructure. Earlier on we heard from the CBI about the challenges for companies with the transport infrastructure in Wales. Do you believe that the transport infrastructure meets the needs of a globalising economy and what are its strengths and weaknesses?

Mr Richards: For certain, if you were looking at simply the A55 corridor and the M4 corridor, I guess we have got a fair amount of transport infrastructure there, but the reason that Laura Ashley was the most famous example of mid-Wales industry in Carno was the fact that it was about the only one. We have got huge transport problems. I will give you an example. Corus has to move coil up to Shotton for processing and then back down the road to Trostraa. That sort of transportation of materials from Port Talbot to go back down is very costly even if it is on a motorway. The types of roads we are talking about from south to north and north to south, and I have had an association with many companies and meetings in board rooms, that sort of lack of infrastructure, means that no manufacturing company in their right mind, certainly not the one that is involved in last-minute supply to its assembly plants, would ever locate there. I do not quite know, not being a politician myself, what the answer is. I think probably it needs to be looked at. There is a large tract of Wales that is never going to have any hope of having employment such as we enjoy in the north and south and I think it is a crying shame and it cries out for something to be done about it.

Mr Walker: Obviously, a good integrated transport system is essential and we have welcomed further devolution in transport powers because I think that is going to be very important in making sure the transport priorities for Wales meet the needs of our economy, so we welcome that. We have also kept an open mind about congestion charging. We heard earlier about the bottlenecks in certain parts of Wales and the costs that those will have on business, but when we look at these congestion charging schemes we need to make sure that there are good public transport systems in place to enable people to get to work and that we look at the competitiveness. Is it going to affect the competitiveness of our businesses? If it is going to adversely affect it then we need to be careful about proceeding.

Mr Richards: I think we generally welcome the fact that there are more devolved powers to the Welsh Assembly Government now and in fact we are holding a transport conference shortly to debate this very thing. It is quite a key issue for us in Wales.

Q68 Mrs James: The next part of my question is about conditions of employment. We are all aware as Members of Parliament that churn that is going on, company closures and we are all concerned about it, but for every person who has come to see me and expressed concern about losing their job says the same thing: “They would not be able to do this to us in other parts of Europe”. They say that we seem to be the easiest country where this happens. It would not be allowed elsewhere. Do you think that it is easier to make people redundant in Britain and should Welsh workers who are made redundant receive better compensation and fairer treatment than at present?

Mr Richards: Absolutely we do, yes. We do not enjoy the full considerations of the European directive on consultation. The redundancy packages are far lower in this country. As far as consultation goes, we generally at this point in time get more news about potential plant closures in Wales from members of European works councils, from our European counterparts, than we do from companies over here, so without a shadow of a doubt it is easier and cheaper to sack workers in this country. Companies can relocate elsewhere. Even companies that have received significant grant aid can up sticks and move elsewhere, leaving nothing in their wake other than destruction without being compelled to put in a social plan to deal with the effects on the community or whatever, so most definitely it has been our argument for a very long time that we are not playing on a level playing field as far as Europe is concerned. Our colleague from the CBI obviously will argue that we have too much protective legislation but I think we have got far too little and it is something now which is hamstringing us as a country with the amount of jobs that we are losing, so it is about time that the UK Government made its mind up as to where it is going on that.

Q69 Chairman: Could I end with a couple of questions in relation to inward migration? Much of your evidence has been informed by questions in
relation to migrant labour. Is there any evidence in Wales of a skills shortage and that migrant labour is being used to fill that gap?

Mr Richards: We have had examples where there has been a skills shortage and it has had to be filled by migrant labour. I went down last year to the energy project in Milton Haven and was surprised that we could not get basic carbon shutterers for concrete pouring, so in meeting the employer up there it was one area where there was a shortage of skills in the locality that had to be replaced by the basic carbon shutterers, as we said. We can debate the reason why we are so devoid of these basic skills in the communities. There have been a lot of apprentice training programmes over the years, there have been colleges putting more emphasis on drama and media studies than on the basic skills, et cetera, that is one example. Of course, our experience in the main of the use of migrant labour is in wheat processing and food, and to an extent as well in Hereford with fruit picking where there are some quite disgraceful conditions that these people are having to endure, and we can give plenty of information on that. Not all of the agencies that procure and supply migrant labour are bad organisations, by the way. We recognise that there are some that apply proper standards but that is that end of the scale and at the other end of the scale are agencies who deploy migrant labour who are more akin to Organisation Todt in the thirties and forties than what we would expect in this day and age, and there are horror stories that my union in particular has investigated, such as young women and young male Polish people having to live in Llanelli 20 or 25 to a house, hot-bedding it. I guess you know what hot-bedding means. One shift worker leaves the bed and another goes in. They sign contracts to come over here in good faith to find work and instead of a welcome they find they have signed contracts which bind them to deductions from their wages for accommodation, £35 a week for accommodation, £25 a week for transport, which usually takes the form of a transit van, and it is these agencies that provide this labour to companies. Companies in the main abrogate their responsibilities to these agencies and simply say, “Procure me X amount of workers”. They do not ask about the conditions that people work in, but whenever we raise this to their attention, such as Tesco, et cetera, “Do you know how these people who are being supplied to the meat packaging plant that supplies you are treated?”, we generally find that we have a good hearing from them. The issue of the growth of migrant labour working in Wales and the way in which they are treated by some, not all but by some unscrupulous gangmasters, is something that needs stronger and further debate for sure.

Q70 Chairman: What strategic role has the Wales TUC in dealing with protecting the rights of migrant workers? What exactly is it doing on this issue?

Mr Walker: There is a number of roles there and it is a big issue, but it has not been researched. It has been done in other parts of England but not in Wales. What we are now commissioning is research to put the evidence together about the good and bad practice faced by migrant workers in Wales. We are commissioning that and hoping to have that by the end of March/April time. That has not been done and it needs to be done in order to make sure we are putting policies in place that are the right ones, because also the evidence that Andy talks about is very real evidence but it is often dismissed as anecdotal, so we will be researching that and publishing it.

Q71 Chairman: Do you work in partnership with bodies like the Commission for Racial Equality and other educational bodies to address these issues?

Mr Walker: Yes. We have worked quite closely with the Commission for Racial Equality We recently produced a leaflet about the myths around migrant workers and refugees as a campaign tool to change people’s misperceptions about migrant workers. The far right often claim that migrant workers are taking people’s jobs and that just is not true. Migrant workers are contributing far more to our economy than they are taking out in terms of services, but it is our role to make sure workplace reps and then on through the workplaces know this to be the case, so we can do more but we have done some of that work already. Our race equality committee had its conference on the issue of migrant workers just two years ago when we were facing this very subject.

Mr Richards: There is a big social and moral dimension to this. We have dealt with all sorts of difficulties and, by the way, it is not a minority problem; it is a big problem. These workers who are employed by the unscrupulous agencies have to sign what are termed zero hours contracts and it is something that we have a campaign in Europe on. There are no offers of guaranteed hours of work, but the costs that they have to pay in terms of the £35 and the £25 are there whether they work or not and that is how the gangmaster enslaves them economically. We are having to take these agencies on because they usually bring a Polish enforcer over to make sure that these Polish people do not step out of line. We had three young Polish women in Swansea whom he had thrown out of the house at midnight, who landed on the streets along with a number of others who had all been treated the same way, and then they have to find places to sleep in the city, particularly in Swansea, and then they are abused by racist thugs simply because they are Polish people and they should not be sleeping on the station or whatever. It is a big problem and it has taken us way beyond the boundaries of normal trade unionism, I can say that here, but it is our moral obligation to look after these people and share this problem. It is a growing problem in Wales, which is why, as my colleague has indicated to you, we are doing so much work in preparing a paper to send to the Government on it.

Nia Griffith: Perhaps you can send us a copy of the leaflets.
Chairman: Yes. Can I thank you for your oral evidence today? Could I ask you also for a written memorandum.\(^2\) We normally ask our witnesses to provide that, and in that written memorandum could you include that particular leaflet that you referred to about demystifying the issue of migrant labour? Also perhaps you could give us some evidence of the work of the Welsh Union Learning Fund.\(^3\)

Mr Richards: Yes, Chairman.

Chairman: As explained earlier today, we are also going to be moving on to look beyond employment at population movements and your work on migrant labour would be very interesting to us and we would like to hear about that. We are also going to be looking at food and broadcasting. If you feel that you can respond in a written form to any of those areas of our inquiry we would be very pleased to receive your evidence. Thank you very much for coming today.

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Tuesday 6 February 2007

Members present:

Dr Hywel Francis, in the Chair

Nia Griffith
Mr David Jones
Mr Martyn Jones

Albert Owen
Hywel Williams

Witnesses: Rt Hon Ian McCartney MP, Minister for Trade, Investment and Foreign Affairs, Mr Christopher Moir, Director Industry Economics and Statistics, Regional Directorate, UK Trade and Investment and Mr Kevin Pugh, Head of Branch—Economic Affairs policy, Wales Office, gave evidence.

Q73 Chairman: Good morning, welcome to the Welsh Affairs Committee. As you know, this is an inquiry into globalisation and we are currently looking at employment. Welcome, Minister, could you introduce yourself and your colleagues?

Mr McCartney: Yes, sir. I am Ian McCartney, Minister for Trade, Investment and Foreign Affairs. Kevin Pugh is in charge of economic affairs in the Wales Office; Chris Moir is an economist from the DTI and Patrick Robinson is an officer on the ground for the UKTI in relation with Wales.

Q74 Chairman: Could I, at the outset, thank you very much for your memoranda, particularly the second one which we felt was especially helpful as it related very strongly to the Welsh scene, and we look forward to hearing your answers to our questions. Could I begin by referring to the Treasury analysis for the 2007 Comprehensive Spending Review which notes that “The period since the Second World War has seen global economic integration, enabled by rapid technological advance, profoundly re-shape UK society.” What do you consider, Minister, to be the key issues in the coming decade in terms of how globalisation will impact itself? What are going to be the key challenges in that coming decade for us?

Mr McCartney: I will not put the key challenges in any particular order; perhaps you as a Committee might want to decide what you think the priorities are—indeed, you may have other priorities. The UK economy has to do a number of things. We have already commenced the process of up-skilling and re-skilling and over the next 20 years we will be increasingly needing less and less semi-skilled and unskilled workers in the public and the private sector; therefore we require the capacity in our schools, colleges and universities to up-skill those who are not in the workforce yet and to re-skill those who are currently in the workforce. Secondly, we need to see that our commercial activity is very much at the core of our foreign affairs activity; that is to say increasingly, whether it is in services or manufacturing trade goods, we will have to as a country with only 1% of the world’s population have the ability to get into both new markets that are emerging and the older markets that are changing to make sure that we are innovative in the changes, whether it is in Europe or the United States so that there is a capacity to invest in our science base and our research and development base, a capacity to maintain the UK corporate headquarters and with that the capacity to influence the flow of outward and inward direct investment. We have an ability to seek inward investment and with that seek a second and third tranche so that companies coming here embed themselves in the economy, remain here and develop here and see this as a major hub for the wider European market. We need greater collaboration with our universities and colleges and with the business community to ensure that we can offer packages for inward investment where there is certainty with the skill levels, a capacity for innovation at manufacturing base level and an ability for us in trade negotiations to ensure that we have an open and transparent trading regime to allow us to expand into areas. New manufacturing bases, do they need technology that will come about with climate change, the need for shared and new technology and a capacity for us to be innovative in terms of developing new technology, not just for ourselves but for sales abroad of the new types of manufacturing. We need an ability to be innovative to take from our university sector ideas and put them into new manufacturing capacity and our ability as a country to be able to partner other countries and other businesses to develop and open up new markets. Those are just some of the challenges we have got.

Q75 Chairman: Could I ask you to pause at that point because you are anticipating lots of our questions.

Mr McCartney: That was not my intention, Chairman.

Q76 Chairman: Could I follow that by asking you about what the Chancellor has said recently? He said that globalisation “poses fundamental questions about traditional models of European development” as the move is made from a European trade bloc to a global Europe. What are your observations about that particular analysis? What challenges to Government do these developments present and what would characterise a global Wales?

Mr McCartney: As a statement of fact by the Chancellor it cannot be challenged. If you look over the next 20 years or so, 30% of the world’s manufacturing capacity will come out of two countries, India and China, and almost 50% of the world’s trading capacity will come out of Asia as a
The consequence for us is a serious one, as I said, with 1% of the population and therefore all of the challenges and the devices I have talked about have to be put in place. That is why we recently reorganised and refocused UK Trade and Investment to ensure that in these new emerging markets, and with the changes taking place in old markets, we are at the cutting edge in Wales, the English regions, Scotland and Northern Ireland and on a co-operative basis across the whole of the UK the ability to assist United Kingdom businesses to get access to these markets. It is not just markets for large companies with technology and advances and changes; small innovative companies will have to deal with global marketplace quicker than they would normally do to provide a range of services and capacity in the marketplace to gain access to those markets and sustain their businesses in those markets.

**Q77 Albert Owen:** Could I ask a supplementary on that? Minister, you talked about the European bloc becoming global Europe but is it not the case that Asia may form their own blocs and South America may form their own blocs and that European trade will still be significant for the UK and other European countries?

**Mr McCartney:** Our outlets will continue to be G8 economic flexible blocs, as the issues are in relation to trade with America, North America. The big issue for us is to ensure we get a successful Doha round so we can get a pro-development Doha round where we can reduce agricultural subsidies in the United States and in Europe and gain access to the non-agricultural facilities in the new and emerging economies. If we get a successful round, difficult as it is, it is really important to areas like Wales because Wales actually—I do not want to sound complacent about it—does not sing its trumpet enough in this regard. Wales has seized the opportunity of globalisation in the last 10 or 15 years quite dramatically and it still out-performs much of the rest of the United Kingdom in its ability to gain access to inward investment at one level and break into new and emerging markets at the other. I was looking at some of the figures and they are very interesting. Growth in the Asian markets is particularly strong. Between 1996 and 2005 Welsh exports to Asia and Oceania was about 170% despite disruptions caused by some of the Asian crises. Wales has indeed got the capacity to be able to play up and be successful and, despite its size, it is able to be very successful in terms of opening up opportunities in these new marketplaces. Also, inward investment in Wales is a dramatically good news story, and we will talk about that later no doubt. Wales is well placed in terms of what it needs to do to take advantage of the globalised world; that does not mean that there are no challenges and that there will not be job losses in certain places because this is true and any politician who says they can save every job is not telling the truth. What we can do and what we need to do in the public and private sector is to put frameworks in place so that when job losses do occur we have the capacity to be able to remain in the labour market or get them back and up-skill and re-skill them, but at the same time continue to have a stable economy with inward investment flows coming into places like Wales at an unprecedented level.

**Q78 Mr Martyn Jones:** Minister, you have answered one of my questions about the opportunities presented by globalisation, but can you expand on the opportunities for Wales particularly, and the sectors in Wales where there is likely to be an opportunity for Wales to enter into globalisation?

**Mr McCartney:** The best way we can answer this is just in the last few days, if I can just show the success in Wales, where in the new economy, the creative industries, Wales has got a real opportunity in the creative industries and it has also got an opportunity in the IT industry, it has got opportunities in electronics and energy. Indeed, one of my first jobs as DTI Trade Minister was actually to go to Japan for discussions there to try and encourage Sharp to make their Wrexham factory a centre of world excellence. It is not because of me that it has happened, it has happened because of the workforce there, the executive, the local authority and MPs all working over a long period of time. The importance of this centre of excellence is this: the technology in five years time will move on, and you are always vulnerable in a global situation if you cannot keep pace with new technology, but to do that you need to keep increasing investment with the skill base. Those are areas and then retail, the service sector. For example, as we see the shift in construction and shipbuilding you could throw your hands up in dismay and say that has gone forever here, but actually in Wales you have companies like Graig Group which has kept its R&D, its research, its sales capacity, its financial capacity and its services capacity in Wales and has grown the business in Wales, but in the last few years has been contracted to supervise the building of 70 new ships in China, Vietnam and India. It is a major shipbuilder, it just does not do it in the Cardiff Bay, but as a consequence of that it is a big international player with lots of jobs in Wales and is repatriating its profits back to Wales and re-investing and regenerating. That is the balance in a globalised economy and if you do not get that balance right your company will not survive.

**Q79 Mr David Jones:** Minister, pursuing that particular point, is it not the case that where the business in question is indigenous to Wales it is more likely that R&D will remain in Wales, but where you are talking about a company which is already globalised—for example, Sony, Ford or whatever—the first jobs that will go from Wales will be the hands-on manufacturing jobs, but then there will be the temptation for those companies to relocate their R&D jobs, their more high-tech jobs, to the emerging economies such as India which, as your own memorandum says, has a huge pool of graduates.
Mr McCartney: It is a very fair question and it will be a mixed bag, will it not? You have increasingly seen inward investment to the UK of high tech R&D companies. Why? Because of our university and our innovation and science base. We are moving on from where we were in the Seventies and Eighties in the face of globalisation—the screwdriver-type operations where the ideas came from somewhere else and we built the facility, and if R&D did not follow up it was always at risk. Even where R&D comes it can be at risk if the product development does not work properly, but the fact is that in Britain and in Wales we have a huge R&D base. Some of it is indigenous, but a lot of it is not indigenous. If you look at the latest announcements from various companies, all inward investors, they are all bringing high value product development to Wales. Why? Because of its skilled labour force, its stable economy and its ability to work in the public and private sector. There will be continued opportunities for R&D research; we have to get there, but with 1% of the world’s population—it is the third time I have said it—we can only compete with large global players if we are able to up-skill and go into the high value marketplace, whereas in traditional goods like knitwear, traditional goods like textiles, wherever, we have to go up the value added chain. Your final point, which is a very well-placed point about graduates, we have a quarter of a million graduates a year but we have to increase that substantially, not just in total but in areas like science, like mathematics, like manufacturing, like construction, like electronics, IT. We have to increase our base. Why? Not just because in China and India with the size of their populations they are able to provide millions of graduates, but again, that is an opportunity for us by the way: one of the biggest earners that used to come from Wales and Britain as a whole is our educational services. We can actually help educate the world’s workforce and with that a huge economic base for our own university sector and our college sector to grow and to prosper. There are opportunities, therefore, in all of the areas Mr Jones has raised with us but again there are challenges and there will be occasions when you will lose investment, it will go somewhere else, that is true. Do you want to add anything, Kevin?

Mr Pugh: If I could just say that one of the benefits of devolution, Mr Chairman, is that the Assembly Government themselves are able to focus efforts on promoting R&D and they have done that through initiatives like the Technium incubators, which are all across Wales, and that is helping to increase high value added research and development. Also I would like to say that there are benefits to engineering and high tech employment through the recent announcement of the Defence Training Academy which will go to St Athan, and although that is in the education sector that will have an indirect benefit on high tech jobs because of all the high tech and aerospace employers that will come to the area as a result of that.

Chairman: We are increasingly becoming aware of what is really very obvious but the Inquiry will need to underline the point that you are making, namely that education and training is, as the Leitch Report emphasised and the Chancellor has emphasised, the critical issue, and I suspect that we will need to be visiting some of our universities to pose the questions that you have been posing back to us really that they have a lead role to play in all of this. Mr Albert Owen.

Q80 Albert Owen: Along with that education and skills training the Government has said that flexibility across the whole of the economy is key to the success of UK businesses. What is the Government actually doing or what is its role in encouraging this flexibility?

Mr McCartney: First of all, what is of critical importance is a stable macroeconomic policy and, without being partisan about it, all the statistics show that that is exactly what we have had and we have seen some tremendous advantages in places like Wales in a reduction in levels of unemployment and, at the same time, the largest ever participation rate in the labour force and that continues. Indeed, Wales in the last four years has outperformed any other part of the UK in terms of increasing participation in employment levels and Wales ought to be congratulated for that. Secondly, in terms of Government resources in R&D and research, like the science base, an investment strategy, a tax strategy, these are all strategies about encouraging and creating investment, inward investment, and getting access, for example, into new technologies and into new manufacturing businesses and bases. Activities in terms of trade barriers and getting access to other key markets which are either going untapped or because of trade barriers have been closed to us until recently like financial services or the service sector are increasingly growing hugely in terms of getting access to new opportunities in emerging markets. Indeed, for example, my own local college, Wigan & Leigh College, is currently training in India and in China for UK inward investors in the financial services and the IT sector; so there are opportunities all the way down the chain if you can get the partnerships together.

Q81 Albert Owen: Are we flexible enough to compete with those challenges?

Mr McCartney: It is what you define as flexible. You could ask someone and say do you mean by flexibility skills and innovation, partnership? Yes, but it is not a downward spiral. We have always argued and continue to argue—indeed we are arguing now in terms of the Doha trade round, for example—the equal labour standard, you need corporate social responsibility, these are all part and parcel of it. You will not succeed in driving down an economy on wages, you have to drive it up, you drive it up by skills and improved productivity, improved competitiveness and the Government has a role to play with the private and public sectors in doing that.
Q82 Nia Griffith: Could you perhaps give us a little bit more detail about the actual impact that globalisation has had so far on jobs and living standards in Wales?

Mr McCartney: Yes, I have actually got some stuff here that I prepared earlier. Employment in Wales is up 130,000 or 11% since devolution compared to 7% increase across the UK as a whole. The average fulltime earnings in Wales have more than kept pace with the UK average, in recent years increasing by 23% since 2001 compared to a 21% increase for the UK as a whole. The working employment rate in Wales is now 71.8% up 3.3 percentage points since devolution and nearly halving the gap with the UK rate. The unemployment rate in Wales is currently below the UK average and has been for the last four years. The Welsh economy has grown by around 2.3% a year between 1999 and 2005 compared to 2% a year between 1979 and 1997. Employment rates in West Wales and the Valleys for the year to June 2006 were up 4.3 percentage points in 1999 compared to increases of 2.9% and 0.5% for Wales and the UK respectively. Gross disposable household income per head in West Wales and the Valleys has seen a bigger percentage increase since 1999 than across the UK as a whole at 25.1% compared to 23.6%. This is part and parcel of the story of the changing nature of the Welsh economy; where it was, where it is going to and where it needs to get to next, and therefore by giving these figures I do not want to give the impression that there are not huge challenges ahead or that there are not people under pressure and people still not in work, or that there are not companies under pressure to be able to cope with the demand. This is all absolutely true, but if you can see what is being done at the Assembly level through interconnection with the Government level here and UKTI, the business support services in Wales, again you hear that the business support services in Wales have got an international reputation. When I say that I mean an excellent reputation and, as a consequence of that, Wales can get through doors that I mean an excellent reputation and, as a consequence of that, Wales can get through doors that the UK Structural Fund receipts in terms of the Welsh Assembly Government have been taking action directly to improve things for manufacturers. The UK Government's project for science and research since 1997 is doubling to £3.4 billion by 2008, the tax credits is increasing from 250 to 500 employers, it has also introduced strong, employer-led sector skills councils with regional skill partnerships; that is an example of some of the things the UK Government is doing, but the Assembly also has provided £43 million of RSA to manufacturing in Wales in 2005-06 and the Manufacturing Advisory Service in Wales has generated over £24 million in improvement in productivity up to June 2006. They are examples of how both the UK Government and the Welsh Assembly Government have been taking action directly to improve things for manufacturers.

Mr Pugh: There are examples both where the UK Government and the Assembly Government have helped manufacturing in particular. The UK Government's project for science and research since 1997 is doubling to £3.4 billion by 2008, the tax credits is increasing from 250 to 500 employers, it has also introduced strong, employer-led sector skills councils with regional skill partnerships; that is an example of some of the things the UK Government is doing, but the Assembly also has provided £43 million of RSA to manufacturing in Wales in 2005-06 and the Manufacturing Advisory Service in Wales has generated over £24 million in improvement in productivity up to June 2006. They are examples of how both the UK Government and the Welsh Assembly Government have been taking action directly to improve things for manufacturers.

Mr McCartney: Behind the question also is an issue about assisted areas and structural funds. As you probably know there has been a controversial review of the map within Europe—it always is when these reviews take place. The new map was approved in December and will run from 2007 to 2013; Wales is the only nation or region in Great Britain which has not had its cover reduced and the consequences are that overall 70% of the Welsh population is covered, compared to under 24% for the UK as a whole, with West Wales and the Valleys retaining Tier 1 coverage which is the highest intervention rate and Tier 2 coverage, although it is a lower intervention rate, covers large parts of Flintshire, Powys and parts of Cardiff, Newport and Llanwern. In addition to that the UK Structural Fund receipts in terms of West Wales and the Valleys will be something like £1.85 billion and there is a range of other areas in

Q83 Nia Griffith: I am very glad, Minister, that you do recognise some of the difficulties because as you know we do have quite a high dependence on certain sectors; for example, automotive where there is actually worldwide over-capacity. I just wondered really, you know, the Treasury has noted that “regions with declining sectors [may] find it harder to attract skilled labour and knowledge-intensive industries and to promote regional centres of growth”. How will the UK Government support Wales as a regional centre of growth?

Mr McCartney: I will bring my colleagues in a minute, because there are a whole range of packages that we do that with, but in general terms we work very closely with the Assembly, both in terms of the support services we provide in terms of looking for access to inward investment, looking to break into, in trade terms, both the manufacturing and service sectors, a great deal of co-operation across the piece in investment in the skills agenda, the university sector, the science and R&D base and an ability to provide services for skilling up those who are coming into the labour market for the first time and the services we provide for those who are in the labour market but need to be up-skilled. Then where a situation happens where companies decide either that they are closing down, for whatever reason, or moving on, the ability to immediately come in with a team of people who are specialised to try to ensure that we can find employment and training opportunities for those who are about to lose their job, that we do not leave people to their own devices but we actually come in and work with the outgoing employer, if they still exist and, where they do not, to put a team of people in to immediately work in the local labour market and wider afield to try and get people to re-enter into the labour market as quickly as we can.

Mr Pugh: There are examples both where the UK Government and the Assembly Government have helped manufacturing in particular. The UK Government’s project for science and research since 1997 is doubling to £3.4 billion by 2008, the tax credits is increasing from 250 to 500 employers, it has also introduced strong, employer-led sector skills councils with regional skill partnerships; that is an example of some of the things the UK Government is doing, but the Assembly also has provided £43 million of RSA to manufacturing in Wales in 2005-06 and the Manufacturing Advisory Service in Wales has generated over £24 million in improvement in productivity up to June 2006. They are examples of how both the UK Government and the Welsh Assembly Government have been taking action directly to improve things for manufacturers.

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West Wales where there will be increased funding to help with competitive pressures in the regions, and East Wales will receive €121 million in Competitiveness Funding from the ERDF and ESF—big titles but also big money. We are also, in terms of ourselves, combining quite a lot of the resources at European level and Assembly level to add value to that investment, so there are potentially huge investments and continuing investments in Wales. I need to congratulate the Welsh MEPs for persuading the European Commission and for being able to do the job they have done. One of the reasons for that is that value for money is important here, and Wales were able to show that they could turn around that investment and turn it into real jobs on the ground, to very much change the labour markets in their area and create new economies where economies were not existing or were in trouble. It is one of the major factors why, in this controversial redrawing of the map, Wales succeeded in the way they have.

Q84 Hywel Williams: Good morning, Minister. Some people would argue though that the acquisition of structural funds has more to do with the relative failure of the Welsh economy, particularly in the West and the Valleys, as well as the lobbying powers of MEPs or the UK Government. How would you respond to those sorts of points?

Mr McCartney: You could say the glass is half empty or half full, but I will tell you what, 10 years ago in the whole of Wales the glass was completely empty and communities North and South felt abandoned by the Government of the time. Overnight almost it lost its heavy engineering, its mining, and yes these structural funds are a recognition of the special needs of an area; that is absolutely true. One thing that is also true is that to get a second phase is quite extraordinary and the reason why they got a second phase, as the figures have shown in the earlier questions, is that Wales is turning round dramatically its economic and social base. That is a point I made earlier; I was not saying that to be complacent. Yes, there is a lot, lot more that needs to be done, it is true, but the fact that we have now got the financial capacity to assist the public and the private sector to do it I think is a welcome feature, and as a consequence of that Wales will continue to grow and, despite the pressures of globalisation, Wales is a success story in my view.

Q85 Hywel Williams: You would accept however, Minister, that there are objective measures which have led to us acquiring these extra monies and that is to do with the value added of the Welsh economy which is consistently below the threshold level and is to do with the skill level and ability of the workers to deliver in the private sector, your macroeconomic capacity and the skill mix, your co-operation between your public and private sector, your macroeconomic capacity and the skill level and ability of the workers to deliver in a flexible way. If you have got all those things right, they will invest in Wales and that is what they are doing.

Q86 Hywel Williams: Can I just ask you a general question about the way the UK Government works with the Welsh Assembly Government in dealing with the challenges of globalisation. Would you like just to outline briefly how that relationship works?

Mr McCartney: At ministerial level we work very closely so, for example, I might as well mention it—a UK inward investment like it is an elephant in the room that has not been mentioned yet—the latest Burberry closure. That was an act of co-operation between myself and other DTI ministers with Andrew Davies and we will continue to do that. You will see co-operation between the Assembly and agencies like the Department of Works and Pensions, you will see co-operation between UKTI and the New Business Development Agency; you will see co-operation between us in terms of trying, in this particular circumstance, to be able to ensure very quickly if the company in the end does close, as it is likely to do, that there is an intervention to try and ensure that people are back in the labour market very quickly and have opportunities in the local labour market and beyond. At every level, therefore, there is a close working relationship. There is also a close working relationship in terms of investing in the science and R&D base, the university and college base, the school base. Obviously in Wales you do things somewhat differently on occasions, but you try to make no criticism of that, that does not mean we cannot have the maximum co-operation and that is the case whether it is at Treasury level, at educational level, school level. That is how we work as a team in terms of meeting the challenges, not just of globalisation but the challenges of modernising your public services and infrastructure projects. A final point on this is energy, both security of energy supply and in terms of protecting the environment;
there is much here to be done in terms of co-operation between ourselves but also getting international co-operation in terms of zero emissions. Here we have the opportunity to look to new forms of investment, for new forms of energy procurement and distribution and here is a capacity for the Welsh Assembly along with ourselves to co-operate fully over the next few years to see additional investment in Wales in these areas.

Q87 Chairman: Minister, you described very clearly your view of a global Wales and I was very interested in your observations about Burberry. If you roll forward a little bit and look at a situation here, instead of picking up the pieces so to speak in relation to Burberry, anticipate the change that is now going to occur with Tata and the takeover of Corus—how would you say, from what you have described in the last half hour, that Wales can respond to that situation? The Welsh Assembly Government has described its approach as very similar to yours, a team Wales approach. Where do local authorities, trade unions, universities fit in? Would you have a lead role to play in all of that in order to explain to Tata what the benefits are of investing more in the steel industry in Wales?

Mr McCartney: One of the reasons Tata has purchased Corus is because of the specialist types of products it produces and, in emerging markets and the push for growth, these will be products that are very much needed and required. Secondly, there is its skill base and its investment base and I am quite certain that Tata has bought the company on that basis. I have not met the company but I have recently, by coincidence, had the opportunity to write to the trade union and if they wish to meet we have offered them to meet. The DTI are very keen indeed to work with this new inward investor and work with them not just on our own but with the Welsh Assembly; we have to ensure that Tata, as they have said, are looking to expand into markets with the materials and products that are developed by Corus. We want them to do that. It is a huge, global organisation, and as a consequence of that there is not only the capacity to take Corus products into hitherto new markets for Corus, but the traditional basics Tata has worked in hopefully will give Corus the opportunity as well to get business within the context of Tata’s current business. I was pleased to see that Tata have confirmed their commitment in terms of their previous issue of capital investments and I am pleased to see that they have come to a deal with the trustees of the pension fund to sustain and invest in the pension fund; that seems to give me an impression that they are here for the long haul. I am hoping that they will soon sit down with the employees because in any situation like this it is always difficult because rumours abound and people do not know what is happening. is there going to be restructuring? Tata has given a commitment in terms of the location of the business here in the UK and so we will be looking to work with the company very proactively, and if there are issues that come up where we can assist we will do so.

Q88 Mr Martyn Jones: Minister, I am sure are very familiar with the Review of Skills report by Lord Leitch—I expect you go to bed with it every night.

Mr McCartney: I am 56, but I am not that old, to go to bed with that.

Q89 Mr Martyn Jones: Do you agree with his assessment that “Our nation’s skills are not world class and we run the risk that this will undermine the UK’s long-term prosperity”?  

Mr McCartney: The reason why we asked him to do a report with warts and all goes back to a point I made right at the outset, that over the next two decades if we are going to actually succeed in this global economy we are working in then nobody but nobody should be left out in terms of investing in our human resource. It is the greatest asset we have, with only 1% of the world’s population, and what this report sets out is a road map in terms of both those who are in work who need to be up-skilled and re-skilled, and we want to try and ensure that people do not have to come out of work to be trained and retrained; it is important, therefore, that we invest and build capacity. Secondly, for those who go into the labour market, we have to ensure there is integration of our local colleges in their relationship with local employers; that we are able to train people in a way that will give them access to the labour market but then continue to invest in their skills and skills development. To be able to do that we have a shared burden from the state and with the employer.

We have to encourage those who have been in work who have never actually, since they left school, had any involvement with education to find a way of doing that. The first one might not be work-related education, it might be something to do with their social life or whatever, but we have to encourage them into education, to up-skill and re-skill. If we do not do this and we do not succeed then we will have a huge number of people who may find it difficult in 20 years time to get in the labour market and sustain themselves in the labour market. Something like 95% of all new jobs—if I have that figure wrong I will write to the Committee—have a technical or IT skill related base to it, and this will grow and grow and grow. Even where we get sectors like, for example, in the public sector, where you will get growth of an aging society and a need for care workers—care workers have to be highly skilled now, so whether it is the public sector or the private sector the skill base is absolutely critical to the success of the organisation and more importantly the success of an individual to be able to enter the labour market and to remain there.

Q90 Mr Martyn Jones: Are you aware of any particular skills advantages or disadvantages that the workforce in Wales has?

Mr McCartney: If I can just say from my perspective, if you look at the trend of inward investors and where they come from and the types of product they want to develop in Wales, there is clearly a skill base which is not just around the aerospace industry. There is a skill base, but it is also
clear because of Objective 1 and other measures that there is a large pool of people who have not got the skill base, who are either in work or are not in work and need to get into work.

**Mr Pugh:** There are some complex issues around skills and how you address that. The current round of convergence funding spending programme, which the Welsh Assembly Government will be submitting soon, I believe, is a real opportunity to try and address that. The Commission have stressed that the Lisbon agenda for jobs and skills should be a main focus of that, so the new round of convergence funding spending is the opportunity for the Welsh Assembly Government to co-ordinate the approach, to identify where the skills gaps are and how they deal with that over the next seven years, and it is one of the benefits of devolution that they are able to do that. The convergence funding was negotiated at UK level but the spending will be done by the Assembly Government so it is one of the benefits of devolution that they are able to do that.

**Mr McCartney:** A final point that maybe the Assembly Government do to help in that case, what is it doing and how is it working in partnership with the local Government to deal with that?

**Mr Pugh:** If I may add, we talk a lot about manufacturing and why it is important to preserve that, but Wales’s strength is in the breadth of sectors and it needs to remain flexible. The fact is that there are success stories in manufacturing, in retail, in education and training with the DTA, in the service industry. We think of contact centres as perhaps being low, entry level jobs, but they are big providers of employment and they are on the increase in Wales, so the fact that there is a broad range of sectors for Wales is one of its strengths.
trade and in terms of corporate responsibility. It is important here, in a globalised world, that the Government is frank and honest with people, but what it has to do is to provide support and services that allow them individually to be able—and as a community—to deal with the issues and the challenges around globalisation. It is the personal skills, it is the infrastructure, it is the stable economy, it is the investment in science, R&D, our schools, our colleges and universities and the ability to provide services for UK businesses whether it is manufacturing or in the service sector to do trade and do business and increase the access to overseas markets; it is all of those things. Where there is a negative impact, where an organisation either leaves or loses out completely and its goods and services are no longer wanted—and we know all about that, do we not, and when that has happened—then we have now got intellectual organisation with the Government, intervention strategies which immediately go into the community. It is not to impose on a community but to work with the community, to work with employers, to work with local authorities, to work with other public sector and private sector organisations to try and engage and find a way of having a positive outcome for those who have had a negative impact in terms of their job. It is important that we do that and over the years we will have to do more of it—that is why the Leitch Report is so important—because this is about investing for the future, not waiting until someone can no longer get a job; that is disaster time. We have to invest for 2020 and in five years time we will be investing for 2025 and 2030; that is the lead time for these investments and changes. That is what we are doing and that is what we want to continue to do.

Q94 Albert Owen: You will be aware of the European Union’s Globalisation Adjustment Fund which provides training and job search support to workers who lose their jobs because of the structural changes. How has Wales benefited from this Fund?

Mr McCartney: To be honest with you I have got no individual details but, as I understand it, it is only particular sizes of job losses that would benefit and I think it is job losses above 1000. There will be some areas where there have been job losses that will not have benefited, but I will write to the Committee rather than give you a wrong answer. It would be wrong to suggest that it has had a massive impact in Wales because I am not sure that that has been the scale of job losses since this Fund came in, but maybe Kevin can help.

Mr Pugh: I do not have the exact figures on that with me, but one can also point to European funding in terms of convergence funding, so one has to bear that in mind as well, that is the most important factor in terms of how convergence funding is used to address skills and jobs challenges going forward. One can talk about mitigating social problems, but the best way to do that is to get people into work and both DWP and WAG are working together very well to find new ways of doing that. There are strategic partnerships there, there is the Wales Employment Advisory Panel, also getting external employers in to advise on that, so there are ways of working together strategically to do that and the convergence funding programme will be the really important part of delivering that programme.

Q95 Albert Owen: How would you respond to a community such as many in Wales where there are vulnerable people finding it difficult to get into the job market and inward migration is coming and taking those lower-skilled jobs. Apart from up-skilling, what is the Government doing to assist those areas and those individuals?

Mr Pugh: Are you differentiating an area of high inward migration with an area of low inward migration?

Q96 Albert Owen: There are areas of high unemployment that have been identified in this inquiry where people do feel vulnerable. We hear about the challenges and the up-skilling but it somehow misses them, and then additional to that employers are bringing in inward migration.

Mr Pugh: There are a number of strategies; there is Pathways to Work, the Cities Strategy, the New Deal for Lone Parents. There are a number of strategies at the UK level and with the joint UK/WAG there is the Want to Work scheme. There are, therefore, a number of initiatives that DWP and WAG are working on but I am not clear how there is a distinction here between an area of high inward migration and low inward migration; the fact is that you have high unemployment to deal with.

Q97 Albert Owen: I am really responding to what the Minister said about the negative impact. We all see that there is a difficulty and it is that area in which Wales traditionally has high unemployment and although employment levels are rising there is still this hard core of people who find it difficult to get into the job market and, in addition, there is this inward migration in the low-paid and low-skilled sector.

Mr McCartney: I understand what our colleague is saying here. I understand and I recognise the kind of individuals he is talking about from my own constituency. In my constituency it is middle-aged men of my age who lost out in the early Eighties and never got back into the labour market. Some of them are on invalidity benefit, some have just opted out. That is why the change that was announced by John Hutton is so important, about individualising both job search and training. One of the worst things that can happen to someone if they are out of the labour market for any period of time is that they lose a sense of their self-worth, they lose any sense of their capacity to engage in the labour market. Skills move on so quickly that even if when they left the labour market they were a skilled worker, the skills may no longer be required in their local labour market so it is important that we provide these individualised services to ensure that we assist and promote individuals back into the labour market. There are people with long-term disabilities who want to work and we have to provide them with individualised services, working with employers whether they are in the
public or private sector and give support. We do all those things, but it is true to say that there are still people who have missed out, despite all this investment, the hard-to-get-to, that feel themselves aged or they feel they have been excluded and they are angry about it and resent it. Again, I recognise that kind of trait and that is why what John Hutton said—and I will send a note to the Committee because this is really important—about changing the nature in which the welfare state works, is critically important. It has got to be an enabling organisation, it has to invest in individuals and in their skills. There is a responsibility back as well, so I will do a note to the Committee if that is okay.

Albert Owen: Thank you.

Q98 Mr David Jones: Minister, I want to return to a point I touched on earlier and that is the concern that higher skilled R&D jobs might migrate outwards and follow manufacturing jobs. The Treasury’s analysis for the 2007 Comprehensive Spending Review noted that “emerging markets are now increasingly able to challenge advanced economies in innovation . . . Goldman Sachs estimates that India’s overall R&D costs are only one-eighth of western levels”. Can we compete against that?

Mr McCartney: Yes, and we are, but having said that, unless we do all the other things we spoke about in this hearing so far we will not and it will be increasingly difficult. Interestingly enough—and again I will send the Committee the exact figures—you would think there had been a complete outflow from the UK of jobs and investment to India, but actually last year we had substantial investment—and I mean record investment—inwards from India, both in terms of investment in the manufacturing and service sector in jobs—high value jobs—coming to the United Kingdom from India. It is a two-way flow and it is not just about the Tatas of this world, it goes back to our R&D, our science base, our infrastructure and our access to the markets in Europe and beyond. Yes, it is a challenge, you are absolutely right, but if you say to me do we compete on the basis that we should pay graduates £1000 an hour or so ago—you cannot compete on that basis, nor should we compete on that basis, but we can compete on a different basis and that is why, for example, you have companies working in Cardiff Bay providing a whole range of consultancy and other jobs into markets in India and China and, with that, having substantial employment bases back here in Wales. Why can they do that? Because of the advantages we have got. China, like ourselves, is an aging society, its workforce is getting older. We have actually started to address that problem and reinvest in the skills and older people and we are actually seeing a better participation rate among older workers than we have seen for 20 years or more. India has a different problem; they have a young workforce but it is still one which has not been skilled up to the level it needs to be skilled up to, so what do you do in this process? As well as getting inward investment and product development into the UK we penetrate the Indian market with our educational base. My local college is currently in India training huge numbers of people. A decade ago the college did not even exist, it lost all of its customer base, it lost its textile industry, its heavy engineering and it lost its mining base. It could have rolled up and died but it did not, it looked at globalisation, it looked at the emerging economies and decided that the skills that were no longer needed in Wigan were those technological skills, but they needed them somewhere else and we are now training them. It meant that we completely rebuilt our college and we have a rebuilt college to the equivalent of a university. Why? Because we embraced globalisation. We can meet the challenges by rolling over and dying, saying it is too much, or we can look to see where we can actually get access and gain access to goods and services in these emerging markets, but we do it because our workforce is highly skilled and innovative; that is how we do it.

Q99 Mr David Jones: Is it not the case that Indian graduates are being churned out in much larger numbers than British graduates, they are able to perform precisely the same functions to precisely the same standards and if, in fact, they are prepared to work at only one-eighth of the cost of a British graduate how realistically do we compete?

Mr McCartney: This is all true, but then if you look at the other side of the coin as we produce our graduates and skilled graduates and need to produce more as a percentage, this is all true, that is why we put all of the investment strategies in place. It is also true to say that our graduates now, for example, will probably be helping the West Bengal Government to restructure the infrastructure base of Kolkata; it is our graduates who are just now helping to build the Shanghai Expo Centre, including the refurbishment of the Yangtze River and the first eco-city ever in China. Why? It is not because we are paying one-eighth of the wages, it is because they have that international skill and capacity to be innovative. They are very highly skilled and motivated and they work in companies which can very quickly gain access to the markets because that is what in the end sells Britain, it is that capacity, that innate ability to turn around huge projects on time and within cost and to design them from scratch because of our intellectual base. When it is good it is very, very good, but the thing is we have to make it very, very good in breadth and in depth and that is the challenge. The point you make is well-made, but let us not be too pessimistic, we can get there.
Mr Moir: If you consider the number of graduates in China, there are plenty of people who have noted that they are producing more graduates than the UK. From this it is deduced that their capacity will go up, the extent to which they can produce goods and services will go up and the UK will lose out. The question I ask is what are these Chinese graduates going to do? Answer: they are probably going to be administrators to administer a still largely developing country with poor infrastructure in terms of local government, hospitals and schools, poor infrastructure in terms of roads and poor infrastructure in terms of rail. There is tremendous local demand for very able, very clever Chinese people to do things which will not directly have a bearing on the ability of China to make goods or services and sell them to the rest of the world. The issue is whether China will use its own graduates to do its own investment in its own infrastructure and not develop particular scientific ideas which they will turn into goods embodying superior technologies which they export to the rest of the world. Most of the intellectual property in China is brought in by inward investors into China. Inward investors protect their IP very closely. It does not spill out into China. China is starting from a much lower base of knowledge to build highly sophisticated products and has an awful long way to go. I am more optimistic about the ability of the UK to survive in a highly technical world with very intelligent, very able Chinese and Indian graduates designing products which they will then sell to the world and compete with UK firms. We have a problem but I do not think it is a very big one.

Q100 Mr David Jones: You mentioned China but what about India where I believe the number of IT graduates leaving universities is enormous? Can we in this country compete in terms of IT development with a country like India which has a huge number of graduates and has overall a much lower wage bill?

Mr McCartney: There is a lot of UK investment in India in the IT sector and in other service sectors. I welcome this because it gives the opportunity for companies in the UK to remain in the UK and to continue to invest in R&D, corporate headquarters and develop the service sector in Europe and in the UK. It gives companies the capacity to survive in a globalised world because it opens up access to huge emerging economies, far larger than our economy. For a consultancy company to serve a local Welsh or even a wider economy, it will survive that but it wants to grow its base as a company. Sooner rather than later, it has to have the opportunity to provide services outside the borders of the United Kingdom. Surprisingly, small and medium sized enterprises in Britain are becoming very adept at this. You find in India not just big names but potentially small companies who started in the last five years. They are getting access into markets like India and we should welcome that. It broadens our economic base and our capacity for investment earnings for this country. It helps R&D and science. That is why India is hungry to invest in our manufacturing capacity because it is world class. To enter into the global economy we need to have a relationship with them so it is a good working partnership.

Q101 Mr David Jones: Could I turn to the question of R&D tax credits? The TUC has said that the government’s system of R&D tax credits is not delivering the change that is needed if UK plc is to remain competitive. What is your assessment of the effectiveness of R&D tax credits?

Mr McCartney: As a Minister, I would say it is very effective. If you look at the improvements in R&D across all sectors of the UK in the last few years, yes, it is a monumental task. For many years the United Kingdom did little R&D and little in its science base as the first phase of globalisation came in. That impacted on us greatly. We now have a huge, growing investment in R&D and in the science base, in terms of work with the public and the private sector. We completely refurbished the working role of government in these areas and that is important, not just for the level of investment but in providing resources. People in business increasingly recognise that the UK government is very serious about attracting R&D and linking R&D with the productive capacity of the country to ensure that our universities can turn ideas into products and have the financial investment and skills base to produce those products. I give you an upbeat message.

Q102 Hywel Williams: There is more than a suspicion that small companies are less able to apply for R&D tax credits and there are lots of small companies in Wales. You might not have the figures to hand. Could you let the Committee know what the relative success of Welsh businesses is in applying for R&D tax credits?

Mr McCartney: Do you want me to give you Welsh specific figures? I will do the same for Mr Jones as well.

Q103 Hywel Williams: That is as compared to other needs as well.

Mr McCartney: Yes, I understand.

Q104 Chairman: Could I end this evidence session on this note: you were talking about being upbeat and we welcome that but the Treasury not only has been upbeat: it also has a dose of realism in its description of what it calls the risks to globalisation and the possibility of a reversal of globalisation as a consequence of protectionism, global recession, geopolitical instability and so forth. Given that the Treasury has that precautionary note, does the government have a contingency plan for that possibility of a reversal of globalisation?

Mr McCartney: I would not put it as a reversal of globalisation because the process is not reversed. If you want to get rid of the cycles of immediate downturns in the world economy, critical to this and development is getting a new sustainable development trade round. The Doha round is very important to ourselves, America, the European Union, the Brazilians, the Indians and China and it
is really important to other emerging economies and to the least developed world. A vibrant, open, transparent, international trading system is critically important. Secondly, the reform of the IMF, the World Bank and those other international institutions is critically important as well to get sustainability of investment. The third area about sustainable development is that in areas, countries and regions of conflict we should have an international effort to have stability, good governance, anti-corruption strategies to be able then to invest in the infrastructures of those countries and regions. Africa is a classic example. If it only increased its productive capacity by just over 1%, it would be equivalent to all the investment made in terms of aid in Africa. We can make huge differences but to do that we have to have an international trading system and all the other processes I spoke about. Yes, there are challenges. There will always be challenges in a global economy. I am not an economist but nowadays countries and regions are more able and willing to cooperate on an international basis, to deal with sudden changes in oil price or whatever. It is important to have international stability. The other, big area is security of energy supplies and global security in terms of the environment. That is really important. That is the next big challenge for what we do after Kyoto 2012. Discussions will be commencing soon about that. It is really important that we get that right because that is a huge risk to globalisation and, more importantly, the risk to the continuing ability of the world as a whole to trade and invest more effectively and take hundreds of millions of people out of poverty. In the end, for me, that is the success of globalisation and having a sustainable planet in all respects. These are the big challenges that we all face and I am sure Wales, given a fair wind, will do well. I wish you well.

Chairman: On that very positive note, could I thank you, Minister, and your colleagues for coming today and for your memoranda. You promised that you would give us some additional information and we look forward to receiving that. Finally, could I thank you for the comments you made concerning TATA and the steel industry? As someone who comes from a steel constituency, obviously we have a close interest in that matter. We have visited Corus in Port Talbot and I look forward to the leading role that the DTI has in bringing about what someone recently called a progressive globalisation. I hope they will play a full part in the investment strategy of the steel industry in Wales. Thank you very much.

Witnesses: Mr Steve Lazenby, Branch Organiser, Mr Peter Jones, President, PCS South West Wales Branch; Mr Jeff Evans, Senior Officer, PCS Wales, gave evidence.

Q105 Chairman: Welcome to the Welsh Affairs Committee. Could you introduce yourselves, please?
Mr Evans: My name is Jeff Evans. I am the senior national officer for PCS in Wales.
Mr Lazenby: My name is Steve Lazenby. I am the branch organiser for PCS in South West Wales.
Mr Jones: My name is Peter Jones. I am the branch president of the PCS in South West Wales.

Q106 Chairman: Could I begin by asking a very general question about globalisation and employment and your perspective on it? What has been the effect of globalisation on employment in Wales so far and what effect do you think it is likely to have over the next 10 years, in particular in relation to your own sector?
Mr Evans: We face challenging times and we are certainly conscious of public sector developments across the world where there is focus on outsourcing and privatisation. From a union perspective, we are concerned about those developments. From our perspective, it is important to recognise the importance of public sector employment in Wales, particularly our sector, the Civil Service. The Civil Service is a big employer in Wales. There are more civil servants employed proportionately in Wales than in any other part of the country. There are about 800 civil servants in each constituency on average in Wales. In a rapidly changing world, we believe it is important to recognise the importance of civil servants in public sector employment in general given the heavy reliance on the Welsh economy by the public sector. Naturally, that has a beneficial effect in terms of the private sector through the money in our economy. The big issue for us at the moment is the threat to Civil Service jobs in Wales, which is something we want to touch on.

Q107 Mr David Jones: Would you agree that possibly the Civil Service is the one area of the economy which is likely to remain almost wholly untouched by globalisation to the extent that it is inconceivable that Civil Service jobs will be outsourced overseas?
Mr Evans: I wish that was the case. There are some government departments who have brought in consultants. Outsourcing to India is actively being considered in many Civil Service departments. That is something we would oppose. We think the government needs to take a strong lead on this because it is something it can dictate directly. In the context of Wales the Civil Service is a huge employer. It benefited massively from relocation in the 1970s. There has been a smaller scale relocation more recently but if we look at the M4 corridor, particularly the DVLA, ONS, the Patent Office, Companies House, and there is a big Inland Revenue site there, these jobs are precious to Wales. They are very much a mainstay for local economies and they should be protected. Nobody should be complacent on this. Globalisation poses a threat to public sector jobs just as it does to our private sector jobs in Wales.
Q108 Mr David Jones: In terms of consultants, I see that HMRC spent about £330 million on outside consultants over the last three years. Were any of those from overseas?

Mr Evans: I cannot give you an answer to that. We are very, very concerned about the overuse of consultants by the UK government. It spent £2.5 billion on consultants in 2004. I work very closely with consultants in many Civil Service departments and I am not convinced that we are getting value for money from them. What we are finding is that a lot of senior managers now are using consultants almost like a comfort blanket. Whenever they have to deal with a difficult decision they bring in consultants. Whether they are providing for better decision making is very much open to question. We agree that there are efficiencies to be made in the Civil Service and I think a lesser reliance on consultants would be one way of achieving those efficiencies.

Q109 Mr David Jones: The TUC has said that positive labour market flexibility based on increased skills and better working practices is the true route to economic competitiveness in a globalised economy. What would you say to that?

Mr Evans: Naturally we would agree with that, being part of the TUC. We have an ambitious skills agenda ourselves in the trade union, particularly in the PCS, through union learning. The union learning reps now have statutory time off. Our ambition is to make our workplaces into places of learning. If we are going to meet the challenges of the future in terms of globalisation, upskilling the workforce is essential for that. Union learning, we think, plays an important role in that through the appointment of reps who effectively provide a gateway to our members to further their higher education, working closely with management to upskill the workforce. It is a new frontier for trade unions and something we are very positive about.

Q110 Mr David Jones: What about better working practices? I understand HMRC has introduced the LEAN model. Would you regard that as a better working practice?

Mr Lazenby: No, we do not. LEAN has been introduced initially into the large processing offices in Wales—for example, Wrexham and Cardiff. The experience of our members is that LEAN is very much a deskilling and demotivational process. Once, you would have an officer within processing who carried out a range of duties, so you would have the log-in process for self-assessment tax returns, making sure that people’s tax codes are correct, making sure that people have paid the correct amount of tax at the end of the year. LEAN tries to break those processes down so one person deals with one specific thing and it goes on and on. PCS has produced figures based on the department’s own statistics. As a result of LEAN being introduced in processing in the large processing offices, there are now in excess of one million pieces of correspondence that lie unanswered in a box somewhere. The department seem to be admitting to at least half of this correspondence. That has a very large impact upon an awful lot of people in constituencies in Wales who have either paid too much tax or of course, as far as the economy is concerned, the downside is that there is an awful lot of money that remains uncollected simply because of these processes.

Q111 Mr David Jones: The Chancellor is on record as saying, “There is an urgent need for modern social and labour market policies geared towards promoting opportunity and employability.” What would you advocate in order to increase labour market flexibility?

Mr Evans: Certainly in the public sector we very much share the Welsh Assembly’s ambition for more flexibility in the workforce in terms of breaking down barriers, for example, between public sector organisations to allow for freer transfer of staff between organisations within the public sector. Making connections, despite the challenges it provides us in terms of the efficiency savings that go with it, the emphasis on cooperation and collaboration is one that we very much share. We are prepared to invest, even if it means making difficult decisions for us, in terms of enhancing that flexibility of staff and that transfer of staff to the public sector organisations. If you have that, when public service organisations are reducing numbers, it means there is more opportunity for staff to transfer elsewhere.

Q112 Mr David Jones: I understand that that is not available to any great extent. Is that right?

Mr Evans: One of the barriers against transfers within the Civil Service is that we have this ridiculous delegated pay situation where we have 280 separate pay and grading schemes where we used to have one. There are big gaps now between different Civil Service departments doing work of good value. Part of our dispute with government at the moment is about returning to national Civil Service pay to get back to that transferability and flexibility that we once had.

Q113 Mr David Jones: It seems to me that in areas of Wales, for example, where HMRC posts are under threat there may be posts available in other sections of the Civil Service into which those who are made redundant could easily transfer. Are there not barriers to that within the Civil Service structure?

Mr Evans: Unfortunately there are. These are self-imposed barriers through having different pay and grading systems. We have a situation where you can have several Civil Service employees in one office and staff doing the same work but they are paid at different levels. The answer is to go back to a single, national, Civil Service pay negotiation. There are costs associated with that but done over time it is something that is possible.

Q114 Mr David Jones: The flexibility in the labour market will obviously require changes as labour and capital are redeployed from traditional activities into new activities. What do you think the
government should do to assist individuals and particular industries which are disproportionately affected by the transition in the short term?

**Mr Evans:** We would like to reach an agreement with government on Civil Service job losses and transferability of staff. We believe as a union that, for an employer with half a million employees in the UK, it should be quite straightforward to say to every member of staff who wants a job that they can have a job. That fundamentally is what our difference with the UK government is at the moment. Compulsory redundancies now have commenced and we think that there will be even more redundancies over time. In terms of supporting staff, we have touched on skills. We would like to see the UK government do more, working with us in partnership, to enhance the skills of the workforce. We touched on the union learning rep and this is incredibly positive. There is some brilliant, innovative work taking place. Government departments can be exemplars in terms of delivering this agenda. Some are; some are not. Working together with the unions, that is something where we could equip people to deal with this rapidly changing economy in a much better way.

**Q115 Mr David Jones:** Is it fair to say that in terms of flexibility the government really ought to be practising what it preaches?

**Mr Evans:** There is enormous scope for us to be working in partnership with government, yes, and for the government to be an exemplar in this field would demonstrate to the private sector in particular a way forward.

**Mr Lazenby:** HM Revenue and Customs has reorganised itself into 36 very distinct and separate business functions within the Department. It is virtually impossible for the people at the grades that we represent through to grade seven in the Civil Service to transfer between different business streams. There is a virtual cull on recruitment. The original intention with the roll out of the processing side was to redeploy the processing staff into compliance activities. Now that compliance is taking a fairly substantial hit in terms of the job losses that have been mooted by the department that has been completely stopped.

**Q116 Hywel Williams:** Can I move to the effects of globalisation and obstacles to the labour market’s participation? We have large numbers of people in Wales who are economically inactive. What do PCS see as the main obstacles to the labour market’s participation in Wales and how can these be overcome?

**Mr Evans:** Our members have an important role to play in getting people back to work because we represent people who work in job centres and benefits offices. The closure of many job centres and benefits offices we do not think is helping our cause. Our members are trained and equipped to provide support and assistance to job seekers. The front line of staff is being cut back. We are seeing the centralisation of services. We are seeing the focus of Civil Service delivery through call centres and the Internet. Whilst we think that has an important part to play in future delivery, what also needs to be in place is that face to face contact and that mentoring that our members have traditionally done. The Department for Work and Pensions now has absented itself from 30 towns in Wales over the last couple of years. This is where we take issue with where the Chancellor was saying that 104,000 Civil Service job cuts was about getting rid of back office staff and recruiting, which caused a lot of offence amongst our members supporting the front line. The evidence is quite the opposite. These 30 offices were front-line staff supporting people without jobs, and those offices have been closed now. We support modernisation, and we understand that there needs to be an efficiency agenda but in the Welsh context what we are losing is that local service.

**Q117 Hywel Williams:** Are you aware of any objective statistics about the consequences of closing these face to face offices? Are targets being met as effectively? Are numbers of people being helped back into employment?

**Mr Evans:** There is growing evidence about the impacts of the cuts on service delivery. One statistic which stands out quite sharply is that there were 24 million unanswered calls in the Department for Work and Pensions. Our members want to provide the best possible service, but a combination of job cuts, office closures and new IT systems all coming on stream at the same time has meant that we are not providing the service the public deserve. The DWP looked at these particular issues, and criticised the Department for the speed of reform. They said, “We understand the general direction you are going in, but you need to do things at a much slower level.” One of the frustrating things from our point of view is that a lot of these efficiencies are taking place without any involvement from the unions, so that there is no input from the staff themselves. There is a demotivational impact as well from the staff’s point of view. It is a shame, because we are not going to run away from efficiencies. Taking the Welsh Assembly as an example, we are working very closely with them in partnership to deliver their efficiency programmes, so there is an alternative way here.

**Q118 Albert Owen:** We heard in the previous evidence session about the Leitch report which notes that the UK has to take a major step change to upskill for the challenges by 2020. You mentioned working in partnership. How is your union working in partnership with the Welsh Assembly in Wales’s case, and with skills providers also to ensure that this will be achieved and that the skills base will be there for future challenges?

**Mr Evans:** The Assembly has a very positive agenda in terms of enhancing skills and we are working closely in partnership with them. Our basic philosophy is that we are trying to appoint what we call the union learning rep in each workplace. The function of the union learning rep would be to encourage learning amongst the workforce, to provide a gateway to universities, colleges and so on,
and it is the sort of issue where management, the union and government are all singing from the same hymn sheet. It is the sort of issue where we can build bridges in terms of delivering the skilled workforce that we are all seeking. Employers that treat their workers well and provide them with those skills reap the rewards in terms of loyalty and so on. Through the Wales Union Fund, which I am glad to say has been in place now for four or five years, we have taken quite a bit of money and the projects have all been very successful in developing learning centres. We have the basic skills programme. All of those things combined are making a contribution to the Welsh cause.

Q119 Albert Owen: Most of these courses are for your employees and members during working hours or is there evening learning and is there that sort of flexibility?

Mr Evans: It depends on the organisation. For most Civil Service employers, if it is a work related skill, there is probably an argument that some of that would be in their own time but if the connection to work is looser it would be in people’s lunchtimes and outside of work. I think there is scope for Civil Service departments to be exemplar employers in this field and to lead the way.

Q120 Albert Owen: You talked about possible closures. How are these affecting this learning programme? How enthused are members to take part in this in the current climate?

Mr Evans: It is not helping, obviously.

Mr Lazenby: It is very difficult. The danger is that in an area like South West Wales, where we have managed to obtain dedicated computers specifically for our members to learn on, the closure of the offices will take that provision away completely. We are also of course talking about people who are starting from a fairly high skills base anyway. These are people who have a high training worth and a lot to give to the local communities in terms of those skills and what they can give back. With the loss of that local communities will very much suffer.

Q121 Albert Owen: What is the PCS’s involvement with the Sector Skills Councils in Wales?

Mr Evans: There is a big Sector Skills Council for central government. We have senior officers who are very much involved in that board. It is still in the very early stages of development, and we have not yet seen many initiatives coming from that, but I think we all recognise the value of the board and the potential it offers.

Q122 Albert Owen: What more do you think the Welsh Assembly Government can do to upskill the workforce? We are not just talking about the public sector, although the responsibility of your members is there. What more can the government be doing and what is the Welsh Assembly’s perception? Do you think they are doing enough?

Mr Evans: Given the success that trade union led learning projects have had, there is a strong case for more money to be invested in trade union learning. When you look at the European example, in some countries trade unions are instrumental in delivering training programmes for the whole economy. I am not suggesting we should go that far at this stage anyway, but we need to build on the success we have already had. Union learning reps are only about five years old so it is still in its formative stages. What we are finding from a union perspective is that we are bringing on a new type of union learning rep. Whereas people like Steve and Peter deal with the day to day, ordinary problems, we have union reps now coming through who are free of all that and prefer just to deal with learning. It is a very positive issue, where there are good relationships with management. It is really exciting, and I think if we invest in it it will produce great results for us.

Q123 Albert Owen: Do you think there is any best practice in Wales that other areas of the UK could learn from?

Mr Evans: There is a huge number of innovative union learning rep projects in Wales. We have a learning centre in Llanishen, in the tax office, where all HMRC staff in Wales now have access to courses. The value for PCS is that a lot of them are IT literate. Many of them work in offices and have computers on their desks so e-learning is very big in our union. All 5,500 HMRC members have access to a range of courses, which we have bought on licence, whether they are IT courses, foreign languages, and so on, free of charge, and provided by the union and with great cooperation from the management. We have a suite of computers all over the country so that is a particularly good example.

Q124 Mr Martyn Jones: Is PCS thinking globally?

Are you building strategic partnerships with trade union movements abroad, particularly in developing countries, and do you have any experience of migrant labour?

Mr Evans: We are obviously very much part of the PSI, and we have strong international links. They tend to be around causes: Colombia, Cuba, and so on. There is more to be done in terms of the relationships with other public sector unions, particularly in Europe. It is not something I profess to be totally briefed on but we are keeping a close eye on public sector developments.

Q125 Mr Martyn Jones: What about migrant labour? Presumably your members deal with that. Do you have any experience of migrant labour?

Mr Lazenby: To work in departments?

Q126 Mr Martyn Jones: Yes.

Mr Lazenby: Very little. The biggest contact we have with considerable communities of migrant workers would be, for example, tax credit claims and other benefit claims. We think there is more that can be done. For example, there are reports that a lot of the migrant workers coming in are being paid below the minimum wage. Our department is the department responsible for administering and policing the minimum wage. There is no minimum wage compliance in our area whatsoever. We think there
needs to be, because local knowledge is absolutely key to identifying where those migrant workers are, who they are working for and the patterns of non-compliance amongst employers and gang masters in not paying their dues. That is the sort of experience that we have as a union with migrant workers. It is very little in terms of membership, but in terms of direct customer contact and ensuring that the system is policed properly. We are not doing enough and we could do an awful lot more.

Q127 Albert Owen: You said that contact was minimal on the initial migration issue, but surely you deal with agencies? You have this intelligence on the minimum wage and on benefit claims. Do you have direct contact with agencies?

Mr Lazenby: There will be statutory gateways for the department to obtain information and intelligence to risk assess on that basis. In our branch, we have nothing like that whatsoever. The risk side of our department is being withdrawn from Wales altogether. By 2008 there will be no risk department in the country at all. It is being centralised in England. We regard it as being absolutely crucial that we retain an element of local knowledge. Local knowledge drives risk right across the board; if you are talking about VAT fraud, the national minimum wage and so on. Once you lose that local knowledge, it becomes very difficult for things to be policed adequately.

Q128 Nia Griffith: Does that suggest that you think we might lose revenue by a centralisation process?

Mr Lazenby: Yes. The department’s own figures confirm that cuts in local compliance, basically the policing agency of the department that ensures that businesses, individuals and companies pay the right amount of tax at the right time, will save the department something in the order of £74 million and will lose the Exchequer in excess of £204 million in lost revenue. We recognise that there are more efficiencies to be made. I personally work as an inspector of taxes. That is my day job. There are many ways that the department could make the whole process of compliance far more efficient in reducing the time spent on inquiries and the various support mechanisms there. What they are choosing to do is a crude headcount reduction and it is a great shame because Wales had a big success story in terms of upskilling and new methods of working with compliance. We were approached in our branch to engage in a new way of working with tax inquiries about self-assessment returns for businesses, which was called multigrade team working. This meant you did not just have one person like myself as an inspector doing all the analysis of the records, all the meeting notes from cradle to grave. You had a team of people at lower grades, assistants, officers et cetera doing the analyses for you, doing the interview notes. The whole driver behind that was to reduce costs for the department and for businesses. The pilots were placed in Haverfordwest and Bridgend. They have proven to be a massive success and we have been very strongly engaged with quite visionary management in South West Wales. The money that has been brought in by these pilots, compared to cost, has increased over fourfold. The amount of time it takes for an inquiry for a business has reduced considerably which of course saves business costs. The two locations where that pilot has been running, Haverfordwest and Bridgend, will be closing under the proposals made by the department. It makes no economic sense whatsoever.

Q129 Nia Griffith: You have referred there to a number of the effects that this so-called rationalisation of the office estate of central government is going to have. Are there any other factors you would like to mention?

Mr Evans: We believe there needs to be a debate about the location of public sector jobs in Wales because there are two diverging policies taking place where you have the National Assembly, committed to redistribution of wealth, spreading out Cardiff based jobs to other parts of Wales, to opening new offices in Aberystwyth and Llandudno; whereas we have the UK government policy with London based decisions. HMRC is a good example of this where we are seeing the centralisation of jobs within big city centres, in Cardiff, Swansea and Wrexham. We do not dispute that there is a short term saving to be made in terms of accommodation costs but, on the other hand, it is a high price to pay. These jobs are lost to local economies for good. In many cases, the Civil Service is the mainstay of some of these local economies. There is an environmental cost in terms of our congested roads into our city centres being even more congested and there is the loss of that face to face public service which we think should be provided in addition to all the other modernising facilities that we provide. There are two governments here with diametrically opposed policies, with the UK government, we believe, undermining the other government in terms of what it is trying to achieve with objective one funding in particular. These jobs will have to be replaced when they go. It seems pretty nonsensical to us that we are using Objective 1 money to replace jobs which are being taken away by a government in London.

Q130 Nia Griffith: Obviously you are campaigning very hard against any proposed cuts. What would you see as the role of the PCS and other unions in assisting the people who are affected?

Mr Lazenby: In terms of finding new employment?

Q131 Nia Griffith: What other remit would you see for the union, apart from protection of the jobs, which is key to you?

Mr Lazenby: The key job of all our members right across the board is to serve the public, be it with passports, tax, benefits or whatever. We are a public service. One of the things that we have found very strongly while spending a few hours on a Saturday morning or afternoon inviting the public to comment on the proposals that have been made by more than one department is that the public value very highly that local service that we provide. They are very loath to see it go. I have had something of
the order of 500 responses to a survey that we put out and all barring one member of the public wished to keep a face to face service and to have a choice of how they do their business with government. Yes, there is a place for electronic business and phone business but there is also a very big space for properly trained, highly skilled, face to face service in the light of what is, after all, exceptionally complex legislation that the public have to deal with.

Q132 Albert Owen: You have both mentioned the fact that there is a need for computer centres and call centres, et cetera. They could be placed in North West Wales and in other areas. You said we needed a debate. I presume you are in the middle of a debate. What is the non-joined up thinking between the two governments? Is your union as one on this? Is it felt just that the two governments have a different view or is there competing competition from some of your members in the city as well?

Mr Lazenby: No. We have been working very closely. There are four branches working very closely together in Wales and our colleagues in South East Wales whose branch includes the tower in Llanishen have published proposals, with us, that concede the release of 300 jobs from Llanishen to outlying offices in the valleys and West Wales. We believe that that would be beneficial to the department in terms of efficiency savings because estate costs in towns like Llanelli and Pontypridd et cetera are cheaper than they are in Cardiff. You could probably empty one of the three phase developments in Llanishen and let it out. The department takes the view that 75% of their people, as they put it, work in large cities. That might be the case but not all that 75% live in the big cities. An awful lot of them have to commute. We know from a survey done in South East Wales that there are members of ours in Pontypridd, Bridgend, Merthyr, Central and West Wales who would welcome the opportunity to work in the locality. Clearly, there is an environmental issue here. I have surveyed my members on how they travel to work currently from West Wales and how they would have to travel in the future. If Llanelli were to be closed and staff relocated to Swansea, there would be a fourfold increase in carbon emissions in tonnes per year. If Haverfordwest were to close, it would be something in the order of five fold. Aberystwyth goes through the ceiling. We obtained an answer from the department which I hope will give the Committee some sense of the department’s lack of joined up thinking, because the department has committed itself to sustainable development, to cutting its carbon emissions. The question was asked of the department: are carbon issues considered when relocating staff and should the department not consider providing carbon offset arrangements where such moves create large, additional footprints? The answer came back: “I believe we have to make the best use of our existing estate, bearing in mind that most of our business streams wish to concentrate their work in a smaller number of offices. Although the closure of offices may mean additional travelling time for some people, by reducing the number of offices we occupy and using the remaining office space more efficiently, we will reduce our heating, lighting, IT equipment, emissions and so reduce our carbon footprint.” That might be the case if they were to knock the buildings down and plant a few trees and flowers but that is not going to happen. The buildings will be sold by Mapeley. The office estate is owned by Mapeley, a company based in the British Virgin Islands which happens to be a tax haven. This means they do not pay any corporation tax on the rental income they receive.

Q133 Albert Owen: Whilst the environment is a huge issue, as is travel to work, there is also a big issue in Wales as well about centralising the north to Wrexham and there is a linguistic issue. Do you have a comment on that?

Mr Lazenby: The Welsh language unit is presently based in Porthmadog and that is earmarked for closure under these proposals. The Welsh language issue is a massive one. In counties such as Ceredigion, Carmarthenshire and Gwynedd there is a high number of Welsh speakers in proportion to the population. The Welsh language issue was a massive issue on the picket lines when we had the dispute last week. At offices like Aberystwyth, Carmarthen, Llanelli and North Wales as well, people value the fact that they can come in to a local office and converse with staff in the language that they choose to speak in. The Committee might be interested to know that the call centre for the Department of Work and Pensions which is based in Pembroke Dock does not take any calls from Welsh benefit claimants; it takes calls from London claimants. Welsh benefit claimants have an office in York. This is the strange logic that seems to apply to the issue.

Q134 Albert Owen: York and Bangor?

Mr Lazenby: Yes.

Q135 Hywel Williams: Can I take you back to the question of the ownership of the estate itself by an offshore—ie, globalised—company? Do you have any idea as to whether the cost of renting office space is factored into the decisions to close certain offices? Is the fact that it is an offshore company an important issue?

Mr Lazenby: Mapeley have a commitment to reduce the size of their estate by 40%. As a higher officer within the department, I am not party to the discussions between the department and Mapeley. The public are not privy to the discussions between the department and Mapeley because the department always cite commercial confidentiality so we never get to see any of this. The fact is that Mapeley took ownership of the estate under a private financial initiative deal with the ex-Inland Revenue and ex-Customs & Excise. They do not pay a penny in capital gains tax. They do not pay any corporation tax on the rental income they receive. One can imagine, with the appreciation of the value of the estate, that is likely to amount to a fair bit of revenue loss for the
Exchequer. From our perspective as Welsh trade unionists representing our members and the public it simply beggars belief that the department and the agency responsible for the correct assessment and collection of all duties in this country should sell their estate to a company that is based in a tax haven. You could not make it up.

Hywel Williams: You might not know a lot about it as a representative of workers and I as a representative of my constituency might not know but that is a comment.

Q136 Mr David Jones: As a matter of clarification, how much of the estate is owned by Mapeley?

Mr Lazenby: In our branch in South West Wales, Haverfordwest, Swansea and Bridgend are owned by Mapeley; Llanelli is in joint occupation with the Department for Work and Pensions and that building is owned by a company called Trilliom because there was a similar PFI deal within the Department for Work and Pensions. Aberystwyth I believe is leased from BT. Not every building in Wales is owned by Mapeley. Where we have joint occupation—for example, the Welsh Assembly buildings in Pixel Terrace in Carmarthen—that is their building and we lease space from them. Where HM Revenue and Customs, the two old departments, are the major occupiers of those buildings, which is the majority of buildings within Wales, then Mapeley would be the estate owner. If we are talking about efficiencies and best use of money, there is in Haverfordwest half of a building lying completely empty because the social security office there is closed. There are four floors empty in Pontypridd doing absolutely nothing. There is an entire floor in Llanelli doing absolutely nothing. We can make far better use of the estate than we presently do and the use of that estate in what are economically disadvantaged areas would save the department money, in our opinion.

Q137 Chairman: How can sectors like your own in Wales which are facing serious rationalisation position themselves, if they can, to take advantage of any positive features of globalisation?

Mr Evans: We talked about skills and the importance of upskilling the workforce. The message we would like is, firstly, that there is a role for government to treat its own workforce in a proper way. We do not think that is happening at the moment. There is a difference between the UK government’s approach and the Welsh Assembly government’s approach on this, where the Welsh Assembly government are treating public sector staff with the priority that they deserve, given that they are delivering policies for the government. We have a far closer relationship with them and it is a model that the UK government could be using. We would like to see a much better partnership between the unions and management in our particular sector. At the moment we are in dispute and that is very sad. We took strike action and a lot of low paid members lost a day’s pay last week. We would rather not be in this situation. It is very difficult to look at any bright light at the end of the tunnel at the moment. The message for the Committee is that PCS want to deliver world class public services for the Welsh public. We are not afraid of modernisation. We believe there is a common agenda in terms of skills in particular. With that collaboration and cooperation between us, that is the way forward which our members and the public would want to see.

Q138 Chairman: I am tempted to ask a further question but I will pose it to you and maybe you can reflect on it and write to us. This is an inquiry about globalisation but implicit in that word is the antithesis of it and that is localisation. Much of what you have been describing to us is the virtue of localisation. Is there any increase in home working? Is the union promoting that? Is it part of its wider strategy? Maybe you could reflect on all of that and write to us about the union’s developing strategy in relation to globalisation and localisation and how that relates to those areas in Wales like the valleys and West Wales which objective one is trying to help in terms of employment prospects.

Mr Evans: Absolutely. The answer to that question is simply yes. The union is very supportive of flexible working and home working in the context of localism. With IT developments, there is no longer any reason for large, centralised government departments. Times have moved on.
Tuesday 20 February 2007

Members present:

Dr Hywel Francis, in the Chair

Nia Griffith
Mrs Siân C James
Mr David Jones

Hywel Williams
Mark Williams

Witnesses: Ms Ann Beynon, Director, BT Wales, (Openreach) and Mr Andrew Probert, International Director, the Admiral Group, gave evidence.

Q139 Chairman: Good morning, welcome to the Welsh Affairs Committee. Could you please introduce yourselves for the record?

Mr Probert: I am Andrew Probert, international manager for the Admiral Group, formerly finance director of the Admiral Group.

Ms Beynon: I am Ann Beynon, director for BT Wales.

Mr Thornhill: I am John Thornhill; I am the director for Openreach in Wales which is the part of BT that employs all of the engineers and the network personnel.

Q140 Chairman: Thank you for that. Could I ask you to raise your voices; the acoustics in this room are not particularly good and there is also some background noise. Some of the questions we will be posing to you will be for both organisations; some will be specifically to a particular organisation. Could I begin by addressing a question to all of you? Thank you very much for your memoranda; both your memoranda emphasise the importance of the communications infrastructure to the Welsh economy. How well served, in your view, is Wales in terms of its communications infrastructure?

Ms Beynon: Currently there is a massive investment going on in Wales in the telecommunications infrastructure. BT has an investment programme and its 21st century network plan which means that we will be investing £460 million in our core network in Wales, so obviously there is going to be a major uplift of the network which will make parts of South-east Wales where this investment is initially targeted very, very competitive indeed in terms of the global marketplace. South-east Wales will be the first part of the world to have this kind of network, so in other words the future is being planned but obviously we also have fibre across the whole of Wales. In terms of broadband deployment, we are looking now at very high figures in terms of availability of broadband at well over 99% and also we are very encouraged with the take-up of broadband services where we see that Wales’ figure is 32% compared to the UK average of 30.9%. Only three years ago Wales was languishing at the bottom of the list in terms of broadband availability and take-up and now we see Wales clearly in its table, edging slightly ahead of Scotland. I would say that in terms of availability it is there and in terms of the impact on the economy it is massive. There is an Atkins report that suggests that broadband will add around £14 billion to Welsh GVA between 2000 and 2015. There are similar reports I could quote for Scotland, and London Economics again also has a report saying that ICT contributed 0.8% to the UK’s economic output in 1992-2000. I do not think there is any doubt that the telecommunications infrastructure is fundamental to economic success.

Mr Probert: Admiral is very much a user of telecommunications infrastructure, both in call centre activities and internet access. Provision for us in Cardiff and Swansea, the South Wales area, has always been very good and not a restricting factor, and has enabled us to grow quicker than most other car insurers in the UK. 85% of our new business today starts on the internet and that is growing more and more. Currently the provision for us in South Wales is fine, but as you go up through the Wales the smaller population centres have less provision, which holds them back somewhat and keeps us in the main centres of population where the infrastructure is good.

Q141 Mark Williams: Notwithstanding the investment you have told us about and the rollout of exchanges being enabled is now 99.9%—an admirable figure by anybody’s standards—there are some particular problems in certain parts of Wales, particularly in rural Wales. How confident are you that they are being addressed? I am thinking particularly about the DAX lines and the investment required to upgrade those and particularly in rural areas, the distance from the exchanges that have been enabled.

Mr Thornhill: There are three layers to that. There are some specific geographical challenges in parts of Wales: we have three national parks, so we are different from some other parts of the UK, and there are three levels to it. We have been working closely with the Welsh Assembly where we do have hotspots of exchange capability, to upgrade those, jointly working together; on top of that we have enabled a number of exchanges and we are now looking at specific community areas, as Ann points out, where there might be a particular conurbation of demand for services that in some cases we might not be totally economically driven to provide, so how do we work jointly in partnership with regional government and central government to potentially provide those services, and we have a number of pilots happening now. Separate to that in terms of the creation of our business for BT, which is the Openreach business created from the TSR undertakings from the Ofcom review, we have
created a specific organisation in our business which just focuses on Wales; it is not Wales with a bit of England, it is physically the Welsh border and everybody who works in that part of our organisation is focused on delivering for Wales. As part of that we have embarked on a separate investment programme and this year we have invested just over £10 million in uplifting local elements of the rural network, and that is about three times what we did last year. On top of that we have also started to recruit several hundred over the last 18 months of what will amount to nearly 300 new technical engineers who are capable of supporting broadband in rural areas. There are challenges, therefore, but we have got three or four planks of investment programmes to deal with it.

Q142 Mark Williams: Do you envisage that trend in investment in rural areas increasing?
Mr Thornhill: It is increasing now; 60% of the new technical recruitment we are doing is in North, Mid and West Wales.

Q143 Hywel Williams: I am thinking about the 1%; how do you prioritise between, say for example a small company in my constituency and a small company elsewhere, both of which are small innovative businesses, neither of which has broadband access at the moment. Both you might say have taken a visionary view of this issue and want access to village websites et cetera et cetera. How do you decide which one you go for first?
Ms Beynon: We have a programme where we discuss with the Assembly Government what we call “not spots” and we have to benchmark them and work out what level of unavailability there is and compare one with the other to come up with a list of the top ten. It is interesting that one of them happens to be in Cardiff, so it is not necessarily rural areas. We would then look at those and see whether under the RIBS programme—what that means is that our investment is match-funded 50% by the Welsh Assembly Government, but even then it is not always commercially viable to invest, so we have to be sensible with both our money and with the taxpayers’ money. If we can see that a 50% match-funded investment can be done in a specifically identified area under the programme, then we would invest through John’s organisation.
Mr Thornhill: We are doing that now. We have five schemes planned in rural areas that we are looking to pilot the first two of in April to see how we can together make it more economically viable and prioritise those rural areas that have most need. One of the ways that we try and do that is through the Assembly’s observatory. Ms Beynon: Yes, the Assembly’s observatory.
Mr Thornhill: The Assembly has an observatory where people can register the fact that they have demand for broadband but cannot readily access it, and we prioritise that by the number of hits that that website has and where the demand is coming from.

Q144 Chairman: Could I ask you a specific question about how the UK Government and the Welsh Assembly Government could accelerate these developments, particularly the use of the internet?
Ms Beynon: In terms of usage there is a huge amount that can be done, particularly in areas where we can see that take-up is not as high—I would suggest that in Gwynedd, for example, as compared to Monmouthshire, there is a huge disparity. I would say that there needs to be a lot of education on application and usage of internet so that we can see the take-up increasing. There have been two very large programmes that have been undertaken between the Welsh Assembly Government and private sector and voluntary sector partners, one of which is called Opportunity Wales. That is an £18 million programme to explain to SMEs how to use e.Commerce and BT was a founding partner of that programme. That rolls out those services across the whole of Objective 1 and Objective 2 parts of Wales, so in terms of the business marketplace that is happening and we can demonstrate some very detailed statistics that that delivered not only an increase in the take-up of e-commerce but there were 2,500 jobs as well, which is important. The second one is a programme targeted at communities so we are working with the social justice department of the Assembly Government on a programme called Communities @One. That is an £8 million programme, again funded by Objective 1 funding and Assembly money, and that is very much about community engagement with technology and the use of technology to improve quality of life within targeted wards and small projects. There are some larger ones; there is a disability programme for example under that, and one of the programmes which we as BT will be involved with through that programme will be a project on Anglesey where we will be working with the community of Holyhead and in Llangefni, again looking at disabled people in Llangefni and looking at a council housing estate in Holyhead. We will have a community worker based there to help people use technology. There is not a quick fix, these programmes are large, they are labour-intensive, you need a lot of face-to-face tuition and discussion and support, but that is the only way, it is a hard graft answer.

Q145 Mr David Jones: Mr Probert, your memorandum makes fairly extensive mention of your difficulty in recruiting staff and you say in your memo: “We perceive the key reasons that we cannot get enough staff to be the low level of economic activity in Wales amongst the potential workforce, and strong competition for people who do want to work from other businesses”.
Mr Probert: Yes.

Q146 Mr David Jones: What sort of skills are you actually looking for?
Mr Probert: A whole range of skills. Some of our staff are call centre-based and, frankly, we would rather train them ourselves. We want keyboard skills and enthusiasm in that area. We will train ourselves but we still have problems getting people.
Q147 Mr David Jones: You do not particularly need already-trained staff?
Mr Probert: Not particularly, no; in fact our predilection is not to take ready-trained staff because they may have been taught bad habits that we do not want.

Q148 Mr David Jones: Can you explain what appears to be a paradox, that you are finding it difficult to recruit in areas of low economic activity where one would have thought there would be a ready pool of people who wanted to work?
Mr Probert: One would have thought that would have been easy, but if you look at the statistics there are quite a lot of people in Wales who live on low incomes and seem to be content to do so. It is an acknowledged problem that economic activity is lower than in the vast majority of the UK and therefore it is difficult to get people sometimes; they wonder is it worth turning up five days a week, perhaps doing shift systems, it is better to live on benefits or whatever they live on now. I do think there are a lot of people there who could be put to work in a more productive way.

Q149 Mr David Jones: What do you think both the national and the Welsh Assembly Governments could do to address this?
Mr Probert: It is a difficult problem; it is traditional to a degree in some parts of Wales. Clearly, education and getting people out to work, telling them a bit more about it would be worthwhile; perhaps the benefits system is too easy.

Q150 Nia Griffith: Your paper is quite unusual in that you actually talk about having a shortage of labour whereas so often our story is about people losing jobs. Do you think that there are specific reasons? You have mentioned that you have got rid of some of the antisocial hours by getting those out to India; do you think there is a bit of a mismatch possibly between older workers who have lost jobs in traditional manufacturing areas and do not see themselves as IT people and therefore they may not come to you, or do you think there are other factors in your workplace that make people leave very quickly—you mentioned high turnover. What do you see as the downside of your work, if you like?
Mr Probert: The downside is the flexibility; it is still seven days a week although we have outsourced some of the antisocial hours. It is seven days a week and it is changing shift patterns. Consequently, most of our workforce is relatively young, in their mid 20s, and you see that in any sort of call centre activity because you need that flexibility.

Q151 Nia Griffith: Can I just ask there, do you have any on-site childcare facilities?
Mr Probert: No, we do not.

Q152 Nia Griffith: Do you think that might also be a factor, given your hours?
Mr Probert: It is something we have looked at in the past, but it is difficult, particularly in the building we are in in Cardiff where we have 1000 people; it is not possible to have childcare there. Yes, we have looked at it; yes, we give childcare vouchers and we have whole schemes around that, but we do not do it on-site because it is physically impossible, particularly in the Cardiff office, to do it. Because people are relatively young, because we need flexibility because that is what our customers want, they are also relatively mobile and we do get large numbers who leave us in September to go back into secondary education and people also leave in August and September, having been on holiday and met somebody who lives in Newcastle. It is a fact of life and it is a fact of life in most call centre operations. Half our staff are not call centre operations, they are more technical, they may be IT people, they may be people dealing with motor claims which requires reasonable legal knowledge, and that is a much more stable workforce—one they are with us that is more stable.

Q153 Mr David Jones: Your business you say was established in Cardiff and you have expanded in Swansea.
Mr Probert: Yes.

Q154 Mr David Jones: Do you have any thoughts of maybe relocating to other parts of Wales, for example the A55 corridor and North Wales?
Mr Probert: We do have other thoughts of expanding elsewhere. It is very difficult to get between South Wales and North Wales.

Q155 Mr David Jones: Is that a problem in these days of broadband technology?
Mr Probert: It is a problem in terms of management. Why did we go to Swansea? One, to operate in a different area of employment so we had a different pool; two, it is 40 miles down the road and we can get there in three-quarters of an hour and you can establish the management controls, the style of the company, very easily. If you go to North Wales—I live halfway between them so for me I either turn right or turn left, it is exactly the same distance. To go to North Wales and establish the same sort of style, company culture, is very, very difficult to do. We are currently looking at Newport, which of course is 25 minutes the other way and what we are likely to do there if we do start in Newport is take a dozen people from Cardiff, who already live in Newport, and start it up based on that so the culture stays the same. It is one of the problems of employing overseas; we do not do it lightly; it is even worse getting overseas than it is to North Wales.

Q156 Mr David Jones: That is a point I was just about to make; you appear to have no difficulty in establishing yourself in India and Nova Scotia but Colwyn Bay appears to be problematic.
Mr Probert: We have looked throughout Wales. As you move out of South Wales, because we prefer centres of 500 or 600 people you have got to have 20% attrition because of the things we just talked about, you have to have a big area of population just to keep a 200 or 300 call centre operation going, because you are going to be employing 100 just to
stand still, so you have to have a wide area. I have looked particularly at Pembrokeshire, which has high unemployment, but if you look at the numbers you are talking about a few thousand people spread over quite a wide area and it does not particularly work. You need big centres of population which is why Cardiff first, Swansea and now perhaps Newport. There are relatively few big areas of population in Mid- and North Wales.

Q157 Mark Williams: If I could specifically ask BT, in your memorandum you talked of the range of skills that BT employees have across all sorts of disciplines. Have you had any particular difficulties in recruiting suitable staff in Wales?

Ms Beynon: Not generally, but we do pay 31% above the Welsh average wage so we pay quite well and we pay a Welsh language supplement, for example, for our call centre operators in Bangor where we have a call centre, which is actually very, very good and the churn is very low. One of the advantages we find in North Wales is that the churn is low and we do attract very good quality people who stay with us for a long time; that is an advantage. There are two specific areas I might just mention; I will deal with the first and then I will pass over to John for the other. We are finding that getting Welsh speakers in Cardiff is difficult and we are advertising currently for people to work in our customer service centre for small businesses. We would really like to employ more Welsh speakers in that area but we are finding it extremely difficult.

Q158 Mark Williams: Can you quantify that problem?

Ms Beynon: No applicants at all, but we do not have a problem in Bangor. The other one is recruiting women into the engineering side. John, do you want to talk about that?

Mr Thornhill: Specifically we have tried a very targeted approach to recruitment over the last 18 months and we have had good success in targeting people who are ex-Forces personnel in technical or IT or communications areas, who are coming out of the Forces and want to return to Wales. We have had some good success there, particularly from the Army and the Navy. Where we have struggled a little is in attracting as many female recruits as we would like. Some very targeted recruitment in specific magazines that are outdoors-biased where we know that 50% of the readership is female. Other than that specific area where we have a focus we do not perceive there are any huge differences between Wales and other parts of the UK. At the moment we have a very active recruitment campaign and since January we have offered contracts to 82 people and we are trying to take that, including apprentices, to closer to 200. As I said to you, 60% of that will be in West, Mid and North Wales. There are some early signs that we might have to work a bit harder in some of the rural areas to get the right skills mix, but other than that we are generally getting the people we want.

Q159 Mark Williams: My next question is to you both: how can the knowledge and expertise of Welsh-based companies and their workforces contribute to technological or service industry developments abroad?

Mr Probert: I have very relevant experience of that because Admiral is now looking to expand its business model into Europe and one of the things we are doing is we are bringing in European MBAs or graduates, they stay with us for a year and spend time going around all the elements of the organisation and, if you like, being taught what our business model and the culture, and then they are going out to set up operations within Europe. Our first one is in Spain, it was set up last November, and that was the very way it was done, with a few people being trained here, and they are going to take that, including apprentices, to closer to 200. We are setting up subsidiary companies and we will be targeting blue chip global businesses for that data centre. Obviously, we are also developing software engineers in Wales; we have 400 plus software engineers based in Cardiff. They are servicing contracts of a global nature, and particularly they have been working on the English NHS contract, for example. What we would like to see would be more Wales-based contracts coming into that software resource, but we are actually training and developing people in Wales for a global business so they have an understanding of the global marketplace. Another example would be the 21CN project I mentioned earlier on; because it is being developed in Wales, Wales is a pathfinder region, that is in itself a global venture for BT so we are taking that product as it were and looking to sell it across the globe. We were in Hong Kong recently—accompanied by the way, by a representative from the Welsh Assembly Government department of enterprise, innovation and transport, so we are seeking to bring them along with us when we go to these international conferences and talk about our global capabilities.

Q160 Mr David Jones: Mr Probert, could I just ask you a few more questions about your expansion into Europe; how is that structured, is that a franchise or are you setting up subsidiary companies in Europe?

Mr Probert: We are setting up subsidiary companies in Europe. There is a particular structure under the Financial Services Act and European regulations; some of them may be branches or subsidiaries, but for all intents and purposes they are overseas subsidiaries.
Q161 Mr David Jones: For example, how many members of staff would you be hoping to engage in your Spanish subsidiary?
Mr Probert: Currently there are around 50, who are local, based in Seville. It depends how well it goes; at the moment it is in pilot mode, we are relatively cautious and we have to prove that our business model works in Spain.

Q162 Mr David Jones: How long have you been trading in Spain?
Mr Probert: Since last November.

Q163 Mr David Jones: What impression have you formed of the local labour pool in Spain as compared with that in South Wales in terms of trainability and willingness to work?
Mr Probert: We have had problems getting enough good enough staff, to be fair. We thought we would pick Seville because it has relatively high unemployment, it is not Madrid—it is cheaper, the very reason the company started in South Wales—but I must admit recruitment has been slower than we would want.

Q164 Mr David Jones: This appears to be an international phenomenon and not just isolated to Wales.
Mr Probert: It may well be, yes, absolutely.

Q165 Hywel Williams: Can I just ask a question of Ann Beynon specifically about the employment of Welsh speakers, arising out of your previous comments. Just to get this clear, you were trying to recruit Welsh speakers in Cardiff for a helpline and you got no recruits at all, but you have a similar provision in Bangor.
Ms Beynon: Yes.

Q166 Hywel Williams: What would be your advice if someone was setting up a new standalone helpline operation through the medium of Welsh? It would presumably not be Cardiff but would probably be Pembrokeshire or Aberystwyth.
Ms Beynon: It depends on the nature of the service being provided because there are Welsh language customer service centres outside of Wales even and if you can depend upon students, for example, to work in them—if it is the kind of work that allows students to work on a shift basis okay, but for some of the services on the business side, for example, they have to work within business hours so we could not have just people on shifts and so that makes the recruits we are looking for different. We would want to keep the business service in Cardiff because that is where we have the other SME support business services and so to move that elsewhere would be complicated, it needs to be in one place. There is a very good call centre forum in Wales which has a significant number of companies in membership and they are very, very good at actually providing data on attractive locations for call centre investment in Wales and I certainly got them to do a piece of work for me recently, just so that we at BT know what the situation is like across Wales. I was very impressed, I have to say, with the kind of information that they had at their fingertips and were able to give me; it was very helpful indeed.

Q167 Hywel Williams: Thank you. That was rather more a domestic concern for myself, but rather more broadly to both Admiral and BT does the education and training provision in Wales meet the needs of industry and how could it be improved?
Ms Beynon: We do not perceive there to be any difference between Wales and the rest of the UK, but that does not mean to say that there could not be improvement in the UK and if you look at the fact that we are in a global marketplace what we have to come to terms with is that people are competing for jobs in the UK now, not just against other UK citizens but against people from other countries, and therefore the more that can be invested in education and training the better. We would not say that Wales has a particular problem, but we all need to be very conscious of the fact that the world is becoming much more competitive and therefore we need to make sure that all our young people have the best training and qualifications.
Mr Probert: I would echo that. The better educated they are, the easier they are to train to do specifics, the better they treat customers and it shows. The better educated they are the better.

Q168 Hywel Williams: How do the standards of education and training in Wales compare with that in other countries where you operate?
Ms Beynon: I do not think there is a difference particularly.
Mr Thornhill: I am specifically focused on Wales anyway.
Mr Probert: We have experienced call centre activity out of India and exclusively all the operatives there are graduates, on average they are much more educated than are people in South Wales, but the down side of course is language skills, the culture and everything else which does not make it very easy but education-wise they are way above the average that we see in South Wales. Our forays into Nova Scotia—we have not really started there yet—again I would say the people we are seeing there are better-educated than the people we see in South Wales on the whole.

Q169 Nia Griffith: Is that in relation to other opportunities for graduates? You probably do not attract many graduates, do you, in South Wales? Are your salary levels such that you would?
Mr Probert: I suppose our salary levels are relatively lower, although half our people are not in call centre activity; they are IT, they are technical people, they are claims managers which are very much higher paying jobs and again we have quite a high level of graduates in those jobs for us. Even those, when we take them in fresh, the level of education is not as high as you would expect it to be.

Q170 Mark Williams: What particular shortcomings have you identified?
Mr Probert: It is writing letters to customers, which is a simple one to understand. We have 1.2 million customers and sometimes things go wrong, there is a need for communication—it is not all over the phone—and to get them to sit down and write a letter seems to be quite difficult. I am an accountant so my grammar is not great, but it is not just grammar it is construction of the thing. We have to do a lot of work teaching people to write basic letters that are easily understandable by the customer and just make commonsense. You would expect the education system to turn out people who could write a letter, yet we do a lot of training on it.

Q171 Mr David Jones: I would like to pursue that point, Mr Probert. You are telling the Committee that you have graduates who are applying for work with you who are unable to write a business letter; it is as simple as that?
Mr Probert: It is as simple as that, yes.

Q172 Mr David Jones: Do you find that difficulty in India?
Mr Probert: We do not let them do it in India.

Q173 Mr David Jones: They do not do any business correspondence there.
Mr Probert: No.

Q174 Mr David Jones: What do they do in India?
Mr Probert: It is call centre activity; it is on the telephone.

Q175 Mr David Jones: At the most basic level.
Mr Probert: Yes.

Q176 Mr David Jones: In India you are employing graduates to do the sort of work that you would be expecting, frankly, very lowly qualified people in Wales to do.
Mr Probert: I would not say very lowly qualified people in Wales to do it. It is not easy taking 70 phone calls a day and dealing with 70 different people.

Q177 Mr David Jones: I am not in any sense being disparaging, but it seems to me that you would not be employing a Welsh graduate to do that sort of work, you would expect a Welsh graduate to do a higher level of work, is that right?
Mr Probert: We employ them to do both, but in the more technical areas of letter-writing we have more graduates and I would expect a higher degree of literacy.

Q178 Mr David Jones: Do you have to run in-house training courses on how to write a straightforward business letter?
Mr Probert: Yes, we do, and we have to run quite a lot of what we call quality control people to look at the letters a second time to get feedback and keep feeding back, to keep on training people to do it.

Q179 Mrs James: Following that, it is a sad state of affairs when you do get letters from Oxbridge graduates—I have recently had one—with eight spelling mistakes in it and a confusion between the word “where” and “were”. Surely you have opportunities through the union learning funds and Welsh Assembly funding to work with local schools and local trade unions, making sure that people have the skills that you need to utilise these opportunities.
Mr Probert: Yes, the opportunity is there and we do engage with them on times, but our job is to run our business and we would expect the raw material—the people—to be coming in—

Q180 Mrs James: More work is needed in that area to make sure that people are skilled up.
Mr Probert: Are skilled up, yes.
Ms Beynon: Can I just say that we do work with the CWU, one of our trade unions, and we have work-based learning centres in Cardiff and Swansea. It is very interesting because we then asked staff working in the buildings where we have these centres what they wanted to learn and the two things that came top of the list were computer skills and Welsh. The union is now dealing with those.

Q181 Mr David Jones: Does BT experience the same sort of difficulties that Mr Probert has just outlined in finding recruits who are able to write straightforward business letters?
Ms Beynon: I am not aware of it. We have a system within BT of dealing with correspondence and my office will deal with a lot of correspondence coming from yourselves, but we have the support of a high level complaints department who do a lot of drafting and for Welsh language correspondence a professional translator provides very good Welsh language translation services, for which we tender for.

Q182 Mr David Jones: I was really more interested in the raw material if you like; are you finding that people are arriving at BT who are unable to write a business letter and have to be trained in how to do so?
Ms Beynon: We would not be employing the call centre staff to do that kind of work.

Q183 Mr David Jones: I do not mean the call centre staff. I am talking about recruits generally.
Ms Beynon: I have no evidence for that.
Mr Thornhill: Bearing in mind I caveat my comments by saying that most of my recruits and employees are technical, field-based engineering staff—

Q184 Mr David Jones: The question does not arise in that case.
Mr Thornhill: It does not arise in terms of written skills but it does arise in terms of interpersonal skills, knocking on a business premises and talking to a customer.
Q185 Mr David Jones: I appreciate that.

Mr Thornhill: There is an element of training that we have to do there. The nearest example I could possibly give you is we wanted to put some fairly senior managers into some of our more rural areas—Haverfordwest is one locality, Wylfa is another. These sort of salary ranges are £45,000-£60,000 a year and, eventually, most of the applications we got were from outside of Wales despite us advertising in the Western Mail and those kinds of publications. The recruits we did bring in were people returning home to Wales from working outside of Wales. That is the only indication I can give.

Q186 Mr David Jones: What do you glean from that?

Mr Thornhill: For us that was the first time in a few years that we had advertised externally for people of that grade and that salary banding in, as Ann says, some areas where that is quite a good salary. My initial reaction was that the number of applications from within Wales was probably a little lower than we would have expected.

Q187 Mr David Jones: What was the quality of the applications from within Wales?

Mr Thornhill: Reasonable, but there did not appear to be a lot that were at the top end of what you would expect the market expectation to bring when you are paying a pretty good salary for the location.

Q188 Nia Griffith: If we could turn to the issue of research and development; does Wales have the right kind of support for research and development in order to attract high tech companies and are there any ways that you think this could be improved?

Ms Beynon: There is a lot of effort being put in by the Assembly Government to improve the performance on research and development, and it is a clear target on the list and agenda because both the UK and Wales need to do better on research and development. Part of the problem sometimes is that when you are looking at knowledge-based businesses the standard business model which you would have had that is capital intensive does not work, and therefore what you need is a revenue-based model, and we are seeing that increasingly when we talk about on-line businesses, IT-based businesses. The kind of funding support that has been available in the past is very much orientated towards capital support and we had an example a few years ago of a start-up company that we at BT wanted to see developed in the area of downloading music from the web. What they needed was revenue to generate marketing to create an awareness of their existence, not capital, and it is very, very difficult to find money for that from public sector sources—not because the public sector did not want to do it, but they were constrained by European regulations. It is an issue generally that needs to be understood as we move into this knowledge-driven economy, the kind of business model is changing and therefore support mechanisms need to change accordingly. To go back to research and development, we at BT obviously do a huge amount of research and development; much of it happens in our labs at Martlesham but we do try and ensure that we bridge between our research and development and the universities in Wales. We recently had a meeting where we had Cardiff, Bangor, and Swansea universities present, meeting with our university liaison programme, and I hope that there will be a follow-up meeting with Bangor coming out of that because we need a dialogue to see what our capabilities in Wales are and what our requirements are as well. Our requirements are very extensive, they are not just about technology, they can be about the psychology of purchasing, for example, that could be an area where research and development is needed so it is quite a wide-ranging portfolio and also it is the time one needs to explain the needs of both sides. We are also finding in computing science that we do need people who are specialised as undergraduates; there is a demand for specialisation early on at degree level that would help. There needs to be more, but we do a lot of it and we are trying as best we can to create links between what BT is doing for our business purposes and what Wales is doing.

Q189 Mrs James: You have already outlined, both in your memoranda and in the evidence that you have given, the work that you are doing offshore and the reasons why you have gone offshore but I wanted to explore it a little bit further, certainly about advantages, the key advantages that you see working offshore and going offshore, and what are the disadvantages (if any) that are there. Really do we, as a Government, and does the Welsh Assembly give you enough incentive and support to remain in this country. It is your thoughts on those really.

Mr Probert: Most of our experience is based on being in Bangalore for the last five or six years. When we went there it was an idea, could we reduce our attrition, which was about 25% in the call centres, because invariably when people leave us you ask them why they leave and it is “I am fed up of working weekends and going o...
and I am not sure it is all that less costly either by the time you send people over there. When you want to change something in the UK you can do it easily in a few centres; to change the approach out in Bangalore takes a long time.

Q190 Mrs James: Just to build on that, what are the things that you think we need to be doing in Swansea, for example—you are in my constituency there in SA1—what do we need to be doing to make sure that you have got the quality and you have got the flexibility?

Mr Probert: Swansea is a good demonstration—we were also in South Africa, we had about 40 people in South Africa. The opportunity came in Swansea to set up a new building in SA1, which you will know, and we did have a grant for it. We were either going to build up South Africa or do we build up in Swansea. Early last year, before we moved to the new building, we had about 650 people, we had a grant to move and we have subsidised rental with a target of 850 staff in three years time. In fact, today I can tell you there are 825 staff there already, we have increased employment by 175 in the last month and I suspect we will go through the 850 mark within three months time. Something has been done, therefore. Swansea has been something of a problem in terms of office space, which is being addressed with SA1.

Mrs James: Yes, definitely.

Q191 Mr David Jones: Mr Probert, Direct Line, which must be one of your principal competitors. 

Mr Probert: It is indeed.

Q192 Mr David Jones: Actually makes a virtue in its advertising of using only UK-based call centres, is that not right?

Mr Probert: It does.

Q193 Mr David Jones: You have mentioned briefly when you were replying to Mrs James that customers prefer to deal with UK call centres.

Mr Probert: Not all customers. I said there is some feedback, some customers do not like it but I would not say all customers do not like it.

Mr David Jones: Is it not a fairly widespread feeling and, frankly, the proof of that is that Direct Line regards it as very much an advertising plus point that it employs only UK call centres?

Q194 Mrs James: As does NatWest.

Mr Probert: I can tell you that of the organisations under Direct Line, one called Churchill has 300 software developers in India.

Q195 Mr David Jones: That may be the case, but in terms of call centre staff would you not agree that by and large people do prefer to deal with a UK call centre?

Mr Probert: By and large they do and, as I said to you before, why were we out there? It was not cost savings, we were not looking for cost savings by going out there, we were looking for people because we could not get enough people in South Wales. That was the point of doing that.

Q196 Nia Griffith: You mentioned having 180 workers out there, is there a danger that for companies that have far more workers it would become more cost-effective because presumably you have got all the overheads for a relatively small workforce and therefore it is probably potentially more of a danger to our jobs if it is big companies rather than smaller developing companies.

Mr Probert: Possibly. BT have thousands in overseas operations.

Ms Beynon: We have 34 call centres. Just to put it in context, in retail we have 34 call centres and 32 are in the UK. In terms of our investment in our call centres in BT Retail we have £105 million invested in the UK as opposed to £3 million in India, so we need to get that context and the balance clear. We would always give callers a choice and if they want to be answered by a UK call centre they can be transferred, that choice is always made available. In order to provide enhanced services, that was one of the drivers for looking at Indian locations and the business case did stack up very strongly when that decision was taken, but what I would like to emphasise is that there is no intention at all for any of that outsourcing to happen from the Welsh call centres; those are remaining in Wales and are flourishing.

Mr Thornhill: The other thing to say about BT, as Ann highlighted, is that we are operating in dozens of countries around the world, so there is an expectation that some of our support functions will be in other countries as well.

Q197 Mrs James: Do you feel that you get the support and the backing from Government?

Ms Beynon: I mentioned earlier on the call centre forum; the core funding comes from the Assembly Government and that is an excellent organisation and there is a huge amount of knowledge about indigenous call centres and how to attract new call centres into Wales. That is a very good support mechanism in itself and what that does is it gives market knowledge to inform commercial decisions.

We had support from the Welsh Assembly Government when we set up our data centre, which was a £90 million investment but we did get an RSA grant of £10 million. We have not drawn down the full sum but that certainly was helpful because it was a very expensive investment for us, it was a very high quality investment and getting that money was indeed helpful because we had to choose between Cardiff and Amsterdam and that really helped us to flick the decision towards Cardiff. Certainly in the past, therefore, we have benefited from support but what we need to get to is a situation where it is not just the financial support that is important, it is the business environment, and that is why I like the call centre forum approach because they can talk market language and commercial language to companies and, at the end of the day, that is going to be the key driver.

Q198 Hywel Williams: This is a question for BT: you have put lots of emphasis on corporate social responsibility and you mentioned the amount of
money that you spend in Wales. What are the benefits for BT and what are the benefits for Wales of your corporate social responsibility policy?

**Ms Beynon:** Corporate social responsibility (or CSR as it is known) is drilled through BT, a bit like Llandudno is drilled through Welsh rock; we live and breathe it and it is part of what we are as a company, it is part of our culture as a company, it is not an add-on, yet we do spend a million pounds on it in Wales. What I would like to emphasise is that we do not do CSR in Wales, we do CSR with Wales, so we would be choosing to work with communities and with local authorities and voluntary groups in order to deliver a CSR agenda that is very often, in our terms, to do with technology as well. We have various schemes like Community Connections which some of you will be aware of—Llanberis Mountain Rescue Team got some money from us to buy a computer and a broadband line; Pontardawe Air Cadets was another one and also in Porthcawl with the lifeboat two years ago, they got a sum of money. It is a very simple mechanism where people can apply on-line for support, so we do that and we also do education awards as well. Llanllechid School in Bethesda, for example, got an award for a fantastic scheme about racial tolerance and racial understanding where they twinned with a school in Jamaica, and the link between Jamaica and Llanllechid was Lord Penbryn, who of course made a lot of his money out of the slave trade in Jamaica. The two schools twinned under a scheme which BT funded and it was very liberating to see. We can do that but we also try and look at the communities in Wales and think about digital divide in particular, so the way we developed our digital divide programme was we have a programme called Citizen Online where we work with a community—we did this in Rhyl, we have done it in Newport and we have done it in the Rhondda—where we would find a local person to lead a community project to introduce ICT to the community to enhance local life. That is a fulltime worker who spends all their time with community groups, going with the grain of the community. The work that we did in those three places then informed the programme that is now Communities@One where there are—brokers they are called now—community workers in the same kind of pattern but with a broader geographical spread, and the lady who ran the Rhyl project for us is now working for that scheme. That was where we were having a dialogue with the Assembly Government, with the Scarman Trust, with other organisations in this space to say how can we now leverage together better investment in the digital divide. That is another piece of work that we do and hopefully we can take this forward because it is something we are continually looking at. The next area I suppose that everybody is focusing on is your carbon footprint; as a company BT is the largest purchaser of green energy and we have an understanding with npower and British Gas that we buy green energy. We are also promoting very, very flexibly, which is hugely beneficial, particularly for women returning to work, and indeed the scheme started in Cardiff where a group of women working on the 2YK so-called bug had to work very long hours and so we evolved this method of working flexibly and that has been enshrined in the way we work. What is very interesting is that as many men as women choose to work in that way. What that means is that you do not travel as much, you save on travelling costs, you can balance your work and life better and you can allow women with childcare responsibilities to work from home and they can choose to work whatever hours they like as long as they deliver the output. It is a more humane way of working as well because you actually then measure people and what they do, not when they do it, so output measures are much more commercially focused as well. All those things are key to the whole idea of CSR being a fundamental part of the way we work and the way we live and not just being as an add-on.

**Mr Thornhill:** In terms of the carbon footprint that Ann talked about, in my business we have promoted internally specific targets because I have over 1000 vehicles on the roads of Wales every day; how do we minimise travel time, how do we potentially look at vehicles of the future that might run on different fuels, different technologies, and things like the hidden things that you would not normally expect. When we take old poles down and put new ones up, clearly we have to dispose of them responsibly and in an environmentally friendly way because they have been treated with preservatives. There are lots of things like that where we work with companies in and around Wales for safe disposal of those kinds of things. It is not only an explicit agenda for us, but it works through in terms of the internal targets we run our business by.

**Ms Beynon:** Could I just mention that the CSR policy of BT is championed by our chairman, through his very high profile activity. You may have heard the news; we have a new chairman coming to BT, Mr Mike Rake, who is currently at KPMG, and he happens to be the chairman of Business in the Community in the UK. Again, we can guarantee that the continuum of CSR within BT will be there.

**Mr Probert:** Any large employer—and I count Admiral as a large employer in South Wales—is part and parcel of the community because your staff are. We have something nowhere near as formal as BT, which is called “Henry’s Pot”—Henry is our CEO. Anybody in the company can apply to Henry’s Pot to have some money to support something, be it rugby shirts for the Under-5s rugby team, absolutely anything at all. This has direct feedback because we are seen as a good employer in South Wales, we get good headlines for it and we get more people coming who want to work for us because they know we are somebody who cares.

Q199 Hywel Williams: I was going to ask you about that; virtue is its own reward, as they say.

**Mr Probert:** It is.

Q200 Hywel Williams: I suppose there is something on the bottom line as well, is there?
Mr Probert: Yes, but you do get rewarded very directly for it, it is a natural thing to do. Your staff live in the community, I live in the community, I want to be seen as somebody who works for a company that is well-regarded.

Ms Beynon: It is actually quite important in the global market because if you want to recruit the best people these days, young people—particularly those coming out of universities—want to work for a socially responsible company. I have been at receptions in BT Centre with graduates looking at where they would like to work, and they actually say, “What is your green policy?” It is now a question being asked of us by talented people globally, so yes it is bottom line-related but it is hugely important to talent-retention and attracting the best talent. Companies like ourselves are expected to have those credentials; it is fundamental.

Q201 Hywel Williams: You have already said that it is not an add-on, but it is a tough old world; can you sustain your CSR programme in the face of global competition?

Ms Beynon: It is a business-critical thing we should do; it is not a nice-to-do, it is a must-do. Yes, there are principles behind it, of course there are, but it is also business-critical. CSR, equality and diversity policies are business-critical because the better we treat our people the more we respect people’s diversity, the more we respect people of different genders, different ethnicity, different faiths, different sexual orientation, the better we will be as businesses. This is now deeply understood and there is research going on at Columbia University which BT is involved with which demonstrates very, very clearly that if you do not have these policies you do not attract talent. Of the global talent pool in the executive bracket 17% only are white men, so if you do not look at the other part of the 100% you are not going to attract the best people. It is absolutely fundamental; it is not a nice-to-have it is a must-have.

Chairman: That is a good point on which to end. Could I thank you for your evidence today and thank you also for your earlier memoranda. If you feel in the light of questions that have been put to you today that you would like to add a further memorandum we would be very pleased to receive it. Two issues have emerged which you might wish to consider reflecting on in such a memorandum: firstly, the way in which you interface with education and training at all levels; secondly, inevitably your original memorandum was for good reason introspective because it related specifically to Wales. You also alluded in your evidence today to your global perspective and your global relationships; you might want to give us some more information about that. Thank you very much.

Witness: Ms Catherine Speight, Regional Secretary, Amicus, gave evidence.

Q202 Chairman: Good morning, could you introduce yourself, please, for the record?

Ms Speight: Yes, I am Catherine Speight and I am the regional secretary of Amicus. Can I apologise, Chairman, for not being able to provide you with a written memorandum; I am without a researcher at the moment and I have been off work. I understand that you did take evidence from the Wales TUC just recently, so hopefully I will be able to supplement what they told you.

Q203 Chairman: Thank you very much for that; we would nevertheless still like to have a memorandum subsequently from you, it would be extremely helpful. Could I begin by asking you about the effect of progressive and growing globalisation of industry and what effect this has had on manufacturing in Wales; very briefly—because we have lots of other supplementary questions—could you give us an overview of what has happened?

Ms Speight: From our perspective—Amicus is the largest private sector union in Wales and we organise across all sectors of manufacturing—there has been a significant decline in the last five or six years in the number of manufacturing jobs; we have gone down from something like 20% of Welsh jobs to around 14% now. A lot of those jobs have been lost from companies that exited Wales to maximise profits, not because the companies were failing or because Welsh workers were not providing the goods that people required, but it was cheaper to do it elsewhere and it was easier to close a Welsh plant than it was anywhere else.

Q204 Nia Griffith: You were present in the earlier session when we heard a lot about the offshoring of jobs and I believe now we fear that even the back office jobs could be offshored to various places. What do you think we could be doing, either to prevent that happening in the first place or to mitigate the effects, either as UK Government or the Assembly Government?

Ms Speight: As a UK Government we have to introduce stronger legislation to make it more difficult to exit UK jobs; it is a lot more difficult to exit a plant in France or Belgium or Germany where social impact studies have to be done, redundancy pay is more often than not a lot higher than what will be paid in the UK, and wherever that situation exists we will always be the cheapest option to close.

Q205 Nia Griffith: But it is not just a matter of closing, it might be a matter of developing and bringing in new jobs as it were, but instead of bringing them in to Wales they are bringing them in offshore—in other words the company is expanding but they are actually not bringing the jobs here. Do you think there is any way we can combat that at all? It is a very difficult question and there is not an easy answer.
Ms Speight: It is, yes. In a lot of respects it is not anything wrong that the Welsh labour force has done; as I say, a lot of the time it is a question of economics and maximising profitability.

Q206 Mark Williams: Your website highlights the issue of education and skills, the shortfalls at a UK level, particularly in basic literacy and numeracy. How well placed is the workforce in Wales to respond to the need for those high-skilled workers in high tech and knowledge-based industries; what particular problems do you see that persist?

Ms Speight: We are improving in Wales. One of my hobbyhorses, for want of a better word, has always been that vocational education and academic education should be valued in the same way, but it has not been historically. We are improving in recognising what skills the Welsh economy is going to need in the future and making sure that our education system is tailored to provide the skills that the young people are going to need to provide the jobs in the Welsh economy.

Q207 Mark Williams: You are confident that at UK level and the National Assembly—

Ms Speight: It is a long process because a child’s school life is 10 or 12 years—even longer if you go on to higher education. Over the last few years it has been recognised that we do not educate children for education’s sake but we equip them with the skills that they are going to need to be successful in the economy that will be in Wales in the future.

Q208 Mark Williams: If there was one specific measure in education policy that you would like to see Government, at whichever level—primarily National Assembly level—pursue, what would that be?

Ms Speight: We are doing quite well in higher education and we are providing graduates for the research and development field within Wales. If we are lacking in anything it is traditional skills, it is the skills that we need to build the buildings before we put the graduates in there to work. In Wales we have some major construction projects—and of course with the announcement about the DCA that will be a huge construction project—but at this moment in time we do not have the skills in Wales to be able to deliver those and we will be importing skills from elsewhere.

Q209 Mark Williams: You as a union are going back to the basics of numeracy, literacy, and you heard in the earlier session the capacity of people to write letters, those kinds of skills you feel are lacking: we are making some advances but we have further work to do on those things.

Ms Speight: I do not think anything will ever be perfect, we can always improve on what we are doing, but I do believe that we have improved. I have been regional secretary since 2004 and I have had an interaction with the ministers in the Welsh Assembly: I do believe that we have started to recognise what needs to be done to deliver the education that people are going to need in the future.

Q210 Mr David Jones: Ms Speight, we are living in a fast-moving, international business climate with whole new industries springing up. What work is your union carrying out to help workers respond to the demands made by this changing economic climate?

Ms Speight: We are probably one of the biggest accessors of the Wales Union Learning Fund and we recognise that a lot of our membership is in traditional areas that are fast disappearing, and new technology is taking its toll on the workforce. Amicus have had probably in the last four years about £1 million from the Wales Union Learning Fund and we have used that to develop learning centres; we have recruited union learning reps to assist our members in re-educating themselves, in accessing education that they might not have done since they were 16 or 18 when they left school.

Q211 Mr David Jones: In what sort of fields?

Ms Speight: In basic IT; in Welsh. In a lot of cases it is getting them back into learning something that they want to do, which is probably not job-specific. Getting somebody back into education and back into the way of learning then opens doors for them to go on to other education elements. It is a big step when you have been 25 years out of education or any form of formal learning to take that step to go to college to learn a new skill, so a lot of the work that the Wales Union learning reps do and the money is used to educate people in learning again.

Q212 Mr David Jones: How is the Wales Union Learning Fund funded?

Ms Speight: It is from the Welsh Assembly Government.

Q213 Mr David Jones: Do you know to what extent it is funded?

Ms Speight: I am not sure, but I think over the last Parliament it has probably been about £4 million. I can put that in my memorandum if you want.

Q214 Mr David Jones: Thank you. What sort of support does your union give to workers who are made redundant?

Ms Speight: There is a response unit from the Wales TUC and they go in and look at what skills the people have that are transferable to other jobs in the location, or to find out if they do want to access learning again, and that is why the Union Learning Fund is important because some people would not go down that path unless they had been through the process of a gradual re-entry into education through those sorts of schemes.

Q215 Mr David Jones: Is there anything more in your view that the UK or the Welsh Assembly Governments could do to support such workers who are made redundant?

Ms Speight: Make it harder in the first place for them to be made redundant; let us keep the jobs.
Q216 Mr David Jones: I appreciate that, but given that there will always be redundancies is there anything more that the UK and the Welsh Assembly Government could do to support them?

Ms Speight: I do not know. I suppose there are times when people want to access retraining and there are not enough places. A lot of the courses in traditional skills are now becoming over-subscribed because people are deciding to re-skill into an area where there is a demand, but because there is a demand there is also a demand on the training facilities and on the places available, so expansion of training facilities into those areas.

Q217 Mr David Jones: Do you perceive that there is a shortage of such places at the moment?

Ms Speight: I do believe and I have heard that people trying to get onto courses for plumbing and suchlike have not been able to access that training because it has been oversubscribed in a number of colleges.

Q218 Mr David Jones: We heard earlier this morning that Wales has relatively high levels of economic inactivity: what do you feel that both the UK and the Welsh Assembly Governments could be doing to address this problem?

Ms Speight: To make the transition from inactivity into work easier. There are a lot of perceived penalties for people going back into work, especially if they have been on invalidity benefit or suchlike. They want to go back to work, it might not work out because of their disability and they find that they cannot cope with either the hours of the job, but they have no ability to regain those benefits because once you have come off them that is it. To take that step, a lot of people will not do it because if it is a case of gambling with having a certain amount of financial security and access a job that might not work out or might not be suitable or whatever, they will not take that leap. Anything that can be done to make that path easier, for them to try without risking their financial security that they currently have, would make more people willing to take that step.

Q219 Mr David Jones: Are you saying that there are some people who are deliberately choosing to remain on invalidity benefit?

Ms Speight: Deliberately choosing is probably a bit too strong. There may be some people who are fearful that they are not going to be able to cope with the pressure of the job or the hours of the job and it is a gamble for them because if they are on that level of benefit and they do try it and it does not work out, they do not go back onto that level of benefit.

Q220 Mrs James: We have worked on a lot of incidents et cetera and threats of closure within my constituency, and time and time again when people come to see me they say it is too easy, the regulation in Britain is far too easy, it is easy to take jobs overseas, that it is easier to take jobs to other factories. Do you think that we are uncompetitive in that way or that it is easier to get rid of jobs in this country?

Q221 Mrs James: What do you say the Government and the Assembly should be doing to mitigate this or to defend us against this?

Ms Speight: Introduce the same protections that are available across Europe where social impact studies have to be done; the impact on a community of that business closing has to be addressed, has to be looked at and mechanisms have to be put in place to mitigate that impact by the company that is exiting, which is why global companies would much rather pull the plug on Wales and UK jobs than have to jump through all those hoops to exit one of their plants elsewhere in Europe.

Q222 Mr David Jones: Is there not this danger, that if it becomes more difficult to close businesses in Wales, companies may be less inclined to start up businesses in Wales in the first place?

Ms Speight: I do not know that that follows because companies that are relocating out of Wales have made profits and made quality products in Wales.

Q223 Mr David Jones: Yes, I understand that.

Ms Speight: They have not seen a decline in their business, it is just that they can make more money elsewhere.

Q224 Mr David Jones: I appreciate the point you are making, but my concern is this: if it becomes more difficult through statute or regulation to close a business in Wales or anywhere else in the UK, is that not going to act as a deterrent to overseas companies who might otherwise be inclined to set up business in the UK?

Ms Speight: Historically we have found that companies have come and set up in Wales, have we not?

Q225 Mr David Jones: But in the present regulatory climate.

Ms Speight: Big programmes have come and they have taken the UK and the Welsh Assembly grants and as soon as there has been no clawback required of that money they have exited.

Q226 Mr David Jones: Does that not to a certain extent prove the point I am making?

Ms Speight: Companies are still setting up in Germany and France where it is more difficult to exit.
Ms Speight: Yes, we are producing bilingual literature, especially in Polish because it tends to be Polish in the majority. In fact we've got one Polish worker who's a union learning rep in Sharps in Wrexham, who has just won a big order for solar panels, and he is the liaison between himself and his fellow workers, and we are providing a union learning funding for English lessons and things like that.

Q233 Hywel Williams: Just lastly, how is Amicus as a union responding to the challenge of globalisation in general in terms of its international activities and in terms of links with unions in other countries?

Ms Speight: You might know that there is a merger ballot going on at the moment between ourselves and the Transport & General Workers Union. If that is successful on 1 May then we will be a union which will have about 2.2 million members. We are actively developing links with European trade unions, with IG Metall. The Amalgamated Engineering Union, which is a predecessor of Amicus, and the Electrical Union always had some sort of link with IG Metall, but that is being developed. Our international work has come to the fore over the last three or four years. We are developing links with Africa and the African trade unions. We are actively involved in supporting ACTSA which is Action for Southern Africa. We are involved in supporting Justice for Columbia where we are trying to assist the Columbian trade unionists, who go through a lot more than we have to go through, including risking their lives for being trade unionists, so we are developing those international links.

Q234 Chairman: Could I ask a final question following on that point that you made. What about the links that you may or may not have with China and India; those are the big questions that have been facing us in terms of job losses, and specifically also Eastern Europe?

Ms Speight: It is funny you should say that because I am going to China on Friday.

Q235 Chairman: Why are you going to China?

Ms Speight: My daughter lives there! I will be able to see it first hand. China is a really big threat not only to Wales and the UK but to the whole of Europe. The economy there is growing at such a rate. I think there was one figure where they are turning out more graduates per year than the whole of the European Union. It is one of the biggest challenges I think we will be facing as an economy and if you want me to give you an answer about how we combat that, I have no idea. Trade unionism in China is not what trade unionism is in the UK and Europe. They do have trade unions and our General Secretary has been out and met a number of Chinese trade unions, but I do not think they are trade unionists in the sense that we are where we are wanting to protect working people and improve their working lives and terms and conditions.
Chairman: Could I thank you for your evidence today and reiterate our desire to have a memorandum from you.\(^4\) We look forward to that and I hope that it will be all the better as a result of you coming here today because you can reflect on some of the questions that have been posed and then that will inform the kind of memorandum that you produce, in particular in relation to education and training and also in relation to your role in the new global economy. Thank you very much indeed.

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Tuesday 27 February 2007

Members present:

Dr Hywel Francis, in the Chair

Mr Stephen Crabb
Nia Griffith
Mrs Siân C James

Mr David Jones
Albert Owen
Mark Williams

Witnesses: Mr John Peace, Chairman, Burberry, Mr Michael Mahony, Director of Corporate Affairs, Burberry and Ms Angela Ahrendts, Chief Executive, Burberry, Ms Stacey Cartwright, Chief Financial Officer, Burberry, gave evidence.

Q236 Chairman: Good morning, could I welcome you to this session of the Welsh Affairs Committee and its inquiry on globalisation. For the record could I invite you all to introduce yourselves, please?

Mr Peace: Thank you, Chairman. I am John Peace and I am Chairman of Burberry.

Ms Ahrendts: Angela Ahrendts, CEO of Burberry.

Mr Mahony: Michael Mahony, Director of Commercial Affairs at Burberry.

Ms Cartwright: Stacey Cartwright, Chief Financial Officer at Burberry.

Q237 Chairman: Thank you very much. Could I thank you for the memorandum you sent in to us; it was extremely helpful in our preparation. Could I begin by asking you, Mr Peace, Burberry markets itself as a very “British brand”. In today’s global economy, what does that really mean?

Mr Peace: Burberry in recent years has been very successful, and one of the cornerstones of that success has been its very rich British heritage. The association with the trench coat in particular and the early twentieth century association with the military has been a very important factor in Burberry’s success and, in more recent years, the sense of “fashionability” we have brought to that brand.

Q238 Chairman: How important is it to Burberry that your headquarters remain in London?

Mr Peace: It is very important to us. Burberry is not just a British brand from a marketing sense; the heart of Burberry is here in Britain. In London we have all the design team, the marketing teams; it is the epicentre of what Burberry does globally.

Q239 Chairman: Following on that, given what you have just said, how important is it for your manufacturing to remain in Britain?

Mr Peace: In the submission we said there were a number of factors that we had to take account of when determining our manufacturing strategy. One of those clearly is unit cost, another is the iconic sense of the Burberry brand and the other is the quality of manufacture. All of those factors we take into account and the trench coat, for example, which is manufactured in Castleford and Rotherham, it is very important that that continues to be manufactured in Britain. By contrast, I know the Committee is aware that we have announced the closure of the factory in Treorchy, very sadly, but there the items being manufactured are polo shirts and today that accounts for about 25% of the polo shirts that we sell around the world. There, because it does not have the same association with the British iconic trench coat—clearly that is evidenced by the fact that we are able to successfully sell 75% manufactured outside of Britain so successfully—there is that fundamental distinction between polo shirt manufacture and that of the trench coats.

Q240 Mrs James: I note from your memorandum that you submitted you make a clear difference between the iconic trench coat and the manufacture of polo shirts. Does this clear differential that you make not damage your image and promote the “chav” culture associated with some of your Burberry products? Surely you are actually devaluing a very important logo and a very important item that is made on your behalf.

Mr Peace: I am not going to comment on the chav culture because the press did that, at our expense, for a number of years; what I would say to you is that if you look at all of the items that Burberry sells—its trench coats, its handbags, its leather goods—those are very successfully recognised as being made by a British brand, Burberry. It is less so with the polo shirts.

Q241 Mrs James: You are quite happy to see that?

Mr Peace: Absolutely; we clearly took that into account when reaching the decision that we reached.

Q242 Mrs James: Pride in the logo is not as clear as it once was.

Mr Peace: What we like to think we can do—because it is not just about price, it is about quality—Angela, perhaps you could comment on the quality of the polo shirts looking forward to the future.

Ms Ahrendts: It is the quality of the manufacturing process as well as the quality of the finished garment, so what we have been able to do is to significantly upgrade the fabric, upgrade the drying and washing facilities to decrease the shrinkage, upgrade the trim, so we are able to give the consumer a much higher quality product, which is very important in our world, at a significantly reduced cost. From the supply chain perspective as well, with the suppliers that we are using, they are what we call wholly vertical suppliers: they do 20 different processes, if you will, from sourcing yarns to laser printing et cetera, whereas our facility in Treorchy really just does one or two services. As we continue to grow the
business—we are getting quite large—we really need to consolidate with wholly vertical suppliers worldwide.

Q243 Albert Owen: Just on that issue, Mr Peace mentioned cost, iconic and quality as the main issues there and yet he went on to say that really cost was the factor, the others are just by the way because he said that quality could be achieved elsewhere at a cheaper cost. Are you saying that the polo shirts produced in Britain are not of the same quality?  
Mr Peace: I did not quite say that, but certainly the impression I wish to convey is that it is a combination of those three things. Certainly if, for example, the polo shirt production outside of Britain was of a lower quality, but the price was cheaper, that would not be an acceptable way forward.

Q244 Albert Owen: But cost is the main factor?  
Mr Peace: Cost, together with the quality, together with the iconic recognition, so if for example the quality that we get from our polo shirts manufactured outside of Britain is at least as good if not better, and the price is half the price unit cost than we manufacture in Britain, then clearly as a company—

Q245 Albert Owen: How does iconic come into this? How do you market an iconic brand that is made abroad?  
Mr Peace: If you ask what is the iconic look of Burberry, clearly it is the Prorsum horse, which is the emblem of Burberry, but the single item which is recognised as Burberry, that distinguishes Burberry from all other luxury goods around the world, it is the trench coat. Indeed, from a ladies’ fashion point of view in recent years we have tried to bring some of that trench style and design into the fashion items developed by our design team.

Q246 Albert Owen: When you are referring to polo shirts iconic does not matter, it is cost that is important.  
Mr Peace: It matters much less.

Q247 Mr Crabb: Is it not true that as brands become more global and consumer behaviour responds to that, even for so-called iconic products it matters much less and increasingly less where that product is actually manufactured and it is impossible to say that there will never be a scenario where there is not some manufacturing of Burberry products still within the UK, it is quite possible that if delivering value for your shareholders means that you have to outsource offshore all your manufacturing and just retain a corporate finance and marketing function here in the UK, that is quite a possible scenario, is it not?  
Mr Peace: We believe quite strongly that retaining the raincoat manufacture and outerwear manufacture in Britain is very important, and we do not see, certainly in the foreseeable future, that changing at all. What I can tell you is that many of our competitors who are not British have indeed outsourced and gone outside of their home country to have product manufactured, but that is not part of our strategy.

Q248 Mr Crabb: People’s love of Raleigh bicycles has not decreased because they are now manufactured in the Far East and are not manufactured in Nottingham any more.  
Mr Peace: You are talking to a Nottingham man here, now just be careful.

Q249 Mr Crabb: The same would apply to clothing.  
Mr Peace: If you look at Raleigh bikes and if you look at the commodity market for bikes, then clearly Raleigh in Nottingham had a problem designing a product which could quite easily be copied or indeed produced more cheaply overseas. What we believe—and indeed the success of Burberry has demonstrated in recent years—is that by having this outstanding design team that we have we have been able not only to retain the trench but to go on developing it very successfully and that is why I am very confident that Burberry will continue to manufacture in this country the trench.

Q250 Chairman: Could I suggest a different definition of iconic in relation to your predecessor company so to speak, Polikoffs? That was very much associated with the trench coat given that it played such an important part in the war effort, and Polikoffs of course were welcomed as a company driven out of Eastern and Central Europe by the advance of Nazism and into the Valleys in the Fifties, Sixties and Seventies and, right down to today, Polikoffs is synonymous with being embedded in the culture and history as a model employer in the Rhondda. That to me is iconic in its association both with the community and the culture, and with the trench coat and all that that represents. What is your view of that?  
Mr Peace: You make a very good point, Chairman, and one of the things we have done very successfully with Burberry to achieve growth in recent years is to go beyond just some of the iconic products and certainly part of our strategy in the future is to broaden the product range. That does not mean to say that all the add-on products that we may create are necessarily best made in Britain.

Q251 Mr David Jones: Mr Mahony, on 23 January you issued a statement which said that “Burberry will continue to respond to the forces of globalisation, evolving its business to ensure it remains a successful British business generating prosperity in Britain”. Could you tell us what you define the forces of globalisation to be, particularly in the context of Burberry?  
Mr Mahony: Burberry is an example of a truly global company. We are very much headquartered and based in Britain, almost half the workforce is based in Britain, all the design and marketing is here and yet less than 10% of our sales are in Britain, so we are in effect the embodiment of globalisation in that globalisation has allowed us to sell our products worldwide. As I say, nearly 90% of our sales are
worldwide and that of course brings value back to this country, and that also has enabled us to invest in the business and increase our workforce in the UK and our workforce in the UK has increased by 500 people in the last three years, you could say as a result of globalisation.

Q252 Mr David Jones: Do you perceive globalisation to be a challenge or an opportunity or both?

Mr Mahony: It is both.

Q253 Mr David Jones: What particular challenges does it present for Burberry?

Mr Mahony: The challenge that you can see with globalisation is the need to respond to the international markets and make sure that as a business we are as efficient and effective as possible.

Q254 Mr David Jones: Your memorandum mentions that “a combination of relatively high standards of education and lower wage rate levels in central and Eastern Europe will pose a challenge to lower value manufacturing operations in Wales and the rest of the UK.” Could you expand upon that, please? I do not know whether you feel able to do that.

Mr Mahony: In the context of globalisation one has to look at where the workforce is most effective, and that is a combination of education skills and costs.

Q255 Mr David Jones: How do you identify those issues in the context of Wales? You are talking about higher standards of education and lower wage rates in Central and Eastern Europe; how would you compare those standards with those that you find in Wales and the rest of the UK?

Mr Mahony: I am not an expert on Wales and when we look at our supply chain, which is what this is about, we have to work out what is the most efficient source of supply given the fact, as we discussed earlier, to make sure that we have an efficient and effective supply chain.

Q256 Mr David Jones: I appreciate that but I was asking you about standards of education and wage rates. Are any of the witnesses able to comment on that?

Mr Peace: If I may, Mr Jones, comment on that for you; from a general retail experience point of view increasingly there is a demand globally for consumers to get the best deal by looking for products at the lowest possible price. What that has done in turn is to make it very attractive for many retailers—not just in Britain but in the United States and in other parts of Europe therefore—to source products in countries where the labour costs are lower than perhaps in their own country. As a result of that a lot of the products which might have been, in years gone by, manufactured locally in that particular country, are now imported. Therefore, the efficiency of their supply chains and sourcing and so on has become an integral part of the success of those businesses.

Q257 Chairman: Could I just intervene? You used the phrase “best deal”; does that actually include child labour?

Mr Peace: I used the term very carefully, Chairman, “best deal”, because again from my experience consumers do not always just go for the very cheapest. They take into account a number of factors and I am absolutely certain that consumers would want products which are produced in a very legitimate way. Retailers who have gone overseas in this country, to import products which are manufactured overseas, have put in place appropriate measures from the Government’s point of view to deal with corporate responsibility.

Q258 Chairman: Can you be certain that none of your garments worldwide are actually produced by child labour?

Mr Peace: We do everything that we reasonably can. Michael, do you want to just comment on the processes that we have in place?

Mr Mahony: We manufacture products all over the world and, as a company that is listed on the London Stock Exchange, we are concerned to ensure that we have appropriate standards of corporate social responsibility across everything that we do. Whenever we look for a new supplier we have both our own team and an external expert team that visit them, audit them against international standards, we have our own policy based on both international conventions and the ethical trading initiative and we make sure that the standards that our suppliers use are appropriate and are the standards that we expect in this country.

Q259 Mark Williams: Just returning to the particular point that Mr Jones raised with you on education, the quote that he read to you talks about high standards of education; what disparity are you drawing in terms of education and the skills base between Central and Eastern Europe and Wales in that statement?

Mr Peace: This is an issue which, if I can just divert away from Burberry for a moment, we have debated in other parts of Britain where I happen to be involved with the university. I think that the levels of education and the courses that are offered are very important and are relevant to the industries that we want to develop and invest in in the future. It is very important that the courses that our higher education and secondary education schools offer are joined up with what the business strategy in a particular region or in a particular part of Britain is attempting to do. One not connected to the other I do not think achieves the right level of success in terms of finding jobs.

Q260 Mark Williams: Therefore your assertion is that that is being addressed in Central and Eastern Europe but it is not in Wales and the UK?

Mr Peace: It is a fact that in Central and Eastern Europe, for example, there are plumbers and electricians who have been attracted to Britain because we have, as the British economy has grown so successfully in recent years, attracted those people
into this country because we have a shortage of those vocational skills, and it does come back to what are the overall prime objectives of any long term education programme.

Q261 Mr David Jones: Just to pursue that point, it is not just a question of education, it appears to me that the statement made in your memorandum indicates that you are able to find a more highly-skilled workforce who will work for lower rates of pay overseas, and from a commercial point of view presumably that makes good commercial sense.

Mr Peace: Certainly, Mr Jones, it is very important that the quality of the product is not less than the product manufactured in Britain. Stacey, you led our review of the sourcing and supply chain, perhaps you could add to that.

Ms Cartwright: In terms of looking at the particular supplier base that we have on polo shirts, for example, we talked earlier about the fact that Treorchy manufacture 25% of our polo shirt production globally; the other 75% is produced across the rest of Europe and Asia. Each of those suppliers is manufacturing polo shirts to a very different standard and specification, and one of the purposes of our review was to get a heightened and standardised level of specification for the product. It was not to take anything away from what was being done in Treorchy, it was simply that there were some existing specifications in there and we needed to elevate all of them to a higher level. The starting point in evaluating all of this was to say what was the base unit cost in each of those territories, and we found that we were actually manufacturing to a higher specification in other market places where we were able, because of the lower cost of production, to invest in certain finishing processes that we could not afford to do in Treorchy, and therefore part of this process was as much as anything else to get the right heightened level of quality for what was, yes, a reduced cost besides, so it was a two-fold approach here.

Q262 Mr David Jones: Were the skills of the workforce higher in those particular locations, the basic skills?

Ms Cartwright: The infrastructure was different in our other suppliers because they are bigger facilities that already have facilities such as on-site testing, garment washing facilities, garment dying, things that we did not have the capability or the scale to do in Treorchy that enabled the base cost of the product to be more affordable to start with, and it enabled us then as we looked to move the production to enhance the overall quality of the product, so things like using the finest pima cotton because you have got the yarn-buying leverage because you are dealing with a much bigger organisation, for example; finishing off the product with herring-bone tape on the shoulder seams—it may sound something small, but it is little things that add to the overall quality of the product in the same way as you are able to do the garment washing on site that reduces the shrinkage of the product at the end of the day. These are the things where we talked about reinvesting in the quality of the product; it was not so much the skills shortage for the workforce in Treorchy, it was the fact that the higher base cost of the product to start with meant that we could not afford to invest in those traditional finishing processes.

Q263 Mr David Jones: You indicate in your memo that you conducted a year-long review of your manufacturing operations. What trends did you identify during that review that you would attribute to the forces of globalisation?

Ms Cartwright: Again, going back to the comparison of where we already had differing supply chains in existence for very similar products heightened our awareness of the different cost and quality aspects within the chain, so that was one of the primary observations in the very early days, and remember the drive here to achieve standardisation, simplification within our supply chain, again driving out deficiencies by having fewer links within the supply chain, narrowing down, getting leverage in terms of the buying of the base raw materials and trims.

Q264 Mr Crabb: Given what you have just said about your review of the supply chain and manufacturing operations, you seem to be suggesting that you could get a better polo shirt from factories overseas than at Treorchy. Given that, could your review have come to any conclusion other than closure of the Treorchy factory?

Ms Cartwright: In terms of the manufacture of polo shirts it really was very evident that because of both the cost differential and the ability to then reinvest in the quality of the garment, moving the production and consolidating it within our existing sources of supply for the other 75% was the most commercially sensible thing to do. What we did also look at was what alternative products we could perhaps make at the Treorchy site, so we did look long and hard at, for example, an outerwear facility on the site. We talked earlier about the fact that we make our iconic trench coat in our two facilities in Yorkshire; we actually had one facility three years ago and we added to that when we acquired a factory that was due to close from another player, and we did that because we wanted to reinvest in UK manufacturing when it came to those iconic products, the trench coats. When we took over that factory had less than 100 employees and we had less than 400 employees in our Castleford location; the combination of those two today sees us with 600 employees so we have substantially enhanced that. We do see the facility now to enhance that even further. We have the ability to put more production lines down at both of those factories at Castleford and Rotherham, increasing the efficiencies of the site even further, again entirely consistent with what we have talked about in terms of consolidation, streamlining our supply chain, leveraging with fewer suppliers, and therefore the option of putting outerwear into Treorchy was completely against the grain of trying to consolidate and leverage, streamline, under the
one overhead. Although, again, we have run the numbers on that, it really became evident that that also was not commercially viable.

Q265 Mr Crabb: Would all your overseas plants for polo shirts take on equally the extra 25% now when Treorchy closes, or will it be switched to one location specifically?

Ms Cartwright: We will retain some flexibility within the supply chain because we are constantly looking at where are we going to get the best trade-off in terms of being able to continually enhance the quality and get it at the right price besides. Although at the moment we are consolidating into those existing sources of supply, you may expect us over the course of the next year or so to keep refining that. The differential in the unit cost between Treorchy and the other sources of supply was so great that that was the first stage; the second stage will just be working out where we get the best quality and efficiency trade-off within the existing sources.

Q266 Mr Crabb: What do you estimate to be the overall savings in production costs by moving from Treorchy to other sites?

Ms Cartwright: There are two elements to this. One is that there was a transfer price that was being paid internally by our merchandising division to acquire the product from Treorchy; that transfer price was not sufficient to cover the extra costs at the location and therefore in local terms we were still generating a manufacturing loss of £1.5 million. By then being able to source the polo shirts at a more affordable rate and add to the quality, there will be somewhere around £3 million worth of benefits on top.

Q267 Mr Crabb: Does the textile industry in Wales have any future at all?

Mr Peace: If you think of a textile industry that is producing a commodity product, not much of a future, frankly. If you can find a value add product, something which is specialist to the skills of the workforce or the plant and equipment that could be utilised in Wales then I think that would be possible. The other trend in recent years that is worth flagging here is that retailers increasingly instead of themselves being engaged in the manufacture have tended to buy from companies who themselves are the manufacturers; therefore they are basically saying we want a thousand of this product and the company that they are buying the product from in essence will be outsourcing the manufacture to them. That goes all the way from food, all the way through to clothing, luxury goods and so on. From Britain’s point of view, a good thing—just to tell you a bit more about the strategy that Stacey was alluding to—if you go back to the late 1990s what Burberry was doing was, in essence, licensing its brand so that in countries such as Spain, countries such as Singapore, Hong Kong, instead of owning its retail stores, instead of actually developing the brand itself it was licensing it. What we did strategically was to set about buying up all the licensees so that we could control the development of the brand and the manufacture within Burberry itself, and that has meant actually that more and more of the functions such as design, such as merchandising, such as production of some of the outerwear garments has actually come back to Britain. That is why I am so confident that the epicentre for Burberry will be Britain because that is fundamental to our strategic plan.

Q268 Nia Griffith: If we could turn now to the workforce and what Burberry is able to do for the Treorchy workforce, what suitable alternative forms of employment are there in the area and how is your outplacement service working so far?

Ms Cartwright: I will pick that up. At the time of the announcement of the proposal to close we had 309 employees who were affected; today we have 185 still on the payroll so a number of employees have already found alternative employment. Really since the turn of the year our focus has been on how we can now help all of those employees find new work. You may be aware we have actually extended the closure date of the factory through to the end of March; the specific purpose of that being that we could keep the employees on site and use this time to invite in as many organisations as possible on job fairs, organisations to come in and really talk to the employees all together, to train people on site or to have them at least come in and then we would provide a minibus to take them off to where we were training them offsite. That has resulted in us having 280 job opportunities now identified for the 185 employees who remain, there are a further 600 in the pipeline that we are aware of that come up in around April time—those are in supermarkets and call centres. The sorts of training that we are providing really is across every sector that we can possibly think of where there are opportunities, there will be growth opportunities for the employees, so we are providing basic training, we are providing essential skills, we are providing PC training, we are providing training in the construction industry—people are being taught basic tiling, plastering—we are providing training for the care industry, providing food hygiene courses, really across every single thing and a number of the employees have attended three or even four of the courses that we have provided to be able to get that breadth of possibilities for what they might choose to do next.

Q269 Nia Griffith: Do you have any idea whether the sorts of jobs people are taking are of a temporary nature or of a more permanent nature?

Ms Cartwright: We have a lot of employees, it is literally on a week by week basis now that we have a number of resignations and we are delighted where people have got permanent roles to move into, so we think it is working very successfully.

Q270 Chairman: You mentioned the retraining: what has been the company’s policy in Treorchy in terms of work-based training over the years. Has it taken a pride in that, has it accepted responsibility for providing training for its employees?
Ms Cartwright: In terms of, again, on the ground, people have had extensive training in terms of the actual roles that they have been appointed into. It is a very different turn of events now where clearly our primary objective is to get as many employees as possible into new work, and this will be in new sectors. It is not a case of there being a lot of manufacturing jobs for them to move into, we have to re-skill them into much broader areas, as we said, construction, care, those sorts of sectors.

Q271 Albert Owen: If I could return to corporate social responsibility, you stated today and in your memorandum that you do not employ persons under the age of 16. Are you absolutely certain that your offshore or third party suppliers adhere to the same policy?

Mr Mahony: On this, as I mentioned earlier, we have our own team plus we engage with third party expert auditors who review our supply chain worldwide, and I do not just mean in Asia I mean in Europe as well, to make sure that the appropriate standards are in place. Burberry has its own employees, but we are talking about our suppliers’ employees; our suppliers are not to employ people who are under the age of 16 and we monitor that and police that through regular audits where we use both our own team and expert third party auditors.

Q272 Albert Owen: You would go to the actual factories?

Mr Mahony: Very much so, yes.

Q273 Albert Owen: You can guarantee, therefore, that your products in shops in Britain are not done by any child labour.

Mr Mahony: As I say, we have our third party expert audit team and they visit regularly, they look at the records and they report back to us.

Mr Peace: There is a problem, Mr Owen, which I would draw to your attention that does concern us here and that is the issue of counterfeit. Counterfeit is not just some casual manufacture of a few scarves in a factory, very often it is organised crime and we have been concerned in recent years about the levels of that, and not just here in this country. Very often we find that it is actually counterfeit products that can cause most concern because of course the quality, the sourcing of the materials and all the things that you quite rightly flag are not guaranteed at all.

Q274 Albert Owen: We understand that and we are all concerned about counterfeit, but we can only deal with your product here today and you can only answer on that behalf. You say that you had concerns as well about the minimum wage in various countries, and indeed pulled out of production in Bangladesh and the Philippines. What is the minimum wage in, say, Singapore in comparison to Britain and are you sure that your suppliers are adhering to those minimum standards?

Ms Cartwright: In countries where there is no statutory minimum wage what would you say to be a decent threshold level, how would you negotiate that with your third parties?

Mr Mahony: Most countries that we operate in do have a minimum wage but the overall standard—

Q275 Albert Owen: In countries where there is no minimum wage what would you say to be a decent threshold level, how would you negotiate that with your third parties?

Ms Cartwright: There are two things here. In terms of the up-skilling of the workers, that is entirely what we are trying to do during this period now before the factory closes.

Q277 Albert Owen: I am not sure that every country that you operate in does have a statutory minimum wage; what I am saying is you take that into the equation, is that something that you would look for when you are looking to set up with a third party supplier, that that social responsibility would include paying a decent living wage?

Mr Mahony: Yes, it does. As I say, our overall policy is that there must be a living wage paid, but we look at both our own policy plus local legal requirements and make sure both are met.

Q278 Albert Owen: You monitor that on a regular basis?

Mr Mahony: We do, yes.

Q279 Mr David Jones: Ms Cartwright, could I revert to a question that the Chairman asked you a few moments ago about skills. Here in Treorchy you had a workforce that was dedicated to the company, that is naturally devastated at what has happened and stand to lose their jobs; it is as plain as that. Was there no way that Burberry as a responsible employer could have actually up-skilled the workforce in Treorchy and put extra investment into the Treorchy plant to ensure that those workers did not lose their jobs?

Ms Cartwright: There are two things here. In terms of the up-skilling of the workers, that is entirely what we are trying to do during this period now before the factory closes.

Q280 Mr David Jones: Forgive my interrupting you; I understand that but what I was talking about was up-skilling that workforce to enable them to manufacture garments to the level of quality demanded by Burberry.

Ms Cartwright: Two things here in terms of the quality of the garments. Where we talk about the polo shirts, the quality level that we are able to raise in our other sources of supply is down to the fact that the unit cost of production is already at a much more affordable level, so you can afford to invest in the quality of that product. In terms of alternative
products such as the iconic outerwear, yes, we could have invested in the local workforce, we could have invested in local machinery, the issue is around the existing capacity that we have for that product within our existing locations in Yorkshire.

Q281 Mr David Jones: You mean in physical size terms?

Ms Cartwright: Both in physical size terms and the fact that the two units can operate as effectively one satellite using one overhead. The physical location of the Treorchy factory and the additional logistical costs, when it comes to production planning it is much more efficient to be able to do that across the sites in Castleford and Rotherham where we have sufficient capacity than to have that spread out over a third location. I mentioned earlier that one of the purposes through our review of the supply chain has been to consolidate, streamline and simplify the supply chain, and the focus on our existing plants in Yorkshire and gearing those up, putting more production capacity through those—which is what we continue to do—we do envisage that in those locations we will actually be adding another 100 jobs over the next three years. That is where the investment is going because it is most commercially viable to do that for Burberry.

Q282 Mr David Jones: It would not have been commercially sensible, therefore, for you to invest in up-skilling the workforce in Treorchy or putting more capital investment into that plant, is that correct?

Ms Cartwright: That is correct, on the basis that we have existing facilities that can meet our capacity needs going forward with the additional recruitment of more resource over the course of the next three years.

Q283 Albert Owen: Just on that point, education and skills were not an issue for your decision, that is clear.

Ms Cartwright: No.

Q284 Albert Owen: Did you, as part of your review, approach the local authority or the Welsh Assembly Government to ask for some assistance with, perhaps, expanding the production there to get the high quality product made in the region?

Ms Cartwright: If you look at the size of the facility in Treorchy it would be difficult to envisage how you would be able to gear that up on a scale that would be commensurate with the facilities that we are using across Europe and Asia.

Q285 Albert Owen: You did not look at it.

Ms Cartwright: During the period of consultation we have had active conversations with every interested party who could possibly think of alternatives for us, but no viable alternatives have been put forward.

Q286 Albert Owen: So you did approach the Welsh Assembly Government to look at the possibility?

Ms Cartwright: We have had conversations with Welsh Assembly members, we have had conversations with the Welsh Textile and Clothing Association, whom we are working closely with as we speak to see if there is anything that can come out of that.

Q287 Albert Owen: Sorry, I want to be clear on this. During the review period did you approach the Welsh Assembly Government to ask for assistance for the production of polo shirts to remain in Wales?

Ms Cartwright: We commenced the discussions with all interested parties after we announced the proposal for the closure back in September.

Q288 Albert Owen: But not during the review period.

Ms Cartwright: Not during the review. The review consisted of internally reviewing this, with the assistance of the local management on the ground in Treorchy, so the local production director and the local finance director there were involved in the review with us.

Q289 Albert Owen: But not external bodies.

Ms Cartwright: No.

Q290 Chairman: Ms Ahrendts, could I ask you a question as the chief executive: how important are your royal warrants?

Ms Ahrendts: They are very important to the company. We have had them for a number of years and currently have them today. For all of the reasons that Michael and John have talked about, the headquarters here and the design teams, everything that we do is really centred here and they remain important as well.

Q291 Chairman: What do you have to do in order to acquire the royal warrants?

Mr Mahony: I am conscious that there has been discussion of the royal warrants in connection with the Treorchy factory. Generally, we are very proud to hold the royal warrants and we remain proud to hold them, but I hope for reasons that the Committee would understand it is not our practice to comment in detail upon them. I hope the Committee will understand that.

Q292 Chairman: Is that in the context of corporate social responsibility, are you nervous about answering questions like this?

Mr Peace: Perhaps I could answer you, Chairman. My colleagues are trying to say to you that the royal warrants are important to Burberry; there is no condition that products sold by Burberry are manufactured in Britain but, clearly, Burberry still manufactures products in Britain. Not all of its products are manufactured in Britain, but from the point of view as a retailer, as a wholesaler, as a distributor of first class fashionable luxury products, then an endorsement via the royal warrants is very important to the company.
Q293 Chairman: I can see that you are anxious not to answer all the questions as completely, and I respect that. Could you answer this one final question then: when are they due to expire?

Mr Mahony: Again, what I would say is that we are when are they due to expire? Could you answer this one final question then: answer all the questions as completely, and I respect that, will that be shown on the record. Mrs Siân James.

Q294 Mrs James: We have heard a great deal of evidence from you today on the reasons why you have decided to pull out of Treorchy. I would like to turn now to encouraging businesses to locate in Wales; in your experience what are the advantages of operating in Wales? Have there been any disadvantages and how do you think they could be overcome?

Mr Peace: Wales has been used by Burberry since 1988 for the manufacture of product and as has been identified already by this Committee manufacture of commodity products in Wales becomes very difficult. If the Committee took the view that retaining manufacturing in some form in Wales was important to the economy, to the people, then selecting very carefully what type of manufacturing to encourage would be very important. Given that you cannot escape the fact that wage levels in other countries and emerging markets are lower, you have to find some form of value added.

Q295 Mrs James: Have you any idea what value added would be, maybe not in your industry but other industries? We have a very flexible workforce; what do you think about value added?

Mr Peace: For example, if you look at fabric development, looking at the fabrics that are chosen for garments in the future, perhaps linking some research project with one of the universities might be something which encourages a start-up business to actually focus on that type of manufacture and that particular product. Indeed, the iconic trench originally became very attractive and very sought-after because of its waterproof qualities; I suppose if I could tell you a good idea I would probably go and patent it, but I cannot. That is manufacturing. If you step outside of the manufacturing arena the Committee has to determine what sectors it thinks are appropriate, but again I would encourage you to look at the education, the higher education and secondary education structures that are in place because, ultimately, it is going to be important to have the right skills within the workforce and also to encourage capital investment in businesses in that particular region.

Q296 Mark Williams: On that basis what more could the Assembly Government specifically and the UK Government do to encourage the manufacturing sector? You have talked generally about education and you made that point earlier on, but what else would you be looking for from those bodies?

Mr Peace: Britain in the last 10 years has been very successful at attracting new businesses to this country. If I take financial services, which is a sector I know quite well, if you look at the City of London it is probably now the global financial capital of the world, and it has achieved that over a ten-year period because of a combination of different factors, a very important part of which of course is the quality of the people that are employed here and indeed attracting people who are not British into this country, but with the right skills. It is a question of having a strategic plan, being very clear what jobs you feel could be attracted into Wales. I am very mindful of what Ireland did over the last 10 years or so with the technology companies and attracting some of the high tech companies into Ireland, and that came largely as a result of the higher education system in Ireland putting a lot of investment into technology type of skills.

Q297 Mark Williams: You have focused particularly on up-skilling there but what other incentives do you think would be most effective in attracting companies like that to Wales?

Mr Peace: The overall financial environment, the tax structures that are in place, the encouragement for inward and outward investment; all of those factors you need to take into account when drawing up your strategic plan.

Q298 Mr David Jones: Mr Peace, you have mentioned Ireland and you have mentioned tax structures; Ireland of course has a significantly more beneficial corporation tax regime than the UK. Could you comment on that; to what extent do you find the tax structures in the UK to be a barrier to new investment in industry?

Mr Peace: First of all I do not think it has been a barrier because that is why London has become such a success story in recent years.

Q299 Mr David Jones: Forgive me, I understand that, but when we are talking about the City of London we are talking about a totally different type of enterprise from manufacturing in Treorchy.

Mr Peace: What I was suggesting you was that in your strategic plan what you have to determine is in what sectors you feel you wish to encourage new businesses and established businesses, to perhaps locate or relocate to Wales. It was in that context that I was referring there to manufacturing. In terms of Ireland, certainly Ireland has got an attractive tax structure, but so have other countries in the world and you cannot look at taxation in isolation from all these other factors. It is the overall combination of people, economic taxation, all of those factors together that will determine the success of the economy.

Q300 Mr David Jones: And regulation?

Mr Peace: Clearly, businesses would like to think that regulation is at a sensible level, so of course that is a factor you need to take into account.
Q301 Mr David Jones: How do you perceive the level of regulation in the UK to be?
Mr Peace: I do not think I am here today to make a comment about a generalism in the UK.

Q302 Mr David Jones: Forgive me, but I think you are because you are a global company; you are relocating a manufacturing industry from the South Wales Valleys overseas. Clearly, you must have a view about regulation in the UK and you can assist the Committee to that extent.
Mr Peace: Let me answer you this way, Mr Jones, because what I have done in recent years is, for example, in 2002 taken Burberry public. I chose the London stock exchange to list Burberry. Last year I demerged a very large corporation called Dewhursts and I listed both the businesses and the Retail Group, which is one of the largest general merchandise retailers in the UK, and a technology business called Experian—both of those were listed in London as well, so rather than give you an opinion, perhaps actions speak louder than words.

Q303 Mr David Jones: What are we to glean from that?
Mr Peace: One gleans that I have a great deal of confidence in Britain and in London as a financial centre.

Q304 Mr David Jones: But not as a manufacturing centre?
Mr Peace: Clearly I have a great deal of confidence in Castleford and in Rotherham continuing to be a very successful manufacturing centre for our Burberry trench coats, and I am sure there are other examples in parts of Britain where there will be opportunities to grow the manufacturing base. My point to you is that given the competitive pressures globally now, it is very difficult to have a sustainable business if it does not have any sort of value added associated with it.

Q305 Albert Owen: You mentioned, Mr Peace, the up-skilling, you mentioned links with universities which are all very important for that value added to the product, but how important is grant aid to a company like yours? You mentioned Ireland and I know there are many factors that have attracted industry to that area, but grant aid was certainly very important. Did you receive grant aid in 1988 that helped you to locate in Treorchy in the first place?
Mr Peace: I cannot tell you about 1988, that pre-dates even me, but what I can tell you is that occasionally grant aid can be a factor, there is no question about that. Where aid can be more relevant is in start-up ventures, innovation, and it is very important that we emulate some of the wonderful things that exist on the campuses of US universities where you have the private investment companies, the banks and so on, looking for new ideas. I would encourage you to do that as a way of bringing jobs to Wales.

Q306 Albert Owen: I am sure we will, but did you look at that when you did the review and before you took the decision? Again, you know, you say you did not approach the Welsh Assembly Government, perhaps they could have assisted you in helping you with grant aid and the start-up that you are talking about.
Mr Peace: What Stacey explained is that clearly we undertook a review, not just of Treorchy but of our entire supply chain. What that showed was that the cost of polo shirt manufacture was twice as much in Treorchy as it was in the other places that we were manufacturing polo shirts. If we were to invest as a company significantly more capital into re-equipping the plant, into expanding and retraining, there has to be a return on that capital and that would increase the costs still further, so the economics—this is what Stacey was trying to get at—the viability of keeping the plant—

Q307 Albert Owen: I fully understand that, but you did not explore the grant aid avenue, did you?
Ms Cartwright: The scale of the numbers that we were talking about really spoke for themselves in the early days. When we announced the proposal to close we were inviting at that point any other ideas and thoughts and offers of grant aid, but remember the scale of the numbers that we talked about earlier; the local loss of £1.5 million, the sourcing gains to be made by taking offshore of a further £3 million per annum—you are really talking about a sizeable differential there and our perception was that for that degree of shortfall to be made up through grant aid would be unrealistic, particularly if it was expected to continue for a number of years.
Chairman: Mr Stephen Crabb wishes to make a brief intervention.

Q308 Mr Crabb: Were you taken by surprised by the extent of the campaign against the proposed closure of the Treorchy site? Did you anticipate the level of concern expressed?
Mr Peace: I was not surprised or disappointed at a campaign against the closure of the factory.

Q309 Albert Owen: Embarrassed?
Mr Peace: Forgive me, sir. I was bitterly disappointed at the campaign aimed at damaging the Burberry brand, I thought that was most inappropriate. I was not embarrassed. I was very sad about the fact that 300 people were losing their livelihoods. I come from a mining community so I can feel for those people and if I could have found a way of saving those jobs in a sustainable way I would have been much happier than people losing their livelihoods.

Q310 Albert Owen: I do not personalise this, I did not say you were embarrassed, was the company embarrassed by going round the world saying it is British and yet sack British workers?
Mr Peace: That was why I was trying to draw a distinction for you because Burberry clearly is not pulling out of Britain, Burberry is not trying to in any way change its heritage. Indeed, Burberry is one...
of the few remaining British retailers and manufacturers that still manufacture in Britain, and it is a huge success story for this country. It is very sad indeed that we just could not make the factory in Treorchy viable.

Q311 Chairman: We are coming to the end of this evidence session and I want to ask two short questions. This inquiry is learning about the impact of globalisation on Wales, and that is why we have invited you to give evidence, that is why we have invited Corus to give evidence next month and Alcoa. All three companies, in a way, are going through a process of major restructuring and we want to learn from that as a select committee. What have you learned in the light of the last six months as a company?

Mr Peace: I certainly take on board the questions, particularly from Mr Owen. I think consultation with you, with the Welsh Assembly, looking back in hindsight perhaps we should have engaged more with you. I think that is a lesson that we would take out of this.

Q312 Chairman: And the employees?

Mr Peace: With the employees clearly to some extent we are bound by employment legislation as to what we can or cannot do. I am delighted that we did what we did in the retraining programme and if there are any lessons we can learn from this, and we are not through it yet, in terms of how we can retrain and re-skill our workforces moving forward, that is something we will be taking on board as a company.

Q313 Chairman: One final question. I noticed in your memorandum but also in answer to one question that you referred to the possibility of a starter business. If one did succeed and it decided to name itself “Polikoff’s” or “Burberry Rhondda” or “New Burberry Rhondda”, what would your views be on that as a gesture of goodwill?

Mr Peace: Clearly we would reserve the right to answer that when we know what the venture is because protecting the Burberry brand, that is arguably one of our most important assets. My answer to you is it depends.

Q314 Chairman: In the light of your observations and answers just a moment earlier when you were saying you wanted to learn from the experience then clearly you might want to reflect on that. Thank you very much for your evidence today and for your memorandum. If you feel there is some area in the light of the questions today that you want to supplement with a further memorandum we would be very pleased to receive it. Thank you.

Mr Peace: Thank you, Chairman. Thank you, Members of the Committee.

Witnesses: Mr Allan Garley, Regional Officer, South Western Region, and Mr Mervyn Burnett, GMB Senior Officer, gave evidence.

Q315 Chairman: Good morning. Could I ask you to introduce yourselves for the record, please.

Mr Garley: Allan Garley, Regional Officer, South Western Region of the GMB.

Mr Burnett: Good morning, Chairman, colleagues. I am Mervyn Burnett, Senior Officer with the GMB.

Q316 Chairman: Thank you very much. Thank you for your memorandum, it was very helpful to us. Mr Burnett, could I begin with you. In your memorandum you say: “it became very evident to the GMB in the early days that there was no intention from the company’s point of view to seriously consider any alternative to the closure plans”. When, and on what basis, did you decide that this was actually Burberry’s intention?

Mr Burnett: From the very start when they announced the closure plans. There was no notification to the GMB or any other board prior to 6-9-06 when they made the announcement on a visit to the factory. I think from some of the evidence it is quite clear that Burberry is a retail company and it is the GMB’s view that Burberry do not want to be involved directly with manufacturing. The basis of that is a number of products have moved offshore, not just the polo shirts, on which the company announced the proposal to close the Treorchy site, but the duffel coat manufacturing has moved to Eastern Europe and the quilted jacket manufacturing moved to Eastern Europe. That basically leaves the iconic rainwear left that Burberry manufactures within the UK at its Castleford and Rotherham sites. Recruitment was still ongoing in the Castleford site from the day they made the announcement and if there was any intention by Burberry to relocate some of the workers that was undermined and the recruitment in Castleford continued right throughout the consultation process. Requests for information regarding the year-long review were made by myself on several occasions and it was the delay in getting the information from the company that hampered the consultation process. In most cases the information was either provided the day before we were due to meet or actually on the day of the meeting. It became clear that this was making it extremely difficult from the trade union’s point of view to consult in a meaningful manner and complaints were made via the minutes of those consultation meetings on every occasion about the delaying tactics. This happened from the very start. It became quite evident in the early stages of the consultation that the company were not seriously looking at meaningful consultations and the options that were available to keep the factory going.

Q317 Albert Owen: Good morning. You tell us that Burberry: “could increase its profits by 2% or £4 million a year by closing the site at Treorchy and transferring the work to Asia”, so do you accept that this was purely a commercial decision by them?
Mr Burnett: Yes. As far as we are concerned it was pure corporate greed to increase the profitability of a company that made £165 million last year and their sales were up by 25%. There has been no investment in the Treorchy site for a number of years either in terms of the factory itself or in terms of training in relation to the workers.

Q318 Albert Owen: When you say that there has been no investment, the decision was taken, they say, to improve the quality. Are you suggesting that although the brand was changing there was no investment in improving the quality of the product at Treorchy?
Mr Burnett: To my knowledge there was no investment in new technology in the factory. I just want to make a point on the upgrading of skills with the workforce. This workforce has produced every product that Burberry produces: quilted jackets, duffel coats, and they were actually producing the iconic rainwear a number of years ago. In 2004 there was a move to concentrate on just one particular product, ie the polo shirt, to allow the factory to become more efficient and we were instrumental in part of those discussions with the company to increase productivity there, which did increase by about 25%.

Q319 Albert Owen: I have heard what you said in answer to the Chairman’s questions but what input did the GMB have in the year-long review?
Mr Burnett: Absolutely nothing whatsoever. Neither the GMB nor any other body, as far as we are aware of, knew that there was an internal review. You were not even involved in it you do not know whether the management was approached by the Welsh Assembly Government?
Mr Burnett: It has never been mentioned throughout the consultation process that any other body was involved in the review, including the Welsh Assembly or the local authority or anyone else.

Q320 Albert Owen: You may have heard the evidence of the previous session when the management were in front of us and they said that there was an internal review. You were not even aware of that?
Mr Burnett: No, not until the announcement was made on 6-9-06.

Q321 Albert Owen: Were senior managers part of that review?
Mr Burnett: Not to my knowledge. Certainly not at the local level.

Q322 Albert Owen: You described in your memorandum that there were two other options to the closure of Treorchy which were considered by the review. What was the GMB’s preferred solution?
Mr Burnett: I think the GMB’s preferred solution was that the company withdraw the proposals completely and enter into full discussions with the GMB on how we can maintain production at the Treorchy site. One of the options did involve introducing iconic rainwear into the Treorchy site and we believe that the workforce possesses the necessary skills to do that. As I said, three or four years prior to that they were already producing the iconic rainwear. That would have retained something in the region of 220 jobs. That was undermined by the fact that the company were already recruiting skilled machinists in the Castleford site to increase that productivity.

Q323 Albert Owen: Do you accept that there would have been a high level of investment needed to produce the rainwear?
Mr Burnett: Not necessarily a high level. The equipment is there. There probably would have been some investment, which we would accept, but in terms of upskilling I think it would have been minimal.

Q324 Albert Owen: Minimal upskilling but some investment?
Mr Burnett: Yes.

Q325 Albert Owen: You do not think that was explored at all. I asked the question about external bodies like the WDA, as it was, or the Assembly Government. They said they asked during the review period for external bodies and that was not forthcoming, so although you, as a trade union, were not involved in it you do not know whether the management was approached by the Welsh Assembly Government?
Mr Burnett: They have a duty on that but they also have a duty to their employees and a social responsibility to their employees. I believe workers expect to have a certain level of job security with a company that is producing such record profits and whose sales are increasing. They produce a quality product and are able to produce other products if Burberry so wish, and I think its responsibility to its employees should come first.

Q326 Mr Crabb: Mr Burnett, you referred to the current profitability of the company. Do you accept that it is one of the primary duties of the management of any company not just to make decisions for the present, for the next 12 months but for the next three or five years ahead and recent British corporate history is littered with examples of companies whose management have been complacent, have sat back on their laurels, enjoyed the profits of today and then not existed in years to come and Burberry management have a duty to safeguard the future of their company which includes keeping jobs in the UK as a result?
Mr Burnett: They have a duty on that but they also have a duty to their employees and a social responsibility to their employees. I believe workers expect to have a certain level of job security with a company that is producing such record profits and whose sales are increasing. They produce a quality product and are able to produce other products if Burberry so wish, and I think its responsibility to its employees should come first.

Q327 Mr Crabb: In one of your previous answers you used the phrase “corporate greed”. We have just sat through a session with the management of Burberry and they outlined to us what many people would regard as quite a rational, sensible strategy for safeguarding the future of the company. Which element of that strategy do you regard as displaying corporate greed exactly?
Mr Burnett: I think Mr Peace mentioned that it is not about price but I think this is all about price, it is all about reducing the manufacturing costs of
outside the Valley and, therefore, commute down to Rhondda Valley. They are going to have to travel. Sadly, those are few and far between within the employment opportunities within South Wales. They are going to have to acquire new skills in order to find viable employment within the Rhondda Valley. People like to work within the community. It cuts commuting terms it means you have to come all the way to work in the morning makes it more viable for them to stay in the community, work in the community and spend their hard-earned money in the community and the community benefits from that.

Q328 Mrs James: I would like to turn to the effects of the planned closure of Treorchy. You describe the impact of the closure as “devastating” for the local community. What is being done to mitigate the effect of this?

Mr Burnett: It has been extremely difficult. Burberry has been the largest employer in the Rhondda Valley for many, many years. Even when it was Polikoffs and Burberry took it over in 1987 there were over 309 people employed there. The community relies upon Burberry to provide stabilisation, if you like, within the community. There are families who have worked there, not just the mother and father but sometimes the son or daughter work there as well. People like to work within the community. It cuts down on the commuting and even though many of these people are only on the minimum wage being able to walk to work in the morning makes it more viable for them to stay in the community, work in the community and spend their hard-earned money in the community and the community benefits from that.

Q329 Mrs James: How effective is the outplacement facility which has been established? We have heard a little bit about it but can you tell us more about it. What role will the GMB play in helping the workers at Treorchy re-skill and find new employment?

Mr Burnett: The problem of re-skilling is very difficult. All of these people have worked purely and solely in the clothing and textile industry and are going to have to acquire new skills in order to find employment opportunities within South Wales. Sadly, those are few and far between within the Rhondda Valley. They are going to have to travel outside the Valley and, therefore, commute down to Cardiff and out to various parts. It is a difficult subject. There are jobs available but the last time I was in the factory, which was yesterday morning in fact, looking at the adverts for jobs, they do not tell you what pay is being paid, they do not tell you what hours are being paid for, so they are virtually walking into a situation where they do not know what the situation is. It has been extremely difficult for them. We have worked with the Welsh Assembly, with Careers Wales and React Wales to find job opportunities and we do have contacts with other employers in South Wales and any vacancies they become aware of are passed on to the Burberry factory in the hope these employers will take some of these people on. It is highly unlikely that 309 people will find employment within the Rhondda Valley.

Q330 Mrs James: In the evidence we heard a little earlier, I cannot remember the figure exactly but it was 309 people originally.

Mr Burnett: Yes.

Q331 Mrs James: It is down to?

Mr Burnett: 185.

Q332 Mrs James: Thank you. What sort of jobs do these other people have to seek or move on to?

Mr Burnett: They have gone into a number of various areas. Most of them are in the care sector. There is a new hospital being built down in Llwynypia which will be up and running although it will be some time yet, but most of the jobs are within the care sector or the retail sector, not in manufacturing.

Q333 Mrs James: Again, the manufacturing base within the Rhondda is being eroded.

Mr Burnett: Yes.

Q334 Nia Griffith: I want to talk about the types of jobs and the disparity there seems to be between the company saying there were a lot of jobs being advertised but the numbers being taken up were much smaller. You have already touched on some of the issues but do you see the terms and conditions, the pension prospects, the stability of the types of jobs that people can find being very different from a stable job in a manufacturing company?

Mr Burnett: Yes, I think that is correct. Some of the jobs may only be part-time working and temporary positions, but bear in mind they have to go through the whole process of providing protection under the employment law for two years, or at least a year. It is a very difficult situation for the people there. Most of those people have worked with Burberry from the ages of 15 or 16 and have been there for the last 20 or 30 years and do not know any other trade. Bear in mind the majority of the workforce is female and that in itself may cause problems when they try to find employment suitable to their needs so it does not interfere with their working life and their family plans and social responsibilities.

Q335 Nia Griffith: Would you say transport is also a problem in the sense that probably most of them do not have cars and presumably do not necessarily have the right bus services or whatever at the right times?

Mr Burnett: Yes, that is right. Some of the training programmes that people have managed to fall into are either in Caerphilly or in Llanelli. As the crow flies you might think that is not too far away but in commuting terms it means you have to come all the way down the Rhondda Valley into Cardiff and commute out. That will add another hour and a half or two hours maybe on each working day. With all the training that is available it does not guarantee anyone a job at the end of the day.

Q336 Mr David Jones: On 26 January Burberry announced that it was donating its factory to the local community and it announced that it had agreed...
that it could either be sold or could continue to operate and underwrote the value of the factory to the extent of £1 million. Are you aware of what plans are emerging to use the factory for some other purpose or to sell it?

**Mr Burnett:** No. We have never had a consultation with the company in relation to the sale of the factory. The first we became aware of that was during a press release made by Burberry.

**Q337 Mr David Jones:** So you have never talked to Burberry about these proposals?

**Mr Burnett:** No.

**Q338 Mr David Jones:** Are you going to?

**Mr Burnett:** The intention is that the consultation will continue until the final day if the factory does close and we will continue throughout those discussions with Burberry.

**Q339 Mr David Jones:** So you will discuss the proposals for the donation of the factory?

**Mr Burnett:** If Burberry wish to agenda it we will discuss it with them.

**Q340 Mr David Jones:** You mentioned corporate greed earlier on. Burberry did not actually have to donate the factory to the community, did it?

**Mr Burnett:** No, they did not.

**Q341 Mr David Jones:** It is not a statutory requirement in any sense?

**Mr Burnett:** No, it is not.

**Q342 Mr David Jones:** This will be above and beyond any redundancy obligations that it will have. Do you think in fairness to Burberry, therefore, you might want to reconsider the expression “corporate greed” because clearly it has gone beyond what it needed to do in terms of its obligations to the workforce?

**Mr Burnett:** In the terms of the factory being left to the community, if I can just bring to the Committee’s attention it does need £250,000 spent on the electrical system just to bring it up to the required regulations. The building itself is built around the old factory and it has severe problems with that, hence my comment earlier that there has been little investment in the maintenance of that factory. We are concerned that rather than become an asset to the community it will become a liability.

**Q343 Mr David Jones:** That cannot possibly be the case if Burberry have underwritten its value to the extent of £1 million. Whichever way you look at it, it is a £1 million asset to the community, is it not?

**Mr Burnett:** There is a question mark over whether it is worth £1 million or not.

**Q344 Mr David Jones:** No, forgive me. Burberry have said that they will underwrite its value to the tune of £1 million.

**Mr Burnett:** As I say, we need to have discussions with the company because up until today we have not had any consultation with the company on this matter.

**Q345 Mrs James:** I would just like to ask a follow-up to that. Do you believe that Burberry would have made this offer if it had not been for the high profile campaign that you and the community have fought? It seems to me that this is a generous gift but it only comes after a great deal of publicity, the sort of publicity that they do not want to attract.

**Mr Burnett:** Yes, in my view it was a gesture.

**Q346 Mrs James:** A gesture.

**Mr Burnett:** The object of the gesture was to divert attention away from the campaign.

**Q347 Mr Crabb:** You seem to be suggesting that there has almost been a policy of neglect by the management towards the Treorchy site. Can you clarify that?

**Mr Burnett:** I think there has been a certain amount of neglect in terms of the workforce itself and in terms of the maintenance of the factory.

**Q348 Mr Crabb:** They have allowed the site to run down?

**Mr Burnett:** Yes.

**Q349 Mr Crabb:** You feel the management have been negligent therefore?

**Mr Burnett:** Yes, I think they have.

**Q350 Nia Griffith:** Could I just ask about the value of the site. Do you think they would have been able to sell it for anything at all?

**Mr Burnett:** To my knowledge the factory is built on industrial land and it would have to remain industrial land. It is highly unlikely that a factory of that size, unless we can find someone who is prepared to come in and set up a new company, could be sold, but the problem is the amount of money that needs to be invested in the site.

**Mr Garley:** I do not know whether it is in order for me to make a comment in relation to the question.

**Q351 Chairman:** Please do.

**Mr Garley:** I think the last two or three questions are quite important. The announcement with regard to the factory was announced via the press so it is important to make clear, as Mervyn has said, no-one was aware of any discussion on the potential donation of the factory to the community, it was announced via a press statement which the GMB believe was nothing more than a publicity stunt. In terms of the factory being run down, for over a year now the Welsh Assembly Government has been attempting to pay the company over £100,000 that it is entitled to in grant aid and the company has refused to accept that payment. That goes back to the year before last. That is an indication as to why the GMB believes that the company some considerable time ago made the decision to move out of manufacturing in Wales.
Q352 Mr David Jones: Mr Garley, I find it very surprising that you use the expression “publicity stunt”. It is clearly the case that the company has promised to donate the factory and to underwrite its value to the extent of £1 million. It did not need to do that, did it?

Mr Garley: I do not have anything to say other than what I have just said. This was nothing more than a publicity stunt in the view of the GMB.

Q353 Mr David Jones: A publicity stunt costing £1 million to the company?

Mr Garley: In terms of the value of the factory, of course, since 6 September the company have sought to advise us that the factory is worthless, that the factory needs over a quarter of a million pounds spent on it to make it in any way, shape or form viable to operate from. I repeat, Mr Jones, that in the view of the GMB the offer of the factory, via the newspapers, was a publicity stunt. I just make the point that there is such a thing as employment legislation which compels the company to comply with consultation and during this period of consultation they have not discussed the issue of the £1 million or the factory with the GMB at any time.

Q354 Mr David Jones: But you have not approached them, have you, Mr Garley, to discuss that? That was what I understood from your colleague.

Mr Garley: I am sorry?

Q355 Mr David Jones: You have not approached them to discuss that offer, that was what I understood from Mr Burnett.

Mr Garley: The company have not been willing to discuss anything with the GMB.

Q356 Mr David Jones: You have not discussed the £1 million offer?

Mr Garley: We have not discussed anything with the company for some considerable time.

Q357 Mr David Jones: When are you going to do so?

Mr Garley: We have plans to discuss a number of issues with the company very shortly.

Q358 Mark Williams: I want to talk more generally on the challenges of globalisation. I was interested to hear what you said about the National Assembly and grant aid. What action more generally would you look to the UK and Welsh Assembly Governments for to deal with some of the challenges faced by globalisation? In your memorandum you talked about the transfer of intellectual property, production numbers and jobs. What action do you look for from the Government to reduce some of the effects?

Mr Garley: Can I just ask is that the Government and the Welsh Assembly?

Mr Garley: I think a prerequisite to that is for the Government, business and trade unions to understand what drives globalisation and to work together to encourage business to remain in Wales and the UK, that has to be the first priority. The Welsh Assembly Government, for example, is putting into place building blocks which the trade unions hope will deliver a manufacturing strategy in conjunction with the Wales Business Procurement Taskforce which has the declared objective of increasing the percentage of Welsh spend in manufacturing and the service sector. We take the view that markets can be influenced and created from government and government agencies but, of course, it requires joined-up thinking from across the sectors. One example is the Office of Government Commerce guidance in relation to reserve contracts. This is in specific regard to the new procurement regulations which provide for contracting authorities to reserve at least one contract for supported employment workplaces. The same guidelines talk about the need to ensure that social, employment and environmental considerations are taken into account in managing the contracts. For Wales, which has a very large number of supported employment workplaces, that is an extremely good opportunity to increase the number of people with disabilities working in supported factories and, in fact, to increase the number of supported workplaces in Wales. That is an excellent opportunity. Another example is Wales could and should be able to promote itself as a world leader, for example in new and renewable technologies. The investment by the Japanese company, Sharp, in a solar module manufacturing plant in Wrexham is a good example where inward investment is based on the Government’s renewable energy and microgeneration target in conjunction with assistance from the Welsh Assembly Government. They are just two examples, Mr Williams, and that is the way forward.

Q360 Mark Williams: You have anticipated my next question which was the examples, so thank you for that. More broadly, what do you perceive as the comparative advantages for Wales in attracting jobs? Are there other things that you can highlight?

Mr Garley: I think the obvious, or perhaps not so obvious from what we have just heard, is the fact that we have a large and diverse workforce with many skills and talents. The Welsh workforce is renowned throughout the world as having a work ethic and it is used to an industrial and manufacturing and service environment. It has to be said that the Welsh Assembly Government is very supportive of inward investment. I think loyalty is perhaps something I should not say but I will. The Welsh workforce has a loyalty which is beyond comparison. It may be ironic, and possibly Burberry would not agree with this, but the loyalty that has been shown by the Burberry workforce, for example, in attempting to retain their jobs and skills that they have built up over many, many years in Treorchy is something that has meant this particular campaign has clearly attracted enormous publicity throughout the world, possibly for the wrong reasons. It has drawn attention to the fact that Welsh workers and people who work in Wales do have a high regard for the skills and talents that they have acquired over
many, many years. It is difficult to describe, Mr Williams, but that loyalty aspect is something we should not ignore.

Q361 Mark Williams: More generally, in the debate you heard earlier about skills more generally but on basic skills from secondary education right the way through, where does Wales fit into basic skills, mathematics, literacy, form-filling for job applications? We have heard comparisons drawn overseas and alleged high standards overseas compared with Wales but what are your perceptions about that?

Mr Garley: I think Wales has some work to do and I think the UK has some work to do. I am pleased to say, and again I can only talk for Wales in this context, that the Welsh Assembly Government has just completed a three year period where it set up a manufacturing taskforce to look specifically at the manufacturing and servicing sector, research and development, skills, education and training. That area was one that was given a very high priority. I think the Welsh Assembly Government is fully aware of the needs to enhance and increase the training and education and I believe they have started on that process.

Q362 Mark Williams: No doubt you would agree the research base that our universities could offer is something very special indeed?

Mr Garley: Absolutely.

Q363 Mr Crabb: Your written evidence to the Committee referred to the decline of the textile industry in Wales. Do you think that decline is inevitable given the context of globalisation which we are living with? Do you believe that the decline can be reversed in any way? Are you able to offer us some thoughts on reasons for the decline of the textile industry in Wales?

Mr Garley: Is that specific in relation to the textile industry or more generally?

Q364 Mr Crabb: Textiles.

Mr Garley: In the textile industry, of course, we have seen a migration in essence since what I call the first recession in 1979-80. We have seen a migration of textile jobs from the UK abroad. Over that period of time over a million jobs have gone from the UK abroad. It is important to understand the reasons why they have gone. One reason is the move from small retail outlets to the sales of clothing by the big supermarkets that cannot be underestimated. Of course, the big supermarkets are able to drive down the price of goods by high volume bulk purchasing in addition to taking advantage of the labour costs that we have heard a little bit about this morning. That has enabled the supermarkets and the companies that supply them to keep their prices down. Originally the work was produced from Morocco and then it went to Pakistan and now China appears to be where there are the lowest costs. In Wales specifically there was a problem with regard to Marks & Spencer, for example, when we went through a period where in essence they dumped their supply chain manufacturers in Wales and that has seen such companies as Bedwear and Dewhurst’s disappear.

Q365 Mr Crabb: Do you regard that as an example of corporate greed as well?

Mr Garley: Yes, I do actually because at the time that Marks & Spencer dumped their manufacturers they had record profits. Very similar to the Burberry similar scenario, at that time Marks & Spencer had record profits and money was literally coming out of their ears and they dumped in excess of 6,000 clothing workers in Wales and in the UK through that corporate greed. I just make the point if I can that those companies still exist, those companies have not gone to the wall, all that has happened is they have transferred and migrated their manufacture elsewhere. That is something that causes the GMB enormous concern and we really do have to do what we can to find out exactly where production is taking place. For example, on the Burberry front we know the two factories that Burberry are now getting their polo shirts sourced from; the company will not tell us but we know the two factories. I believe that an ITV reporter has been to both factories and has interviewed the manager in that factory and I believe in that interview the factory manager could not guarantee that child labour would not be used. If that is the case, and I say if that is the case, that is not the action of a responsible company or a company that has Corporate Social Responsibility. We have asked the company as well how much are the workers in China going to be paid in these two factories and they will not tell us. We have asked the company what hours of work are the workers in China going to work and they will not tell us. We have asked the company how many holidays are they entitled to and they will not tell us. We have asked the company how many days a week do they have off and they will not tell us. We have asked the company how many holidays are they entitled to and they will not tell us. Either they do not know, in which case I just make the point that is not a very socially responsible company, or they do know and they will not tell us. I just make the point the GMB intends to find out and we will take the necessary steps to ensure that our members in Treorchy know the answers to those questions.

Q366 Nia Griffith: If we can return for a moment to your comments about the loyalty and stability of the Welsh workforce which you see right across South Wales. Would you say there is almost a geographical factor which bolsters that up in a sense in that communities are where the mines were and, therefore, travelling from the Valley to other areas is not so easy and people are more vulnerable in their communities to any closures?

Mr Garley: I think you are absolutely right in what you are saying. I also think it is a factor that applies across Wales irrespective of geographical location and one may say that would apply across the UK irrespective of geographical location, that the vulnerability of workers through globalisation knows no bounds, it is a continuous process and it affects people as companies make decisions as
Burberry have made. I would certainly agree with you that the fact that the factory is located where it is possibly makes it doubly difficult for those people who are put in this invidious position. I just repeat what my colleagues have said, that this is a company that made £165 million profit last year and in our view that factory could continue in production if the company were to do what every other company does when they find themselves in the position Burberry did: if they talk to their workforce, talk to the trade unions that represent their workforce and talk to the governmental bodies that may be able to offer assistance and guidance with regard to future grants or future locations. The fact of the matter is that Burberry did not do that and the Welsh Assembly Government is keen at this minute to offer assistance but it is Burberry that is declining that offer. If that helps you to understand why I still say corporate greed is what we are talking about here, I make no apologies.

Q367 Nia Griffith: Could I just ask a little bit about the vulnerability. We have obviously read from what you have written but also heard from other trade unions this feeling that it is easier to close a factory in Britain than in some other countries in the European Union. Can you give us some exact details as to what makes it easier to do that?
Mr Garley: I will try. In the GMB’s view it is relatively simple in that the UK is much more wedded to the free market than any of their competitors. The US, for example, preaches free market but has the largest number of global companies and therefore dominates many of the markets, however it protects its own industries, such as steel, banana plantations and their distributions and, of course, its own military purchasing where all military purchases in the US have to have at least 60% US components, which effectively means it has got to be produced in the USA. If that was the case in the UK the number of people working in manufacturing would increase dramatically.

Q368 Nia Griffith: You are saying a government procurement policy which buys British would help.
Mr Garley: That would be of tremendous assistance. Many of our fellow European states are prepared to provide more aid to their industries and, if necessary, I use the term, “bend the rules” to protect their own industries. Other European governments are prepared to work with their industries to create markets to enable them to become world leaders in new technology. Examples are the German and Danish support for wind technology and the present German support for solar technology. Again, the free market in the UK has made more British companies vulnerable to takeovers and mergers with not only the loss of manufacturing plants but the loss of intellectual property rights. We believe that is absolutely vital. The UK labour protection is weaker than in most other parts of Europe. Of the original 15 Member States only one country has weaker labour protection than the UK, and that is Portugal.

Q369 Mark Williams: Turning to the issue of consultation, you raised an important issue about child labour overseas and you said that you had written or corresponded with Burberry and had no answers. Was there no response to your correspondence or was there a letter which was hardly clear back from them on that issue?
Mr Garley: I believe what I said, or certainly what I meant to say, was we have repeatedly asked Burberry to advise us of the hours of work, the wages, the number of holidays, and we also asked them, going way back to the end of last year, to confirm that they did not or would not employ child labour. I do not believe we had a response direct from Burberry on that one although I do believe the press release was issued at much the same time as the announcement with regard to the donation of the factory of £1 million.

Q370 Mark Williams: More generally the extent of consultation with the GMB has been negligible, if not non-existent.
Mr Garley: Possibly the best way of describing the company’s disdain for their workforce and the unions is that we got to know of the proposed closure via a message left on a telephone answering machine. I think that sums it up.

Q371 Mark Williams: During the consultation period were any attempts subsequently from you as a union to speak to Burberry directly ignored?
Mr Garley: The GMB take the view that the consultation has been an absolute sham. They had no intention of maintaining the manufacturing unit in Treorchy and we believe they made the decision many, many months ago.

Q372 Mr Crabb: Specifically, who do you think is benefiting from what you describe as Burberry’s corporate greed? Who are the beneficiaries of that?
Mr Garley: The GMB is of the view that the company is looking to withdraw from manufacturing in the UK. That is the view of the GMB.

Q373 Mr Crabb: Sure, but both of you have made the allegation and used the phrase “corporate greed” which implies that somebody is benefiting. Who do you think is benefiting from this corporate greed?
Mr Garley: In our view the beneficiaries are, of course, the company and the shareholders of that company.

Q374 Mr Crabb: Who are the shareholders?
Mr Garley: I cannot give you a list of the shareholders.

Q375 Mr Crabb: British pension funds?
Mr Garley: Possibly. The GMB is a shareholder.

Q376 Nia Griffith: If I could return to the issue of the level playing field with other countries and the EU to start with. You mentioned about the bending of rules, would this be in the form of hidden subsidies or something of that nature?
Mr Garley: I think it would be in the form of what I have described, for example in the US they openly support their military industry and if we did the same with regard to the production of military uniforms in the UK, for example, that would have a dramatic effect on increasing manufacture. The definition of whether the European laws allow you to support your military industries is whether what you produce is warlike. In France, for example, all of the military uniforms are produced in France because they are categorised as warlike. That is within the European legislation. You would expect the GMB to take the view that the same should apply here in the UK. I think the reality is that trade unions across the globe would better accept globalisation if we knew that our brothers and sisters who were producing the clothes, for example in China or India, were being offered good wages and conditions, to know that they had the right to join an independent trade union, to know that they enjoy a healthy and safe environment, but of course it is the difference between what actually happens in China, for example, and what should happen in the China that makes the price of a shirt in Wales uncompetitive with the price of a shirt in China. It is that difference in the Corporate Social Responsibility that we have heard about this morning, not very convincingly if you do not mind me saying so, that makes it uncompetitive to produce something in Wales compared to China.

Mr Garley: Very much so, so that the ILO standards are met across the board, whatever they may be at any time, and it has to be said even those standards are not terribly satisfactory. If that happens then you start to move into some sort of level playing field. I am sorry to keep going back to Burberry but when Burberry cannot even tell us where they are getting their goods made and now that we have found out they will not tell us how much they are paid for those goods, it has to be that until we find out the answers to the questions we are asking that we remain suspicious of their commitment to Corporate Social Responsibility.

Mr Garley: We have been attempting, and I think it follows on from that last question, to ensure that the standards, the terms and conditions of employment elsewhere in the world are brought up to ILO standards at the very least. For example, the GMB forwarded to the Committee a couple of documents with regard to War on Want’s and Labour Behind the Label reports, which went in-depth into standards in Europe and on the international scene. I do not intend to go through those documents this morning, you will be pleased to know, but the fact is that whilst many companies have signed up to the CSR and expect the same from their suppliers to ensure that they comply with ILO standards, whilst it looks good in principle, in practice the standards are not kept to. War on Want, for example, finds that Asda, Primark and Tesco are able to offer their goods at substantially reduced prices at the expense of workers in the Third World. Workers in Bangladesh, the report will show you, are found to be working 80 hours a week at five pence an hour, health and safety is appalling, and reference is made to—

Q377 Nia Griffith: Are you suggesting that in the context of globalisation what we need is some form of social contract or some sort of way in which minimum standards would be expected across a wide number of countries?

Mr Garley: Very much so, so that the ILO standards are met across the board, whatever they may be at any time, and it has to be said even those standards are not terribly satisfactory. If that happens then you start to move into some sort of level playing field. I am sorry to keep going back to Burberry but when Burberry cannot even tell us where they are getting their goods made and now that we have found out they will not tell us how much they are paid for those goods, it has to be that until we find out the answers to the questions we are asking that we remain suspicious of their commitment to Corporate Social Responsibility.

Q378 Chairman: Could I end with a series of questions about the GMB. Much of the evidence this morning has been about the way in which Burberry has responded to globalisation. In the light of comments that you have heard this morning, and you referred to Dewhurst’s in an earlier period suffering as a result of some form of earlier globalisation, how has GMB itself responded in recent times to this phenomenon of globalisation and the acceleration of the processes that we have been hearing about this morning.

Mr Garley: We have been attempting, and I think it follows on from that last question, to ensure that the standards, the terms and conditions of employment elsewhere in the world are brought up to ILO standards at the very least. For example, the GMB forwarded to the Committee a couple of documents with regard to War on Want’s and Labour Behind the Label reports, which went in-depth into standards in Europe and on the international scene. I do not intend to go through those documents this morning, you will be pleased to know, but the fact is that whilst many companies have signed up to the CSR and expect the same from their suppliers to ensure that they comply with ILO standards, whilst it looks good in principle, in practice the standards are not kept to. War on Want, for example, finds that Asda, Primark and Tesco are able to offer their goods at substantially reduced prices at the expense of workers in the Third World. Workers in Bangladesh, the report will show you, are found to be working 80 hours a week at five pence an hour, health and safety is appalling, and reference is made to—

Q379 Chairman: Mr Garley, could you pause at that point. The question is specifically not about describing the position but how the GMB nationally is responding to the situation. For example, what are you doing in terms of making your members more aware of the forces of globalisation, upskilling, migrant labour? How are you coping both in Wales and nationally to all of that? Are you reacting or are you anticipating and proactive?

Mr Garley: I do apologise, Chairman, I thought you wanted me to go into detail in relation to the conditions. I fully accept your point. In terms of the GMB’s position, again we just have to understand what is happening in world trade so that we can take steps to adapt. The GMB have lobbied Government directly as part of the Manufacturing Forum to ensure that we do have a strategy for UK manufacturing. Clearly that would include joined-up government and support for industry in line with our competitors. We propose linking government policies, such as energy, to UK manufacturing to pump-prime new markets and technologies such as renewable energy and microgeneration. We have argued for Community Development Funds to enable funds to be provided in advance to keep industry in the UK. We have proposed that Government consider the implications of procurement on UK manufacturing. We have lobbied, and continue to lobby, Government in relation to employment law. With regard to Europe the GMB is actually the only British trade union with an office in Brussels. This office has multilingual staff and facilities for meetings. As a campaigning organisation we are fully aware that our members are increasingly affected by globalisation and European and international level decision-making. To fully promote and protect the rights and opportunities of our members we recognise that we need to actively represent them at national, European and international levels. Our role is obviously to be active in Europe in defending our members against liberalisation and deregulation policies, which is just as important, in fact, as securing positive workplace rights and priorities. As a general trade union we are affiliated to eight
European international federations through which we work together with EU and local unions to protect our members across all of those eight sectors. We look to join in solidarity to respond to the increasing and ruthless globalisation that is taking place. Possibly global exportation is better phraseology than globalisation. All of these federations are affiliated to the European TUC, on which we have a seat on the Executive. We have also been successful in gaining funding—I think this is quite important—for several transnational projects involving unions in Denmark, Finland, Germany, Sweden, Spain and Poland covering issues such as skills, upskilling developments, flexible work organisation and systems of quality management. We are attempting to effectively equip our members with the skills needed to defend themselves against globalisation.

Q380 Chairman: That is extremely helpful. It would be even more helpful if you were able to give us further information about that in a subsequent memorandum.

Mr Garley: Of course.5

Q381 Chairman: At the end of the previous session I referred to this legacy of Polikoffs and Burberry. It strikes me, and please forgive me for being indulgent as a lapsed historian, that there was a Rhondda miner called Mark Starr who wrote two books called A Worker Looks at History and A Worker Looks at Economics. He left the Rhondda in the 1920s and went to work for the International Lady Garment Workers’ Union of America, a very famous union based in New York. Subsequently he went to work for UNESCO. It occurs to me that this phenomenon of globalisation is nothing new. Certainly he had an awareness of the forces that were operating and the importance of trade unions to have international links. The point of this question, and I am coming to it in a moment, is that in the light of all of this and in the light of the experience specifically in the Rhondda, would you have dealt with this any differently? Are there lessons for the GMB in Wales and nationally that can be drawn from the experiences of the employees and your members in Treorchy that can be learnt more widely on an international basis, or is it too early to say?

Mr Garley: I am happy just to make a couple of comments on that. The historical point you made is well made. This particular campaign has sent the GMB into areas that previously it has not been into and, of course—

Q382 Chairman: Do you mean Parliament?

Mr Garley: Of course—

Q383 Chairman: You have been here before then.

Mr Garley: Of course we will learn from what has happened. I think one of the reassuring moments was when we were able to put ourselves in the position where demonstrators were outside the Burberry shops in Paris, Chicago, New York and Las Vegas. I think that is a good demonstration of the international solidarity that you were alluding to there, Chairman.

Chairman: It is very difficult to follow that one. As I said earlier, please give us further memoranda if you feel that would be helpful to us. This has been a very instructive morning and early afternoon. Thank you very much.
Tuesday 13 March 2007

Members present:

Dr Hywel Francis, in the Chair

Nia Griffith
Mrs Siân C James
Mr David Jones

Hywel Williams
Mark Williams

Witnesses: Mr Andrew Davies AM, Minister for Enterprise, Innovation and Networks, Mr James Price, Director for Policy and Strategy, and Mr Rob Halford, Principal Policy Analyst, Welsh Assembly Government, gave evidence.

Q384 Chairman: Good morning. Welcome back to the Welsh Affairs Committee, Minister. For the record, could you introduce yourself and your colleagues, please.

Andrew Davies: Good morning, Chair. Good morning, colleagues. Andrew Davies, Minister for Enterprise, Innovation and Networks in the Welsh Assembly Government. I am joined by James Price, one of my officials, who is the Director of the Policy and Strategy Group within my Department, and Rob Halford who is the Principal Policy Analyst in the Policy and Strategy Group.

Q385 Chairman: Minister, in your memorandum you note that the Assembly Government is “introducing sweeping changes in [the Assembly’s] approach to business support”. After a year of progress in terms of reorganisation could you explain to us what has been happening, particularly in the context of this inquiry on globalisation.

Andrew Davies: The rationale behind the changes goes back to the decision by the First Minister Rhodri Morgan in terms of the merger of the former ASPBs, the WDA, the Welsh Tourist Board and their former training agency. After that decision, I had something like 100 meetings with business representatives across Wales and they said that dealing with government public sector in Wales in terms of the development of business support was very complex; there was a huge amount of duplication and confusion but in many cases the public sector provide products and services rather than analysing what a business wanted. We have moved increasingly towards a demand-led rather than a supply-led system. We are looking very closely in terms of the interventions we make as a government at where we can add value. We are looking at issues such as the return on the investment and the value we are adding through our support and interventions. We are streamlining business support; for example, we have lots of grant schemes: regional selective assistance, Assembly investment grant, property development grant, innovation support through SMART Cymru, and we are moving towards a single flexible investment fund whereby we can provide a financial package which is dependent on businesses’ needs and not on what we, as a government, think they should need, and also towards an investment culture and away from a subsidy culture and a grant culture. We are exploring, for example, through property interventions with the WISP project, joint ventures through which, again, we can get a greater return for taxpayers’ investment rather than giving a straight grant. There are two other fundamental principles: that public sector intervention should only be made where the market is not working, so that if the private sector is providing a solution for business support then the public sector should exit and seek to complement what the private sector is doing, and, also, developing very clearly a system of support for business which is based on account and relationship management. Up until last year, many of the staff in my department were not customer-facing: they were running programmes and products rather than being customer-facing. The whole package is really moving towards a demand-led system, helping to create a climate which encourages and develops business competitiveness.

Q386 Chairman: Looking back on the 1970s and reflecting on the success of the Welsh Development Agency, in terms of inward investment in an earlier period of rapid globalisation, how are you being proactive in that sense? Notwithstanding everything you have said, how are you responding to that increasing challenge of globalisation? Are these changes a response to that as well?

Andrew Davies: Very much so. I felt our previous inward investment strategy was misplaced. It was based on an old understanding of foreign direct investment. With increasing globalisation and the rapid pressure, particularly, but not exclusively, on manufacturing—the service industries as well are experiencing the same global pressures—we needed to ensure that our strategies were following the way of the market and our competitive position was moving; for example, we established new overseas operations, International Business Wales, which brought together the former international division of the WDA and Wales Trade International, the export arm of the Assembly Government, into one overseas body.

Q387 Chairman: Could we move on to Objective 1. How successful has Objective 1 funding been? What lessons are there for the new round of European Structural Fund Programmes in this wider context of globalisation?

Andrew Davies: In terms of Objective 1, I think we have been very successful both on the management of the programme but also the impact it is having in
West Wales and the Valleys. We have now committed 100% to the Objective 1 grant, which, with matched funding, leads to a total investment of £3.2 billion. An independent external evaluation of the programme estimated that by the end of the programme in 2008–09, over 40,000 net jobs will have been created; 85,000 people in West Wales and the Valleys will have been helped into employment through skills training and other interventions; and just under 2,000 small and medium sized enterprises will have been established. Also, if you look at employment growth, if you look at the reduction in unemployment and economic inactivity and, in terms of earnings, particularly at gross domestic household income, West Valleys and the Valleys has outperformed the rest of Wales, and in most instances has slightly outperformed the UK at a UK level. In terms of its impact on management, it has been very successful. That has been signalled by the fact that the European Commission, last autumn, allowed Wales for its present convergence programme—and to the best of my knowledge we were the only part of the European Union who would be allowed—to self-audit our European funding programmes, which I think is a vote of confidence in our management of the programme.

Q388 Hywel Williams: Minister, what has happened to GDP GVA during the first period of Objective 1? Do you foresee any change in that strength during the new period?
Andrew Davies: Yes. If you look at the latest Eurostat figures there has been a bigger growth in GVA per capita in West Wales and the Valleys than the rest of the United Kingdom.

Q389 Hywel Williams: What do you foresee happening in the oncoming period?
Andrew Davies: All other things being equal, I would imagine that the substantial progress we have made would be continued in the future. We have learned a lot of lessons from the previous round of Objective 1. The overwhelming conclusion is that we need fewer but larger and more strategic projects. If you take all the European funding programmes, Objective 1, 2 and 3, Intergov and all the others, we estimate that something like 3,000 projects have been funded. We think that is a very inefficient use of that investment and that is why we are moving towards fewer, larger but more strategic projects and interventions, which is in line with my response to the first question of where we can add value to the process. We would then expect that we would be creating more jobs and more highly paid jobs as well.

Q390 Mr David Jones: Minister, could you give us an example of the larger scale projects you have in mind?
Andrew Davies: One of the most successful programmes under the Objective 1 programme, which we very much expect to be continued under the convergence programme, are programmes like Finance Wales, which is a joint venture between what was the WDA and is now simply the Assembly Government and Barclays Bank. One of the weaknesses we have in the Welsh economy is that we have very few financial institutions, unlike the Scots, and Finance Wales was a clear attempt to make up for that market failure of providing financial support to companies, investment support to companies. I think Finance Wales would be an example of adding capacity and adding value in our support that we can give to companies in Wales.

Q391 Chairman: One aspect of our inquiry is migration patterns, migrant labour. You refer in your business plan to this and you are undertaking some studies and consultations. Could you explain to us what you have done and what learned about this?
Andrew Davies: Our Economic Research Advisory Panel (ERAP) which was established by the First Minister in the first term of the Assembly Government has commissioned research into the impact of migration on the Welsh economy. Perhaps I could ask Rob Halford to supplement that answer.
Mr Halford: There are four separate studies that are either underway or about to commence. The critical issue that these studies are seeking to understand is the incidence of migrant labour in the first case. It is a very dynamic picture in Wales and it is very difficult to establish precisely how many migrant workers there are. It changes on a weekly if not monthly basis. The Accession Monitoring Report, which is a Home Office and Department of Work and Pensions report, estimated that in the period May 2004 to June 2006 there were in the order of 10,700 legal migrant workers in Wales. If you add to that the pro-rata number of individuals that were self-employed within the UK, it brought the figure to around 14,500, but that figure, as I have indicated, was changing on a weekly basis. Clearly one of the primary issues is to establish quite how many legal immigrants there are, and then, on the back of that, to understand some of the characteristics in terms of their needs and the impact they may have not only from an economic perspective but in terms of their demand on social services and so on.

Q392 Chairman: Could you explain in a little more detail what these four studies are and who is undertaking them.
Mr Halford: I am only familiar with one of those studies, which is being undertaken by our Economic Advice Division through consultants. It seeks to analyse the impact of migrants in two local authority areas of Wales and to draw conclusions from that which can inform both the Assembly and its activities but also the potential interventions of local government. I could provide further detail on the other three studies if that would be helpful.

Q393 Mr David Jones: Mr Davies, you mentioned—and I think it was an estimate—that there were potentially 14,000 migrant workers in Wales. Was there not a report on the BBC news website last week which indicated that that figure was probably significantly low and that it could be as many as 10 times that figure?
Mr Halford: Absolutely. That is the reason for this additional study.

Q394 Mr David Jones: You really have no clue how many migrant workers there are in Wales.
Mr Halford: It is certainly very difficult to establish a precise number.

Q395 Mr David Jones: And you accept that there could be well over 100,000.
Mr Halford: It is potentially possible.

Q396 Chairman: Minister, do you have any observations on that and how we could be a little more accurate? In our short inquiry we have discovered not only that this is a major issue but the more we explore it the more detail we find and the greater the numbers.

Andrew Davies: As Rob Halford has said, we do not have accurate figures and hence the commissioning of the report. Obviously we can make that information available to you. Certainly, anecdotally, we are aware that in some parts of Wales in certain industries—in the hospitality industry, hotels and restaurants; agricultural workers in the agricultural sector, as well as in food processing (for example, in Merryn Meats in Merthyr Tydfil and Dawn Meats and Dawn Pack in Cross Hands)—there is obviously a significant number of migrant workers. We are aware of that in manufacturing as well. In North East Wales, in Flintshire, when I met the Business Forum on the Wrexham Industrial estate early last year, they were informing me that they estimated about 5,000 accession country workers, particularly Polish workers, were working on the industrial estate. I know from talking to manufacturers—Airbus, Sharp, Toyota—that they also employ a significant number. Clearly we do not have information at the moment. They are based on estimates. Many businesses see the access to migrant workers as a very important factor in their continued growth and remaining competitive. Access to highly skilled and highly committed workers is vital for them. Obviously that is one of the benefits of being part of the European Union, having access to a wider pool of labour.

Q397 Chairman: Are you finding that those businesses are happy to come forward with evidence as you indicate or is the impression we are getting that it is variable in their desire to share information?

Andrew Davies: Certainly I am not aware that they have ever resisted discussing it. The ones I have spoken to have always been very open about the fact that they have employed Polish workers and Portuguese workers and have said clearly that if they were not able to access that source of labour their continued growth would be under a threat.

Q398 Mr David Jones: Mr Davies, you mentioned the hospitality industry. I know from the part of the world I come from there is a significant number of overseas workers working, for example, in Llandudno in the hospitality area. Not all of those are coming from EU countries. I know, for example, that some of them are coming from the Ukraine in Russia which are not EU States. Do you have any evidence at all as to the extent to which there may be illegal migrants working within, particularly, the hospitality industry in Wales?

Andrew Davies: I am not aware of any evidence that there is a significant factor or a significant issue to be addressed. Clearly the hospitality industry, as you have quite rightly said, employs people from a wide range of countries, including Australasia. I am aware in West Wales of people from Australia and New Zealand who are working in hotels and restaurants. When it comes to the use of illegal immigrants, I am not aware there is a significant issue.

Q399 Mr David Jones: Does your Department collect figures on the extent to which illegal migrants are working in Wales?

Andrew Davies: No. I would say it is a non-devolved matter in terms of work in this area. Certainly we do not collect them. I am not aware that we have any statistics that we could quote.

Q400 Mark Williams: Turning to your Department’s work in the area of research and innovation, what are you doing to encourage stronger links between industry and the science base to develop those links and to enable the new technologies to be exploited by business? Perhaps you could give us some detail in terms of the work of the Technology and Innovation team and the Innovation Action Plan.

Andrew Davies: I see innovation as key in continuing the transformation of the Welsh economy away from a heavy industry base, based on industries such as coal, steel, agriculture, mining and quarrying, to one which is increasingly knowledge based. That is why I established the Innovation Action Plan for Wales and why we have now developed a science policy. In terms of the development of the science policy—and again we can make this available to the Committee—we are increasingly emphasising investment in higher education institutions, the links to the knowledge economy. For example, investments such as the Institute of Life Science at Swansea University, a joint venture between ourselves, the university and IBM, a £50 million joint venture which includes Objective 1 funding. It is aligning our strategies and actions so that we are able to maximise the investment through government interventions, through, for example, higher education, and developing links between universities and our businesses. We have found this is true for industries such as Corus, where we have a very successful programme for linking graduates to the industry, and with a company in the same area, in Port Talbot, in Baglan Bay, a Spanish company called Envases which makes aluminium aerosols for the pharmaceutical and cosmetic industry. Once again, one of the reasons they are investing there is because of the links to the Materials Science Department at Swansea University. In terms of mainstream support in innovation, we are...
enhancing innovation. That is one of the reasons why the title of my Department contains “innovation” because we see it as a priority. There is a whole area of intervention in innovation centres, specialist R&D centres, such as the technium centres, the all-Wales network of high-tech incubation centres, such as OpTIC Technium, and the massive Technium CAST at Bangor.

Andrew Davies: The Sustainable Technologies Technium has not seen the growth that other technium centres have experienced. The original techniums in Swansea, the OpTIC Technium and CAST Technium in North Wales have both been very successful in attracting tenants and high growth potential companies.

Q402 Mark Williams: Is there any reason for that in those areas?
Andrew Davies: The Sustainable Technologies Technium is still a relatively new building. James may be able to tell you when it became operational and was commissioned.
Mr Price: I think it was within the last 12 months.
Andrew Davies: It is still quite early days. Clearly it is always a balance. If we were to see that as a conventional property then we could get any company in there, but we have been very clear that for companies to be able to enter the technium site they have to fulfil very strict criteria. There are conditions in terms of high-growth potential and the type of companies we would want to be tenants. In fact, there has been some criticism by some companies that because they have not been able to fulfil the criteria therefore we have not allowed them to become tenants. This has been true in the Aber Technium as well as others.

Q403 Mark Williams: And probably Parc Aberporth as well.
Andrew Davies: Parc Aberporth, yes. A classic example of government intervention round an area where we have, I think, a competitive advantage: a unique testing facility for UAVs on the former MoD site. But, again, we are seeing a lot of commercial interest in a key growth sector. At last year’s UAV day in July, we were able to signal two or three tenants coming in to Parc Aberporth Business Centre. On innovation generally, we can make more information available for you about the whole range of interventions we are making. Again it is a point I was making in my first response: it is making sure that as a government and the public sector we are adding value to the economy, not competing with a network, and helping companies to become increasingly competitive through the application of innovation. Whether that is research and development or working with SMART and using, for example, lead manufacturing principles for the care industry, aerospace and a range of other manufacturing sectors.

Q404 Mark Williams: The SMART Cymru funding initially is part funding from Objective 1. How do you envisage the continued funding of SMART Cymru? How much of a priority is that?
Andrew Davies: It is a key priority. We have already streamlined the SMART Cymru grant process. It used to be three or four different funding streams which we simplified into SMART Cymru, just one innovation grant, but we clearly feel there is a need for greater flexibility. It comes back to the point I made about having a single flexible investment fund. Rather than the public sector saying to companies, “We can provide you with X product and Y product” we would now analyse what the needs of a company are and be able to provide the financial and other business support package that they require not what the public sector thinks they need. Part of that obviously will be an emphasis on innovation through SMART Cymru.

Q405 Mark Williams: You are confident that the budget is going to be sufficient.
Andrew Davies: In any area, whether it is transport investment or any other, you could always make an argument for more but, as ever, for my budget for my department we have to make funding decisions. Clearly we see the convergence programme and, to a lesser extent, the competitiveness programme as an opportunity to enhance significantly the investment we are able to make. We are in negotiations with the European Commission now about the convergence programme but clearly the emphasis of the convergence and competitiveness programmes will be the Lisbon Agenda. We are negotiating with the European Commission at this very moment the allocations but clearly the overwhelming bulk of the funding will go the Lisbon Agenda, which will mean a higher emphasis on innovation and research and development. Certainly we are at one with the Commission on that.

Q406 Hywel Williams: I would like to ask you about transport and infrastructure investment. What improvements do you think are needed to the transport infrastructure to make sure business locates in Wales successfully?
Andrew Davies: In the recent report commissioned by Secretary of State for Transport and the Chancellor, the Eddington Review, by Sir Rod Eddington, Eddington’s fundamental conclusion was that the existing transport infrastructure is sound and in the right place, it is just that we need to use it more effectively. I agree with Rod Eddington’s conclusions. That is why the bulk of our investment is going into improving the existing infrastructure. The scale of investment is very significant. In 2000 the Assembly Government were spending about £200 million on transport investment. This current financial year it is over £500 million, which is about one-third of my total budget. That is a very significant investment in all transport modes. In rail,
for example, we are increasing capacity on the most congested parts of our network, and that is in the Cardiff Valleys area. We are investing, for example, in new passenger services. The Ebbwvale passenger services will reopen the Ebbwvale line later this year. That will be the first time those lines will have carried passenger services since the cuts at the end of the 1960s. We are increasing capacity on the Ebbwvale line, the Merthyr line, the Rurney Valley line, lengthening stations, investing in more rolling stock with the Arriva Trains franchise—which I am now responsible for the management of—as well as improving reliability and efficiency. I see my role as a Minister holding Arriva Trains Wales to account for the expenditure, the very significant expenditure, of £140 million subsidy to Arriva this year. Their performance has improved very significantly. The latest PPM was nearly 90% which is the highest figure they have performed at. It is investment in increasing capacity and quality. On road, it is increasing capacity where we have the biggest problems of congestion arise. That is why I made the decision in my transport review in December 2004 to go ahead with the new M4 south of Newport, where the biggest problems of congestion are experienced, as well as other significant investments in our road infrastructure, both in trunk road and local road networks. In air services, as well, we are trying to increase the number of destinations. For example, from Cardiff Airport, through the developed use of the Route Development Fund, we are opening up more destinations, and also within Wales announcing the start of the North-South Air Service recently from Cardiff Airport to RAF Valley in Anglesey. Again, we are investing in improving capacity and increasing capacity of whatever the transport mode is.

Q407 Hywel Williams: All that investment is extremely welcome. I am sure in my constituency we will have some benefit from improvements to the A55. However, the point you made about North Wales/South Wales link is one that interests me for obvious reasons. We did have evidence from Admiral Insurance some time ago. When questioned by Mr Jones as to whether, as a successful Welsh company expanding to the west and east, they had ever considered going north, they said they were extremely unlikely to do so. When you are promoting foreign investment into Wales, are you promoting Wales as an integrated economy or two corridors with not a lot in the middle?

Andrew Davies: We would promote any part of Wales depending on the competitive advantage of an area. Mark Williams made reference to Parc Aberporth. That is a unique facility in mid-West Wales which is unparalleled in the UK, let alone in any other part of Wales. Clearly we promote Gwyneth as a location and we have been very successful. I mentioned Technium CAST at Parc Menai. There are two inward investment projects there: Inspired Broadcast with a large amount of jobs and similarly Brand Sauce another inward investment with about 30 jobs there. Again the reason we are able to attract them to places like Bangor is because of the proximity to the university and the availability of the highly skilled, committed workforce as well as quality of life. It is promoting different parts of Wales depending on their particular advantages and competitive advantage.

Q408 Mr David Jones: Mr Davies, you mentioned the Bangor to Cardiff air service which is heavily subsidised. Can you assist the Committee by telling us the extent to which each passenger is subsidised by public money?

Andrew Davies: I cannot give those figures because obviously it would depend on the patronage of the service, but the rationale beside the North-South Air Service and the use of subsidy is that normally within European Commission rules you are not allowed to subsidise commercial air services. However, the European Commission do allow, in what are termed peripheral areas, for air services to be subsidised for a time-limited period. It is what is known as a public service obligation. This has been used very successfully in Ireland and in the Highlands and islands of Scotland. The annual subsidy will be in the region of £1 million a year. We very much hope and expect that after the end of the three-year period the service will be commercially viable. There is obviously the opportunity to extend the network with possible flights not just from Cardiff to Anglesey but from Anglesey to Dublin and possibly other destinations as well.

Q409 Mr David Jones: How many passengers would be accommodated in the aircraft that are operating on this route?

Andrew Davies: It is a small plane. It is in the region of a 20-seater, initially, but of course there is the capacity for the airline in this case to increase the size of the plane. This has been the experience in Ireland, for example, where an airline company has been very successful in exploiting PSOs in Ireland. They started initially with a small plane and in most cases they have increased the capacity.

Q410 Mr David Jones: Could you possibly assist the Committee further by writing to the Chairman with the calculation of the level of subsidy per passenger over a 12-month period of the basis that the plane is fully occupied?

Andrew Davies: Yes, certainly.
Andrew Davies: Clearly transport is key. For South Wales, North Wales mainline services between Holyhead, North Wales and London Euston are run by Virgin, whereas in South Wales they are run by First Great Western. My concerns are public. I feel that the service is not what we require. The South Wales mainline service is the worst performing aspect of First Great Western franchise, regrettably. Certainly from the point of view of an Enterprise Minister, it is not helpful having a service which is not as reliable as one would expect. Unlike in Scotland where there are alternatives—obviously not as reliable as one would expect. Unlike in Minister, it is not helpful having a service which is not helpful.

Q412 Mark Williams: On the subject of reliability, I would like to return to Arriva Trains and mid-Wales. How closely are you monitoring the position? It strikes me that one of the barriers there, notwithstanding the provision of the hourly services we are going to see soon, is that there is still a huge amount of concern locally which is inevitably going to have an effect on attracting business to the area.

Andrew Davies: It does relate to the point Siân James made about cross-border services. As you are aware, on the service from Aberystwyth to Birmingham the major constraint we have is that of infrastructure problems in the West Midlands. Obviously my room for manoeuvre or intervention is limited in terms of the network in England but, where we do have responsibility, we have increased capacity, as you are aware. We have introduced a temporary increase in capacity in terms of the number of carriages on certain services and we will continue with that extra investment. We have been working very closely with Network Rail and Arriva Trains to improve performance. Unfortunately, the Cumbrian line is the worst performing part of the Arriva Trains network. It is something they accept and we have been working very hard to address those concerns but it does depend on additional investment in the West Midlands. Unfortunately it is not something I have any control over.

Q413 Hywel Williams: Could I pursue that for a moment. The split between the Assembly’s responsibilities and Westminster’s responsibilities was a deliberate choice and we were assured at the time that there would be the closest cooperation between Cardiff and Westminster on these sorts of issues. What is your assessment of the quality of your relationship with Ministers here? You have said that your room for manoeuvre is limited. Give me an assessment: is it limited or is it the closest and fullest and most fruitful cooperation possible, as we were assured would happen?

Andrew Davies: When I said my room for manoeuvre is limited, I meant that as a Minister in Wales I can obviously not make investment. My room for intervention is limited in terms of investment in infrastructure in England, but the relationship with the Department of Transport I think is good. There is a recognition by DfT that with the First Great Western franchise, for example, there is room for very significant improvement. We continue with DfT to make sure that First Great Western continue to improve.

Chairman: Could I ask my colleagues to focus on globalisation and away from localisation. I am very grateful to you, Minister, for your patience, but I am getting a little impatient now, so let us press on.

Q414 Hywel Williams: What is the Welsh Assembly Government doing to stimulate the development of successful business clusters in Wales?

Andrew Davies: Again, it is taking a very different approach, which I suppose could be characterised previously by the one-size-fits-all approach, in terms of business support. We are increasingly emphasising a sectoral approach. For example, in the automotive sector we established under the former WDA, but it is something we have continued, the Wales Automotive Forum. And, similarly, in the aerospace sector, the Wales Aerospace Forum and, in electronics sector, the Welsh Electronics Forum. We have also done it in other sectors as well, in relation to call centres and financial services. It is taking a sectoral approach. We are working very closely with my colleague Jane Davidson, the Minister for Education, Lifelong Learning and Skills, and the development of Sector Skills Councils, again, realigning our support, whether it is financial investment or skill support to the needs of businesses.

Q415 Nia Griffith: That moves us nicely on to the skills agenda. We have seen for ourselves in our visits as well as hearing evidence of how much difference skills can make to the survival of companies. We have noted that in your memorandum you referred to inward investors which “have located and embedded themselves in Wales with strong links to universities and well developed local supply chains.” How have those links been encouraged and developed? Do you have any particular examples you can give us?

Andrew Davies: One example would be the automotive sector. That is probably the area of manufacturing which has experienced the most competitive pressures. Through the Wales Automotive Forum, working with industry, we have helped through programmes such as the Accelerate Wales Programme to spread best practice, for example, to the introduction of lean manufacturing principles, looking at ways in which we can increase efficiencies, improve productivity and individual companies, and also, in helping companies diversify. For example, when MG Rover was experiencing difficulties in 2000 there were several companies in the automotive sector in Wales who had all their eggs in one basket; ie, MG Rover. Through the Wales Automotive Forum and the Accelerate Wales Programme we were able to help those companies diversify so that they had a much wider customer base, so that regrettably, when MG Rover finally
expired as a company, the number of companies in Wales which were overexposed to that demise was very few. I think there were only one or two. Obviously one of them was in your constituency, Camford, and there were others, such as TRW, but that was a significantly smaller number than were originally exposed. We work also with companies like the Ford Motor Company. One of the advantages of having major companies like Ford is that they can drive best practice through their supply chain. When I worked with the Ford Motor Company, for example, in the early 1990s, for a company to be a supplier to Ford they had to sign up to Ford’s quality standards. Again, that was one way in which changed lean manufacturing principles, more efficient working, was driven throughout the companies and industry sector. I do not know if Rob would want to add anything to that.

Mr Halford: I think the Minister touched earlier upon the significance of higher education establishments in terms of the attraction of inward investment and as part of the process of introducing an inward investor to an area early links would be made with such establishments. It is no more sophisticated in some cases than simply the account manager or the relationship manager dealing with that inward investor, ensuring that there is an adequate degree of aftercare and management, and through that process ensuring that the links develop. In some instances, it is a natural process of individual companies arriving and developing linkages and then building upon those linkages.

Andrew Davies: I gave an example earlier on of Envases, a Spanish company in Bangor. One of the reasons they are expanding and continue to expand is because of the links to the Materials Science Department at Swansea University. Again, there are lots of examples of that. I mentioned Inspired Broadcast at Park Menai and the reasons they have invested in Bangor is the proximity to the university. Similarly, with many of the companies in the photonic centre who are investing in St Asaph in North Wales is not only the clustering effect of the optoelectronic sector, it is also access to the university R&D, for example at Bangor University.

Q416 Nia Griffith: You mentioned about improvements right the way through from foundation years to older workers. How exactly is this trend going to work in practice? Are there any particular examples you can give us of up-skilling in the work place?

Andrew Davies: Again, it is increasingly moving towards a demand-led system as opposed to a supply-led system. The education system, for example at the further education level, could be described as colleges providing courses which they think business wants. With the development of sector skills councils that is going to be increasingly demand-led; that is, on what local industry and local businesses need in order to remain and to become even more positive. It is also achieved through the education system; for example, the development of the Welsh Baccalaureate, giving greater equality between the vocational and the academic, and also through our Learning Pathways Programme, again encouraging young people to look at vocational opportunities as well as the more traditional academic routes, and also through the 14-19 agenda, which is a new departure in Wales. So it is a quite fundamental change in the education system to one where there is increasing emphasis on the vocational element and one, again, which is tuned into the needs of the local economy.

Mr Halford: I think the interesting thing is that in those sectors that are under global pressure, global competition, particularly sectors like manufacturing, it is becoming increasingly clear that the differential between Wales and other locations is the skills base that we have or are developing. One particularly good example is a company previously known as Ina Bearings, now known as Schaeffler UK, which is in your area. The issue there is that this is a company which is part of a privately owned, multinational group and it is competing for investment within that group. When we talk about globalisation, very often we see that as being about companies moving plants around the globe, but many multinationals are looking at which plants within their group they allocate investment to, so you need to win the investment race not just in terms of new companies coming in but in terms of the retention of companies that you already have. In the case of Ina Bearings, they recognised that they had the same facilities, the same machinery in Llanelli as they did in other parts of the group, and clearly the issue that would differentiate them was the productivity of their people. They embarked upon a fairly innovative programme of training and development where they identified that the key to success was that the rate of learning should be greater than the rate of change, but if they were able to affect a change in the mindsets of their people and the engagement of their people and develop their skill bases to a point where they were more productive than those in competitor plants within the group then they would continue to attract investment. That has certainly been the case and that company in a very, very competitive market continues to attract that investment and the jobs that they have there have been safeguarded. Regrettably, in that particular sector it is not necessarily a recipe for creating additional jobs, but certainly they have stemmed the outflow of jobs and are a very good example. There are a couple of other examples. Sharp Manufacturing in Wrexham plans to expand its photovoltaic solar module capacity and again attributed that very much to the skills of its workforce. Interestingly, in Wales we have particular problems in the area of basic skills. We have quite high levels of graduate output, slightly lower than the rest of the UK, but we have a long tail of low skills. Trevor Ball Bonded Seals at Newtown, which is in the business of making seals for the automotive sector, engaged in the Welsh Assembly Government’s basic skills pledge and through that were supported in the development of their workforce. They report now that productivity has improved by 40% and a projected £1 million loss has now been turned into a profit. Twenty-nine of the
firm’s 59 employees have attended training course developing their basic skills. Again, this seems to be contributing significantly to the performance of that company, which underlines the mantra that skills are increasingly important in terms of differentiating our competitive position.

Q417 Nia Griffith: We were very impressed by Schaeffler/Ina Bearings last week. I believe we are hoping to visit Sharp shortly.

Andrew Davies: The Leitch report we see as absolutely central. Increasingly the link between economic performance and skills is the crucial one. We recently had a Leitch conference in Cardiff. Sir Digby Jones was there and he was very complementary about the progress we have made on a whole range of areas but we do have significant challenges. Rob has mentioned about basic skills and we do have a very long low-skills tail. The other crucial area, of course, is leadership management development where there are clearly big challenges as well.

Q418 Mrs James: During the course of the inquiry, we have heard a lot of evidence and we have visited a lot of companies where we have talked about this basic skills gap and of linking in as soon as possible with local schools, local primary schools, et cetera. What plans are under way?

Andrew Davies: Very much so. One of the key factors that helped us—and although it was not a government project, we supported the Metrix Consortium—was our ability to answer the queries about the local supply of skills, the connection with local colleges, both further and higher education. In fact, when we had the launch in support of the Metrix bid here in Portcullis House, it was very significant that there were many FE and HE colleges in the room in support of that bid. A key factor in the Metrix Consortium winning the bid was the tie in to the pool of labour in terms of skills but also the access to higher and further education expertise.

Q419 Mrs James: You have talked about the education agenda. Do you think possibly we should be a little more like other parts of Europe, where young people can specialise in more practical skills at an earlier age? What about even primary schools, because in 10 years’ time those five year olds are going to be thinking about making choices.

Andrew Davies: Very much so. As I said earlier on, our approach is changing in terms of the approach to the Baccalaureate, for example, about parity of esteem between the academic and the vocational, and with Learning Pathways an increasing emphasis of introducing young people to the experience of work, as well as, at an even younger age, through our Five Star Programme, which is about encouraging a more positive attitude to learning amongst the very young children as well. I think it is about a very different approach to the whole gamut of learning.

Q420 Mr David Jones: Minister, could I ask you some questions about the Welsh economy. In your memorandum you say, “Wales has seen a remarkable growth in Gross Value Added” and you also say that “growth in GDP per head in Wales has outpaced growth in some of the world’s major economies.” I suppose that is strictly true, but is the difficulty not that, in relation to the rest of the United Kingdom, Wales has made no progress at all since devolution. In fact, even on the basis of your own memorandum you say, “GVA per head in Wales has increased by 31%, virtually the same as UK growth of 32%.” In other words, less than UK growth generally. Is that not a concern to you?

Andrew Davies: Employment growth has been very significant. 130,000 jobs have been created in Wales since 1999 in the establishment of the Assembly. The fall in unemployment and the fall in economic inactivity in Wales has been faster than the UK average. Factors such as gross domestic household income and a growth in average weekly earnings again has outstripped the rest of the UK. Within that, as I said earlier on, the performance of West Wales and the Valleys, the Objective 1 area, has been very significant indeed. If you look at GVA growth, there has been very significant growth. We certainly have matched the growth in recent years for the UK and when you look at the growth of the UK compared with other major economies then obviously ours is able to benefit from that faster, more sustained growth. The challenge of using GVA, of course, is if you look at the historical perspective there was an 8% drop in relative GVA in Wales during the early 1990s. Obviously the Welsh Assembly was not established then and it was pre the 1997 Government being elected. We have stabilised that relative decline and in fact in the last year there has been an improvement in relative performance. I think that is a very significant development and one we obviously want to build on.

Q421 Mr David Jones: I do not know if you have had an opportunity of reading the Western Mail this morning. There is a very interesting answer by Mr Thomas Livingston, the Political Editor, which quotes a report carried out for S G Hambros which says that there is a bleak outlook for the Welsh economy over the next decade, while other parts of the UK will close the wealth gap with London. It says that Wales has the second lowest rate of growth in wealth creation and income-based wealth is growing at the slowest rate of any region in the UK. It concludes by saying that Wales has the least growth of any region in terms of income-based wealth. Is it not the case that the gap is not closing, that Wales in fact remains the poorest part of the UK and on the basis of that report shows no sign of it ever improving.

Andrew Davies: No, I do not think that is true. I cannot comment on the article because I have not read it and I do not know the model that Hambros
was using for its prediction. But if you look at, for example, GVA as an indicator, there are problems with it but nevertheless it is the standard one and we do have a longstanding time series which allows comparison. Clearly there are two major elements in the way in which GVA is calculated: compensation for employees (that is the income they receive) on the one hand, and the other is the profits of companies. If you look at the compensation for employees, which is the element that most people would reflect is most important because it reflects living standards, growth in Wales, in terms of compensation for employers, has been very significantly greater than most other parts of the UK, but the element where we have not been so successful is in terms of the profitability of companies. I think that, again, reflects the economic and industrial structure in Wales, whereby we do not have that many large companies whose headquarters are in Wales. On most objective assessments, growth in employment, falling unemployment, increase in average weekly earnings, gross domestic household income, progress has been very substantial. Only last week, the Global Enterprise Monitor, an international global benchmarking study of entrepreneurial activity carried out at the University of Glamorgan, showed again that in terms of entrepreneurial activity Wales has grown. Certainly the latest indicator is that there has been a slight increase in what they call “total entrepreneurial activity” whereas for most of the UK there has been a decline. I think on most indicators the Welsh economy has shown very remarkable resilience, diversity and dynamism.

**Q422 Mr David Jones:** If one has regard to you own memorandum, for example figure 3 on page 3, we see Wales in terms of GVA considerably behind the rest of the UK. Clearly no improvement throughout the whole period from 1999 to 2005. Does that not substantiate the views of Hambros that Wales will continue to lag well behind the rest of the UK for the foreseeable future? As I said in my earlier response, the biggest decline in relative GVA took place during the late 1980s and early 1990s, when of course manufacturing in Wales and much of our industry was closed down. It was the end of our mining industry. From 1979 to 1997, 360,000 manufacturing jobs were lost in Wales. That was an average of 20,000 a year for every year between 1979 and 1997. That is why there was a decline in Wales’s relative performance, as indicated by relative GVA. We have halted that decline and in recent years there is every sign that we are beginning to close the gap.

**Q423 Hywel Williams:** You say in your memorandum that “Wales has been developing its international identity to provide a firm platform from which to pursue [its] economic objectives.” Can you tell us how the Assembly Government has developed Wales’s international identity and how it will measure the success this has achieved?

**Andrew Davies:** Yes, we have undertaken a considerable amount of research on Wales’s competitive position and identity. That is why we have taken forward a very substantial branding exercise about what is Wales’s unique identity and competitive advantage and I suppose it could summed up in the proposition “focused excellence”. Wales is a very distinctive part not just of the UK but of Europe, with our own distinctive cultures, very diverse cultures, but clearly the area on which we are able to focus is quality, particularly quality of life but also quality of the workforce. I speak to many, many companies, large companies, global companies, who say the reason why they invest in Wales and continue to invest in Wales is because of the quality of the workforce, which they regard as second to none. Of course, it is not just the quality of the workforce, it is the very low turnover of staff, the very low attrition rate. For a lot of companies, that is a very significant factor, as well as of course other factors which I referred to earlier, for example, access to universities and world class centres of excellence in many of our higher education institutions. Therefore it is building on our unique identity but also maintaining and growing our competitive advantage. That is where, for example, investment in innovation and skills is so important.

**Q424 Hywel Williams:** You say in your memorandum, on page 7, paragraph 43, that: “Key markets for Wales are the USA, Germany, the Republic of Ireland, Belgium and France with metals, energy, engineering, chemicals and automotive components being significant sectors.” When I asked you about clusters earlier on, you did not mention food and that particular paragraph there does not mention food either. I would invite you to remedy that omission.

**Andrew Davies:** I do not have lead responsibility in terms of the food industry and agri-food industry, that is Carwyn Jones, my Environment, Planning and Countryside colleague, but clearly we work very closely together. Many companies investing in Wales, for example, were able to provide financial assistance through regional selective assistance, and, again, the promoter we are using, for example, through A Taste of Wales and other programmes, emphasising the quality of the Welsh food products and Welsh food offer. Again, we use that in our overseas trade export activity; for example through trade missions in many parts of the world. Whether it is Welsh lamb or Welsh cheese or other Welsh products, again it is emphasising the distinctiveness and the quality of that offer.

**Q425 Hywel Williams:** Do you think you should be responsible for enterprising innovation in the food sector rather than Carwyn Jones?

**Andrew Davies:** No. In the case of food, Carwyn takes all the lead responsibility in terms of farming industry and agriculture but obviously we seek to avoid any silo mentality. We work very closely together on developing the food industry, just like I work very closely with Jane Davidson on developing the skills agenda.
Q426 Mark Williams: In your memorandum you talked about some of the inroads that have been made by international businesses in countries like China and India. Would you elaborate a bit more on the work of International Business Wales and, in particular, any plans you may have to expand the number of countries in which that group is operating?

Andrew Davies: In terms of China, we have organised two trade missions. We have done two a year to China. This year it will be Hong Kong and the Pearl River Delta and Beijing and Shanghai in October of this year. We are also having a stand at HOFEX, the food and drink trade fair in May. The First Minister was in China, Chongqing in March 2006 and signed a memorandum of understanding with that province. It is the fourth largest municipality in China, with 33 million people. Again, it is very much on the basis of the MOUs that we have signed with other parts of the world, particularly the accession countries, Silesia in Poland and also with the Czech Republic. It is about developing those economic, political and cultural links. International Business Wales has taken a general trade mission to India every autumn/winter. This year there will be a visit to Delhi and Mumbai in November. There are also sectoral group visits as well. Recently, for example, we hosted a visit by the head of the Indian film institute, who I met, and we discussed again collaboration between our increasingly dynamic creative industry, the film and TV sector, with what is, through Bollywood, the largest film industry in the world—and that is including Hollywood—developing on a sectoral approach those sorts of links. Obviously China and India are huge markets. Again, I made the point earlier on, we cannot attempt to be all things to all people so we have to take a very focused approach. Whether it is geographically—I mentioned links with Chongqing or sectorally, we have to take a very focused approach in terms of developing those international links. We cannot afford to spread our investment and our efforts too thinly.

Q427 Mark Williams: Whether they be sectoral or geographical, what areas are you looking for?

Andrew Davies: Clearly where we think we have a competitive advantage. As I mentioned, the creative industries, where there has been quite significant growth in Wales in film, TV animation—the creative industries generally—and also in areas such as biotechnology, where we have key strengths, and other manufacturing areas, where we, again, have very significant strengths. In the service sector, we see financial services as a big growth area, where we have been very successful and we have exceeded our targets in terms of the growth in financial services. So, again, exploring those international global links.

Q428 Mr David Jones: You mentioned the creative industries, but is it not the case that in the year 2005-06 that sector had the worst performance of all, with a decrease in exports of 49%?

Andrew Davies: In terms of exports that may be true, but in terms of the development of the sector in Wales and its contribution to the Welsh economy there has been very significant development. If you take the TV and film sector alone, the growth development through the BBC of Dr Who and the spin-out from that Torchwood, the growth of companies like Tinopolis, the Llanelli-based TV and animation company, which is in the Top-10 UK independent film and TV companies, and the growth of companies such as Green Bay, Boomerang and others. I think there has been very significant growth. I would need to look at the overall contribution in terms of exports, but, again, I can make that information available to the Committee.

Q429 Mr David Jones: We have had a memorandum from the FSB which has told us that of the small and medium sized businesses that they represent, under 5% state that they intend to increase their export volume. What is your Department doing to encourage that sort of Welsh company to export and prepare them for trading in global markets?

Andrew Davies: The work was formerly undertaken by Welsh Trade International which is now part of International Business Wales. We run a very comprehensive series of overseas trade missions and we are able to give, for example, financial support to companies to take part in those trade missions. That is one of the successes of the Objective 1 programme. Through Export Assist, which is a European-funded programme, we are able to help small companies, SMEs, to undertake activity in trade missions. I, for example, have accompanied trade missions in the United States. Small companies throughout Wales would not have been able to benefit from access to those markets without the support of International Business Wales. We are also working very closely with the five Export Clubs for Wales. In fact, I was at an International Business Wales event at the Royal Welsh Showground last week, talking to the heads of the five Export Clubs. These are business-led organisations, working on a regional basis with companies in their regions and localities to access export markets—that could be Ireland, it could be the other parts of Europe or indeed it could be China and India. Again, it is building on those existing networks and adding value to companies activities.

Q430 Chairman: Minister, we are very conscious of time, so we do not wish to ask you any further questions, but could I request some additional information that you and your colleagues could supply us with in the form of an additional memorandum. In relation to companies which Wales has lost and Wales has gained could you give us some illustrative examples and how you analyse the reasons for these changes in the recent past. Secondly, with regard to enterprise and innovation and exports in the Welsh food industry, could you write to us about the organisation of responsibilities within the Welsh Assembly Government in relation to that. Thirdly, you mentioned in passing the Czech Republic and possibly a memorandum of understanding. This Committee is particularly
interested in the Czech Republic and Poland. Perhaps you could give us some information about your links in those two countries. Finally, although I do not want to overburden you, I was particularly interested in what you had to say about the creative industries and if there is some additional information that you might wish to give us about that. I am particularly interested in your views on expansion there and why and how that could be developed.

Andrew Davies: I would be delighted to do that.7

Chairman: Thank you very much for the clarity of your evidence and the comprehensive way in which you and your colleagues have presented it. I wish you a safe and speedy journey home. I will not make any comments on the means by which you will get there—no doubt that will appear in the Western Mail as well!


Q431 Chairman: Good morning, welcome. For the record, could you please introduce yourselves.

Mr Cottam: I am Ben Cottam. I am Welsh Policy Adviser for the Federation of Small Businesses.

Mr Davenport: I am Clive Davenport, Chairman of the FSB Trade and Industry Committee.

Mr Lawson: I am Russell Lawson, Press and Parliamentary Officer for Wales.

Q432 Chairman: Thank you very much. I would like to begin by asking you a general question about FSB Wales and its members. How do you prepare your members for the challenges of globalisation to take advantage of the opportunities and the difficulties and the challenges?

Mr Cottam: Our membership is very diverse. Our membership is drawn across all sectors. Globalisation will affect our members in very different ways, so our role is in making them aware of the more strategic challenges of globalisation, making them aware of government policy, whether at Westminster or in Cardiff Bay, as it affects them. In terms of our guidance of our members, that is fairly limited, other than making sure they are aware of the greater environment in which they operate. You will understand and appreciate that most of our members are micro-businesses; many of those operate in very small areas with any regard of the world around them because it is a case of getting your head down and getting the work done, so we act as a conduit of information, if you like.

Q433 Chairman: Do I get from that reply that there is an assumption, perhaps a wrong assumption amongst some of your members, that because they are so small they do not have any opportunities in terms of overseas markets?

Mr Cottam: I think that is a fair assumption. Many of them are aware of the potential opportunities that are out there. That is where the FSB and organisations like the FSB have an important role but it is very much the case of getting their house in order first before they can see outside the front door. That is one of the very difficult steps that any aspiring SME has to make: in the first case how to grow your business and in the second case how to spread your business and seek export markets.

Mr Lawson: There does appear to be a difficulty in embracing the whole idea of globalisation, which is of course to see your market in terms of the global market and the barriers are artificial barriers. For small businesses, very much their market is the local market and really they want to look at how they are going to market the local schools, local councils or whatever their goods and services are that they supply. It is really trying to get this perception, if you like, redressed, so that the markets really do not just end at the end of your city boundary or your town boundary, if you like. It is more about changing perceptions as well as the practicalities of how do you deal with export agents, et cetera.

Q434 Chairman: In your memorandum—and think you very much for that, it was very useful to us—you call for “a dynamic relationship between decision makers and businesses.” How is this dynamic relationship going to be developed and encouraged?

Mr Lawson: One of the things on which we have been working with the Assembly Government, particularly with Andrew Davies' department, is the idea that we very much have a problem traditionally with consultation documents, in that they are very much written by the time they come to organisations like ours. It is not just our organisation that has a problem with this, it is also organisations like the CBI and the Chamber of Commerce and other organisations in other sectors like Health, et cetera. Really, by the time the consultation document comes out that very much is how things are going to operate, if you like. It is very, very difficult to change. So we are actually trying to set up more of a foundation for consultation documents so that the department, particularly the economic development department, will actually come to organisations like ours before anything is written so that we can put them in contact with a good cross-section of members, whether they are going to be looking at manufacturing, and a cross-section of businesses—small, medium or large, their sort of turnover and whether they export, et cetera—that they can get a flavour of the kind of the issues that these businesses are facing on the ground which will inform the initial consultation process, so that they will have a better understanding of what the real issues are. All too often we will find, when a consultation document...
comes out, it is not really addressing the issues that our members want looking at; it is peripheral and kind of missing the mark. They will say: “That is fine, but really the point is this”. So it is just to inform that initial consultation process so that the documents we see coming out are taking more of a broad account of views before they are written. It is not about pre-consultation but it is more about gathering the views of businesses before going to that consultation stage. We are hoping to have discussion with the DTI who are running a similar project which has been rolled out across a few countries in Europe so far and we will be discussing that with the Assembly Government. We are hopeful that could be a useful way forward.

Q435 Nia Griffi: We were talking earlier with the Minister about the whole issue of the link with higher education. Obviously, from your point of view, you again are calling for those links between business and higher education. Can you give us any examples you have got of businesses linking with higher education? Also, what do you see as the way forward in terms of trying to foster that sort of innovation and developing appropriate technology?

Mr Davenport: There are several problems that we encounter when we are dealing with education, colleges, etc. The problem we have is that generally the education/college system is geared to looking upwards in the chain, not downwards towards the actual individual company that requires the added value of education. The problem is that the whole system is geared to finance and, therefore, you get a series of stages where an individual is enrolled and an individual goes through certain stages of a programme. So the programmes within the colleges tend to be geared to what resource can be given to them as far as the Assembly is concerned. Very little conversation goes on with the actual SMEs themselves to say: “What do you really need and what is the most important thing?” One of the other things that tends to happen is that a lot of courses, certainly in manufacturing, can be very expensive to run and colleges, because they are run as a business, see themselves as saying: “Can we afford to run this? Shall we tailor it? Shall we reduce its performance or should we say that we have not got enough members that, and that is done, sort of thing. Is there any way of trying to balance the two. We are screaming our heads off saying we want this, that or the other, and they are saying: “We can’t deliver it because we have not got enough resource or we are not prepared to commit that much finance to it.”

Mr Lawson: It is also where the education establishment is geared towards as well. Obviously, they are very much geared towards trying to attract students because that is where the main body of funding comes from. For example, we were talking to the head of the business school at North East Wales Institute in Wrexham and what they are trying to do is set up a particular business centre which will be away from the actual Institute itself. They are going to run a course with what they have just bought on loan from Lancaster University, which is very successful, in that it has proved to save small businesses, through management development, up to 60% off their bottom line per year. I do not know the details, and do not ask me how they do that, but I think the success from that is that is how they are actually appealing to the market; they are using the same kind of business language, and that is how they are gearing this product towards the business community. Of course, that is something we do not really see very much of, particularly with higher education and further education; it is very much geared towards attracting students and someone may have the responsibility of trying to work with the local community, whereas if there were more incentive, if you like, for them to start working with economic development issues and with local businesses then you would probably have more success.

Q436 Nia Griffi: Can I ask: obviously you have got a problem with the size of a small business, so there must be a big temptation for colleges to go, perhaps, for larger—

Mr Davenport: The one hit—yes.

Q437 Nia Griffi: Where they can give everybody that, and that is done, sort of thing. Is there any work being done either by yourselves or by the colleges to gather information about where there could be a number of small businesses all requiring the same type of skills, so they can be brought together and create that unit, which obviously the college needs to deliver the course?

Mr Davenport: Yes, there has been some work done on that. I, for my sins, have been involved in the Objective One partnership in the Caerphilly area and there is a deal of talk with the colleges. The colleges are on board there and, using me as the conduit, that is how the information is given to the colleges. They do try and change it but they then have the constraints within the college system, within the financial delivery system, coming down from the Assembly. They are in a difficult position, trying to balance the two. We are screaming our heads off saying we want this, that or the other, and they are saying: “We can’t deliver it because we have not got enough resource or we are not prepared to commit that much finance to it.”
Q439 Mr David Jones: What do you think that the Government, both nationally and at Welsh Assembly level, could do to try to remove barriers and making it easier for smaller businesses to expand?

Mr Davenport: A lot of the Assembly systems are geared to the larger organisations all the time; they do not tend to communicate with the FSB. They do on a political level but, as Russell was saying, one of the problems is that consultations are done and you have virtually got a de facto position before we are even aware of it. There is no discussion between us and the Assembly. This is a problem.

Mr Cottam: In terms of practical measures, I think, what is needed first is a greater degree of understanding of the way in which micro businesses operate. Once that relationship is established and understood the next step is invariably talking to businesses, understanding and taking into account those problems, and nurturing them, if you like. There has to be a babysitting approach, to a certain extent, because it can be such a significant step for a business to grow. It has to adapt not only to taking on more staff and the personnel issues that go with that but, also, to having a more corporate structure, which is something that they are not used to. Micro businesses, particularly, operate in the way that they invariably have and are very, very reluctant to grow. So there is not only an artificial constraint on them but, quite often, there is a reluctance on the part of the business owner to grow because of the unknown.

Q440 Mr David Jones: You mention in your memorandum that you welcome the Welsh Assembly Government’s Knowledge Bank for Business as a helpful programme aimed at small businesses. Are there other programmes that have been effective so far as small businesses are concerned?

Mr Cottam: Certainly the principle of the Knowledge Bank is absolutely right. One of the issues is the definition of what is a high-growth business. Obviously, the Knowledge Bank has a particular purpose and that is to target the high-growth businesses. There is an assumption that high-tech means high-growth, though that is not necessarily the case. Obviously, that is the way, in terms of punching our weight in terms of the world economy, that we may well need to pursue, but in terms of other schemes there are many streams of funding available—under Finance for Wales, for example—which are very well-tailored to small and medium-sized enterprises. It does tend to be a bit fragmented; the nature of business support in Wales is still quite fragmented, and I think that needs to be addressed. Many of our members are completely unaware of the sort of business support that is available to them.

Mr Davenport: If I could declare an interest here; I also—as well as doing all the other things I do—own a micro business of four people myself; a manufacturing company doing computer controlled high-precision manufacturing. So I would see this from both sides of the coin. Just so that you are all aware of that situation.

Q441 Mark Williams: In your memorandum you expressed concern that GVA in Wales is “the lowest of any region in the UK”, but you described this as a position that is “far from insurmountable”. How can we turn that around? What are your recommendations in that area?

Mr Cottam: I should clarify something that is not properly clarified in the memorandum, which is that that is, obviously, GVA per head as a proportion of the UK average. We do have a target, and as far as I am aware it still remains a rise in GDP then, but, obviously, GVA to 90% of the UK average by 2010. I think that is unhelpful because it is now an unrealistic aspiration. It is very unlikely that we are going to be able to get GDP to that level, so I think we have to be realistic in what we can do, and that has got to be the first step. In re-tasking the Welsh economy towards the needs of SMEs you will encourage SMEs to become slightly more dynamic than previously they have been. There is a concern among many small businesses that the economy is tasked towards the larger businesses; that there is an obsession with foreign direct investment at the level that we saw during the 1990s, and that is simply not the case. It is blatantly obvious that we are going to have to get used to the reality that this will not be the case from now on. It is very difficult for us to compete, so there is a case to say that we need to have a wholesale re-tasking of the Welsh economy to growing those micro businesses and small businesses to the level of medium-sized businesses. Probably not great for economic comparison, but if you look at Germany, for example, it has a much greater number of medium businesses from which smaller businesses feed, and those medium businesses play into the supply chains of much larger businesses. If we can get to the situation where we are growing businesses to a medium size then that will have a very positive impact on Gross Value Added, as those businesses become more dynamic and as they start to seek export markets.

Mr Davenport: If I can add to that, as well, one of the problems we have is that if we take the inward investment of the 1980s and 1990s we are left with no Sony, no Panasonic, no Aiwa, no LG—and we can go on and on. If those companies were grown within Wales they very rarely move from Wales—it is just a natural reaction. So, encouraging and developing smaller businesses within Wales to grow, and focusing not on large businesses but on small businesses, would create a much more dynamic economy.

Mr Lawson: We also do need to raise our game in terms of the kind of support that we offer because for far too long it has been very generic business support that is on offer; it is not really tailored towards individual businesses. We talk about growing businesses as if we can just throw them a couple of handbooks on marketing and staff development and they can go away and do it themselves; it is very much about taking an individual business, looking
at that business, looking at its strengths, looking at its weaknesses, looking at the environment it operates in and finding out where the opportunities lie for that individual business—and where the staff need to be developed within this business—because, again, we do tend to see within new business support structures there is not an integration between staff development and business development. There needs to be much more of an integration at that very ground level. There are, obviously, as you heard from the Minister, good links at the top level but at the implementation level at the bottom there still needs to be much stronger links than there are now. It is all about taking an individual look at individual businesses, making business support relevant and making staff development relevant, and that is really the way we need to push it forward.

Q442 Mark Williams: Turning to the question of innovation, and research and development, which you have highlighted as two key areas if Wales is going to compete effectively, what more should the Welsh Assembly Government and the UK Government be doing to build that culture of innovation? We had a glowing picture presented by the Minister. Was that something you and your members relate to?

Mr Cottam: I think the number of, certainly SMEs, undertaking research and development in Wales is disappointingly low, let alone the number of businesses across the board.

Q443 Mark Williams: Which you attribute to?

Mr Cottam: Largely, there is a big problem with the culture differences between higher education and businesses. We have heard slightly earlier some of this culture clash, if you want to call it that. I think there is very little understanding within academia as to how businesses have to operate. Similarly, there is very little understanding within the world of business as to how academic institutions operate and how to engage with academia, if you like. So we have this problem that there is no lack of scientific talent within academia in Wales, but it is marrying it with the entrepreneurial talent of our businesses. I come with no great fix for this. I think it is one of the great challenges we will have in terms of increasing our innovative capacity. Certainly, it is a cultural difference that we need to start working on now because many times we hear from our businesses that they hear about scientific expertise, if you like, and they have an idea for commercialising that, but how do they go about it? That is one of the issues that we have been talking to the Assembly Government about for some time, and I hope there will be an open relationship with a view to working on that in the future.

Mr Lawson: There is no real scheme for SMEs to exploit their intellectual property. Obviously, you have R&D Tax Credits but unless you are actually undertaking R&D to quite a great extent that is not going to be a lot of use to you (a) because it is not worth applying for it and (b) because it is a very complicated process to go through to get anything out of the system. We really need to start looking at a Wales-wide scheme that is going to encourage innovation within SMEs, that is going to be incentive-based and is going to have some sort of finance attached to it.

Mr Davenport: I was speaking with Dr Evans last week of the DTI on the innovation side of things. He was telling me that R&D has dropped in this country from 2.6 to 1.7%. One of the reasons, as I understand it, is that the R&D Tax Credits are so complex and you are likely to have an investigation by the HMRC that people are just not applying for them and not going down that route. Most small businesses are extremely cautious; they do not want to get bitten. All they want to do is carry on and do their job on a daily basis. They try to do the best they can for their employees because their employees are friends, generally, because they are so close to them; it is not like the finance director or the managing director of 300 people where he does not know half the faces; this is somebody you have lunch with every day. So you are conscious of the fact that you want to do the best you can for those people, and the last thing you want to do is to have an investigation which could damage the company or could even break the company. So you steer clear of it and you become ultra-cautious. I think that is one of the reasons that R&D has not been taken up as much as it could.

Q444 Mrs James: I would like to turn to skills and training. In your memorandum you mention on several occasions your concerns on the skills gap. As an organisation with almost 10,000 members in Wales from across all sectors, where do you think the skills gaps are, and where are they most acute?

Mr Davenport: From my own point of view—just to give you one small example of the situation—the lack of flexibility between colleges, which creates a skills gap. If you buy a machine tool you have special programmes that run only that machine tool. You cannot get any information from the college because they do not know anything about that machine tool, because it is state-of-the-art; it is absolutely at the sharp edge of the point. So you have to go back to the company, which will cost you tens of thousands of pounds, to get that training done. However, when you do that, you cannot get any grant for it because it is not under any little umbrella that the Assembly Government or the Westminster Government are geared to taking care of. So a little bit more flexibility and, again, a little bit more conversation with the businesses involved would make a huge difference.

Q445 Mrs James: We have heard from taking evidence from several companies about how there is a plethora of information out there, lots of business advice, but it never seems to be focused enough to the particular issue that they need. What they need is nine broad categories, not 900—

Mr Davenport: Exactly. One of the problems we have got as well is the amount of grants available. It is mind-boggling the amount of different pieces of paper. Almost 99% of small businesses do not even know they exist because they are busy just doing their job. As an example, we bought a machine tool last year which cost me £70-80,000, and at the end of
the day we did not bother with the grant because it was too complicated and too slow—just not worth the candle, really. What is the point of having a grant if you cannot use it?

Q446 Mrs James: So more help to access that?
Mr Cottam: If I could just quickly give an example as to where some of the problems lie with relation to skills, if you look at NVQ there is obviously a framework for NVQ that has to be fulfilled in order for the provider to get the funding from the Assembly Government. One of the problems for a small business is that if you list, for instance, 11 different sets of criteria within that framework it may be that small business can only fulfill six or seven of those criteria. If that is the case then there is no funding; there is no apprentice or there is no candidate forthcoming. What we need to do is look at the areas where they can fulfill to a greater level of strength certain criteria and try and promote flexibility within that framework. The problem comes back to, again, the cultural issue that we have a system that is focused on much larger businesses than the business stock of Wales would actually suggest. So tailoring that kind of support and tailoring those kinds of schemes to the needs of smaller businesses and what they can realistically provide, I think, is very important. There is an assumption—and it is a point we have made time and time again—that informal training is worse than no training. That is simply not the case. That is just the way in which micro businesses tend to train their staff. Just to really show some of the commitment within our membership, one of our members said recently: “I have a responsibility to honour the aspirations of my employees but, unfortunately, the structures that I get to work with when I go to a training provider do not allow me to do that.”

Mr Davenport: If you take my case (and I do not want to keep reiterating it) what you have got is a complex piece of machinery. So the person that operates it has to be a skilled engineer, able to comply with all the safety regulations to actually hold the component that needs to be machined. So he is a skilled engineer. That is number one. Number two, he has to be skilled at computer-aided design because he has to be able to transfer the drawings that are supplied to us on to a CAD system so that he can then produce a computer-aided manufacture programme. So he is also skilled at that. These are highly skilled people and yet there is not a single structure within the college system that will give me any paper qualifications for any of my three people, because it is specialised and it is not recognised.

Q447 Mrs James: That is very interesting because my husband is retraining now on the CAD system, because he is a machinist.

Mr Lawson: Just one final issue is the time issue for small firm; the fact that they need to give up the workforce because of the way that college courses are structured; you are usually talking about a day or half-a-day, and it is very difficult for businesses to give that block of time. If you have got a workforce of, say, four, that means you are giving a quarter of your workforce up for one day or half-day each week, regardless of whether you are in, say, a busy summer period, or you have just got a big order in, etc. The cost of courses, from the surveys that we have done, comes way down the list at number four, five or six; the biggest problems are, as Clive says, the recognition and the actual time that their workers are out of the business. That is classed as the biggest problem. So there really is a need for courses to be much more bite-sized so that they can be done in certain slots of the day when time is quiet etc. Those sorts of things can be addressed through e-learning, for example, and through, as colleagues say, beginning through the formalisation of certain learning which takes place in the business itself; you do not have to go to a college to do it when you are actually doing it in a business.

Q448 Mrs James: Thank you. I am quite interested in finding out about how the skills profile of migrant labour is changing. We hear a great deal about migrant labour coming in and being able to undertake jobs.

Mr Cottam: It is not something, I am afraid, that we have a great deal of information about. Our research within our membership indicates that, for instance, a couple of years ago we asked how many people were employing employees from the EU accession states and only 2% had had any dalliance, if you like, into that job market. The only evidence we do hear is anecdotal, which normally comes to us around the same times as any media story about the influx of people from Eastern Europe, for instance. The thing we hear time and time again is: “If I need people to fill those jobs, then I don’t really care where they come from. The job needs to be done and the business needs to be profitable.” In the longer term, the FSB, obviously, has a responsibility to work with Government, both here in Westminster and in Cardiff Bay, to look more deeply into that. Certainly, at the coalface, or at the business face, they are not charities and they need to get the job done; it does not really matter who is doing it. However, we do not have a great deal of evidence at this point as to the skills profile of migrant labour, I am afraid.

Q449 Mrs James: What links does the FSB have with other international organisations with a similar role to you? Do you get information via that route?

Mr Cottam: We are members of the European Small Business Alliance (ESBA) and so our exchange, if you like, happens at that level. As far as I am aware, at the moment I know that there are (and I only heard this last week, so I am not absolutely sure of the timescale of this) moves to start looking at these issues of the migration of labour across the EU. Certainly, our links revolve around the European institutions, at the moment.

Q450 Hywel Williams: You say in your memorandum that the FSB believes that the infrastructure is unsustainable. You say, very
strikingly, that a 21st Century economy cannot function on an 18th Century infrastructure. How would you overcome this?

**Mr Cottam:** One of the single greatest issues of our membership—and I know this is not necessarily reflected among the bigger companies—is that the problems of getting from North to South Wales are really quite substantial. If we expect our businesses to start looking towards global markets, what they have to do is grow their business within their own patch in the first place. That is part of this issue of growing from small to medium businesses; to be able to grown on your own patch. At the moment, we suspect it is probably easier to get to Kendal than it is to get to Anglesey. It is probably quicker to get to Kendal than to Anglesey. I think that is quite damning. We need to look towards developing a proper infrastructure between North and South Wales. As an example, one of our members runs a manufacturing operation and has a site in Pwllheli. I think, and one on the border of Shropshire. He has indicated that at some point he is going to have to face the reality of consolidating his sites. Now, he is minded to consolidate out of Wales, if you like, because of the problems in getting a product around Wales. Another member of ours in Llanrwst has indicated that he really does not bother with markets in South Wales around Cardiff because it is just far too much time to get down there, to get your reps down there and to get your product down there. I think that is one thing we really do have to start to investigate as a matter of urgency. As I say, I have heard much larger businesses and I have heard the evidence of the CBI which suggests they do not see a business case, if you like, for drastic developments in routes between North and South Wales, but certainly from the evidence that has come forth from our membership—we have been undertaking a manifesto exercise with the Assembly elections so we have heard much larger businesses and I have heard the evidence of the CBI which suggests they do not see a business case, if you like, for drastic developments in routes between North and South Wales, but certainly from the evidence that has come forth from our membership—we have been undertaking a manifesto exercise with the Assembly elections so we have had a nine-month dialogue with our businesses—this is the most commonly cited problem.

**Mr Davenport:** The classic situation is that I go to Anglesey regularly and it is 5 hours no matter which road you go on. If I went the same distance, say, to the Midlands it would be 2 hours 20 minutes. That is fundamental, not only just in time but it is the fact that because the road is not straight and, therefore, you tend to be accelerating and decelerating in the car, or the lorry, the amount of fuel and, therefore, the carbon footprint you put down is far larger than it would be if you were on a motorway. Motorways are always perceived as being negative but in many ways they can be quite positive, in that you have an even, constant speed.

**Mr Lawson:** One of the things that was brought up in the last evidence session was the spatial planning example, and this really is fundamental to that principle. This is obviously about looking in terms of space and how space needs to be developed in economic development terms. The problem fundamental to that approach is, obviously, getting different local authorities in order to agree on the same road priorities, for example. That is going to be fundamental right off the bat, whereas different local authorities are going to have different priorities because there are different sections of their local authority area which need upgrading desperately, and there is also the issue that there are local authorities with whom we have to try to agree in principle in England. One of the biggest bugbears that our members have in North Wales is the fact that the A5 is still single carriageway; you go from a dual carriageway, the A43, and then you are stuck on a single carriageway. If you have got your big markets in the Midlands then that becomes a big problem, but of course that road is in England so there is nothing we can do about it. This may be something that we need to be looking at in terms of developing a spatial plan, certainly from the Assembly’s point of view; if you are going to apply the holistic approach you have to take that holistic approach.

**Q451 Hywel Williams:** I am familiar with a company that develops Welsh language software in the north and their main market is in the south, especially with governments, but they have ambition, obviously, especially at the European level, to develop software for other languages as well. That is a particular example where the infrastructure is difficult for them. I think we might be interested to hear if you would have members in similar sorts of situations—perhaps not now but as further evidence—where there is a link from the local, national and then to the international possibilities. Perhaps I can leave that with you.

**Mr Lawson:** Yes, certainly.

**Q452 Hywel Williams:** Can I turn to larger companies? Your memorandum points out that the increased mobility of many larger companies is evidenced by the relocation away from Wales. You say that in paragraph 21. What incentives should the UK Government and the Welsh Assembly Government put in place to ensure that increased mobility encourages larger companies to move to Wales? I am aware from your previous answers that you might not think that is a realistic possibility in many situations, but perhaps you could address the points.

**Mr Cottam:** Despite what I may have inferred earlier (and I know this is the view of the FSB) we think it is essential that there are the larger companies in place to be able to create the supply chains that can grow the smaller businesses. We have in Wales a tendency to look over the water to Ireland and to look to their example. Certainly, there may well be merit in looking at what they have done with Corporation Tax in creating an incentive for businesses to locate into Wales. Certainly if they can get that skills provision right we certainly have the business infrastructure in place to be able to service those larger companies because we have been, certainly for many, many years. We may be experiencing much lower levels of foreign direct investment than previously but we are not in our dying throes yet. So there are incentives that can be put in place and I think it is probably time for a very open debate as to what is the most appropriate incentive that we can offer larger businesses. If that involves looking very closely at the example that Ireland has set then I think that is probably the best place to start.
Mr Lawson: One thing we can do, for example, is make our smaller businesses FDI-ready, if you like. One good test is going to be what is going to happen with the Olympic tenders—all the infrastructure and everything that is going to be built around there. Are our types of businesses, the ones we have in Wales, ready in terms of do they have employment policies up-to-date, health and safety policies up-to-date, and do they have their staff trained in order to handle large volume orders? Can they demonstrate the kind of track record they have got in fulfilling contracts, and all this kind of thing? These are things on which really we could be helping our small and medium-sized sector so that when FDIs do come in we can say: “We have got a ready supply chain all set up; it is all documented and everything: they have got a good track record”. That, obviously, is part of the attraction.

Q453 Mr David Jones: Mr Davenport, you mentioned your difficulty getting around in Wales. I think you said it was a 2½-hour journey to Anglesey. I am not sure where you are starting from.

Mr Davenport: Cardiff.

Q454 Mr David Jones: Do I take it, therefore, you will be using the Cardiff to Anglesey Air Service when it is up and running?

Mr Davenport: No, that would be difficult because I will be carrying equipment which is heavy and it would not be practical to use the air services. I am not going as a businessman with an attaché case; I have got a large vehicle and pieces of equipment. That is where road systems actually function much better than air bridges, especially small ones like this one.

Q455 Chairman: Could I end this session by referring again to your written submission. In it you note that as SMEs grow “the right infrastructure and skills . . . [and] a competitive taxation regime” will be imperative to ensure that the businesses remain in Wales. Earlier you were referring to the possibility of SMEs staying in Wales being more likely than multinational, global companies. So the question is: are SMEs that are successful more likely to stay in Wales if the circumstances are right, and what are those circumstances?

Mr Davenport: I can give you an example of a company called Orangebox, but it actually makes that sort of commercial seat in all sorts of different variations. That company is a Welsh company and it has grown from virtually nothing 20 years ago to turning over £33 million a year now. Everything it manufactures with the exception of one die-cast part is made in Wales and will continue to be made in Wales. That is their physical and mental approach; they have no intention at all of moving out of Wales. If we can encourage companies like that to grow from small businesses to larger businesses, to even larger businesses, then that is what we should be doing in Wales. One of the problems you get, the Assembly Government is very keen to show the amount of new start-up businesses, and that is great and just as it should be. However, there is a stage where a start-up business, after, say, three years or four years, needs to be geared up to the next stage. That is not mentioned at all because it is something that is dynamic; it is not something that is a headline grabber as far as any politician, with all due respect, is concerned; all it wants to do is say: “We have created X-number of jobs because there are X-number of new businesses. We have not kept the existing businesses growing; we have not nurtured them and made them expand into the next generation of businesses”. This is the problem.

Mr Lawson: We have to be careful with the headlong rush for high-technology start-ups which try and attract businesses into, say, the Technium Centres, but attract them from England. Obviously, the reason you can attract them into somewhere like a Technium Centre is because they are highly mobile and they rely very much on their intellectual property, which is going to make them the money. So they can come into Wales and take advantage of the grants and support and the help, but that also means that they can leave Wales just as easily, which many actually do when they want to set up in, say, a cluster around Cambridge. We have to be careful we are not just trying to grab all businesses just so we can say we have got a big stock of high-growth, high-knowledge businesses, when they will just as easily walk out when the time suits them.

Q456 Chairman: Thank you very much for your evidence. If you feel that there is something you wish to add, please feel free to send in a further memorandum. I was particularly interested in your observations about the skills agenda and the links, or lack of them, between SMEs and further and higher education. If you and your members have anything further to add to that we would be interested. Secondly, we are also interested in migrant labour. You did not seem to think that you had a good deal of information on that but if your members might be able to identify some information developments in their own particular localities we would also be interested in that. Thank you very much.

Mr Davenport: Thank you.
Tuesday 20 March 2007

Members present:
Dr Hywel Francis, in the Chair
Mr David Jones
Albert Owen
Mark Williams

Witnesses: Mr Julian Burrell, Chairman, and Mr Dave Chapman, Communications and Policy Consultant, Wales Tourism Alliance, gave evidence.

Q457 Chairman: Good morning. Welcome to the Welsh Affairs Committee and our inquiry into globalisation. For the record, would you introduce yourselves, please?
Mr Burrell: My name is Julian Burrell, Chairman of the Wales Tourism Alliance.
Mr Chapman: I am David Chapman, the Communications and Policy Consultant for the Alliance.

Q458 Chairman: It is our custom to begin our questions by trying to focus globally, so my first question is how conscious are you now that tourism in Wales is very much part of a global economy, particularly in relation to markets and labour, and how have your strategies in recent years changed to take account of that?
Mr Burrell: The tourism industry itself has had to cope with a global marketplace for some 40 years now, so that side of it is nothing new, and I think it is something that Wales, in particular, has coped with. We are still, in 2001, 2005, talking about long-haul, overseas holidays increasing by some 12% and short-break holidays overseas 35%. Those figures are well are very encouraging from Wales's point of view. Although domestic tourism over the last few years showed an overall drop in the UK on spend of something like 22%, Wales has got a plus figure, plus 4.9%, and I think that shows we are coping very much with global marketplaces. On the labour front, this is something which is comparatively new. Going back to 2003, there were something like 5,000–6,000 overseas workers here, most of whom were working in the restaurant industry at that time, and so the influx of some overseas labour, for hotels and other markets, is only comparatively recent and is still quite small. We are talking about, for A8 entrants, out of 100,000 into the hospitality industry in the UK between, I think it is, May 2004 and September 2006, only 2.4% have come to Wales, so they are a vital part of the industry but a small part of the industry.

Q459 Chairman: In general terms, how important is tourism to the Welsh economy and can you identify those parts of the tourism sector which are likely to grow?
Mr Burrell: We employ something like nearly 9% of the workforce, and that is a considerable figure, and that on its own, I think, shows the importance of tourism to the economy in Wales. The growth areas, I think, anything prefaced with 'quality', from quality camp-sites to quality hotels, and that is the essence of what we have got to try to achieve to make Wales stand out, we must have that quality presence. That means as well having the staff and the managers and the owners that can provide that quality service; it is no good having just a quality product without a quality service.

Q460 Chairman: Do you market, in particular, green tourism, or eco-tourism or, dare I say it, food tourism?
Mr Burrell: I am sure you can dare say food tourism. Probably it might seem strange that, 10 years ago, we could think of Wales becoming a 'food tourism' important part of the economy, but that is very much what is happening, and that is local food as well, and that is a vital part of the strategy which is with us now and it is something that the Wales Tourism Alliance is pushing and my colleague David here has been dealing with; so that growth area is fine. Environmental tourism, I think that is where the industry needs to take the lead, not wait for our customers to say “Hey, why aren’t you doing something?” it is actually to be ahead of our customers’ requirements and show that we really care about these environmental issues.

Q461 Chairman: Are you conscious of the importance of economic regeneration, community regeneration, the relationship between them and tourism; is that an important interface and do you have any observations on that?
Mr Burrell: Very much so. A lot of the time regeneration is used in the context of urban regeneration and I think one of the biggest contributions tourism has made has been rural regeneration, especially after foot and mouth. It is the sort of thing which does not show up perhaps in figures and stats all the time but it is a case that tourism has helped to maintain the fabric of rural life, it has sustained farms. You have got a farm which probably was not going to be able to keep going on its own but, with the addition of tourism, with the addition perhaps of a cottage, or bed and breakfast, or whatever, that farm is still viable and that has helped to maintain rural economies.

Q462 Chairman: I am very interested in the impact of tourism on economic and community regeneration in the South Wales Valleys and particularly I was struck by my own birthplace and the way in which St Patrick is being promoted, because it is alleged that he was born in Banwen in the Dulais Valley. Do you notice that there are any
significant developments across the South Wales Valleys and the way in which tourism is helping to assist in their regeneration.

**Mr Burrell:** The obvious example is the Big Pit and that is an iconic destination, as you know, an award-winning destination, and to have achieved something like that in that area, I think, is a real, major, important role of tourism in the Valleys. That has become probably one of the best-known industrial museums in the UK and has had a big influence; we all need iconic buildings, and we have seen what has happened in Cardiff, with the Millennium Centre and Athletic Stadium, but we have got that equivalent in the Valleys and that has made a big difference.

**Mr Chapman:** I think tourism’s role in regeneration is often as a supplementary but essential part which occurs, from our point of view, across the whole of Wales, and that can be replicated in the South Wales Valleys. If you consider the industry, it is locally-based, locally-owned and has an effect on every single constituency in Wales, which makes it pretty unique as an industry. What tends to happen with regeneration projects as a whole is that they rely on the development of a critical mass of regeneration in order to move things up and make things improve for the communities. At the heart of almost all regeneration would be the tourism industry, in some way or other, so we play a part in an awful lot of regeneration, not simply as a focal point for projects as well.

Q463 Mr David Jones: Mr Burrell, you mentioned the importance to the agricultural community of diversification into tourism. Frequently this will require the town and country planning system to be used. To what extent are you finding that planning authorities are helpful and sympathetic when planning applications for new tourist projects are made by agriculturalists?

**Mr Burrell:** As you know, that will vary from region to region, or local planning area to planning area. For the smaller schemes, I do not think there is too much of a problem; it is when you come to the major schemes that you run into a lot of different opinions on the benefits, and the opposite. On the smaller side, what I was talking about, on the farm regeneration, when you are talking about restoring barns or other redundant buildings into cottages, I do not come across too many people saying they have problems in that direction, providing, of course, they are doing the restoration in a sympathetic manner.

Q464 Mark Williams: You highlighted the potential for food tourism. Could you give us some practical examples of the work you have been doing? I am fully aware that there is huge potential there, at a micro level there are many opportunities; how are those all being brought together to all Wales and more fundamentally how are you going about promoting those?

**Mr Chapman:** I think part of the Alliance’s approach to where it can affect and develop policy generally is to try to bring together all of the key partners in a sector and build in this sort of large-scale inclusivity to make it happen, and we are doing that, which I am sure we will come on to later, in the skills area. What we were keen to do, and the Executive of the Alliance was keen to do with the food issue was, as there were a lot of local projects, to produce something which would have an across-Wales influence and be able to flag up some of the best products in some of the best tourist venues. The project we are working on currently is we are tied in with PGI Welsh Lamb and Welsh Beef and we are looking to find, in the very near future I hope, a link-up with the British Hospitality Association’s premises in Wales, the top hotels and restaurants and other venues, and to run a promotional campaign highlighting the fact that they are selling and offering local food to the visitors, to raise the profile of both the tourism industry and the food industry. That is pretty near, I hope, ready to take public, probably it will be post-Easter but in time for the main part of the holiday season.

Q465 Mark Williams: There is also a close link there with something to be developed in terms of farm visits, that side of it, as well?

**Mr Chapman:** On a micro level, there has been a substantial amount of movement into food tourism in recent years and people were realising that visitors, I suppose rather like visitors from Britain to France were in the seventies, eighties and nineties, were going there primarily for the food, if you like, as well as the relaxation of a break in the landscape. I think Wales’s reputation, at a time when stress levels rise in complicated lives in inner cities and central cities, as a place to relax and get away from it all, enjoy a wonderful environment, it all ties in with enjoying the local food produce, and particularly the lamb, the beef and the cheese, which actually originate from the countryside they visit.

Q466 Albert Owen: Just before I move on to the migrant workers issue that you mentioned, one area of growth, certainly in west Wales and north-west Wales, is cruise ships bringing in extra revenue to those areas. Is there a development plan for cruise liners in Wales for the future, or is it on a port-to-port basis?

**Mr Burrell:** There is a coastal strategy being discussed at the moment. One of the questions in there is do we go for more cruise ships; yes, they do bring some benefits, have we got the facilities to be able to bring them in. There are a lot of cruise ships calling just over the other side of the Irish Sea, which easily could call at Holyhead or Milford Haven, it is bettering the infrastructure as well to go with that. As you say, they have increased quite dramatically. One of our member organisations is the Blue Badge Guides and they have been involved with that. Obviously, it requires a considerable amount of work; they are not used to having that number of people turning up in one place at one time, but, yes, it has meant a lot to the industry.
Q467 Albert Owen: I would counter that and say that there are 2.7 million people coming through the port at Holyhead, so they are used to handling numbers, but just not the cruise liners?

Mr Burrell: Yes. Sorry. I meant the numbers of people requiring a guide, all at the same time.

Q468 Albert Owen: I appreciate that. You mentioned that some 2.4% of the labour in tourism was migrant labour, I think that was your figure?

Mr Burrell: Yes; 2.4% was A8 entrants coming in over the last two years.

Q469 Albert Owen: Can you tell us how many people are working in Wales in tourism?

Mr Burrell: That figure actually, 2.4%, was the number of A8 entrants coming into the UK who had come to Wales.

Q470 Albert Owen: Can you tell us how many came in?

Mr Burrell: We had some figures, as I mentioned to you, in about 2003, when the numbers here were only something like 5,000 or 6,000, and obviously those sorts of figures have increased, but they are still not that large, comparatively. We have made the point that a lot of them are waiters, the chief use of these very good people, which means they are very visible, so it tends to look like we have rather more of them than there are, and until very recently it was something which was apparent only in Cardiff, and I know that has spread to more areas.

Q471 Albert Owen: Previously you mentioned that they are not just in the restaurants any more but they are more central to the wider tourism sector. What kinds of jobs are they doing?

Mr Burrell: Waiting staff. This is a survey which was done for the Tourism Training Forum for Wales, specifically on this subject of overseas workers, and the response from employers was that waiting staff was the biggest, catering assistants second, cooks and chefs third, and cleaning staff are in only fourth place, it was those other jobs, the more skilled jobs, that were being done.

Q472 Albert Owen: You mentioned in your memorandum that local people are hard to place and you have just told us what jobs the migrant workers are doing. What is needed locally, and in Wales, to get people to go into tourism and into catering?

Mr Burrell: Some of it starts from the schools. What we have been trying to do over the years is raise the status of the industry. You may be aware that last week was British Tourism Week. This was done at fairly short notice, and I think, when we do it again, one of the ideas I wanted was a lapel badge for everyone in the tourism industry: “The tourism industry is important. I am in the tourism industry therefore I am important.” It is getting over to people that this is a vital part of our economy in Wales, tourism is so important, and to encourage more people to come in. Often we talk just about school-leavers but it is not just that age group. The tourism industry is particularly suitable, because of flexible working hours, for getting to the Government’s agenda of getting the economically inactive involved, and that is particularly suitable, the tourism industry, say, for single-parent families, semi-retired people, or whatever, and these people are very valuable; often it is a loss that they are not being employed and the tourism industry can make use of them. It comes down to the fact that the tourism industry is always going to involve unsociable hours, and we have got to the stage now of celebrity chefs and that has had a big impact on some of the local colleges. Often the input to the general tourism courses can be quite low; it is “What shall we do with these people? Oh, they can go into tourism.” The chefs have changed; you get some much better people coming in there, but still it comes down to chefs do not work Monday to Friday, nine to five, and a lot of young people understandably are a bit reluctant to come into an industry where it does mean there are unsociable hours.

Q473 Albert Owen: Accepting the unsociable hours point, is it not relatively low wages as well; in areas now where there are relatively good employment opportunities, they are not taking tourism and catering because of the wages?

Mr Burrell: I still do not think you can buy your way out of that problem.

Q474 Albert Owen: I am saying, is it a factor?

Mr Burrell: It is a factor, but not the only one. I do not usually talk about my own company, but do not assume that the whole tourism industry involves just hotels with more menial jobs. My own company is a self-catering agency and we always have trouble, because we are a call centre, open 12 hours a day, seven days a week, and it is the unsociable hours which are the biggest problem.

Q475 Albert Owen: To what extent are employment agencies used to supply labour in tourism in Wales?

Mr Burrell: What did come out in this survey that I mentioned just now was that the local Jobcentre was still the preferred route for most employers, 27%, 22% were using agencies. One important problem which came out from there was, once you get a nucleus of staff from a particular place and they find it is an excellent place in which to work, that soon gets around. Employers are finding 17% mentioned people just passing on a name, writing back home, saying “Here, there’s a very good place to work, it’s a great industry, a nice place to live,” and that was the third most important source of getting people in.

Q476 Albert Owen: What are the advantages of using agencies?

Mr Burrell: I think some employers prefer overseas staff probably; because they perceive it is more complicated, they need some help to take on people there and make sure they look after them properly, and whatever.
Mr Burrell: Indeed, yes.

Mr Burrell: Particularly the smaller players in the industry always thought that the Wales Tourist Board was there to represent them, and of course that was not quite the case, it was there to represent Government, not the industry, and that was more obvious once the merger had taken place, that the industry had to represent itself. After all, it is that way round; that is the way it works in any other industry, and, much of the change which has come about over the last five years, the Wales Tourism Alliance is comparatively new.

Mr Chapman: There is obviously a coincidental thing as well, which is due to the inception and the growth of the Tourism Alliance itself, and it is a very new body, which originated only in 1999 to mirror the beginning of the Welsh Assembly Government, and began from very small origins, and so it has evolved to take its role as the voice of the industry in the period which has seen the pre-merger and the merger arrangements take place. That has happened at exactly the same time maybe as the consequences of the Board becoming a full part of Government, rather than being a somewhat arm’s length removed agency, at one time.

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Q482 Mr David Jones: If I may interrupt you, it seems paradoxical that is the case in Wales. I cannot imagine, for example, in Switzerland or France or Italy, that the tourism industry would be regarded as a low-status industry?

Mr Burrell: Waiting is considered a profession in France and it has never been looked upon in that way here. Everybody has a lack of young people coming along, these days; there are a lot of people leaving rural areas, full stop, not because they do not want to be in the tourism industry. What used to be, that they were going to London, perhaps, or Birmingham, or wherever, now they are going to Cardiff probably, but we are still having from the majority of our rural areas an exodus of young people and that is creating a lot of the problems, not that simply they are going elsewhere because they want to go to the big cities. What we want them to do is come back and be involved in tourism. A lot of the role of the Wales Tourism Alliance, and we are only a small organisation, we have not got much funding, is getting everyone to work together, and that is what I have been trying to do, that is what we have been doing for the last five years, and it is essential to do that as well with the training side.

Q483 Mr David Jones: I imagine that a lot of your members are small businesses; what special support do they need, in terms of training?

Mr Burrell: Again a focus in the past has been on training staff and we want to make sure that the small owner, proprietor, has the necessary support that you are talking about as well.

Q484 Mr David Jones: What support would you say that is?

Mr Burrell: We are still having the case of the industry not being considered a profession by some people who enter it. Setting up a small hotel, or B&B, “My wife is quite a good cook and I’ve travelled a lot,” that is the sum total of their professional qualifications; that has to change because that does not suit the quality of changes in the industry.

Q485 Mr David Jones: I understand that, but what training support can be offered to people?

Mr Burrell: Much the same sort of training that they need in how to run a business, the quality agenda, everything they need to address when they come into a new business.

Q486 Mr David Jones: You mentioned the question of quality. What can be done to help the Welsh tourist industry drive up quality in what is an increasingly globalised market, where people are able to travel across Europe or across the Atlantic more easily?

Mr Burrell: It is the awareness of that quality, because the people running the businesses might not do the same as the traveller and they might not be aware of the quality which is available elsewhere. We have got a grading system now which is harmonised throughout the UK; that is with Visit Britain, Visit Scotland, Visit Wales and the AA, they all offer exactly the same criteria, so the public will have an easier time with the quality side. In the past, all quality agenda, criteria, have been led by the state, public sector, and I would like to see the industry itself being a lot more proactive in this and, if I can say, one step ahead of the customer, “What is our customer going to want next year?”, not “What did they want last year, and we’ll put up our grades to that.”

Q487 Mr David Jones: Hence, I take it, the need for an action plan, and presumably, again, I take it, the action plan will not be cast in tablets of stone but will be an ongoing development; is that right?

Mr Burrell: Very much, for the tourism industry, and it is adaptable; we do not suddenly become obsolete with other projects, and sometimes the industry does need a wake-up call, because it is far too easy to be complacent and say, “Okay, we’ve achieved a certain level of quality; that’ll do us fine for five years,” but it does not, things keep changing, you are right.

Q488 Mr David Jones: What contributions can be made, or are made, by the higher and further education sectors to the development of training within the industry?

Mr Chapman: I think that the role of the higher and further education sector has to be part of the package which offers genuine industry-led training in all parts of Wales. Really that is what our members want and I think that is the message we are getting back now from the people who are involved in training courses in the colleges and in the professional training organisations, that probably it is not suitable to be able to set a rigid structure for a course and then expect the people who go through that course then to find their way into a job in the industry. It is far more suitable for the industry to be able to pinpoint its requirements and to use the facilities of the higher and further education system and the training organisations to deliver those jobs on a local basis. To do that we will need to have probably a more regular standard of delivery across Wales so that the training is local as well as the jobs which become local and the resources go up. Resources are important to this as well and I think some of the colleges representing our industry are struggling somewhat to be able to afford some of the basics they need to teach. An example came back to us, from one of our Executive, of a training course for chefs where they were being trained to fillet fish, and there was one piece of fish to fillet with a class of maybe 10 or so. It is a simple thing, but maybe it is because of the way that the budgets are arranged and the courses are structured it is easily overlooked for something like that to be most essential, as a practical experience rather than an academic experience. We are not looking to criticise in any way provision, what we are looking to do is see what is available and offer the industry’s assistance to utilise the good points of what is available and maybe try to discourage some of the practices which
Mr David Jones: I was pleased to see that you mentioned Llandrillo College in your memorandum, because of course it is in my constituency, but what sorts of links do you have throughout Wales with the education sector?

Mr Chapman: As an industry, one of our member organisations is the Tourism Training Forum for Wales, which has virtually total representation in that area for us, so because we are an umbrella organisation we tend to pull together the strings which are both sectoral and regional within Wales. The Tourism Training Forum is an organisation which we have respect for and confidence in and we allow them to get on with their work; we put forward the arguments which have originated from their practical experiences of it. Really it is a matter for the Tourism Training Forum to develop that but they will play an integral part as well in the action plan once it comes together, probably in a month or so.

Q490 Albert Owen: Just to pick up one point you mentioned there, about the whole industry not being attractive for young people, I think, with respect, Mr Burrell, you were talking about people leaving the area and it is not what is happening today; what is happening is that many undergraduates are coming back to the area during their course, when they are in university, and getting jobs in the retail sector, which is growing rapidly and attracting people. Going back to the links between business, industry and the schools, I think there are positives there because a lot of competitions are being promoted in the areas where big companies—Stena, in my constituency—actually have cooking competitions between the schools. Is that something which you actively encourage?

Mr Chapman: It is something which we would like to see as part of this future way forward. You are right, it is not a massively pessimistic picture which is being painted. I think the percentages of jobs which are taken by people who are not from the local community are smaller in Wales. I think there is an opportunity for us to be able to encourage far more people into the business, and for a rewarding career in the business, and for that to be successful it depends totally on pulling together those different aspects of local life, the local community and the local economy to make it work. I think that is one of the huge attractions that tourism can offer Wales as an economic strength, the fact that it is able to play that part in every part of Wales, so we are not a hot spot which exists in a sort of ‘silicon valley’ environment, say, and we are not an industry which comes and goes. At the skills summit, which we had about this time last year to launch the Skills Action Plan, it was mentioned by the representative of People 1st about a UK programme for looking ahead 25 years for the tourism industry, and it struck me at that point that it was the total lifespan of the VHS industry. When you consider our economic performance over the decades, I think we can offer Wales something which combines culture and community at the same time as economic influence. We have to maximise that now and if the industry is grown-up enough to be able to do that on an all-Wales basis I think we have got the mechanism now, with the Welsh Assembly Government and its enthusiasm to support that, and now it is a matter of bringing in all the parties to make the most of their resources and their effort.

Q491 Mark Williams: My questions are about infrastructure and communications. What changes, if any, in terms of the transport infrastructure, do you feel would encourage tourism?

Mr Burrell: Starting with Cardiff International Airport, most budget airlines, most airports, will worry about only incoming traffic, if they cannot fill the seats going out. Jon Horne, at Cardiff International Airport, has made big efforts recently to try to ensure that it is two-way traffic, and that is to be encouraged, and hopefully developed. I think that is vitally important; just the way of looking at it. It is so easy to say, yes, people have got the opportunities to go overseas now far more easily, but also it means that people have the opportunity to come here far more easily, and those need to be developed. On the rail side, I know we have got a fast, frequent service. Paddington to South Wales, apparently the figures for that are that those services are not overused by people coming here on holiday and where, in fact, it would be ideal for a city break at the weekend, for example. We have a decent service in the north. Admittedly, the services in mid Wales are lightly used, but they are still there, and that is the important thing, they are there and the fact is that they can be used by more people in the tourism industry, and not just getting here as well. I think the vital part is to encourage people, once they are here, okay, so you have arrived by car, well over 90% of our visitors arrive by car, but to give them the opportunity to say, “Right, we’ll leave the car there and we’ll travel around Wales by public transport.”

Q492 Mark Williams: How much of a dialogue do you have, as a group, with the train operators? You mentioned mid Wales, and I think particularly of Arriva Trains, for instance. How much of a dialogue do you have with them, in terms of service delivery on the ground?

Mr Burrell: The South East Wales Forum, which we operate, they do have representation there; there is someone who represents both Great Western and Arriva, so that is the person I meet most often.

Q493 Mark Williams: Mid Wales specifically?

Mr Burrell: He deals with Arriva for all their services in Wales. I have personal experience of travelling way beyond Arriva and mid Wales, and I am sure you have as well.

Q494 Mark Williams: Yes, indeed. Do you feel that, again, some of the practicalities of the deficiencies in that service in particular are hampering attempts to promote the Cambrian Coast Line, or the Cardigan
Bay area? I have the spectre of somebody arriving at Shrewsbury expecting a connection to the west of Wales, finding it does not exist and then, when finally they get herded onto a coach, the great gateway to Cardigan Bay, or south Merioneth, in particular, the gates there will be shut and we are not promoting the area, largely due to people’s transport experiences, in the way we should. It is not the best advertisement for an area where, as we said earlier, there is a huge potential.

Mr Burrell: The coach alternative does not happen too often. I have experienced it only once. Perhaps you have been unlucky and had it happen to you rather more frequently. I think that particular trip is fine as long as you treat it in the right way, as something of an adventure. A rather more personal adventure, I know some colleagues, some friends of mine, who came on the train and they got to Machynlleth, where the train divides, and the Aberystwyth section set off but people had been left behind on the other line, so it waited for the other connection to wait for it. That is the sort of friendly way the line operates.

Q495 Mark Williams: On a practical basis, you have said, and I think we all support you, that you are trying to promote the quality image of Wales, in terms of the hotels and the facilities at the other end of the journey; the journey is not enhancing people’s image of Wales?

Mr Burrell: No; but the volume of money needed for that infrastructure, and you must be able to convince Government that you will be able to get that number of passengers on there to make something like that viable, the way we are going with environmental issues I think that is even more important. If we are going to encourage more and more people to use public transport to get to Wales, as well as travel around Wales, you have to provide them with that quality service as well.

Q496 Mark Williams: Notwithstanding the deficiencies, do you think the rail companies could do more to promote—I hesitate to say this—the experience of rail travel? The mid Wales line is travelling largely southwards through Powys, admittedly over the border as well, it is a very positive experience; they should be doing more to promote that?

Mr Burrell: It is a wonderful line, is it not? I know that, even the coastal strategy, I remember being mentioned, there are several parts of Wales where the rail line is the easiest and best way to take full advantage of the scenery, so there is a lot more that we can all do, and that means just working together on projects such as that.

Q497 Mark Williams: You highlighted, in other evidence earlier this morning, the importance of relationships between the tourist industry, yourselves, the Assembly Government and the Westminster Government. How effective are those relationships and how might those relationships be enhanced?

Mr Burrell: In the last five years, they have changed substantially. At the time of foot and mouth really there was very little direct contact at a national level between the industry and the Government, so we have changed that. I think it works far better than it does in Scotland and very much better than it does in any other part of the UK, and I think that is to the benefit of tourism in Wales and the economy of Wales as well. We do have a good working relationship. We are not that big; it is simple. The previous way things worked was that the Wales Tourist Board or Government would announce policy and the industry would jump up and down and complain. Why not sit down and work on it beforehand; it is not too complicated to do, and that is what we have tried to encourage people to do, and for the tourism industry to act responsibly as well and take that responsibility of saying, “Okay, we don’t have to do everything through the Western Mail.” It means we are not in the headlines. I am afraid we are not good headline-makers because we work behind the scenes.

Q498 Albert Owen: If I could go back to the transport infrastructure and you mentioned Cardiff International Airport, and indeed Jon Horne, with whom I worked on the north-south air link; many other parts of the United Kingdom, and indeed the Republic of Ireland, which has benefited considerably from tourism over many decades, have regional airports. Would you like to see the development of more regional airports in Wales? Particularly a working model is Cornwall, where they attract many weekend tourists from the South East.

Mr Burrell: There is a big debate at the moment to do with the new London-Newquay service as well. I know the environmental issue is being involved there. I must admit, I did not read that article, I saw only the headline in The Independent. I have always had one thing about some of these regional airports being used for very short holidays and that then they have a limited benefit to the local economy. Ireland last year was talking about thank you very much to all these regional airlines for bringing in these people, but they do not stay very long. They do benefit the hotels and a few other facilities when they stay but they do not get out and see Ireland, they do not get much further than the airport or their immediate surroundings, so the attractions, and whatever, will not get any benefit from this at all. They are introducing a long-stay campaign: “Take your car over on the ferry, come and spend 10 days in Ireland, not two.” That market is important, but I think its importance can be overemphasised at times. The air link you are talking about possibly will help more people in Wales, more so if you live in Wales rather than the tourists, but it is good to have, and let us hope it succeeds as well; with a three-year trial period, we hope very much that it will succeed.

Q499 Mark Williams: The Welsh Assembly Government’s tourism strategy states, and I quote: “Wales remains fragmented in its online visibility which reflects the general fragmentation of the
industry . . . Wales needs to extend its visibility and the tourism industry must be encouraged to accept and use modern technological innovations as essential marketing tools.” Do you agree with that assessment, and, if so, what steps should be taken to remedy it?

Mr Burrell: The answer to the first question is, no. I would like to have on my tombstone “The industry was fragmented but it is not as fragmented as it used to be,” and that is what we have been trying to do; just because an industry is made up of a lot of small players it does not mean to say that makes it fragmented, industry has proved it can work together. Its knowledge of IT, I think, is far better than some people know. I meant to do this before, I did it yesterday afternoon, just put into Google “Wales plus B&Bs” and you get 1.2 million come up; “Wales plus hotels” 4.4 million. Somebody out there is doing something, and I think you will find that a lot of the small operators actually know a great deal more about IT than some people in the public sector give them credit for, and in fact know themselves. Personally, I started the first online cottage-booking system, 10 years ago next month; it is not new, and that is how long it has been going. I was the first one in the UK then. There are a lot of people out there who are really utilising IT, perhaps not in the way that some people thought they might do, but it is there and it is an absolutely vital part of the industry, it is really, really important. In my own business, we are talking about 75% of new business comes from that source, and it is simply there. You cannot ignore some of the more traditional methods, but they are going; probably they will be with us still in some form, people are still going to want hard copy brochures for some time to come, but the tourism industry is ideally suited to the internet. There are some people who have probably too complex a business, perhaps whose activities are a little more difficult just to be able to sell off the internet, but for most of the accommodation sector it is absolutely ideal, and not forgetting a mixture of both. A lot of small operators do not like online bookings; that gets confused with some people, where they think they do not do IT. They would like to speak to people as well. The internet puts them in contact with a customer but then they are able to talk to them, tell them a lot more about their business, give them a personal touch; because this is a people business and you cannot just hide behind a screen all the time. It is absolutely vital. I do not think those comments are justified. I have made my views clear and I do not think I will change them.

Mr Burrell: The marketing side of it, I think, leads on to everything else. In Wales, with the Wales Tourist Board (now Visit Wales), we have developed some extremely good marketing, with which most of the industry is proud to be associated. Remember, if you think back 10 years, an awful lot of time was spent saying the marketing campaign was no good. It was useful, of course, whenever one's own business did not do very well, you could always blame it on somebody else and the marketing, but now it has the support of 99% of the industry, and because we have had that success with the marketing, the Structural Funds then come in to capital grants and skills training, and whatever, and all those funds can be put to far better use simply because the industry has become more successful. It is absolutely vitally important that level of marketing is maintained.

Mr Chapman: I think it is important to say that really the Structural Funds, and particularly the marketing elements, have been the backbone of the developments of tourism enterprise. It is quite easy to separate, easy to take the line that grants aided quality marketing is a sort of difficult to understand semi-science and not really related, but the way that the funds were applied, as Julian said, with great success within the industry, that is quite hard, I think, for the industry to agree that a campaign is very good. That was the case certainly with Big Country and onwards, but it was introduced in a holistic way. The marketing was not designed simply to promote Wales, it was designed to deepen the demand in ways which would have been impossible to do without that support. The deepening of demand created the ability for the entrepreneurial elements and the quality-seeking elements in the industry to expand their businesses, again with some public support and the very useful contributions made by Section Four and some other contributions. In the first wave we have moved forward at a much faster pace, and sustained that movement, than we would have done without funding. I think the difficulty for the industry will be under Convergence Funding where there may be different criteria. If those criteria fail to associate the elements of enterprise which were essential in the marketing section, the holistic approach of the first wave, and try to separate out the marketing from the grant elements as if they were two separate components, I think there will be benefits to the industry but nowhere near as large a benefit as could be created if marketing was to qualify as well. Certainly we are trying to persuade those who are in the decision-making process of the need for this holistic approach, to keep us ahead of the game and sustain the industry’s forward movement in the last few years, as well as looking to take on some of the key areas which will attract visitors on their own behalf.

Q500 Mark Williams: Thank you. How did the Welsh tourism industry benefit from the previous Structural Funds programme? Your memorandum stated that the tourism sector needs adequate resources from the new EU Convergence Fund. What was the history of funding with the previous Structural Funds programme, and what do you envisage the new funds being used for, if these are successful?

Q501 Mark Williams: Have you quantified the benefits financially with the previous round?

Mr Chapman: We have somewhat limited resources to do it ourselves so probably you have heard most of the statistics that we have got, but they are the
We needed for an expanding Health Service, because we could not manage to fill all the posts that we operate in more of a globalised economy now? We have always been an inward recruiter, largely benefited, I suppose, from Ireland and the Indian subcontinent and, more recently, the Philippines.

**Witness: Ann Lloyd, Director, Health and Social Services Department, Welsh Assembly Government and Chief Executive of NHS Wales, gave evidence.**

**Q502 Chairman:** We began this session with some questions on globalisation. Earlier today we met with Mr David Parker, Director of International Business Wales, from the Welsh Assembly Government. It reminds us of the need for us to be less introspective, I suppose; that is not necessarily a criticism of tourism, it is a general problem, I think, in Wales. To what extent do you feel that you are constrained in any way in promoting Welsh tourism on the global stage, and to what extent could Mr Parker’s new organisation assist you, or any other part of the Welsh Assembly Government?

**Mr Burrell:** International marketing is very much to do with Visit Britain, with Visit Wales having specific priorities for key markets, Germany, Ireland, France, Holland, and obviously they do some marketing in other countries as well, but for a lot of the world they have to be reliant on the resources of Visit Britain, which are charged with marketing the UK abroad. We have a particular advantage coming up in a few years’ time, and that is the Ryder Cup, and a lot is being planned around that which will give far-reaching benefits of just putting Wales on the map; forget golf, it is as vital as that. Part of my role is to make a nuisance of myself, in that every time the 2012 Olympics are mentioned I mention the 2010 Ryder Cup. It is very important to Wales because of the profile it will produce for us on the world stage. That is part of the problem, going back ten, 15 years, we have had marketing projects, not initiated necessarily by ourselves but sometimes the private sector, when they have forgotten perhaps that in the States you have to tell people where Wales is, in the first place, before you can get them to come here. It is a very important point indeed.

**Chairman:** Thank you very much for your evidence; it has been extremely helpful and informative. If you feel that there is anything further you wish to add, we would be very happy to receive an additional memorandum. Thank you very much.

**Q503 Chairman:** Good morning. Could you introduce yourself, for the record, please?

**Mrs Lloyd:** I am Ann Lloyd. I am the Head of the Health and Social Services Department for the Welsh Assembly Government.

**Q504 Chairman:** Could I begin by making a historical point. Wales NHS, and before the NHS was founded, tended to employ staff, in a way we benefited, I suppose, from Ireland and the Indian subcontinent and, more recently, the Philippines. How has this changed in recent years and given that we operate in more of a globalised economy now?

**Mrs Lloyd:** I do not think it has changed very much. We have always been an inward recruiter, largely because we could not manage to fill all the posts that we needed for an expanding Health Service, increasing health needs of people, from within our own resources. Therefore, we have always looked to the Indian subcontinent and other areas to provide us with the necessary medical staff, in part on the order to continue to provide the care that is needed. It is going to change, I think, over the next five years. We have a major problem coming up, as you will know, about the retirement of many of the general practitioners, particularly within the Valleys, who came from the Indian subcontinent all that time ago. Therefore, we have been putting into place schemes whereby we can employ salaried doctors, and I think the Rhondda Cynon Taf Local Health Board scheme has been particularly successful in retaining our own recruits, from our own medical and clinical schools, to work in those more deprived areas. Latterly, because of a shortage of nursing staff in particular, we have had to look to the Philippines.
and, for a small part, Spain to fill some of the nursing vacancies that we have. As you will know, back in 2002 the Welsh Assembly Government Ministers decided to fund the increased recruitment to undergraduate training, so that by 2010 we would have approximately 600 to 700 additional doctors, 6,000 nurses, 2,000 allied health professionals, and those graduates are now coming through into our own rolls. We have also seen a growth in recruitment from the European Union and I think that has been the most substantial change over the last two years. When we get the results of the Modernising Medical Careers specialist training, the new specialist training, this year, we will know how many people we have attracted from the European Union to fill our posts. We do not know that at the moment because, as you know, there is a review going on into the way in which those posts have been recruited to, but once the review is completed we will know how that is changing. As you know also, there is this judgment about overseas doctors which is being appealed, and until that appeal is heard it is quite difficult for us to estimate to what extent that will affect our inward recruitment to Wales.

Q505 Chairman: Can we pause at that point and ask a more specific question of you, in relation to which sectors of the NHS do you think will have the most acute problems, and which parts of Wales as well?

Mrs Lloyd: General practice in the Valleys will be the area where we have really acute problems. Also there is a recruitment issue around Pembrokeshire at the moment and we are concerned, and we do hope the new clinical school up there will aid this, about the recruitment of sufficient Welsh speakers in the north west of Wales, which is an important consideration.

Q506 Chairman: You have made some observations about the education system; are you happy and comfortable with the progress being made, and what more can be made in order to address some of these issues?

Mrs Lloyd: I think the education system has been very helpful to us. We have a very good recruitment record in Wales and we always get far too many people wanting to come and train in Wales in our undergraduate nursing and other allied health courses.

Q507 Chairman: Train in Wales, or from Wales?

Mrs Lloyd: Training in Wales and from Wales. We are always overrecruiting; the universities will deliberately overrecruit to the numbers that we have told them we will pay for, and the numbers of places that we could always fill are far more, so we do not have a problem in that respect. The bursary system, I think, has helped, being non-means-tested, in part, and the childcare package which has been put to underpin it has meant that we have got good retention of more mature students. We are finding also, particularly for nursing and the allied health professionals, that our drop-out rates are much lower than ever I was used to in Bristol, where I used to work and manage the education proposals for the Health Service there; it is far, far lower than one was seeing in England, five or six years ago. We are managing to retain those people that we are recruiting into the universities and we are managing to place most of them, but, as you will know, recently there has been some considerable concern expressed that all our newly-qualified staff are not getting jobs within Wales. Therefore, we have been urging the organisations to ensure that either they put them on the bank system, or they give them part-time flexible work, to enable them to complete their professional qualifications and be retained to Wales.

Q508 Chairman: To what extent do the medical staff from outside the United Kingdom require additional training, in terms of developing their clinical skills or their cultural skills or their language skills?

Mrs Lloyd: We would not say that they need any further medical training, clinical training. Some years ago I was the Chairman of the Sub-Group for the CMO in England, looking after the overseas doctors, and we were very mindful of the cultural problems that overseas doctors coming in to train here or to take up posts here had. It was at that time that we recommended to the UK Government that all overseas recruits should go through a formal induction, paid for by the Health Service, to ensure that they could cope with and understand the cultural differences that they would be faced with. That was eagerly taken up by the postgraduate deaneries throughout the United Kingdom and that has been very, very successful. Similarly, nurses who come from overseas have to ensure that they are able to enter the register as qualified, and therefore they will go through language training to ensure that they are coming up to the required quality, and that is the same as the doctors, who have to sit their PLAB tests. We do have to ensure that people we recruit from outside are properly attuned to the culture in which they will be working and that their language skills are appropriate.

Q509 Chairman: To come back to the question of the South Wales Valleys, you will be familiar, of course, with the work over many decades of Dr Julian Tudor Hart, who suggested, I recall, many, many years ago, that in order to address the shortage of GPs the NHS might consider retraining and recruiting people within the NHS who may be what now we would call practice nurses; as they call them in China, barefoot doctors. Is that something the NHS in Wales has considered?

Mrs Lloyd: Yes, indeed, we have; we have set up what we call an Extended Role Sub-Group, looking at ensuring that within general practice itself there is much more scope for more highly specialised nursing staff, or other staff, to take on an extended role, particularly in areas where there is a real deprivation problem, where a different type of access to care is necessary to be provided. We have been quite successful in recruiting and training specialist nurses into the Valleys; but I do have to say that the salaried doctor scheme itself, which is recruiting in young and enthusiastic Welsh graduates, has been
particularly successful, more successful than we could have hoped. But we have got to be mindful of that changing medical population up in the Valleys to ensure that we do use skilled staff effectively, to ensure that access is maintained, and where necessary improved, for the more deprived valleys communities who will not move out of their Valley to obtain work.

Q510 Chairman: Could we envisage a situation where, say, practice nurses could be retrained and become GPs?

Mrs Lloyd: We have the Graduate Entry scheme and that has got a very eager take-up in Swansea, at the moment. They are piloting it for us; we hope to roll that out to Bangor in the future. It is open to any practice nurse or specialist nurse with a first degree to go into the graduate training scheme, which, as you know, is shorter than the normal scheme, and they have additional skills they can bring to that.

Q511 Albert Owen: Is there not a greater urgency for this to happen due to the ‘out of hours’ scheme, which has changed radically the way that we see the GPs?

Mrs Lloyd: It is interesting what has happened with the ‘out of hours’ schemes, because, many of the more successful ‘out of hours’ schemes, and if I look at Gwent, for example, where the ‘out of hours’ scheme for the whole of Gwent is run by the Trust, you will see that extended care practitioners are being used more and more in conjunction with general practice to ensure that there is access for people who need care. The ambulance emergency care practitioners down on the borders, for example, will be allocated people by the general practitioner to look after over the weekend, and on an ongoing basis if there is a continuing healthcare need. There is far more flexible thinking going on about how we deliver care more appropriately, and we have got to look at all our practitioners to make sure that they are competent to undertake the role which is now assigned to them and that we do get really good access, particularly out of hours, because I think people are confused about how to access care out of hours at the moment. We have put in a number of pilots for our Delivering Emergency Care strategy, which will be started in the next month or so, to look at combining access to emergency care, so that the confusion ceases and people are properly channelled to those places which can best deliver the service that they need.

Q512 Mr David Jones: Could we turn to dentistry, please. Your memorandum, paragraph 10, says: “At the moment we have a small proportion of non UK dentists.” Do you know how many non-UK dentists there are working in Wales in the NHS?

Mrs Lloyd: Yes; approximately 200 at the moment.

Q513 Mr David Jones: Are there more, do you know, in the private dental sector?

Mrs Lloyd: I do not know because we do not collect those statistics.

Q514 Mr David Jones: Those figures are not available?

Mrs Lloyd: No.

Q515 Mr David Jones: Has the expansion of the EU over the last three or four years made any difference to the availability of dentists?

Mrs Lloyd: We have recruited only a very small number of EU dentists; most of them have come through the dental consortia which have been established recently, but we have not made particular use of that at the moment.

Q516 Mr David Jones: Can you explain how that works; does the NHS in Wales recruit, or is that left to the Local Health Boards, or, in turn, is it left to the consortia which you mentioned to recruit dentists from abroad?

Mrs Lloyd: For those dental consortia, it will be for them to recruit to those practices.

Q517 Mr David Jones: Effectively, they are commissioned by Local Health Boards, is that right?

Mrs Lloyd: Yes; they will ask the consortium to establish an NHS dental service in a particular area, and it will be for those consortia to do their own recruitment.

Q518 Mr David Jones: Do those consortia rely heavily on overseas dentists?

Mrs Lloyd: I would not say that they rely heavily on EU dentists, but they have started to bring in more.

Q519 Mr David Jones: In future, do you think that the proportion of non-UK dentists practising in the NHS in Wales is likely to increase?

Mrs Lloyd: It might do, although we have again increased the number of undergraduate dental trainees in Wales latterly, to try to ensure that we can maintain a stream of NHS dentists for the future; also we are starting to train them in deprived areas so that they will be attracted to those areas to work for the future. We are not averse to recruiting EU dentists into Wales; it just depends on how many we manage to retain in the NHS in Wales at the moment, and we still have some problems but it is getting much better.

Q520 Mr David Jones: How optimistic are you that UK-trained dentists will want to remain within the NHS rather than going to the private sector?

Mrs Lloyd: I think in my written evidence it says that we have managed to retain most of the dentists who were undertaking NHS work. The dental consortia are putting pressure on the people who opted out, because they are starting to fill the positions which previously they occupied. There will always be private dentists and there will always be a proportion of the population which wishes to go to a private dentist, and we are going to be tracking this market very carefully indeed.

Q521 Mr David Jones: Do I understand, from that answer, that you think the drift away from the NHS has been stemmed, or is it likely to continue?
Mrs Lloyd: Certainly it has been stemmed over the past six months in Wales, yes.

Q522 Mark Williams: I would like to turn to the recruitment of doctors, which you mentioned in your initial remarks. Your memorandum states that up to 40% of the training grade places in Wales may be filled with International Medical Graduates and the figure is higher in Wales than in other parts of the UK. What do you put that down to?

Mrs Lloyd: I think probably it is down to the way in which care is delivered throughout Wales. We have got a number of small hospitals which might not have been able to produce an attractive training portfolio, a comprehensive training portfolio, in the past. To overcome that, we have set up the clinical schools in different parts of Wales with their network of placements into the more rural communities, like Swansea, partnering up with Aberystwyth and Carmarthen and Pembrokeshire, and things like that, to increase the range and scope of the training programmes, to increase the number of placements, which are tied into a central unit in Swansea. That, I think, starts to give you the breadth which is necessary.

Q523 Mark Williams: How big a problem was that before the development of those partnerships?

Mrs Lloyd: I think it was a considerable problem, because each of the small district general hospitals could provide only a certain amount of the necessary training, and it is something which is happening in England as well. It has been necessary to ensure that these services network together to provide the whole range and breadth of training that is necessary.

Q524 Mark Williams: Given that Wales is dependent upon those IMGs to fill its training places, again you alluded to this earlier, how would the proposed changes to the guidance on recruitment of postgraduate medical trainees affect us in Wales?

Mrs Lloyd: That question is difficult to answer until we know the outcome of this recent MTAS exercise, which has received so much publicity. We have approximately 1,100 posts in Wales. We know very well that we have had 4,500 applicants for those posts. We do not yet know, until the Postgraduate Dean analyses it for us, how many of those were overseas graduates, how many came from the EU, how many were coming from England. The Chief Medical Officer and I do have a concern that posts in England now are being overwhelmed by people applying, that the entry of the EU graduates into the pool for this first MTAS route was not anticipated and actually it has increased considerably the number of people who are able to apply for that scheme. We believe that there will be more people who are English graduates, and particularly Welsh residents who are in English universities, who will be applying for posts in Wales. Whereas we are seeing in England a real pressure on graduates now to obtain these posts in specialist training, we believe that drift is going to come westward and that we might also have too many people applying for the posts that we have. Until we analyse this first round and know where we are going for the second round, we will know how many posts we have vacant and how many came from the EU, how many came from overseas and how this judgment is going to fall, it will be quite difficult to track what our strategy really will be in Wales to fill our posts.

Q525 Mark Williams: Turning to GPs, how many doctors from outside the UK are practising as GPs in Wales at the moment, and again is that proportion likely to increase in the future?

Mrs Lloyd: There are 450 at the moment, and that again is part of the legacy of recruitment back in the fifties and sixties. We are getting more interest from our own graduates to enter general practice, probably because of the change in the GMS contracts and the opportunities that gives them. Hopefully, because of the direction of travel of the delivery of healthcare within Wales more to a primary care focus, away from a secondary care focus, so with the whole of the chronic disease management problems that we have in Wales, where we require, via the strategy, for care to be provided in the community and not people moved into hospitals all the time, as happens now, we should be able to reduce our requirement for overseas doctors. Of course, they are very well trained, if they apply for a job they are perfectly entitled to that job, and we might see the balance between the UK graduates and EU graduates starting to change even more.

Q526 Mark Williams: Notwithstanding what you said, in answer to the Chairman’s question, about the pilot scheme in Rhondda Cynon Taff, do you detect any different geographical trends in Wales between the urban areas and the rural ones, in that regard?

Mrs Lloyd: We are concerned about the rural areas, and just last week the Postgraduate Dean and I were discussing whether or not we could initiate a rural training programme for postgraduate entrants in Wales, to attract them to the rural areas. We have, I think, a lot to offer them; it will be interesting practice. If we roll out our telemedicine systems, where they will be linked into the major centres to get immediate access to diagnostics, etc., we could provide. I think, quite an interesting career pathway for people who wish to practise in rural areas.

Q527 Mark Williams: What are the biggest challenges, whether it be home-trained graduates, if you like, or those from overseas, in promoting the rural areas?

Mrs Lloyd: I think the biggest challenge is that they might see themselves as stuck and dealing with just very routine work all the time, that their training and development opportunities might be very limited, that they might be stuck in a backwater, and it is those sorts of challenges that we have got to overcome and ensure that they are given training and development opportunities. They will have to be very skilled, they have got to manage a wide range of diseases within a rural community; they have got to be properly linked up to specialist centres to be able to acquire the back-up advice that they need. Also, they have to work with a really, really skilled team of individuals, nurses,
AHPs. I think there are ways in which you can start to make that a very attractive job, but you have got to look after them.

Q528 Albert Owen: You mentioned the dentists in previous responses, and indeed GPs in two responses, and the amount that are coming in from abroad. In the nursing profession, we have seen extra places and increased scales for local and national nurses and health professionals in Wales. How do you see the trend, in the future, of the reliance on non-UK nurses?

Mrs Lloyd: We have relied on non-UK nurses a little, not enormously; given that there are about 28,000 nurses, we recruited only approximately 700 from overseas, from the Philippines, and Spain to a very small extent. Our worry is the draw of America, where the Americans are saying that they will need massive numbers of additional nurses over the next five to 10 years; it can be seen as a very attractive place to go for our own recruits and for the overseas recruits that we have attracted. Certainly a number of the Filipino nurses have gone to America, and that is a drift which the whole of the UK is seeing; so we have got to be mindful that we have to look to the west to see what those trends in recruitment are going to be. We have access interviews, so we can gather some of our important evidence from there. There does seem to be this western pull, either to us or away from us.

Q529 Albert Owen: Is it exciting. Is there much differential in wages or career opportunities?

Mrs Lloyd: One of the things with the American nurses is that they are very tied to protocols. Some of the American nurses that I know have said they are very, very tied to “That is what you’re allowed to do.” In the way in which we are structuring the nursing profession in the UK at the moment, I think there is more scope for them. I think the wages are better, but actually the practice might not be as satisfying. What we are worried about is that our highly-skilled nurses will be dragged westward; therefore, we have got to ensure that we give them the opportunities, which they are quite capable of taking, to improve and increase their skills, because they are going to be needed here.

Q530 Albert Owen: In your memorandum, you mentioned that nurses and allied health professionals who are granted asylum in the UK are faced with an overwhelming number of agencies and barriers, which they have to negotiate to register. What are these barriers and how can they be overcome?

Mrs Lloyd: The barriers are those of trying to find somewhere that will allow them to ensure that they can become registered. The same thing happens with doctors who are asylum-seekers. In Wales, starting with the doctors, in 2004 we set up our asylum-seekers scheme, led by Professor Bhowmick, who was a real enthusiast, and we started in a small way by making sure that we could track the asylum-seeking qualified doctors that were coming into our part of the UK and ensure that they were trained and educated to take the PLAB tests so that they could gain employment. That scheme has grown enormously, from a very small start, where we had about 16 to 20 coming in, it is now 40 and it is increasing by about two a month, and many of them have been successful in obtaining their employment here. The nurses numbers are much smaller; it is actually much more difficult to track the nurses. We think we have got, according to the RCN Register, only about eight, in Wales, at the moment, which seems unbelievable. I cannot believe the figures, but that is all we are told we have. We have set up in Gwent, because they are acting as a pilot, with the Royal College of Nursing and with my Welsh Educational Development Consortium, a scheme to ensure that they can pass the language tests, that they can reskill themselves, in order to be able to be registered and therefore seek employment. It is very small at the moment but it is a start. Those are the sorts of barriers. I think one of the biggest barriers is the fact that we do not know particularly where they are, so we might be missing people who could contribute, and we could help them gain employment.

Q531 Albert Owen: You say this is very tiny in Wales; what comparative figures do you have for the rest of the United Kingdom?

Mrs Lloyd: It is not very big in the rest of the United Kingdom. We were able to track the doctors better because the issue of asylum-seeking doctors was being discussed seven, eight years ago, but it was not so pertinent at that time for other professional staff and we have rushed to catch up, I think. Our information systems for other staff are not so great, but the RCN is putting an awful lot of effort into trying to track down relevant asylum-seekers to ensure that they are afforded the opportunity to become registered.

Q532 Albert Owen: How reliant is the NHS in Wales on migrant workers to take the more menial tasks, such as administrative roles and care assistants and manual work?

Mrs Lloyd: The Health Service is not so reliant. My concern is in the social care sector, and particularly the independent sector, where they are quite heavily reliant on migrant workers; they are not subject to the Code, as we are in Health and Social Services, so the independent sector has been drawing staff from elsewhere. Again, we do not have the precise figures and details of that; they are not required to register with our information systems.

Q533 Albert Owen: The local area is able to produce enough labour in these particular areas?

Mrs Lloyd: Yes.

Q534 Mr David Jones: Could I ask you about the Code of Practice for the International Recruitment of Healthcare Professionals: how effective do you assess that Code to be?

Mrs Lloyd: I think it has been effective, because we have not gone to those areas which were precluded by the Code and we have really wound down overseas recruitment, and particularly in the Philippines, where the professors of nursing education were advising that there was a major problem growing for
them, that they would not be able to retain sufficient nursing staff to manage their own health needs, and so we racked that recruitment down and that has now ceased.

**Q535 Mr David Jones:** I was particularly concerned about the Philippines. Is there a total moratorium now on recruitment from the Philippines?

**Mrs Lloyd:** There is not a total moratorium throughout the UK, but we are not recruiting, in Wales.

**Q536 Mr David Jones:** Given that there is widespread use of agencies for the recruitment of staff in Wales, what safeguards are in place to ensure that staff from developing countries, which might be adversely affected, are not being recruited through the agency portal into the NHS in Wales?

**Mrs Lloyd:** We set up contracts with the agencies which preclude our accepting anybody who is precluded by the Code, and our use of agencies is very much reducing.

**Q537 Albert Owen:** To what extent do you monitor the agencies, to ensure that they are complying with their part of the bargain?

**Mrs Lloyd:** That is part of the responsibility of the Trusts. They are bound by the Code.

**Q538 Albert Owen:** They do actually scrutinise the agencies and from where they recruit staff?

**Mrs Lloyd:** Yes.

**Q539 Chairman:** Can I end by asking you to comment on the observation made by the Chief Nursing Officer for Wales, in November of last year, in giving evidence to the Assembly’s Health and Social Services Committee, who said that the NHS may lose nurses to other countries if it does not, in the words of the Chief Nursing Officer, “value and employ” them? Is there any information available on how many nurses are being lost and how many other professionals are being lost to other countries?

**Mrs Lloyd:** There is very little evidence at the moment and the Trusts are reporting only very moderate numbers moving out. We are managing to retain our staff quite well. We have initiated a new recruitment and retention strategy in Wales, which looks very much at better flexible working, more training and development opportunities, because it is pointless our pouring millions into training staff if Trusts do not appropriately recognise them and look after them well and ensure that they can develop.

**Q540 Chairman:** Was that a problem? Anecdotal evidence, and I am sure other evidence, indicates that, over the years, the last ten, 20 years, a lot of nurses were leaving the NHS because of the lack of flexibility.

**Mrs Lloyd:** Yes, that is right; that is quite true, and that has been true throughout the United Kingdom. That is why we have had to concentrate on retention policies for our staff for ensuring that there is sufficient resource for them to be developed and receive their training; but there have been rules laid down about the continuing education of nurses and allied health professionals to which Trusts must adhere. We are scrutinising the Trusts quite rigorously about their retention policies, because it is important that we are able to retain the skilled staff that we need.

**Q541 Chairman:** Aside from nurses, other health professionals, such as GPs and dentists, is there any evidence at all on the statistics of how many we are losing to other countries?

**Mrs Lloyd:** No, there is not.

**Q542 Chairman:** Should there not be?

**Mrs Lloyd:** Yes, there should be, and that is what we have asked the Postgraduate Deans to collect for us. The Chief Medical Officer and I have asked the new Postgraduate Dean, who has been in post for only about four months, to do a renewed workforce plan, based on what is happening with Modernising Medical Careers, with the retirement ratios for consultants and general practitioners. Given the intake of undergraduates and their retention within Wales, to scope out for us, over the next three months, how that workforce pattern is changing and what our workforce planning numbers need to be for the next five years, so that we can get a proper baseline against which to plan, now that there has been so much change in medical education.

**Q543 Chairman:** With the increasing pace of globalisation, does Wales compare itself with other, similar-size countries throughout the world, in terms of how globalisation is impacting itself on you?

**Mrs Lloyd:** Yes, we do. We are part of a European network of small countries and we meet a couple of times a year. Part of the evidence that the Postgraduate and other Deans, Deans of Nursing and other professionals, are gathering for us is how we are comparing. We must remember also, with globalisation, that we must not be just an input, we have got to look very carefully at how we can help the other developing countries. The Chief Medical Officer and I are heading up a group to respond to Nigel Crisp’s recent report, but there is, and has been, a history in Wales of various groups of consultants and other professional staff having very close links to developing countries and providing staff to educate and train and deliver care during intervals. I think that globalisation is not just about our taking; we have got to give it back.

**Q544 Chairman:** On that positive note, can I ask if it is possible for you to write us a memorandum explaining that perspective you have just described?

It would be very interesting and very helpful to our work if you were able to describe to us the work of that network and also that wider global perspective which you have just described.

**Mrs Lloyd:** Yes. Thank you.

**Chairman:** Thank you very much.
Tuesday 24 April 2007

Members present:
Dr Hywel Francis, in the Chair
David T C Davies
Mr Martyn Jones

Witnesses: Mr Philippe Varin, Chief Executive, Corus and Mr James Leng, Deputy Chairman, Corus, gave evidence.

Q545 Chairman: Good morning, welcome to the Welsh Affairs Committee. For the record, could you introduce yourselves, please?
Mr Leng: Good morning, everybody. I am Jim Leng, from yesterday Deputy Chairman of Corus.
Mr Varin: I am Philippe Varin, the Chief Executive of Corus.

Q546 Chairman: For the record I wish it to be recorded that I was Chair of the All Party Steel and Metal Group. I am a member of the steel union, Community and, as most people know, Port Talbot steelworks is in my Aberavon constituency. Whilst this is an inquiry into globalisation and it might seem a little parochial, I will take advantage of being in the chair by asking a question on Port Talbot first. We are of course as a Committee aware that Corus went through significant restructuring in 2003 and as a consequence there was major investment, particularly in Port Talbot. Could you tell us what plans there are for investment in the medium and long term for Port Talbot?
Mr Leng: Perhaps Philippe will take it over, but just to say that in terms of our investment track record in the last three years and post the major initiation of the restructuring within Port Talbot, the capital expenditure in our facility there has been something like, over the last three years, averaging 2.3 times what it was in the three years leading up to the restructuring. We have been investing at the rate of about £100 million per annum on average in each of the last three years. Philippe will, if I may ask him, comment specifically about the plans.
Mr Varin: As part of the restructuring programme that you were mentioning that we launched at the end of 2003, we have invested significantly in the heavy end of Port Talbot. The objective of the heavy end of Port Talbot is now to reach 5 million tonnes production; we are not yet there but we are confident we can get there and the question for the future in the Welsh operations, meaning Port Talbot and Llanwern, is what should be the future configuration of the rolling mill and to what extent should we invest more to have more efficient equipment there.

Q547 Chairman: In global terms how do the assets in Port Talbot compare with other plants now within the Tata empire?
Mr Varin: The Port Talbot competitiveness is an important point. If you look at what we have done in Port Talbot in raising the capacity of the heavy end of steelmaking to potentially 5 million tonnes, a big part of the savings that were expected in 2003 has been offset by the increase in the cost of energy in the UK, which is obviously still for the future an element of concern. Another element of concern is obviously the CO₂ and the consequences of the CO₂ credit system and allocations to Port Talbot, so what is absolutely essential, with or without Tata, is that the cost of steelmaking in Port Talbot is kept as low as possible and the future of the heavy end of Port Talbot relies on improved competitiveness of the heavy end of Port Talbot. If Port Talbot is competitive in the future, I think its future is good with or without Tata and has a place in the new and enlarged company.

Q548 Chairman: Is that competitiveness conditional upon further investment?
Mr Varin: Not on the heavy end, the heavy end has had its investment, it is really about operations, cost of energy, CO₂. The question on future investment is more on the downstream, on the hot rolling mill, it does not depend on the heavy end.

Q549 Chairman: Could you outline to us over the last decade the way in which research and development and product development has changed in Port Talbot, and do you envisage any further change? What is the interface between Port Talbot and higher education?
Mr Varin: If I put Port Talbot in the context of the company, it is fair to say that between 1999, the date of the merger between British Steel and Hoogovens, and 2003 the company has not invested enough. The Chairman has said that our capital expenditure investment had been in the period at the level of 50% of the depreciation level, and we have put it at 140%, but to be clear on the research and development side, the company has not invested enough. Since 2003, first we went into a restructuring programme in the UK to focus steelmaking on three sites: Port Talbot, Rotherham and Scunthorpe, focusing Teesside on slab production, and at the same time to manage to develop more what we call differentiated products. These differentiated products have led to further investment downstream, for the time being especially in Ijmuiden in the Netherlands and in Scunthorpe in the rail, wire, rod business and in Port Talbot for the time being—obviously, Port Talbot will have an impact on what we do on the automotive programme, but our focus on Port Talbot is much more on delivering a high level of delivery service to UK markets, probably 90%, and we are focusing on our supply chain developments.
Port Talbot will benefit from the increase in research and development that we do at the level of the company.

Q550 Mr David Jones: Good morning. Mr Varin, sticking with Port Talbot, to what extent are Corus's other operations in Wales and the rest of the United Kingdom dependent upon the presence of heavy steelmaking in Port Talbot?

Mr Varin: As a company Corus has a fantastic asset in the UK which is its market share. We have currently more than 50% of the market share in the UK and if you look at the corresponding market share in Germany for Thyssen or in France for Arcelor we see that the UK score is pretty high. We are currently targeting 55% market share for the flat products for instance. The way that we do it is definitely using our distribution network because we are an integrated product producer in distribution, and so we are developing the quality of our downstream facilities, especially in Wales on the rolled products. The question that you raise is to what extent this position depends on us having a position on the heavy end. I would say very directly to you our goal is to have our heavy end in Wales but it has to be competitive because, at the end of the day, if we are not in a position to produce slabs, which is a semi-product, at a competitive cost, then the alternative—which is a possible alternative—is to bring some slabs from overseas. At the end of the day we have to sell to our customers in a competitive way, so it is not impossible to supply slabs and have downstream products and distribution in the UK. It is not, obviously, our preferred solution, we would prefer to supply these from the heavy end of Port Talbot.

Q551 Mr David Jones: Remaining with that issue of cost and competition, what competitive advantage, if any, would you say the mill at Port Talbot has?

Mr Varin: It is dollars. Right. Does that include the costs of transport from Brazil and China over to the United Kingdom?

Mr Varin: To quickly take your last point, it does not, and for a slab to come from Brazil would be $30 a tonne to be added to $150, so it would be landed at $180, and if you take from India it would be $40, so if you take $160 as the basic price it would be landed at $200.

Q552 Mr David Jones: What in your view are the long term prospects for steel production and steel employment in Wales?

Mr Varin: We have done so far everything we can in terms of upgrading the equipment in Wales but also in Scunthorpe and in Rotherham to have a critical size, with proper equipment. What is at stake really is the cost position of Port Talbot. To be clear, there is no immediate question and for four or five years to come there will be steelmaking in Port Talbot, but the question is in the long term can we reach a sustainable position? This relies on our cost position. Today when we produce a slab from Brazil or from India it costs about $150 to $160 a tonne; when we produce in Port Talbot today the cost per tonne is more than double. Obviously, in Brazil or India it is an integrated plant with its own raw materials. For us raw materials are very expensive; we can expect to see the raw material price reducing in the future but they will remain relatively expensive, so we have to reduce our costs at Port Talbot as much as we can.

Q553 Mr David Jones: The key to that is energy?

Mr Varin: It is one of the elements, but it is not the only one, and the efficiency of our operation is also one point. Port Talbot can still progress compared to Ijmuiden.

Mr Leng: If I may just support that, it is cost, every piece of cost. Philippe has driven a strategy of driving up the value chain but the large majority of our products are commodities, the price is set in the global marketplace, and every element of cost is a critical component. There are some big elements of cost to which Philippe has alluded, but it is attention to all the details, to every item of cost, because it is so critical in making a commodity product where pricing control is not in our hands.

Q554 Mr David Davies: May I just ask two questions following on from that? Firstly, I wondered why electricity is so much cheaper in mainland Europe than in the United Kingdom, if you know the answer to that, and I also wondered whether the prices that you were talking about of £150/£160 a tonne to produce in Brazil, India and China, is that right, and £320 a tonne over here—

Mr Varin: It is dollars.

Q555 Mr David Davies: Dollars, right. Does that include the costs of transport from Brazil and China over to the United Kingdom?

Mr Varin: To quickly take your last point, it does not, and for a slab to come from Brazil would be $30 a tonne to be added to $150, so it would be landed at $180, and if you take from India it would be $40, so if you take $160 as the basic price it would be landed at $200.

Q556 Mr David Davies: It is still significantly cheaper to bring steel in from the BRIC countries.

Mr Varin: If you take the current price of raw materials the gap is significant. We expect iron ore and coal to reduce in terms of price in the future so this gap will be less, but it will remain. If I come to your first point on electricity, it is a pretty broad question because it relates, obviously, to the energy mix in mainland Europe, be it nuclear in France or
Mr Leng: It is fair to say you make a very valid point, it is inexorable that there is a gap and how do we retain better product, but also Philippe’s point about our market share, our proximity to the market, customising the product from within the market, those are the challenges. Those were some of the issues that led Corus within globalisation to say as a purely West European industry this is sustainable, not in five years but in the lifetime of assets, because when we put assets down they are over 30 and 40 years so we have to be very careful that the policies which the Government can influence and to an extent control and direct, all these issues, are sustainable to this long term investment. Those are the challenges. If I may just widen it slightly, the issue of our sale to Tata has not changed in the immediacy, as Philippe has talked about, the challenges that we are faced with, they have not changed. It maybe has crystallised one’s thought processes about the longer term out there, but those challenges were every bit as relevant before our acquisition by Tata as they are today.

Mr Martyn Jones: You have touched on the problems we have had with electricity price rises, particularly in the UK but also in Europe compared with the rest of the world. I wonder if you could expand on that in terms of how your competitive position is affected by that and also give me some guidance as to the overall cost per tonne of producing steel within the different countries in your European operations.

Mr Varin: If I take the first part of your question, which is the comparative cost of steel in mainland Europe versus the UK, you have to be careful because it is more a plant by plant comparison which is relevant. If you are in mainland Europe, with a site which is inland, you could have a big disadvantage. I can be specific and tell you that if you compare the slab steelmaking in Ijmuiden, which is our plant in the Netherlands, on the sea, compared to Port Talbot, we have today a difference which is £25 per tonne which is not insignificant when you look at it. If you convert it into dollars, it is $50 difference. It is about logistics and energy costs. On the energy I am not sure I can add a lot to what I have said, but just to tell you that if you look at the global picture today the advantage the BRIC countries have—Brazil, India or Russia—it is really in three areas: raw materials—iron ore and coal—and the differences are very significant. When we import iron ore today to our plants in Europe we pay per tonne of iron ore say $60 per tonne and if we use about 1.6 tonnes it is about $100 per tonne of steel for the iron ore. If you compare this $60 per tonne of iron ore to the cost in Russia, Brazil or India it is about $15 per tonne so $15 versus $60, it is a big gap. The same is true for coal. The other gap is on electricity, because we have big differences there, and the third one is manpower because as I told you in the UK the cost of one of our employees per year is about £29,000, it is £5,000 in India. These are the three areas where the difference is.
Q560 Mr David Jones: I would like to turn, please, to emissions trading and the section of your memorandum relating to climate change policy is highly critical of the EU emissions trading scheme and the way that it impacts on your industry. In fact, you say that Government policy to address climate change is one of the most significant issues facing the industry, and that it is having a “profound effect” upon the industry. Could you please tell the Committee in a little more detail what effect it is having on the steel industry in this company and in what way that effect differs from the effect experienced in other countries?

Mr Varin: The current system to deal with the CO₂ targets that the UK has to meet and that different Member States in Europe have to meet is inappropriate. An allocation of CO₂ per plant in absolute terms, decided by each Member State, is very dangerous. For what reason? The first is that whether you are good or bad in terms of CO₂ per tonne of emissions, this does not matter. You get an allocation if you negotiate with your government and if you look at the allocation which has been given, for instance, in Poland to the local producers and what has been given in the Netherlands and in the UK, this is not linked at all to the performance of the plants, so I do not think that the system today is a good incentive to the bad plants to do better.

Q561 Mr David Jones: Just interrupting you briefly, to what extent does that allocation differ as between Poland and the UK?

Mr Varin: It is a discretionary decision of each Member State, so as a company or a plant—because it is a plant by plant allocation—you negotiate with the authorities and you get the allocation. It can be very positive because if you have a credit you can sell it and it is fair to say that all the industries have had enough credits in the first phase. The result is that they sell their surplus and today you can buy CO₂ credits per tonne at one or two euros, absolutely nothing, because there is a surplus and so the system is inappropriate. The second thing is that in a commodity which is priced worldwide, which is the case with steel, the day when you do not have enough credits you are hurt on your costs because you have to buy CO₂ credits, and your competitors in India or China or Brazil—and sometimes in China they are two or three times worse than you are in environmental performance—are not penalised and import their steel into Europe. Here again I think that the current system is one that is intra-EU and it is wrong because it is a distortion of competition for European end producers vis-à-vis the rest of the world.

Q562 Mr David Jones: And also within Europe.

Mr Varin: Yes, intra-Europe.

Q563 Mr David Jones: Compared with other steel producing nations in the rest of Europe, where would the UK rank? Is the UK Government generous or is it in your view restrictive?

Mr Varin: I must say we had a positive discussion with the UK Government and we were helped by a lot of stakeholders to try to find the appropriate solution. So far we have managed to grow our production, including in Port Talbot, and I am not complaining about the direct impact today, we have managed to deal with the situation, I must confess, that we have been nevertheless hurt by the electricity price, because what has been done in terms of CO₂ for the electricity producers is to auction part of the CO₂. Frankly speaking, they have done very well because they were able to increase the price of electricity, because it is a local commodity, and not to be hurt. Even worse, the German producers have made huge windfall profits because they have priced all their electricity taking into account the CO₂ uplift, which has been impacting them on only a few% of their production. The bottom line is that the electricity consumers such as we are have taken the pain. For the first phase we have managed the situation, but we have been impacted by the electricity increases. The key question is beyond 2012, because today what Brussels has to decide is, what is the future of the current system beyond phase 2? Phase 2 is 2008 to 2012 and what we are seeking to do is to get rid of the allocation by plant and to come to a sectoral approach where each plant in the EU would be given a credit in CO₂ per tonne which would be equal, say, to the average of the industry, so the good would be rewarded and the bad would be incentivised on progress.

Q564 Mr David Jones: Your memorandum seems to advocate a global, sectoral approach.

Mr Varin: The sectoral approach that we would put as a solution for the EU going forward has the potential to be opened to other regions because the steel industry emits somewhere between 3% and 4% of the emissions worldwide in CO₂, so it is important that the system put in place in the EU can be expanded on a sectoral basis to other regions.

Q565 Mr David Jones: What do you think are the prospects of having such a global scheme for the steelmaking sector?

Mr Varin: It will be a process that will not happen on day one and we should be prepared to have a transition period, but if you do not have a sectoral approach to these CO₂ problems we will not make progress to globalise. It is a way to answer the globalisation challenge.

Mr Leng: If I may just add on that point, we said before this is a global product, priced globally and you cannot have within that a material driver to your effectiveness and cost-effectiveness which is regional CO₂. 90% of the new capacity is going to be in those parts of the world that do not conform to Kyoto, so Philippe’s point is that it will just exacerbate those parts of the world, because this is a global problem.
Q566 Mr David Jones: What incentive is there for BRIC countries to adopt such a global scheme because clearly it is at the moment giving them a considerable competitive advantage? What is the incentive for them, why should they do it?

Mr Leng: Just to add to that, that is a good point, because what you are having is a decoupling. You are now getting the new capacity in the world—and Philippe can speak better on this—and the bigger picture is that the new capacity in the world for steelmaking is being sited where the indigenous raw material is. Our plant in South Wales was sited there because it had raw materials; but it no longer has those raw materials, so this decoupling is one of the big picture things on globalisation. Crude steel, slab steel, is in the main being sited in those parts of the world where there is raw material and at the moment is not conforming to the Kyoto Protocol.

Q567 Mr David Jones: What is the incentive?

Mr Varin: We do not have the answer to this question. The only point we want to make is if you want to go on this route—and there will be further steps—the only way for us is to start with a sectoral approach that you can expand. There are things we should not do, there is mechanism today available in Europe which is the clean development mechanism, where you can fund developments in India or China which reduce the CO₂ in those countries instead of reducing in Europe. We should use this clean development mechanism, the CDM, to incentivise the players in China or in India, for instance, to enter into this kind of mechanism. We should not give for free this money.

Mr Leng: Coming back to that, if I may, it just shows that all elements of our production, all elements of the attractiveness of places to do business, they all matter within this context so, yes, there are some big issues but there are a lot of additional issues where we cannot afford to be internationally uncompetitive, whether it be taxation or whatever, and I do not want to get into these things. It is every element that should be attended to because every piece counts, every piece.

Q568 Mr David Jones: If the trading scheme is not reformed in the way you suggest, what, in your view, is the future for the European steelmaking industry?

Mr Varin: If you go to alternative approaches that can be thought of like auctioning and say all the industries are going to buy the CO₂ credit that they need on the market, or at least part of it, I am very clear that if you think the carbon price long term is, say, €30 per tonne, which is only an assumption, when you produce one tonne of steel today we emit 1.6 tonnes of CO₂, so it means that you would add on your costs €45 or €60 per tonne, so there is no way that we would produce steel because our disadvantage would be even worse. The consequence would be that we would not expand at all or we would even start to shrink production, with the consequence that production would be relocated in BRIC countries. We would import steel, so we would continue to produce at least as much CO₂ in these countries and it would be even worse because we would have to transport steel which is not a light commodity.

Q569 Mr David Jones: The extinction of the European steel industry.

Mr Varin: Yes.

Mr Leng: It is this issue of where is the steel. Is slab the new definition of raw material? We do not know how that is going to play out, but that is a key question. Close proximity to the market and customising the product, there is a huge amount of technology, there is a huge amount of value added in that situation within the market.

Q570 Mr David Jones: And in terms of raw production.

Mr Leng: You can extrapolate that, if in fact you know there are three raw material producers in the world having 50% of the world supply. If that weakens and loosens up, if it is a competitive disadvantage to have indigenous raw material, but inexorably you can more closely correlate this in my personal opinion so that there will be an uncoupling of where steel in the longer term will be produced.

Q571 Chairman: Could you clarify what you have actually done in terms of making representations to the UK Government on the specific issue of emissions trading? Have you actually had a meeting with the Secretary of State for Trade and Industry outlining the points that you have made here in your paper?

Mr Leng: As Philippe mentioned, we have been very strong advocates of the position of steel. Philippe is chairman of the European Steel Federation as well so we have been having a pro-active voice in the issues and the challenges and the potential competitive international disadvantages of the current system.

Mr Varin: We are exactly at the point where these meetings are being scheduled in the very short term, in the month to come. We have been challenged by Brussels as an industry, because we said we were not happy with the current system. Commissioner Dimas and Commissioner Verheugen have said they are open to alternative solutions, and invited us to come with some proposals. It has taken the European steel industry about one year to come to a consensus that the industry should come with a proposal, that every plant will measure CO₂ in the same way, accepting to declare where they are and accepting to be penalised depending on their CO₂ emissions. That would have been unthinkable two or three years ago, which just shows the degree of concern and perception of the importance to move to a low carbon economy. It has taken one year for the industry to come to a consensus and this consensus has led to a draft proposal which is starting to be discussed in Brussels—it is not a final product yet—and in the two months to come we will have an appropriate exchange with the UK authorities.
Q572 Mr Martyn Jones: You say in your memorandum that increasingly Chinese steel products are competing directly with those made at Corus. Does this have implications for steel production in Wales?

Mr Varin: The answer is it has implications for the European industry. I just remind you that the Chinese situation is one of the big question marks over our industry today. China historically has been an importer of steel. In 2005, because production had grown quicker than demand, which is growing at more than 20% per annum, China was starting to export as much as it imports, so the net was zero. The previous year it was about 30 million tonnes of imports and before it was even more. But in 2006 we have seen China becoming a strong exporter, 34 million tonnes have been exported and Europe has seen about 7 million tonnes of imports. We have flagged up the situation to the Chinese authorities as has the US, there have been discussions at high level between Brussels and the Chinese authorities. The Chinese authorities recognise that it is not a logical thing for China long term to be an exporter of steel because first they produce steel with a quarter of their production highly polluting, on obsolete equipment—about 100 million tonnes of production, so it creates for them a problem with the environment. Secondly, China has no high grade iron ore so they are obliged to import iron ore. Thirdly, it is an energy intensive industry and their problem is the supply of energy. Fourth, it is a strain on their infrastructure, so from the Beijing standpoint it makes much more sense to make manufactured goods in China than steelmaking. But the question is the control of the Chinese government on what happens in the provinces. The truth of the matter is that they have tried to put up some barriers—they cancelled some rebates for exports, they license iron ore to try and put some hurdles on the road of the exporters, but probably not enough. We are in the situation that the Chinese authorities last year took the commitment that they would reduce their exports to Europe significantly and they mentioned the figure of 2 million tonnes for the year, but in the first quarter of this year they will already be at 2 million tonnes, so it is a worrying matter because of the dollar versus the Euro position and it makes the price in Europe very attractive when you import. This is something that Commissioner Mandelson is completely aware of and we follow this very carefully because this could be a risk. It is okay for the time being because demand in Europe is okay, but if demand softens in Europe we could have another supply of imports from China.

Q573 Mr Martyn Jones: Speaking of demand, you say also in your memorandum that the Indian marketplace is likely to take off; will that actually benefit the steel industry in Europe and in Wales?

Mr Varin: It will be good news for Corus because in the new combination with Tata we see a lot of potential to develop our own products on the Indian market. Just be aware that India is today consuming 42 million tonnes for one billion people so it is 40 kilos per capita, very low. If you take the Chinese they are 10 times higher per capita so I think the potential of India is absolutely huge. The answer is definitely yes, it is positive news, because I do not think the production in India will follow the same pace as in China so India, in my personal view, will be in a situation to import steel and obviously this is good for the whole industry and for Corus in particular.

Q574 David Davies: How big does an integrated steelmaker have to be to be competitive in today’s market?

Mr Varin: I think 5 million tonnes when you are on the commodity market. If you are a niche player you can be smaller but the big capacities are between 4 and 5 million tonnes up to 10 million tonnes or a bit more.

Q575 David Davies: There has been quite a bit of consolidation in the industry over the last few years; is that going to continue and, if so, is there any danger, may I ask you bluntly, that Tata might decide there might be competitive advantage to closing down Corus in Port Talbot and reducing the number of players in the market?

Mr Varin: The situation in Port Talbot, as I told you, is completely related to the cost position of Port Talbot and not related to the consolidation, except the consolidation process generally speaking puts more pressure on prices and so on, but it is an indirect effect.

Mr Leng: It seems to me that consolidation is going to continue. If you look at the supply chain, if you look at all manufacturers there are 80% with three, if you look at big users in the auto industry and the packaging industry there are 80% with five. The steel industry had to respond to those challenges and it becomes the meat in the sandwich if it does not. Therefore, where are we now compared with five or six years ago? Remember, Corus was a national player—two national players, British Steel and Hoogovens wishing to be a regional player. That is now within Europe and that is why Corus was born, Arcelor similarly was born the same way, but it is not enough now, you have to be a global player, hence the move we made and the moves that Mittal have made, and others inevitably will follow. At the moment the top five producers have 20% globally, that is all. We have a view—and it is a view which is not prescriptive, it is not science—that maybe when there is 40% within the top five producers you can equally have an equality of discussions and negotiations with the big users and all the things we have been talking about. It is inevitable that there will be more globalisation and more consolidation within this global industry—I think it is almost inevitable that this will continue, hence why we felt we had to effectively take that move as our response, as the Corus response, to the dynamics of this global industry.

Q576 David Davies: You have more or less answered my next question in different ways, but when you talk about decoupling and moving sites closer to
where the raw materials are produced or to where finishing lines happen, is this likely to be a strategy for Tata and, if so, what effect is it going to have, or is it simply the case that providing Corus continues to be profitable in one way or another then they will not be looking to do that sort of thing at the moment?  

*Mr Leng:* They do not have the facilities to do that at the moment, they do not have this capacity. The point that we took is this: if this was going to happen down there medium term we had better have potential solutions within the enlarged company rather than be sitting out there and be more and more isolated and left alone, while in the world around us others were performing better. Corus is still not as profitable as the leading competitors in the world and in fact that gap has been growing, our profitability, our free cashflow, in a very capital-intensive industry, so our view was that.

*Mr Varin:* I reinforce what you say, Jim, which is that the announced greenfield projects would give us some options if we had a problem, but it is not our goal today. What we are also contemplating is to be able to supply some raw materials at cost. The good news is that with Tata the company has skills in mining because they have mines in India and they are looking at opportunities all around the world, and if we can have access at least from partial integration to raw materials for the Corus plants in Europe. This is a very positive thing. We are not yet there, but this is positive news.

Q577 Chairman: If I could ask the last question leading on from that statement about raw materials, you say in your memorandum that you forecast that in three years time the BRIC countries will producing 50% of steelmaking in the world. What implications will that have on Tata’s operations beyond India and will this influence their investment decisions?  

*Mr Varin:* If you look at the growth projects of Tata today, they have a first block of projects which are greenfields in India. Orissa, is probably the most advanced. In Jharkhand and in Chhattisgarh they have two other projects. So there are three projects in India. One is starting to progress very seriously, with the others being launched. That is one thing. They are also expanding outside of India; they have made three acquisitions recently, one in Thailand, one in Singapore and one in Vietnam so they are starting to have a position in Asia. For the enlarged company access to the Asian markets, which is a very big portion of the 50% of the BRIC countries, is absolutely essential.

Q578 Chairman: Could I follow that up with a specific question about raw materials? There are vast reserves of coal still in Britain, particularly in Wales. Would it not be an indication of Tata’s commitment to steelmaking in Wales that they would consider seriously the Margam new mine?  

*Mr Varin:* You are referring to the Margam mine and we, as you are aware, have applied for a licence. We have some delay to have access to the data and look at the case. We will look at it very carefully with the skills of the Tata team who are expert in coalmining and I think the question will be very simple: what cost of production we can access, knowing that the current price of coking coal, which is close to $100 per tonne, is at a peak. It is not a long term price, so we have to take a view on how the long term price will compare with the cost forecast that we can make for this mine.

Chairman: Thank you very much for your evidence this morning and thank you for your memorandum. If you feel that there are additional points you would wish to make, we would be very pleased to receive a further memorandum from you.  

Witnesses: Mr Michael Leaby OBE, General Secretary, Community, and Mr Michael Walsh, Head of Research Department, Community, gave evidence.

Q579 Chairman: Good morning, for the record could you introduce yourselves, please?  

*Mr Leaby:* My name is Michael Leaby, I am general secretary of Community which is the major union in steel.

*Mr Walsh:* I am Michael Walsh, I am head of research at Community.

Q580 Chairman: Thank you for your memorandum, which we found most useful. In that memorandum you refer to the “increasing concentration of ownership”. Very briefly, what do you consider to be the implications of that increasing concentration of ownership in terms of employment in the industry?  

*Mr Leaby:* Having listened to Philippe and Jim giving evidence we clearly believe that there is going to be further consolidation in the steel industry throughout the world, generally because the steel producers have been extremely diverse and the consumers have been very consolidated, so we anticipate that that will carry some pace into the future. In terms of the UK, we have a substantial proportion of steelmaking owned now by one company, Tata, an international company, and there are some major concerns as a consequence of that, not least of all because we believe that Tata paid for Corus a high price; certainly £6.08 a share is a very high price to pay for the company. As a consequence of that, the indebtedness of the company is extremely high and we know that the whole of that indebtedness will fall on Corus, principally in the UK—all the guarantees will fall on the UK side of the business. We are extremely concerned about that, particularly from the point of view of investment for the future, and you had a discussion earlier about investment, particularly in Port Talbot. Of course, it is the truth that in the past we have had a paucity of investment in the steel
industry since privatisation in 1990; unfortunately, the previous management paid very little attention to investment in the steel industry and invested year on year less than depreciation. As a consequence of that the company nearly went bankrupt. I have to say that Philippe and Jim have done an extremely good job in turning the company round and it is now profitable, but part of that is due to the increasing market in terms of China, which is consuming a lot of steel and, as a consequence of that, steel prices have risen. That is not going to last long term, there will be an equalisation, and our concern for the UK is that we are competitive; imperative to that competitiveness is investment, and in terms of what Philippe said about investment in the steelmaking side of course, you will know yourself, Chairman, that it was only as a consequence of the tragedy that we had in 2001 that the No. 5 furnace was rebuilt. That was not really an investment, that was done as a consequence of that and was not paid for by Corus, it was paid for by insurance, so there has still been a lack of substantial investment in the steel industry in South Wales and, generally, in the UK.

Q581 Chairman: If you could pause at that point, your memorandum says that the acquisition of Corus by Tata provides “great opportunities”. Could you explain to us, looking to the future, what these great opportunities are?

Mr Leahy: It opens up the market worldwide to us. Philippe said in his evidence that it is now a worldwide company and the failure of the past management of Corus was the clear failure to make decisions early. In fact, they were going to go into a merger prior to the Hoogovens merger and it was a case of yes they will, no they will not, they hesitated. We were in favour of the Hoogovens merger, as indeed we were with some form of relationship or takeover, or whatever that may be, because there is protection in being a global company. However, there are substantive drawbacks, bearing in mind the price that Tata has paid and whether or not we are going to get the investment that is vital to the future of the steel industry, particularly in South Wales.

Q582 Mr David Jones: Good morning, in your memorandum you say that “Community considers that there are strong grounds for confidence that the steel industry in Wales can be profitable throughout the cycle and can sustain roughly the same number of reasonably paid jobs.” Could you expand on that; on what do you base that assessment?

Mr Leahy: We believe that currently the Port Talbot plant particularly is not in balance. Philippe said in his evidence that the optimum level is 5 million tonnes plus to have a balanced plant; at the moment the steel plant is producing or we are hopeful that it will produce around 5 million tonnes, but the mill is only capable of producing 3 million tonnes. Therefore, there is an imbalance, you need both the steel production and the rolling facility to be precisely in balance and, therefore, it will need substantial investment in the mill if that balance is going to be achieved. Over the years—and I have been in the industry a long time—the solution to the problem post-privatisation was rather than invest it was to sweat the assets, and what happened was that the solution to the problems of the industry was to reduce the workforce. We have had 10% year on year productivity in the steel industry, we have a workforce that is, in terms of its skills and its ability, second to none in the world, but we need the tools to do the job, we need a balanced plant in order to achieve what we regard will be worldwide competitiveness around $240 to $250 per tonne out of Port Talbot. We have every confidence that we can achieve 5 million tonnes and 3 million tonnes—that is steelmaking through the mill—but then the issue is that it will still not be competitive if there is not investment in upgrading in Port Talbot.

Q583 Mr David Jones: What assurances do you have that such additional investment is likely?

Mr Leahy: None. There is a committee that has been formed, an integration committee, with Tata and Corus and they accept that they will review the matter over the next 12 months because the investment in the mill, although Tata said that for the next two years the investment programme that was already in place would continue, the mill in Port Talbot was not in that plan, so they are going to review that and make a decision over the next 12 months. Our view is that if that investment does not proceed then there are serious problems for the future in terms of Port Talbot and South Wales in general.

Q584 Mr David Jones: You have mentioned the additional investment since 2003 which has had a significant effect I take it in terms of positive development of the steel plant in Port Talbot.

Mr Leahy: The investment in South Wales has been fairly minimal, the investment largely has gone into the CEI business which is Scunthorpe and the engineering skills business. In terms of South Wales it is not large amounts of money. If you compare what Philippe said about South Wales, three times that investment was going into Ijmuiden over the same period. Ijmuiden, when the merger took place, had already borrowed something like £1.5 billion so it had a great deal of investment at the point when the company merged. In fact, British Steel was debt-free at that time and indeed it had £700 million in the bank, and it gave it to the shareholders and took on 1.5 billion of debt. Tata, in terms of its commitment, has got Ijmuiden which is one of the lowest-cost producers, certainly in Europe, and it will not be far behind in terms of the world either.

Q585 Mr David Jones: On the question of competitiveness—and you were present during the last evidence session and you heard what the witnesses from Corus had to say—it appears to be the case, and you acknowledge this in your memo about proximity to major customers being a significant factor, what are the competitive advantages would you say that the steel industry in Wales has?
Mr Leahy: Precisely that. When British Steel was in being, British Steel had 66% of the market but when Corus came to a shaky end it had something like 48% or 49%; it is our view that we should have at least 58% of the market because we are an island essentially and we have the skills and we have the product and we should be doing far better in terms of market share. We believe reasonably we should have around 58%; we are currently between 50% and 55%, but we think we could make that significantly up. When we were talking to Mr Muthuraman, who is the chief of Tata Steel, he believes it could go up as far as 70%. That is the figure that he quoted to us.

Q587 Chairman: In your memorandum you are very positive about the benefits, social and economic, of globalisation and you say that governments have a role to play in delivering those benefits, and you also say that it is “well understood in other EU countries . . . ” but not in the UK. Could you elaborate on that?
Mr Leahy: In the evidence of Corus, when we are talking about globalisation and energy and when we are talking about emissions, we want fair trade because we think it is beneficial, particularly for developing countries; however, if we are in a situation where it is unfair trade, for instance when you look at Corus’s graph in terms of this question of emissions, is it reasonable for us to ensure that we reduce our emissions and China, Brazil, India just put it into the atmosphere and then import their steel cheaply into the UK? I think that that is perverse, and we understand that the minister responsible Peter Mandelson is saying that they are going to put down trade barriers. If that is the case we will have this extraordinary situation where in the UK we have to ensure that emissions are substantially reduced and, as Philippe said, this will not be a level playing field even in Europe, it will be substantially worse outside Europe and on the other hand we are talking about reducing trade barriers. That does not make any sense, economic or social sense, at all to us.

Q588 David Davies: We have covered between us the disparities in environmental measures across Europe but in your memorandum you talk about public procurement being used as a tool by some other governments. Can you give us some actual examples of that, where public procurement has been used to the benefit of competing countries?
Mr Leahy: My colleague who is head of research knows far more about the technical details of this, but in the case of France, for instance, they earmark industries as having a positive strategic role to play in the economy; that is not the case in the UK for instance and we believe that there is much that can be done, particularly in the arms industry where there are no barriers in terms of procurement. It seems to us that in France, Germany, Spain they have a very liberal approach to this but in the UK we have these stricures, in other words we play cricket and they play some other game.

Q589 David Davies: Forgive my ignorance, but I thought that the EU rules were supposed to be that everything goes out to tender and anyone within the EU can compete for a contract, but what you are suggesting is that that is not so in some countries. Is there some legislative means perhaps by which they can earmark certain industries as being able to do things differently and to buy from within their own countries, is that what you are suggesting?
Mr Leahy: I think they find mechanisms not to apply the strictures that our Government applies.

Q590 David Davies: I believe you are right and I believe that is going on as well, but it would be useful for all of us if we could get some examples of some actual case studies of where this is happening.
Mr Walsh: In regard to freedom of discretion, governments are able to get an exemption from the general competition rules for defence procurement—the wide areas of defence procurement—and we do that to some extent, but we do not include within those areas metals, so aluminium and steel might be protected. A lot of the material on this is anecdotal but there is just one fact—and this has been put right, by the way, but I will tell you it is a fact and it might be of interest to Mr Varin, who probably knows it very well—in the early years of this century the French rail system bought rail from the Corus plant at Hayange. 99% of the French need for rail came from that plant. Here Network Rail took only two-thirds of its rail from Corus UK, the rest of it came from Italy or Germany or Austria, so they insisted on spreading the order out when British producers could easily have met that demand in full.

Q591 David Davies: Have you got any other examples of trade and foreign policy? We have talked quite a bit about energy and environmental
Ev 106 Welsh Affairs Committee: Evidence

24 April 2007 Mr Michael Leahy OBE and Mr Michael Walsh

Mr Leahy: I think that the fact of the matter is that steel prices have been very much influenced by China and their consumption of steel. We believe that prices will remain steady. They will fall because steel is a cyclical business and we are going through a period of high prices but it will be far more stabilised because of the consolidation that is going on in the steel industry. We are going through a peak period and prices will fall, so inevitably from the point of view of the UK (and I think that Philippe Varin has illustrated the problems that we have in the UK) we need to make sure that we are globally competitive and we are doing much, particularly in the South Wales plant, to make that a reality. We believe we can achieve that but we cannot sustain it long term without investment and it is because we have had this paucity of investment over nearly 15 years that we are trying to catch up. Our counterpart in Muiden has had significant investment when the South Wales plant has had little or none, so we are playing catch-up and unless that investment goes in there is no way that we could be internationally competitive.

Mr Walsh: Yes, Corus gave the example in the evidence about India as a vast and growing market and there are others as well.

Q595 Mr Martyn Jones: Of course, yes.
Mr Walsh: But there is also the Corus strategy of going upmarket with differentiation and that is an area we have only just started thinking through. In Shotton in North Wales there is the Living Solutions development which I have got great hopes in and I think it will be a winner in the future. So there is much to play for and no need for great pessimism about the future.

Mr Leahy: No, and there is a great deal of innovation going on in the steel industry in the UK and of course, as Corus have said, it is a great opportunity to export our skills in metallurgy that we have in the UK. A decision was made to consolidate R&D between the Netherlands and the UK in Rotherham but for one reason or another that did not happen, which was a shame, but the whole issue here is if we are in favour of globalisation we are in favour of fair trade, but it has to be fair trade and the problem is that clearly with the strictures that have been put on the UK—and we are not against those strictures because we are in favour of looking after our climate—but on the other hand they have to be applied equally across Europe and it is important if other countries who are not compliant with the Kyoto Treaty are importing steel into the UK that we have a fair trade policy.

Q596 Mr David Jones: Could we please now turn to UK energy prices. You have expressed concern about the level of UK prices as compared with other European countries. To what extent is this affecting the competitive position of the steelmaking industry in Wales and the rest of the UK?
Mr Leahy: It is as Mr Varin has described. I think that Port Talbot and Llanwern particularly are doing all they can. They are recycling much more energy than they used to. Corus talk about importing slab into the UK as an alternative to producing steel in the UK. Of course, that would have a profound effect on energy because increasingly we can recycle energy that is produced through the blast furnace production into the downstream activities of the plant. If energy is going to be a major issue in terms of cost, then if you are not producing your own steel there is the impact of energy because you have to reheat the slab and so on and so forth, so the energy costs would be a substantial proportion of cost in those circumstances. So it has a major impact on how profitable the industry can be and, as Corus have said, there is a difference in policy and strategy of for instance the Netherlands Government in relation to energy because we have a free market where most European countries are a regulated market.

Q597 Mr David Jones: And there is a significant difference, is there not, you mentioned in your memo that in the last quarter of 2006 energy prices in Germany and France were some 15% lower than the...
UK and that was an improvement upon 2005, so it seems to me that must be a very significant disadvantage in terms of competitiveness.

**Mr Walsh:** Corus in their evidence made the point that the competitive gap between the UK steel operations of Corus and the European Union average had widened. That was not true of the initial period. We narrowed the gap quite significantly, I think by a third or a quarter, and now it has widened. I think the main reason why it has widened is the additional costs that we have had in the UK for energy. It is not just a Corus problem. Of course you know that Alphasteel have had problems in Wales because of energy costs and supply issues. I have not heard Celisa complain but I am sure that they find it difficult too.

**Mr Leahy:** They would do because the electric arc process is a substantially high-cost energy, it is high consumer of energy, even more actually than the blast furnace route and steelmaking route.

Q598 Mr David Jones: You mention in your memo that you have made many representations to the Government on the issue of excessive prices of energy over the past two years and also on your concerns about the serious decline in generating capacity over the next decade and you say that you have not obtained any substantive response. What sort of representations have you made? Have these been in person or by letter?

**Mr Leahy:** We were with Alistair Darling yesterday making this point, and we have had meetings with Mr Wicks, we sit on the TASDAC committee, so this is a focal point of representations we make because it is a serious concern to us.

**Mr Walsh:** Just on that I think there was certainly a more encouraging response from the Secretary of State yesterday than we have received previously. Of course we had submitted our evidence before we saw the Secretary of State.

Q599 Mr David Jones: And are you hopeful that there may be something in the Energy White Paper which is due to be published? Did he give you any indication that there is cause for hope?

**Mr Leahy:** No, he did not but he was quite encouraging and we want to produce some more evidence and he says he has got an open door to do that. We would prefer to do that, incidentally, with ourselves and Corus together because it is a mutual problem.

Q600 Mr Martyn Jones: As I said before, you seem to have chosen to embrace globalisation, on balance, as a force for good. I think that is what you said. How have you prepared as a union for the challenges that globalisation will present?

**Mr Leahy:** We have relationships globally right across the world with various organisations, including the International Metalworkers’ Federation and the European Metalworkers’ Federation. We have a number of partnership agreements. Our particular problem is trying to persuade the Americans particularly that they should not have tariff barriers and that that is a short-term solution, it does not solve the problem long term. So we have our differences across the world but principally certainly in the third world we have some very good relationships and we believe that it will do much for the developed world if they develop their industries for the ultimate good of our members as well. We come back to the point that if this happens we need it on a fair trade basis and so in all our discussions with our colleagues across the world—because I am, for my sins, President of the steel and non-ferrous metals section of the IMF—we encourage developing countries to develop. We explain to them the value of trade union organisation across the world and we seek to develop and help them in terms of education and training. For instance, we have done a lot of work in Russia and Poland and various other countries to develop their trade union organisation and develop partnerships with employers. It is reasonable to say that we do not agree all the time with Celisa and probably we will not agree all the time with Tata, but I think that we have a reasonable partnership. We understand what the issues are and we agree on most things, but not all things.

Q601 Chairman: Could I ask the last question. I was interested in your explanation about your global links but you did not mention China, and it strikes us that in terms of Chinese steel production it moved rapidly from being the largest importer to being the largest exporter without any apparent real advantages in terms of energy or raw materials and so on. How do you explain that and how have you engaged with the Chinese steel industry and their trade unions?

**Mr Leahy:** Through the IMF we have sent a delegation to China. There is a different view. The Americans are very anti-China because they see them as taking their jobs and really do not want to build relationships, but I think the consensus within the International Metalworkers’ Federation is that we need to develop relationships with the Chinese, and of course we all know that that is dominated by the government so you would not be meeting trade unionists in that sense, you would probably be meeting government officials, but we take the view that we need to reach out and have a dialogue with the Chinese and we are attempting to encourage the IMF to do that. However, there are voices within the IMF, particularly the Americans, who certainly are not engaged in that process at all. They see the Chinese as stealing their jobs essentially.

**Mr Walsh:** There is an acute need for the development of an independent trade union voice in China. It has not been widely reported here but last week 32 Chinese steelworkers were killed in a single accident when a ladle overturned on them, which is a horrifying way to die. What we have is evidence of many, many accidents and indeed repression against steelworkers in China and I think that is something that ought to be on governments’ agendas as well. This plays its part in trade and international development.
Chairman: I think my question was so long the main point of it was lost in your reply and I apologise for that. How do you account for the rapid change around that has occurred in China?

Mr Walsh: Production had been increasing steadily at 20% a year and there did not seem to be any restriction. The obsolescent plants did not go out of business because of local autonomy and they just had produced enough to be able to sell it at a time when world markets were rather promising and they were able to sell steel that was not needed at home at a comfortable profit. They were taking advantage of the market situation.

Chairman: Could I thank you both for your evidence this morning and also for your memoranda. Again, if you feel that there is something further you wish to add we would be pleased to receive it in a memorandum.
Wednesday 9 May 2007

Members present:

Dr Hywel Francis, in the Chair

Mr Stephen Crabb
Mrs Siân C James
Mr David Jones

Albert Owen
Hywel Williams
Mark Williams

Witnesses: Professor Merfyn Jones, Chairman, Higher Education Wales and Vice-Chancellor, University of Wales, Bangor, and Ms Amanda Wilkinson, Director, Higher Education Wales, gave evidence.

Q603 Chairman: Good afternoon and welcome to the Welsh Affairs Committee. Could you please, for the record, introduce yourselves?

Professor Jones: Professor Merfyn Jones, Chair of Higher Education Wales.

Ms Wilkinson: Amanda Wilkinson, Director, Higher Education Wales.

Q604 Chairman: Could I first of all thank you very much for your memorandum, which we found most useful in preparing for this session. You will appreciate that this is an inquiry on globalisation and I would like to begin by asking you what appears to be rather a rhetorical question, but it is a seriously intended question, and that is what role does higher education in Wales play in addressing the whole issue of a “fortress Wales” mentality rather than building what we all aspire to achieve, and that is a global Wales?

Professor Jones: Could I try and answer that by emphasising two or three aspects of higher education, which is not just higher education in Wales but is part, as it were, of the overall economic basis of our education. First of all, higher education has to operate in the global market. In a sense higher education has always had an international edge and international character to it, but these days all of us have to operate globally. The second point to emphasise is that we operate within a global and a European market, but also within a UK market, and that there are very large flows of students from Wales who go to England and students from England who come into Wales. We could perhaps discuss the implications of that later. Thirdly, higher education has to recruit in order to keep a very significant income flow, revenue stream, going. Higher education has to recruit students globally and increasingly has to recruit staff globally. For all those reasons plus, I suppose, finally one could also make the more philosophical point, which is that higher education is concerned with global issues and with international issues. Truth is not compartmentalised, we have to address it in an international debating society, if you like, a scientific society across the world. So for all of those reasons it seems to me that higher education, by its very nature, has been and is international and is increasingly engaged with the whole process of globalisation.

Q605 Chairman: Are there specific challenges for higher education in Wales in relation to globalisation?

Professor Jones: Yes, I think there are specific challenges. Attracting larger numbers of international students is a challenge because we are competing with very well funded institutions in England. But it is not just that we are competing with institutions in England, we are also competing with institutions from particularly Australia and the United States in the English-speaking world. Increasingly, as the Bologna process takes hold, European universities are providing three-year degrees through the medium of English, so European universities are also competing globally in a way which they have not really been doing until fairly recently, and increasingly in the home countries of the students, such as China and India in particular, but elsewhere as well, in the Gulf, institutions have been created to cater for the home demand in those countries. So the competition for students is intense and it is a genuinely global market. The competition for staff is also global and academics in this country and in the United States are an ageing group of people. There will come a point when I think there will be a tipping point, where there will be a huge demand for academics, and they will come from all over the world. The assumption that they will come from Wales or from the United Kingdom will not be sustained. They will come, and are already beginning to come, from all over the world because universities have to go for the best and most talented people, whoever they are and wherever they are.

Q606 Mr David Jones: Good afternoon and could I thank you for your very helpful memorandum. In paragraph 23 you note that Higher Education Wales is “working to ensure that Wales can turn the tide of globalisation to our collective advantage.” I am not sure that is the happiest of metaphors because we all remember what happened to King Canute! But ignoring that, what degree of success would you say HEW has had so far in turning the tide?

Professor Jones: There are some examples which Amanda can elaborate on in terms of our initiatives on an all-Wales basis in recruiting students so that we have a consortium of all the Welsh universities which helps to popularise Wales as a destination for students. I suppose primarily it is the success of our institutions in terms of the research and the teaching which we provide and the reputation we have
globally which is our major contribution to harnessing globalisation to our benefit. Of course, there is a bottom line here. There is a financial implication which is pretty significant. International (ie non-EU) students pay some £54 million worth of fees in Wales. They probably then spend another £50 million, and if you round that up we are looking at well over £100 million pounds coming into the Welsh economy as a result directly, just for students. Then, of course, there are international research contracts and collaborative links with universities in China and India, and the Gulf, and so on, which are increasingly becoming important. I do not know whether Amanda has something to add to that.

Ms Wilkinson: There is also, obviously, the knock-on tourism impact from international students and visitors, which is reasonably significant. As a sector we are trying to work together more collaboratively in terms of how we present ourselves to the outside world. One example of that is how we go about recruiting international students. Another, for example, is the recently set up office in Brussels which we have based in Wales House, which is fundamentally about creating linkages between our institutions and other institutions in Europe through some of the European programmes. So we are making some progress in terms of how we work together in order to address what is a very significant competitive challenge for us.

Q607 Mr David Jones: That is very helpful, because my next question is to what extent would you say that the higher education sector in Wales is engaging directly with those who are most directly affected by globalisation and the changing patterns of employment?

Ms Wilkinson: Do you mean in terms of businesses, individuals?

Q608 Mr David Jones: Yes.

Ms Wilkinson: Obviously HE does play a role, for example if there is a business closure, for example, the closing down of Corus in Llanwern. Certainly Newport University is still involved in the programme which sprang out of that particular closure. At the other end, also, we are involved in trying to attract higher value work in, so for example working with the Metrix Consortium, the St Athan deal, where a number of institutions are looking at what they can do together collectively to support that inward investment and to support jobs growth in that area, to mitigate for the job losses which inevitably are going to come through.

Q609 Mr David Jones: I am particularly grateful for that answer, because once again you have anticipated my next question, which is to what extent are you engaging with employers from outside Wales who are contemplating moving into Wales? That was a very good example. Are there any other examples you can think of?

Ms Wilkinson: There are a lot of different sorts of examples of how HE interacts with businesses which are already in Wales and businesses which might come in. If we look at creative industries, then the cluster of our higher education institutions in southeast Wales are working with the Sector Skills Council on quite an exciting project around creative industries, for example. Swansea University recently, a year or so ago, attracted some investment from IBM into the University. So there are different ways in which higher education is working with existing and new employers to both sustain and to increase economic activity.

Professor Jones: Could I just add a North Wales dimension, if I may. Clearly the contribution of higher education to the two techniums, the one in St Asaph and the one in Bangor, has been crucial recently in attracting companies to move in, including one quite significant company moving from London to Bangor. It is because there is a reservoir of skills—computer sciences in this case—in the university to do research but also graduates who are available for employment. So the fact that there are students available to be recruited by these companies is a very important component in their investment in Wales, but so also is their ability to develop research projects with local universities. In that specific area of North Wales, the coast area, there is the Mon Menai Initiative in which the university is very centrally involved in addressing the issues of the closure of Wylfa. I do not know whether that is or is not a symptom of globalisation, but clearly the grave economic implications in that part of north-west Wales are being addressed in part at least by emphasising the importance of higher education in attracting inward investment but also in offering training, we hope, to workers who find themselves out of employment.

Q610 Hywel Williams: Can we turn to investment in higher education in Wales. The UK Government funds the science base. You welcome the Budget announcement that funding for science has increased from £5.4 billion to £6.3 billion in 2010-11, but you also have reservations. You say that without complementary adequate funding from the Assembly Government through the Welsh Funding Councils the benefits of this additional resource cannot be exploited in full. Can you tell the Committee a little bit more about this? What are the inherent problems?

Professor Jones: It is a very complex area, funding for research specifically, and yes, the UK Government funds the Research Councils, which are an extraordinarily important part of the picture, but there is also the so-called QR element, which is funded through the Higher Education Funding Council for Wales, and which actually supports the basic science research investment in Wales. The fundamental problem for higher education in Wales is what has been identified as a funding gap, which has been identified not by Higher Education Wales but by the Funding Council as a funding gap. I am sure you will have seen the paper they produced. If you have not, we can certainly make it available to the Committee.10 It is a very complex area and they cut it in different ways, but whichever way you cut it

10 Comparative Funding Gap (HEFCW 105/93), Higher Education Funding Council for Wales www.hefcw.ac.uk
there is a very significant funding gap in terms of the funding per FT per student. Grant-in-Aid, the difference between England and Wales on the basis of those figures is something like £40 million, £41 million per annum, and if you compare it with Scotland it is getting up to almost £100 million per annum, the funding per FT. Having said that, it is a very complex area and there are all sorts of caveats. One needs to be careful about this issue, but it seems to me that however many caveats you build in, the core of the case still remains that higher education in Wales appears to be under-funded compared with England, and considerably under-funded when compared with Scotland.

Q611 Hywel Williams: You say it is about £40 million and you identify in your paper complementary adequate funding from the Assembly Government. Is that the way it will be solved then?

Professor Jones: We are all struggling with how to address that issue, but fundamentally, yes, it is about getting more money out of the Welsh Assembly Government budget for higher education. Of course, you could do more with student fees, which is a very controversial area. You can increase certain categories of students, but there are issues also about growing student numbers, which make it difficult for the higher education sector to grow their way out of this, because if the student numbers grow too high then there will be repercussions.

Ms Wilkinson: It is very difficult to get away from the bottom line need for more public investment, particularly given the points we have already outlined around the fact that in effect there is one England and Wales student market and ultimately we have to be competitive in that market. There are one or two other more peripheral issues around how one looks at funding streams, which are very difficult for us to trace. Science funding is a good example of that, particularly funding which comes through Regional Development Agencies, for example. Although we now have a science policy in Wales, we do not have a defined science fund and so there are some difficulties in other areas of funding which would not be considered core higher education funding which do impact upon us.

Q612 Hywel Williams: You have said a number of times that it is a complicated field to fund. Is there anybody, in your opinion, who has a grip on this, for example the DTI, somebody who could give us a clear explanation? It is a detailed one because of the complexity, but is there somewhere where we can actually get a way of understanding the difference between funding in Wales and England? Is it a matter where the DTI funds Wales less favourably directly?

Ms Wilkinson: The difficulty for us is in knowing how the consequential funding from various UK initiatives is actually feeding through. It is very difficult to see. Perhaps there is someone in the Treasury who does know about that, but certainly we found it very difficult to try and track.

Professor Jones: There are issues with DTI funding and perhaps there are issues of performance in Wales as well in terms of accessing Research Council funding which we need to address as a sector, but there is also the fundamental issue of the distribution of funding through QR, which is not a DTI responsibility but which is a Welsh Assembly responsibility or Funding Council responsibility, and that is fundamental to the research base in Wales. The research base in Wales is, it has to be said, somewhat fragile, research and development generally is fragile, and it is absolutely imperative, it seems to me, if we are going to create the knowledge economy that we grow that research and development base. One of the ways of doing that, maybe not the only way but one of the ways, is public investment, because I think we can demonstrate—and in the literature we have produced recently I think we do demonstrate—that investment in this area brings a tremendous return, both in terms of employment, high level skills, good jobs and in economic development. So it is an investment. We are not just asking for a greater level of funding just to keep us in the comfort to which we are accustomed, we are actually seeing this very much as an investment with a very, very significant return. To be fair, some of that has happened around the margins, but it still leaves this central issue of what is perceived to be the under-funding. Just to answer your specific question about whether anyone has got a grip on it, I think the Funding Council report is actually a very authoritative piece of work.

Q613 Albert Owen: Just to follow on from what Mr Williams was saying, you mentioned that fees are controversial and in a previous response you mentioned that foreign students were bringing in £54 million extra, so are you concentrating on that sector for two reasons, firstly because you want to get their skills, obviously, into the area but also to fund the gap. Are you concentrating your efforts more on that, and could you expand a little on the controversy over the fees?

Professor Jones: Let me take the overseas issue first, if I may. Yes, I think all institutions in Wales are very seriously investing in the recruitment of international students. I need to emphasise that is non-EU students, because EU students are treated just as if they were home students. So there is a considerable effort going on and there are lots of examples we could go into of the ways in which we are all trying to increase that presence of international students, for a number of reasons. Yes, for the funding stream, and the whole of HE in the United Kingdom and in Australia and in the United States, and so on, depends on that funding stream because international students do bring a tremendous amount of money into the system, but it is more than that. As you quite rightly said, I think it is to bring able people from other parts of the world to contribute to the local economy. If they stay and contribute there are issues, of course, about the contribution they make to their home communities, and so on, but attracting people from all over the world to work in Wales is something we
desperately want to do. But there is a third element as well, which is that I believe—and perhaps this is a personal view, but I am sure it will be shared by all of my colleagues—higher education does need an international dimension. We do not just do it for the money, but you are quite right, it is an absolutely crucial funding stream and it is one that we can grow. So you can grow the number of international students without any hit on the Welsh Assembly budget and it is therefore very attractive to somebody like myself who has to balance the books at the end of the day. But there are other reasons for doing it, I think, other than simply to increase the funding stream. Just very briefly on fees, it has been a very controversial issue. It was in this place a very controversial issue and has been in Wales. I think the only point I would make here is that whatever one might think about student fees, the truth of the matter is that they do bring revenue into higher education and if you have in England—and this I think has been acknowledged by pretty well every one—a massive influx of revenue into the English system through fees, Wales would not be able to compete unless you have a similar influx of money. Now, either it comes from students or it comes from some other public source, and you have got to have a debate about that, but what we must be very, very careful about is that Wales is not disadvantaged here and that higher education in Wales does not find that it just does not have the money to provide the halls, the accommodation, the laboratories, the teachers, and so on, which people just over the border have. Do not forget—and I am sure you do not—that wherever you are in Wales you are not very far from the border, from institutions which can very, very competitive to us.

Q614 Hywel Williams: UK investment in higher education is 0.8%, but as the European Union and the OECD figure is 1.1% and the European Commission has decided on 2% there is quite a difference in funding. This is a wish question. If you had the extra funding, what would you be prioritising for the funding?

Ms Wilkinson: We have a number of what one would describe as funding priorities and clearly there is quite a pressing need for capital investment in the learning and teaching infrastructure, and that is a competitive issue for us, both in terms of equipment and building maintenance and development as well, because I think expectations are rising and we need to be able to keep pace with that. It is extremely difficult at present. I think HEFCW’s latest study indicated there was about a £200 million historic capital deficit in terms of Welsh HEI funding—it may have been £168 million, something like that. So that is a very pressing issue for us and Merfyn has already touched on the need to put much more investment into research. I think we are going to need to have a debate. That would allow us to do two things; it would allow us to perform—prime research which will get there over the next cycle. That is another very pressing issue for us. Also, there are areas where it would be good to see some growth in terms of student numbers. Foundation degrees is a good example, where one is looking at intermediate level, where we have had very, very little investment in foundation degree numbers and England is steaming ahead, looking at 100,000 foundation degree places. We have precious few of those. If we are looking at bringing people through, at raising standards and bringing more people into higher education, as Leitch says they would like us to do, then I think that transition phase is going to be very important and some more funding for that transition phase will be important.

Q615 Chairman: In your last answers you have been concentrating mainly on funding. In your memorandum you refer to “some policy issues” which the UK Government and the Welsh Assembly Government need to address if higher education is to optimise its contribution to the Welsh economy and to Welsh society. How would you characterise those policy issues beyond funding and, without repeating the question I posed at the beginning, is it the case that higher education institutions in the last decade have over-concentrated on their relationship with the Welsh Assembly Government and have had a blind spot about other matters beyond Cardiff Bay?

Professor Jones: Let me just comment on the general policy area, because I think you are right, Chairman, that it would be a pity if this discussion was simply focused on funding, important though that is, because there are big policy issues here. I think the key is how do we ensure the development of the Welsh economy, the regeneration of the Welsh economy, and how do we address the issues to do with social inclusion and deprivation in Wales? It seems to me that higher education has a crucial role to play in those two strategic policy areas. In terms of economic development, clearly you will be familiar with this whole argument, which I think we quote at the end of the paper here, that in the 21st century thriving economies will be characterised by an economy that is highly skilled and that in the 21st century thriving economies will be characterised by an economy that is highly skilled and that is highly flexible. That is a very, very important issue. It is not easy and it is not just a matter of spin-off companies, and so on, but it is about knowledge transfer effectively and operating at the high level of the knowledge economy which can transform, and is transforming, the world as we know it. So there is that whole policy agenda and if there was one thing I would really like to get across it is that message really, that higher education is not the sump for public funds, as it would like to perform in the 2008 RAE then we are going to have some real issues about what research is currently funded in Wales and we may find ourselves in a position where we are only able to fund research at the top and we are not able to pump prime research which will get there over the next cycle.
were, that you just put in more and more money into higher education as if it were a public service only. It is a public service, of course, but it is also a generator of wealth. I would very much like the political debate in Wales, the policy debate in Wales, to be centred around that, around what extent universities really deliver on that, because I think we want to deliver but it is very challenging. We need a change of public perception in a sense as to what the role of universities and higher education is in terms of developing the economy. That is one policy area. The other policy area is the one of social inclusion. We are doing better in Wales than in England in terms of recruiting students from backgrounds where they have traditionally not gone to university. I think there is miles more to do. Again in that context, Amanda mentioned Leitch earlier and the whole debate about skills, basic skills, intermediate skills and higher skills. I do think we need to be absolutely sure that that debate is not somehow informed by the belief that higher skills are appropriate for certain sorts of people and basic skills are appropriate for other sorts of people with different social backgrounds. There is a danger, perhaps with the best of motives, of the debate slipping in that direction. It seems to me that higher education has to say that high level skills are there for everybody and that then, I think, really addresses the social inclusion issue. As to whether we have been too concerned with the Welsh Assembly, well, too many people in this room were involved in setting it up so it is hardly surprising, of course. Of course we are. We have been very involved with the Welsh Assembly. That is where our funding comes from, the initial 40% or so of funding. The other point is that in my own institution, for example, 40% of our funding comes from the Funding Council and 60% of it we have to raise competitively ourselves in different ways.

Q617 Mr David Jones: I understand that point, but that is not essentially what your paper appears to be saying. What you appear to be saying, and forgive me if I am wrong, in paragraph 13 is that those who are fortunate enough to have sufficient intellectual capacity to take them to higher education will succeed in the higher paid jobs, but that for the rest of the population we have the bleak prospect of unemployment or employment in low paid, low prospect jobs, or am I putting it too starkly?

Professor Jones: That may be one way of reading it. I will ask Amanda to come in on this. I think I would counter that by saying that actually there is, as you know, the Futures report, which does indicate a growth in unemployment being possible actually in Wales and it seems to me that the way to address that is to generate economic activity, and the way you generate economic activity is through generating the business potential at the higher level. So the more people you have operating at the higher level, the more opportunity there is to employ those who do not have those levels but who do have the basic and intermediate skills.

Ms Wilkinson: Just to add to that, obviously evidence points to the fact that we have a fewer number of jobs at the lower skills end and actually a lot of jobs at the lower skills end are replacement, they are not new job creation. I think that is a very important point to consider.

Q618 Mrs James: You have already mentioned in your evidence, and in the evidence you have submitted to us, the knowledge economy, growth industries and clustering around universities. Can you tell us which of those growth industries there are in Wales, how strong they are and what particular links they have with universities, and have there been any successes that you can tell us about?

Professor Jones: There have been quite a few activities in Swansea, as you will be aware. Certainly the investment by IBM in Swansea and the Institute for Life Sciences in Swansea I think are superb examples of that, and the work we have been doing with others in partnership around St Athan is another example. I think some of the work which is coming from the Centre for Advanced Software Technology, for example, in Bangor and Opto-electronics in St Asaph are all examples of that kind of high level clustering around research and development, which is linked to the university and dependent upon the university but of course involves a great many other partners as well, particularly from the private and public sectors.
Professor Jones: The only point I would make is that it is difficult to generalise about the whole of Wales in this regard because the economy works in slightly different ways in different parts of Wales and obviously there is this great concern about the kind of take-off which you can get in urban areas and which is more difficult to attain in non-urban areas in terms of clustering, in terms of service industries, and so on. But it does seem to me, partly because Wales has higher education institutions also in non-urban areas, that actually we have the opportunity in Wales to demonstrate that it can be done in areas other than in large cities, because Wales is unusual in that regard. I think we are seeing that, certainly.

Q620 Mrs James: Do you think we are doing enough to actively foster these growth industries? Should universities be more pro-active, for example? 
Professor Jones: I am sure we should be more pro-active, yes. We all like to think we are, but I have no doubt that we should be more pro-active. It is a new challenge for us, the whole idea of the third mission, the mission of teaching, the mission of research and then the mission of linking with the economy and the community. It is an area where the funding Council has been quite supportive, but it is an area which I have no doubt we should be more proactive in.

Ms Wilkinson: Just to add to that, obviously there is evidence from universities that you do get smaller business growth clustering and if you look at our spin-out rate, for example, compared with other parts of the UK we are at 17% of the whole UK higher education. Given we are only just under 5% of the whole of the UK higher education, quite clearly we are doing a good job in terms of universities, setting up businesses, good rates of graduate start up, good rates of staff start up. All of that evidence, which comes through the Higher Education Business and Community Interaction Survey, shows that Wales performs above the average for the higher education sector as a whole in the UK, which we take to be extremely positive. But yes, there is much more to be done and I think that comes back to the previous question around policy and drivers.

Professor Jones: If I could just support the home team for a moment, Bangor two weeks ago won the award for the best Knowledge Transfer Partnerships in the United Kingdom. So there is a lot we are doing, but I still think we should be more pro-active.

Q621 Chairman: Congratulations!
Professor Jones: Thank you. We are very proud of it.
Chairman: I am sure your Vice-President will be very proud of it.

Q622 Hywel Williams: Just a supplementary. I could not see anywhere in your paper reference to the fact that higher education in Wales is provided bilingually and is in the bilingual context as well. However, I know from personal experience in Bangor, for example, the Centre for Technology and those who have worked with Microsoft for their developments in psychology, criminology, where this is a significant factor. In fact I noticed in your paper, at paragraph 17, you develop the argument about visual media, animation, all those sorts of industries which have a very strong presence, if I may be parochial, in my own constituency of Caernarfon and in Bangor. Do you think there is any mileage in this, given that we are going to be looking later on in this investigation at the media in general? Would you like to make some general comments, or some specific ones?

Professor Jones: Two points on the Welsh medium and the creative industries, as it were. In the Welsh medium, I think there is a huge challenge for us because the numbers following courses through the medium of Welsh actually have not increased very much over the last few years.

Q623 Hywel Williams: If I may interrupt you for a moment, it is not the challenge of providing courses through the medium of Welsh but what opportunities that gives to the universities in Wales to reach out internationally with something that is interesting and useful.

Professor Jones: Absolutely. In that case, let me give you what I think is a brilliant example of precisely that, which is the new Bilingualism Centre, research centre, which we have established in Bangor, which is being funded by the Welsh Assembly Government and HEFCW and the Economic and Social Research Council, which is a £5 million investment. One of the key reasons it is in Bangor is partly because we have the world-class people who can do the research into this area in various dimensions, but it is also because we have a bilingual population which is, as it were, a living laboratory which can be used by the researchers. But the actual researchers are going to be from all over the world, from the United States, Germany, Holland or wherever. They will be looking at bilingualism as a phenomenon, but in a sense because Bangor University and the area is bilingual it is able to contribute in that bilingual way. That, I think, is also a feature of the creative industries and there have been huge developments recently in the creative industries, certainly in a number of universities, the work they do in Aberystwyth, the work we have recently started doing in Bangor, but very dramatically, of course, the work that is being done in South Wales with the new developments between Glamorgan and the Welsh College of Music and Drama and the setting up of the film and creative centre with the support of the Skills Sector. That is a huge development and sometimes I do not think we have attached sufficient significance to its importance, its economic importance, and the fact that it needs trained people, and of course it is a totally global industry. I think higher education has recently started to make real contributions to the creative industries.

Q624 Mark Williams: Returning now to the skilled workforce, we have touched on this before but this gives you a second bite of the cherry. You paint a picture of what you want to see, but what is your assessment of the current skills level of the workforce in Wales, in particular in your studies and
work what differences have you identified between different age groups and again, fundamentally, how have you been responding to those different needs?

Professor Jones: I am sure Amanda has got a lot to say about this, but let me just try and raise something which I am trying to work through myself in terms of the question, which is how does higher education respond to demand, because the Leitch review indicates the demand comes from employers, so you work out how many engineers you need, how many physicists, how many nurses, how many teachers, and so on, and you provide those places, but actually higher education does not work that way because the way the whole funding happens at the moment is that our customers are not directly businesses, our customers are students, and students decide whether they want to be nurses or engineers, or physicists, or whatever. So higher education can, of course, have a sense of what the labour market requires and where that is in the public sector, in nursing or teacher training, there is a very clear sort of negotiation with government about how many places you provide, but once you are outside of that I think it becomes more difficult to provide the training which the labour market may or may not require, because it is an incredibly difficult thing to gauge, while at the same time you have to cater for students, and if students do not want to be engineers—

Q625 Mark Williams: One thinks of the example of the much maligned leisure, sports degrees, or media studies, which are not necessarily as responsive as some of the things we have talked about today.

Professor Jones: They are growing sectors of the economy, though, and students are getting increasingly conscious of where they are likely to get careers, so you are seeing a growth in some of these areas. Leisure management and the creative industries, these are all growth areas in the economy and in terms of the forecasting it appears they will be growing sectors in Wales as well. So to some extent I think we are addressing the labour market needs but through a mechanism which is imperfect because the mechanism at the end of the day is student choice.

Ms Wilkinson: Obviously there is a lot of work which is done in schools. Different universities will work with a group of schools, potentially with a professional body, for example on mathematics courses for children who are interested in that, to try and encourage that.

Q626 Mark Williams: How widespread are courses like that and collaboration like that between the schools sector and universities?

Professor Jones: Quite widespread.

Ms Wilkinson: Every institution has had some sort of arrangement and it will be different. Some run summer schools, some will run one-off courses, but I cannot think of a university in Wales which does not have relationships with its schools in one way or another, which is about positively trying to encourage young people to think about not only coming into higher education but what they want to do. In essence, the major role here is for the careers advisory services, all the way through the system actually.

Professor Jones: I think the point is worth remembering that at the end of the day students, some at the age of 18, decide what they want and we have to provide what they want. They are the customers, especially if they are paying for it.

Ms Wilkinson: There are things that we will look to do together. We have recently set up a forum with the CBI. We have only had one meeting, it is a very recent initiative, but I think there is quite a lot we can do. There is obviously quite a concern amongst some of the larger employers in Wales regarding certain skills and I think there are things that we can do together to try and promote the value of those areas through higher education and into employment, and we will try and do those sensible things.

Q627 Mark Williams: That partially answers my next question, which is the Leitch Report has identified a figure of 29% up to something in excess of 40%. What factors would let you achieve that target? That is obviously part of it, the collaborative approach and other things. How else do you see the higher education sector being in a position to meet that figure, or indeed a more ambitious one in England, which you mentioned as well?

Professor Jones: Leitch is a particular take on it, and of course Leitch is out for consultation, so I think there is a good deal of discussion to go on Leitch, but I think it is a very interesting idea that he proposes, that this expansion should be paid for through public investment, from the student and from employers. That is a huge challenge for the whole sector in the UK going forward as to how you engineer a situation where employers actually do fund the skills base they then require. I think it is very early days as to how that will work out, but it is a very interesting package which Leitch proposes, but it is posited on his very clear view that there is a huge skills deficit in the United Kingdom, and that includes Wales, of course, at all levels, basic, intermediate and higher level skills. It does seem to me that the Leitch agenda will dominate discussion for a long time to come and it is driven by precisely what you as a Committee are looking at, which is globalisation. How can the UK and how can Wales compete in a world in which the labour market has been transformed by the arrival in particular of China and India into the world market?

Q628 Albert Owen: You have covered a lot of what I was going to ask, but two specific things. First of all, you mentioned the role of higher education in fostering social inclusion, but are you not going after the soft targets, people coming to you, your customers? Are you really trying in these areas through the schools with people from underprivileged backgrounds? What kind of work are you doing with the schools there to encourage more people to look towards higher education and to an extent are you encroaching on further education colleges?
Q629 Albert Owen: Do you receive additional funding for that?

Professor Jones: Yes, it is part of the widening participation funding. We use it for that particular purpose. I suppose we could use it for something else, but we choose to use it for that particular scheme, and it is a very successful scheme and it is clearly bringing people in and it has been nationally externally looked at. It is clearly bringing people into higher education who would not be in higher education otherwise. But there is no question that we can do more than we are doing. Communities First areas is one area, but obviously you have people who are disadvantaged in all sorts of other areas actually and Wales does very well in terms of disability, for example access of the disabled to higher education in Wales, but there is no question that we should be doing more. Just one further point is that we should not just be thinking in terms of the progression of younger people. The other key point about Leitch is that we are all going to need to be re-educated as we go through our working lives. It is not just the people entering the labour force who will need these higher skills and new skills, it is people already in the labour force and in your own constituency there are, I think, some very good examples of that where there may be major economic change and people will need to move on with repackaged skills.

Ms Wilkinson: We are relatively well-placed given the emphasis within the Welsh higher education system on part-time learning, but we do have some advantages in terms of where we might be moving and in how we currently deliver. So there is quite a bit we can build on there, I think. Just to give you a different flavour, it is not just about what institutions can do to encourage young people into higher education, for example Glamorgan has got a great learning mentor project which is about helping young people understand how they can learn, so it is doing some of that sort of thing as well where I think higher education can contribute. But as you say, it is a crowded marketplace.

Q630 Albert Owen: Just one final point. I hear what you say about the students being your customers and they have the choice of what course they want, but surely higher education as well as the careers service and others you mentioned have a responsibility to get the right skills base for the area? Are you involved in skills audits as a university? Do you conduct them or do you work with other agencies and bodies to ensure that the skills levels are brought up to what is expected of the area?

Ms Wilkinson: Skills audit in terms of the region, the locality, information?

Q631 Albert Owen: You could pull that information together, but I mean in each university as an institution or on an all-Wales level.

Ms Wilkinson: Certainly we are involved on an all-Wales level through Future Skills Wales, which is the initiative that all the stakeholders buy into in terms of looking at mapping future skills demands, although what we are looking at now is perhaps a slightly longer timeframe, so we will have to see how that initiative might develop in the context of what comes out of Leitch. Primarily we have to be responsive to our market and we have to be responsive to what young people wish to learn. The issue is how you inform what young people want to learn and how we play our role in that whole process. We have already articulated some of the ways in which we are seeking to do that. It is a difficult area. We mentioned Welsh media earlier and the demand for Welsh media education, and there are lots of issues around the needs for Welsh media speakers with particular sorts of skills there and we are doing quite a lot together as institutions now. We have come together and formed a new grouping and we are looking at what we can do to work across institutions to try and stimulate some supply to see where we can get the demand coming in. Frankly, we are not at all sure about that, but there are things we can do. But of course we are taking a risk, because instead of increasing the numbers studying through the medium of Welsh what we might end up with is spreading jam very thin indeed. That is a big risk for all the institutions involved, but we are doing it in that area and we have made a commitment to doing that so that we can increase our offering through the medium of Welsh, for example. But that is not easy stuff.

Professor Jones: I think the point which was raised is a very, very important one about this idea of student demand and the needs of the economy. We do need a planning mechanism, I think, which will allow us to marry those. Having said that, I do think that universities in Wales are really defending subject areas which are very difficult to sustain financially because there are so few students who want to do them, but which are seen as being crucially important to the economy. In a sense we are battling to defend those subjects, which are crucially important economically but which attract fewer students.

Q632 Mr Crabb: How concerned are you about drop-out rates at Welsh universities and what analysis have your colleagues made of the figures of students dropping out at either year one or year two, and what correlation is there between the numbers dropping out and the socioeconomic groups from where those students come? You talk about social exclusion and broadening the net, trying to reach a wider population of young people. Is it fair to say...
that some of those young people from disadvantaged backgrounds are arriving at university and are actually ill-equipped for the courses they have selected and are therefore more likely to drop out?

Professor Jones: First of all, I think our retention rates in Wales compare favourably with the rest of the UK and many institutions do extremely well in terms of retention, but it is an important point you raise, I think. There does appear to be some correlation between the fact that the more you widen access, as it were, the more difficult the retention issues become, but that can be for all sorts of reasons. Students drop out for a whole range of issues. It is not at all because they are ill-equipped for the course. It may be for financial reasons, personal reasons, family reasons or travel reasons. All sorts of issues arise, but it is a worrying area and it is something which I think is a cause of considerable concern because we do not want a system in which huge numbers come in and then huge numbers drop out. One of the great virtues of the UK system actually has been the very high levels of retention which have characterised British higher education compared with continental Europe, where the tradition has been for everybody to go in and pretty well everybody to fall out. So the issue of retention is a very, very important one and I think all universities are working very, very hard to try and tackle it in terms of hardship funds, counselling, support, personal support, and so on, for students.

Q633 Mr David Jones: At the risk of inviting you to shop your colleagues, would you say that every higher education institution in Wales recognises the skills and access challenge?

Professor Jones: Yes, I think so. I think all universities have slightly different emphases in terms of the skills they provide, but yes, I think so, certainly, because a great deal of the discussion, of course, is about the skills challenge in terms of the development of the private sector, quite properly, but one should not forget also that universities also provide the trained teachers, the graduate nurses, the midwives and the doctors for Wales. So I think in one way or another we all have to address the vocational and skills issues. The Leitch review was only published, I think, in December and that is obviously going to get a whole debate going. The kind of work which this Committee is doing on globalisation I think again raises quite fundamental questions about the kinds of skills we will need in order to compete globally. So it is not just what skills do you need to plug into the existing economy, we need to be thinking what skills will we need in 10, 15 or 20 years’ time.

Q634 Mr David Jones: On that point, are Welsh HE institutions measuring their success against one another or in a UK context, or in a European context, or indeed globally? Would you say that they think globally?

Professor Jones: Yes, I think we do think globally. I genuinely think we do, because it is a global business and it is also highly competitive.

Q635 Mr David Jones: So when you are measuring your success you may be measuring yourself against the University of Tokyo?

Professor Jones: Yes. If you want to be in the top 500 in China then that is exactly what you do.

Q636 Mrs James: I want to go back and talk about the spin-off rates and the start up rates and the contribution which universities are making to financial growth in Wales. Can you expand a little more on the contribution which Welsh universities are making to the Welsh economy, both on a national and regional basis?

Ms Wilkinson: In terms of the return on investment to Wales, it is reasonable. For every £1 million we are looking at about a 4.6 multiplier on the investment, so the return on investment in higher education is pretty good and our contribution there is fairly solid. We also obviously create quite a reasonable export value, I think, about £100 million worth of export value. Locally the contribution varies. I hesitate. Clearly when you look at some areas where some of our HEIs are based they are the largest employers, or it is the higher education institution and the local authority. They are major drivers of that local economy in terms of the development and sustainability of a range of smaller businesses which depend on the institutions’ activities for their very survival. So I think that element is very important, as well as the other aspects we have touched upon, which is what we do with businesses, how we create added value, and the knowledge and research that we put out into the wider economic community. It is easy to forget the contribution that each institution makes to its individual locality, and of course increasingly we see wider partnerships between different public sector players where higher education again is playing its role with the development of local services in Wales. We are looking at what higher education can do to partner with other public bodies in terms of the whole value for money agenda. So in terms of their impact on the localities, it is very significant.

Professor Jones: The point is, I think, extremely well made and it is an important one to grasp, that universities are businesses in their own right in that they have to compete in order to survive and that means competing in a UK and global environment. But it is a very, very competitive business. We have to go out there every day and fight for students, for research monies, for consultancies, for staff, and if we fail then clearly there are major implications in terms of employment. As Amanda was saying, in many parts of Wales universities are major, major employers in their own right and they have a big impact on the local economy. Quite apart from all the other activities, the university also has a major impact in that regard. Also, I think universities are able to attract people—this is something we have not mentioned so far, but it is not just for growth in business locally but it is for services like the Health Service, for example. The existence of higher education is a major inducement in terms of recruiting highly qualified staff into the health service.
Ms Wilkinson: Just to follow on from that, we cannot be complacent about our hinterland. Even the smallest businesses these days can shop around for the services and the consultancies they want. They will not, as a matter of course, necessarily go to their local university, they will go obviously to the best deal, so we do have to be competitive in order to serve our regional economies.

Q637 Mrs James: You mentioned going out looking for students, looking for sponsorship and finance and you touched upon non-EU students. How successful and how important do you see that element of the market?

Professor Jones: Non-EU students are absolutely crucial to the sector and ensuring that we recruit more of them, which is why we do work together as well as separately to try and recruit more. EU students, of course, are interesting, and I am aware that the Committee has been looking at Poland and the Czech Republic, and so on, but clearly within the EU there is a whole new market which has appeared in what used to be Central and Eastern Europe, the new accession states, which I think we are only beginning to understand the importance of. They would not be paying the extra fees, but the point is that non-EU students pay more fees. Clearly, it seems to me that in terms of internationalising higher education there could be a big market in Central and Eastern Europe as well as the normal markets in Western Europe.

Ms Wilkinson: There is also the issue that you cannot be complacent. In a situation where you have students paying fees, you cannot be complacent about your home market because they also will look at the fees charged elsewhere on other English speaking courses. You could say from that point of view the world opens up students’ options.

Professor Jones: Yes, it does. You could go to the United States and do your degree.

Q638 Albert Owen: The 2004-05 Wales Tourist Board Annual Report estimates that the conferences and meetings market is worth over £225 million a year to the economy of Wales. How do the higher education institutions promote the conference facilities internationally? You told us about the spin-off from universities and this is certainly one area.

Professor Jones: Yes, it is. I am not sure I have a very full answer to the specific question of how institutions market that—all in their different ways, I suspect—but what is certainly true is that it is an extremely important market for all institutions, the conference market. There are times of the year when students are not in residence and so you have facilities, halls of residence, meeting rooms, lecture rooms, and so on. Certainly in our case it is a major, major part of our business. It is attracting not just conferences but working much more closely with the rest of the tourist market in terms of working together to attract people to Wales.

Q639 Albert Owen: But it is an important revenue stream?

Professor Jones: It is an important revenue stream and it should be bigger, in my view. It does then take one very much towards the tourist market and it has long been my belief, actually, that we should be working much more closely with the rest of the tourist market in terms of working together to attract people to Wales.

Q640 Albert Owen: Can you explain to the Committee in more detail the reasons why you state in your paper “higher education lies at the heart of Wales’s competitive advantage in the global economy”? You have mentioned certain things, but why do you place so much emphasis on higher education?

Professor Jones: There are lots of reasons which I have already touched upon, but I think the fundamental one is that there are so many reports now and they all come to the same conclusion, which is that what gives the UK and Wales a competitive edge are the high skills we are able to provide. If you then look down the road a while and see what the economy is likely to look like, we have got the Working Futures report which has looked at that and the areas where they see growth are in managerial, professional and the technical and associated professional areas. If you dig a little deeper, within the professional group, for example, they think the biggest group of new jobs will be in teaching and research, health professionals and science and technology. The associate professional groups will be in culture, media and sports, health and science, and health and social care is another area which figures. All of those areas in which higher education trains people to a very high level and if we do not provide people with the skills to occupy those positions then I do not see how we can compete, and either they will come from outside or it just will not happen at all, which is much more likely to be the case. So I see that as, in a sense, being the fundamental part of the case for higher education, the way in which the economy is developing, the way in which we can compete in Wales, and indeed in the rest of the UK, in the global economy. It is not going to be as it used to be, particularly in Wales, in terms of raw materials and then manufacturing, it will have to be by being, as the Welsh Assembly Government has emphasised, the small, clever country, and that means high level skills.

Q641 Albert Owen: But is not every country saying that?

Professor Jones: Yes.

Q642 Albert Owen: You cited the fact that we went to Poland and the Czech Republic and they are saying exactly the same thing, so what is different in Wales that you think can give us that advantage?
**Professor Jones:** I think we have a very fine higher education system, and that goes for large parts of the UK generally. Higher education in the United Kingdom is seen throughout the world as a quality product with very high standards and that still gives us an edge. If you look at the number of scientific papers which are produced, for example, it is only the United States which in a sense competes with the UK. Despite the relatively low levels historically of funding for science there has been this tremendously high level of science research in the UK. So I think it is a quality system that we have and it is a jewel in the crown.

**Q643 Mark Williams:** In relation to the development of the European higher education area, your memorandum states that Wales has been taking a leading role in its development. How is that progressing and what are the key priorities for that group in the context of globalisation?

**Professor Jones:** I think with the Bologna process there are tremendous opportunities and, by the way, the whole Bologna process fits very neatly into the whole Lisbon agenda, does it not, which is also driven by this idea of Europe being a high skills area and powered by innovation and a knowledge base? So the idea that you have, as it were, a common European area in which standards are comparable I think is tremendously exciting, so that people could move for part of their degrees. It already happens to some extent with the Erasmus and Socrates programmes, but part of the rationale for it is to encourage labour mobility, to get people to move around Europe and take their qualifications with them. I think that is incredibly exciting and encouraging. There are big challenges for us, however, in that as the European degree structure becomes more like the British in terms of first degrees they then become more attractive. I think, internationally. Secondly, there are big issues about the masters degree in the UK, which is a one year qualification usually in the UK and which in Europe will be required to be two, and there are issues also about the British PhD, so it is bumpy.

**Q644 Mark Williams:** So they are some of the pitfalls and things to be dealt with. The Declaration was signed in 1999. How advanced are things currently?

**Ms Wilkinson:** Obviously the crucial thing we need to complete is the credit matching so that we can compare what is awarded in Wales with what is awarded elsewhere in Europe. So we need to match the credits that we award to the Bologna credit framework, if you like. It is a fairly technical area. Scotland is already there. We were quite ahead on this in Wales and we slipped back a little bit, and I think we really need a good push on this in the next year so that we are amongst the first nations who have successfully transferred our own credit and qualification system and mapped that onto the European credit and qualification framework, because that will allow us to compete.

**Q645 Mark Williams:** But at least we have got the framework in Wales!

**Ms Wilkinson:** Yes, quite. We are somewhat ahead of England in that respect. In practical terms, that is the big thing we have got to do to ensure that we are in there competing early on.

**Q646 Mark Williams:** Practically, what effect has that had on numbers of students from other institutions coming to Wales?

**Professor Jones:** I am not sure what the exact figures are, but there is a constant flow of students from the rest of Europe. I think the big challenge, as I said earlier, will be the new states which have joined and the markets there.

**Ms Wilkinson:** Some institutions, certainly Swansea, will already give an indication of European credit value, for example.

**Professor Jones:** That is right.

**Ms Wilkinson:** Some institutions have done it off their own bat, if you like, but what we need is to do it on a pan-Wales basis.

**Professor Jones:** And indeed Swansea was the venue for the last—

**Ms Wilkinson:** We have been very active players in the whole Bologna process.

**Q647 Mark Williams:** When do you envisage that process of credits being resolved? You mentioned that England has not even started yet, so there is progress there, but what is the timetable for this?

**Ms Wilkinson:** It is not within our control. The Welsh Assembly Government has recently reappointed somebody as the credit and qualification framework coordinator, so we are hoping that we will see some progress on that within the next year. It would be nice for us to be able to complete it over the next year, but I am not in a position to say whether or not that is going to happen.

**Q648 Mr Crabb:** I just want to come in on that question. The rhetoric around the Bologna process is excellent, “in order to enhance the employability and mobility of citizens within Europe,” and you mentioned the Erasmus programme, which has been a fantastic tool and lever to help achieve some of that. The barrier which Welsh students are going to come up against, though, is that fewer and fewer of them are coming out of schools with any meaningful qualification in French, German or Spanish. So how are Welsh students going to access Erasmus and Socrates and be part of this common European higher education space when they cannot actually benefit from spending six months or a year abroad at a foreign university?

**Professor Jones:** I am not sure I have the answer to that, but you quite rightly raise it as a major issue. The provision of modern languages and the recruitment to modern languages in the UK is—

**Q649 Mr Crabb:** Woeful.

**Professor Jones:** Yes, it is very difficult and it is because students are not coming out of schools with competence in those languages and not choosing to have competence in those languages. I think it is a very difficult cultural issue really. This is just
speculation, perhaps, but I think many people in Britain assume that if you speak English then you are okay and what they fail to understand is that if you speak English and German, or English and Finnish then you have a competitive edge, whereas speaking English on its own does not give you a competitive edge against people who speak English and Mandarin. To be fair, I think the Welsh Assembly Government has been very aware of this issue and very concerned about this issue, but it seems to be embedded within the culture that you do not need foreign languages. Actually the, upshot is precisely as you say, that far more students come from the rest of Europe to Wales and to the UK than go from the UK to the rest of Europe, which I think sums up the fact that we are not maximising the opportunities.

Ms Wilkinson: There is the issue of the increasing number of degrees taught through the medium of English within Continental Europe, which might have some impact aside from our own language performance. HEFCW has recently sponsored a project looking at modern foreign languages within higher education and it will be interesting to see what comes through that. It is not something I have seen any result on as yet. I expect it is something which might report later on this summer. Certainly that work was very much focused on looking at what we can do to improve the throughput of young people who want to study modern foreign languages at higher level, because obviously that is a real issue for us.

Q650 Chairman: Could I end by asking you a question from a historian's perspective, yours rather than mine? Fifteen years ago one of the world's greatest professors of chemistry, a Welshman, Sir John Meurig Thomas, came back from Cambridge to be a leading academic within the University of Wales and he attempted to bring together the various higher education institutions in Wales, greater convergence, particularly from the research perspective. Could you give your observations on whether, had he been successful, we would now be much greater appetite for collaborative work, towards collaborative work in Wales. There is a point about "fortress Wales," it is what they can do with others as well.

Professor Jones: Yes, that is absolutely right. The neuroscientists will be working together and they will create something in Wales which I think will be very exciting. They will compete with people internationally, but they will also be collaborating with them, because that is the nature of the academic endeavour, to come back to where we started. We have talked a lot about funding streams and markets, and so on, but at the end of the day higher education is there actually to emphasise universal values and therefore whereas borders are, of course, important and exist, in terms of academic discourse they are often pretty transparent.

Q651 Chairman: So the answer to the question is yes, in the sense that if Sir John Meurig arrived today rather than 15 years ago you would have had a much warmer response?

Professor Jones: I think there is a whole move towards collaborative work in Wales. There is a much greater appetite for collaborative work, particularly research work, now in Wales than used to be the case.

Q652 Chairman: Thank you very much for your evidence this afternoon, and once again thank you for your written evidence. If you feel, in light of the discussion this afternoon, there is something which you or your colleagues across the higher education sector wish to add, we would be delighted to receive it, particularly as we move on later on in the inquiry to population movements, food and the creative industries.

Professor Jones: Can we thank you, Chairman, and all the Committee for your time and to be able to give evidence in what I think is a very timely investigation you are conducting into the impact of globalisation. Thank you very much.

Chairman: Thank you very much.
Monday 14 May 2007

Members present:
Dr Hywel Francis, in the Chair
Mr David Jones
Mr Mark Williams
Mr Martyn Jones

Witnesses: Ms Charlie Jones, Project Manager Union Learning Organiser, Transport and General Workers’ Union and Ms Barbara Hale, Development Officer, TUC Wales, gave evidence.

Q653 Chairman: Good afternoon and thank you for your written evidence which was most helpful. In your memorandum you refer to “growing numbers of employees being brought into the area by employment agencies”, what is your estimate of the extent of migrant labour in Wales?
Ms Hale: I attended a conference last week which estimated the number of registered Polish workers between the period 2005-07 was 17,000 in Wales.

Q654 Chairman: 170,000?
Ms Hale: 17,000.

Q655 Chairman: Are most migrant workers to Wales Polish? How has this pattern changed in recent years, and what further changes do you anticipate?
Ms Hale: At the moment they are mostly Polish, however there is a shift on a regular basis, as two to three years previously it was Portuguese and Spanish, but in the last few years there has been a shift.

Q656 Chairman: And what changes do you anticipate?
Ms Hale: Recruitment shifts from country to country, some employers recruit from a particular country within the EU. Some employers bring people in on six month contracts to fill gaps in labour.
Ms Jones: Recruitment is also made from Slovenia and Lithuania.

Q657 Mr Martyn Jones: Thank you and good afternoon. You refer in your written paper to “intimidation and threats” faced by migrant workers. What more can you tell the Committee about this and what are the main problems faced by migrant workers in Wales?
Ms Jones: We are unable to persuade anyone to say anything publicly. One individual was bundled into a car and threatened at gunpoint. They are having illegal deductions from wages. Individuals have been charged extortionate rates through sub-contractors with regards to providing lifts to get them to work. The police have also not been helpful.

Q658 Mr Martyn Jones: The problem is extortion.
Ms Jones: Absolutely.
Ms Hale: There is also a question about hot-bedding. Lots of people are living in one house, being charged £50 per week rent, and living in cramped conditions. The Gangmasters Licensing Authority was supposed to include reasonable accommodation standards but this is not being enforced.

Q659 Mr Martyn Jones: Horrendous. Are the police involved?
Ms Jones: The police have also been receiving threats.

Q660 Mr David Jones: If I could just come in with a supplementary here, are you aware of any threats to families in Poland?
Ms Jones: Family members have been threatened. One 55 year old who arrived in the UK having being offered work was told that no work was available, he complained, so he was threatened that if he went to the police he would be shot and that they would also get his family.

Q661 Mr David Jones: Was it the Poles issuing the threat?
Ms Jones: Yes.

Q662 Mr Martyn Jones: In which sector is most migrant labour employed?
Ms Hale: They are employed mostly within the food processing industry, which is unionised. However a lot are employed within the hotel and fruit picking industries, similar to the work at home.
Ms Jones: Most of the workers are not in unions, and the majority are employed through agencies and not by the company. There seems to be some mistrust in the unions because of the links to communism.

Q663 Mr Martyn Jones: Is the “casualisation” of labour a growing phenomenon? What implications are there for the core workforce?
Ms Hale: Core workers feel the issues with migrant labour agencies in general undermines their position. Casualisation is prevalent with the migrant worker force, most of the jobs which are filled by migrant labour are because there are not enough people here to do them.
Ms Jones: But that presumption is fuelled by the media.

Q664 Mr Martyn Jones: To what do you attribute the shortfall in local supply of labour which you refer to in your written paper?
Ms Hale: Research at our conference showed there is a big shortfall in unskilled labour and there are also gaps in other areas.
Ms Jones: We are filling low skilled jobs with highly skilled workers

Q665 Mr David Jones: There seems to be a large number of workers from outside the EU for example Russia and Ukraine. How do they get work permits?

Ms Jones: I have not explored this, some may not have.

Ms Hale: I could not really say, the people we see are mainly from the EU and are on a six month working permit.

Q666 Mr David Jones: Did they come through agencies?

Ms Jones: Not the Russians.

Q667 Mr David Jones: In Llandudno hotel workers are from Russia and Ukraine which is not in the EU.

Ms Jones: They could be on visas.

Ms Hale: No, in Llandudno they are mostly EU.

Q668 Mr Martyn Jones: You refer to the “perception of local people that their jobs are being undermined by agency workers”; is there a sense of friction between the two groups?

Ms Hale: In some areas I think you get mixed reports and there is a lot of anecdotal evidence. People who live close to Polish people say they are nice people, those who do not know them feel intimidated.

Ms Jones: Stewards also feel this way, until you meet people, go on a course with them, it is difficult for people to integrate.

Ms Hale: These workers work such long shifts that they are moved from their work place to their house by their employers. They do not mix as much and join in with the community as much as they would if they came over independently.

Ms Jones: They work long hours and do not meet people.

Q669 Mr Martyn Jones: The perception is they do not stay and they go back to Poland at the end of their time working here.

Ms Jones: It is mixed, some would like to stay and bring over their families and integrate in to school and learn Welsh and English. The young Polish workers return and go back to university and some into parliament.

Q670 Mr Martyn Jones: I have heard that 10,000 are living in Wrexham. Would that be right?

Ms Hale: Yes there are very high numbers. There are low employment rates and lots of people living in Wrexham. Wrexham County Borough Council is proactive in making links relating to community cohesion within the surrounding areas.

Q671 Chairman: Do you have a sense of where exactly they are?

Ms Jones: Caia Park, Telford and Shrewsbury.

Q672 Mark Williams: Does the TGWU have links with, for example, Polish unions, through which information can be passed onto people thinking of coming to Wales to work?

Ms Jones: I cannot speak for the whole union but as far as I know we do not need to tell people what their rights are as workers before they come here. We need to be telling them that agents take money off them for accommodation and fuel, about £50 per week, but they want to send money home, they need to be told the streets are not paved with gold.

Q673 Mark Williams: In Ceredigion it is the same for agricultural workers.

Ms Hale: Even in these cases some people believe they can save enough for their retirement.

Q674 Mark Williams: You note in your written paper that agencies are flouting the Gangmasters Licensing Authority by working in partnership with European agencies which are not regulated within the UK. How do employment agencies in Wales work with other such agencies abroad, and what is the relationship between them?

Ms Jones: The police are taking on Polish speakers. The workers are asked to sign contracts which are in English. The impression they are given is that there is going to be a great job arranged but they do not speak English. They have been told they will be self-employed. In reality they come here having signed a contract in English that they do not understand, then the worker arrives in England and no one turns up at the appointed place to meet them, then another gang, or the same one, but under a different name turns up, and takes them on. They are actually the same people. They say we will find you a job, so already they are put in a position of fear.

Q675 Mark Williams: What is the age profile?

Ms Jones: They are very young or pushing retirement. They get bundled off and left sitting on coaches at the side of a motorway for up to 24 hours.

Ms Hale: At this stage passports are taken away from migrant workers when they get here.

Ms Jones: They have no passport, nowhere to live, and they do not know where they are, which is not a good start.

Q676 Mark Williams: Your paper describes “deductions from wages for accommodation and travel” made by employers. You also refer to the high fees charged by some agencies. Typically what level of pay do migrant labourers receive, and what fees do agencies charge?

Ms Jones: Accommodation is about £50 per week, £20-£30 probably to travel to work in an unlicensed car with no MOT, sometimes additional fees of about £40 for special cleaning of the accommodation. The agency charges additional fees of about £40 a week for special cleaning of accommodation and other charges the agency sees fit.
Ms Hale: It is very common for them to be in debt when they arrive.

Q677 Mark Williams: According to your figures of the workers who come to the UK, how many stay, and on what basis do they make that decision?  
Ms Jones: Most tend to stick it out, they hope to pay the agency off, and there are some good employers who take people on reasonable terms. They tend to be the ones who are most established and stay, some are living in South Wales. One worker brought a case against an agency which paid him his wages in an envelope although the figure on the payslip was different and he never received the right amount of money. The worker had a witness who watched him open the envelope. He successfully brought a case against the agency, and is now working as a fitness instructor in a gym in South Wales.

Q678 Mr David Jones: You say that the Workers Registration Scheme has been abused by some agencies. In what way?  
Ms Jones: Some agencies abuse it, by telling workers that they need a worker’s registration fee at a cost of £120-£150 when the cost is actually £70. Agencies take the passport from the workers saying they are applying for residency, which they cannot apply for as they have not been here for 12 months, the worker then receives a rejection slip from the Home Office. The workers believe they have been refused for registration, they cannot claim for benefits and housing, there is a lot of confusion.

Q679 Mr David Jones: These practices are clearly illegal.  
Ms Jones: Absolutely.

Q680 Mr David Jones: What are the authorities doing about it?  
Ms Jones: I thought you would tell me. The workers are not experienced, they are afraid to do anything in case it jeopardises them working in other EU countries.  
Ms Hale: It appears to be intimidation.  
Ms Jones: It is quite a tangle.

Q681 Mr David Jones: It is a type of organised criminal activity which the authorities are doing little to stop.  
Ms Hale: There must have been a lot of complaints. Agencies change their names and office addresses to at least eight or nine different names.  
Ms Jones: Yes, but they are one and the same company.

Q682 Mr David Jones: But extortion is obviously a police matter. Have there been any police prosecutions?  
Ms Hale: The police have been advised. However a lot of people are frightened of the police, they do not think they are someone to whom they can go. People are afraid to bring this forward and afraid to put names on paper when it comes to prosecution.

Ms Jones: There is also a language barrier.

Q683 Mr David Jones: What organisations were involved in this?  
Ms Hale: In Llanelli a credit union has been set up by a Polish woman where advice can be obtained for people who get into debt.  
Ms Jones: The credit union provides bonds for people, for example, agency housing, they also help to rent private accommodation.  
Ms Hale: The North Wales Race Equality Network (NWREN) have been good and VALREQ (Valley Race Equality) who are set up on a slightly different basis. Funding has been difficult to get. It is important people adapt to local areas, you can get a lot of things done and adapt to particular circumstances. Everybody is saying it is better to link up with other local initiatives.

Q684 Mr David Jones: Are they prosecuted?  
Ms Hale: People are too afraid to give statements.

Q685 Mr David Jones: This is clearly more or less mafia activity, is it not? The TUC Wales’s programme Access Across Wales is intended to spread good practice by strengthening links between various centres working with migrant labour. Can you describe for the Committee which organisations are involved, what sort of projects have been initiated, and what examples of good practice you have identified?  
Ms Hale: Access Across Wales established a lot of good practice. We established that North Wales has growing numbers of migrant workers and that there are patterns happening across Britain. There have been tutor and learning champions to promote learning and awareness with regards to living in Britain and Wales, so it is not just about language, it is also about citizenship. The TUC Wales are working with Bangor, Flintshire, Llanelli, Wrexham and now Merthyr Tydfil.

Q686 Mr David Jones: Is there a problem with access to financial services? In London mainstream banks are targeting immigrants. Is that happening in Wales or are they excluded from financial services? What initiatives are there happening in Wrexham?  
Ms Jones: Nothing is happening yet, they are very much excluded, if they go into a bank here, no one speaks Polish.  
Ms Hale: In a lot of areas police are getting the information you are getting now?  
Ms Hale: A lot of areas police are getting the information. Police in Flint are involved with Wrexham in community cohesion issues.

Q687 Mr David Jones: Is there a problem with access to financial services? In London mainstream banks are targeting immigrants. Is that happening in Wales or are they excluded from financial services? What initiatives are there happening in Wrexham?  
Ms Jones: Nothing is happening yet, they are very much excluded, if they go into a bank here, no one speaks Polish.  
Ms Hale: People are too afraid to give statements.
Ms Charlie Jones and Ms Barbara Hale

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Q689 Mr David Jones: The Access Across Wales project is halfway through its planned two-year programme. What longer-term projects would you like to see follow on?

Ms Jones: We are developing that as we go through this project.

Ms Hale: It is also essential to link up to other organisations and we work with Wrexham County Borough Council, police, CAB. So, really it is important people are talking to all the other agencies and linking up. We will be putting in new initiatives when it comes to an end.

Ms Jones: It is crucial that we need to do something for all agency workers, this is not just about migrant workers.

Q690 Mr Martyn Jones: Are employers seeking to recruit migrant labour from countries outside the EU, for example by attending recruitment fairs?

Ms Hale: There are recruitment fairs in Europe of food manufacturers. We know of one particular food processing factory who fill their gaps of six months.

Q691 Mr Martyn Jones: Are they workers from Ukraine, Russia or China?

Ms Hale: Not China. People from the Ukraine are employed, and the Filipinos are employed on factory shop floors.

Q692 Mr Martyn Jones: How do union learning representatives work with migrant workers? Does the union have a role in ensuring that, for example, health and safety information is available in the workplace in other languages?

Ms Hale: We are trying to get migrant workers on union representatives' courses. Migrants cannot get time off work to attend these courses, it would be useful if they attended. There are no migrant shop stewards.

Q693 Mr Martyn Jones: Do unions have a role in making sure health and safety is observed?

Ms Hale: They need to be able to read the signs. These people are not literate in English. We are setting up learning centres across Wales as an initiative. There are employers who really take that on board. They tend to be the kind of employer that has a big interface with the public. Agencies speak to the employers regarding health and safety, some have lower standards of equipment, people are only there for a week or two but all workers should get some health and safety.

Q694 Chairman: But within the set of responsibilities, where do you reckon the trade unions have a role?

Ms Jones: They need to help ensure everyone can read the signs properly and that it is quite clear to all workers.

Q695 Chairman: With regards to the Welsh Language Forum only the T&G have taken interest in this, this is about membership issues and the T&G are at the sharp end.

Ms Jones: It comes more readily to the T&G.

Q696 Chairman: Can I move on and ask you about the recommendations that you make at the end of your memo in support of the migrant community and the local workforce. Would you like to describe these in more detail?

Ms Jones: Part of the problem is a lot of agency workers are not union members so they are not coming to our attention. More migrants are needed to take up membership, we are not capturing as many as we should. We have no ESOL (English Speaker of Other Languages) link up with educational establishments with initiatives.

Q697 Chairman: Can I ask about social institutions and ask if there are any working relationships with the Catholic Church here?

Ms Jones: There was in Anglesey in 2005. Holyhead Catholic Church held ESOL classes in Anglesey Gwynedd.

Ms Hale: The church in Flint, which is not Catholic runs a practical ESOL.

Q698 Chairman: And I am sure NEWI does some excellent work here.

Ms Hale: Yes.

Q699 Chairman: We will be taking evidence from the Commissioner of Racial Equality Wales, Reverend Aled Edwards.

Ms Hale: I have worked with Chris Byant and Steve Bennett.

Q700 Chairman: It occurs to me in listening to this evidence and what we have learnt in Poland that there are some lessons to be drawn out in comparison with Solidarnosc.

Ms Jones: I think I will have to speak to my regional secretary to answer that one.

Q701 Chairman: It would be very helpful if you could provide a list of the conferences you have attended.

Ms Hale: Yes.

Ms Jones: Yes. The migrant workers support union comes to Wrexham on 15 May.

Chairman: Thank you both very much for your evidence today and your memorandum that you submitted. If you feel that you have something else that you would like to add then we would be pleased to receive it.
Witnesses: Councillor Aled Roberts, Leader, Wrexham County Borough Council, Ms Gillian Grainger, Community Cohesion Co-ordinator, Wrexham County Borough Council, gave evidence.

Q702 Chairman: Welcome to the meeting and thank you for your memorandum, which was most helpful. The report you have submitted to the Committee notes that “it is difficult to be precise about the numbers of economic migrants in Wrexham”. What is your best estimate, and what methods do you use to arrive at that figure?

Ms Grainger: We struggled to put a figure on it due to recording national insurance numbers but it is between 4,000 and 8,000. Research by the Welsh Assembly Government on the figures is ongoing.

Councillor Roberts: One of the major problems we have is questioning the fluidity of any of the figures. The local press recorded community cohesion costing £15,000 which was then reported as an ‘explosion’. The figures we have are the best estimates.

Q703 Chairman: I suppose one accurate measure is the number of school children. The Council offers English as an additional language as a service for the children of migrant workers. Have there been any recent changes to the level of demand? Are you being provided with any additional funding by either the Welsh Assembly Government, or the UK Government?

Councillor Roberts: We have been. Up to 2004 when growth in numbers started, there were 199 school children. In March 2007 there were 456 with around 85-90 of those registered in September. But the number is not dying away. It is on-going at that rate.

Q704 Chairman: Are you being EMAG (Ethnic Minority Achievement Grant) funded?

Councillor Roberts: There are no issues, it is paid in arrears over a 6 month period. EAL funding and WAG resources are not keeping pace with the growth. Spending for people was £1,200 in 2004 reducing to £879 now. The other difficulty we have as an authority is that there appears to be a trend. During the last 9-12 months it appears that the number of children who have come from Poland and Portugal with special needs or no real educational history is growing. Following a meeting last week we know that an increasing number of children who have come from Poland and Portugal are from institutional care. Poland and Portugal are our two largest communities. We have heard evidence that there are a number of children from very rural areas that have about 5-10 hours provision per week.

Q705 Mark Williams: I was just going to say it must be quite a challenge as an authority to find enough adults to support.

Councillor Roberts: Yes it is.

Q706 Mark Williams: So practically speaking how big a difficulty has that been?

Councillor Roberts: It is big. We have to make different allowances for special needs children especially from Portugal where they would be institutionalised.

Q707 Mark Williams: You note that “Wrexham experiences significant changes in its demographic composition as a result of economic migration”. Can you describe these changes for the Committee? What has been the impact on Council services?

Councillor Roberts: I suppose the greatest impact at the moment is in education but also in housing. We have seen a huge growth in HMOs (houses of multiple occupation). The migrant workers’ population takes up a lot of slack in the migrant working sector. The reality is we are only scraping the surface.

Q708 Mark Williams: On the HMOs what figure are you talking about? How big an explosion has that been?

Councillor Roberts: There has been an increase with the number of houses with multiple occupancy, from 620 to 970 now. Over the last 18 month period this has impacted on every day issues, for example kerbside recycling and complaints have been received from the local level.

Q709 Mark Williams: How has the council responded to these changes and adapted its services to meet the challenge? Have services provided by the council for other vulnerable groups been affected as a result?

Ms Grainger: We are very mindful of this. We have targeted migrants, we have some practical things in education, we have revised the process. A child gets additional support and relevant language skills. We are trying to develop our cohesion agenda and trying to provide how things work across the borough.

Q710 Mark Williams: As an education authority and personal experience as a teacher, it is an enriching experience when children arrive from a different background and with a different mother tongue.

Ms Grainger: We have recognised this within our schools as part of our curriculum.

Q711 Chairman: I have got a question about the issue of language. There are three types of schools, church, including Catholic, Welsh medium and others. Is there a different approach to each of these categories?

Ms Grainger: I am not aware of any different approach.

Councillor Roberts: We have a standardised approach. The majority of migrant children are in primary school, the capacity within that sector has been reached. All the provision is within the mainstream schools. We took a policy decision not to set up specialised units. The number of migrant workers in villages in Wrexham is increasing.

Q712 Chairman: Can you be more explicit here?

Councillor Roberts: I have seen correspondence from Assembly Members. Assembly Members understand the council has been providing
accommodation. If that is the level of knowledge in the Assembly then as a council we need to be more proactive in explaining that.

Q713 Mr Martyn Jones: What specific projects has the council undertaken to raise public awareness of the issue and to foster social cohesion—for example, your public information programme, the “myth-buster” leaflets and the “One Wrexham” initiative? Have any employment agencies subscribed to the “One Wrexham” initiative so far?

Councillor Roberts: We have developed the One Wrexham Charter rolling out to all our schools but there is a danger we sign documents and take it no further. Gillian met the primary heads and I am meeting them next week to discuss the PCE curriculum within our schools. We need to have a blunt and robust dialogue of the issues. We kid ourselves we play happy families. Within the Wrexham Charter it states people should expect some standard of services and benefits.

Ms Grainger: Another piece of work we have taken forward is an information booklet for migrant workers in four languages and English and Welsh which gives information on how to access police support, refuse collection, health, unemployment issues, higher education and where to go for advice.

Q714 Mr Martyn Jones: How do you get that information out to the community?

Ms Grainger: Through the existing structure, police, Polish shops, Catholic churches, we use what is available.

Councillor Roberts: We had a community cohesion event last week which I think was quite a reality check really. Another one is planned in 2-3 months time and interested parties are involved. One of the elements being developed within our ID was community cohesion.

Q715 Chairman: Which are the four languages?

Ms Grainger: Polish, Portuguese, Czech, Slovak.

Q716 Mr David Jones: What more can you tell the Committee about the council’s community cohesion strategy, and the various groups it involves?

Ms Grainger: The group is still in the early stages and those involved are the police, fire service and health trusts. We are trying to develop a strategy at strategic level, and to pull together and identify gaps and mainstream activities and take forward community cohesion.

Q717 Mr David Jones: This activity obviously does not come free of charge but ultimately falls to the council taxpayer. Have you costed this?

Councillor Roberts: Currently we have a very robust strategy but we need to develop the dialogue.

Q718 Mr David Jones: Which clearly would come at a cost.

Councillor Roberts: Not necessarily. The intention is to utilise the links we already have. The issue as far as Wrexham is concerned is 4/8/15 thousand. This figure represents 2-10% of the Wrexham population. They should be entitled to the same services. £14,496 additional cost is spent on translation services.

Q719 Mr David Jones: You are effectively telling the Committee that the only additional cost to the taxpayer is around £15,000?

Councillor Roberts: That is the cost. The community cohesion section was Gill, who was appointed for two years. The post was already in existence but Gill’s role has been extended quite rapidly.

Q720 Mr David Jones: Are you talking about Caia Park?

Councillor Roberts: Yes.

Q721 Mr David Jones: Well turning to Caia Park, both Wrexham Citizens Advice Bureau and the Caia Park Partnership have secured 3-year funding from the National Lottery further to develop the support services they offer to economic migrants in the area. Can you give the Committee some further details of the community-based support services offered by the CAB and the Caia Park Partnership?

Ms Grainger: The CAB provided some case work for the interpreter from Wrexham and Caia park.

Q722 Mr David Jones: I seem to recall that Caia Park had a large Kurdish population. Is that the case?

Councillor Roberts: The problems in Caia Park happened at the first phase of migrant workers and a relative number of tenancies were given to Kurds. I was the mayor and a solicitor at the time.

Q723 Mr David Jones: Is there still a Kurdish population there?

Councillor Roberts: At the time of the first phase of migrant workers we had a number in Wrexham. From discussions last week with the Welsh Refugee Council there are certainly a number of Kurds living in the Wrexham area.

Q724 Mark Williams: I was interested in your work with two groups; the National Assembly’s Wales Refugee Policy Forum and the North Wales Police.

Councillor Roberts: We have a regular dialogue with the Forum.

Q725 Mark Williams: And the North Wales Police?

Ms Grainger: I am a member of the consortium and work at all levels and attend a wide range of meetings supporting the consultation on that policy on regular and written dialogue. North Wales Police have a diversity officer and offer fulltime support to migrants, and this is a useful conduit. There is ongoing work with the Caia Park Partnership.

Councillor Roberts: On operational Wales, the relationship is very healthy and the migrant worker influx started. There were some very sharp practices from the agencies. I am not sure the Assembly is real to this issue. The sub-group has only met on two occasions. It is not just Wrexham, there is Dee-Side and Llanelli. The Home Office has suggested a consortium takes over strategic police policy for
Wales. There is an enabling grant and the actual additional expenditure is £5,000 per annum. The local authority representatives, on the consortium, will be telling the Home Office that they are not willing to accept responsibility.

Q726 Chairman: The migrant workers’ action plan update you have provided notes that “a recent survey in the county borough suggests that there are in the region of 1,000 houses in multiple occupation and anecdotally it is believed that the majority are occupied by economic migrants sometimes to the point of overcrowding”. What inspection and monitoring of houses in multiple occupation does the council undertake? Have any prosecutions been brought regarding overcrowding or fire protection issues?

Councillor Roberts: The new legislation introduced in 2006 applies to properties where there are more than three storeys, 5 occupants, and we have an obligation for statutory licensing. The problem is the actual scale of the task. A local housing strategy has been undertaken and confirms 900 properties in Wrexham, and at the time this report was presented to the Committee only 32 out of the 900 have gone through a full licensing process. 24 are in process at the moment. Since 1 April 2006 the Council have received 11 complaints of overcrowding from 900 properties. We have been ensuring legislation is being adhered to. There are other issues with regards to infestations in other tenanted properties probably due to the circumstances people are living in.

Q727 Chairman: Could I end by asking a couple more general questions. Do you share experiences and good practices with other local authorities?

Councillor Roberts: The Local Government Improvement Agency identified best practice in Boston, Lincolnshire, Slough and Southampton. Politically there is scope for sharing best practice within Wales. In reality there are only four authorities and they are dispersed. Discussions have been held with Carmarthenshire on an informal level.

Ms Grainger: At officer level discussions are more informal. Discussions are held within Wales. In reality there are only four authorities and they are dispersed. Discussions have been held with Carmarthenshire on an informal level.

Q728 Chairman: Are you aware of any attempt to celebrate cultural relations between Wales and Poland through for example the British Council?

Councillor Roberts: We had the first twinning at primary level with Silesia four years ago. A church from Marchweil went to Poland during Christmas time. Wrexham library have held an exhibition by a Polish artist. Six teachers from Wrexham have visited Silesia and Silesia visited Wrexham two years ago.

Q729 Chairman: Is that unique or do you know of others in the UK?

Councillor Roberts: Denbighshire has a twinning arrangement with the Silesia Assembly but it is very much on an ad hoc basis. So far it has been on a cultural and sporting level. We need to do more.

Chairman: Thank you both very much for your evidence and memorandum. If you feel that there is anything that you would like to add then we would be very pleased to receive it.

Witnesses: John Gallanders, Chief Officer, Association of Voluntary Organisations in Wrexham (AVOW), Alison Hill, Chief Officer, Caia Park Partnership, AVOW, AVOW Health and Social Care Facilitator, AVOW, gave evidence.

Q730 Chairman: Good afternoon and welcome to this hearing of the Committee. For the record would you like to introduce yourselves.

Mr Gallanders: My name is John Gallanders and I am representing one of nineteen voluntary organisations in Wrexham.

Ms Hill: I am Alison Hill, Chief Office of Caia Park Partnership.

Ms Williams: I am Janet Williams, Health and Social Care Facilitator.

Q731 Chairman: In concluding your memorandum you write that “The third sector has much to give in terms of making globalisation a positive rather than a negative experience for Wales”. What more can you tell the Committee about the positive contribution to be made by the third sector?

Mr Gallanders: The starting point really is that the third sector can react much quicker than statutory agencies. Migrant and asylum people arrived in Wrexham five years ago and the Wrexham asylum seeker and support group made up of representatives of a wide range of community and voluntary organisations who had actually had a feel for what was happening was the first to be set up. We have had a very close involvement with people on the ground. People were arriving in the area with no real idea of any of the statutory agencies. We represent a wide range of individuals including religious organisations, the Salvation Army and local Methodist churches. They are very quickly able to muster up a significant number of volunteers and operate a drop-in facility. One of the key things is to involve local people in the community. Help and information is given for housing, council or private sector.

Q732 Chairman: If you would just pause at that point you mention in your paper to the committee that the third sector organisations you consulted identified the lack of hard data about the number of migrant workers as a major concern. In your view, who should be responsible for collecting such data and, given the nature of labour migration, how accurate can it be? Which organisation is better suited to help?
**Mr Gallanders:** It is very difficult to identify any one sector. 30% of workers go through the Job Centre, and the remaining 70% go through agencies so actual figures are not known.

**Q733 Chairman:** Are other family members coming in?

**Mr Gallanders:** Some migrants bring family members with them. The figure could be indicated through the number of children accessing schools.

**Q734 Chairman:** Could I ask a question that occurred to me when you were speaking then? Who would you include within the voluntary sector? Would you include the church and trade unions?

**Mr Gallanders:** We have extremely close links to faith groups in Wrexham, a number from the local Catholic church.

**Q735 Chairman:** Are they actual partners?

**Mr Gallanders:** Very much so. There are various information groups within the voluntary sector that form the backbone in voluntary management committee, in particular areas of cohesion. The Catholic Church holds a service.

**Q736 Chairman:** Could you describe to us the faith groups in Caia Park?

**Ms Hill:** The reverend of the local church is very supportive of work with migrant workers.

**Q737 Chairman:** What about the trade unions?

**Mr Gallanders:** We have not got a great deal of involvement with the trade union directly. However, they are partners around the table.

**Q738 Chairman:** Do you not think that is something of a gap?

**Mr Gallanders:** Voluntary organisations are currently working with faith groups at NEWI where Muslims have a meeting place. They wish to build a mosque within Wrexham. The voluntary organisations are working with them to raise funding to build a mosque.

**Q739 Mr Martyn Jones:** Your memorandum states that estimates of the number of migrants living in the County Borough of Wrexham vary from between 8,000 and 15,000—a wide range. In your estimation, which end of the scale is more accurate?

**Ms Hill:** The figure is moving on an upwards trend, and new families come in on a regular basis. Plus the figure rises on seasonal work, as in June in Poland schools end. I would not like to pick a figure between 8,000—15,000, the figure is rising.

**Mr Gallanders:** Could I just mention, and it seems a very strange analogy in a sense, but if you look around the area you can see growth by looking at areas with Polska net and satellite dishes. You can physically see in the streets 8,9,10,15 Polska dishes. So, you can relate that to the fact that there has been a change in the community.

**Q740 Chairman:** Can you describe for the Committee the additional challenges for the third sector which migrant labour brings? What welfare and information needs do migrant workers have, and how does the third sector a) establish what these are, and b) seek to meet them?

**Ms Williams:** The third sector existed to fit gaps. We have to be flexible, and there are language barriers. The language line is actually quite expensive. There is an increase in trauma counselling and mental health issues. We have to promote our services via word of mouth. It is difficult to promote your services given the language barrier. It is impossible to use traditional routes.

**Ms Hill:** We have to train up resources to meet the challenges. There has been an ongoing battle and that is not being dramatic. It is quite resource intensive, simply because of the language issue. We provide a drop-in service three days a week to provide support for migrant workers. ESOL classes are available. We could fill 18 classes a week but funding has cut to four per week. The Welsh Assembly Government cut the resources.

**Q741 Mr David Jones:** How flexible and responsive is the third sector in being able to adapt to demographic changes?

**Mr Gallanders:** Historically Wrexham has had a large number of overseas students including a large number of doctors and nurses. Wrexham Maelor Hospital had a large recruitment and brought in 40-plus Filipinos. They advised them of housing, accommodation, educational and language support. Support is given to parents arriving with children, placing them in play groups. This was a planned approach; other migrant workers have been unplanned. The strategic agencies are having to look downward from the top and cannot move so quickly.

**Q742 Mr David Jones:** So the answer is pretty responsive or pretty flexible. As a matter of interest have you ever discovered why so many Poles want to come and settle in Wrexham?

**Ms Hill:** There is the historic Penley site where Polish people are located, and an economic development programme promoting Wrexham was held, which gave a big push.
a three yearly basis. There is no mainstream or statutory funding. Certainly the Polish migrants would prefer to have access to the ESOL courses. Caia Park have to keep putting funding bids in, and this is an essential part of living in the area. Polish migrants are seeking to work and are not wanting everything to be translated, this is a myth.

Q744 Mark Williams: What additional support needs does migrant labour place on the school system? In what way is this “not only language but also cultural awareness”?

Mr Gallanders: There are cultural differences, the relationships within a family setting can be quite different. There was an incident about 12-18 months ago of a Portuguese family in which a Portuguese lady was actually looking after eight children in the house. Social services were informed and the house was raided, and they took the children away, but it was culturally acceptable amongst the Portuguese community for one lady to act as a childminder. What is acceptable in one country is not in the UK. The role of the male within households is significantly different. Professionals need to be aware of cultural differences.

Ms Williams: There is concern with the Black Association of Women who are travelling on their husbands’ visas, and who are often culturally dominated and physically abused, they have no rights as individuals. There are a number of case studies. Children are also vulnerable. They are afraid of going to the police, in case they are sent back. For example, the North Wales BALSO, which is a funded resource, had 25 cases and now 64 across the area. The UK Government needs to look at visa and migration issues.

Q745 Mr Martyn Jones: And the school system?

Mr Gallanders: There are issues particularly around faith; how does the school engage with the Muslim community on practical issues.

Q746 Mark Williams: Thank you. The final paragraph of your memorandum says that “differences in policy and legislation across the border can throw up issues which Wrexham as a border town can find it difficult to deal with”. Which particular issues are you referring to, and is there currently a problem?

Mr Gallanders: I think there are two or three areas where this is relevant. Legislation changes may be UK-wide, just England or devolved to Wales, like health and education and how long it takes to filter through Wales, like the Welsh Baccalaureat and its effect. There is currently a lot of employment legislation from the DTI which covers both England and Wales at the same time. If powers are devolved from Wales there is a time delay and as a consequence people maybe receiving misinformation. Because migrant workers live and work in different areas and on the border there can be confusion from TV because they maybe watch the BBC or BBC Wales. It seems minor but there is confusion over the smoking ban, but this is significant.

Q747 Mr David Jones: Presumably a number of migrants, although they might live in Wrexham, might work across the border in England?

Mr Gallanders: Some migrants live in Stoke and work on the Wrexham Industrial Estate.

Ms Hill: I am concerned about the obsession of the numbers of migrant workers, and the issues of assistance to migrant workers, needing to be dealt with and the number of them should not be an issue. The term migrant labour gives the impression they are coming and going but they are here, staying and bringing their families. Most migrant workers are doing jobs which their skills are too high for. Their qualifications in this country count for nothing, they bring services in and positive things to the community. We should look at ways of harnessing their skills.

Q748 Mr David Jones: Could you expand on your first point?

Ms Hill: Sometimes in social cohesion, questions start with “how many are there”. It should be how do we deal with migrants coming in, the numbers should be second. We are so hung up about the numbers, should we not be providing opportunities not numbers?

Q749 Mr David Jones: You are saying that the discussion about the numbers has been an excuse for not doing anything?

Ms Hill: We are in partnership discussions. I cannot give you particular names, we do not know what we are dealing with but it involves the statutory agencies, health authority and local authority.

Mr Gallanders: We are in the third year cycle. In the first year there was an assumption that it was a transient group of people. We have moved on in Wrexham. There is a more stable group of workers settling and bringing over their relations. In a few years’ time the parents of the migrant workers will impact on health and social care services and as the children grow up they will be seeking employment.

Q750 Mr David Jones: Are you saying there is resistance on addressing issues regarding the migrant population?

Ms Hill: I am not implying criticism or resistance, it is a new area and in order to respond to it there has to be discussions. What often happens is we start thinking about the numbers first and we need to break through from this.

Mark Williams: In my area most migration is into Ceredigion and it is young individual people mainly in farms and hotel work. In Poland the perception is it is a temporary phenomenon but here it is a permanent phenomenon.

Q751 Mr Martyn Jones: I was just going to raise the same point that Mr Williams has just raised, the perception in Poland is that most immigrants are young and fit people and that they are going to return. In Caia Park the perception is of people settling. We all know it is impossible to find out the figures.
Ms Hill: Those who have gained qualifications in Poland can use them for two years and then they have to return to re-new them, so they stay otherwise they have to start and re-train at their own cost.

Chairman: We have learnt a lot, and hope you have too, from your earlier evidence. Thank you for your evidence and memorandum. If you have something to add, we would be very pleased to receive it.
Tuesday 22 May 2007

Members present:
Dr Hywel Francis, in the Chair
David T C Davies
Nia Griffith
Mrs Siân C James
Mr David Jones

Witnesses: Sir Digby Jones, UK Skills Envoy and University of Plymouth, gave evidence.

Professor David Reynolds, Professor of Education, University of Plymouth, gave evidence.

Q752 Chairman: Good morning, could I welcome you to this session of the inquiry into globalisation and its impact on Wales. For the record, could our witnesses introduce themselves, please?
Sir Digby Jones: I am Sir Digby Jones; I am the United Kingdom Skills Envoy and former Director-General of the CBI.
Professor Reynolds: I am Professor David Reynolds, Professor of Education at the University of Plymouth, in the West Country.

Q753 Chairman: Could I begin by asking about the Leitch Review. Why, according to the review, does the UK and Wales have such a relatively poor skills and qualifications profile, and is it the case that as a consequence of the increasing pace of globalisation the challenge is now all the greater?
Sir Digby Jones: I do not think this is anything new. If you look at statements made 100 years ago people were saying we have got a real problem with the skills base. One of the issues with the lack of vocational skills is that society, culture, parents, the media, see it as beneath others, it is a very class-ridden approach and people tend to think, you know, my son is going to university, but everybody else’s can be a plumber; utterly wrong-headed, but it is a fact. Also, it is not new in as much as we have always had this huge tail of unskilled people but of course we used to do something with them, it was not so prevalent in our society, it was not so much in your face or on the radar screen because we used to send them down the pit, we used to put them on the boundary, and you could be as it were an unreliable, relatively inefficient low skill economy.

Professor Reynolds: This is a fact. Also, it is not new in as much as we have made the shift. For instance, in North Carolina you made the shift. For instance, in North Carolina you declared yoghurt a matter of national security; we do not do that sort of stuff, we do not do the protectionism of America and so we have actually made the shift. For instance, in North Carolina you declared yoghurt a matter of national security. We have actually made the shift, we do not protect our markets with subsidies and tariffs. In France they have now declared yoghurt a matter of national security; we do not do that sort of stuff, we do not do the protectionism of America and so we have actually made the shift. For instance, in North Carolina you declared yoghurt a matter of national security.

Q754 Chairman: Professor Reynolds, could you give in your response a bit more of a Welsh focus?
Professor Reynolds: Yes, sure. Just a few words about the general problem and the problem for Wales and for the UK is that historically one could be a society that generated a lot of innovative ideas and creative ideas and not work reliably on them because they stayed within your geographical boundaries, and you could be as it were an unreliable, relatively inefficient low skill economy and get away with it, but what happens now is that a new innovative and creative idea goes round the world in a millisecond and it relocates wherever there is labour to work on it.

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chance of upward mobility was in acquiring academic not wealth-related or wealth production related skills, because the aim was to get you up and out as it were from Wales, often into England. The status of the academic and the low status of the vocational was, in part, because with our socialist background in Wales we have seen the workforce as something that should not necessarily produce direct wealth as it were through capitalism, but through something else. Changing that attitude, changing the notion in Wales because our education system has had a very high status, changing the notion in education is something that goes on only in schools, that goes on fulltime, that it finishes at 16 or 18 or 21 is a serious Welsh problem. Other peripheral regions of the UK have that problem, but not to the extent that we have in Wales. As an example, in the North East—we were talking before we came in—there was a tradition for sons to follow their fathers down the pit; that was never the Welsh tradition, the fathers' aim for their sons—this was at a time when people did not worry about their daughters—was to get them out of going down the pit, and that makes us different as a nation and a region to other regions of England.

Sir Digby Jones: If I could just add a specifically Welsh aspect, between 1985 and 2005, in those 20 years, employment in agriculture and rural activities in Wales dropped by 46%; in mining and utilities it dropped by 82%; the national average drop was 35% and 68% so Wales suffered a greater decline in that. In construction the drop was 14% less by 2005, in manufacturing it was 13% less than in 1985, but in all the public sector side of life—community and personal services up 30%; health care up 72%; education up 43%, public administration up 27%, so the shift in the Welsh economy in employment terms into using knowledge and using people with the ability to add value has been enormous and taking them away from using them as commodities has been staggering, more than in any other part of the United Kingdom or more than the national average, which is a fairer way of putting it. It is true that Wales has made this transition more effectively but there is an alarm bell which I know all of you will immediately have thought of, of course what you are doing is you are taking it away from the wealth creative side of life and putting it into the public sector, where is the wealth creation in getting people working in the health and education side of life if you are not matching it with value added, wealth creation to pay for it. The danger of it is that you have to get people into the knowledge economy of the wealth creation type, not just the knowledge economy but on the spending side because if not therein lies a route of consequent economic decline in the long term, if not then at least being propped up by somebody else's taxes which would not be happy.

Professor Reynolds: Where Wales does lag behind at the moment is that we are not growing the service sector, and most employment growth in most economies is in the service sector. Wales has a large public sector and a relatively large manufacturing sector by comparison to other regions, but the service industry is not growing and therefore there is no demand for skills.
Western Europe between 1860 and 1900; the Japanese did it to America between 1945 and 1960, South Korea did it to Japan between 1970 and 1985; the difference this time is that there are 1.3 billion Chinese: this is going to go on forever, so every time Sony in Bridgend say that is value-added innovation, fabulous, we are doing jobs, the only way is that five years on those jobs will go to fill that vacuum in China and we will have to invest again in the people—keep skilling the people. Then, every time this happens, there will be a skilled workforce in Wales ready for the next lot.

Chairman: Sir Digby, could I ask you to be a little more brief in your answers; you are anticipating many of our questions. David Davies.

Q756 David Davies: What Sir Digby is saying is very interesting and I would tend to agree. What worries me most is that at some point the Chinese education levels are going to exceed those that are in Wales and at that point we are not even going to have that five year lead advantage, are we, really are going to be competing on a like for like basis. At the moment from what you have just outlined we have still got this five year edge on them, which we have to keep renewing, to sum up what you have just said, but what happens when we can no longer do that because they are going straight to the level which we are aiming for at the moment, if that makes sense?

Professor Reynolds: If you look at all the evidence about the Pacific Rim countries it is not that they are catching us up academically; they passed us a long time ago. If you look at all the international surveys in basic skills they are past us and in part they are past us because the function of their primary schools, which was to teach basic skills, ensured that everyone went forward in lock step.

Q757 David Davies: In that case that makes my question even more relevant, which is how are we going to have that five year lead time on them?

Sir Digby Jones: There are lots of reasons why people have things made or services provided in one particular company and one is speed to market. Geographically, Wales is in a much better place for this time is that there are 1.3 billion Chinese: this is going to go on forever, so every time Sony in Bridgend say that is value-added innovation, fabulous, we are doing jobs, the only way is that five years on those jobs will go to fill that vacuum in China and we will have to invest again in the people—keep skilling the people. Then, every time this happens, there will be a skilled workforce in Wales ready for the next lot.

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to work on time, turn up to work at all, actually believe that the pleasure of earning a living is not entirely everybody else’s. If you talk to employers about what you find when you go to Slovakia and put your factory there, what you find when you use a call centre in India, what you find when you go to a factory in China, you find a work ethic. You find people who think the world does not owe me a living. I have to get off my bottom and do it myself.

**Q759 Mrs James:** I wanted to come to this point, Sir Digby. One of the pieces of evidence we have taken was about tractability and I have always used the word tractable in a very different context but this tractability that you are outlining there, that you hear about how Eastern European and Central European workers come to work, and that they are—it is an anathema to me to use this word—biddable. When they are told to do something they actually do it, they do not merely get into some sort of discussion about why, how and where, so this tractability, how do you think we should be either targeting or increasing this?

**Sir Digby Jones:** It starts at four, five and six, it starts in the home, it starts in our society, our culture, our media, our politicians and it also then starts, obviously, with teachers. Teachers cannot do this on their own and if anybody just beats up teachers for this—of course teachers are enormously important but they cannot do this on their own. I go to schools and to see them seeing their charges go out at half past three, they must weep to think that they come back at half past eight, nine o’clock, the next morning and nothing has been done to progress this at all in that intervening time. Parents have a huge responsibility but so have the other aspects of society—religious leaders, community leaders. This is about a change in the ethic of our society, about being employable. The important thing to get across is that this is not about working them harder, this is about taking someone and sticking them up a chimney, this is not about saying that they should not have more than the minimum wage, this is about understanding that India wants your lunch and the only way to deal with this is to work more cleverly—not work harder, not put in more hours, actually make more of the hour you put in. To do that we need a culture change. If all you do is regulate this somehow—create laws to make this happen—employers in both the public and the private sector will just put this in a box called cost and compliance, get by with the least you have to do to pass my inspection a week on Friday. If you are actually saying this has to happen in our society and you go through a culture change, societal effort to make them tractable, then it starts at home. Do I think this achievable? Yes. Do I think we can do this in three years? Not a chance.

**Q760 Nia Griffith:** Can I just pursue a little bit your image of the young person of today, I do think that there are a very large number of young people who do work hard and do try hard.

**Sir Digby Jones:** I agree.

**Q761 Nia Griffith:** And who do turn up on time, but I actually think that possibly one of the issues at the moment is that we have an awful lot of opportunities for some of those young people and that what we are actually seeing is difficulty in recruiting what you might call the least skilled end of the scale. In fact, a lot of the young people who perhaps in the Eastern European countries or in India would be doing fairly mundane jobs here have the opportunity to move up to something more exciting with the expansion of higher education and the expansion of all sorts of opportunities. It is actually the very bottom level that we are getting in some of our industries and are then having difficulty with the skills.

**Sir Digby Jones:** That is the contradiction, is it not? You are right, the contradiction is that if you actually get to 16 or 17 with an ethic of training and up-skilling—what David called the constant retraining for the rest of our lives—if you come in there with a ticket through your exams, actually the ability to move up in our society in the world of employment is enormous. In fact it is one of the great triumphs of the last few years, it is fabulous, but it has left this other group of people who, if you went to a lot of them and said “What do you want to do?” it would be “I want to win Millionaire, I want to win the lottery or I want to be on Big Brother” because the get-rich-quick society has bitten into the bottom end of our society far more than anywhere else. All the surveys show—and this is just one I pulled out, which is the Federation of Small Businesses survey for Wales—31% of employers said we cannot get people to do the bottom part of our jobs, which is exactly your point. How do you do that, because the easy answer of course is that the employer—public sector as well as private, this is not a business issue—says “I can go and get them from Poland, so why am I going to bother to train these people if they do not turn up on time when I can go and get them from the Ukraine.” That is a challenge for you and me, how we do that in our society. You are absolutely right. **Professor Reynolds:** This is where the expert witnesses start rowing and disagreeing. I am not certain that what we need is some kind of moral rearmament or young people taking pins out of their noses; I think we get the young people we deserve. If you were to look at the results of primary schools and what our young people are like and the proportion of our young people who leave our primary schools without adequate levels of literacy and numeracy, they are high, they are very high by international standards. Our educational experience is a very variable one and the outstanding problem of English and Welsh education is that there are schools which reliably ensure that all persons have basic skills and others that do not ensure that, and I think frankly that a lot of it is a question of self esteem, and lying behind the apparently truculent persons who do not want jobs and who sometimes are rather aggressive about life and society, is low self esteem. They are people who have been damaged by their educational experience because we have not...
attached enough importance to the acquisition of basic skills and primary education. Just to go back a bit to the Pacific Rim comparison, in the Pacific Rim I remember visiting Taiwan and it was extraordinary, it changed my life, an entire class would sit there waiting until the last child got it in maths before that class moved on. You would wait a few seconds in the UK before moving the whole class on; in Taiwan nobody was left behind, right first time schooling with enormously high levels of basic skill achievement. What happens in the UK? We leave them behind, we differentiate them out into groups within the classroom with different levels of work, you take the whole ability range and you differentiate it: that will generate a bottom, unlike the Pacific Rim, that has low levels of self esteem which I think can be found in a lot of the apparently high levels of low self esteem or aggression shown by young people. We get the young people we deserve and the solution is in primary education.

Sir Digby Jones: I am not disagreeing with you actually, that is spot on.

Q762 David Davies: Just a quick question, and it is topical. Do you not agree that there needs to be some form of streaming by academic ability, whether it takes place over the whole school, in the classroom or whatever?

Professor Reynolds: The jury would be out. The Pacific Rim does totally mixed ability teaching in primary school because they do not want—and it is a weird thing to think because people think of them as elitist and different—to separate children into different streams, because that would damage their self esteem. I would like to think that in the UK we can do it as far as possible mixed ability. If though—and it may be the case—the range is just too big and you have classes where there is a seven year range in reading ability, if you just cannot do it mixed ability then you might have to set.

Sir Digby Jones: I would say I definitely think that streaming is important and of course I would like to live in a society where we wait until the last kid gets it because the consequences—you are right—are where we are. The problem is the way we are as a nation.

Professor Reynolds: We would be waiting forever.

Q763 Chairman: Could you give your impartial observations on the current debate inside the Conservative Party on grammar schools? It is a serious question.

Sir Digby Jones: I understand that. I did jokingly refer a few weeks ago at the opening of one of the academies, when I was 10, 11 and 12 we had these, they were called grammar schools, and specialist schools we had those as well, they were called technical colleges. It is a very important part of a developed economy in the twenty-first century for a kid with no hope of affording any other sort of education to be able, through their ability, recognised ability, to lift themselves out, up and onwards. That is, to me, enormously important and the effort should go not into stopping that happening by dumbing it down, the effort should go

into yes, you are a winner and we want winners. We want more winners than you can ever imagine, but what we have done before—which is picking up the last part of David’s point—is we have then said okay, over there you are a loser, we are going to recognise you as a loser because you are going to another place, in another stream, and we are going to call it the losing stream. Are we surprised when we then deliver people who have no self esteem, no self worth, do not read, write and count and are, frankly, a burden to themselves let alone the rest of us. We have got to put a lot of effort in employment and in society onto those people to take them to a place where they can win. I refuse to believe that there is anybody who cannot win at something in this world, we are just not trying hard enough to find where it is, but you are not going to crack that one by saying to those who are clearly winners at 10, 14 or whatever, sorry, mate, for the good of this you are not doing it. Grammar schools do that, so my impartial view is that I think grammar schools should stay.

Q764 Chairman: We do need to move on but, Professor Reynolds, you wanted to make a brief comment.

Professor Reynolds: Being a totally impartial academic, guided by evidence, if you strip out of grammar schools the effect of them having very able pupils who are from normally quite advantaged—not exclusively—social backgrounds, the grammar school effect is minimal. I do not personally support grammar schools but although I do not support grammar schools one of the interesting things may have been for you in your visit to the Czech Republic that they have a system of specialised schools. They are not necessarily grammar schools, but one of their streams would as it were be a grammar-type stream. They have schools similar to what we would have as grammar techs historically. They would swear by them and there are a lot of countries who actually have argued that if you try and do vocational skills within as it were normal community comprehensives you will never get critical mass, you will never have enough people doing it or enough teachers of it to actually teach it properly. The answer therefore is some form of specialist, and you see this in the academies. Whilst, therefore, I would be against grammar schools because I am not certain that they give huge value added, I would not want that to blind us in Wales to the possibility of having to think more creatively about how we develop in the vocational area because other societies are doing it or have done it.

Q765 Mr David Jones: I would like to return, please, to the Leitch Review. One of the recommendations of that review was that employers should be given a significantly greater role in decisions about the public funding of vocational training. How, in your experience, are employers responding to the need to provide training as recommended in the review?

Sir Digby Jones: We have to contrast one thing just for the record here, which is that Wales and England are different. Leitch took—rightly in my view—the idea of signing a pledge to say I will bring a train to
gain system into my employment from Wales. It was a Welsh idea, the Welsh have already implemented it and it has been an enormous success. It is early days, but it is just going so much in the right direction and so the English will now implement this on the back of Wales. For instance, yesterday you saw an article on page 4 of the *FT* by Jon Boone saying the pledge has not been signed by any private sector employers in England and therefore they are not supporting it. Given that it is not being launched until 14 June that is just a tad difficult, they have put the one side and not the other. Originally when it was talked about in the pre-Budget report the public sector were not going to be involved in this, but we have worked hard and we have got all the permanent secretaries now to say that their departments will sign up to it. That is fabulous, but it is not down on the ground, not in your local hospital, and there are 400,000 people working in the National Health Service in the United Kingdom who cannot read. The answer to you is if you look at just Wales, the brilliant idea of saying the employer gives up two or three hours a week, the employee gives up two or three hours a week and the Government pays for it at level one and two. If you move on to level three and level four, Government—be it the Assembly or Whitehall—are very reluctant to pay for it, in my view rightly, because when you get through level two, level three, level four there is some serious value added coming into the bottom line of the businesses if you are getting people skilled-up and it is only right that the employer pays for that and not the taxpayer. At levels one and two there is both the moral argument, what has Government done if it has produced these people who cannot read in the first place but, secondly, what are we going to do about this tail of our society if we do not do it. It is a huge social issue as well as educational and as well as wealth-creating. The drive in Wales I think has been of the great successes, I think it is going in completely the right direction and the only challenge you have got now is to keep your foot on the gas actually to make sure you can keep going. In England it starts with the launch on 14 June and I can tell you that the big employers are up for this big time, but the challenge we will have is small business.

Q766 Chairman: Can I intervene on one point just in case we lose the thread of what you were saying. How does all this relate to the successor body to the NHS University, the initiative of Bob Fryer, and his role currently of widening participation at that lower level? Does this relate to it at all?

Sir Digby Jones: It was Bob’s idea and then fabulously he got on with it and did it, which I think is excellent. What I factually do not know is whether this is going to be taken into the new Skills Commission or whether it is going to be left outside. The Learning and Skills Council is going to be left in or out. What I do know is that Bob Fryer’s initiative of trying to get down to the lower level—is it not strange, the NHS employs what must be the most skilled people in the world actually, brain surgeons and all of this, and then the same organisation employs this huge tail of unskilled people and his vision is to get down there. The whole system of the pledge will help what he is trying to achieve.

Q767 Mr David Jones: You have mentioned small and medium-sized enterprises and you have said that that was a challenge. To what extent are you finding that employers in SMEs are willing to commit, put their contribution to education and training?

Sir Digby Jones: It is interesting. You know if you see the results of an opinion poll, would you pay more tax if you got better hospitals? Most people would say yes. Then when any politician is brave enough to say, right, I am going to vote for more tax they always get voted out of office because the British public are very hypocritical people when it comes to their politics. It is exactly the same with a small business. If you sit a small business down and you say, “Look, you have got to train these people to be (a) more productive (b) because of this increase in the knowledge need and (c) just socially because you do not want razor wire on your boundary fences and your kids getting mugged by people who have lost all their self-respect.” “Yes, you are right, you are so right, I am up for it.” “Okay, now what we will do is . . . ” “No, no, no, you do not understand, I cannot afford it, I do not have the time. I train you know, but it is on the job training and it is a different sort of training—it usually means licking stamps and making tea—and people do not understand all the pressures I am under.” I am both generalising and also being quite cynical because there are some fabulous small businesses that do good quality training, but the challenge is for us all. One of the great successes of the Welsh economy over the last 10 years has been the creation of small businesses and the wealth, the drive and the employment that that has created in Wales. The challenge now is to get them on the training journey.

Q768 Mr David Jones: But of course Wales is principally an economy of SMEs, it is overwhelmingly an economy of SMEs, and to that extent not only is it a challenge but it seems to be amounting to an obstruction, a positive obstruction to train. You have that attitude endemic within SMEs.

Sir Digby Jones: Not at the moment. If I could be a small business in Wales, what I would say to you is that “After 11 years of fulltime compulsory free education, that I have paid for through my taxes, you have let me down. You are producing people who cannot read, write or count and cannot operate a computer, and now you want me to pay for this do you?” To which you go, “Um, yes.” Then you say that unlike a big business that can have a training programme you now want me to lose the value of these people because to know whether Bob’s department is coming in or out. What I do know is that Bob Fryer’s initiative of trying to get down to the lower level—is it not strange, the NHS employs what must be the most skilled people in the
doing the job now and they do not read, write and count, why do I need them trained to carry on doing the job. You and I know why, we have had the conversation, but to try and persuade someone who is employing four people doing this, it is a very, very big challenge.

**Q769 David Davies:** I have employed four people in a very small business, a haulage company, and to be honest with you, up until now you have talked brilliantly good sense, but at this point I have to say why the hell should I? We have struggled, one month is good enough, another month is bad. You are not going to get people like me to do that and I do not really see why I should because you have got some greater aim and aspiration and it is not going to happen.

**Sir Digby Jones:** I do see your argument. Of course I disagree with you, but I do see your argument, I really do.

**Q770 David Davies:** You may do, but it is not going to happen, because people like me are not going to do it.

**Professor Reynolds:** I think we are missing the major point here which is that if you are a large business you can employ specialist persons who know about training. You can have an HR department, you can have people who have been educated in those skills to help you. If you are a small or medium-sized enterprise you have not got that luxury so what you need is some help from people. Before coming here I looked through a lot of academic literature on how much evidence there was in the education and training fields about what works, in other words what kind of training, organised in what kind of way at what kind of age. The truth is that if you take this area there is about 1% of the total knowledge by comparison with the area I research in which is what makes a good school and what makes a good teacher. Where are the studies about what makes good training and how you do it? They just do not exist; they do not exist in Wales because they have never been done and there are precious few of them in England too, so when you have not got that knowledge base about what the heck you are meant to do—because that is what you need as a small and medium-sized enterprise because you have not got the person there to tell you—routinely given you by the Welsh Assembly you just do not do anything because you do not know what to do.

**Professor Reynolds:** I think it is like our kids appearing to be aggressive and cockahoop when they are not. People do that and say “I do not care about this” because they do not know what to do.

**Sir Digby Jones:** I do not agree with you. I think you are right in your analysis and in your factual presentation that they do not know what to do—

**Professor Reynolds:** Even if we gave them blueprints they still would not do it.

**Sir Digby Jones:** I agree.

**Q772 David Davies:** I agree too.

**Professor Reynolds:** Maybe it is a winnable issue and we should try.

**Sir Digby Jones:** I can produce a way in which you can be made to do it without legislation. The big procurers of your goods or services, the public sector and the big companies—at the moment for you to get your contract with the local school, how many ethnic minorities do you employ, have you got an equal opportunities policy? It is great stuff, fabulous stuff, why is there not one on how do you train your people? You would soon do it then because you would not get your job otherwise. The trouble is, he has produced the fact that you do not know how, I have produced the fact that you can be made to—

**Q773 David Davies:** It is what you said earlier, on that you were quite right, I tick whatever box I need to put in and do the absolute minimum.

**Sir Digby Jones:** Of course, of course. The trouble is I am doing both of these—

**Chairman:** Order, order, at the risk of accusing the three of you of having a little sub-committee between the three of you, this is David Jones’ set of questions.

**Q774 Mr David Jones:** Yes, and the next question is a matter that I am particularly interested in hearing Sir Digby’s opinion on because I first heard you express a view on this on a BBC File on Four programme a few months ago. Given that we are obviously living in a world where there is a greater mobility of capital and a greater mobility of labour, why should employers commit to training their employees and up-skilling them when they can relocate to other countries where there may be a better skilled or a better trained workforce, or indeed when they can actually import labour from overseas at a far cheaper rate?

**Sir Digby Jones:** If you look at the three pillars of globalisation—goods and services, intercourse around the world, capital flows around the world and the greatest migration of people the world has ever seen—that is basically it. If there is a nation that gets that better than any other in the developed world, it is us. We are more globally engaged, we are more open with people and money, and if people say to me “I do not want the Spanish to own Heathrow” I say “What are they going to do with Terminal 5, take it to Madrid, are they?” We are good at this. We should not be saying you must not come, do not bring your money, what we should be saying is we want to create an environment in which you do want to come and you want actually to risk your money,
employ the people, pay the tax, help make Great Britain greater, help build the schools and hospitals. When Sony are thinking of the next bit in five years time we want them to do it in South Wales. Why?

There are many reasons: we want a transport infrastructure in South Wales that gets your goods to market and your people to work. We want a tax regime in South Wales, both at the local and the national level where Sony are choosing—and it could be any of them—to keep more of what they have risked, but you will not persuade a multinational, indeed you will not persuade a Welsh company to stay, if all the component parts of the risk analysis in a business are not in place. Increasingly as one moves to a service-based, knowledge-based, knowledge transfer economy, yes you need your roads, railways and airports, yes you need a fiscal regime, but I would say you need your culture which actually is where Wales is excellent, at ease with its nationhood and actually allowing people to be free and develop the culture. People like being in a society that is at ease with itself and I would contrast one or two other parts of the United Kingdom in that respect, and Wales does that brilliantly. If you put all those jigsaw component parts in place but you cannot tap into a reservoir of skilled people, in a knowledge-based economy you are history. People do not invest in a country just because of the skill base, they do not invest in a country just because the airport is brilliant, they invest in a country for an amalgam of reasons. You have all got to work very, very hard—we have, I have, everybody has got to work very hard—to get all those component parts working in the right direction, one of the greatest ones of which in a knowledge-based economy is the people.

Q775 Mr David Jones: If you are Pimlico Plumbers—or for that matter Porthmadog Plumbers—why should you bother training up someone in Pimlico or Porthmadog when you can actually get someone in from Poland, which is effectively what is happening?

Sir Digby Jones: It is a huge challenge and you are absolutely right, that is the biggest challenge of all. If I can get—not abuse—somebody from Poland at £6.00 an hour why am I going to pay £6.00 an hour to someone who cannot read? You are so right.

Q776 Mr David Jones: In terms of training, is that not a major impediment?

Sir Digby Jones: Yes, it is. Put it this way: the Pole in our Porthmadog Plumbers example is not going to stay here for the rest of his life, he is actually going to go home. He is going to work here for three or four years, he is going to send his money home, build up enough to buy a home, buy a business, do something in Poland. They are not going to be the type of immigrant that in the past has basically come here forever; they will not be the burden on the health service and pension system in years to come. If I am even half right—because you are both shaking your heads—what are we going to do when they do go home, because the next lot—

Q777 Mr David Jones: Import some more.

Sir Digby Jones: The problem with that is that there are two big challenges. One is that as Poland gets richer the need to come will be less and, secondly, Germany has to open her borders to these people next year by law.

Q778 Mr David Jones: That is true.

Sir Digby Jones: If I could just pop across the border and do all this, why am I going to come all the way to England or Wales, other than of course we speak English and they do not? Other than that the competition for these people next year will be immense, so if we do not do our own we have a problem. That does not persuade Porthmadog Plumbers but I would hope it would persuade a Member of Parliament.

Q779 Mrs James: I want to come to vocational training now which we have already touched upon, particularly the evidence that you gave, Professor Reynolds, and in your oral evidence. You talked about the education system in the Czech Republic and the differences; do you think that the education system in Wales should provide a more vocationally-orientated option for pupils, particularly at secondary level?

Professor Reynolds: The answer would be to say that in part we are under the pathways and so on. There are academic pathways, there are mixed academic and vocational pathways and there will be pathways which are heavily vocational from 14 onwards, so an increasing number of people from 14 to 16 to 18 will be on a vocational route, that is true, but the issue is the extent to which that will be effective if it is something that every school tries to do with a limited number of pupils, and here is the issue about the Czech Republic, potentially it is done best with a mass because you get critical mass. I personally think that we in Wales should follow the evidence and maybe have some trials about whether specialised schooling and not just specialised streams would be the answer. The difficulty there of course is that if work-related skills and vocational skills have not had high status within the school that is teaching those things, then you may not get many people. That is the difficulty, so I think we should run some trials to see if it is possible to work things out that way.

Q780 Mrs James: Would that help with the global challenges that we have got and that we need to change? We have talked about the churn and we have talked about how people have got to be constantly changing and preparing for the differences.

Professor Reynolds: The answer is I do not know but we should see. One of the defects in our discussion so far is that we have tended to think of skilling and education as just producing as it were work-related skills defined in a narrow sense, but most employers would say that the key problem is actually the social outcomes of the education system, it is the worker’s capacity to collaborate with other workers in a team, and there are things that we could do here, for
example, in Wales—which England has kind of dabbled in though maybe not very effectively. There are systems from America of something called collaborative group work whereby for half a lesson maybe children work collaboratively in groups on a task. There is not much of it in Welsh secondary and primary schools, there is a bit more in England but not much of it there and a whole lot more in America. What you learn in the collaborative groups is you learn politics and you learn how to tell people who are wrong that they are wrong, some people are the chairs, some are the secretaries of it and you learn to create a collaborative product whilst at the same time working on your own. It is the kind of thing one could bring very easily into the Welsh primary and Welsh secondary school system where there is a will; the difficulty with most teaching is that it is still a heavily individual thing and if you have groups they are not collaborative. For me the thing to do would be to address the knowledge base of children and young people, but also to think how we might give them the social attributes and social skills which that kind of emerging local economy would need. In that respect Wales could steal a march on England, which has kind of dabbled in it but not particularly successfully.

Sir Digby Jones: I completely agree with that. At the moment the companies investing in China, one of the problems they are having is that the single child policy in China for the last 15 years means that they have developed a whole generation of usually boys who actually have never ever been anything but the centre of attention and the apple of their mother’s eye, and suddenly they are being asked to collaborate and be in teams. It is a big deficiency.

Professor Reynolds: Their weakness is not in the academic sphere where, frankly, they beat us, it is in the social areas where we have technologies to enable young people to work together and which, if we put them in every school, would give our young people probably self esteem plus the capacity to collaborate and be in teams. It is a big deficiency.

Sir Digby Jones: I agree with that.

Q781 Mrs James: When we were visiting the Czech Republic I was speaking to the mayor of one of the towns we were at and we were talking about the gymnasium systems, and he identified that it was very common to our experience here in Wales in terms of the role of apprentices. He was bemoaning the fact that there were fewer and fewer apprenticeships and it was quite ironic really that he and I were comparing notes on this. The Leitch Report recommends that we should have a dramatic increase in apprenticeships; do you think that this would help face the global challenges or is there another issue that we should take on board?

Sir Digby Jones: Did I understand you to say that the gentleman who was having a bleat was bleating about his economy not our economy?

Q782 Mrs James: Yes.

Sir Digby Jones: Right, because I was going to say that in Wales and in the UK generally the apprenticeships drive is actually on the up in a big, big way. It hit its nadir about eight or nine years ago and we have now got about three times as many apprentices as we had then.

Professor Reynolds: But with correspondingly high dropout rates. That is the worry, I think.

Sir Digby Jones: Yes, the challenge is now not the system. The Government should be congratulated on this, and employers should, to be fair. The thing started well, there are three times as many, but one reason is that if you have three times as many you are going to get more dropouts, simply on the statistical analysis, but the other thing is that I said earlier on about do not just have them licking the stamps and making the tea, you have to make it meaningful, and that is a bit of a problem. The other thing where Wales really could steal a march—and I am forming this view more and more as I get round and see in my job as the UK skills envoy—is why 16? What is so special about 16? 16 was an age that was pulled out of the air—my learned friend will tell me when it was, 1964?

Professor Reynolds: It was 1971.

Sir Digby Jones: Some Secretary of State for Education, well-advised by certain people, said 16. It is like the Clapham Junction of education, everything changes at 16. Why? There are many 14-year olds today—the world has changed, we have all moved on, life is different—who should be in a learning environment for sure but should be in a more work-related learning environment—it might be the public sector, this is not a business issue. They should be in a structured learning environment within a business or employment surrounding. They would be less disruptive in the classroom, they would let teachers get on and teach, they would get out of the way of the ones who wanted to stay and, more importantly, need to stay because we need the people who go through A-levels and university and all the rest of the stuff. When the Government said we want them to stay and learn until they 18, I think they are absolutely right. They never ever said stay at school until 18, the newspapers wrote that, but they did not. They actually said stay and train until 18 and that is absolutely right, but get them out of the classroom. What is the point? I do not want this societal driver—and again Wales could really win here—to deliver loads and loads of people with an upper second class honours degree in basket-weaving.

Q783 Mrs James: My next question actually touches on this because it is about the Sector Skills Councils in Wales. How successful have they been in promoting vocational training because you have both mentioned that there is still this idea that it is a second-class option, that somehow it is subservient, that you are going into different service industries. You need a different set of skills but particularly in the tourism industry, which I was involved in, it is very difficult to attract high quality young people.

Professor Reynolds: Part of the Welsh problem I think may be the FE sector and what it is in Wales by comparison with elsewhere. The FE sector is where a lot of skills training is done, it is where a lot of our adult returners go, it is where a lot of people go at 16
or 18 if they want to do vocational courses. All the evidence is that it is enormously varied because you have FE colleges in Neath and Port Talbot which take an entire achievement range, and you could in let us say one of the valleys have a college which has never taken that because the grammar schools took 40% or 50% and therefore their sixth form just hoovered up everybody who might have done A-levels or top end vocational routes. The colleges there would have been more menial as it were in the diet they were able to offer, and if you think about the other problems of our colleges there is the whole issue of funding, a very, very aged teaching force, a lack of management development of their leadership, the lack of decent performance indicator systems which the English colleges have now got through the Learning and Skills Council. There are lots of things that could be improved about the colleges in Wales that might do the job of improving the image of vocational skills.

Q784 Mrs James: Leitch sees this as key, does he not?
Professor Reynolds: Yes, and there is the inquiry at the moment in Wales into the FE sector, but many issues have not really been thought-through about that. If it is going to be demand-led funding following people whether they go to colleges or schools, the schools and colleges are going to be competing and yet the only way you can make sense of trying to create a better FE route is in certain circumstances planning an area so that maybe the school does not do anything after 16, the colleges did it all. In other words there is a mealy-mouthed discussion about this area, it really has not been thought through. FE college improvement to me would be a key to improving the image.

Q785 David Davies: Is the higher education sector working with businesses to develop ground rules in Wales and what more could they be doing to produce the sort of graduates they need? Specifically, is the degree in surfing studies that was worked with businesses to develop ground rules and probably still is being offered by Swansea University over a four-year period a good example of how to produce the sort of graduates that Wales needs?
Professor Reynolds: It is a very good example of a vocational qualification.

Q786 Chairman: It is the Swansea Institute.
Professor Reynolds: It is a perfect example of a vocational qualification.

Q787 David Davies: In what way?
Professor Reynolds: Because it is aimed at training persons who will presumably be surfing instructors. I would not patronise it.

Q788 David Davies: It does not take you four years to learn how to surf.
Professor Reynolds: With the greatest respect people patronised geography 50 years ago, it was a new subject. We must be careful not to patronise.

Q789 David Davies: What I can tell you is that I know a lot about surfing. I have done it for 20 years, and you can teach somebody to surf in an afternoon and you can teach them how to teach people how to surf in a lot less than four years, and a surfing instructor gets paid probably, if they are doing very well, £10 to £15 an hour.
Professor Reynolds: I know something about surfing too and I know some surf instructors and they would say different.
Sir Digby Jones: I know nothing about surfing and all I would say is if I had been spending four years on that, to a degree qualification, and only that, this is not where this should be. If what you were doing was saying the predominant thing is to develop the surfing instructor who understands the surfing industry and who can then very much get into the tourism side of life, but if the four years—and I say this in complete ignorance—is all about just surfing I think I am with you. If actually you can turn it into how surfing can be part of the tourism offering, the business offering and understanding about managing people, getting the skilling right.
Professor Reynolds: Actually, that is what it is in absolute fairness.
Sir Digby Jones: As I say, I know nothing about surfing.
Professor Reynolds: That is what they try to make it.
Sir Digby Jones: That is the important thing and we have to get away from this idea that it is a sole technical subject, that is not what it should be. By the way, we should be saying if it was not a degree but another type of vocational qualification it should be up there and treated the same—different but of the same standard.

Q790 David Davies: But four years in university.
Sir Digby Jones: That is not where we are very good actually.
David Davies: Why four years, why not do it in one year or two years at the most. Why does it have to be four years?
Chairman: That question has been answered now.
Mr David Davies, another question, please.

Q791 David Davies: Should teaching and training be promoted as a more valued profession? The obvious answer to that is yes, but I will throw it out anyway.
Sir Digby Jones: I will just make one comment about it generally. It is vitally important that teachers are seen by society as professionals; it is essential that society puts them back on the pedestal of being so vitally important to our community. Professionals are people, in my view, who are defined as those who put the interests of their clients ahead of themselves, that is the difference. You do not win respect in your society, nor do you deserve to be called a professional if you harm a child's development by going on strike. It is as simple as that. Do I believe that teachers and the training of teachers should be so far up there it is not true, yes I do; but they ought to help themselves and understand what the word professional means.
**Professor Reynolds:** If you look at these surveys that newspapers occasionally do about which is the most important profession, it is interesting that in the last 10 years teaching has actually gone up those kinds of league tables, or if you ask people who would you trust, is it the vicar or the doctor or the teacher, teaching has improved enormously in the public esteem as a profession, and of course it has been much easier in recent years to get teachers and there has actually been a boom in recruitment. You are talking about a three or fourfold increase in applications to teach over the last six or seven years and that is good, but the difficulty is that historically—and I am not saying that less able people now go into teaching—teaching, particularly for girls and women, was where you went if you were able because you would have been blocked going into the City of London, or you might have been blocked going into industry. Teaching attracted working class boys who felt they might be being blocked, it attracted girls of all social classes and it attracted people from the country areas because it was the way out of the village and into the town. It is still the case in Czechoslovakia—I do not know if you found this—that teaching would still be attracting those kinds of persons, and I think those persons now go elsewhere in greater numbers. The issue then is if the very, very able are going elsewhere, what do you do to ensure your teachers are as good as they could be? To be honest, frankly, what you do not do is what we do now, which is say the job of teacher education is up to the schools because in the schools they would be being educated by people who themselves went through training 20 or 30 years ago, yet both England and Wales have really said—and it is not just an academic bleating that higher education does not do much of this any more, it is actually saying that the apprenticeship route where you put a teacher down at the foot of the master or the mistress in a school, may not be the way to teach the people whom we expect so much of.

**Q792 Mr Davies:** Is the Assembly wise to be developing a separate education system, given the global need for standard qualifications that can be easily recognised?

**Professor Reynolds:** You mean the Bacc.

**Q793 Mr Davies:** That is one example, and from what I saw in the Welsh Assembly in quite a number of ways from primary school right the way through to the magic age of 16 things are being done differently. I personally do not think it is a good idea within the context of the UK to be developing a separate educational system, but I wondered what both of you thought.

**Professor Reynolds:** The danger is if different means easier and therefore a qualification can be discredited and devalued.

**Q794 Mr Davies:** That is a possibility, but let us not necessarily accuse them of that.

**Professor Reynolds:** No, I was not.

**Q795 Mr Davies:** That is a possibility but that is almost a separate debate, but what is certain is that things are being done differently and people could come out with different qualifications such as the Welsh Bacc, which may not be instantly recognised, particularly by somebody in an SME in England because they are not going to know what went into it to get that. The easiest thing is to get somebody in with an A-level or a degree because I understand what that is.

**Professor Reynolds:** Yes, I was saying it is a danger but I do not think in the Welsh situation it is actually happening like that. What often happens is that when separate qualifications get developed by new nations or whatever, or by new parts of a nation, what tends to happen is that there is a bit of resistance whilst people like university admission officers understand the Welsh Bacc and people take time to become accustomed to it. If the people with the Welsh Bacc are as good as the people with just A-levels then the word goes round the university and everybody knows that the qualification means the same thing. You get a short term glitch often, but in the case of the Welsh qualifications my bet is—that academics should not bet—that they will be shown to be as good as those things that they have replaced and to have numerous advantages.

**Sir Digby Jones:** An employer wants one thing, a ticket that he understands, that someone who turns up, I understand that, it has a currency that someone is coming in and saying I am skilled, I have got this, I have got my ticket, and that is universal. Frankly, the need of the employer is to know that they have a certain set of skills, they can prove that they have been trained—this is where I think the Bacc succeeds over the current system—but why on earth anybody thinks that they are going to succeed in life if they have a whole load of technical skills but they cannot write, or that they can write but they cannot add up, or they cannot operate a computer. We have to get them to be more rounded and employable, and that ought to be formalised into some form of ticket. In that I think the Bacc succeeds.

**Professor Reynolds:** The Welsh Bacc has that too because the core of the Bacc is doing exactly that; in IT, numeracy and literacy and, interestingly, some of the social outcomes that we were talking about.

**Sir Digby Jones:** You can actually say here is my ticket and I am more technically based, but the employer will know that they can still do the other stuff. That is why I think it will succeed actually.

**Q796 Chairman:** Can I just ask one final question about higher education? Universities always pride themselves in locating themselves in a global context, but is it not one of the paradoxes of today that that is increasingly the case but also they have to focus locally as well? If that is the case, do you believe, as I do, that universities in Wales and elsewhere have the lead role in raising awareness about the importance of skills?
Sir Digby Jones: The universities' role in our society in the twenty-first century will be like it has never been before. Firstly, they are an enormous exporter. They are greater earners of foreign currency because of the quality of their product; it is the ultimate in value added and innovation. Because of it they are very attractive to people to come, pay money and get some education from all over the world and we should not underestimate how important to the British economy universities are in the immediate commercial activity. Secondly, the pillar that they represent, the totem that they represent in a local community, because of the fact that the developed world is shifting to a knowledge-based, knowledge development, knowledge transfer economy, then of its own they provide one of the constants in our society. They are no longer elitist; they actually reach out better than they have ever reached, their links with local schools, local businesses, local media, local everything is so much more. I used to go down, when I was at the CBI, and do small dinners of 20 people here, 20 people there and conventionally most people would think they were going to be all businessmen and women but you would more than likely get a couple of vice-chancellors in that room every time. They belong to places like the CBI and the Chamber of Commerce and all of that. They are taking their part in a community in a way they never did and that means that they also have a responsibility over the next century to be that pillar of constancy and development of society in a way that they were not before. Thirdly, they have to link in with the public sector because the public sector is going to have to deliver more for less, so become more productive and more efficient, and the private sector—because they have to create the dosh that is going to pay the tax that is going to pay for it in the first place. Both of those two drivers in our public and private sector in the next hundred years have only come out of the development and the knowledge in our society, and the great emblematic champion of that will be the university.

Professor Reynolds: It is an enormous tension though for universities because one is required to be concerned about research excellence and at the same time to be bothered about one's teaching; it is required to have international esteem yet at the same time remain very close to a patch, a locality, particularly if they have more disadvantaged children coming in and universities are now under more pressure because those kinds of tasks lead you often in different directions, yet somehow we have to handle it and keep it all together. Probably, though, the problems of universities in Wales are in part because historically the Welsh universities offered a broad-based tradition; you could do pretty much any subject anywhere because the tradition was that you went to your local university, which was the Scottish division. What happened less in Scotland—Scotland seems to have maintained the broad base so you could stay in your home or in your home patch and go to your local university, and what we did in Wales was to very much follow the English pattern in departmental closures which means that the close link between a university and a patch is a difficult thing to do in Wales because you may not be able to do the subject in the university on your local patch. The hope is that in Wales we knock together institutions to become sufficiently large that we can re-establish the possibility of going to your local place to do pretty much any subject, rather than just going down the long, lean, thin, vertical route of doing a small number of subjects to try and get research excellence.

Sir Digby Jones: I agree with that.

Q797 Chairman: This has been a most illuminating session; I hope you have enjoyed it, we have.
Sir Digby Jones: Thoroughly enjoyed it, thank you.
Professor Reynolds: Yes.
Chairman: If you feel that there are other issues you wish to raise with us we would be very pleased to receive a further memorandum. It has certainly prepared us for the future sessions, particularly the session with Sir Adrian Webb, who is undertaking, as you know, the review on further education in Wales that relates closely to the Leitch Review. Thank you very much.
Tuesday 5 June 2007

Members present

Dr Hywel Francis, in the Chair
David T C Davies Mr David Jones
Nia Griffith Mrs Siân C James

Witness: Mr Jeremy Oppenheim, Director for Stakeholders and Regionalisation, Border and Immigration Agency, gave evidence.

Q798 Chairman: Good morning and welcome to the Welsh Affairs Committee. As you know this an inquiry into globalisation and we are beginning a new part of the inquiry today on population movement. For the record could you introduce yourself, please?

Mr Oppenheim: I am Jeremy Oppenheim and I am the Director of Regionalisation and Stakeholders in the Border and Immigration Agency.

Q799 Chairman: From your perspective could you describe the patterns of population movement into and out of this country over the past decade?

Mr Oppenheim: I can and I think what is significant is larger numbers of movements of people in and out of the United Kingdom than ever before. Across the borders in the United Kingdom we get many millions of passengers moving both in and out every year and I think it is the number of passenger movements, the number of people both arriving and departing that has significantly risen over the last ten years. If I may, Chairman, there are published documents which we keep up to date and I would be more than happy to alert the Committee to those which show the precise numbers of movements over the decade.

Q800 Mr David Jones: Mr Oppenheim, we see from your memo to the Committee that the first of the Agency’s strategic objectives is to strengthen our borders and use tougher checks abroad so that only those with permission can travel to the UK. I can well understand why that should be the first of your strategic objectives. Of course there are some extremely busy passenger ports in Wales, the busiest of course being Holyhead. Does your Agency have a permanent presence in Holyhead?

Mr Oppenheim: We have a regular presence in all the ports of the United Kingdom and we ensure that immigration officers are available in every port as needed. Because of operational requirements we move resources around flexibly but we certainly have a presence in Holyhead.

Q801 Mr David Jones: But no permanent presence?

Mr Oppenheim: If I may, Mr Jones, I will write to you to confirm whether the presence is permanent because I am not entirely sure that it is but I would not wish the Committee to take that as indicating anything other than my lack of knowledge.11

Q802 Mr David Jones: I would be grateful if you could write to the Committee about that. The reason I raise the question is that I have previously expressed concern about the fact that the former IND did not have a permanent presence at Holyhead. There was, as you are probably aware, a well publicised incident a few months ago where a number of illegal entrants were apprehended by

11 Ev 498
North Wales Police, arrested and then instructed by the Immigration and Nationality Directorate to release these people and send them with a map to the IND office. Has that practice ceased now?

Mr Oppenheim: Yes, that practice of providing people allegedly with maps and telling them to go somewhere else has ceased and I think there were quite intense and serious discussions between Border and Immigration Agency senior staff and the police in North Wales to ensure that we have a better way of responding to needs as they arise. One other point to make is that by creating regional directors responsible for individual geographical regions of the United Kingdom, including the Principality of Wales, we want to know that there is a local presence which will in this case be based in Cardiff and that the management of a majority of the Border and Immigration Agency business will be handled by a regional director whom we have appointed and who, in the case of the Cardiff office, will be starting on 2 July. We want to know there is a senior civil servant locally present who can resolve just the sorts of issues you raise.

Q805 David Davies: Given that many of the countries from which people came in order to claim asylum here are now in the European Union, it is quite natural, is it not, that the number of people actually registering asylum seeker claims would have fallen?

Mr Oppenheim: Certainly the number of people claiming asylum will have reduced as a result of both A8 and A2 accession.

Q806 David Davies: If you take the overall number of people coming into this country from all countries in the world, including EU ones, that number has increased quite dramatically since 1997 and is continuing to do so.

Mr Oppenheim: I am sure it is and, as I said earlier, that information is available on the Border and Immigration Agency website. Inevitably with increased numbers of airlines, local and international airports, cheaper flights and et cetera there is a much larger number of people over the decade both coming into and leaving the United Kingdom. As I recall—I hope I have this right—there were probably something in the region of 200 million passenger movements last year in and out of the United Kingdom.

Q807 Chairman: From the Welsh perspective, how would the Welsh stakeholders make their views known to the Border and Immigration Agency?

Mr Oppenheim: I think there are a number of ways in which we have worked hard to improve our working with local stakeholders in Wales and throughout the United Kingdom. There are two in particular. The first is that about two years ago we set up something called the Regional Strategic Coordinating Group for each of the regions in the United Kingdom including the Principality of Wales, Northern Ireland and Scotland, so Government regions plus really. Those have on them representatives from local government, the police, the Border and Immigration Agency, the voluntary sector and the private sector as well if involved in issues that pertain to our work. They meet regularly and we have begun to provide those groups with as much information as we possibly can to help them—not just asylum seeker, not just refugee issues—and with ministers’ agreement we have begun to provide information that will, over time, look at the wider issues of migration itself. We believe that based in Westminster and Croydon the Agency is not expert at knowing the fine detail of pressures, concerns, strengths and challenges provided by migration in Wales. That leads to the second point which is that we want our regional directors (in the case of Wales and the South West Jane Farley, who is an experienced senior civil servant in Wales at the moment but not working for the Border and Immigration Agency) to really get to know local stakeholders from local government, health, the Welsh Assembly Government and others so that people have a personal relationship with a representative of the Agency in Wales. I think those are the two strategies that we have to make sure that we are as attentive as possible to local needs and issues.

Q808 Chairman: Will there be any specific relationship between the new Directive for Wales and the South West and the Welsh Assembly Government and the Secretary of State for Wales?

Mr Oppenheim: Yes. We have certainly begun conversations with officials in the Welsh Assembly Government around how relationships will be taken forward. As part of the work plan for each of the regional directors across the United Kingdom we have put together a list of the sorts of people we believe regional directors need to have relationships with. You will be reassured I hope, Dr Francis, that for Jane we have been very clear that having relationships with Welsh Assembly Government, the Secretary of State for Wales and others is really critical. One of the reasons for making the appointments we have is to ensure that we have appointed people who have a broad confidence about being able to not just make relationships but use them to the good of both the people of Wales and the Border and Immigration Agency.

Q809 Mrs James: In your memorandum you describe the process for the dispersal of asylum seekers. How is the capacity of each administrative district of the BIA to accommodate asylum seekers determined?

Mr Oppenheim: Previously, before our new contracts, we used to have a figure that we had had since the National Asylum Support Service had been established in late 1999 which was a ratio, as I recall, of one to two hundred as the maximum figure that we thought an individual area or region might be able to take of asylum seekers in relation to the rest of the population. That did well for five years but that is not really the way in which we wanted to manage dispersal in our new contracts. What we

12 www.ukba.homeoffice.gov.uk/rds/immigration-asylum-stats.html
wanted to do was to make sure the dispersal numbers were based upon capacity as understood by local community. That is why we set up the Regional Strategic Coordinating groups because we think that local government, the police, health, the voluntary sector and the private sector providers locally are best placed to be able to effectively describe and discuss, comment and influence the dispersal numbers. If an area in Wales felt that dispersal numbers were too high—I think that is unlikely at the moment because, as I hope I said earlier, asylum numbers are much lower than they have been since the 1993 numbers—I think the solution is not to reach to a ratio but to reach a relationship with somebody locally and have a discussion about what we do about that. I hope that does not sound like a waffly answer.

**Q810 Mrs James:** I also note from your memo that the city and county of Swansea is one of the key housing providers in Wales. Once asylum seekers are allocated to Wales how are they then allocated to each housing provider and then to a particular local authority?

**Mr Oppenheim:** The contractual arrangements that we reached with the housing providers in Wales and the rest of the United Kingdom were to keep a ratio that was set at the point that we allocated the contracts so that we did not favour any one contractor as opposed to another because local government or the private sector—or a housing association could go out of business if we gave all the business to one rather than the other. We agreed we would allocate on the basis of a ratio that had been agreed at the point we let the contracts. The process of actually allocating is not done by the Border and Immigration Agency alone any more. It used to be done by a team in Croydon who would allocate somebody seeking asylum to a particular place in a particular town through a particular provider. What we now do is that we make the whole group of people we are trying to disperse available on a secure intranet site and providers can take people from that site as they have service provision available. It is now a much more interactive two-way stream where the provider, together with us, makes the link. That seems to be working very well indeed with people taking asylum seekers that they can meet the needs of.

**Q811 David Davies:** There have been concerns that asylum seekers have been placed in sub-standard accommodation after being put into housing. I wonder if you have any national guidance as to what are the minimum standards that we would deem acceptable for people in that unfortunate situation.

**Mr Oppenheim:** We certainly do. Thank you for giving me the opportunity to discuss that very briefly. We do not publish the fine detail of the contracts because they are commercially sensitive but we publish standards, we consulted about them widely before we let the new contracts in 2005. Those standards are at least the minimum that we agreed with local government who set housing standards more locally.

**Q812 David Davies:** Are they on the internet?

**Mr Oppenheim:** They are indeed on the internet and I will be more than happy to send the Committee the link so that you can see them. They are published and they are contractually set. If I may also say—without taking up too much of the Committee’s time—the issue relating to the standards is not just one that we put in the contracts and then say “Fine, get on with it”. We inspect against those standards on a regular basis and if we find that a provider is not meeting the standards that were agreed and for which we pay then we do something about it.

**Q813 David Davies:** Where did you say these might be published?

**Mr Oppenheim:** They are on the Border and Immigration Agency internet but I would be very happy to send you both the link and a copy of them.

**Q814 Mrs James:** Speaking as somebody who deals with asylum seekers and as one of the largest authorities in Wales, that is not the problem that I come across being about sub-standard. I was really pleased to hear you say that the element of what is the local standard is built into it. Too often I hear the accusation that asylum seekers are in better standards of accommodation than anybody else and in actual fact that is not true, they are in a local standard of accommodation and I think that needs to be said. It reflects what is available locally. I wanted to come in on the point about this pick and mix element. I am a little confused about this. Are you saying that people can choose through this intranet system to opt for certain people or certain types of people or people with certain needs?

**Mr Oppenheim:** I would not wish the Committee to think it is anything like pick and mix. To be blunt about this, Mrs James, we want to know that somebody from a particular ethnic group or religious group is not placed in isolation from others of the same community. We have a series of rules which are set through this electronic system so that you cannot just take somebody who has halal meat requirements and place them in a town, city or area where there is no halal meat available. We want to know that people from Iraq or China or wherever are placed in a community that has other people from the same community there. It is often on family size that our largest challenges arise, it is the same for local government housing as well. We want to know that a family with four or five children may, if they needed accommodation while the asylum claim is being processed, get that accommodation quickly, so we will make that accommodation available not by us saying “You have to go here” but by saying to all our providers, “Here is a family; these are the requirements of that family, which one of you can meet that requirement?” The reason this works well

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13 www.ukba.homeoffice.gov.uk/asylum
14 ibid
is because we only pay the accommodation provider once they place the family in their accommodation. In the previous contracts we kept some places available whether they were filled or not; we stopped that. They get a profit if they can get on and do it properly.

Q815 Mrs James: Following on from that, have there been any instances of community cohesion issues that have led to the suspension of the dispersal of asylum seekers in Wales?

Mr Oppenheim: Not to my knowledge recently, Mrs James. We are sensitive to community cohesion issues and we will discuss those through the fora I have already mentioned to the Committee. I am no longer responsible for asylum support so my information is not contemporary and if I am wrong I will assure you I will write to the Committee, but to my knowledge—I checked this in the last few days—there have been no areas where we have suspended and I would be surprised if we had done so in the previous year or two. If I am wrong I will of course let you know.  

Q816 Mrs James: Is there any evidence of the impact on local services?

Mr Oppenheim: No adverse impact on local services that we have picked up through our discussions with local government in its broadest sense. There are occasionally areas where we get hot spots of concern, often based upon misunderstandings and lack of communication rather than any tangible impact in an area, but nothing recent. Two or three years ago there were some tragic incidences in some parts of Wales and the rest of the United Kingdom that had caused some concerns but we have learned and worked really hard to work with local communities to resolve those issues.

Q817 Mark Williams: Turning now to the issue of managed migration into Wales, in your memorandum you talked about the new points based system and how it would help control migration in the United Kingdom, more effectively tackle abuse and attract the most talented workers into the UK or in this context the Welsh economy. How will the new system lend itself to those objectives?

Mr Oppenheim: I think that is a great question, thank you Mr Williams. I think there are a number of things that the points based system will do. Other than what we have already said in the memorandum—which I think is pretty self-explanatory—I think it is going to help ensure that we bring to the UK people who have the right skills for the economy. To give a couple of examples, I guess tier four students will help Welsh universities compete for talented international students. I think it is going to bring a young skilled workforce to help Wales develop a dynamic and flexible economy. I think tier two is likely to allow employers to sponsor foreign nationals but only for jobs where an EU or EEA equivalent cannot be found. I think that will reduce gaps in the Welsh job market. I think it will also allow employers in shortage sectors to more quickly bring in workers, preventing the sorts of bottle-necks in economies that I think employers and others complain about. I think there are some quite tangible processes that will deliver more speedy employment needs.

Q818 Mark Williams: In your memorandum you have talked about the role of the new Migration Advisory Committee and the advice it is going to give the Government on labour shortages. How regional is that Committee going to be in its recommendations and will it be able to make specific recommendations to the Welsh labour market? We are aware of the gaps that have been filled in the agricultural sector and the tourist sector, but over and above that how specific are they going to be in their regional analysis of gaps?

Mr Oppenheim: The Migration Advisory Committee is going to look at shortage occupations across the United Kingdom and base its decisions on a UK-wide basis. Welsh organisations will be able to put their case to the Migration Advisory Committee at appropriate points in its work and I think it is likely that the Migration Advisory Committee will take into consideration both the context and the experience of Wales. As the MAC has not yet been formally launched—it has been announced but I think it will first start meeting in April 2008—it is hard to give assurances about exactly where the reports and the work it does will focus but I am confident that it will take into account and have a listening ear to the issues in Wales.

Q819 Mr David Jones: I am interested in the work of the MAC. The labour market is obviously in a constant state of flux and sometimes it moves pretty rapidly. How frequently will the Migration Advisory Committee be meeting?

Mr Oppenheim: I believe a minimum of four times a year but there will be a significant amount of work done in between the meetings because I think everyone is conscious of the issue you have raised, Mr Jones, relating to the fluctuations in the labour market.

Q820 Mr David Jones: Some of these fluctuations are predictable but of course some are not and it might be necessary for the MAC to react quickly to these fluctuations. Will there be any scope for more frequent meetings?

Mr Oppenheim: I think if there are needs for more frequent meetings there is no question that the immigration minister responsible would wish to do so. Liam Burns proposed the Migration Advisory Committee on the basis of helping to understand needs and if those needs are occurring rapidly and we need to make adjustments to our system as a result I am confident he would wish to do so.

Q821 Mark Williams: The Migration Impacts Forum advises the Government on the wider impacts of immigration.
Mr Oppenheim: Yes.

Q822 Mark Williams: What would be the regional dimension to that body in assessing the wider benefits, impact of migration and the impact on Welsh speaking communities?

Mr Oppenheim: Liam Burn has asked us to ensure that representation on the Migration Impacts Forum includes members from each of the government regions—Wales, Scotland and Northern Ireland—so there will be someone who has a particular interest in Wales. That may not be the only thing they are interested in; we are trying to combine geographical and country interests with interests and expertise in a particular area, say education, social care, health. We have nearly finalised the membership list and I think we will be sending invitations out today and tomorrow. I can assure you that there will be representation and great interest in issues relating to each region of the United Kingdom.

Q823 Mark Williams: You are confident that that is going to be robust enough? Returning to your earlier answer on the Migration Advisory Committee and the regional dimension to that, you are confident that that is robust enough that Welsh interests will be fully appreciated and recognised in this?

Mr Oppenheim: I genuinely believe, as the person in the Border and Immigration Agency responsible for our relationships with stakeholders, that the Home Office takes very seriously the needs of all the regions in the UK—Wales, Scotland and Northern Ireland—and that is why we have worked very hard to make sure that the Migration Impacts Forum has serious representation from across the United Kingdom as well as from the different sectors that are concerned about impact.

Q824 David Davies: Do you think the specific needs of Welsh language speakers in rural communities where they may number 80% of the population will be taken into account by the Forum or will they look at more general issues that might affect the whole of Wales in a more general sense?

Mr Oppenheim: I am certainly tempted to suggest that I will write to you in English. You might say you have before you somebody who is ignorant on these issues and perhaps I am, but we want to think carefully about the issue and the impact of language. I would like to think about that and write back if I may.  

Q825 Mark Williams: Just returning to the points system, we have had a discussion in this Committee on the lack of employment protection rights with the domestic workers. How will the new arrangements affect the rights and status of domestic workers?

Mr Oppenheim: I think what is going to happen with regard to domestic workers—I presume you are referring here to au pairs and housekeepers—non-EU, non-EEA nationals who currently work legitimately as domestic workers or care workers in the UK are unlikely to be able to stay in the United Kingdom legitimately under the points based system if they do not qualify for tier two, the NVQ level three or above. I think there will be a change because the points based system is particularly designed to make sure that we have working in the United Kingdom and people who are meeting particular needs that cannot be met from EU or EEA countries or the United Kingdom. To be crystal clear, that is about the right to remain in the United Kingdom; employment rights in themselves will not change.

Q826 Mr David Jones: Mr Oppenheim, I would like to ask you about the Worker Registration Scheme. Your memo notes that the UK Government has put in place transitional measures to regulate A8 nationals’ access to the labour markets via the scheme and to restrict access to benefits. Could you tell the Committee how effective the scheme is proving as a means to regulate A8 nationals’ access to the UK labour market?

Mr Oppenheim: I will do my best. The scheme is, as you say, designed to allow us to monitor what is going on in the labour market and restrict access to income related benefits. I think they are the two key propositions of the scheme. So long as those are the two propositions I think evidence is that the Worker Registration Scheme is effective in meeting those purposes. It gives us information at an aggregate level of the profile of A8 nationals coming into the UK for employment and can show it by age, by gender, by dependence, by the sectors in which they register the occupations et cetera, and a lot other information as well (hours people work, intended length of stay, geographic location at the point of registration) but it does not—it is important to note that it was never intended to—provide any information on the total number of migrants in the country because it does not count those, nor does it count (and I think this is a critical issue around the Worker Registration Scheme) the number of people who are self-employed migrants in the country; it is only employed migrants that it counts. In the second part of your question I guess there is the implication of how well does the scheme restrict people’s access to benefits. In terms of income based benefits—job seekers’ allowance for example, income support, pension credit—it does have an effective role in restricting access to those.

Q827 Mr David Jones: Could you give an indication of the effects?

Mr Oppenheim: Of the 13,030 of those who registered with the Worker Registration Scheme, as I understand it only 2,648 have been allowed some form of tax refund because there was a restriction on them. I can give this to you in more detail in writing if it helps, but I think it has been very effective in restricting access to benefits. Out of the about 13,000 people of all of those who registered with the scheme only a very small number had applied for benefits and an even smaller number had been allowed them. There will be reasons why some have been allowed them as I understand it.
5 June 2007 Mr Jeremy Oppenheim

Q828 Mr David Jones: When did registration under the scheme commence?
Mr Oppenheim: I believe at the point at which A8 nationals were allowed into the United Kingdom but again I can check for you. I am told it was 2004.

Q829 Mr David Jones: So since 2004 only 13,000 A8 nationals have registered under the scheme?
Mr Oppenheim: No, what I am saying is that out of the total number only that number had made application for tax funded income related benefits and of that number only about 2,500 had been allowed. There is a much larger number of people who have registered in the scheme and I think I was just trying, probably inaproply from your view, to just show that of the total number who registered in the scheme only a small proportion had made application for any form of tax funded benefit, and of that an even smaller proportion had actually been granted it. I will, if it helps the Committee, provide those figures in detail in writing for you.17

Q830 Nia Griffith: If I could just follow up on the same point, what system do you have in place to alert you when people on that scheme leave the country? What safeguards do you have to ensure that benefits do not continue to be paid into their bank accounts?
Mr Oppenheim: I raise this because it has actually been raised by an organisation locally within my constituency.
Mr Oppenheim: In terms of the second part of your question, if I may I would like to write to the Committee with some detail on how we ensure that people who are getting benefits have those benefits stopped when they are no longer entitled to them. That may be an issue that may be worth discussing with colleagues from DWP. So far as we know when people leave the United Kingdom, as I said earlier, we do not have an integrated system at present of counting everybody out of the United Kingdom. Throughout we are, over the next few years, introducing that very scheme. We do have ways of monitoring both entry and departure from the United Kingdom through electronic and manual means. We are growing in our skill and ability to do that but at the moment with 200 million passenger movements a year we do not manage to count everybody out.

Q831 Nia Griffith: I have a couple more points on this business of registration. How can you ensure that everybody does register? The Treasury is talking about reorganising the tax offices and at the moment we have the situation where many of our immigrant workers can go to the local tax office and they can have a face to face interview, is the impact of reorganisation on the immigrant community, migrant worker community being taken into consideration because it is obviously going to have a knock-on effect if they cannot go to a local office to make these declararations?
Mr Oppenheim: We are having conversations nationally with Job Centre Plus about the nature and detail of access to Job Centre Plus and the advice that job centres and other government organisations can provide to migrant workers. There is a balance to be struck between this which we have been talking particularly with Job Centre Plus about. I would hope that the Migration Impacts Forum would be an environment in which we could not only discuss examples of good practice because you can be sure there are examples locally of things being handled very well and when we find them we want to inculcate those both across government and across the United Kingdom.

Q832 Mr David Jones: A memo we have had from the DWP indicates that there are approximately 15,000 A8 immigrants working in Wales. Is that a figure that you provided to the DWP or do you know where it has come from?
Mr Oppenheim: I do not. It is likely to have been material that DWP have got through their own means and sources. We do provide, through the Worker Registration Scheme, local government and other government departments with the numbers of people who are registered borough by borough and county by county.

Q833 Mr David Jones: Do you have an all Wales figure available?
Mr Oppenheim: I do not but clearly I can add them up and make sure I let you have them.19

Q834 Mr David Jones: We have seen the recent accession of Bulgaria and Romania to the EU. Could you explain to the Committee the Government’s policy on allowing entry to migrants from those countries?
Mr Oppenheim: I think it is that essentially we will allow migrants from Bulgaria and Romania to enter the United Kingdom for purposes of work so long as they are not dependent on any state benefits whilst doing so. We have restricted entry from Bulgaria and Romania on those terms and the Government will review those restrictions I believe in the fourth quarter of this year.

Q835 Mr David Jones: I had understood the Government was proposing a limit on migration from those two countries.
Mr Oppenheim: There is a quota but it is quota based on skills so that what we do not wish is for people to enter the United Kingdom on the basis of having skills that are not required when working in the United Kingdom. People from Bulgaria and Romania who can come and work in areas where that work is required and cannot be met by other EU migrants and UK citizens in those instances the scheme allows people to come. There is a restriction both in terms of access to public support and also in terms of the jobs that people are coming to do.

Q836 Mr David Jones: What criminal record checks are carried out on immigrants from Bulgaria and Romania?18

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Mr Oppenheim: I would prefer to write to the Committee in answering that if I may. Mr Jones. The reason for wishing to do so is that I think it is a complicated area and I would like to take some advice so that I do not mislead you in any shape or form. 20

Q837 Mr David Jones: Presumably you would be prepared to reply to any further queries the Committee might have in correspondence.

Mr Oppenheim: Anything that the Border and Immigration Agency can do to help the Committee in its deliberations of course we wish to do.

Q838 Nia Griffith: Can you explain to us how the new arrangements for licensing gangmasters are actually being implemented and how effective they are? Could you also include in that answer what sort of regime you have for inspection and what sort of percentage of companies you manage to inspect? It seems to me we can have these acts but unless there is actually some way of checking up that people are complying with them then they are not going to be very effective.

Mr Oppenheim: I certainly agree with that entirely. As we said in the memorandum, the gangmasters licensing process which I think has been in place since April 2006 means that individuals who supply or sub-contract labour in a variety of fields need to get a licence from the GLA which is the Gangmaster Licensing Authority and not to be confused with anything in London. There are 12 licensed gangmasters in Wales holding licences for labour management in agricultural and food processing industries. The scheme applies to any work done anywhere in the United Kingdom. There are a number of offences created by the Gangmaster Licensing Act and it prohibits anybody from operating as a gangmaster in specified areas without a licence. Licensing, as I understand it, of shellfish gathering industries commenced on 1 October 2006 and I think the Government is aware that some labour managers are legitimate, they are hard working businesses, but the aim of the licensing regime is very much to do with what I think you were hinting at which was to drive out illegal employment practices by rogue providers. Since the GLA commenced operations it has been very clear that it wanted to not only introduce the licensing but also wanted to create good communication with labour providers. It wanted to impose the least possible burden on labour providers, set clear standards for best practice and then, as you were hinting at, check licence holders for continued compliance with the licence conditions and, critically, take enforcement action against those who operate illegally and do that not just on their own but supporting those who operate illegally and do that not just on their own but supporting enforcement of the law with other enforcement agencies and other government departments. Finally a series of sanctions were created, particularly for people who were operating as unlicensed gangmasters. I suspect you may have been hinting at what were the numbers of activities of the GLA in Wales, but it is not within my remit or that of a Border and Immigration Agency but I would be very happy to try to get somebody from the authority to write to you if that would help.

Q839 Mrs James: I understand what the GLA’s role is but it seems to be to be a very toothless tiger. It has these two roles, one to stamp out illegal activities but it also has a self-monitoring role, monitoring the organisations that are already licensed. However, unless we give it specific powers of sanctions and then some sort of action against the people who are making those rules, how can we actually give it more teeth?

Mr Oppenheim: I am not an expert in this area and I would commend, if I may, that that is a discussion that we would want to have with the GLA rather than the Border and Immigration Agency. However, as I understand it there are powers that the Gangmaster Licensing Authority does have, not just to award licences but also to monitor and sanction those who are not following the standards that have been set by the Authority.

Q840 David Davies: I think your previous answer will probably apply to this question, but I wondered if you were aware that in South Wales there are two companies that are employing people who are bussed down from the Midlands every day and sent back up again and they are often told when they arrive—this is gangs of Eastern Europeans workers—there is no work for them in the morning so they go and sit in the canteen for the morning for which they will not get paid of course. They might get a couple of hours’ work if they are lucky and they will get paid the absolute minimum wage and I suspect there will be deductions as well. I do not know whether you know whether that is legal or not; I suspect it might be legal but it is obviously morally unacceptable. I know the names of the two companies involved; I suspect there are more. I have been given this information by a reputable union.

Mr Oppenheim: I am not personally aware of those issues but I would share the concerns that you have, particularly for people who were operating as unlicensed gangmasters. I suspect you may have been hinting at what were the numbers of activities

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Chairman: Good morning and welcome to the Welsh Affairs Committee. For the record could you introduce yourself, please?

Mr Wells: Good morning. My name is Bill Wells and I head the Economy and Labour Market Division within the Department for Work and Pensions.

Chairman: From your perspective could you describe for us the pattern of population movements in and out of Britain over the last ten years and what are the global influences that you consider to be important that have impacted them?

Mr Wells: Some of this was mentioned by the previous speaker and I would agree that in general there is much more movement in and out of the UK and across the world. As well as some of the issues that you mentioned about ease of travel and cost, there are political issues as well. More parts of the world are able to move across borders and also some opening up of borders, for example the European Union extensions in 2004 and 2006, have had some effect. There are also probably some economic issues around. With the relative prosperity of the UK meaning that more people are attracted to the UK than in the past, it used to be the case that the UK lost population until the 1980s and 1990s. Now there is a net inflow of migrants into the UK.

Chairman: Do you discern any difference between Wales and the rest of Britain because of these population movements?

Mr Wells: Maybe I could do this in two parts, the first is overall population and the second is A8. It tends to be that migration in Wales is less than in other countries. Some parts of the country, for example London, are prone to much more migration. As a proportion of the population migration is less in Wales than it is in many other countries. There has been some increase in recent years in Wales and as with the rest of the UK there has been quite a big increase from A8 countries. We have numbers from a variety of sources which are not always exactly the same, but migrants are around 4% of the population in Wales compared to around 10% in the United Kingdom as a whole. I think it has been on a lower level but the second point is that as with the rest of the UK it has increased and the numbers from A8 countries have increased in recent years. You do tend to get some changes in the other direction. It used to be the case that Irish people were very prevalent in the UK and this is part of the sort of relative prosperity argument, that fewer people come from Ireland today. As was said before, there are quite a lot of people leaving the UK to go to other countries (Spain and so on). I think the pattern is roughly the same in Wales but it has been at a lower level.
Q848 David Davies: It is an interesting statistic that 10% of the population of this country are recent migrants. That presumably only takes into account the numbers we are aware of as we know there are much higher numbers of people in Britain than are recorded, therefore the percentage is higher than you have suggested, is it not?

Mr Wells: Almost by definition we do not know the people we do not know about. From the sorts of figures that we have looked at I am not sure that we see much evidence of it being an enormous number. For example, on the Worker Registration Scheme there is in some senses a check which is the National Insurance numbers and those numbers for employees are roughly the same in Wales at around 15,000 to 16,000. There will be people who will not get National Insurance numbers as well but in terms of people who are employees and have National Insurance numbers there is not much sign that the Worker Registration Scheme and the National Insurance numbers are out of line with each other. I am not suggesting that there is not a problem, it is just that, as you can imagine, we look closely to see if we can identify one and we cannot find an enormous problem in this area.

Q849 Chairman: Could you say a little more about the accuracy of these statistics of the migrant population? Are you able to make any observations over a period of time about their accuracy?

Mr Wells: There are a number of different sources and you gather different sets of information from the different sources which enable you to paint a picture but not to give precise numbers in every respect. The Office for National Statistics is looking at improving the population statistics and particularly the migration statistics. The main sources are the population estimates which are based around births and deaths within the UK and also information on migration from things like the International Passenger Survey which has been questioned in some areas. I think my assessment is that they are getting better; they are not wonderful but they are not likely to be too far out. That is not very scientific but actually by looking at the range of statistics you get a picture where there are probably some underestimates but not of a large scale.

Q850 Chairman: This may not be a relevant question, but it just occurs to me that in terms of the history of demographics would you be aware of whether or not earlier censuses were dramatically inaccurate compared with today or not?

Mr Wells: I think in general the censuses have tended to find over time that the estimates are worse before you get the information from the census. For example, not just in the UK but in many countries, when the 2001 census came out there was quite a lot of revision backwards to the population estimates and part of that is down to the much greater movement in and out of the country.

Q851 Chairman: In terms of Wales, can you identify any significant changes in population movement in particular localities? Would you be aware of that and what are the causes?

Mr Wells: As I said, one of the biggest sets of movements has been the A8 migrants in recent years and we do actually have quite a lot of information from the Worker Registration Scheme. We also have information from the Labour Force Survey which gives you in some senses a measure of the number of people at any one time. In terms of people born abroad they tend to be in the bigger cities so Wrexham and Cardiff and so on; they tend to be in those areas. That is from the local survey and we can provide you with that information. They are indicative because the LFS does underestimate new entrants. In terms of the Worker Registration Scheme we were looking at the movements and they are all around 1% to 1.5% of the working age population. The ones which are bigger are in Wrexham, Cardiff, Newport and Powys. Again we can provide you with the numbers that we have had on these sorts of figures.

Q852 Mark Williams: Following on from that, has the DWP undertaken any specific work on the age profile of migrant workers and a perception that young migrant workers are potentially going to fill the gaps as our working population ages?

Mr Wells: Again we tend to use the Labour Force Survey local survey which we have examined and also the Worker Registration Scheme. It does tend to be that migrants tend to be in the younger ages, mostly between 25 and 34 and up to 40. It is a similar profile for the Worker Registration Scheme where most people are young, single, work full time, quite a lot of them go home. That is the main pattern. In terms of filling the gaps, I think it is true to say that there has been quite a lot of growth in employment in Wales alongside migrant workers. Migrant workers are an important but relatively small part of the labour market and again you can imagine we have been looking to see if there is any relationship between the migrants and the indigenous population. In the analysis we have done we could not find any discernable evidence of substitution one for the other essentially.

Q853 Mark Williams: So the Department is pro-active in looking at those two trends, ageing population and young migrants. It is not simply a process of two coincidences; they are actually pro-actively looking at that.

Mr Wells: Yes. It is actually difficult to prove in this area and when you do the analysis there is always someone who disagrees with the analysis. We do as much as we can but in general we have looked quite closely at, for example, when the migrants have come into the country and whether there was any statistical effect on the numbers on current unemployment and we could not find any relationship between the two.

Q854 Mark Williams: How pro-active a study is that? We have had evidence from the Joseph Rowntree Foundation that talks about a larger than expected number of migrants from Eastern Europe. Again, how pro-active is the Department at looking at the

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long term impact of population on the jobs market and the claiming of welfare benefit? Is there a specific study that you have piloted?

**Mr Wells:** Yes. When the new Member States came into the European Union DWP was given the responsibility for monitoring the labour market and we have actually published a couple of studies about the effect of the A8 migrants on the UK labour market. We have done some specific analysis for this group but the results are essentially the same.

**Q855 Mark Williams:** And specifically on the demand for welfare benefits?

**Mr Wells:** In terms of welfare benefits you are getting the numbers from the Home Office. Virtually nobody is on the welfare benefits. The numbers are very, very small in terms of the welfare benefits compared to the total numbers. In terms of the hundreds of thousands that come in they are close to zero in those sorts of terms really.

**Q856 David Davies:** How does the Department for Work and Pensions intend to work with the Borders and Immigration Agency on planning the future of migration into Wales?

**Mr Wells:** There are a number of different areas of this. The first is that the DWP is quite heavily involved in the Migration and Advisory Council and we have been developing the UK policy for the Migration Advisory Committee and also the Migration Impacts Forum. We are closely involved because employment has been a key element in this and also the other side is that we have responsibility for the benefit area.

**Q857 David Davies:** What do you think is going to be the effect on the operation of the labour market for Wales with the new points system for migrant workers and in particular the two year scheme for unskilled migrant workers?

**Mr Wells:** As you may have gathered I consider migration to be important but small in this respect. There are much bigger trends in Wales with above average employment growth particularly in areas that started off in a worse position. It will be part of the normal turnover in the labour market but not a substantial part.

**Q858 David Davies:** We know there are some welfare reforms being planned. One of the ones being discussed a while back was, as I understand it, somebody who comes in here and claims asylum will be on a much lower level of benefits than the British national who is unemployed or who is on income support. When an asylum seeker receives indefinite right to remain they were able to backdate a claim with the DWP for the full amount of benefits to which they would have been entitled from the day they first arrived. The Government were talking about changing that but then we did not hear any more about it. What is the situation with that now?

**Mr Wells:** I am afraid I do not know about the benefit system but we can get you that information. I think that what is important is that the receipt of benefit comes with strings attached and so, for example, if that person went onto the job seekers’ allowance there are stringent requirements to look for work and so on. Similarly that sort of work focus has been increased in the other benefits.

**Q859 David Davies:** Absolutely. I am not doubting that for a minute. The question is more about whether or not you can still back date a claim for the full amount of benefits available. Another interesting quirk of the benefits system is that it currently recognises polygamous marriages that have been carried out legally in a country outside of the United Kingdom and allows all those who are part of a polygamous marriage to be entitled to claim benefits. Is that still the case or is that going to change as well?

**Mr Wells:** I think that is being considered by the Home Office as part of migration but if there are a number of issues about the benefit system and asylum we will provide you with the information.

**Q860 David Davies:** Could you do that? I will make a note that you are going to do that and I would be very grateful, Mr Wells; thank you very much indeed. How will planned economic welfare reforms help address relatively high levels of economic inactivity in Wales, particularly amongst people over 50 and those claiming incapacity and disability benefits?

**Mr Wells:** There is a Welfare Reform Act that has just gone through Parliament. Essentially we will continue and extend the approach that I mentioned earlier, which is Welfare to Work policies which are about mandatory attendance to persuade people to look for work. People will not get a job if they are not looking for a job so there is a rights and responsibilities agenda being brought in and actually in all three of the main areas there have been substantial improvements already in Wales but from a situation that was quite a long way behind.

**Q861 David Davies:** Will it pay, for example, particular attention to some of the nebulous claims which I have come across with people in their twenties saying that they cannot work due to stress?

**Mr Wells:** Yes. The entry onto the new benefit which is called Employment and Support Allowance will be.

**Q862 David Davies:** Thank you very much, and I would be grateful if you could send me the information about back dating claims and polygamous marriages.
Mr Wells: Yes, I will do that.

Q863 Mrs James: Carrying on with this line of inquiry, will the availability of a pool of migrant labour make it harder for older and poorly qualified economically inactive people in Wales to re-enter the labour market?

Mr Wells: I think there are two elements to this. The main issue in the UK and in Wales is that they are economically inactive and in real language that means they are not looking for work. Even if there are vacancies—and there are always vacancies—the fact that they are not looking for work means they will not find work essentially. That is why the Welfare to Work policies are essentially about getting people to look for work. In terms of migration restricting the availability of the vacancies that there, are it sort of picks up a point I made earlier that the numbers of migrants are relatively small in Wales but all over the UK they are actually very small compared to the number of jobs that come up each year. There are around six or seven million jobs come up each year in the UK and migrants are one source of labour for that. The work of Job Centre Plus and other agencies to match the individuals with those jobs means that there is not, if you like, a restriction on the total number of jobs; it is getting the individuals into the right jobs. It sounds like magic but the fact that there are so many vacancies if you can assemble the assets that an individual has so that they can fill those vacancies that is one of the reasons why we think we have not been able to find an effective substitution for migrants in the analysis that we have done.

Q864 Mrs James: We have touched upon this earlier with the evidence from Mr Oppenheim, the fact is those jobs have to be of a sufficient quality and they cannot be jobs that no-one else will do. They have to be of a similar level which anybody can apply for.

Mr Wells: Yes, that is right.

Q865 Mrs James: As a follow-up on that, do you think there are sufficient private and voluntary sector providers in Wales willing to undertake work within the Government’s Welfare to Work programme?

Mr Wells: There is a move towards getting more private and voluntary sector provision. I think the market probably still needs to be developed but in some senses there is the demand from the Department for Work and Pensions for this sort of provision which is shifting more towards the private and voluntary sector. There does not appear to be a lack of private and voluntary sector provision given the current situation, but the Government has ambitions to extend private and voluntary provision which may mean that the market on the other side will need some consideration.

Q866 Mr David Jones: To what extent, if at all, can welfare reform policies be specifically geared to the needs of the Welsh labour market?

Mr Wells: A lot of the policies are national policies but some of the areas where problems still remain are disproportionately in Wales and so, for example, the Welfare Reform Act which I mentioned before is about the reform of incapacity benefit and incapacity benefit was particularly prevalent in Wales. Actually there has been a substantial improvement in Wales over the last decade or so and I was a little surprised by the numbers but the proportion of the population in Wales who are on incapacity benefit is now only marginally above the UK average. It is about the people on inactive benefits which are primarily incapacity benefits and lone parent benefits where the next stage of the Government’s welfare reforms aim to increase the number of people who first begin to look for and then find work. Hopefully, if that is successful, it should narrow the employment gap further between Wales and the United Kingdom.

Q867 Mr David Jones: To what extent can those policies be geared towards Wales? Or is it the case that they cannot be?

Mr Wells: There is a national policy but it does reflect local situations. There is quite a lot of formal interaction between the Department for Work and Pensions and the authorities in Wales. As well as that the DWP is currently piloting some work about local provision. We call it the City Strategy—in Wales it is not actually in cities—and it is focussed on the most disadvantaged areas. Because a lot of our policies nationally are demand driven where the problems are the greatest there will be a focus on some areas of Wales and on top of that there is some local provision and some move toward devolution in Wales.

Q868 Mr David Jones: To what extent does the DWP take into account the policies of the Welsh Assembly Government?

Mr Wells: There is a concordat with the Welsh Assembly and a framework of cooperation which involves regular meetings, usually monthly, between DWP and the Welsh Assembly. It also involves specific work on specific areas so, for example, on the Child Support Agency Reforms there were some briefings to the Assembly. Our ministers visited Wales to set out where the current position was on the Welfare to Work policy but also to learn from a seminar. There is, if you like, regular official contact which is quite formal so it makes sure that everything gets dealt with. There is also interest on particular subjects from our ministers recently.

Q869 Mr David Jones: The over-arching policy framework is set by the DWP I take it.

Mr Wells: It is partly the rules on the devolution with Job Centre Plus. Employment is a national policy and education and training tend to be devolved responsibilities. Marrying those two together is one of the reasons that we have these formal arrangements.

Q870 Chairman: Could I ask the last question about training bodies? Are there sufficient private sector and voluntary sector bodies in Wales willing to participate in the Government’s Welfare to Work programme?
Mr Wells: As I said, I am not aware of there being a problem, however, given the interest of the Committee perhaps I could go away and answer that more fully.24

Chairman: Thank you very much for your responses today and we look forward to hearing from you again in terms of an additional memorandum. Thank you.

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Tuesday 12 June 2007

Members present:

Dr Hywel Francis, in the Chair

Mr Wayne David
Nia Griffith
Mrs Siân C James
Mr David Jones

Mr Albert Owen
Hywel Williams
Mark Williams

Witness: Sir Adrian Webb, Non-Executive Director, National Assembly for Wales Executive Board, gave evidence.

Q871 Chairman: Good morning. For the record, Sir Adrian, could you introduce yourself?

Sir Adrian Webb: Certainly. Sir Adrian Webb, non-executive director of the Assembly Government Management Board and chairing a review of further education in Wales.

Q872 Chairman: Thank you for coming along today and thank you in particular for your very helpful memorandum. You may know that this inquiry into globalisation has found the issue of skills extremely important to us and we have been taking quite a lot of evidence and it is rather timely that the Welsh Assembly has decided to respond to the Leitch Report by inviting you to head this review of further education. I understand that you will be reporting in the Autumn; could you outline briefly what are your emerging findings?

Sir Adrian Webb: Yes. Can I be clear that I will not outline possible recommendations at this stage; you will understand why. Perhaps I could underline too that I will be speaking in a personal capacity, especially because I am chairing that working party. The issue really falls into two big blocks, one of which is the skills of the existing workforce, which is what Leitch was addressing, and clearly that is absolutely critical because those already in work or of working age will form the vast majority of the working population for a decade and a half to come. The first big issue, therefore, is how do we up-skill the existing workforce and that ranges from, at the one end, how do we correct the lack of basic skills and indeed the lack of educational training up to level 2 in the existing workforce; and at the other end it is about how do we ensure the further development of high skills in the workforce. That is one block and, if you like, that is the issue of the stock issue, that is the stock of skills in the stock of the workforce. The other issue is the flow and the skills that the 14 to 19 year olds are going to acquire in that period of education and training and take into the workforce. There we have a whole series of issues; perhaps the most important way is how do we develop a broader and higher quality range of pre-vocational and vocational education at 14 to 19, but remembering the context of demographic change and falling rolls we have to do that in a way which is complicated by those falling rolls. The critical issue for us is, how do we move from a position in which people want excellent institutions—schools and FE colleges—to one in which people understand that we need excellent institutions embedded in really good networks. You have to network the institutions because they are not going to be sufficient in themselves, either to give the breadth or, given demographic change, in some cases to survive. Those are the two big blocks of issues that we have to grapple with. As I said, forgive me, I will not talk about recommendations at this stage.

Q873 Chairman: In your call for evidence you have used phrases like a “broad ‘whole system’ view of future needs”.

Sir Adrian Webb: Yes.

Q874 Chairman: A grand sweep of things. Taking that analogy further, how can you actually anticipate future skills needs in such a rapidly changing global situation?

Sir Adrian Webb: I guess again there are two quite different answers to that. One is how do you try to anticipate quite specifically the skill needs of the future. Obviously, major employers and not only major employers but employers in fast-moving industries also engage in exactly the same activity; we have to bring those things together, we have to bring the ability of employers to look forward and the ability of government to look forward in terms of future skills needs, and that is partly about integrating the different departments in the Welsh Assembly Government, it is partly about ensuring that the information is turned into real understanding at regional and local level, not just national level. That is about how do we anticipate specific skill needs and how they change. The other issue is more fundamental in one sense: how do we ensure that we provide a good, broad, basic education which will enable people to go on learning through life, because the most critical, almost fundamental, guarantee that will adjust to changing skills demands is to ensure that people are prepared and able to go on learning through life. Lifelong learning has become a cliché, one of the biggest tasks we have to face is that a substantial proportion of the young age population in effect disengaged from education very early and they are never going to be
lifelong learners unless we do something significant about them. That is about enhancing the motivation to learn through life and enhancing the confidence to go on learning through life, enhancing the learning skills needed to go on learning through life. There is a fundamental answer and there is also a specific skills answer.

Q875 Albert Owen: Good morning, Sir Adrian. The review is charged to look at the “mission and purpose of further education in Wales”.

Sir Adrian Webb: Yes.

Q876 Albert Owen: You are speaking in an individual capacity but what is your definition of the mission and purpose of further education and, importantly, how do you see it in the wider globalisation context?

Sir Adrian Webb: That is quite a difficult one. In England there was the Foster review of further education institutions and in fact what Foster said was that there is one paramount mission for further education institutions, and that is about delivering the skills needed for the economy. I do not think actually we can say that in Wales, I do not think Wales would want us to say that. We have to say that the mission of further education is complex, it has multiple facets. For example, further education always has been and should be about developing skills beyond basic education; that is the very notion of what further education is and it is broader than further education colleges in that sense, it is work-based learning too. Further education has always been and I think has to go on being giving people a second chance, those who were not effective learners at school age. As I indicated in the paper I sent in, further education has a very important function, even adult leisure learning has an important function in terms of enhancing the social skills of people. An extra year of learning actually increases the social skills, the social gain. People live healthier lifestyles, there is lower criminality among the social skills, the social gain. People live healthier lifestyles, there is lower criminality among people. An extra year of learning actually increases the social skills, the social gain. People live healthier lifestyles, there is lower criminality among populations that have longer periods of learning but fundamentally we have also got to say that further education colleges have to be with employers, have to be the powerhouse of developing a local or regional economy.

Q877 Albert Owen: Are you saying we have a broader outlook on FE than England does?

Sir Adrian Webb: I would not want to comment on England.

Q878 Albert Owen: You mentioned England.

Sir Adrian Webb: I know I did. I said the Foster report in England. I am saying that in Wales we need a broad vision, and that makes it slightly difficult to give a one-sentence answer to what is the mission and purpose, but I think it personally would be a mistake to narrow that mission and purpose down so sharply that it is only about skills for the economy and skills for the present economy.

Q879 Albert Owen: To take that a step further, does the FE sector in Wales measure itself against our near neighbours, England and Scotland, rather than Ireland, the rest of Europe and indeed internationally?

Sir Adrian Webb: In some ways I would love to know what individual FEIs do. I guess the first answer is that Wales being a small country contiguous with England means you cannot ignore what is happening in England, you cannot ignore performance in England and the best FEIs, sure, are looking across their shoulder and saying how are things happening in England, not least in things like mergers of FEIs in England, some them becoming very large as a result of competition in the marketplace, which is a bit different from Wales. To answer your question differently, we do need the confidence in Wales to begin to properly benchmark our performance, properly benchmark the performance as a country but properly benchmark the performance of individual institutions as well. If we are serious about world class, that has got to be international, but the Beecham Review argued that one of the things Wales does need to do is to select baskets of countries which are not dissimilar to itself in terms of size, in terms of power if you like, economic power, and to benchmark itself against those specifically. I would argue that there is an important benchmarking job to be done which is not systematically yet being done, but should be.

Q880 Albert Owen: One final point. You mentioned comparing like size countries, but I was talking about England and other near neighbours because there is an issue of course on the borders. Is there close co-operation between colleges because between them they have a large catchment area, and what might divide them is Offa’s Dyke?

Sir Adrian Webb: There are particular problems along the border in terms of how institutions relate to each other; that affects universities too. I may come back to this, but there is emerging a quite fundamental distinction between England and Wales in their approach to public services in that England has a variety of approaches but one of them and a big part of one is, if you like, a marketisation of the public sector, to drive competition by individual choice. That is much less clear in Wales. There are forces for competition in the way we fund institutions, but there is a philosophy which says what is much more important is to collaborate across institutional boundaries. The answer is it varies, but there is quite a fundamental philosophical distinction now which occurs around Offa’s Dyke between the overall philosophical approach to how we run public services.

Q881 Mr David Jones: Sir Adrian, your memorandum to the Committee notes that “the Leitch Report . . . has created a UK agenda to which Wales must respond”.

12 June 2007 Sir Adrian Webb
Sir Adrian Webb: Yes.

Q882 Mr David Jones: What do you see as the main challenges for Wales presented by Leitch and how successfully is Wales responding?

Sir Adrian Webb: Wales has not produced as yet a systematic response to Leitch, there are bits of a response, but partly because a systematic response will be embodied in the response to this report that I am developing, so we just need to note that Wales has quite specifically deferred a comprehensive response to Leitch. What are the challenges? First and foremost, as I said before, quite rightly Leitch identified the need to up-skill the existing workforce because the flow of new entrants into the workforce will not dramatically change the skills in the workforce, we do have to up-skill the existing workforce. That is about investment and it is also about saying what is the role of the state. Leitch was very clear about this, and I do not disagree at all, that the fundamental role of the state is to be involved where the market fails. If you look at people in employment, employers do a pretty good job of up-skilling their workforce, but intend obviously to up-skill those people who already have a base in education and training and in skills. What that means is a market failure; a significant body of people in work who have a poor educational background, low levels of skills and who will not be readily invested in by their employers. That therefore is about basic skills, raising people to level 2, as I said earlier helping people to have the confidence to begin to learn again and to go on learning, so it is those areas of market failure in the existing workforce that the state really has to invest in and address. One of the problems about that is that some of the least efficient learning is with those who are adult but do not have a good educational background; making up that deficit is actually a very difficult task. The other big issue from Leitch is to engage employers, and that is not only about engaging the employers in what are their present needs and do we match their present needs precisely, it is also about quite an important issue, which is do all the courses available actually deliver skills which employers can use? A number of courses do at times have an academic component without providing the skills training which employers need and will recognise at the end. The third thing, which we discussed before, is involving the employers in looking forward and saying what will the future skills needs be in Wales and, above all, how can we raise the level of performance of the Welsh economy because it is running at a relatively low skill level.

Sir Adrian Webb: In a few areas we are doing better, generally we are doing slightly worse, but I think there is a different issue. When Leitch says we lack skills, there is a skills deficit, we are behind other nations, that is a message which may make a lot of sense in, say, the South East where the economy itself has a momentum and is driving forward. The problem with Wales is really rather different; the problem in Wales is to stimulate the economy and take it up the value added chain to give Wales more jobs which are high-skilled jobs. To put it differently, in Wales we have a fundamental problem that you need two hands to clap: we need the training on the one hand but we need to drive the economy forward on the other so that they can absorb higher skills. A skills deficit, therefore, is not necessarily as disastrous for the present Welsh economy, what is potentially disastrous is that the present Welsh economy is not demanding high level skills. You have got to have two hands to clap.

Q884 Mr David Jones: In a way it is very much chicken and egg.

Sir Adrian Webb: It is chicken and egg and it does mean that you have to have an integrated approach to economic development on the one hand and the development of skills on the other. As I say, in the South East of Wales you do not have to worry so much about the economic development, it is driving itself and the demand for skills is driving itself.

Sir Adrian Webb: Clearly not in the rest of Wales.

Q885 Mr David Jones: In little bits of Wales but it is pockets, and for much of Wales the high value added jobs are not growing fast enough, we are not growing the demands for high skills fast enough.

Sir Adrian Webb: In a conundrum is there not that if you leave a skills agenda with education you could argue that the skills and the vocational will not get the driver that it needs, but it would get that driver if you ally skills and vocational with economic development. Indeed, in Scotland of course they have allied higher education to economic development in that way. There is another, equally fundamental argument. If you take skills and vocational into the economic portfolio you split the educational portfolio, and the most fundamental issue for me at the moment is how do you get high quality vocational education which is not seen to be in some way subordinate to the traditional academic route to GCSE and A-level? Either way you have potential disadvantages. Personally, I do not think structural solutions very often answer our problems; what we actually need is
Sir Adrian Webb: No, but Wales is looking rather seriously at what kinds of countries it should be comparing itself with, but it is not just about size, is it? It is also about characteristics of Wales. We do need to look at other countries that have had a low skill equilibrium but have changed that, so we need role models if you like of countries which have significantly changed the level at which their economies perform. If they were smaller countries that would be good because you have to recognise that a large economy has a powerhouse that a small country does not have, but then you begin to narrow it down and make it ever more difficult to find a comparator. How can we find a country which is relatively small which has an ageing industrial infrastructure like ours, but which has overcome that and is driving forward—how many of those are there in the world? What I am saying is I think we need a systematic approach to benchmarking, to test the reality and to find examples. We have to learn from elsewhere.

Q888 Mr David: Following on in a sense from what you said about the best way is not always to find structural solutions to the issues that we are talking about, the Leitch Report for example talks about “embedding a culture of learning” and it also talks about “raising awareness and aspiration” which are all well-meaning phrases of course but profoundly difficult to achieve. How do we begin to move towards the achievement of those objectives?

Sir Adrian Webb: For a significant though minority part of the population a culture of learning is embedded. We have a substantial body of young people who know that they are going to go on learning for life. If you want to give reality to those phrases the big issue that we really face is that if we do nothing there is a widening gulf between those who are already embedded in the culture of learning and those who are fundamentally not embedded in the culture of learning at all. For me to give meaning to having a culture of learning actually is about overcoming the problems of those who disengage, those who do not acquire basic skills, those who do not acquire the confidence to go on learning, those who do not acquire the learning skills to go on learning. For me a culture of learning is actually about that disadvantaged group, and it is a big group, it is not homogenous, it has different needs. Sometimes it is fundamental basic skills, sometimes it is actually about learning later in life but it is about addressing that issue, it is not an easy issue to address and it is not a cheap issue to address.

Q889 Mr David: The next question in a sense goes from the general to the quite particular and I wonder if you could say a little about Sector Skills Councils and how you see their role in articulating and championing the particular needs of the Welsh economy.

Sir Adrian Webb: We have to recognise that Sector Skills Councils will and are resourced to operate at a fairly general strategic level. They cannot get into the detail of the skills needs in a locality, let alone the detail of the future skills needs of a locality. We then have to recognise that Sector Skills Councils are not hugely well resourced across England and Wales and certainly they are quite variable in terms of the resources that they have to apply within Wales. Not all of them have an officer dedicated wholly to Wales or a team dedicated wholly to Wales, some of them share that with other bits—the South West of England or whatever. We have to recognise, therefore, that Sector Skills Councils basically will operate within Wales at a fairly strategic level, they will operate in terms of identifying and policing the learning routes and the qualifications process and what we need to do in Wales is to bring together those bits of an even more strategic Welsh Assembly Government approach at the national level. What we are talking about—I said right at the beginning about networks, networks of schools and FE colleges. We have to have local networks of FE colleges and schools which are providing a broad range of academic and vocational style of learning and they have to be closely integrated with their local employers. The Sector Skills Councils cannot do that, we have to find mechanisms for doing that in Wales ourselves.

Q890 Mr David Jones: Sir Adrian, you have commented on the role of the Sector Skills Councils; could you tell the Committee something about the role of the Skills Commission and what effect you feel that would have in Wales?

Sir Adrian Webb: I cannot tell you what it will do because it is still a piece to be developed, but as I indicated I think the critical thing is to ensure that at a Wales strategic level we are bringing together a lot of information that we have from employers, from people organisations such as the TUC, CBI, FSB and so on. From the Welsh Assembly Government departments themselves we bring that together and turn that information into understanding the direction of travel for Wales. That is the critical role that the Commission will have to embrace; it has to cut across government departments, it has to cut across government, employers, organisations, academe, so it really has to be a powerhouse for understanding the needs of Wales at present and try to anticipate the crucial needs for Wales into the future.

Q891 Mr David Jones: Presumably also it will need to interface with the DWP.

Sir Adrian Webb: Yes.

Q892 Mr David Jones: As well as with devolved institutions.
Sir Adrian Webb: Yes, it certainly will, and as I said in the piece I gave—do not misunderstand me. I am not pointing a finger at DWP—non-devolved departments do not necessarily always have the freedom in Wales to do something quite different to that which they are doing in England, but it may well be that we need non-devolved departments to do things differently in Wales in order to really drive the Welsh agenda along. I do not comment in any more detail about that, but it is terribly important that we ensure that non-devolved departments can work fully with devolved activities in Wales and that they have some degrees of freedom to do things differently in Wales where that is appropriate.

Q893 Mr David Jones: How could that be achieved? Sir Adrian Webb: It is not so much about national policy, it is about the management of non-devolved functions when they are in Wales and giving some greater degrees of freedom within the management—indeed, the management of performance of those non-devolved functions in Wales. I do not want to be drawn too much on that, if you will forgive me, because I have not yet got to the point in the committee’s work where we talk through with the non-devolved agencies, so I do not want to imply that they are unwilling to co-operate before I have even talked with them. I am just outlining a generic issue that arises in our pattern of devolution.

Q894 Hywel Williams: Thank you, Sir Adrian, good morning. I might suggest one to you, that the way that the Revenue and Customs are rearranging themselves across England and Wales is having some particular very local effects on local economies, removing comparatively large numbers of people in the higher skills levels from the local economy because of centralisation. I just offer that as an example. You do say in your paper that there is a need for devolved and non-devolved areas of policy to mesh more effectively. Sir Adrian Webb: Yes.

Q895 Hywel Williams: I wonder if you could tell us what “mesh effectively” actually means; I was thinking broad mesh for elephants, fine mesh for white mice as it were, but what does that actually mean, to what extent is it already happening and where are the areas for improvement? Sir Adrian Webb: I suppose at the very highest level what is important of course is that general economic policy is supportive of the nature of the Welsh economy. The Welsh economy is significantly more dependent on manufacturing for example at the moment and so policies that affect manufacturing are important; there is that very broad level of mesh. I suppose I would then go down to the kind of example where, for instance, there is a very specific attempt to enhance the economic performance of a region, a sub-region, to begin to tackle economic inactivity such as in the Heads of the Valleys, and that is where you need to ensure that non-devolved functions are able to work effectively in what is a regional strategy. As I said, I do not really want to get into any detail because I have not talked with them about it, but it is the sort of area where, for example—just take a for instance—if that was hugely successful and you reduced the bill for 18 to 21 year olds in terms of benefits, would it not be wonderful if some of that could be invested in the very process that one is driving forward, because it is a saving for DWP for the UK but it would be great if that could be invested—it is that sort of issue that we need to begin to think about. There are ragged edges in our devolution.

Q896 Hywel Williams: Thinking about the point that you made earlier on about comparative countries, presumably most of the comparative regions have a language and we tend to look at the Basque country which has a similar aging industrial sector and also it is similar in its relationship with central government, is it not? Sir Adrian Webb: Yes, indeed.

Q897 Hywel Williams: That is another option is it not? Sir Adrian Webb: Of course, absolutely. The general issue there is that we do need to be serious and active about developing benchmarking, because otherwise the tendency could be either to fool ourselves that we are doing better than we are, or actually the other way, to be overly pessimistic about what could be achieved.

Q898 Hywel Williams: Your memorandum offers an example of how a distinctively Welsh approach to education and training might develop, and that is around the school leaving age. In what other ways might a distinctively Welsh approach develop, and what policy challenges are there which would need to be overcome? Sir Adrian Webb: I am not sure about the policy challenges. One of the things that we have going for us and which we need to embed and use and probably modify is the Welsh Baccalaureate, both at GCSE type level and A-level type level. What we have here is potentially a vehicle which can give us a highly flexible mix of vocational-style learning, of experiential style learning if you like, and of the more traditional academic type of learning. Let me be clear about an issue that we have not really discussed. One of the things that I think is crucial is that we develop a vocational style of education, not simply in the sense that we want to develop more higher skills, but because people are motivated to learn in different ways. I was a waste of space in grammar school, I did not perform, and it was by the skin of my parents’ teeth that I got into the sixth form. I still did not perform in the lower sixth—I mean, two maths, physics and chemistry; I did not know which way was up. I went back to the sixth form because my mother really pushed and pushed but also because by that time I thought I knew what I wanted to do career-wise, and I went back in and studied economics and so on. I only became motivated to learn when I thought I knew what I wanted to do in life, and what is terribly important is that we do not just talk about vocation-led
mean skills for people who are less bright, or groups that develop skills for people who are less bright. When I talk about vocational education it is about experiential learning, it is about motivating people who need to be motivated by an end goal rather than simply by the love of learning or the desire to learn for its own sake. To get that right, therefore, is terribly important; the Welsh Baccalaureate offers us a vehicle for that because it offers us the flexibility so that rather than have streams which are vocational on the one hand and academic on the other we have the opportunity to mix those within the single qualification. That could be tremendously important, tremendously valuable.

Q899 Mrs James: I would like you to turn now to investment in education and training. The Leitch Report talks about a historic skills deficit throughout the UK and your memorandum also highlights a ‘low skills equilibrium’. What level of investment does education and training require to make Wales grow more competitive?

Sir Adrian Webb: You will have to be content with me saying biggish. We are looking with the Assembly Government at the moment at what the implications are, but let me put two different responses to you. One is that I think we begin to know fairly clearly and quickly what it is that we need to invest in, the other is that it does not necessarily have all to be new investment, we also have to think quite systematically about how we reallocate, if you like, the resources that we presently have. Remember that I said we are facing a significant demographic downturn; one of the things that we must be very careful about is that we must not, faced with that demographic downturn, simply allow our education system to become more and more inefficient. If it did we would actually have to throw buckets more money into it in order to maintain it, let alone to develop the kind of new things that we need to develop. So it is about efficiency of the existing system, also over time it could be about diverting some of the resources as the school rolls forward, but we know what sort of things we need to spend on. We need to invest in basic skills; that is absolutely fundamental. If kids have not got basic skills by the age of 14 to 16 they are condemned, very largely, so we have to put that first. We have to invest more systematically in those that disengage from education and that is about finding different ways of motivating them, as I said earlier, different ways of engaging them, teaching them outside the school context, teaching them in different ways, changing the curriculum for them, all of those sorts of things. We have got to invest in the disengaged. We have to invest in pre-vocational programmes, 14 to 16—it is no good just having vocational at 16 or 18, you have to begin to do that earlier partly for motivational reasons—and we certainly have to invest more in vocational education, including a significant investment in apprenticeships. 16 to 19. At the moment apprenticeships are almost exclusively post-19 in Wales but we also have to invest in more apprenticeships pre-19 as well, there is an unmet demand there. We will have to invest in perhaps quite a modest but nevertheless an important increased programme in foundation degrees as a bridge into higher education, to level 4 learning and we have to invest capital in our schools. I have to say it is a shock when you go round some of our schools; the state of capital is poor and it is a long-standing problem—it is not a sudden problem, it is not the fault of the Welsh Assembly Government and there has to be a long term investment, but remember that vocational education is often quite capital-intensive. I take one example: beauty and hairdressing. It is tremendously popular, lots of people going into beauty and hairdressing and some people make quips about you would think that the whole of Wales was employed in the beauty and hairdressing industry, but actually it is not a cheap area of vocational learning, it is quite a capital-intensive area of vocational learning. Those are the sorts of things that we have to invest in but I cannot put a figure on it.

Q900 Mrs James: One of the things that I notice that you did not mention there was the employer. As we have been taking evidence from employers and talking about the skills gap, how do you think that you can match all those aspirations with giving the employer a voice in that process?

Sir Adrian Webb: There are two senses in which you give the employer a voice: one is the structural things that we talked about before, the Skills Commission or whatever you would like to call it, the Sector Skills Councils working there and, as I said, getting them engaged in the local networks of providers. That is tremendously important because it is meeting the needs of the local economy, and that is all about employer voice, i.e. the employer indicating what is needed, whether what is delivered is appropriate et cetera. The other is different and that is do you put more cash into the hands of the employer, and if you do that will you displace the cash the employer would have already spent? There is a case for looking at can we put some more money into the hands of employers in order that they can buy what is genuinely needed, but we do not want to do that in such a way that we are simply replacing what they need to spend anyway. That is quite a tricky one but it is important to recognise that in some areas it may be important to invest more directly so that the employer is more able to purchase what is needed.

Q901 Mrs James: Just to pinpoint it, do we see that happening at an earlier age because I am very interested in schools getting involved in the role of education and work and what business skills they need?

Sir Adrian Webb: Yes.

Q902 Mrs James: Do you think that should happen at an earlier age?

Sir Adrian Webb: As I said, I think it is terribly important that schools and colleges are working with employers, yes, in terms of developing the kind of pre-vocational programmes at 14. It is bizarre, is it not, that some of the brightest people in the land
go to university to defer choice of career and some of the more educationally disadvantaged people are forced to make choices at 14 which are career-determining. It is tremendously important that we do have the kind of pre-vocational tasters and so on which enable kids to begin to get a sense of "I may want to be in manufacturing"; or "No, actually, come to think of it, I did not really like hairdressing" so it is important that we invest in that and it is important that employers invest their time, and it may be the case that small companies may have to find ways of helping them invest their time in that. On the other hand, it would be unfortunate indeed if employers were narrowly constraining people at age 14 to 16 into groups which only led to a particular kind of job, so we have to attain flexibility in those early years, but we do have to get employers engaged because apart from anything else we want them to give kids tasters in the real work environment. There are all sorts of things about that: health and safety, child protection, it is a nightmare, but it is terribly important to develop.

**Q903 Hywel Williams:** In a previous answer you floated the idea of a market model for employers to be better empowered.

**Sir Adrian Webb:** Yes, those are not my words, but yes.

**Q904 Hywel Williams:** In a good market you have a perfectly informed customer. I have been involved for 16 years in selling skills-based training and providing it to mainly the public sector and voluntary sector employers, and my feeling essentially is that if you ask them what they want they ask you what you have got, so in that way they do not know their own minds.

**Sir Adrian Webb:** Sure.

**Q905 Hywel Williams:** How confident would you be that if you empower employers, particularly small employers as we have over a vast swath of the country, would they know their own mind, either individually or collectively?

**Sir Adrian Webb:** That is a difficult area. There is a lot of argument about whether employers really know what employers need. What I was talking about was empowering employers to create markets where there is quite a specific skills need or a specific skills gap. For example, it already happens, all I am saying is should it happen on a larger scale? It is important when, for example, a new industry moves into an area or when an industry really takes off in an area and grows rapidly. In those circumstances it is not too difficult to know what the immediate skills needs are and it is important to create a market for those skills. All I am saying is at the margin it may be better to push some of that money through employers that create the demand rather than simply push it into the providers directly. It is an issue we need to look at. I am not talking about something new, it does happen, it is a question of whether we expand that somewhat.

**Q906 Mrs James:** If I can just continue this theme, it appears to me that investment in skills, as your paper states, "is not necessarily in itself a route to growth unless we ensure that employers are able to utilise the skills available". How do you match those two things up, that the investment is there and how they then go on to operate that and meet the targets?

**Sir Adrian Webb:** There are different ways of doing it. One is simply to say we will over-invest in skills and we will trust that the economy will come right. If you like it is the Ireland model; Ireland over-invested in skills for decades. I did some economic research and worked with people in the Irish economic social development planning process way back and they were doing economic and social planning for decades before the Irish economy took off and they were over-investing in skills. The problem is that that is just a bit hit and miss. It happened for them, but it happened for a variety of other reasons and then you have a skill pool that you can really draw on to drive the economy forward. What I am suggesting is that you need a whole range of areas in which we make those two hands clap more effectively. It is the strategic approach across the government departments in Wales that says these are the ways we need the Welsh economy to go, we can influence it somewhat. We need to make sure that where we are influencing it then the skills base is there and we do need to look at where there is the potential or actual development of economic clusters and say, okay, in those areas how do we ensure that the employer, the providers and the Assembly Government at regional level is engaged to ensure that that cluster of activities—for example petrochemical in Pembrokeshire—is supported by a cluster of skills and we do not fall short, we do not create skills gaps. That does happen at the moment, we do create skills gaps at times. The other, as I said, is to take a particular and focused approach to areas of economic deprivation, to areas of economic inactivity such as the Heads of the Valleys and have a major strategic onslaught which cuts right across all government departments and say we are going to do our darnedest to raise the performance of this area in every respect. Some more of that is also needed, so it is a combination of these different things; there is no one easy solution, if there was I am sure we would have done it already.

**Q907 Nia Griffith:** Thank you very much, Sir Adrian, it has been very heartening to hear your many comments, particularly this issue of how you get the skills to match the economy and also the need for 14 year olds to be well motivated and have options to look at where they might be going in the future. I speak here as a former teacher and schools inspector, and I am interested in your comment about the fundamental issue being raised by employers relating to basic skills. Are we saying that we are failing a certain sector; are we still failing, for example, the bottom 30%? Teachers are being motivated to get lots of grades Cs, but perhaps they are not so motivated to get those Gs and Fs up to Ds.
and Es, or are we saying that it is right across the sector, and is it an issue to do with motivation and accuracy or is it to do with specific ability groups? **Sir Adrian Webb:** I think the answer is actually quite a complicated one, so bear with me, but can I comment on your first point fully? What I am saying is that actually Wales faces a much bigger challenge than, say, the South East of England because we cannot just take the Leitch approach. We have to take the Leitch approach, but we cannot just take the Leitch approach. Raising skill levels in and of itself will not drive the economy forward in an economy which is relatively lower skilled, so that is where we need to get these synergies. To go back to your issue, there is undoubtedly a significant body of youngsters who do not have basic skills in numeracy and literacy and it is worse for numeracy of course than it is for literacy. That is one issue and one problem there is that we do not necessarily identify those people early enough and then blitz it, and when we blitz it what we have to do is to find innovative ways of tackling that—for example, tying numeracy and the development of numeracy to the exploration and understanding of your leisure pursuits. It is not just teaching numbers.

**Q908 Nia Griffith:** Would you say that the current GCSE syllabus is actually very abstract, there are a lot of abstract concepts and perhaps what you actually need is a different form, a different approach to numeracy?

**Sir Adrian Webb:** That is where I was coming to because there are conflicting reports about what numeracy and literacy skills mean for employers and there is a fair bit of comment, not least in organisations like the CBI, that even people with GCSE maths and English do not have the numeracy and literacy skills that they want. That is not terribly difficult to understand—let me give you an example given to us by one employer. It is fine for me to take somebody who has GCSE maths and even A-level maths but can they operate as comfortably in imperial and metric measurement systems immediately? No, generally speaking not. That is just a very specific example of the kinds of things employers are looking for, and certainly there is a fair body of comment or at least some evidence which says that what employers mean and want by numeracy and literacy is not necessarily what is delivered by GCSE, certainly not necessarily what is delivered by basic skills numeracy and literacy. Have you done a basic skills test, anybody? It was the first thing I did when I took this role on, and I have done it before. For example, being able to put which version of “there/their” is appropriate in a sentence, i.e. a multiple choice type test of your literacy, is not the same as being able to write a simple report on a problem within a factory about health and safety. If the employer needs somebody to be able to write 10 sentences about an incident, you are not testing that in basic skills literacy, you are testing something rather different, so there is a general problem here of what do employers really need, what is it that we really test in basic skills testing and in GCSE and, also, how do you best teach in a way that motivates those who are falling behind? All of those issues have to be addressed.

**Q909 Nia Griffith:** You also mentioned social skills being a key element in employability.

**Sir Adrian Webb:** Yes.

**Q910 Nia Griffith:** They have always been seen as the “soft skills” and often the ones that children dismiss because they do not get a grade for them. How do we actually raise the profile of that and actually integrate that into the school achievement?

**Sir Adrian Webb:** In part that is being addressed in the prominence being given to key skills because key skills try to look at the application of that work, not just at the arithmetical or mathematical skills, and also look at other types of skill. Clearly, employers do say that they want social skills, the ability to work in teams, the ability to offer leadership and that sort of thing. There are some even more indeterminate and different words: creativity. One thing we do know about the future of the economy faced by global challenge is that it will be a much more creative economy requiring people who are much more creative. There is a growing body of research on creativity; I do not think you can teach creativity, but the way you teach can help foster creativity or it can stifle creativity. I am not just talking about creative industries. I am not just talking about filming and that sort of thing, I am talking about people’s ability to think out of the box and to have creative economy requiring people who are much more creative. There is a growing body of research on creativity; I do not think you can teach creativity, but the way you teach can help foster creativity or it can stifle creativity. I am not just talking about creative industries, I am not just talking about creative economy requiring people who are much more creative. There is a growing body of research on creativity; I do not think you can teach creativity, but the way you teach can help foster creativity or it can stifle creativity. I am not just talking about creative industries, I am not just talking about creative industries, I am not just talking about creative industries, I am not just talking about creative industries.
high level of infrastructure for English as a second language are now having to face that issue quite sharply.

Q911 Chairman: I am conscious of—

Sir Adrian Webb: Time.

Chairman: Not so much time but a number of members of the Committee who want to come in with supplementary questions. Mr Wayne David had put one down earlier.

Q912 Mr David: Very briefly and following on from what you said, like Nia speaking as a former youth policy officer, many of the skills you are talking about are the sort of skills which are developed by the youth service, and one of the things that we need to recognise is to ensure that the youth service, for example, is part of and integrated in the skills and education programme. Do you agree with that?

Sir Adrian Webb: That is absolutely right, and one of the things that is interesting about it is you asked what is distinctive in Wales, I said the Welsh Baccalaureate, but one of the interesting things is that Wales has put a distinctive emphasis on non-formal and informal learning. That is tremendously important, it is important to capture that and, as you say, it can happen through youth programmes, the youth service and all sorts of other activities. We also have to remember that young people are now gaining information in far more diverse ways than they used to do with the internet and networking, and recognising that that kind of informal and non-formal learning will be crucial is important. The difficulty of course is how do you recognise it, and if you begin to start placing it into qualification frameworks you kill it dead when you want to foster it.

Q913 Mark Williams: I want to briefly go back to the issue of basic literacy and numeracy and where you see the roots of any deficiencies that we have talked about actually lying. Some would say that target-led teaching has meant that people leaving the primary sector have then faced hurdles at the early stages of Key Stage 3 which have then had ramifications further along the line. What is your view on that?

Sir Adrian Webb: Let us start with the stark fact that the proportion of people who perform well in numeracy and literacy declines over time in the secondary school period. What that tells us immediately is that while there may be a group of people who find numeracy and literacy skills very difficult to grasp, and there may be a group who find it increasingly difficult to keep up as the demands get racked up through secondary school, the biggest problem is those that are disengaging progressively during the secondary school period. It is that that we really have to capture and it is that that we have to really turn round. For some people a non-academic style of study may be a problem, for some people an academic style of study is a problem, not because it is inherently a problem but because they do not see its relevance—and we are back to motivation and where I was at school—and for some people the very culture of school is the problem and getting them out of the school context may be important. If you go and talk to people in further education colleges and say why did you go to a further education college after school to do GCSEs or A-levels, a significant proportion will say because actually they like the environment, it is not just the teaching or the teaching methods, it is the environment, it is an environment which is if you like more adult. Other kids of course thrive on the more structured environment that school offers, so I think we have to take all these things on board: competence—and obviously we need to invest more in those that have the biggest learning disadvantage—confidence and motivation, the context in which you teach but also, as I say, whether you try to engage people in developing basic skills through things like leisure activities and not just formal learning interludes.

Q914 Mark Williams: There is an acknowledgement there, therefore, in respect of the report that came out last week, pertinent to England, that the disengagement process for some certainly is not helped by the number of examinations and tests that young people have to endure at a secondary level. Wales obviously led the way in terms of Stage 2 SATs.

Sir Adrian Webb: As you know, there is quite a different regime in England and Wales, but that has not meant that we do not have a problem in Wales. I do not know of any evidence which specifically shows that disengagement itself is a product of testing regimes, but clearly the testing regimes must bear quite heavily on those who feel incompetent or lack confidence. Not having testing regimes is not itself a solution, we actually do have to identify people early, we have to invest energy and we also have to find different ways of motivating and teaching.

Q915 Mr David Jones: Very much on the same theme, one of the most disturbing pieces of evidence I personally heard during the course of this inquiry was from the witness from Admiral Insurance who told the Committee that it was almost invariably the case that graduate employees taken on by that firm were unable to lay out and write a straightforward business letter. I found that disturbing, particularly since I can recall that as part of the English language curriculum when I was at school we were all taught how to lay out and write a business letter. Why is this happening? Why is this no longer part of the curriculum? Surely educators must, must they not, at least be able to guess that a significant proportion of their students are going to go on to a commercial environment where that sort of skill will be essential?

Sir Adrian Webb: We could get into quite a long discourse about where education has gone over the last four or five decades on that.

Q916 Mr David Jones: It was not that long ago.

Sir Adrian Webb: I was a university teacher and I first began saying, just a minute, I have a problem; people know what a comma is and what a full stop is but they do not know what a colon and a semi-colon is, and they are not terribly good at
paragraphing. I first ran into that as an academic back in the early Seventies, so we have had quite a significant problem of not developing a formal English style and competence in some people—not all—for quite a long period of time. I do not particularly want to go there, but it does illustrate the fact that what employers need in the work context is not necessarily always what we teach in the formal qualifications.

**Q917 Mr David Jones:** That is the whole point of my question.

**Sir Adrian Webb:** Yes, and that is something we do have to change.

**Q918 Mr David Jones:** If I can just interrupt you there, at one stage it used to be taught, it appears no longer to be taught, and what I am interested in is why that should be the case.

**Sir Adrian Webb:** I am saying I am ducking the question as to why.

**Q919 Mr David Jones:** I know you are, but that is why I am pressing you.

**Sir Adrian Webb:** I am ducking the question as to why and you are taking me quite well beyond my FE brief, though you are absolutely right, and we have talked quite a bit about it, if we do not get these things right you can put all the effort you like into further education or into post-16 education or even post-14 education and you will waste quite a bit of it.

**Q920 Mr David Jones:** Indeed, that seems to me to be not terribly well targeted. This is a simple basic skill that employers require and it is being neglected by educators.

**Sir Adrian Webb:** We are clear in our inquiry that it is not presently part of our job—goodness knows, a minister might decide it is and then, dear me—to look at curriculum and qualification agencies et cetera because that is a hugely complex area. This is a hugely complex world in terms of curriculum and qualifications; we are not going into that. What I am underlining, absolutely rightly, is that I think it is tremendously important that we listen to what employers need to make people employable and ensure that our curriculum qualifications in schools are delivering as much of that as possible.

**Mr David Jones:** My last final point—

**Chairman:** This is a very long supplementary.

**Q921 Mr David Jones:** This is the final point, Chairman, with your permission. Is it fair to say therefore that educators have not been listening as closely to employers in terms of the skills as they ought to have been?

**Sir Adrian Webb:** I do not think that is necessarily true. I think it is reasonable to say there has not been a clear articulation of the employer voice to educationalists; I would not say they have not been listening. As I also just said, the whole world of curriculum and qualifications is an immensely complex one and it is a slow vehicle to turn round, even when you recognise the issue or problem.

**Q922 Mark Williams:** If I can carry on with the skills issue, your memorandum describes quantitative analytical skills as “the bedrock of high value added economic growth—in the service sector as much as in manufacturing and science”.

**Sir Adrian Webb:** Yes.

**Q923 Mark Williams:** What more can you tell us about the development of those skills in promoting high value added growth?

**Sir Adrian Webb:** This is an interesting area that I had not really thought about a lot before this. Let me put it in way in terms of what I think the problem is. If you think about it, just about every large organisation now runs on data; it runs on data in terms of planning its business—and I mean the public sector as well as private, I mean service industries as well as manufacturing. Big organisations run on data in terms of the interactions within the company or organisation and with other organisations—they are swapping data all the time—they are running on data in terms of measuring their performance, performance management. What the research is beginning to say—and this is quite a specific body of research—is that what we need is a significantly larger body of people going forward who use a language that they call techno-mathematical literacy. I do not like it; academics are wonderful at inventing these sorts of phrases, let me invent another one, I just talk about quantitative analytical skills. The point they are making is that those are not synonymous with mathematics, they are not synonymous with mathematics A-level or O-level. Let me put it this way: you need the ability of organisation, you need a large body of ability, not simply ITC in the sense of keyboard skills, but the ability to use data and discover, interpret, what they mean. That is one thing, so that is an analytical competence. It is also about confidence in handling data to do that, but perhaps even more fundamentally you need the skill which says that what those data purport to say is not necessarily accurate because the data themselves may be flawed, may not be valid. So you need both the skills to interpret data but also to assess whether the data are themselves giving you the message that they seem to be giving you. Those are higher level skills which, increasingly, every organisation runs on—government departments run on them, this place runs on a lot of that. Service industry is run on it, not just manufacturing, and as the global economy drives us to higher levels of competitiveness it will also drive us to higher dependence on these kinds of quantitative analytical skills. That is the argument. The argument is also that we are not delivering those, even through mathematical qualifications at the moment, and the academic argument is that you need to deliver more of those quantitative analytical skills right across the curriculum, not just in maths, but you also probably need to deliver them at a higher level as well. You will see, for example—it already happens—that you can more systematically develop those kinds of quantitative skills in many courses in university where they are not presently seen as a primary
objective of teaching. That is the issue, but how we begin to solve it I do not know for sure; it is an important point to begin to grasp because, as I say, big organisations run on data.

Q24 Mark Williams: My background was in primary education and I would like to think that we had some of this structural positioning of issues like that in place, and I think throughout the secondary sector as well.
Sir Adrian Webb: Yes.

Q25 Mark Williams: However, there is a huge motivational issue there as well, is there not, in getting people engaged in that? You touched on my next question which is that again in your memorandum you talk about mathematics pervading the workplace.
Sir Adrian Webb: Yes.

Q26 Mark Williams: As much as conventional literacy pervaded working life in the last century, but it is not simply about pushing towards GCSEs.
Sir Adrian Webb: No.

Q27 Mark Williams: It is almost, to use an education term, using the cross-curricular approach in the workplace as well.
Sir Adrian Webb: Yes.

Q28 Mark Williams: How, in particular, do you see developing those skills, particularly mathematical skills, in the in-work population?
Sir Adrian Webb: Let me separate that into two different issues for you. There is a body of disciplines that fundamentally require some mathematical competence—the science, engineering, technology disciplines. One of the problems there is that if you are locked out of them you are locked out of reasonably secure, reasonably well-paid employment, and one of the other problems is that disproportionately at A-level and therefore through into university those kinds of A-levels are being taken outside the state sector. Disproportionately, those kinds of A-levels are being delivered by the non-state sector secondary schools, so there is a significant exclusion/social justice issue about science, engineering and technology at A-level and going, therefore, through into university. That is one of the things we do need to look at, both in terms of the supply of those higher level science, engineering and technological skills, including maths as a foundation into the workforce, both in terms of what the workforce needs but also in terms of social justice. That is one issue. The other issue, as we were just saying, is there is the need, which is different to traditional mathematical competence, to feel comfortable with data, really feel comfortable with handling data and with analysing data. That is a broader need and that really needs to be developed across the curriculum and, for example, across the curriculum in apprenticeships. All I am saying is I think we need to focus on that more clearly as one of the outcomes that we increasingly need to get from a whole range of learning.

Q29 Mark Williams: In practice in the state sector how do you see that cross-curricular approach being pushed forward?
Sir Adrian Webb: Pass. I do not know yet, in truth I do not, nor do I know yet how we should in Wales drive the science, engineering and technology agenda, but I do think that we need to look at that seriously, as I said, partly because of what the labour market is likely to need but partly because it is a social justice problem.

Q30 Albert Owen: If I could just bring you back to the vocational programmes; we have had a general discussion on the skills and I was interested in what you said in your memorandum about re-branding, redefining vocational programmes and the seamlessness from 14 to 19. You have highlighted the Welsh Baccalaureate as being distinctively Welsh, and I assume you mean by that successful in its early stages. Are you suggesting that we have a junior Baccalaureate at 14 to 16 so that people get used to having those skills that they are going to need in later life, and are you suggesting that that runs alongside GCSEs or do we cut the number of GCSEs down? What is going to be this re-branding that you talk about?
Sir Adrian Webb: I think the Welsh Baccalaureate potentially provides us with a framework which can encapsulate GCSEs but can also encapsulate more traditionally academic styles of learning, but can also encapsulate more vocational styles of learning or, if you like, more experiential styles of learning. As I said before, that is about capturing motivation as much as about giving skills, that is tremendously important. You were saying how do we brand that?

Q31 Albert Owen: No, you were saying about re-branding vocational programmes in Wales.
Sir Adrian Webb: The old saw used to be that we need parity of esteem for vocational, but I do not think we start at that end. I do not think we say we must give parity of esteem to vocational and academic. I actually think we need to begin to dissolve those distinctions, and in my view all education and training from 14 to 19 should be providing a varying mix of knowledge on the one hand and the skills to learn on the other, and also some other kinds of skills—social skills perhaps, employment-related skills, more broadly employment-relevant skills. The mix will vary, it depends on what kids want to do and where they want to go, but all of them should be to some extent in a 14 to 19 curriculum. The Welsh Baccalaureate provides a vehicle for that and all I am saying is that we should look seriously at this as something that can deliver gold for us.

Q32 Albert Owen: Beginning at 14.
Sir Adrian Webb: Beginning at 14, yes.

Q33 Albert Owen: Something has to give; we now have a very restrictive curriculum.
Sir Adrian Webb: Yes and no, but as I said we are not specifically looking at that kind of curriculum issue. It may be that coming out of work is the need to look
at that kind of curriculum issue systematically: what I am saying is we need to develop much more and much better vocational or pre-vocational strands at 14 to 19 alongside the traditional GCSE type. You could repackgage all of that into a 14 to 19 Welsh Baccalaureate and you could modify the way the Welsh Baccalaureate has been working so far, to create a single qualification which incorporates a mix of more vocational, more academic, more experiential and more didactic styles of learning and content. It is no good arguing for parity of esteem, what we have to do is make those vocational and pre-vocational activities so damn good and so valued by the employer that they become valued by parents, because the problem we have here is a cultural one. It is not just the teachers who may want to hang on to kids in the academic stream and so on, for traditional reasons, but parents do not see the value of things other than GCSEs. One of the unintended consequences of expanding higher education so much is that many parents no longer see anything worthwhile that is not relating directly to university, to A-levels. The other thing that we have to do, therefore, is make very clear that all routes can lead through to higher education including the vocational routes. Let me come to that slightly differently. Bizarrely, higher education, I think, has made a much better job for a long period of time at mixing the academic and the vocational than the school system has. After all, universities have been teaching vocational degrees for many, many decades; indeed, they started with a vocational degree which was called the priesthood. Training for the priesthood was vocational, it was a mixture of skills and knowledge, and they have done it with medicine, they have done it with law and so on. However, because the entry qualification to university is purely academic, that has forced the schools to drive down a purely academic route. The entry demands of higher education have distorted what schools were about; that has happened for the whole of the twentieth century, and we have got to change that distortion. We have got to say you can get to level 4 and level 5 through the vocational route and you can do that through school, through apprenticeships, through graduate apprenticeships, you can do it through NVQs and the largest single group of learners was aged 25 to 35. More than half my students worked part-time, two-thirds of my students were mature if you define them as over the age of 21, but the opportunities to go into university through non-traditional routes have increased enormously because of the new universities. Let me be clear about it, it is because of the new universities—not only but especially. What is more problematic is that parents, children and schoolteachers do not realise that, they do not recognise that there are so many opportunities to get into university at level 4 and 5 nowadays which are not the traditional, gold standard A-level route. They simply do not realise it. I frequently talk to parents and say do not worry, let him or her do what they want but remember that there are real opportunities to come into the university at the age of 20 to 30, do not worry about it, there are lots of ways back into higher education. What I think is necessary is to make that much more publicly visible and make it absolutely clear that there are vocational routes through. I would say, just going back to the business of devolution and non-devolution, there is a danger—and some of my colleagues would not like me to say this—that when the polytechnics became universities they were forced into chasing research performance and what I would call “traditional criteria of university excellence”. In other words we had a single model of what a good university looked like and it was forced onto the new universities because they wanted to compete, they had to compete. I would feel better in a sense if a new university could say we are out and out about vocational higher education; education that has a strong vocational ethos about it. I would also be more comfortable if I was sure—and do not misunderstand me, I do not know, I do not have the evidence—that the rash of non-vocational degrees that have sprung up are actually genuinely imparting useable skills as well as knowledge, and I do not know about that. It may be something that somebody wants to look at; perhaps you should look at it. Let me end on this note: you can devolve to Wales but you cannot insulate Wales. You cannot insulate Wales from England, particularly English policy. The way in which the universities have competed to perform against a single pro forma of what a good university looks like is English-driven and you cannot escape it in Wales. I will just give you one other example. It is the problem of Wales being, if you like, infected—I do not mean that unkindly—

Q934 Albert Owen: Practically, there has to be greater day release into the workplace as well.

Sir Adrian Webb: Yes, of course, absolutely.

Chairman: I can feel a supplementary coming up on the right-hand side, but have you finished?

Albert Owen: I have.

Chairman: We are coming to the end of a very productive seminar, although it has been an evidence session. Mr Jones, briefly.

Q935 Mr David Jones: Very briefly, I promise. I was interested in your comments about non-traditional routes into higher education, which I think is commendable. Is not the difficulty however that in a place as small as Wales a lot of students will be looking to higher education across the border in England or even in Scotland?

Sir Adrian Webb: Yes.

Q936 Mr David Jones: Is not, therefore, an all-UK approach required and not simply a Welsh approach?

Sir Adrian Webb: That has been happening for quite a while now. When I was Vice-Chancellor of the University of Glamorgan a very high percentage of our students came into that university without A-levels. They came into the university via NVQ, BTEC et cetera and the largest single group of learners was aged 25 to 35. More than half my students worked part-time, two-thirds of my students were mature if you define them as over the age of 21, but the opportunities to go into university through non-traditional routes have increased enormously because of the new universities. Let me be clear about it, it is because of the new universities—not only but especially. What is more problematic is that parents, children and schoolteachers do not realise that, they do not recognise that there are so many opportunities to get into university at level 4 and 5 nowadays which are not the traditional, gold standard A-level route. They simply do not realise it. I frequently talk to parents and say do not worry, let him or her do what they want but remember that there are real opportunities to come into the university at the age of 20 to 30, do not worry about it, there are lots of ways back into higher education. What I think is necessary is to make that much more publicly visible and make it absolutely clear that there are vocational routes through. I would say, just going back to the business of devolution and non-devolution, there is a danger—and some of my colleagues would not like me to say this—that when the polytechnics became universities they were forced into chasing research performance and what I would call “traditional criteria of university excellence”. In other words we had a single model of what a good university looked like and it was forced onto the new universities because they wanted to compete, they had to compete. I would feel better in a sense if a new university could say we are out and out about vocational higher education; education that has a strong vocational ethos about it. I would also be more comfortable if I was sure—and do not misunderstand me, I do not know, I do not have the evidence—that the rash of non-vocational degrees that have sprung up are actually genuinely imparting useable skills as well as knowledge, and I do not know about that. It may be something that somebody wants to look at; perhaps you should look at it. Let me end on this note: you can devolve to Wales but you cannot insulate Wales. You cannot insulate Wales from England, particularly English policy. The way in which the universities have competed to perform against a single pro forma of what a good university looks like is English-driven and you cannot escape it in Wales. I will just give you one other example. It is the problem of Wales being, if you like, infected—I do not mean that unkindly—
by the policy strands that are in England, which you cannot avoid. Another is academies; academies come left of field in England and you cannot just ignore this policy development in England in Wales, but you have to begin to work very hard to see how you can make it fit, or whether it fits, because you do not necessarily want to drive the Welsh education system by something that is happening in England; equally, you do not want to disadvantage Welsh employers by not doing something that may be very beneficial. It is quite difficult in a small country because devolution can happen, but you cannot insulate it, you cannot insulate Wales in the English policy context.

Q937 Chairman: On that note could I once again thank you very much for your attendance this morning, it has been very illuminating. Thank you for your written memorandum and if you feel that there is something that you have not shared with us, particularly your experience in higher education, we would be very pleased to receive a further memorandum.

Sir Adrian Webb: I have just touched briefly on that. Equally, can I say that if members want to send me any examples or problems for the FE review, then I am very happy, obviously, to listen.

Chairman: Thank you very much.
Tuesday 19 June 2007

Members present

Dr Hywel Francis, in the Chair

Mr Stephen Crabb
Nia Griffith
Mrs Siân C James
Mr Martyn Jones

Albert Owen
Hywel Williams
Mark Williams


Q938 Chairman: Good morning and welcome to the Welsh Affairs Committee. For the record, could you please introduce yourselves?


Mr Myant: I am Chris Myant, Director of the Commission for Racial Equality in Wales.

Q939 Chairman: Could I begin by referring to your most welcome memorandum which we found very helpful in preparing for this session. You refer to what you call “the Welsh context” in which the debate on migration should be seen and you also refer to “Wales’s distinctive experience of having to embrace change”. Would you describe to the Committee what you mean by that?

Reverend Edwards: It is partly a consideration of our history as a people. Going back deeply to our Celtic roots—a long time ago—we would reflect, for example, that Celtic spirituality was very welcoming of a stranger; there was a warm welcome technically to exiles in Wales, a far more embracive approach towards those who found themselves estranged politically from ancient cultures. That goes through to a sense of difference within these islands, a sense of sensitivity, of being perhaps throughout our history different ourselves. You will recall of course that the Welsh word “cymrodd” refers to being one of us; the English word “Welsh” refers to being foreign, by definition, and I think there is a certain distant dynamic to that. Obviously, in our context as the CRE in Wales we would have a more recent reflection of that, very much reflective of the fact that our population increased quite dramatically about 100 years ago, an immigration rate of 45 to 10,000 which is quite exceptional to the extent that it is only second to America. Therefore, we have it in our own experience as a people, an experience of migration which is almost second to none, and a way of handling it and a sense of identity that is perhaps more pluralistic in its approach. In more recent times, particularly post-devolution Wales, we have reflected very often on developments, for example, to the Welsh refugee community and recently I have had a conversation with Themba Moyo who is the chair of Refugee Voice Wales; his reflections are very concise about what it means to be part of modern Wales, to feel a sense of welcoming that has been led by, if I may say so, MPs and also, more particularly, the Welsh Assembly Government in making sure that people are included within Welsh society. There is there a growing sense of Welshness that is based upon internationalism and diversity. As always we have a choice in Wales of whether we pitch into more traditional mono-cultural patterns of our identity or go perhaps to a more international diverse phase which enables us to have an enriching experience that enables us to cope with the diversities of the modern world. It is something that Gwyn Alf Williams articulated very well in his literature of how we have redefined ourselves from generation to generation and current patterns of global change in migration lead us to yet another time of redefinition for us. That is what I had in mind in the paper when I put that to your Committee.

Q940 Chairman: You are of the view then that in the words of the historian John Davies, where he says that Wales of the late nineteenth century was defined very narrowly in terms of non-conformity of the Welsh language, saboteurism and sobriety, we have successfully reinvented ourselves since then?

Reverend Edwards: The word “successful” is a relative one because we do have, as we know in modern Wales, those challenges of inclusion, and it is quite significant that the Welsh Assembly Government uses the word inclusion rather than integration, and how we include people is always a challenge—enabling them to speak English, access to the English language and Welsh when that needs to be, but Wales has now crossed that Rubicon of diversity and I do not think anybody would define it by one language, one faith, one culture, we are far more diverse people and John Davies is right in that analysis.

Q941 Chairman: You may well have answered this question, but in your memorandum you talk about “Wales now stands where it has always stood: largely defined by the migration of diverse peoples”, and essentially that is what you have just described, is it not?

Reverend Edwards: Yes, and there are a number of factors there. It is the proximity of England and the movement of people from England to Wales and vice versa, and I would say that that would actually conform very much to a global pattern of migration in the sense that most people will actually migrate...
to the country next to them. That is something that we are learning to live with. We are also experiencing internal migration from rural areas to urban areas, and one characteristic of that of course is the movement to Cardiff and to the M4 basin. Of late we have been very privileged to have asylum seekers, refugees and also accession country migrants into Wales and, on the whole, we have benefited from that migration and have been able to handle it well. Obviously, that has to be informed by modern policy, by effective monitoring, by the assessment of policy, so what we are actually doing is sharing a national civic aspiration with modern political skills of assessment and monitoring, and enabling policy formers to actually deliver.

Q942 Mark Williams: You touched on EU accession countries and the migration from those places as a benefit. Are there particular problems or challenges in your view in certain parts of Wales with regard to employment, education, housing, social services and, given the challenges of that migration, does CRE Wales have a specific role in that process?

Reverend Edwards: Can I refer to my colleague; he will have the technical answers for that. Mr Myant: There are challenges and some of them are quite big. There are challenges both in terms of enabling newcomers to live within communities that are welcoming; there are challenges for the communities to be sufficiently welcoming. There are challenges for public bodies in terms of making sure that the right kinds of services are available. If you take a city like Wrexham, the number of children now coming in from Poland or from Portugal, needing English as second language tuition before they can properly access schooling in the town, is quite significant and imposes a burden on the council from a financial point of view. At the same time the parents of those children are doing work which means that companies which might otherwise close or move away from Wrexham are able to contribute to the wealth of the community. It is a complex balance and it is one where our job is to challenge public bodies to make sure that they are addressing these kinds of things in a planned, systematic way that takes account not only of the interests of the incomers, the new needs that are being generated, but does so in a way which enables the existing communities to understand why it is being done and to see that in being done it is something that is of benefit to everyone.

Q943 Mark Williams: Having taken evidence in Wrexham we would concur with that problem, but nonetheless there are benefits—meeting the shortfall in certain areas of labour in particular. You mentioned the public sector and in your note you say that “Wales has . . . developed strategically significant schemes that offer models of good practice to the rest of the UK in the context of the public sector.” What are those models of good practice and how do they differ from other models operating across the UK as a whole?

Reverend Edwards: I would refer you to quite innovative schemes such as the one from Displaced People in Action (DPIA) that took a small number of refugee doctors, mainly Iraqis, worked alongside the Welsh Assembly Government for some initial funding and then mainstreamed the project into delivery within the health service. That has now taken us from a base of about 15 refugee doctors initially in 2003 to 70 registered doctors in the scheme. Welsh devolution may have been a catalyst there for enabling us to embrace one highly skilled profession and to enable them to work within the health service. In the refugee sector again DPIA—it is worth noting their work—has produced a placement to work scheme which will register something in the region of about 150 refugees in South Wales in particular, skill them up with references to ESOL schemes that will help them to gain English language skills and to refer them to places that are good at actually enabling them to deploy their skills base. What we find, particularly with asylum seekers who become refugees and therefore able to work, is that they are frequently highly skilled. They have skills that we actually need in Wales and can deploy, and that again would be a model of good practice from the refugee sector in particular.

Q944 Mark Williams: Do you detect a difference between a policy more generally in the UK as a whole and what you have highlighted in Wales specifically?

Reverend Edwards: In that case I certainly would, because at one point a few months ago you were virtually guaranteed a post if you passed your examinations and your qualifications as a doctor in Wales, but it was much heavier going, heavier weather, in the rest of the UK because there were no specific accessible schemes that married the knowledge and the intimate experience of the voluntary sector with governance on a political level. That is one scheme that offers a paradigm of good practice and good modelling to the UK.

Q945 Mr Crabb: Mr Myant, you have provided a very useful summary of what you describe as the big challenges of inward migration and the burdens on local authorities. Is that to imply that it is the view of the CRE that there are limits to the amount of inward migration that Wales can absorb? I am thinking about some of the hotspots like Wrexham; how close are we to reaching some of those limits, or is it your view that actually the capacity to absorb immigration is limitless?

Mr Myant: The way I would answer that is to say that if we do nothing then the limit is reached when one person comes; if we manage this properly then perhaps there is no limit to how far it can go. Communities can change and can welcome incomers if those communities approach the matter in the right kind of way. Some areas of Wales 200 years ago had no people living in them at all and
are now densely populated communities. It would not be for the Commission to set limits on that process, either at the bottom or at the top, the job for the Commission is to make sure that whatever movement there is, is done in a way which benefits everybody and that relationships are developed between incomers and those already there. Some of them will themselves have been either incomers in their earlier years or the children or the grandchildren of incomers. Our job is to make sure that that process is properly managed and to alert public bodies, ordinary individuals, politicians, faith leaders whoever it may be, to the kind of things that they need to do. What is quite striking in my experience in Wales, having worked in this field in London for many years beforehand, is not just that you have some practical examples of the kind that Aled was pointing to in response to the previous question, but that you have a context in which these practical answers can be made to work more effectively. Yesterday I was with a number of local authority chief executives looking at how they needed to develop their race equality schemes and pointing out, in particular, the need for them to address issues of good race relations within their local communities. We are able to do that work in quite a hands-on way in Wales because we can be closer to people who are in leadership, which is actually quite hard to do in England partly because it is bigger but partly because there is a different kind of political culture, and it means that we can be closer and help them approach the solutions in a more open-minded way which then makes the solutions actually work. I do not see the issue from our point of view as being one of what are the limits, I see the issue as what are we doing to make sure that what we have got on the table at the moment actually works for everybody.

**Q946 Mr Crabb:** So long as there is funding available to support the kind of work that you and other partners are involved in, so long as that support is being given to frontline public services it is your view that actually there are no limits as regards to what can be done.

**Mr Myant:** I do not have a view on the limits, I have a view about what kind of work should be done to handle whatever happens on the ground. Our job is to deal with the realities on the ground and make sure that is responded to properly. None of us know what way the labour supply or the labour demand will go in three, four or five years time and we might see very different kinds of challenges on the ground in that period of time.

**Q947 Nia Griffith:** You mentioned the skills that some of the refugees bring and some of the work they can do. What is your view on the people who have not got refugee status going through, perhaps, very long processes to establish their status and their inability under current rules to be able to work; do you see the opportunity to work as being a way of helping the communities to be more cohesive?

**Reverend Edwards:** I have reflected long and hard because I used to be the chair of the Welsh Refugee Council and therefore my experience of this is quite intimate, as you can imagine. The previous wave of dispersal to Wales was marked initially from our perspective of serving the client as being one of almost deadly passivity; frequently the experiences that had brought them to Wales were quite dramatic and quite painful and they were disoriented. The thing that we would reflect on is that level of passivity and getting them to be active, and in that sense volunteering and training by different agencies is quite useful. There are limits to that; the prohibition of course to work is exceedingly difficult and also the relative poverty of those who wish to access their volunteering capacity because it is actually very difficult to afford to be able to volunteer, but many do and I would remind you that somebody like Themba Moyo was awarded two years ago the Volunteer of the Year Award in Wales which is quite indicative of the vibrancy of that culture. The sector that I feel particularly concerned for is the children of the first wave under that dispersal system, who may have been now in our education system for four or five years, who have passed their GCSEs very well, gained excellent A-level results and find that the door to further education is, because of the funding restriction, closed to them. That is a tragedy. Wales needs to reflect, the Assembly perhaps needs to reflect, on whether you do need to actually regard such individuals as foreign students. That policy change could be quite good. There is, as you are rightly discerning, a limit to the degree to which you can volunteer and there would be certainly an opinion within the refugee world that would say it is much better if you allowed us to work and taxed us in the process and allowed us to be productive. The tragedy is of course that people lose their skills, and if they do find that they are able to return to their home nations they are by then deskilled. That is of itself for many a tragedy.

**Q948 Hywel Williams:** Can we turn to some questions around identity? You say in your note that because of the nature of Wales we have had “to turn to more creative emblems of national identity: specifically, around how different people recognise each other and get on with each other within communities.” What are the particular ways that we are going to bring people together and create communities in Wales, and what makes them distinctively Welsh?

**Reverend Edwards:** It is very much a subjective analysis but one that is actually echoed by the evidence, for example from the Refugee Voice Wales group of how we handle those issues. As I said, we cannot in Wales define ourselves by one language, one faith, one culture, we have to be diverse, and there are two narratives presented to us always in Wales of whether we can opt for a more destructive pattern—and that is part of our history: some of us will remember the viciousness of the 1911 anti-Semitic riots in Gwent, the 1919 riots in Cardiff, so we have that part of our history
as well. What we need to do is be aspirational within our politics, where we do strive to value each other for what we are, and that brings us to the whole debate about the difference between inclusion and integration. It is quite significant that the refugee communities met over the weekend and found that what they valued most about Wales was that they were allowed to contribute of who and what they were to a civic dynamic, and reflected that perhaps it was not the case with such intensity in other parts of the UK. It is an ongoing debate and it is something that is very, very difficult to define, because as a whole people cannot be defined in terms of such a dynamic but they can reflect on what is happening.

Q949 Hywel Williams: Thank you. You say also in your note that “the growing emphasis on the acquiring and use of English ... becomes highly problematic in a bilingual setting when it is used as a measuring stick for integration and identity”. I did actually ask David Blunkett when he introduced the Britishness test in his statement to the House “What about the Welsh language?” and he replied “They can learn Welsh if they like”, which I personally felt was not an adequate answer and I assume that not many refugees or immigrants have learnt Welsh rather than English in Wales. What problems do you identify with that sort of dynamic in a British context as compared to the situation in Wales and what solutions do you suggest?

Reverend Edwards: I would refer to more positive points in terms of the Welsh language community and the newer communities of Wales. It is particularly pleasing that a Welsh medium school such as Plas Mawr in Cardiff now brings in about 10%, one in ten, of its student base from BME communities; that is commendable and that is part of the modern dynamic of Wales. I sat last week for the launch of Our Shared Futures, the result of the Commission on Integration, and I did reflect as a Welsh speaker that there was a certain emphasis on the English language that perhaps would not go down well in every part of Wales and there was an aversion there to translation, which is very much part of our bilingual ethos in Wales. I think that any bilingual culture offers a basis and a platform for diversity that of itself must be healthy and I would again refer you to the fact that this conforms to a global pattern in the sense that if you look at the population of New York, for example, almost half of the population of New York will not speak English at home, it is part of our modern world. We do need to remind colleagues who form such policies that there is a Welsh Language Act in Wales to monitor their race equality schemes and also, enmeshed with that when policy has been formed, to encourage public bodies to have impact assessment. If I may refer to Chris, Chris is more experienced in the technicalities of that work.

Q950 Hywel Williams: Lastly, you also say in your memorandum that “Wales ... now has a self-sustaining refugee community network that increasingly perceives itself to be Welsh within the emerging devolved context”. I am reminded of Gwynfor Evans’ statement that anybody can be Welsh as long as they are prepared to take the consequences.

Reverend Edwards: Yes.
burdensome, it is practically impossible for the Commission in England to look at individual public bodies. In Wales you have got 22 local authorities, a limited number of health bodies, a significant smaller number of secondary schools, a limited number of universities, one Assembly Government, so it is possible for our team to look in detail at what each individual body is doing, challenge it, be upfront, honest and straightforward about its weaknesses but then also offer a helping hand of advice and assistance to get them to change, and that is what we were doing in Aberaeron yesterday with a group of local authority chief executives. We have a series of programmes of work at the moment which will deliver a range of detailed reports on all the public bodies that we have the power and responsibility to regulate—it comes to something like 100 across Wales—which we will provide to the incoming single Equality Commission in October as a baseline for it to develop work and practice, particularly on what these organisations are doing to deal with good relations, either within their workforce or within the community because the good relations responsibility is something which is very clear, even if a public body might turn around to us and say we only have a tiny number of black members of the public; the issue of good relations in the community between English and Welsh speakers, between incoming Polish migrant workers, between long-established black communities and other members of the community is very clearly a major priority. Our target is to achieve a position whereby in the late spring of next year, when the cycle of regulatory work comes to a new point, when new schemes have to be issued and adopted, we can have effective, good race relations programmes of work under way across Wales. Whether we achieve that we will have to see and what quality and how much purchase they will have in the local community we will also have to see, but it seems to us a very important target because that will also be the next round of local elections in Wales where candidates will be standing and wishing to do the very opposite, that is stir up animosity, anxiety, prejudice and so on. We need to make sure that the public is offered the opportunity for a proper debate around real facts rather than around phantoms and spectres.

Q953 Albert Owen: That is a very detailed answer; thank you for that. You mentioned about various local authorities probably not giving the same priority to this issue and that they usually react to an issue rather than have plans for it. How do you work with them to ensure that when the chief executive of North West Wales says to you “We do not have a problem, in North East Wales the problem is bigger so why not concentrate your efforts there”? How would you deal with those chief executives?

Mr Myant: That is not easy because of course what you need to be able to do is to sit down with the chief executive or with the councillors, with the leading staff in the organisation, and help them understand why equality issues, diversity in the community, are important to them, and this was precisely the conversation that we were having yesterday. The chief executive of a major local authority in Wales: “Why is this an issue for us because we have few migrant workers, they only stay for a few months and then they go and only nought point so and so per cent of our population is Black or Asian”. I said to him, “Well, of course, in your community I have head teachers coming to us who say that ‘Race is not an issue for us’ and I say ‘Okay, your school is all white and Welsh-speaking. Take your children in a coach and put them in the centre of Birmingham and ask them to walk around Birmingham speaking Welsh to each other and see what the local community says back to them. Bring them back home and then ask them whether living in a diverse world where we have differences that we need to share and understand with each other actually is not a problem for your youngsters. They are either potential victims or they are people who can help resolve problems or they are perpetrators of problems, all of us have a role to play.” I was very pleased to see that the chief executive said, “Yes, good point, I had not thought of that; that is precisely the sort of priority that we should have in our race equality scheme from next spring onwards.” You do not get the chance in the bigger picture across Britain as a whole to have these kinds of detailed discussions with the people who actually have their hands on the levers of power. What is interesting about Wales is that you can do that, and that is why we find that our work can have somewhat greater purchase.

Q954 Albert Owen: If I can move on again to your note where you mention about the IPPR study in 2005 which found that “Cardiff had the most positive attitude towards asylum seekers of all the cities in the UK it questioned”. Do you think that is the case and what are the reasons behind it?

Reverend Edwards: Historically in that instance it represented a high water mark in the activities of a refugee media group that was based in Cardiff, and there had been quite a deliberate, systematic and very professional effort to feed positive stories to the Welsh press and media about refugees and asylum seekers so that people became individuals with names rather than entities. That was in stark contrast to what the group could not achieve up front, to put it bluntly, with some of the London-based press and media who would frequently come in with gross misrepresentation, not only of the newer community but of the newcomers as well. It does not help when national papers lead, for example, when there is a possibility of having an asylum centre in Sully that Sully is described as “a remote Welsh village”. It shows you a degree of incompetence about the nature of Wales that is quite astounding.

Q955 Albert Owen: Are you saying that the Welsh media in your opinion is more sensitive to these issues than the English media?
Reverend Edwards: Yes, and attached to that there is a certain civic dynamic in Wales and an intimacy of contact that enables that approach to develop.

Q956 Albert Owen: That is probably just the cities, the large cities. Cardiff had a Somali population for many years and there has been integration there for many years, is that confined to the city of Cardiff and may I be so bold as somebody from the North West as to say that the media is perhaps Cardiff-centric as well and it is probably different in the regions of Wales?

Mr Myant: We are not saying that everything is perfect in this garden. There are huge problems in Wales of integration, of inequality and so on, but there are certain parts of public life and public attitudes which are better and give us an opportunity to get changes in practice. Already in one of the questions the point was made that it is possible to have good ideas but are they actually applied and being put into practice. There is no doubt that the media that I read in Cardiff is better from a race equality and welcoming point of view, different kinds of images appearing, people just being naturally and ordinarily presented in the media better than you would get in London, but as you rightly say that is not a media that is read by everybody and it is a media that is Cardiff-based. Some of the other local papers across Wales are also good, some of them are not so good.

Q957 Albert Owen: Of course Welsh people in Cardiff read English newspapers and the red-tops et cetera.

Mr Myant: Yes.

Q958 Albert Owen: Do they react differently, do you think?

Reverend Edwards: If I may say so the crucial difference here has been the role, I would say, of BBC Wales and also ITV because those stories can be covered very differently and those would have a national dimension rather than just a Cardiff base. It was only, very interesting to observe how a Croatian asylum seeker who was about to be deported all of a sudden became “our asylum seeker” within the community, and that began to develop very quickly.

Q959 Mrs James: I have quite a significant refugee and asylum seeker community in my constituency; the problem in my constituency is that people are not watching BBC Wales, they are not reading the Western Mail, they are in actually one of the areas with the highest dependency on Sky and satellite TV. How do you think we can influence things with maybe the major tabloids?

Reverend Edwards: Dare I say that this would be a role for Members of Parliament in particular who have a broader brief than Assembly members and to have a positive profile for what is going on that is good within constituencies. On a local level word of mouth is very effective in terms of creating a sense of community and strategy but it operates on the whole within an environment that is quite aggressive nationally towards migrant populations. When politicians speak a degree of truth that is well-informed and balanced, that can have a very powerful, corrective effect.

Q960 Mrs James: You have already mentioned, and your memorandum highlights, the difference between policies aimed at the “integration” of migrants and those aimed at the “inclusion” of migrants in the community. Can you tell us a little bit more about this and possibly expand on it; do the two approaches act in parallel?

Reverend Edwards: They can. The words “integration” and “inclusion” can mean different things to different people and in the document that we had last week from the Integration Commission there were breadths of definitions there. The core issue is having policies that are targeted towards enabling communities to deliver from their talent and skill base and that is a key element to inclusion, rather than having an emphasis on models that are perceived by some of the client groups in particular, and the newer people within our midst, as being assimilationist. That can be quite frightening for people in the sense that you find yourself in a different place, wanting to contribute who you are to it rather than being asked to be somebody else. Policy can actually affect that quite dramatically.

Q961 Mrs James: One of the things that is of particular concern if you are dealing with vulnerable communities is making sure that those communities where people are settled actually feel included as well.

Reverend Edwards: Yes, that is true. One of the things that some of the voluntary groups will do, for example, which is not in any way demeaning of the integrationist agenda—the first the DPIA will do with young people from 14 to 25 in the scheme, for example, is to give them intensive ESOL training which is indicative of enabling people to be part of the communities and to express that. Particularly on the refugee scene and the asylum scene there is a particular phenomenon of the condition that very young people have to be the mouthpiece for the whole family, which is actually disabling of a generation and reverses family models. Policy can be directed quite effectively at that process of enabling.

Q962 Mrs James: What about the wider community? My concern is that many of the mothers, for example, do not actually get those opportunities and they are not given the social opportunities to get out of the household et cetera and learn English and be part of the community. How do you encourage particularly isolated members within asylum communities?

Reverend Edwards: In the urban areas there are quite innovative schemes that enable, for example, the Somali Women’s Group to acquire English language skills and other skills. That is supported quite heavily by the Assembly and also by voluntary agencies who can deliver that. I would have a great concern for people who find
themselves outside of that Cardiff basin or the urban areas because it is actually exceedingly difficult for them to gain the support that they may need. One of the aspects of the modern migration of people—not asylum seekers or refugees but economic migrants—is that they are actually found in every part of Wales. There are large pockets where people find themselves, in deep rural areas, perhaps without the access to services and training, those enabling policies that actually enable them to do what they would want to do.

**Q963 Mr Crabb: Your written submission to the Committee noted that amongst some young Welsh workers there is “a strong perception that recent immigration has lowered wages and made some jobs more difficult to acquire”. Do you think there is any link at all between recent immigration and the phenomenon in that we have seen in Wales in the last five years whereby the proportion of young people aged 16 and up to 26, not in fulltime education, employment or training bizarrely has been increasing, even though unemployment is coming down? Do you see any link between that phenomenon and inward migration of foreign workers?**

**Reverend Edwards: Yes, to a degree, and Chris can answer this question as well. What I would observe and a more strategic element is that if you look at countries that have experienced large-scale migration—and an interesting example here would be Israel, for example, during the Nineties—710,000 people came into Israel over that decade. Their initial experience was that it lowered wages by 5% and what they also found was that interest rates initially rose. What they found was that there was a clashing point at that key niche area where the migrants were competing with what appeared to be the host community, and that has been repeated elsewhere. There is, I think, an issue of concern there, but what we are beginning to find already, again taking models from other parts of the globe, is that migrants will very, very quickly move on, particularly if they have a different skill base, and we are already finding that people who were here last year are finding different jobs just because they are a different sort of people. Chris has a view as well over that particular issue, which is a difficulty.**

**Mr Myant: We have a role to play as a Commission in ensuring that migration is not something that leads to the deliberate lowering of terms and conditions of existing staff and were an employer to get rid of existing staff and replace them with migrant workers that could be an offence under the Race Relations Act; it would be unlawful racial discrimination. We have worked with a range of regulatory bodies across Wales to look and see whether this is something that is in fact taking place. Employers that we have discussed this with assured us that the jobs that they have to fill are jobs that people who come in from abroad are jobs that were empty, that were available to local job seekers and that they are not bringing people in from outside in order to replace. However, I think there is emerging evidence that you can see from some of the data from the labour force survey and earnings figures that there is a tendency at the lower end of the job market for wage rates to possibly settle on the minimum wage, and this poses all of us with a particular challenge for how we enable those caught in the benefits trap and so on to see that work is actually of value to them. This is a challenge for social policy, it is a challenge to the employers and it is a challenge to the young people themselves, and we have a danger in some of the communities in Wales where you have a developing syndrome of a sense of failure in the community and a lack of desire on the part of young people to take up the challenge that is available through education and so on. There are some developing innovative schemes by some of the local further education colleges and so on to try to assist young people to see that they can develop the skills, but we are still left with a problem that mobile labour that can come in for a short period of time can be prepared to do work that can be particularly unpleasant, at low levels of wages which are not good enough to attract or enable young people in the local community to come in. We need to be wary of this and make sure that this development is as limited as possible and give ourselves the opportunity to handle the consequences of it quickly before it gets very much more significantly embedded.**

**Q964 Mr Crabb: That is exactly my concern. Many of us recognise the enormous economic benefits of inward migration and any sensible person who looks at the way a modern, well functioning market economy should perform in a globalised world knows that there will be a significant chunk of inward migration in the workforce, but my concern is that because there is this readily available pool of labour, very willing to take on low-paying jobs, it has effectively let government and business leaders in this country off the hook in terms of looking for solutions for that hard to reach group that we have in our own society who are not going to work, and that group is increasing.**

**Mr Myant: There is an element of truth there and one of the arguments that anybody coming from a Commission like ours would have said to you some years ago is that an expanding labour market where employers are under pressure to find the next good employee is a very good tool to use to get employers to deliver equality of opportunity practices, do positive action training and so on. Where employers can simply pick up the phone and get onto an agency that can provide them with skilled workers who are more flexible in the sense that they can be got rid of as quick as the demand has finished, there is a danger that employers will not look at that as an option. This poses us with a particularly strong challenge in some communities in Wales, particularly in some communities in the Heads of the Valleys and so on.**
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It is a challenge that is highlighted now and it is something that colleges, communities, employers, government services and so on need to have very much at the forefront of their mind because these were often young people that we were not adequately meeting the needs of beforehand. For us from a race equality point of view it is particularly important, not because necessarily these are young people coming from ethnic minority backgrounds—though in Cardiff some of them will—it is a particular challenge because we are dealing with white working class communities that feel alienated from the social process and these are the people who could turn to extreme ideas, and we need to make sure that their problems are addressed and that they feel included just as much as the incomers do.

Reverend Edwards: One of the things that will be interesting to observe over the next four years as the newer wave of migrants come in and settle into the business economy is to what extent they actually become job-makers. There is an honourable tradition, a global one, that migrants when they do actually move are very apt at creating jobs. The one issue that I smile at as a Welsh speaker—I use the Welsh language version of Google that was actually created by an economic migrant who went to Silicon Valley in California. That is no exception, it is quite the rule amongst migrant populations that they become job-makers.

Q965 Mr Martyn Jones: Good morning. What routes does the Commission use to access the new communities in Wales?

Reverend Edwards: We are already well embedded with the refugee community and we do try and maintain regular contact with the Race Equality Councils. We also, through the Croeso scheme, have been very, very effective in using schools and listening through that process, and we do try and keep regular community contact. Chris will have more detail in answer to that situation.

Mr Myant: This is one of the big challenges for us and for everybody in a sense. People can come in, sometimes stay for quite long periods of time, have jobs but live parallel lives to others in the community and the question is how do we get those parallel lives to actually meet, talk and so on. We have been working through this Croeso project that the Welsh Assembly Government has funded with us to look for innovative solutions, not those that cost a lot of money. A member of the Committee referred a little earlier on to the issue of resources; resources are always a problem but much more important than resources is how we make use of what is going on in one area but is not necessarily being used as well as it can be, how we can get things to bounce off each other. We are working with one of the local Race Equality Councils, Valleys Race Equality Council, in particular to set up innovative ways of bringing people out of their different shells and getting migrant workers embedded in the local community to actually meet and talk to that local community and vice versa. It is not easy because one of the major characteristics of migrant workers in that part of Wales is that they are on short call, complex rota systems which mean that they can tell you we will meet you tomorrow night and then the phone goes and they are off in the meat factory, or they are off down in the steelworks or wherever else it may be that the agency is directing them to. What we are looking for are ways in which, without adding significantly to the number of organisations we have currently got on the ground or the amount of money that needs to be spent, nonetheless we can open doors and create avenues. We have come across a really fantastic network, Friends and Neighbours, in Cardiff where one ESOL teacher who retired wanted to carry on meeting her students, her students said they wanted to carry on meeting her and she has created a network where people come together and meet across a myriad of dividing lines and she now has 500 people coming together regularly, talking, sharing problems, sharing interests, sharing excitement and one just thinks from the top can we create those kind of things from below in every community. That is the challenge for us.

Q966 Mr Martyn Jones: It is a big challenge, because one of the problems of the migrant workers particularly—you mentioned one of the issues—is the fact that they are hot-bedding and they do not have a lot of spare time, which means that they are readily exploitable, they do not know their rights, particularly with regard to the minimum wage and access to the police, for example, if they have got a problem with exploitation and the threats which we have heard about in North East Wales. I just wondered, do you have any knowledge yourselves of those kinds of problems and what are you going to do about them if you have had that problem?

Mr Myant: One of the things that local authorities, for instance, would be expected to assist with is to enable a community of, say, local Polish people or Filipino nurses to have the facility where they can come together and meet and form a network and form a basis from which they can reach out to others. In Carmarthenshire, for instance, at the moment there is a very live programme of work under way, led by the County Council, to assist exactly those kinds of networks to develop. There is a problem always in agencies trying to do this work for a community, and it is best rooted when it comes from the community itself and then the public body can provide the facilities, the meeting place, the administrative assistance and so on, things that do not cost too much money, but where a small investment of resource can completely transform the ability of a local network to actually work. We can see this happening in some parts of Wales and we want to make sure that it is a priority across the whole.

Q967 Mr Martyn Jones: You mentioned Cardiff, are there any examples of best practice throughout Wales that you have heard of?
Mr Myant: Carmarthenshire is doing some very interesting things which is its own initiative: in Merthyr the initiative was led by the local Race Equality Council. We put quite a bit of money into that initiative and they formed a forum with all the relevant different agencies, and they are doing a range of things to enable involvement of people whether they are nurses from the Philippines in the local hospital, whether they are Polish workers on night shift work in the local meat factory and so on.

Q968 Mark Williams: Turning back to the economic benefits of migration, your memorandum notes that “anecdotal evidence suggests that Wales . . . has encountered some economic benefits from the latest wave of migration”. I know that today the TUC has had things to say at a UK-wide level, but what is the extent of the economic benefits that you have acknowledged?

Reverend Edwards: We have taken soundings from a number of leading businessmen within Wales and there is a developing pattern of recognition that key niches within the Welsh economy are being filled, particularly, if I may say so, in manufacturing. What we are finding is that there is a very different model of employment for migrant workers in Wales to, say, the rest of the UK. Fruit-picking is not a great factor for us in Wales, as you can imagine. Chris would probably wish to add to that.

Mr Myant: We have discussed this at quite some length with leaders of the business community and we have said to the business community “You have a responsibility to help your local communities into which you are bringing this labour understand what the benefits of this are and understand how to grapple with the movement of people.” A number of businesses have been very clear to us that if it was not for their ability to draw on this pool of migrant labour, they would not be able to sustain their businesses in Wales, and either they would move elsewhere or the businesses would simply close. We cannot second-guess the businesses and of course sometimes there are lots of sub-texts and other arguments.

Q969 Mark Williams: How widespread a dialogue are you having with businesses on that basis, is it in the areas of concentration that we know about or more widely?

Mr Myant: We have a regular process of meeting with the Business Forum in Wales which brings together the small business networks, the CBI, business in the community and so on. We do not, because of the nature of our work, manage to have a detailed interaction with every individual business in a particular area, but in talking to the CBI, the Federation of Small Businesses and so on their argument is very strongly that where their members are heavily reliant on migrant labour it is because that is the only way of sustaining their business, and often that means that other employment is generated in the local community which otherwise would go if it was not for the mix of employees that they are able to get.

Mark Williams: That is certainly the message that we picked up from talking to some businesses in Wrexham. I would beg to differ slightly in that there might not be fruit-picking but there is certainly the agricultural sector in the west of Wales where there is a very high and growing Polish input, and a very worthy one too.

Q970 Mrs James: I wanted to turn to population and population movement. In your paper you identify three discernible trends to recent demographic change. Of these, which is the one that you think is the most significant and what are the policy implications of each of the three?

Reverend Edwards: The word significant is crucial. The main numeric flow, as I say, is between England and Wales and that raises huge questions about the capacity to create jobs in certain parts of Wales, namely the old Objective One areas, and it is quite challenging. Internal migration I would say is also a big issue, but the one that has the highest profile is the issue of external migration. Certainly the most significant one to the Welsh economy is the flow between Wales and England in terms of economic development and cultural identity. That one is the most significant.

Mr Myant: We often forget how many people live in Wales but work in England and how many people live in England and work in Wales; there is huge movement across that border. In my own office there are people who do not live in Wales but work in the office.

Q971 Mrs James: Do you think these are helpful when we are planning policy changes or public services et cetera?

Reverend Edwards: Whether they are helpful or not, they are the reality and we have got to learn to live with them.

Q972 Mrs James: So we should be building them.

Reverend Edwards: Yes.

Q973 Mrs James: Any suggestions or any places that we could improve that?

Reverend Edwards: From our point of view, because we have obviously got a Parliamentary commitment to furthering good relations, litmus testing people’s identity or their geography is not always helpful, but I do think the issue of developing robust economies in certain parts of Wales is a priority. There are difficulties and the whole investment in North East Wales in BAE Systems and so on may well have benefited Cheshire enormously, but that is part of the United Kingdom set-up, is it not?

Q974 Mrs James: In your memorandum you state that every part of Wales has faced the privileges and challenges of the latest wave of migration into Wales, i.e. from the accession states. What are these privileges and challenges, I am quite interested to hear more?
**Reverend Edwards**: I think they are anecdotal, are they not? The Assembly published statistics last week based on National Insurance figures and also registration. The numbers in terms of the UK are fairly small, about 5000 in total, it is hardly shaking stuff in a sense, but there will be high concentrations in Wrexham, Newport, Cardiff, Swansea and West Wales and where there are large clusters there are challenges there of including people in those communities, adapting, enabling them. As I said earlier, the big challenge for us is to enable those communities where there are strong clusters to function, but the greater challenge when people are in deep rural Wales, for example, is isolation. What I am already finding is that even in places like Trawsfynydd, where I come from, people already receive people with a degree of warmth and new migrants are received. It is interesting to observe, on the Lleyn Peninsula, for example, with a Polish camp in places like Llanbedrog, people have rekindled their sense of generosity towards that particular community, and Wales can be generous. The policy issues for us would be enabling people to gain access to health provision and to help the children in particular, because that would be a big concern in the Wrexham area, enabling people to pick up English with a degree of ease. The Assembly has published, as you probably know, a pack for migrant workers, but as Chris was implying earlier on it is one thing to produce a piece of literature, it is another thing altogether to make it live in communities. That is the bridging position that we would want to possibly facilitate, to enable, for example in Wrexham, possibly the Catholic church to be active in enabling the Polish community there to have access to services and to know what is accessible to them. Access to service is a key issue.

**Q975 Mrs James**: Do you see the trade unions having a role in this, because they have been doing a lot of work?

**Reverend Edwards**: Yes, TUC Wales have been very active, particularly through one of the workers, Derek, who has been very pro-active indeed in the whole equality strand. It is the healthiest facet of Welsh political life, if I may say so, that the trade unions are now working with other civic agencies and voluntary groups, as well as the statutory bodies, to see where trade unionism is actually working in terms of equality policy.

**Q976 Nia Griffith**: Obviously now with the advent in October of the Commission for Equality and Human Rights you are going through a transition phase; perhaps you could tell us a little bit about how smoothly that is going, and also what is going to happen to all your initiatives once the new body is in place?

**Reverend Edwards**: As a statutory body we are actually obliged and feel that we do support that process because Parliament has actually dictated that what is going to happen, and we are working creatively with CEHR through a transition process to enable that to happen. The big challenge of course is first of all structural, when you bring three large statutory bodies to an end and form one; as you can imagine there are huge issues of staffing, TUPE arrangements and so on that are quite a challenge. The big challenge for us—the biggest challenge possibly—is to ensure not only from the race side of things but from the disability strand and also the equality strand that that shared corporate memory and that skill base that the statutory bodies have gleaned over the past 30 years is actually transferred positively to a new structural environment. That will be the challenge for the future so that the communities that we serve feel confidence within the new structure.

**Mr Myant**: There are inevitably some issues because those of us who have transfer of undertakings into the body do not yet know what jobs we will have, we are not quite certain where our offices will be, but there is still four months to go and a lot can be done in four months. One of the things that I detect is a great deal of enthusiasm in all the staff, for this will bring together equality strands that enable us to deal with individuals in the round and not just with little bits—salami slices of people—and that will be very good. There will be some difficult things to get right in four months but we are pretty confident we can do it all. October 1, bring it on.

**Q977 Nia Griffith**: Following up on that, do you have any particular priorities over the next few months then?

**Mr Myant**: The two focuses for us are the point we were talking about earlier on, that is making sure that public bodies across Wales deliver the work they should. It is all very well us talking about good practice ideas, the real trick is to make sure that everybody knows how to and wants to deliver that, and that means local authorities and so on. The second thing that we want to make sure about is we think we have got a very innovative area of work in the *Croeso* project that we run, that for instance is delivering training against prejudice to every school council in every secondary school across Wales. If we manage to sustain this project for the next couple of years we will have got something going across our school enrolment, 11 to 16 or maybe 11 to 19, that you will not see anywhere else in Britain. The CEHR is very keen on taking this up, the Assembly wants to continue to fund it and we think it will give us a tool that can make sure that certainly among young people we have got an active process of discussion going on within the school environment to welcome difference, challenge prejudice and so on.

**Reverend Edwards**: The other area that we are considering with considerable intensity and depth at the moment, partly because of what happened in Wales recently with Thomas Cook, is to explore where the Welsh language community rests within the equality panorama. That is a question that we are reflecting upon and possibly considering whether the linguistic dimension of Wales needs somehow or other to be included within equality.
legislation: that would be protective of the Welsh-speaking community but also protective of the majority within Wales who do not. I think that is a skill base that we have in terms of defining parameters of reasonableness and proportionality, but that is an issue that we will be reflecting on during the next two or three weeks.

Q978 Albert Owen: You mentioned about the economic benefits that you consulted with the business world about et cetera, but do you not accept that one of the greatest benefits that many migrants have brought into Wales over many generations is in cultural and sporting activities? How do you assess this and how does it fit into the work generally? For example, you talked about creative industries and in the media there are lots of people that I know of who have come into this country and gone into the media, fast-tracked in there, made the extra effort and they are seen as some sort of icons and are able to help with social cohesion.

Reverend Edwards: I take great joy in the fact that Wales has been particularly embracing of communities, and the classic example would be in the 1890s with the Italian community coming into Wales. We all know how precious the Italian community is to us in that part of the world, and I rejoice like everybody else when Robert Sidoli scores for Wales, it is just fantastic. It is part of who we are and I know that we can actually turn human beings into icons and possibly we should not do that, but on the whole it is reflective of not only who they are but who we are and that is a positive element that we want to support.

Q979 Albert Owen: The point I raise is that the economic is easy to quantify but the social and cultural is very important as well.

Reverend Edwards: There is about to be a document published by the University of Wales, Aberystwyth—Chris has it with him this morning.

Mr Myant: It is this one here, launched on Friday.

Q980 Chairman: For the record could you read the title?

Mr Myant: It is Immigrants in Wales during the 20th Century by Robin Evans, published by Aberystwyth by the University, Continuing Education Department there. What does it do is it brings together—even my grandfather who turned up in Cardiff in 1915 as a wounded Belgian soldier, I discover for the first time anywhere in the literary record that my particular origins are in there. There is quite a lot going to be going on, both through the national museums and gallery which are going to be doing a big exhibition around European migration into Wales showing what the individuals coming in have done to create the Wales we have got today. This kind of work is going into schools, showing the same sort of thing—you could not quantify this in money. You could get a little bit mystical about it, but there is no doubt that this is what makes this very diverse country that has an incredibly strong sense of its own identity, but a sense of identity which contains within it the differences between English speakers, Welsh speakers and so on; so diversity and a strong sense of identity manage to go together. That is quite valuable and that is something that you could not put cash on, but it is something that means, if we play our cards right, we can get these communities to work very well. In many parts of Wales we have not played our cards right, so we have a lot of work to do to make sure that we do turn that round, but there are significant possibilities.

Reverend Edwards: If I may say so, our aspiration is that we should actually drive Wales as much as we can towards its aspirations rather than its fears, and those icons are valuable in that process of aspiration.

Q981 Mrs James: Just to go back a little bit, sorry, because that was a very positive note to end on, so I am sorry about this. You note that accurate figures of the overall numbers of migrants are not available. What difficulties are there in establishing these figures?

Mr Myant: There are all kinds of technical issues here. We do not have a registration system in the United Kingdom that means that we have everybody’s heads counted all the time, so when somebody comes in here they can in a sense disappear. At the same time we have some data sets that give us some idea of who is here, but most of these data sets are things like the worker registration scheme, which you do not have to leave when you go. You know who may have come in, you know who has registered but you do not know who has then gone, you do not know who has then stopped work. You know who has got a National Insurance number, but again they could be people who have then left the country and might come back again later on, they could be people who have stayed in the country and are not working. You have data from schools as to who the children are who have come in; you may have data from churches as to who has joined their congregation; you may have data from other areas like the benefits system and so on, and it is a way of putting all these together that gives us different snapshots, none of them entirely accurate, and unless we want to have some kind of identity system where we all have a card with an ethnic identity put on it, which is regularly being counted, it will never happen. We do not know for instance exactly how many people from England come to work in Wales. We are not interested in knowing that, we do not see that as a problem, but we do think there is a problem about how many Polish or Lithuanian people come in, so we want to know that. Employers could help us perhaps more than they currently do and some public bodies could help us more, but whatever route we take there will always be some people who are not being counted in that system.

Reverend Edwards: There is also a reflection here on who we are interested in counting. If you look at migration rates into the UK in 2002, top of the league were Americans and Australians, but they hardly register in public debate. That is an issue
that we would be reflective of. In terms of actually giving an answer to your question in terms of the philosophy of the situation, what I would say is that it is perhaps more important not to count people but to actually celebrate what they do, and one of the sadnesses we have, particularly in the refugee world, is that once people become successful and actually when they are integrated well into a community, that is where they fall off the statistical radar. Perhaps one of the methodologies for the future that we ought to deploy is when people do actually do well we record it and we celebrate it.

Q982 Chairman: This has been a very productive and positive session; could I end it on this note? As we have heard from the questions, all of us have some examples of good practice in our constituencies, and I would like to place on record the work of Neath Port Talbot education authority in supporting particularly Filipino children, and the positive impact on those children in schools like Traethmelyn and St Joseph’s Catholic Primary School; also the South Wales Police in its support of the local population, particularly Bangladeshi children, and the setting up of the Port Talbot Tigers Football Club. I remind them that the oldest sporting multi-racial club in Wales is the Cardiff International Athletic Club, the CIACs, two of whose great sons, Joe Erskine and Billy Boston, graced sporting occasions across the world. Would you welcome examples like that from members of this Committee so that you can perhaps disseminate some of these examples of good practice?

Reverend Edwards: Yes.

Chairman: Thank you very much; we will have a break of two minutes now.


Q983 Chairman: Could I welcome you to the Welsh Affairs Committee. For the record, could you introduce yourselves, please?

Chief Superintendent Curtis: Thank you, Chairman. I am Chief Superintendent Steven Curtis from North Wales Police.

Chief Superintendent Thomson: Thank you, Chairman. I am Chief Superintendent Phill Thomson, I am the Divisional Commander for North East Wales, which is the counties of Wrexham and Flintshire.

Q984 Chairman: Could I begin by thanking you for your very helpful memorandum which we found of great assistance to us in preparing for this session. You say in your memorandum that “pro-active and professional management is vital to maintain an accurate picture of life within our communities”. In broad terms, could you describe these new communities in North Wales?

Chief Superintendent Curtis: Yes. Firstly I would describe the inward migration as significant and were I sitting before you four years ago this week I would be answering rather different questions than you are asking me now, because I was the divisional commander in Wrexham at the time of the riots that arrived there six weeks ago. I, amongst many other people, including Phill who succeeded me, am well-seized of the need to maintain contact with our communities. First of all I would like to describe North Wales and in fact Wales as a very attractive community to our migrant populations. We have a very low crime rate with high detection; hate crime thankfully is limited, although it does exist, but detection for such crimes is high, and something along the lines of two-thirds of all crimes are detected. That makes it a very attractive proposition for migrants to come here. In terms of maintaining contact and maintaining the links with our migrant communities, I believe that to be absolutely essential. The work that the police undertook with the local authorities and others following the Wrexham riots four years ago was a template for the rest of Wales and I think the chief executives in the other authorities were well-seized of that and, through their network, they have thankfully seized the task of negotiating, welcoming and discussing with our migrant communities how they wish to settle in Wales.

Q985 Mr Crabb: You acknowledge that you do not have a definitive figure for the numbers of migrants in North Wales, although you estimate it to be around 15,000. Could you describe some of the difficulties in coming up with any kind of accurate figure and actually how you derive that 15,000 figure?

Chief Superintendent Curtis: The previous evidence that was given actually summarised it very well in regard to the NI numbers and the registration scheme. Part of the issue is that Wales is seeing the ripple effect or the sound wave effect which has hit the rest of the UK a lot earlier and is now in Wales, and not just North East Wales it is across Wales and inevitably will continue to spread. We just do not know how many people come in who live in England, who travel into Wales, we do not know how many people are registered elsewhere but actually work in Wales; we do not know the extent of the black economy, although we suspect that that is very limited. Yesterday, preparing to come here to speak to you, to understand exactly what was going on up to the minute, Phill was kind enough to bring in one of his officers who deals specifically with this and, in casual conversation, he mentioned to us that he probably, on a daily basis, finds five new addresses where there are in the main Polish families or Polish individuals, whom he links up with and passes on their details to local officers et cetera. If you extrapolate five households per day over the
course of a year, that is a significant number. We also have the scenario in North East Wales, which is a particularly attractive place to live, of people who initially may come from a small town in Silesia in the case of the Polish community, go to London, get off the coach at Victoria Coach Station and then decide after a couple of weeks or a couple of months that this really is not the place for them, they are not used to the pace of city living—which of us are, it is an acquired taste—then word of mouth gets around. The North East Wales area is widely known within the Polish community, through no small extent actually through Wrexham Council who actually advertise economically and have very strong links with Silesia, so people actually do move to that area. Of course, you have this sort of gravity effect and once people start getting together then people are drawn to that area, so we do get movement from England as well as direct migration from Poland and other areas. It is therefore very, very difficult to keep a handle on that; fortunately, we do not live in a police state where people are required to put down where they live or where they reside et cetera, and there are therefore very incomplete pictures. For example, it is our view that in the Polish community up until recently they had not been accessing public housing and council houses, they have more often than not been going into private residential accommodation, sharing the accommodation, and again it is very difficult to understand first of all where there is a residence where there are migrant workers but, following on from that, how many are actually there. The next time an officer visits there to go and discuss an issue with them, sometimes he or she is reporting that there are different faces there, people have moved on, people have developed and people have got better jobs even. It is a very difficult issue. The other thing of course is that as the pattern of migration changes, first of all we had in the main young single people coming in from perhaps Poland or Portugal, who very quickly get established and want to bring their wives, their sweethearts or in some cases their parents as well as children or even grandparents into the community. Again, that is a situation where because of the lack of control that we have on immigration, which is quite right, the numbers of people coming in and where they settle is very open to debate.

Q986 Mr Crabb: If the 15,000 figure is inevitably pretty rough and ready, how sure can you be of the statement that also appears in your written memorandum that in terms of their proportionate size within the local population they are not responsible for a disproportionate amount of crime?

Chief Superintendent Curtis: The migrant communities—and Phill can no doubt talk about Wrexham and Flintshire in some detail—are exactly like the current and existing indigenous population. There will undoubtedly be some criminals amongst them who will fall foul of the law, but that is in no way disproportionate. We do not find, looking through our records, that migrant workers, immigrants or asylum seekers are committing disproportionate amounts of crime, neither do we believe are disproportionate amounts of crime being committed against them. For example, one figure that I was able to find was that on the nominal record of our RMS custody system, which is the system which holds the names of people who are arrested and are held in custody, for the year 2002–03, for example, there was one Polish person who was arrested and held in custody—it may have been on more than one occasion, but one individual was held in custody. For 2006–07 that figure was 106. On the face of it that may seem a significant increase, but four years ago the number of Polish people living in Wrexham, North East Wales or the whole of North Wales would be much reduced to what it is now, so we do not believe that they are committing disproportionate amounts of crime, nor is crime being committed against them.

Chief Superintendent Thomson: You are quite right and I take your point that if you do not know exactly how many people are there it is difficult to aggregate, but of course migrant workers and other minorities as victims are monitored very closely and I would concur with what Mr Curtis said, they are not disproportionately victims and they are not disproportionately offenders, apart from one area which is drink-driving where there is a definite trend that can be seen in that particularly Polish migrants are more likely to offend in that particular area. That may be a cultural thing and it is certainly an educational thing that I am working on as well.

Q987 Mr Crabb: From which countries are the largest groups of migrants currently arriving in North Wales?

Chief Superintendent Curtis: Certainly by far and away the largest group is the Polish community. In the Wrexham area, we were speaking again with the community officer who deals with migrants and particularly the community of Polish workers and he was saying that it is probably up to 90% in North East Wales. As I say, Wrexham Council has strong links with the Polish communities over there, there is high unemployment in parts of Poland and of course there is low unemployment in North East Wales, but there are a significant number of jobs available in the minimum wage industries and the food processing, food packing, food preparation and to some extent in the agricultural industry, and there are also already existing significant numbers of Portuguese people, but that seems to have dropped off recently and they tend to have been here for a more significant number of years and we do not seem to be seeing at the moment the same influx of people in that area. There are also Latvians and Lithuanians and a whole host of other nations, and in fact Phill was speaking yesterday with regards to some of the issues around the number of times different languages are required to be accessed in different areas of policing.

Chief Superintendent Thomson: It is obviously one of our challenges and I guess we will come onto the challenges on operational policing brought about by the situation, but certainly the number of languages has increased drastically over the last four years. A local headmaster was telling me recently that she
caters for 26 different languages in her school, and of course that is replicated throughout the public services and the police are no different.

Q988 Mr Crabb: Your memorandum says that “the majority of migration within North Wales is economic migration” and you also refer to “large temporary overseas student populations”. Are there any other types of migration that you have seen?

Chief Superintendent Curtis: There is certainly migration which I would define probably as people who are looking to settle and gain economic benefit, and certainly we have a significant number of people who are moving through North Wales from Holyhead ports who are accessing the UK via Eire and people who are actually going through and out there. The number of people who are perhaps being detained at Holyhead port has risen and the wide range of countries that are accessing North Wales has gone up considerable. You mentioned other than the student population, but that is significant actually and does have a bearing on operational policing which we will no doubt talk about later in terms of the quantity of students, for example in Wrexham, through the aggressive marketing by NEWI and Bangor University and their success in attracting students and bringing people to Wales, which is increasingly being seen as a good place to come to receive an education. For example, for NEWI this year there are people coming from the Indian sub-continent, from the Ukraine, from China, from every country and every continent on the face of the globe. That would not have been happening five or ten years ago.

Q989 Albert Owen: We heard in a previous session of the pressures that local authorities have in terms of additional resources, and in your memorandum you close with the observation that in “2001–02, Eastern Division of North Wales Police . . . spent £5,300 . . . on interpreters’ fees” which by 2005–06 had increased to £80,300. What are the resource implications for your division and is money being taken from other areas?

Chief Superintendent Thomson: I would take that one. Of course, translation costs are a very obvious resource with the increase in people from elsewhere and speaking different languages and there are of course other resource implications for me as a divisional commander. If I focus on my division, because that is what the paper does, apart from the translation costs I have dedicated staff, community beat managers, one of whom is Polish-speaking and I am very fortunate in that he is a linguist and I was able to invest in some training for him, both in this country and in Poland and he is now fluent in Polish, which has been a great advantage to me in dealing with the significant number of Polish migrant workers. I also have another officer who is dedicated to the same issue and covers Flintshire, so that is a resource implication. There is also a resource implication again linked to language around the education of my response officers; as we all know the very first response from the police to any incident can be crucial and the ability to have some knowledge of the language that people are speaking and who you are talking to is a great one, and so I have spent some resource in giving very basic Polish phrases to response officers. Again, at the front counters of my police stations in terms of migrant workers—I am particularly talking about Polish migrant workers because that is 90% of the people involved—we run a triage system where people who come to the police station who cannot speak English but speak Polish can identify what their issue is through Polish-language cards et cetera and then we obviously grade the response to that. Again, if it is an urgent response we give that, if it is an urgent response that requires a Polish speaker we can either access that through Language Line, which is where the cost comes in, or through my dedicated officer. There is also an intelligence cost to me; we have already spoken ourselves about and heard in previous evidence that we know not from where these people come. We may know they come from Poland, but we do not know their background and to have a population of 15,000 people in your city or county, not knowing where they come from or knowing anything about them does present an intelligence gap for me and I have had to put some resources into that to try and get a picture. The operational policing can therefore be affected.

Q990 Albert Owen: I want to stick with the translation, but I do welcome what you said about the police having to learn different languages and dealing with different communities in the north east of Wales. Going back to translation, the Community Secretary here in the House of Commons has made a statement of the fact that integration is made more difficult if police and organisations are just providing translation equipment rather than getting them to learn the native language of the area. How would you comment on that?

Chief Superintendent Thomson: I would have to say that that sounds a pretty ideal world but without being flippant, because I am not, if somebody is saying that they have been raped you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you arrest somebody you cannot say “Go away and learn English”. By the same token, if you...
have and the extra pressure of migrants coming into the area? Has a bid been made to the Home Office to deal with that and are extra resources available?

Chief Superintendent Thomson: We work in North Wales, as you know, in three divisions which are devolved and the finances are devolved. I have certainly made a bid to my Chief Constable around the issues of migrant workers, as we have heard before; there are probably more migrant workers coming to Wrexham than anywhere else in Wales. Whether the Force has made that bid to the Home Office I am not aware.

Q992 Albert Owen: Again, going to your figures, an increase from £5,000 to £80,000 over that period is significant, and that could mean two or three front line officers have had to be withdrawn because of the extra translation equipment required. That is what I am saying, you are not aware that the North Wales Police have made a bid to the Home Office for additional resources?

Chief Superintendent Thomson: No, I am not, and you are quite right, there is only one pot of money and that has to come from somewhere.

Q993 Hywel Williams: You say in your submission that “fluency, particularly in English, is a key determinant of social inclusion and integration within the wider community” and I certainly agree with you on that. Does the level of fluency vary between the communities and also what are the other “key determinants” apart from language?

Chief Superintendent Curtis: Fluency is quite a deep area because of course we are in a fully bilingual country by law, by statute, and hopefully by desire. Policing in North Wales Police has, thankfully, taken that up and tried to take some steps in that direction ahead of many other organisations. There is a bigger challenge than that now because of course we have not just one other language coming in but many other languages, and trying to get people to learn initially maybe English, or maybe if they go to the west of Wales, Welsh, but of course it is very difficult to persuade people maybe to learn Welsh, particularly if they have already been to London beforehand and have had an experience there. It is extremely important because, speaking yesterday again to the chap that runs the Polish community, the police officer who actually has become near fluent in Polish himself over the past three or four years and has done a tremendous job, his view is that probably less than 4% or 5% of people show any willingness to learn the English language, and that is a great detriment to the community trying to drive themselves forward and they do then become dependent on some key players in their own community and also key players in the police, the council and other things, and that cannot be good. Trying to encourage people of course to take English is another issue. Where lessons have been arranged initially there has been a big take-up, but of course as was mentioned before as soon as that telephone goes and there is work available, people get up and they go and there is a balance to be struck there. In respect of some of the other issues you asked about, one of the other key determinants is actually creating within the community that desire to integrate and it also goes back to what was referred to earlier on about Ruth Kelly in terms of not making it too easy for communities, there is a balance to be struck to get people to adopt and adapt to integrate fully. There is a challenge there and certainly from the police we tend to be a more urgent service, we tend to have to respond in real time and therefore it is more difficult for us to do that. Again, our views and our people are telling us that yes, that lack of integration is largely down to language and it is because the local authorities and other people right across North Wales are actually providing a very good service, far better for example than they get down the road in Cheshire, far better than they get down the road in Telford, Shropshire. There is an issue there about trying to persuade people to integrate. Probably the police is not the best organisation to do that, because of course again if we talk about the Polish community we are talking about a community which, until very recently, had very little trust and in fact has very little trust in the police in their own country because they fear state repression. “Trust me, I am a policeman” is not exactly the sort of first approach that we can take. The other thing is that we have to try and encourage a greater integration within the communities. For example, the Portuguese community and the Polish community would probably have very little contact, and again it is trying to break down those barriers so that we are not dealing with things in isolation, we are trying to deal with issues across the board.

Q994 Nia Griffith: In my own area in Llanelli we have found that a lot of the Polish workers are working very long hours and the only time that they can focus on some English lessons is on a Sunday. Do you think there is a duty on the employers, who are making a lot of money out of Polish workers, to actually provide on-site English for the workers, say first thing in the morning when they turn up in the factory? Might that be a way forward to giving them the opportunity, because it really is an issue for many of them that they come home absolutely exhausted and you cannot really begin to have a lesson on a weekday then.

Chief Superintendent Curtis: I would wholeheartedly agree with that. The one lesson I have learnt in my policing career in my life to date is that where you have communication you have fewer problems, you can talk and you can relate to things and there is advancement. I think employers certainly, if they have any desire to keep their workers and actually retain them and develop them, they certainly need to do that. This raises an issue about the types of employment that people are in, whether it be low paid, whether it is transient or whether it is employment today and not tomorrow. That is part of the problem and part of the employment is seasonal at best, not just a day to day basis. Part of the problems that have been raised about agencies and about groups who work with migrant communities, most of the complaints around that are not about people stealing passports or about
holding back monies *et cetera*, when you get right down to it and you actually do get that communication going it is about the lack of regular work and it is about I am willing to work and the work just is not available. Certainly, industry as well as local authorities, the police and other public organisations have a duty and a moral responsibility, I believe personally, to actually work with these people and to integrate them into the communities.

**Chief Superintendent Thomson:** If I could just add to that, anecdotally my officers on the ground tell me that you can come to Wrexham, for example, speak in Polish and not have to speak English; you do not have to because everything is there for you—your community is there, organisations like the police, for example, for reasons we have said will provide translation services, so there has to be a desire from the community to learn English and a reason to learn English, which is what Mr Curtis was saying.

**Q995 Hywel Williams:** Anecdotally, I have a Polish retirement home in my constituency and the language there seems to be Welsh and Polish and occasionally English. In terms of the housing question which you referred to earlier on in your evidence, you say in your submission that the majority of workers are housed close to the main employment areas in local rented accommodation arranged by the employment agency. What are the implications for social inclusion of this and for the integration of migrant communities?

**Chief Superintendent Curtis:** We are all aware that for people to actually be able to claim benefit and get council housing you have to have virtually been in full employment for a year, so with people arriving there is an inexorable time lag before people can actually access and more fully integrate with communities. The idea of hot-bedding and people being packed into places is becoming less prevalent perhaps than it was, but it is an issue that does need to be watched and one of the reasons why the officers on the ground tell me that you can come to Wrexham, for example, speak in Polish and not have to speak English; you do not have to because everything is there for you—your community is there, organisations like the police, for example, for reasons we have said will provide translation services, so there has to be a desire from the community to learn English and a reason to learn English, which is what Mr Curtis was saying.

**Q996 Hywel Williams:** I have had in the last few months people hot-bedding, as it is called, in my own constituency, Caernarfon, and also some very, very good practice among other employers, so standards vary greatly.

**Chief Superintendent Curtis:** Chairman, if I might just add one other thing, there are other developments which will inevitably occur and in Caia Park we were told yesterday about some members of the Polish community who have bought surplus council housing and are converting it into flats for their own communities. Again, this shows the level of enterprise within the community and also the developments which will inevitably take place. That again will bring its own challenges because then we will have additional communities within other communities and we have to communicate with them to explain what is happening *et cetera* because there may be a perception, for example, that people are being given preferential treatment in being allocated these brand new council flats, when indeed they are not council flats, they are actually private accommodation which people are then renting. That then knocks onto the police activity, the council activity, the local community beat managers and other organisations, the voluntary organisations, to actually be in the community and explain what is happening and how this has developed.

**Q997 Mr Martyn Jones:** Which sectors are the main employers of migrant workers in North Wales and do you know where most of the migrant workers are? You did mention that you were aware that they are buying flats in Caia Park, for example, but are you aware of where they tend to be?

**Chief Superintendent Thomson:** The biggest employer of migrant workers, certainly in North East Wales, is the food industry. Further along the coast of North Wales towards Llandudno and further afield it is probably the hotel and catering industry. Certainly, North East Wales is the food industry which is mainly based on the large Wrexham industrial estate or the coastal industrial estates of Flintshire. Most of the migrant workers employed there will live close to industrial estates in Wrexham and Flintshire, either in the high town area of Wrexham, for example, Caia Park, or in Flint and Deeside, close to the areas they work.

**Q998 Mr Martyn Jones:** In your report, which was produced in January, it says you have not evidence of any exploitation of migrant labour by employment agencies, and I would have said that in January as well. As you know, Mr Thomson, I had some anecdotal evidence that there was significant exploitation taking place, probably around about April, and I probably told you a couple of weeks later. Has anything come out of that?

**Chief Superintendent Thomson:** Yes, of course, and I refer back to the ability I have as police commander to get into the Polish community through a Polish-speaking officer, and that is the route I have taken into that particular community and the problems you raised with me. I would not particularly want to go any further than that at the moment, it does show the value of the links we have through the language with that community.

**Q999 Mr Martyn Jones:** That is very encouraging because of course, as we have mentioned, when we have met there is this problem of communication from their point of view, that they do not know their rights, they do not come to you if they are being
exploited. Also you mentioned a certain agency that you were having problems with, but I will not further it if it is going to impinge on your operations.

**Chief Superintendent Thomson:** In a wider context rather than touching on the specific case, if I may, this is an extremely important part of what the police service in Wales and North Wales and North East Wales are trying to do in building up confidence in a population who are not used to our culture and who are not used to our style of policing, as I have stated before—they come from a very, very different background. We can only do that by being victim-focused with them, we can only do that by being robust in our investigation and so we can show them that, definitely, the UK is open in the United Kingdom and in Wales and in North East Wales you report something to the police. It is about building that confidence.

**Mr Jones:** Thank you.

**Q1000 Mrs James:** I would like to turn to operational policing. What challenges do you find in operational policing, particularly when you are dealing with the new communities and what particular projects has the Force initiated or been involved in?

**Chief Superintendent Thomson:** Obviously, one of the biggest challenges we face, and we have spoken about it several times this morning, is language, and that is definitely an issue for us, both in terms of resources and practicality as well. The 10,000 to 15,000 people who speak Polish and not English are obviously going to cause operational difficulties which we have worked around, and I have explained how we have worked around that. The culture is different too; policing in Poland and Lithuania and everywhere else, as I have already explained, and certainly I have a strategy and the Force has a strategy of informing the migrant and the incoming community of the policing style. You can do that, you can tell somebody what the policing style is, but they will only believe you when they actually see the policing style: “When I went to the police station they did take me seriously”, “When I was subject of a hate drive, they did take it seriously and it was seen through, you can trust these people”. That is going to take an awful long time to build up, but it can do that, you can tell somebody what the policing style is, but they will only believe you when they actually see the policing style: “When I went to the police station they did take me seriously”, “When I was subject of a hate drive, they did take it seriously and it was seen through, you can trust these people”. That is going to take an awful long time to build up, and we are getting there. I mentioned before that there is definitely an intelligence gap for me as an operational police commander. We know not from where these people come, we do not know their background, we know very little about them, we do not even know who is here, so you can imagine all the operational difficulties that brings with it. Of course, in specific cases when people come to our attention then there are things we can do through the European Union, with the Polish police et cetera, but that is pretty limited to be fair. The other thing that is increasingly an issue for us is the transient nature of the migrant population. As we said, they may have landed in Victoria Station in London and then moved to North Wales and made many contacts along the way. We do not know who is coming in and we do not know who is going out across the police borders if you like, and that does bring issues with it. One of the issues, for example, is the smuggling of cigarettes which is cross-border, we all know that is happening. That is part of the transient nature of the migrant worker population. Then of course resources, as we have spoken about, is a real issue for us. Generally, in my opinion, you may accept that Wales was not perhaps ready for the numbers of migrant workers and we need to get our heads around that as well.

**Chief Superintendent Curtis:** Just a couple of other issues at a broader level; one is that we are not just talking about migrant workers here, we are talking about the indigenous incomers who have been here for some time now. For example, in the so-called war on terror we have had to work very hard throughout Wales and throughout the UK to try and engage with our Muslim communities and I know that the chief super and myself at various times have spent a lot of time engaging with that community to reassure them, to gain that trust and confidence which is so important to actually gain and therefore the intelligence and the information about what is going on. That is really important and we have got to be very aware at a strategic level of the subtle changes that are taking place within our communities. It is not about people just moving in, doing the work and then moving out, the population is changing perceptibly but subtly. The other thing, just going back to the location of people and the way that impacts on operational policing, whilst we have a clear, large and identifiable populations within North East Wales, in the Llandudno area, in places like north Nevern and other areas like that we have a cluster of 14 Polish persons working in a laundry. That is a significant policing issue potentially, if not in terms of them committing problems or being victims of problems, but actually helping them integrate into the community. They deserve the assistance of the police and other organisations every bit as much as anybody working in a larger population centre. In fact, they are more vulnerable because of course there is a feeling of safety in numbers in places like Wrexham or Deeside whereas you do not actually get that in north Nevern necessarily.

**Q1001 Mrs James:** Building on that, how do you interact with these communities, what are your key points of interaction with them, apart from obviously the rule of law and order, where you are having to work with communities.

**Chief Superintendent Curtis:** North Wales Police have got a very strong policy on community policing and community engagement and we see this as absolutely key, not just for our migrant workers but also our local populations, and it is about understanding the needs of our communities and about engaging with all sectors of the community, whether it be the so-called hard to reach groups, the large groupings or whoever it may be. It is really about keeping staff and personnel in one particular area and getting them to actually touch the communities there to make sure that they understand what is going on there, and there is a clear policy which is being delivered by the divisional commanders in terms of engaging with those communities and understanding what is going on at any given time. Again, I refer back to an experience
just four years ago where I suspect that the police, social services and dare I say the politicians, we were not quite aware of what was going on in our communities and the flashpoint in Wrexham was a race area which subsequently very quickly became a matter of criminality. The flashpoint for it was a racial thing which could have ended even more badly than it did, but actually was turned to advantage by the local authorities and we learned some valuable lessons there. We are well-seized of the need to keep our eyes on the ball and work within the local communities, almost on a one-to-one basis.

Q1002 Nia Griffith: You have mentioned the drink-driving problem and you also mention in your memorandum alcohol-related problems. Would you say that there are significant differences in those problems in certain migrant communities from our indigenous communities, or would you say there are similar types of problems?

Chief Superintendent Thomson: There are similar types of problems. I would not like to say that our indigenous population does not have problems with alcohol as well because we all know it does, but there is a cultural difference around certainly the level of drinking and the reason for it between the indigenous population and those from Eastern Europe, particularly Poland, where vodka is very popular and part of their culture far more than it is here. It is problems around that particular issue that are important.

Q1003 Nia Griffith: Can you tell us a little bit about the monitoring you have got and these weekly tension indicators? What exactly do you do and what do you do then with the findings?

Chief Superintendent Thomson: As you know, because we have mentioned it a couple of times already, four years ago we had serious public disturbances in my division and a lot of lessons were learnt as a result of that, both by the police and other agencies including the council. I have a weekly tension indicator report which pulls together on a weekly basis policing intelligence, community intelligence, crime pattern analysis, particularly around and involving minority groups, geographic hotspots as well and it includes national tension indicators and national issues, some of which emanate from the police. All those are put together for some analysis around what issues are a matter of concern. For example, in the last week there has been some tension around a belief that migrant workers are getting access to local authority homes when in fact they are not, what they are actually doing is buying properties that used to be local authority homes, but that perception can get round very quickly. What that enables me to do is to do something pro-active, perhaps with the chief executive of the council, perhaps with the council leader, to bust that myth if you like.

Chief Superintendent Curtis: If I might add as well, just across North Wales and across Wales and England and Wales, of course we look at the national picture in terms of any possible activity by extremist groups or extremist political groups who may wish to seek to take advantage of any local headlines which may be in the local media, to try and seize on that. There potentially is the possibility of them coming in and stirring the pot there, so we are very seized about that as well and locally, again, that would form part of the chief super’s brief as well as the national brief.

Q1004 Chairman: Can I end by asking you a question about the quality of the working relationships that you have with local authorities and with other bodies. Do you link into particular networks in relation to this work; for example, do you have a relationship with the CRE?

Chief Superintendent Thomson: Yes, we do, certainly locally and across North Wales our relationships with the local authorities are very good. If I can speak about my area, both Wrexham and Flintshire, I have a personal one-to-one relationship with the chief executive, which is extremely important, where both of us feel we can pick up the phone and talk about issues. Again, that relationship was borne out of the historic disturbances if you like because obviously neither organisation, nor any other organisation, wishes to see that happen again, and one of the lessons learnt from that was that we need to have a very close working relationship. Certainly in Wrexham they take the integration and the cohesion of the society very, very seriously and have quite a robust cohesion strategy and are always looking towards the issue. That is very good. The crime and disorder partnerships in both counties are very strong and are very strong around hate crime and violence towards ethnic minorities. Yes, we do link into the CRE in North Wales and anybody else who can help us with the issues, so the links are very strong, borne out of experience and borne out of earlier lessons.

Q1005 Chairman: Given the particular role that, say, the Catholic Church has in relation to the Polish community and the Transport & General Workers Union especially, as a union that takes a particular interest in migrant workers, do you have particular relationships with them?

Chief Superintendent Thomson: Locally, yes, I do with the Transport & General Workers Union, particularly in Flintshire. They are talking to us on various issues, one of which was referred to by Mr Jones before, so there is a link there. As far as the churches in the North East of Wales are concerned and elsewhere in North Wales, yes, there is very strong participation by all faiths in fairness. Roman Catholicism is becoming more of an issue because most of our migrant workers are of that faith, but across the faiths there are very good relationships.

Chairman: Thank you very much for your very helpful evidence today.
Tuesday 26 June 2007

Members present

Dr Hywel Francis, in the Chair
David T C Davies  Mr David Jones
Nia Griffith    Mr Martyn Jones
Mrs Siân C James  Mark Williams

Witness: Professor Robert Rowthorn, University of Cambridge, gave evidence.

Q1006 Chairman: Good morning and welcome to the Welsh Affairs Committee. Could I ask you to introduce yourself for the record, please?
Professor Rowthorn: I am Robert Rowthorn, Emeritus Professor, that is former Professor at the University of Cambridge in Economics and Fellow of King’s College, Cambridge, and former Welshman being born and bred in Newport and of course Monmouthshire (and still is!)

Q1007 Chairman: That is an interesting way to introduce yourself, a “former” Welshman and that has a bearing on population movement, I guess. Professor Rowthorn, thank you very much for your very helpful memorandum in which you discuss the situation with regard to Wales’s demographic makeup, please?
Professor Rowthorn: Demographic makeup in terms of size and scale is a particularly old population by UK standards. It will age pretty fast over the next 50 or 60 years but no more so than the United Kingdom as a whole, or not significantly so. It depends what you want to know about the demographic structure. In terms of the growth rates of the population there are two factors which influence it, one of which is migration and the other is birth and death rates. If there were no migration at all the population over the next 60 to 70 years is predicted to decline, I suppose, by about half a million, which will take the population back to what it was in 1951. It is not a catastrophic fall but it is a significant fall. This will be accompanied by a considerable ageing of the population but this is a universal feature of Western societies. To some degree it could be offset by immigration but not to the degree that people think. Immigration has a modest effect on age structure and, in fact, in the case of Wales predicted immigration will have very little effect on the age structure for a very clear reason that in many countries in Western Europe immigrants tend to be relatively young, they are either of child-bearing age or somewhat below it, so that itself makes the population younger, but also the fact they have children helps to make it younger, although not by an enormous amount. In the case of Wales, and I think it must be because of retirement, the net migration as far as Wales is concerned is inward but it is relatively old, so Wales is getting a fair number of relatively old people—I might move back myself one day!

Q1008 Chairman: You make some suggestions or projections in terms of age structure. What do you think are the likely implications of your projections in terms of the people and the economy of Wales?
Professor Rowthorn: It must be said that these projections are really from the Government Actuary’s Department. All I have done is graph three of them and explore their implications, and I have constructed another scenario which is based upon fairly high-level immigration and a high fertility rate, but that is itself based upon the Government Actuary’s Department figures.

Q1009 Mr David Jones: Just as a matter of clarification Professor Rowthorn, when you talk in your paper about inward migration, are you including inward migration from other parts of the country as well as from overseas?
Professor Rowthorn: Yes, it is net migration. I hesitate to say it is net international migration being aware of the sensitivities here, but it is certainly net migration from outside of Wales, some from the rest of the UK and some from abroad.

Q1010 Mr David Jones: In my constituency, for example, it could include the large number of people from Lancashire coming to retire there?
Professor Rowthorn: Yes, and it is quite a complex figure because it takes into account people leaving as well as coming and it also takes into account students, for example, so people might go abroad for study and come back (that is abroad to England if you like) or conversely people might come to study in Cardiff or Aberystwyth and then leave again, so it is quite a complex figure.

Q1011 Mark Williams: In terms of the patterns of demographic change you have identified, what differences have you detected between rural areas and urban areas within Wales?
Professor Rowthorn: None at all. I did not study this. I am not a Welsh specialist and I have to say I came here partly because as in some respects still a Welshman I thought it was my duty, but I am not a specialist on the Welsh economy. These are aggregate figures.

Q1012 Mark Williams: Perhaps I can help you, certainly the perception is that on the west Wales coast—Aberystwyth, Ceredigion, Pembrokeshire—the inward migration is an older migration/retirement migration and obviously we have heard about the big urban areas Llanelli and Wrexham
where it is suspected that it has a younger dimension. Does that fit into a wider picture of the urban/rural divide?

Professor Rowthorn: That would be the pattern even in East Anglia as well as Wales. Of course it is not so true where you have a dynamic area with a lot of commuters, so you can have a rural hinterland from which people commute, but that is not true of all of Wales; quite a lot of Wales is not very close to dynamic areas with large-scale commuting.

Q1013 Mark Williams: Perhaps that is the English experience as well. Why do you think migrants to Wales are comparatively older and what is the broader impact on the Welsh economy of that trend?

Professor Rowthorn: Well, I think it must be because Wales is a relatively rural area (South Wales is not but most of Wales is rural) and a lot of people go there for peace and quiet.

Q1014 Mark Williams: Has your experience elsewhere in the country shown the pressures that that migration has put on the Carers’ Agenda and social services provision more generally?

Professor Rowthorn: I think it has a complex impact. One thing of course is that it increases the price of housing which is an important element but that is partly to do with planning of course; if more houses were built it would mean there would be more houses for everybody. Also it does generate some employment because people have to be looked after, their buildings have to be maintained, so it is equivalent to tourism in some ways in its economic impact.

Q1015 Mr Martyn Jones: Professor, how old is your data for your conclusions in this report?

Professor Rowthorn: It is the latest data from the Government Actuary’s Department which means that it was published a few months ago.

Q1016 Mr Martyn Jones: Published a few months ago from when?

Professor Rowthorn: 2004 is the latest.

Q1017 Mr Martyn Jones: I thought so because we have had quite a lot of younger immigrants particularly in north east Wales. Have you taken that into account? Obviously you cannot take it into account from the figures because the figures are old.

Professor Rowthorn: I have not. The point is that there are a number of issues about younger migrants. If they stay they get older and if they leave you lose the rejuvenating effect, as it were, but they may be replaced by others. That is one of the reasons why it is difficult over the long term to have a big impact on the age structure because migrants, if they stay, get older.

Q1018 Mr Martyn Jones: But they often have children?

Professor Rowthorn: Yes, that is right, but they may in the long term add more to the population but not have much effect on the age structure. It is not true to say they have no effect, as you can see, but the so-called high migration scenario here in this one is probably quite a good indication as to what may be happening now with immigration from Eastern Europe and that does have a rejuvenating effect. My view is that the issue of migration focusing upon the age structure is not really the central issue. I think the question to ask with migration --- obviously if people come from abroad or from England looking for work, they want to improve themselves, but as far as the present Welsh population is concerned, if they want immigration to benefit them they have to ask how it is really going to improve the economy and make it more competitive, and so that raises the question partly of skills but also of what you might call energy and talent because people do not have to be educated to make a contribution. After all, some of our great entrepreneurs had very little education and they would have been classified as not very useful under the standard classification.

Q1019 David Davies: As an ex Bassaleg boy myself --- you know Bassaleg?

Professor Rowthorn: Of course I know Bassaleg, although that is not a pronunciation recognised by everybody here.

Q1020 David Davies: Before I ask you a question I wonder if I could go back a minute to something you said earlier on --- and I think this is quite important --- has anyone done any research on the level at which people who have migrated into a country start to make a contribution? If you come in for example with, let us say, three children, those three children have to go to school, the cost of educating somebody in a school, as we know, is about £6,000 a year; there is a cost to the Health Service, and there is going to be a cost if you are entitled to child tax credits and so on and so forth. At what point does a salary of a migrant mean that the total amount of tax that they are contributing more than covers the costs that we all make on an economy?

Professor Rowthorn: I am honestly not sure because one of the problems is not whether people have good or bad jobs; it tends to be whether they have jobs at all. One of the biggest drains on the budget is people who do not have jobs. That is more important than whether they are skilled or unskilled. Even unskilled immigrants for example who have children almost certainly pay more tax than they receive in the form of benefits.

Q1021 David Davies: Forgive me, unskilled workers with children?

Professor Rowthorn: Unskilled, probably not, they would probably be about balanced I should think.

Q1022 David Davies: Healthy unskilled workers without children, I agree, would almost certainly be paying more in tax than they would be taking back, but I think we have got to think about the whole. Every one of us is costing society something for the roads that we use, for every time we turn up to see a GP. I wonder whether anyone—and I do not think they have—has done any research on the level at
Chairman: on the list? more time and ask a question that does not appear these questions and I wonder if I could deviate one where you have had large numbers of people coming

David Davies: be largely uncontrollable.

again, to the Ukraine for example and possibly present time the big surge of immigration has come people from outside the European Union. At the these terms is what the policy should be towards fact of life, so the question is really when you talk in immigration and people looking for work, so there discussions are a bit unreal because within the country. That is the main point I make about that would not be the case if Wales was an independent pool and then doled out on separate principles. That proportions of taxes is put into a central Westminster population whether a particular group of people pay the moment is not an independent country and is in all-UK perspective or a Welsh perspective. Wales at the moment is not an independent country and is in a fiscal union with the United Kingdom, so actually it makes very little difference to the Welsh population whether a particular group of people pay a lot of tax or a little because the overwhelming proportion of taxes is put into a central Westminster pool and then doled out on separate principles. That would not be the case if Wales was an independent country. That is the main point I make about that. The second point is that some of those discussions are a bit unreal because within the European Union we cannot actually control immigration and people looking for work, so there is nothing much we can do about it and it is just a fact of life, so the question is really when you talk in these terms is what the policy should be towards people from outside the European Union. At the present time the big surge of immigration has come from within the European Union and if it is extended again, to the Ukraine for example and possibly Turkey one day, more will come like that and it will be largely uncontrollable.

Chairman: Just once.

Q1024 David Davies: Let me ask you something else: within parts of rural Wales, we have seen tensions where you have had large numbers of people coming in from outside and generally speaking it has been large numbers of non-Welsh-speaking people moving into small communities where Welsh has been the dominant language, and that has caused tensions—which are understandable, I think, whatever our views are on the matter. Do you think there is an argument at all for saying that within Wales generally it is understandable why you might get further tensions if you get large numbers of people coming in who do not really make any effort to assimilate with the general population there and do you think as a nation or as a country we have a right to say that, yes, we welcome people into our nation or country but we do think that there is a responsibility on those who come here to assimilate with the host community and not for the host community to bend over backwards and do everything possible for those who have made a conscious decision to come here?

Professor Rowthorn: This is a general problem being faced all over Europe at the moment. I think even for permanent residence in the Netherlands you have to learn Dutch, let alone getting citizenship. The problems are particularly acute in the case of Wales because the scale of migration is very large. The net flows are not tremendously big but the gross flows are, with large numbers of people leaving and large numbers of people coming in, so a quite small net migration flow covers very big inward movements and big outward movements and the bulk of inward movements are either English speakers or if they are not native English speakers their basic foreign language is English, and of course if it is large enough it is bound to lead to the gradual disappearance of the Welsh language, just the same as if enough people speaking English went to the Netherlands and did not learn Dutch eventually it would become an English-speaking country. I just think that is a matter of arithmetic ultimately and I hesitate to say any more than that.

Professor Rowthorn: I agree. What I have written on this I would argue that the aggregates of figures do not tell us anything much. I would make a couple of points here. It depends on whether you look at an all-UK perspective or a Welsh perspective. Wales at the moment is not an independent country and is in a fiscal union with the United Kingdom, so actually it makes very little difference to the Welsh population whether a particular group of people pay a lot of tax or a little because the overwhelming proportion of taxes is put into a central Westminster pool and then doled out on separate principles. That would not be the case if Wales was an independent country. That is the main point I make about that. The second point is that some of those discussions are a bit unreal because within the European Union we cannot actually control immigration and people looking for work, so there is nothing much we can do about it and it is just a fact of life, so the question is really when you talk in these terms is what the policy should be towards people from outside the European Union. At the present time the big surge of immigration has come from within the European Union and if it is extended again, to the Ukraine for example and possibly Turkey one day, more will come like that and it will be largely uncontrollable.

Chairman: Just once.

Q1023 David Davies: Without wishing to deviate too much—and this is something I was going to take up with you and the other speaker—there are different kinds of migrants and at the moment we include in our statistics, let me stereotype a little bit, millionaire or billionaire American bankers who come over to London for a few years and obviously contribute vast amounts of tax, but perhaps not as much as we would like to see. But that is another issue. Nevertheless pumping millions of pounds in, and somebody who might come over, let us stereotype again, with four children and with some health problems unable to work and therefore, bluntly, costing the state quite a lot of money. Because we include everyone we end up perhaps with a slightly misleading set of statistics and I think there may need to be some more research done on that.

Q1025 David Davies: Is inward migration a short or a long-term phenomenon? Are people moving, staying for the rest of their lives or are they coming and going, as you implied earlier on?

Professor Rowthorn: I have a paper here by somebody else called Drinkwater which has an answer to that. Quite a lot of it in Wales is long-term migration because people come to Wales to retire but there is short-term migration with a lot of students and a lot of people do for a few years to work and then go away again.

David Davies: I think that covers it, thank you, Chairman.

Q1026 Mrs James: You acknowledge in your paper that Welsh migration flows both inwards and outwards. How can Wales ensure in this era of globalisation that it retains its most skilled and talented people?

Professor Rowthorn: That is the number one question. The first thing is that the same policy that retains people may also attract them, but I think you have to face a problem in a small country that a lot of talented people will want to see the world so they
go somewhere else, and whether you call London the world or not it is not quite clear but they certainly want to go somewhere else, and I think it is a difficult thing to encourage people to stay. Good universities are obviously very attractive. I think Wales has relatively few instruments at its disposal of this kind because it cannot control taxation very much. An independent country has more instruments at its disposal because it can offer special deals to skilled people and you could explore that for example and you could explore to what extent certain key people not just in universities but other places could be given financial inducements to come to Wales or for people to stay there, but that requires money and it requires giving it priority over what people may regard us more pressing needs.

Q1027 Mrs James: You talk about that retention of skilled people but you also talk about bringing skilled people back to Wales and bringing back those skilled and talented people who have left. How do we encourage them to come back?

Professor Rowthorn: I think it probably would be the same thing because if you think of Welsh universities, for example, Welsh universities would be facing the same financial problems as most British universities, and that is it is not that they will be losing people to England, they will lose people who are good to the rest of the world, and that is the problem that many European countries are facing. When I say “the rest of world”, in this context the United States, for example, and I think that this raises a question of how you induce very talented people to stay either in the United Kingdom or in Wales and I think that finance and facilities as far as universities are concerned are very important for this.

Mrs James: Thank you.

Q1028 Chairman: What would it have taken for you to have gone back to Wales then?

Professor Rowthorn: What would it have taken in pounds, shillings and pence or should I say pounds and pence these days? I think probably I just would not have gone back. I left at the age of 17 to go to Oxford University, I got a scholarship and, to be honest, I never thought of going back. It is just that Oxford and Cambridge are very good work environments to be in so it would be very hard to find any university outside them which would induce me to go there because they are just very nice environments to be in. There is also a problem with people going back which is that they put down roots in the places they go to. The biggest thing is that not that I like Oxford or I like Cambridge, where I am now, it is just it is where all my friends are, and I think that is why return migration is not as big as people think it will be. I saw a study of Polish migrants to the United Kingdom, maybe they were East Europeans, and when they came only about 10% said they were going to stay. Well, two years later it was 25% and it goes up and up and up. The answer is that surprisingly few people go back even if they want to, but it may not be the case that particular people cannot be attracted back.

Q1029 Mr David Jones: If I could deal with the section of your paper that deals with the real support ratio, which I found quite interesting, because in Wales the real support ratio is very low indeed according to your paper. One of the points you mentioned is the low employment rate of the existing working age population, rather less than one in two of the population is working; to what do you attribute that?

Professor Rowthorn: The first thing to be said about it is that it is a universal feature of older industrial areas. You hear all the time how the north of England or wherever the speaker is talking about how has now overcome its great crisis of manufacturing or mining or whatever it was and it is now prospering. Actually that is not true. Most of the old industrial areas still have a substantial employment deficit and to the extent they do not a lot of it is because of government-created employment, and the fact is that quite a lot of the old industrial areas (the Welsh Valleys are a clear example but there are many others in the United Kingdom) have never recovered from the collapse of mining and manufacturing industry in the 1970s and 1980s, and I think that it is a scar. The problem is of course how do you reverse it because the employment rate for men, because that is probably the best indicator (it is not that jobs for women do not matter but it is the best indicator of a depressed economy), is very low in the Welsh Valleys but it is very low in a fair number of other parts of the UK that have suffered very severe employment problems. The reason why the modern period is different from the 1930s is that in the 1930s there was a tremendous demand in the south east of Britain for manufacturing workers and there was a very big movement from the old depressed areas of the country of manual workers to work in places like factories in Oxford. The North Circular Road in London—they have pulled them all down now—it was full of factories in the 1930s and there was a very big movement of people. The problem is that for the category of people that make up the very high unemployment rates, they are either people who suffer from some form of disability or sickness (often work-related), or they are people who are in this category but who probably would get a job if there was a good demand, or they are people just outside the labour force. The fact is that there are a lot of people like this all over the country and they face three problems: the demand for this kind of labour is not very high; secondly, a lot of them are not that highly motivated because it has set in a form of demoralisation; and the third thing about it is they have to compete with people who are better workers from Eastern Europe. If you look at the migrants coming into Wales or London or somewhere like that they are often skilled, educated workers who are willing to do for not very much money unskilled jobs, and they are a superior form of worker from an employer’s point of view, so I think it is a very difficult issue to deal with. Personally I think in the medium term the motivational issue is probably the most important.
Q1030 Mr David Jones: Yes, I was going to ask you about the motivation point and the demoralisation that you mentioned: to what do you attribute that?  
Professor Rowthorn: I am not quite sure, to be honest. It is very widespread so it is systematic. In a sense, it is a phenomenon which is commented upon in most of the old industrial areas because there are not very good prospects and, if you like, a chain where generation after generation of people worked has been broken.

Q1031 Mr David Jones: So a mind-set develops?  
Professor Rowthorn: Yes, I think that is an important issue. If we had a war now and there was a massive demand for labour in the Welsh Valleys most of these people would get work despite any other problems and then they would overcome it. That is what happened in Cambridge for example and we have never really had this problem. We do have a category of people like this but it is never very big and there has always been a demand for labour so it has never really set in as a way of life.

Q1032 Mr David Jones: Of course the point you make relates specifically to the old industrialised areas of Wales. What about the other parts of Wales? As you rightly said, most of Wales is rural.  
Professor Rowthorn: Agricultural employment is just suffering a long, gradual death really. It is just a long decline whereas the industrial employment was very, very sharp and very quick and took everyone by surprise, it occurred really within ten or 15 years. Rural problems are a bigger proportion in Wales because it is relatively rural, but I think in quantitative terms nationally the old industrial areas are the major ones and they include parts of London.

Q1033 Mr David Jones: On a more positive note, is it fair to say that part of the reason for the low real support ratio is inward migration of wealthier retired people to many of the coastal areas in Wales?  
Professor Rowthorn: Yes, I think that is true. I think inward migration of retired people is a complex issue. As I said, the first sign is they are taking more houses and this, that and the other but they may be providing indirectly in some parts of Wales the only jobs there are.

Q1034 Mr David Jones: So to that extent a low real support ratio is not wholly the result of detrimental influences, it can to a certain extent be the result of positive influences in that you may well have retirees who can be quite wealthy and self-sufficient and employing people who are providing services to them?  
Professor Rowthorn: I do not think there is a problem at all about there not being enough people to look after the elderly. I think that is just rubbish. I think a lot of people could do it who are not gainfully employed at the moment.

Q1035 Mr David Jones: You make that point in your paper; put the unemployed to work as carers?  
Professor Rowthorn: What we do not need is persons or bodies; what we need is people who can do the work and will.

Q1036 Mr David Jones: You have also mentioned that if you could increase the current employment rate in Wales to the level that prevails in the south east of England this would give an injection of 120,000 workers, which would offset the effects of the ageing population. Have you any suggestions as to how that could be achieved or is that entirely a political problem?  
Professor Rowthorn: I am not sure that it is entirely a political problem. I think it is too big an issue for me to deal with now and, to be honest, I do not have any very clear answers. If I had clear answers they would have been acted upon straight away. This is not a particular problem in Wales, it is the same problem over much of southern Europe. People talk in southern Europe for example about the demographic collapse, which is much worse than in Wales or in the United Kingdom. If there were no immigration at all to Italy for example or Spain and the present birth rate continues, these countries would disappear at an amazing speed because they have very few children, and yet the interesting thing about it is that in terms of supporting the elderly in those societies, the fact is they have very few people working, it is a society with very few people with jobs, and they often retire very early. If they had the same retirement age we do in the south east of England or even as Wales and as many people working, a lot of the problems of ageing would be overcome because they would have more people mobilised. That is not widely realised. It is not widely realised that the United Kingdom as a whole has quite a good situation with regard to employment and is not ageing as fast as most of Europe is, but it is still ageing. Wales from an employment point of view is in a weaker position than the UK average. From an ageing point of view it is not much different, but from an employment point of view it is.

Q1037 Mr David Jones: You mention in your paper that "in terms of dependency there is more to be gained by mobilising the existing population effectively than seeking to rejuvenate the population through immigration or raising the birth rate." I do not know how you raise the birth rate but could you expand on that?  
Professor Rowthorn: It is simply arithmetical. There are two ways of looking at it. One is the so-called potential support ratio, which is essentially the age structure. Obviously you can only alter the age structure by altering the birth rate or migration or the death rate, of course, if you keep people alive longer you reduce the potential support ratio. So you can do those things but what really matters in a society is the number of people doing things, it is not simply the age structure. One of the problems that many parts of the country have had is that some men retired early as a way of dealing with unemployment and of course they still are not in the potential support ratio because they are not over 65—they are...
disappearing now as they get older—but the potential support ratio takes no account of whether people are working or not, and I think that is the central issue. I do not think the potential support ratio is very important for Wales because it is in a fiscal union and there is no point in worrying about one little bit of it, although it may be a problem for the United Kingdom as a whole. Of course, on the other hand, the employment rate is important and it is important for several reasons. It is important not just because people produce more and therefore pay more taxes and the taxes go somewhere else, if the taxes go somewhere else, it is important because it provides income for the families, and the most effective way of reducing poverty is to increase the employment rate. The second thing is that it is the most effective way of reducing poverty in old age because when people have reasonably good jobs they can save for their old age. I think the present tax and benefits system does not encourage lower paid workers to save for old age but that could be altered so that they did, and therefore if people have jobs and save it means they can get better pensions, and I think that is the real issue. The issue is not whether Wales is generating enough tax revenue to pay Welsh pensions; it is whether individual families or individual people in Wales are earning enough and saving enough to provide for their old age.

Q1038 Mr David Jones: One final point on that section, you mention the potential benefits of a slight decline in the population in Wales. You say: “South Wales is heavily populated and if the decline were properly managed a modest reduction in population would lead to…environmental benefits.” How could you properly manage the decline?

Professor Rowthorn: If it occurred at a catastrophic rate, some towns could be rapidly depopulated and you could easily have a situation, if you did have rapid movement, that you have in the mountains of Italy where you have villages which disappear eventually but for about 30 years they are populated entirely by people who are elderly and getting older all the time.

Q1039 Mr David Jones: I understood that point but what I cannot understand is how do you manage it?

Professor Rowthorn: One way you could do it of course is through immigration. You could say we want to slow down the decline in population by getting more people to move here, for example.

Q1040 Mr David Jones: But Wales of course could not do that independently?

Professor Rowthorn: No.

Q1041 Mrs James: I wanted to turn to economic prosperity. Professor Rowthorn. You say in your memorandum that “there is no statistical evidence that population growth makes the typical nation more prosperous”. Can you tell the Committee anything about the relevance of Wales’s population size in relation to its economic prosperity?

Professor Rowthorn: I do not think it has very much. There are small countries in Europe that are extremely prosperous. Finland is a country that is bigger than Wales but not much. Iceland for example has a population of 300,000 and is very prosperous. On the other hand, it has a gigantic amount of fish and other resources so it is not a fair comparison. Historically the main argument for having a large population, apart from the fact that you could raise a large army and fight other people, was that you would have a large home market for things so that you could produce things on an efficient scale. That is one of the reasons why the United States was meant to be prosperous. That is a very powerful argument but it is not such a powerful argument when most of what is produced is sold elsewhere. That has been the case in Wales for a long time. Welsh coal for example was sold mainly outside Wales. The market for Welsh coal was not predominantly Welsh. Coming from Newport I know that because of all the ships in Newport. I think the answer is that in modern Europe the size of a country is not tremendously important. That obviously would not be the case if the population of Wales fell to a quarter of a million, for example, because the answer is you could not maintain lots of the services you have now. You need a certain size of population to justify things like roads, for example, so if the population went down and down and you would have complaints in Westminster about why should we pay for these good roads because there is nobody living there any longer. If Wales was independent you would have a question of how could you pay for them because there is such a small tax base. I do not think there is any evidence to support the notion that somehow big economies and large populations are necessarily more successful.

Q1042 Mrs James: Okay. You also raise in your paper the relationship between the size of Wales’s population, and you have mentioned that, and the nation’s subsequent tax revenue. Is it therefore realistic and sustainable for Wales to assume that its tax rates will remain insulated from the local demographic variations, as your paper suggests?

Professor Rowthorn: No. I suppose the more devolution there is and the more tax-raising powers Wales has the more it would have to worry about its ability to pay the taxes.

Q1043 Mrs James: You say in your paper that the tax payers are southern English?

Professor Rowthorn: That is true in Scotland as well. The Scots would say North Sea oil all belongs to Scotland so that is different there but there is no equivalent to North Sea oil for Wales, and the stronger the Welsh economy is from an economic point of view the more sense it makes to have control over its own finances in this sense, but the weaker it is the more it benefits from being linked to a stronger economy. Obviously the point is the independence and control over your affairs allows you to tackle the problems more effectively, but if you put that aside, straightforwardly, a strong economy which generates more tax in a fiscal union
pays for the others. The south east of England subsidises quite a lot of the rest of the country because it is the strongest part but if Wales became a very strong economy like Ireland the balance would shift and there might be a Barnett Formula in reverse.

Q1044 David Davies: You say in the paper that the Welsh economy would certainly benefit from an injection of skilled migrants. To which particular areas do you think that could apply? Are there any particular skills that we are short on in Wales?

Professor Rowthorn: It is not just skills, it is people who have some kind of entrepreneurial drive to start business. Nowadays that is increasingly associated with formal education but it is not uniquely associated with formal education. There is a paper by someone called Stephen Drinkwater, another paper, I have quoted him already once, and he has done something on migration from Eastern Europe, and one of the things in this, which I did not mention, is that a lot of the migrants from Eastern Europe are skilled but performing jobs below their skill level. They are obviously highly motivated. You could argue that policies towards the UK not just for Wales would be to get these migrants to move upwards on the economic ladder, so they start to form businesses or they employ their skills in areas where their education is more suited, and that will actually help to generate jobs for less skilled members of the Welsh population. The issue is not just simply what immigrants you get, it is also what use you make of them. Having people with skills who are not properly utilised has two effects. It means that they compete with the weakest members of the domestic local workforce but also their job-creating talents are not utilised.

Q1045 David Davies: I should of course declare an interest in that I am married to an Eastern European and I know virtually everyone from Hungary who lives in Monmouthshire, and there are a lot of them! What you say is certainly correct but I think what holds a lot of them back, and I imagine this is the same throughout, is a lack of fluent English in many cases and the strong accent will lead employers to think perhaps their English is worse than it is. I do not think you can get around that. It is not racism or anything, it is just a fact of life. If people do not speak English very well then it is difficult to put them into certain working environments with confidence. I agree with the thrust of what you say but I do not know whether it is that easy to suddenly turn round and say, “Right, we have got lots of intelligent Eastern Europeans, let us get them running businesses instead of doing what they do.” Earlier on you made an interesting point and again I agreed with it, but it was a startling one. You actually say that we have got lots of people coming over here who will work better and more enthusiastically for less money, and that is effectively having an impact on wages for the lowest skilled. Is that something that you stand by? I happen to think that you are right. It is a controversial issue but the reality is that the very large amount of immigration we have seen recently has surely had a negative impact on the wages of those doing the most unskilled jobs because there are more people willing to do them for less money. Is that correct?

Professor Rowthorn: Yes, it is very controversial except amongst economists. It is not actually that controversial amongst economists. The general view amongst economists—and it is not universal—is to make the following distinction: economists would say suppose you get a group of immigrants coming into a country, their impact on a particular local group of workers depends on whether they are complementary to them or whether they compete with them, so if you have a large inflow of people who enter the least skilled end of the labour market, the lower wage end, other things being equal, that will tend to depress the opportunities at the bottom. If you get people coming in higher up that will tend to create opportunities at the bottom. On the evidence I would say that most economists now think that very large-scale immigration, which has a very large unskilled component or a group of people who are personally skilled but who enter the unskilled part of the labour market does tend to depress the very bottom. On the other hand, immigration raises the standard of living of the average person in society so there is a distribution element in it. I do not think it is enormous, I do not think it is such that it is really gigantic but I think it is significant.

Q1046 Chairman: Could I end with a question about international comparisons. You have talked a great deal about eastern Europe and southern Europe. There are many parts of Western industrial societies which have experienced major structural change in terms of collapse of traditional industries, in particular I would say Appalachia. What lessons can we learn from other countries and how they have dealt with major population change as a consequence of structural collapse? Are there any lessons that we can learn from other countries?

Professor Rowthorn: I think the thing that is worth saying is that quite a lot of them have not dealt with it very well. They appear to have dealt with it well because many of the people who lost their jobs and their children are not included as being in the labour force, they are not registered as unemployed. Some small countries have done well. Somewhere like Finland has very well and they have done well basically because they have got a very dynamic economy. The main thing is how do you get an economy dynamic to generate jobs, and I think that is more important than anything else. In educational terms, for example, they do not have such a big tail of people that we have because a lot of the younger people that are now unemployed may not be officially classified as unemployed. They are more or less unemployed and they may be recorded as outside the labour force or not participating and also have very low educational qualifications, and I think that we do particularly badly down that end of the educational system.
Q1047 Chairman: Are there any other examples? I referred to Appalachia; are you familiar with the changes that have occurred there in the last 30 years?

Professor Rowthorn: No. I did a study on the United States which is to do with migration in response to economic shocks, which is unemployment if you like, and the standard argument is that the United States is different from Europe because if you get a shock to an area like the Welsh Valleys people move out very quickly and find jobs elsewhere. The argument is that is what happens in the United States. In actual fact that is not true. The United States has many of the same problems that we do. I do not know about Appalachia itself but the old industrial areas of the United States suffer from a lot of the same problems we do. It is just that it is very difficult to survive without a job in the United States because the welfare system is much more limited so people end up working in very, very badly paid jobs which is different, and that actually may be better than not working at all.

Chairman: Thank you very much, Professor Rowthorn. We appreciate your memorandum and also your evidence this morning.

Witness: Dr Surhan Cam, Cardiff University, gave evidence.

Q1048 Chairman: Welcome, Dr Cam, and could you for the record introduce yourself, please?

Dr Cam: Hello everyone. My name is a Surhan Cam and I come from Cardiff University. I am working for the School of Social Sciences and I teach comparative political economics and quantitative methods. I am working on migrant workers in Wales and I am trying to understand and analyse the implications of migrant workers for the Welsh labour market.

Q1049 David Davies: Dr Cam, you state in your memorandum that the contribution that migrant workers make to the economy is well-established. That certainly is what most people say but on what basis do you make this assertion? What I do not think happens, and the previous speaker could not enlighten me, does anyone ever take into account the net contributions that working migrant workers make as well as the net costs which all of us, any one of us, whether we are a migrant worker or not, make on society? Have you added up the cost of educating children, of building new houses, of having access to very expensive health services and so on, translating documents, dealing with crime, everything else that all of us make, and can you actually put a figure on what sort of salary does a migrant worker or anyone else have to be earning before they make a net contribution which you state all migrant workers make?

Dr Cam: The thing is the migrant worker burden, so to speak, on the social welfare system is relatively limited. The number of dependent people who are not working, for example, among the recent migrants from the European Union, is less than 50,000 as opposed to a rough estimation of 600,000 total migrants, so that implies a relatively low number.

Q1050 David Davies: Can I just stop you there though because of course that is absolutely correct, but it is also true at the moment that most migrant workers from the European Union are not allowed to access social benefits, so obviously if they cannot get work they go home, that is absolutely the case, but when you talk about migrant workers you cannot just look at whether or not they are accessing social benefits (in any case they are not allowed to do so by and large if they are from the European Union) you have to look at the total overall cost. If somebody comes over here with three children those three children are entitled to be educated, and we would not have it any other way, and the cost of that education would be about £6,000 per child. Anyone coming over here who is pregnant will be entitled to have their child on the NHS, and quite rightly so we would not have it any other way, but there is a cost to delivering babies on the NHS, and is quite significant. Do you take into account all the costs because if you just look at the narrow criteria of whether or not they are allowed to claim social security, of course the answer is no, most of them are not allowed to claim social security anyway so it is just one very small part of the overall picture, is it not?

Dr Cam: The current calculations I have, which are more or less in line with the calculations made by the Treasury, show that the total current contribution of migrant workers after all these calculations to economic growth is about 0.7% and that is the net contribution. As you say, the level of cost in terms of welfare spending is obviously different from one community to another but the aggregated result is around 0.7% contribution to the overall economic growth rate.

Q1051 David Davies: With absolute respect, I have seen some of these Treasury figures. They first of all take into account the relatively small number of very affluent merchant bankers for example from London who come into the City of London for five years and earn billions of pounds and pay lots of taxation, and they do not take into account the slightly more hidden costs of migration, for example the cost to the environment of having to build houses for half a million people each year, the cost of translating documents, which all public authorities have to do at the moment, into many different languages, and the cost of dealing with all sorts of other problems that can sometimes be caused as a result of large-scale migration. If that is what the figures are based on, it is not true to say that migration overall is a net contributor to the economy.
Dr Cam: Actually that is not the only calculation I am using and even if you push these numbers to the worst case scenario, the contribution is not going down to any less than 0.5%.

David Davies: May I ask a last question then.
Chairman: Mr Davies, could I urge you to make your questions a little shorter, it is becoming a bit of a monologue.

Q1052 David Davies: On that basis then, do you think that we need more migration to increase the expanding economy further?

Dr Cam: Yes, that is the way I feel. My general impression by the Treasury and my calculation (which are again not exact the same but are more or less on the same line) is that for a scenario which forecasts about a 2% growth rate it requires about 150,000 migrant workers, with certain qualifications, per year over the next two or three decades.

Q1053 Mr David Jones: Presumably that 150,000 is a net figure, is it?
Dr Cam: A net figure exactly.

Q1054 Mr David Jones: It is not a year-on-year figure.
Dr Cam: The net migration obviously is people going from Britain or people going back (but you exclude them) and the overall average, if these calculations are right, per annum should be 150,000 net migrant workers if Britain is going to keep around 2% growth rate.

Q1055 Mark Williams: Could you outline for the Committee any differences you have identified between migrant employment patterns within a Welsh context and in a UK context?

Dr Cam: One apparent difference is the proportion of migrant workers—and I should specify that the migrant workers I am working on, as I specified in my report, are the migrant workers who came to this country in the last decade, and I am talking on the basis of these people right now—is less than 3% in Wales as opposed to 6% in the rest of the country, so in this sense the proportion of migrant workers is less in Wales compared to the rest of the country. That is one difference. There are some other differences as well. In Wales I just analysed the results from the latest Labour Force Survey and as far as the results of these analyses are concerned, in Wales the migrant workers are more bifurcated in terms of skills. There are higher proportions of high-skilled workers and low-skilled workers compared to the rest of the country. For example, in Wales over 40% of migrant workers are working in what I might call high-ranking jobs, which is managers, professionals or associated professions. If you take the other end of the spectrum, so to speak, those who are working in elementary or low-skilled jobs, it is about 35%, which is almost equal roughly (although not exactly) and these proportions are less pronounced in the rest of the country. High-ranking workers for example is about 30% as opposed to 25% in the lower end of migrant workers in the rest of the country. So in general, bifurcation is more pronounced in Wales compared to the rest of the country.

Q1056 Mark Williams: Has your research led to you look at any of the regional differences within Wales and in particular the urban/rural split?

Dr Cam: I have some evidence on that as well although this level of analysis (at regional and sub-regional levels) would require further evidence. Having put this in as a warning, I should say in the rural areas people are not necessarily working in picking fields but they are working in food-processing companies and these are usually low-skilled workers and if you take the total proportion of migrant workers in Wales in food processing, which is about 15%, this is higher than the rest of the migrant workers in the country, which is about 10%, and most of those people are located in the rural areas as opposed to Cardiff, and in certain areas like Merthyr Tydfil or Pentwyn or in west Wales in general: the distribution of low-skilled migrant workers is more pronounced compared to the rest.

Q1057 Mark Williams: I think in the hospitality sector as well, tourism?

Dr Cam: Indeed.

Q1058 Mark Williams: Thank you for that. Your paper notes that: “Migrant workers create jobs whilst having little impact on wages.” I think that has been borne out by what you have just said but could you elaborate a little more on that please?

Dr Cam: The thing is when you are talking about the issues related to migrant workers, probably the best thing to do is to avoid generalisations as much as possible, and this precaution should apply to low-paid workers as well as general wages, and when we look at, for example, the proportion of people who are earning below half of average earnings, that proportion did not change substantially from the year 2001 to the present day. It was about 29% in 2001, it was down to 28% at the end of 2003, and it is down to 27% now, so there is a slight decline, so to speak, measured by the definition I gave, but, by and large, there is no substantial change despite the recent wave of migrant workers after the accession of the new EU countries. That is one thing I can say. However, if you take certain, very specific, sections of migrant workers on the other hand, for example 25% of migrant workers are earning below the minimum wage, and these people are not affecting the total wage inequality, but what is happening is that in certain areas they are becoming more “competitive”, so to speak, and the indigenous workers are replaced with these people, especially, as I said, in the food-processing industry or in hospitality, as you said, but these are the implications which you should take with caution I suppose rather than making overall generalisations even at the level of low-paid workers.

Chairman: Could we pause at that point and could I allow Nia Griffith to have a supplementary and then I will come back to you.
Q1059 Nia Griffith: You mention in your paper here that one quarter of migrant workers in Wales earn below the minimum wage. That is illegal so I wonder how that actually happens. Are you referring to people who are in part-time work and, most importantly, if they are earning that little, are they undercutting other workers?

Dr Cam: Actually the figure I use covers part-time workers and full-time workers because this is per hour pay as opposed to weekly averages where you might exclude part-timers to get an accurate result, but in the case of minimum wages when people report their situation—this is self-reported data and covers everybody in the sense that they are not paid sometimes on the basis of hourly pay but they are paid monthly and they are calculating their incomes on the basis of overall earnings, and these are not necessarily accurate and these data do not necessarily imply that these people are employed illegally or paid illegally.

Q1060 Nia Griffith: Are you referring to deductions that are taken out of their wages?

Dr Cam: This is gross income before any deduction. Although this may have implications for illegal employment, it is not exclusively about illegal employment.

Q1061 Nia Griffith: I am still a bit confused. Are we talking about people who are being paid less than the legal minimum wage? Can there not be an objective study or is it purely what they think they are getting? I am a bit confused.

Dr Cam: There can be more objective studies but there are not and this is based on self-reporting of people about their situation. This is average hourly earnings and this is not necessarily in total less than the minimum wage literally, because if they are earning, for example, a couple of hundred pounds per week then it may not necessarily go down below the minimum wage in actual hours as opposed to the average calculations they are making.

Chairman: Mr. David Davies wanted to ask a brief supplementary.

Q1062 David Davies: Evidence we have just heard from an economist which makes sense is, if you have large numbers of people coming into a country willing to work hard for less money, that will clearly have a negative impact on the wages of the indigenous population.

Dr Cam: Definitely, that is not something I am opposing, but the thing is when you take these kind of commonsense ideas you have to test them on the basis of evidence, and real life may be more complicated than you might expect. What I am saying basically is that I have failed to find evidence to support this argument. What I have found is the evidence suggesting that the implications are in certain pockets of earnings sections, so to speak, rather than general levels.

Q1063 David Davies: Obviously at the lower end.

Dr Cam: We can study these reasons and we can explain. One is, for example, migrant workers are not necessarily low paid, low skilled people, as I said 40% of them are in high ranking jobs.

Q1064 David Davies: I do not think anyone would dispute that bankers are finding it harder to compete because of other bankers coming in, I think the evidence is though that British indigenous low skilled workers are losing work and losing money because large numbers of people, hundreds of thousands of people, have come into this country and are willing to do that work for a lower cost. That is correct, is it not?

Dr Cam: I would take it with caution and I would not generalise this, as I said before. The evidence does not allow me to generalise.

Chairman: That is three short supplementaries, which is more than enough for today. You will have to come back next week.

Q1065 Mark Williams: I am concerned and alarmed by what you have told the Committee this morning. How broad an evidence base do you use in reaching the conclusions you have on the wage differential and the fact that a quarter of the workforce in certain sectors is operating under the national minimum wage? Where does your evidence come from to make this point?

Dr Cam: Actually this is the latest Labour Force Survey results and the survey covers the national averages and tries to be nationally weighted and representative. It covers about 120,000 people and is one of the largest surveys in Britain. There are a statistically reliable number of samples in Wales to make this argument but obviously there is also this fact that if you had more evidence or you can cover more people, the results may get less skewed. I can say that the result is fairly reliable and representative from the Labour Force Survey.

Q1066 Mr. David Jones: Dr Cam, again on the question of wages, could you help me with one matter? You indicate towards the beginning of your paper, and we have touched on this briefly in this discussion, “Despite claims otherwise, migrant workers create jobs whilst having little impact on wages—aggregated differential is below 13% between indigenous workers and those who came to Britain in the last decade.” That of course is a UK-wide figure?

Dr Cam: That is right.

Q1067 Mr. David Jones: On the second page of your paper, you refer again to the wage differential and you say in Wales “... weekly earnings on average are nearly 18% less than other workers in Wales whereas this gap is down to 7% for the rest of Britain.”

Dr Cam: Yes.

Q1068 Mr. David Jones: I am not sure I actually make those two percentages stack up. Could you explain that?
Dr Cam: They are different because they are calculated on the basis of different measures. One is gross hourly earnings, the other one is weekly earnings. That is why the difference is quite big.

Q1069 Mr David Jones: So the first is hourly earnings and the other is weekly earnings?
Dr Cam: Yes.

Q1070 Mr David Jones: I understand. You also say towards the beginning of the paper, “Certain sections of workers have faced replacement or more pressure on wages . . . ”, which sections in particular?
Dr Cam: First of all, I should say this, certain sections of workers which are under pressure are not investigated in Wales.

Q1071 Mr David Jones: This is a UK-wide phenomenon?
Dr Cam: Actually, yes, a UK-wide phenomenon. The first phrase is referring specifically to Wales, but the UK is also the same, that certain sections of workers are facing more pressure on wages.

Q1072 Mr David Jones: Yes, but which sections would they be?
Dr Cam: One is hospitality, the other is food processing and this is not least so in Wales. In Wales, as the Welsh Assembly has agreed recently, there is a need for specific further research to cover these people and explore what is happening in a better way. They will be funding research in certain areas of Wales, like Merthyr Tydfil, Wrexham and other areas in the Valleys.

Q1073 Mr David Jones: What would you say in broad terms accounts for lower pay levels in Wales than the rest of the UK as a whole?
Dr Cam: When you take low paid workers in Wales, the proportion is about 28%, 27% currently—as I define by the proportion of those who are earning below half average earnings—and it is about 23% for the rest of the country. So in Wales wage inequality by this definition is more pronounced.

Q1074 Mr David Jones: What would account for that, in your opinion?
Dr Cam: This gap should not be necessarily related to migrant workers, because the proportion of migrant workers is higher in the rest of the country anyway, so it is difficult to relate to migrant workers. It has different dynamics and those dynamics are related to the industries in the Welsh economy and the shift of the economy in the longer term from the relatively better paying manufacturing industry to the relatively less paying service sector in the last decade or even longer term. That had implications obviously for this inequality, but that inequality has to be explored through the analysis of various factors which I am not aiming at in this presentation.

Mr David Jones: Thank you.

Q1075 Mrs James: You note in your paper that there is a higher density of union membership amongst migrants in Wales. Why do you think there is a greater level of unionisation amongst migrant workers in Wales as compared with the rest of the UK? Has this got any implications for us in the Welsh economy because of this relatively higher level?
Dr Cam: One possible reason for this is the T&G is working better in Wales! This is about the subjective nature of organising in Wales. People are somehow working, maybe not harder, but more into migrant workers. There are more objective reasons and one is that migrant workers, as I said before, are relatively better skilled in Wales and those better skilled workers, like the indigenous workers, have more tendency to union membership.

Q1076 Mrs James: In Wales?
Dr Cam: Yes. In Wales this is the case because 40% of migrant workers are in these high ranked jobs and they have tended to join the unions more than the rest of the migrant workers. That is one thing. Also I should say something about the implications of this membership. When you have members in low paid jobs the premium is about 10% compared to their counterparts but the difficulty is that this covers only 20% of all migrant workers: high skilled and low skilled people. And among low skilled people, membership is unfortunately too low although it pays off, so to speak; amongst the EU migrants for example it is about 5%. So, yes, union membership has positive implications for pay but among the low paid migrant workers membership is low. This covers the overall applications of membership for all migrant workers.

Q1077 Mrs James: I have been aware from work I have done with my migrant workers that they often work in industries where there are no unions and there is not even an ability for them to join unions, do you think this could also have an effect, that they do not have the opportunity to join in many cases?
Dr Cam: Definitely. The thing is that one of my figures here is that 35% of migrant workers in Wales are working in workplaces where there are no unions, which is considerably higher when you look at the other migrant workers in the rest of the country, which is down to 20% or something. Despite this, however, participation is lower among the low paid or low skilled migrant workers and one reason for this is that they have less job security, because a higher proportion of them are employed in temporary jobs, and they do not know what is going to happen tomorrow and if they join the union they do not know what is going to happen. That is part of the story I suppose, a lack of sense of security or safety is one thing keeping workers away from joining the unions which otherwise they might do.
Q1078 Nia Griffith: Do you want to say anything more about the level of unionisation varying between sectors? Have you anything particular to add?

Dr Cam: In the manufacturing sector, when you take the national averages, manufacturing is a little bit at the lower end of unionisation, but in Wales it is just about 20%. That means manufacturing is not necessarily an industry where you can find a higher union membership rate. That is one thing. In the service sector, take the case of hospitality, the membership rate is extremely low, and it is in general correlating—this is not exactly true but in general I would say—and it would be safe to say that lower paid industries tend to have lower rates of union density. That is, I suppose, a generalisation, although you have to be careful.

Q1079 Chairman: Dr Cam, thank you very much for the evidence. I apologise for the length of some of the questions but you have been very patient with us. We are most grateful to you for your memorandum as well. If you feel there is anything else you wish to add we would be very pleased to receive a subsequent memorandum.

Dr Cam: Thank you very much. I have just made my remarks.

Chairman: Thank you very much.
Tuesday 3 July 2007

Members present

Dr Hywel Francis, in the Chair

Mrs Siân C James  Mr Martyn Jones

Mr David Jones  Albert Owen

Witnesses: Mr Padraig McCarthy, Head of Strategic Development, Dawn Pac, and Mr Mark Spragg, Business Development Manager, CSA Service Group, gave evidence.

Q1080 Chairman: Good morning and welcome to the Welsh Affairs Committee. For the record, could you please introduce yourselves.

Mr Spragg: My name is Mr Mark Spragg. I am the Business Development Manager of CSA Service Group.

Mr McCarthy: I am Padraig McCarthy, Head of Strategic Development for the UK group of Dawn Meats Group.

Q1081 Chairman: Could I begin with a question to you, Mr Spragg. Could you outline for the Committee briefly the work undertaken by the CSA Service Group in Wales.

Mr Spragg: The group consists of a number of different divisions and companies within. We have an onsite security company called Securicall which operates throughout South Wales. We have a permanent recruitment division, labour force office. We have CSA onsite services to provide plant hire and a number of other onsite services, but the mainstay of the company and the core activity is a company called Labour Force Solutions, which is a division of labour which is primarily Polish in source.

Q1082 Chairman: Could you briefly tell us what impact positively or negatively globalisation has had on the work of your operations?

Mr Spragg: From a positive point of view, since Poland became an accession state and we were able to source labour from that country, that has enabled us to provide an effective, efficient workforce, with a strong work ethic, that we are able to deploy within South Wales—and in some contracts outside of South Wales as well, but the majority of the clients that we have are in South Wales—that is welcomed by those client companies and has improved, we believe strongly, their businesses.

Q1083 Chairman: Are there negative points?

Mr Spragg: The negative aspects of globalisation more recently have become less and less in our opinion. Obviously, like most companies operating in this area of labour providing, sourcing from Eastern Europe, we have learned as we have gone along. Systems have been tightened up and changed for the better, but we did find there was a certain amount of opposition from certain quarters, the press, basically, where people were under the impression, perhaps, that these individuals were coming from outside of the economic area and taking jobs that should have been taken by locals. That appears now to be not the case, in terms of the perception. That particular negative aspect was there, perhaps, from 2004 for a couple of years or so. Now, we believe, as a company, it is not the case, and we work in close cooperation with organisations such as the Welsh-Polish Association, local authorities, and those elements of the authorities within the area realise that there are so many more positive aspects than negative.

Q1084 Chairman: You note in your memorandum that you were the first employment agency in Wales to be licensed by the Gangmasters Licensing Authority. Could you outline to the Committee the nature of the relationship with the GLA and the implications of that for your work.

Mr Spragg: We have to have a relationship with the GLA because we are licensed by them. The GLA will revoke a licence of any company such as ours if we breach any of those regulations. We are now under a remit, as outlined by the Association of Labour Providers, an organisation of which the Committee is probably aware, to identify the unregulated parts of our industry which are breaching those regulations. Those of us who are not providing gangs do not particularly like the term “gangmaster”, we prefer “labour providers”; however, if the GLA had more resources they would be able to look more towards those parts of the industry that are not adhering to the regulations as we are. They do as much as they can with the resources they have available to them and they do revoke licences. According to the ALP, in the last few months there have been 22 licences revoked by the Gangmasters Licensing Authority—and quite rightly so, because there are elements of the black economy in this industry of which we are part that are giving the rest a bad name, and the press will obviously pick up on that. Our relationship, through the ALP, with the Gangmasters Licensing Authority is absolutely critical, because without it we just could not operate.

Q1085 Chairman: To sum up: it is a rather benign relationship but, nevertheless, an exacting one and a demanding one of you.

Mr Spragg: Absolutely. We were subject to an audit in February and we were found to have achieved the gold standard. No problems could be found at all associated with our operation and our systems, whether it be from the systems of procedure, standards of accommodation or the way in which we approach our business. However, there are many,
Q1085 Albert Owen: Throughout the UK?

Mr McCarthy: No, in Crosshands prior to the fire.

We worked with the local employment agencies and so on at the time. There was one interesting point, when we spoke to those agencies at the time, in Llanelli, for example, which is the nearest largest town to Crosshands, we were told there were something in the order of 1200 people who were deemed economically inactive, therefore there was a readily available labour force. I am not up to date with those numbers but I think there are still in the order of 1200 people. In one sense that says to us that there is a lack of available labour in the area, in terms of people with the necessary skills and people who want to work. As a consequence of that, we have seen a change in the profile of our workforce over the last number of years, and that workforce has largely been augmented by that labour. That change has come about necessarily due, I suppose, to the lack of an available workforce locally. In that regard, it has affected the necessary development from our point of view.

Q1086 Albert Owen: Good morning, Mr McCarthy, could you outline for the Committee the work that Dawn Pac does in Wales, please?

Mr McCarthy: Dawn Pac is a historical name by which the business was known. It has recently been renamed Dawn Group Crosshands. There is no significance in that really, in terms of what the business does in Wales. We are a retail packing facility, primarily packing fresh meat for the UK multiple supermarket industry. In terms of the history in the business, we have been based in Wales for about 15 years. In 2002 we had a rather serious fire in our original premises in Crosshands. Following that fire, with the assistance of the WDA at the time, the Welsh Assembly Government and the local Carmarthenshire Authority, we took the opportunity to consolidate the operations of four factories that we then had in the UK on to the site in Crosshands. It is now a much larger business, in terms of both factory size and throughput, and our business still continues to be supplying the UK multiple industry.

Q1087 Albert Owen: Although your headquarters is based in Waterford in Ireland and you have outlets throughout Europe, you have concentrated your UK efforts in Wales for economies of scale predominantly or you took advantage of that system after the fire. Is there any other significant factor why you wanted to centralise your work in the UK in Wales?

Mr McCarthy: In terms of the Dawn Group, there are probably two aspects to our operations. The first is primary processing, which is the slaughter and de-boning of animals. We have three abattoir sites in the UK and a number of others in Ireland. In terms of the site in Crosshands, that is largely engaged in, let us say, further processing or value-added processing, where we package particular meat cuts into consumer packs and then ship them on to our retail customers.

Q1088 Albert Owen: Did you relocate the skills from your other outlets to Wales at that time, 2002?

Mr McCarthy: I suppose part of the reason why we located in Wales originally was the availability of a local labour force. In 1992 there was high unemployment in the area, so labour was readily available. When we came to construct the new facility in 2003, we had an existing labour force, obviously, who had acquired a high level of skills at that point of time so we chose to build on those skill levels. There was a certain number of staff relocated from the other facilities but, by and large, we chose to augment or tried to augment the labour force locally. When we were building the site in 2003, the previous workforce was in the order of 400 people.

Q1089 Albert Owen: How important was grant aid to your original decision in 1992 to come to Wales?

Mr McCarthy: It was obviously one of the factors that we considered at the time. There were probably three main factors One was the location on the route, the sea transport link, from Rosslare to Fishguard. At the time we were looking to grow our business with the UK multiple retailers, so it was an obvious location. We did not have primary processing services in the UK at the time. That obviously has changed in the meantime. Location, coupled with labour availability, coupled with grant aid were the primary reasons why we established day one.

Q1090 Albert Owen: How important was grant aid to your operation in Wales?

Mr McCarthy: It was obviously one of the factors that we considered centrally. There were probably three main factors One was the location on the route, the sea transport link, from Rosslare to Fishguard. At the time we were looking to grow our business with the UK multiple retailers, so it was an obvious location. We did not have primary processing services in the UK at the time. That obviously has changed in the meantime. Location, coupled with labour availability, coupled with grant aid were the primary reasons why we established day one.

Q1091 Mr David Jones: Mr Spragg, could you outline for the Committee the make-up of CSA’s pool of employees. For example, could you indicate the proportion which is full-time or part-time and the proportion which is temporary or permanent. Also, could you give an indication of the nationality of your employees.

Mr Spragg: We have approximately 1100 people in our managed workforce group, the majority of who are Polish. Of that, about 20% will be permanent; that is, people with a contract with the employer over three months. Basically, all our employees are under something that we call an industry standard contract for services. That means that we are under a remit in order to provide them with work. They have the option within that to reject that work if necessary, but we contract to provide them. Those people who are deemed, whether it be by the client or ourselves, to be almost worthy of a reward, we will then offer them a permanent contract. Usually those are people who have been as employees of the company for over 12 months. They will be offered a permanent contract, and, as I say, that amounts to about 20%.
Q1092 Mr David Jones: You do not offer a permanent contract until they have been with you for 12 months. Is that correct, as a matter of practice?

Mr Spragg: Yes, unless there is a specific skill set, for instance. Let us say we have people who are in short supply, such as welders, we could offer somebody a permanent contract then because there is always a shortage of those.

Mr Spragg: Polish.

Q1100 Mr David Jones: You mentioned the question of transport in your memorandum. That tends to indicate that your workers have to travel some distance to work, obviously depending on where they are working. What is the approximate cost that your workers face in terms of transportation?

Q1101 Mr David Jones: Irrespective of the length of the journey?

Mr Spragg: Yes.

Q1102 Mr David Jones: What sort of distance have they travelled to get to work?

Mr Spragg: It varies.

Q1103 Mr David Jones: Could you give an indication of the brackets involved?

Mr Spragg: In the case of Dawn Pac, it would be somewhere in the region of a six to seven mile one-way journey.

Q1104 Mr David Jones: They live reasonably locally. Mr Spragg: Yes. Also in there, it needs to be mentioned that we have the capacity, if we have 1100 people in our managed workforce, for about 180 people to be transported at any one time. Obviously there are shift patterns. Obviously we could not lift everybody at any one time. After a relatively short amount of time, the majority of our workforce will club together, three or four people, let us say, and purchase a car, to give them a certain amount of independence in terms of transport, but, initially, because they do not have the money to buy a car, they utilise our transport. The transport is available there. We would very much like to be in a position where we give encouragement to use public transport, but the public transport is not available.

Q1105 Mr David Jones: What sort of transport do you provide? Minibus?

Mr Spragg: Minibus and larger buses where appropriate, as well, if there is a larger number of people.

Q1106 Mr David Jones: Do you provide those both for local and migrant workers?

Mr Spragg: Yes. They would be available for all. We advertise in the local job market in South Wales, so that any opportunities that we do have will apply as equally to local labour. If those skill sets or the number of people required do not exist, we then inform our branch in Poland, who will then look for the required number of people with those required skill sets, and we will then initiate bringing them across to the United Kingdom and putting them through the process.

Q1107 Mrs James: You mentioned the option to reject and one of the things that most concerns people who are aware of the facts of the industry is that they are on zero hours contracts: if they do not work, they do not get paid. Am I correct in that assumption?

Mr Spragg: Yes.

Q1108 Mrs James: If they turn down work in one of the places where you have the contract and there is no other option for them, what happens?
Mr Spragg: We will continue to be successful or disappear very rapidly if we do not manage the workforce. We like to provide our client companies with a happy, contented, efficient workforce, as I mentioned earlier on. We will have identified within the system people who we believe will want to work, because we will give them the nature of the job. Whether it be from working on a production line, in a company such as Dawn Pac, or operating in a technically skilled area, they will know what they are coming to, but they are not bonded to us. If somebody, for whatever reason, rejects that particular role, we will try to find another role for them, but you are never going to please everybody all the time. They are not bonded to us at all. It is the same with accommodation. If at all possible, we would like people to give us at least seven days’ notice before they disappear. We are aware that with some labour providers people are into a six-month contract for accommodation, for instance. We do not do that, for the simple reason that it is unethical and we like to set ourselves apart as doing things differently. Going back to the contract of employment, these people have volunteered to come over to this country to work. They are aware of the nature of the work they are coming to do and if they wish to withdraw from that and return to Poland then we make that as easy for them as possible.

Q1109 Mrs James: What if it is an option that they do not particularly want that job but they would like you to place them somewhere else.

Mr Spragg: We will try to accommodate them.

Q1110 Mrs James: You would always do that.

Mr Spragg: Yes.

Q1111 Mrs James: If people are getting to the point where they would have no income, you would always try to relocate them.

Mr Spragg: Yes. If people have no income, from a commercial point of view that is no good for us. From a commercial point of view, we want people who are going to be producing and in employment because that is what we do.

Q1112 Mr David Jones: What impact do you think it will have upon your business when Germany opens its doors to Polish migrants?

Mr Spragg: My gut reaction is I do not know, but, from my relatively brief experience with the company and my knowledge of the Poles that we have working for us, and certainly that we have worked in administrative roles within the company, they enjoy being in the United Kingdom, they enjoy being in Wales. The vast majority like the Welsh people. There is a basic historical link with the United Kingdom and particularly Wales. There is an existing Polish community here as well. There will be a certain amount of impact, but the fact is that the people we have enjoy being here, and there is that basic historical link, so I do not see any reason why that should not continue.

Q1113 Mr Martyn Jones: Without breaching commercial confidentiality, where do you make your money: from the employees or from the companies which employ them?

Mr Spragg: We make money from our client companies.

Q1114 Mr Martyn Jones: They get paid a particular rate and you get paid something on top.

Mr Spragg: Yes. The rates are set down by the Gangmasters Licensing Authority. We do not make any money on transport—in fact, we lose money on that. Certainly I was at the Associated Labour Providers annual general meeting two months ago, and, with regard to accommodation, the majority of labour force providers do not now provide accommodation, because, at £29.05 a week excluding bills, you cannot really provide much. However, we do for a lot of our employees because we feel that basically gives us more of a stable workforce when they initially arrive here. Also, I do not know whether the Committee is aware that for those people who are resident in the accommodation that we provide, that accommodation is regularly audited and checked, not only by the local authority but also by the GLA. We can only charge a certain amount, whereas, if they go privately, that landlord can charge whatever he wants and also the standard can be to whatever.

Q1115 Mr Martyn Jones: Mr McCarthy, could you outline the profile of the workforce that you have at the moment, in terms of age, nationality, permanent versus temporary and that kind of thing. Perhaps you could tell us how that has changed over the last few years.

Mr McCarthy: Obviously the overall labour force has grown substantially over the years. We currently employ directly ourselves approximately 600 members of staff. That obviously has grown from zero on 1992. In addition to that, we also engage approximately 400 agency staff. In terms of directly employed staff, they would range from unskilled operators to skilled operators to supervisory, management and engineering staff. In terms of the profile, that would not have changed dramatically over the years. One thing that has maybe changed is that there is increased automation within the business, so there is probably more of a requirement for skilled engineering staff than there was at the start date, but it is still very much a labour intensive business. In terms of the age profile, I suppose the employees that have been with us for a long time have got older, but, in terms of people coming into the business, that would tend to be more migrant workers than local workers. That is not necessarily something that we have orchestrated. It has effectively evolved. I suppose, due to increased economic activity levels within the general area. People have more options in terms of where they can get work but we still obviously employ a very large number of people.
Q1116 Mr Martyn Jones: On a given cutting line, do you find you employ more migrant workers than you employed indigenous staff before? I am thinking about skill levels. Would you need more people?
Mr McCarthy: I would say as a general comment that the skill levels of migrant workers tends to be good. They tend to have higher levels of basic education. That is probably part of the reason that attracts them to the UK in the first place.

Q1117 Mr Martyn Jones: You do not have to employ more to keep your production up?
Mr McCarthy: They would be equally skilled. If the question is: Are they less skilled? certainly not.

Q1118 Mr Martyn Jones: What role do you think trade unions should have in supporting and representing migrant labour?
Mr McCarthy: I suppose that any opinion I would have would be a personal opinion, but, in terms of our business in Crosshands, we have a very active works council that meets regularly, at least monthly. The council is represented above the staff, in terms of it is an elected body, so we do not have a recognition agreement in place currently but we find that the works council works extremely well. In fact, we had a recent audit from the SEDEX organisation who complimented the way in which that council operated. We engage actively with our workforce. There is also migrant worker representation on that council. The minutes of the meetings are communicated within 48 hours of the meeting to the entire workforce and translated where necessary.

Q1119 Mr Martyn Jones: But you do not have a trade union recognised at the moment. Do you have any trade union membership?
Mr McCarthy: I am sure we do.

Q1120 Mr Martyn Jones: But you do not negotiate with them.
Mr McCarthy: Not currently, no.
Mr Spragg: We have no issue at all with people becoming members of trade unions, no.

Q1121 Chairman: Specifically on the question, do you see that trade unions have a role in supporting migrant labour? It is not a personal question; it is an observation. Do you see that trade unions have a role in supporting such workers?
Mr Spragg: Like with any employee, the trade unions have a role in supporting employees.

Q1122 Chairman: Do you welcome that?
Mr Spragg: Any organisation that will support employees, we as a company would welcome. We would not encourage or discourage but we would welcome it, as we welcome the Welsh-Polish Association operating and supporting our employees.

Q1123 Chairman: You would welcome trade union representatives of this Committee to visit Dawn Pac or to visit any company with which you have an association.

Mr Spragg: With the compliance of the company, yes. We would not have any issue but obviously it would be with the compliance of that particular client company.

Q1124 Chairman: We met with representatives of Solidarnosc in Warsaw and they were concerned genuinely about their own members working in the UK. Would you welcome Solidarnosc visiting your plant?
Mr McCarthy: We engage actively with numerous organisations. If our workers deemed it necessary for such a meeting to take place, we would not have an issue per se.

Q1125 Chairman: And you would not have an issue with this Committee visiting your plant either then?
Mr McCarthy: This Committee, absolutely not. No.
Chairman: We will take that as an invitation.

Q1126 Albert Owen: Picking up on the remarks that you would welcome any group that supports employees but it would be up to the company: are you saying that if the company had a recognition with a trade union you would be quite happy for that to go ahead and that you would comply with their rules and you would negotiate with them on terms and rates of pay?
Mr Spragg: Yes.

Q1127 Albert Owen: Why do you not actively encourage that to happen?
Mr Spragg: We do not discourage it. We make people aware of all manner of organisations that are out there.

Q1128 Albert Owen: How?
Mr Spragg: We do.

Q1129 Albert Owen: How?
Mr Spragg: They get briefed. As I keep mentioning, as an ethical employer, everything that takes place or everything that people sign is bilingual. Any documentation or any contract that they sign is in their native tongue. Likewise, we make people aware of any organisation, whether it be a trade union or something like the Welsh-Polish Association that is there, language training that is there. We do.

Q1130 Albert Owen: If trade unions are offering that in the locality, you would encourage them to go the trade union and to get that support?
Mr Spragg: We would make people aware of it, yes.

Q1131 Albert Owen: Mr McCarthy, you mentioned the works council in your plant. Is that why you do not think it is necessary to have a trade union. You think the works council are already doing a similar role?
Mr McCarthy: The situation regarding trade unions is that that is up to the workforce, as to whether they require unions to represent them. In terms of how the relationship has developed and evolved over the period that we have been in Wales, workers have not demanded that they be represented by trade unions.
We have actively worked with our workers and the works council has evolved over a period of time and it is very much an open forum. It is the way in which both our workers and we as a business choose to engage with each other and it works very effectively. In fact, as I mentioned earlier, the work of that council was praised in a recent SEDEX audit.

Q1132 Albert Owen: To push the remark that the Chairman made with regard to people visiting your plants: if a trade union wanted to meet with the workforce, you would allow them to come to the premises to distribute leaflets and to tell them exactly what a trade union stands for and what it does for workers in Wales?
Mr McCarthy: If that was requested by the workers, I am sure it is something we would consider. But trade unions are actively seeking membership from migrant labour particularly at the moment. Again, as a personal observation, I would see that as the unions have experienced declining membership over the last number of years and obviously they see this as an opportunity of increasing their membership in the future.

Q1133 Albert Owen: If a member of a trade union approached one of your senior managers and said, “We want to talk with the staff,” you would not see any problem with that?
Mr McCarthy: In terms of how that relationship might come about, we would see that as coming via the workers, as opposed to a direct approach.

Q1134 Albert Owen: I do not understand that. If you are relaxed about trade unions per se and you have works councils dealing with the issue, then why would you be hostile towards the trade unions coming in?
Mr McCarthy: For example, if we were approached by a significant number of different organisations.

Q1135 Albert Owen: I understand that.
Mr McCarthy: In terms of the development of that relationship, that would be very difficult, if we had to try to manage a myriad of relationships. As it currently stands, there is one interface and it is a very open forum. If the council, through their members, as it were, or employees want the situation to change, then that is something we will consider.

Q1136 Mr Martyn Jones: Could you expand a bit on your comments about the three generations being economically inactive. Is this something that you have noticed first hand?
Mr Spragg: Not first hand; it is third hand. It was stated by the speaker at a Cardi business club. I had not realised it and a number of businessmen there did not realise it. Sometime, let us say, in the late 1970s, grandfather was made unemployed, in his mid to late forties, perhaps, and subsequently never worked; his son, let us say—who for whatever reason decided not to move from that particular locality—has never worked and is now in a position whereby, at his age, it would be difficult for him to get employment; and the grandson, who is now approaching employment age, perhaps, as there is not a work ethic then existing within the family—

Q1137 Mr Martyn Jones: Poland is the answer particularly for what reason?
Mr Spragg: As in response to a previous question, there is a historical link with South Wales. The work ethic is incredibly strong. We do find—and this will probably be reinforced by my colleague Mr McCarthy—that some of the issues with some of the employees we have is stopping them working. They will turn up half an hour before their shift, they will continue to work until long after their shift has finished. The work ethic is strong. That is one thing that we have found throughout. That is a reason why not only us but other labour force providers throughout the United Kingdom are sourcing from Poland as opposed to perhaps some other country.

Q1138 Mr David Jones: Could you expand a bit on your comments about the three generations being economically inactive. Is this something that you have noticed first hand?
Mr Spragg: Not first hand; it is third hand. It was stated by the speaker at a Cardi business club. I had not realised it and a number of businessmen there did not realise it. Sometime, let us say, in the late 1970s, grandfather was made unemployed, in his mid to late forties, perhaps, and subsequently never worked; his son, let us say—who for whatever reason decided not to move from that particular locality—has never worked and is now in a position whereby, at his age, it would be difficult for him to get employment; and the grandson, who is now approaching employment age, perhaps, as there is not a work ethic then existing within the family—

Q1139 Mr David Jones: You are suggesting that the problem of the poor work ethic is a serious one in some parts of South Wales?
Mr Spragg: I think that is the case.

Q1140 Mr David Jones: You employ local workers too?
Mr Spragg: Yes.

Q1141 Mr David Jones: So presumably there are large numbers who do not have this problem?
Mr Spragg: Yes.

Q1142 Mr David Jones: Are you able to identify which parts of South Wales we are talking about here?
**Mr Spragg:** No, I do not think so, not specifically. I think it is general throughout the South Wales valleys.

Q1143 Mr David Jones: Your comments are based on anecdote, is that correct?

**Mr Spragg:** Yes, it was an anecdote, but it was not specifically identified to one specific valley, for instance, within South Wales.

Q1144 Mr David Jones: You do not think this is an urban myth that is growing up about the work-shy qualities of people from some parts of South Wales?

**Mr Spragg:** There are undoubtedly certain work-shy people within South Wales, as there are undoubtedly work-shy people throughout the United Kingdom, but there are also a great number of people who have a tremendous work ethic.

Q1145 Mr David Jones: Our concern is that this may well be an urban myth which may be doing no good at all for the reputation of the workforce of South Wales.

**Mr Spragg:** If that is the case, but it is something which is circulating within the business community of South Wales, as it is throughout the United Kingdom.

Q1146 Albert Owen: Do you not see yourself as having a responsibility either to dispel that myth, to put up your workforce to say they are good workers, et cetera, and they have come from the locality, or to help to retrain some of them in the area?

**Mr Spragg:** Yes, we do.

Q1147 Albert Owen: The point I was making is: do you attend forums with other employers so that you have a skills audit, rather than just relying on a speech at a breakfast club?

**Mr Spragg:** Yes, we do.

Q1148 Albert Owen: Can you not counter that with your experiences and that of other employers?

**Mr Spragg:** Yes, we do, and I do.

Q1149 Albert Owen: I am surprised that you raise it, with respect.

**Mr Spragg:** Because it is something which is raised on a regular basis, as the tremendous work ethic within parts of South Wales—

Q1150 Albert Owen: Had my colleague not challenged it, I think you would have put that on the record as a matter of fact.

**Mr Spragg:** I did mention that it was not a matter of fact, it was an anecdote. But it is a fact that there are three generations of economically inactive personnel within South Wales.

Q1151 Albert Owen: But it is not the norm.

**Mr Spragg:** It is not the norm.

Q1152 Mrs James: You have already mentioned a contradiction in your evidence and I wanted to turn to a few specific questions now. Are you able to tell the Committee what proportion of your workers live in CSA accommodation and would you outline the types and standards of accommodation provided by the company?

**Mr Spragg:** First of all, with regard to the actual proportion I do not have the exact figures and that would be something I could submit to the Committee in due course.25 With regard to the standards, because we are a GLA regulated company our standards are those as set down by the GLA and the local authority, which have been identified, as with our recent audit in February, as reaching, if not exceeding in the majority of cases, that standard.

Q1153 Mrs James: Do you have copies of those standards you could submit to the Committee?

**Mr Spragg:** Yes, I have. But the GLA will have those standards, so they are in the public domain already.26

Q1154 Mrs James: It would be useful if you could furnish us with them. How do you currently set and collect your accommodation charges? You note in your memorandum that the fees for accommodation charged to migrant workers could be better regulated centrally. Could you give us a bit more information on that, please?

**Mr Spragg:** The figure is set down nationally as £29.05. That is a national figure. I think it is indicative of the fact that, because in South Wales our rental charges and our accommodation charges and leasing charges are less perhaps than they would be in other parts of the United Kingdom, we can provide that accommodation, whereas the majority of the labour force providers now do not because they cannot do it for that.

Q1155 Mrs James: What is the maximum number of people you would have in a property?

**Mr Spragg:** In any one property? The minimum for one person is 75 square feet per person. It is 120 square feet for two people.

Q1156 Mrs James: The maximum would depend upon the size of the house.

**Mr Spragg:** It would depend on the size of the house—and with all the necessary facilities, as required, as set down by the GLA standards. Those standards adhere to local authorities as well. Talking as a committee member of the ALP, certainly it is the opinion of the ALP, and as represented to the Gangmasters Licensing Authority, that the level of accommodation charges should be set locally because that would make life a lot easier.

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25 Ev 513
26 www.gla.gov.uk/
Q1157 Mrs James: One of the concerns that I have and some of the problems that have occurred to me is about being good neighbours. I know there will be some questions later on about social cohesion and things like that, but do you consider that your role is to be good neighbours as well, because you are bringing lots of people into a new situation. There is a new lifestyle and a new community and respecting the community that is already in existence there, like their next door neighbours.

Mr Spragg: Yes, of course. It is something of which we make our employees aware, especially those who live within our accommodation and those who are in private accommodation as well. We liaise on this on a regular basis with the police, with the local authorities as well, if any issue is raised, we will approach that issue and not just sweep it under the carpet. As an ethical employer, especially where we have people who we have brought into a new culture, we see it as part of our role to educate them in the ways of that particular culture. This is specifically relevant where we have people who are perhaps employed with various shift patterns, because we might well be requiring them to leave their accommodation in the small hours. We stress to those individuals that they do have a responsibility for being good neighbours, as you say.

Q1158 Albert Owen: On that issue with regards to integrating into the local community, which you say you encourage, what active steps do you take? Do you give them lists of what is available in the area?

Mr Spragg: Yes.

Q1159 Albert Owen: Are they encouraged to join clubs?

Mr Spragg: In Llanelli, where the majority of our workforce is accommodated, there is a very active Welsh-Polish Association. They are made aware, they are told about it, whether it be for language training or for clubs. Full integration into the local community through the medium of people who are Polish and have been in that community for a while, is the best way to do it. We know that in Llanelli there is a committee, which meets on a bi-monthly basis, consisting of local authorities, police and others, and quite a number of Poles have joined local football clubs—they seem to be better at football than a lot of the locals and the mainstay of a number of clubs, for instance. There are always going to be a number of people who have difficulty integrating into a local community but, from our experience, the majority enjoy it. I go back to the historical basis of the relationships between Wales and Poland.

Q1160 Albert Owen: I appreciate that. I am pleased to hear that you are encouraging them. The church obviously has a role in various things. Is that the first port of call? Would you get the local priest in?

Mr Spragg: We are beginning to realise this. A lot of the Roman Catholic churches are bursting at the seams. They have never been so busy: they are having to buy extra chairs. Obviously the role now of the Roman Catholic church is absolutely critical, not just in South Wales but for the rest of the United Kingdom. In every one of these forums now, we are beginning to see the local Roman Catholic priest is an essential part, because the church is a key interface.

Q1161 Albert Owen: You have said you predominantly work with Polish people but are there instances where you get migrant workers from three or four different countries? Would you segregate them or would you put them into the same property?

Mr Spragg: Initially, in the early stages, there would be a certain amount of natural segregation going on, but, from what we can see, especially if you have, let us say, three or four different nationalities working for the same company, where they have a common point of reference, that segregation would start to become blurred quite quickly.

Q1162 Albert Owen: The reason I mention it is because there was a case in my constituency of a fatality. People from different cultures were put into a property and it was overcrowded. You have said that it depends on the size of the house but this was a three-bedroom house. How many migrant workers do you think could sleep comfortably in a three-bedroom house?

Mr Spragg: It depends how many rooms you have.

Q1163 Albert Owen: Three bedrooms.

Mr Spragg: I am sorry.

Q1164 Albert Owen: Do you have any standards? I am not trying to trip you up.

Mr Spragg: There are standards but I do not have them here at the moment. As I said, one figure is 75 square feet per person, so whatever that equates to.

Q1165 Albert Owen: You would use the local authority guidelines for multiple occupancy.

Mr Spragg: Yes. We do not “hot bed”, for instance, which is something that was mentioned that we did.

Q1166 Albert Owen: Mr McCarthy, how big an issue is accommodation and relocation for you as a company? Are you buying more houses in the locality to accommodate migrant workers, for instance?

Mr McCarthy: Our business is not housing; it is food processing. Obviously we take an active interest in terms of how our migrant colleagues are being treated in relation to facilities, et cetera. For example, in the case of CSA, as was mentioned earlier, they are very tightly regulated now in terms of the GLA standards.

Q1167 Albert Owen: Is that something you welcome?

Mr McCarthy: Absolutely. Yes. In addition to the GLA standards, we also, as an ethical employer, are subject to our own imposed and voluntary standards. For example, we would ensure from a due diligence point of view that the appropriate standards are being maintained through our own auditing process.
Q1168 Albert Owen: How does that work? Say I had an agreement, as a migrant worker, that there would be a facility within your company where I could go and talk to somebody if I had problems with my transport or accommodation.

Mr McCarthy: As I mentioned earlier, there is a forum. If people have specific issues, we have an HR department within the business that will deal with specific issues, or if there are issues that workers feel need representation at a formal group level there is also a forum for that. We do come across issues from time to time and we do try to ensure that they are resolved as amicably as possible. It is interesting, as an employer, that there is a very strong focus—and a overdue strong focus—on the treatment of migrant workers that does not let us say, apply to the non-migrant workers. There is an extra level of bureaucracy and regulation for that category of worker that does not apply to, let us say, somebody whom we would employ directly. For example, we would not go to the house of one of our employees and ask to see what their accommodation standards were, but that does happen for migrant workers.

Q1169 Albert Owen: Does your HR facility allow for people with different languages?

Mr McCarthy: Absolutely. Yes.

Q1170 Albert Owen: And to understand the cultures?

Mr McCarthy: Absolutely. Yes. Communication is obviously a vital part of what we do. We actively encourage employees. We put a facility in place for language training, for example. In addition to that, all our employee employment contracts will be written in the first language of each employee. If it is Polish, for example, there is a facility there. We have used both our internal and external resources for translation, et cetera. The minutes of the works council meeting are translated into three different languages.

Q1171 Albert Owen: What are those languages?

Mr McCarthy: English, Welsh and Polish.

Q1172 Albert Owen: That is what I want to hear! The other thing I wanted to ask you about is the effect on the employee. The local workforce is obviously feeling threatened about the fact that more and more migrant workers are coming into the area. How do you deal with that side of it? How do you keep morale up? Are there bonus schemes? How do you value the local employees against the threat of migrant workers?

Mr McCarthy: We do not see migrant workers as a threat.

Q1173 Albert Owen: But they might be.

Mr Spragg: In terms of local workers, we treat all our workers equally. For example, we do not differentiate in terms of pay rates, et cetera. If there is a threat there, it is certainly not something that is generated from within our business. Unless there is harmony within the workforce we are not going to operate effectively.

Q1174 Albert Owen: So you manage the discontent?

Mr McCarthy: To be perfectly frank, we do not come across a lot of discontent. The migrant and non-migrant workers seem to work together very effectively and efficiently.

Q1175 Albert Owen: If a local employee had a grievance, say he was a boner and he was working all hours and he felt that that was enough, would the agency not say, “We can get somebody who can do that for longer hours than that”?

Mr McCarthy: Absolutely not.

Q1176 Albert Owen: Does that not exist?

Mr McCarthy: Absolutely not.

Q1177 Mr David Jones: Mr Spragg, is it the case that some of your employees, for example, would share bedrooms?

Mr Spragg: Yes, but the size of bedroom would be as per the regulations laid down by the GLA.

Q1178 Mr David Jones: You have made that point and said it was 75 square feet.

Mr Spragg: That is per person. It is 120 square feet for two people.

Q1179 Mr David Jones: Is there a maximum on the number of people who share rooms under your own company’s guidelines?

Mr Spragg: Yes there is, but I have not got those figures to hand.

Q1180 Mr David Jones: So there may be more than two people sharing a bedroom?

Mr Spragg: I am pretty certain that there are not, but I can clarify that.

Q1181 Mr David Jones: Could you write to the Committee with that information?

Mr Spragg: Yes.

Q1182 Mrs James: You have stated categorically that there is no ‘hot bedding’. One of the things that I have been concerned about is privacy for women, eg locks on doors, et cetera. Do you make efforts to ensure that people have individual space? My point carries on from Mr Jones’ question about people having the ability to keep themselves safe, particularly women.

Mr Spragg: Yes.

Q1183 Mrs James: So you cover all of that?

Mr Spragg: Yes. There are two elements to our business. First of all, we have to keep our companies happy and the other people who work for us as employees. If they are unhappy they will disappear. We do not bond them to us. Keeping people in the job that they do, in addition to the way in which they are looked after and the way in which they are content in the home life that they have, is critical to us and we see that as an essential element in that.

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Q1184 Mrs James: You say in your memorandum that there is a large degree of misinformation surrounding the impact of migrant workers in the local area. Could you outline to the Committee what the CSA is doing to counter that misinformation?

Mr Spragg: There is very little that we can do. If there are articles in the press, which there were towards the end of last year, stating that there are certain social problems occurring as a result of CSA employees within the local community that originated from a number of different sources, then in the various forums that we attend with local authorities and the police we can address any such issues that have presented themselves. People do approach us and say there is a particular problem and we do our utmost to try and correct that problem. We would not look to write counter-arguments other than the fact that we would, through the normal means, set ourselves out as best we can to be an ethical employer. It seems to be the case that these particular stories are now subsiding. Anything which comes out without foundation is normally found out to be without foundation.

Q1185 Mrs James: So you are confident in that?

Mr Spragg: Yes.

Q1186 Mrs James: Is language a barrier to integration? We have taken evidence in the Committee from representatives of North Wales police who said that they are very fortunate in that some of their police officers can speak Polish or have been working in Poland to build up a relationship. Are you aware of that in South Wales or in the areas that you work?

Mr Spragg: The majority of people who are part of our workforce seem to go out of their way to attempt to learn the language. Some people are picking up Welsh as well as English. Every contract that people sign obviously is in Polish. We always translate health and safety documentation into Polish and people are always briefed on that. We provide a full translation service. With regard to social cohesion, the majority of those people who are going to remain in the United Kingdom do endeavour to learn some of the language.

Q1187 Mrs James: Do you support them in that? Do you provide lessons?

Mr Spragg: We do not provide lessons but we tell them where they can go to get those lessons. This is done almost without our input because we introduce people to the Welsh Polish Association and they assist. The local authorities in Llanelli go out of their way to encourage people to integrate as fully as possible and language is the first means of doing that.

Q1188 Mrs James: Do you support that financially? Do you encourage it in any way?

Mr Spragg: We encourage it. We do not support it financially.

Q1189 Mr David Jones: Mr Spragg, could you expand on the involvement of the Welsh Polish Association in helping to achieve a degree of social inclusion for your employees?

Mr Spragg: I think the most important thing is the fact they exist and their dynamic nature in highlighting the various problems that people coming into an area such as South Wales will encounter. The Welsh Polish Association informs people coming into the area about various elements, whether it is cultural, sporting, governmental or local authority. They are people who have lived in the South Wales community, who are of that particular nationality and they are able to highlight the things that are going to help people integrate into the society. That is in short what they do. The fact that they exist is the most important thing. They are an essential element of the system.

Q1190 Mr David Jones: And your company has good relations with the Association?

Mr Spragg: Yes.

Q1191 Mr David Jones: Mr McCarthy, could you outline for the Committee what policies your company pursues to improve the level of social cohesion between the migrant workers and the indigenous community?

Mr McCarthy: In terms of a policy as such, I do not believe there is a written policy that applies in terms of social cohesion.

Q1192 Mr David Jones: Do you have any practical policies that you pursue?

Mr McCarthy: Practically speaking, there is only a certain amount that we can do as an employer. Obviously we encourage people to learn English, for example, and we provide facilities for that to happen.

Q1193 Mr David Jones: You provide your own English language teaching facilities, do you?

Mr McCarthy: We do not provide them directly but we organise classes for people.

Q1194 Mr David Jones: Is there anything else that you do to help these people fit in more easily with the local community?

Mr McCarthy: For example, if a specific employee has an issue, we will do what we can to help that issue be resolved. As a business we are active in the community in terms of providing a lot of spin-off for other local businesses which encourages further economic activity. Our primary function in life is that we are an economic organisation. We will encourage integration as actively and as best we can and we engage with the local authorities in terms of the local council and local employment agencies. It would be through those channels that we would tend to interact with the community.
Q1195 Mr David Jones: Is it fair to say that, other than facilitating the learning of the English language, your company has no formal policies in terms of encouraging their social cohesion? Is that fair?

Mr McCarthy: In terms of a formal policy, no. We are active in the local community with local organisations from an economic point of view.

Q1196 Chairman: In terms of the provision of the Welsh Language Act, would you encourage your employees, for the purposes of social cohesion, to learn Welsh, given how important the Welsh language is in an area like Cross Hands in the Gwendraeth Valley?

Mr McCarthy: The main language of our business is English. We engage principally with customers who would have English as their first language. We do a certain amount to encourage Welsh, but we would not see that as our primary responsibility within the community. There are other organisations which are a lot more qualified to do that than we are. Obviously we will play our part where necessary but it is not our primary role in life.

Q1197 Chairman: In answer to an earlier question you referred to the role of the Catholic Church in contributing to social cohesion in a very positive way. This is a serious question and it is anecdotal but it is based on fact. Mr McCarthy, what would happen if you were presented with a situation where, as a good Catholic, the Catholic priest locally was also the Secretary of the Transport and General Workers’ Union and he introduced himself to you both as the priest and as the union representative? Would you have any difficulty in having a discussion with him on trade union matters?

Mr McCarthy: On trade union matters?

Q1198 Chairman: Would you see his role as looking after the spiritual and the daily lives of his flock?

Mr McCarthy: I am unclear on the question you are asking me.

Q1199 Chairman: If he was a priest and he was also Secretary of the TGWU, would you have difficulty in dealing with him?

Mr McCarthy: Personally, I do not have difficulty in dealing with anybody. In terms of union representation, that is entirely a matter for the workforce. If they choose to be represented by a particular organisation, we would not have an issue with that as an employer.

Q1200 Chairman: The Irish community is well integrated into Welsh society in many parts of Wales. There are many Irish men and women who have played a prominent role in trade union life and who have made a major contribution to Welsh life. I am sure you would welcome that and endorse that. Equally, I am sure you would welcome Polish workers who would be in the same category of being good upstanding trade unionists as well.

Mr McCarthy: If it was not for our migrant workforce we would not be able to do what we are doing at the moment, so we are very grateful for the opportunity to work with migrant workers.

Q1201 Mr Martyn Jones: Mr McCarthy, to what extent do Dawn Pac’s operations influence the economic area of Cross Hands? I think I know the answer. Is it a major employer?

Mr McCarthy: We are a significant employer in the area. In terms of payroll/wage roll, annually we would contribute directly approximately £20 million to the local economy. Obviously there are other local services and suppliers that we use for various things, such as transport, warehousing, the supply of materials, et cetera, which would extend to a sum in excess of £10 million in addition to that. I am not too sure what the current formula that is used by the likes of the development agencies is, but in the past I am told that, in terms of the generation of economic activity, a factor of seven or eight is used.

Q1202 Mr Martyn Jones: That would indicate a significant input to the local economy.

Mr McCarthy: Absolutely, yes.

Q1203 Mr Martyn Jones: How do you think that inward and outward migration has affected the prosperity of the area?

Mr McCarthy: It has only influenced the prosperity of the area in a positive way. In terms of economic activity levels, it is fair to say that the vast majority of migrant workers that have come to the UK are economically active. They are not, for example, reliant on social welfare for their existence. They are contributing very positively to the economic activity of the whole of the UK and other parts of Western Europe. My personal concern would be that, given the increasing age profile of the indigenous UK population, unless there continues to be some injection of younger people and younger workers into the economy over time, one has to have concerns about the continued prosperity of the UK economy.

Q1204 Mr Martyn Jones: I think the evidence we have had is that they are entirely a benefit to our society economically.

Mr McCarthy: Absolutely, yes and culturally. When asked what we are doing in terms of social cohesion, et cetera, it is probably only when it comes to the second and third generation of migrant workers that you see a level of integration, eg when children of migrant workers start entering the education system. Obviously that leads to further integration and acceptance and it increases the cultural diversity and exposure of the general population.

Q1205 Mrs James: Mr Spragg, you note in your memorandum that local economic prosperity has been adversely affected by a lack of “local candidates in possession of the right skills and competence” for available positions. To what extent do you think that inward migration is a sustainable answer to the skills shortage?
Mr Spragg: It is a short-term answer in effect. It would be great if we had the required skill sets here and the right work ethic in order to provide the workforce. However, that is not the need. We are a diverse culture, mirroring what Mr McCarthy was just saying. Everyone talks about the US being the melting pot, whereas over the last 1,000 years England has been more of a melting pot than any other country in the world. As a qualified trainer myself, training is absolutely essential from the cradle to the grave. It is something that we need to devote as much resources to as we possibly can. Businesses exist in order to make money and improve the wellbeing of the economy and in order to do that they need workers with specific skills. If those skills are not readily available locally, they have to be sourced from somewhere and in this particular case migrant labour provides the particular skill set. We are noticing that the make up of the candidates that we are obtaining from Poland is subtly changing. Perhaps in the early stages it was very much at the lower end of the unskilled element of labour, but we are now noticing a higher proportion of technically adept and certainly linguistically adept people are coming forward and we are able to place those in permanent positions from a recruitment point of view as well as a managed workforce.

Q1206 Albert Owen: You have said that you welcome the fact that outside organisations like the Welsh Polish Association are helping with that. You have talked about training, you have said you are an ethical company and yet I do not see much social responsibility coming from yourselves. You do not contribute to any association in any financial way. The training is only short term. What are you doing for the long term? Whose responsibility do you think it is in the community? Do you think it is the Government’s all the time? You tell this Committee that you are an ethical company. Do you not think it is in the community? Do you think it is the company, that to counter that then you could give more back to the community yourselves or encourage open days so that people see what your company does and what Mr McCarthy’s does in the community. Do you not see that as part of your responsibility?

Mr Spragg: It is, and it is something that we will address and do to support the local economy.

Q1207 Albert Owen: Upskilling is something that would be of benefit to them as well as your company. Mr Spragg: It certainly would be. To a certain extent we are still in the very early days of this particular industry. Part of the industry has not been open that long. We are beginning to learn and address issues as they become apparent. That is certainly one thing we will address as a company in due course, but we cannot do everything at the same time.

Mr Spragg: Absolutely, and it is something that we are beginning to address. We do take part in as many forums as we possibly can in order to increase that social cohesion. That is something that in due course, as the Business Development Manager, I will be addressing, amongst a number of different issues, such as supporting local charities and all sorts of different things that we try and do to make the life of not only the company but also the people who work for us as effective and as easy as possible.

Q1209 Albert Owen: There are certain groups that perpetuate the line that migrant workers are taking our jobs and our houses and the companies are encouraging them. I am suggesting to you, as a company, that to counter that then you could give more back to the community yourselves or encourage open days so that people see what your company does and what Mr McCarthy’s does in the community. Do you not see that as part of your responsibility?

Mr Spragg: We provide income and we support the local economy by providing effective workers.

Q1210 Albert Owen: Which is what, just providing income?

Mr Spragg: We need to do more and we will endeavour to do so.

Q1211 Albert Owen: Whilst I accept the business is there to make money and in today’s world it does have a social responsibility, I am suggesting to you that you are not doing enough at this moment in time.

Mr Spragg: We need to do more and we will do more.

Q1212 Chairman: Could I end this very illuminating session by asking you how you educate yourself in terms of the local economy? You mentioned the Cardiff Business Breakfast. How do you get an understanding of the challenges of economic inactivity rather than that remark that you made?

Mr Spragg: I mentioned that particular forum because that was where that particular anecdote was mentioned. We are members of West Wales Chamber of Commerce, Cardiff Chamber of Commerce, the CBI, IoD and we are a company existing and living in the community.

Q1213 Chairman: You are obviously aware of the fact that the area you referred to, the Valleys, has the highest incidence of ill health, disability and the highest incidence of carers in the whole of the UK. Would you not have considered that to be a factor in explaining economic inactivity rather than that kind of throwaway remark you made about some sense of a lack of a work ethic?

Mr Spragg: I did not make any judgment as to the fact that there is a certain amount of economic inactivity. There are a number of factors. It is not just a case of people not wishing to work.

Q1214 Chairman: How do you and your colleagues inform yourselves of the nature of this Polish migrant workforce? What are their aspirations? What are their experiences? For example, are you
familiar with the bestselling novelist Marina Lewycka and her two novels, “A Short History of Tractors in Ukrainian” and “Two Caravans”?

**Mr Spragg:** Me personally? No sir. It will be on my reading list as soon as I get back to South Wales!

Q1215 **Chairman:** I will send you the reference. One of them is dedicated to the Morecambe Bay cockle pickers. Thank you very much. As I said, it has been an illuminating session. If you feel that there are additional matters that you want to add, we would be very pleased to receive a memorandum from you.

Mr McCarthy, thank you for your very kind invitation to visit your plant in Cross Hands. We look forward to it.

**Mr McCarthy:** Perhaps I could make one comment before we end. Obviously the issue of migrant workers is just one of the many issues that we face. In terms of the globalisation issues that are affecting our business, I did submit a memorandum outlining some of the other issues that we face as a business, including matters such as energy costs, packaging, *et cetera*. I am not too sure whether that is within the brief of the Committee. Certainly, migrant labour is obviously a very important issue for us, but it is just one of the few issues that we face as a business.

**Chairman:** Thank you very much.
Tuesday 17 July 2007

Members present

Dr Hywel Francis, in the Chair

David T C Davies  Mr David Jones
Mr Martyn Jones  Hywel Williams

Witnesses: Caroline Flint MP, Minister of State for Employment and Welfare Reform, and Mr Bill Wells, Economy and Labour Market Divisional Manager, gave evidence.

Q1216 Chairman: Good morning, welcome and welcome back. Could you, for the record, introduce yourselves, please?

Caroline Flint: Caroline Flint, Minister of State for Employment and Welfare reform.

Mr Wells: I am Bill Wells; I head the Economy and Labour Market Division.

Q1217 Chairman: Thank you very much for your memorandum; I know it was your predecessor who sent it to us, please convey to him our thanks for it, it was very helpful in preparing for this session. In the memorandum it refers to seizing the opportunities provided by globalisation; could you explain what you mean by seizing the opportunities on the part of Wales and to what extent these could be long term opportunities?

Caroline Flint: My understanding is that Wales actually out-performs the UK as a whole in terms of its ability both to access inward investment and also to break into some of the new areas where the jobs are. For example, the area of services accounts for almost 80% of employment in Wales, so for Wales clearly things are positive in that respect but to keep up there is a need to even more so make sure that people are equipped with the skills to compete in the high skill service areas such as IT, finance, energy and telecoms. That is something for Wales as it is for the rest of the United Kingdom. Clearly, Wales, in the same way as England, Scotland and Northern Ireland too, cannot compete with low-wage economies; where our strengths have to lie is in developing the knowledge of our workforce, the skills of our workforce and the macroeconomic policies of that sort of economy in which we have all seen, undoubtedly, whichever party you are in, huge growth in terms of employment in Wales and elsewhere in Great Britain.

Q1218 Chairman: We tend to use the word “challenge” rather loosely and very often it is euphemistic for problems. Could you tell us what are the challenges or problems for globalisation in terms of Wales’ future?

Caroline Flint: Firstly, for the record, the employment rate in Wales has been going up as with other parts of the United Kingdom and that is very much to be welcomed, it is 71.7% at the moment compared to 74.3% in the UK as a whole, but I have to say the rate of employment has been going up faster in Wales than in other parts of Great Britain. In terms of the challenges, Chairman, particularly there are those issues around those people who are not actively seeking work and that is one of the areas in which we are trying to look at how we can best support people, whether they are lone parents, whether they are people on incapacity benefit or supporting people with disabilities who want to work about how better we can enable those groups to fulfils what they want to do because most of them want to work. Certainly, there are a number of the different policies in Wales—for example Jobcentre Plus are working with the Welsh Assembly and others in partnership to try and address particularly in those areas how we can help those people move into the market too. That is a challenge. My own constituency in Don Valley is a constituency in Doncaster and South Yorkshire that for many, many years relied on mining as its major industry and so I have some common understanding with parts of Wales that have seen industries like that decline and the impact on, for example, claimants on incapacity benefit. Those are the particular challenges that we face.

Q1219 Chairman: Following on from that, Yorkshire in some respects is very similar to Wales in the sense that it is very difficult to describe one Welsh economy in the sense that there is more than one Yorkshire economy. How do you define the differing challenges in different parts of Wales in terms of globalisation and its impact on the labour market in the different regional economies of Wales?

Caroline Flint: It is about recognising that there are areas that do face different challenges, but even in the areas where we have had the lowest employment rates and the highest numbers in terms of claiming non-employment benefits we have seen some progress—in fact I think I am right in saying that the rate of progress has been faster than in terms of other groups. Having said that, though, there are still some considerable barriers and that is why we have been working through the Deprived Areas Fund which gives resources to job centre managers, working with others to more flexibly apply that resource in particular areas. It is applied to 166 of the poorest wards in Wales to support particular activities in those areas. We have a City Strategy Partnership that is operating in two parts of Wales: the Heads of Valleys is one partnership; Rhyl is another partnership, where through consortia we are providing some additional resource to try and see whether there can be more customised approaches in terms of employment programmes for the particular challenges in those neighbourhoods to address. It is that flexibility, not a one size fits all,
whilst at the same time recognising that some of our national policies in relation to pathways to work and similar support have a role as well. Beyond that we are looking more closely at a much more personalised, customised approach where there still are challenges in terms of improving the employment rate, particularly those who are on the books as not active for work and how best we can support them.

Q1220 Hywel Williams: Thinking about the regional aspect of the economy within Wales, some people point to a weakness in some aspects of the public sector that is very large and the private sector that is relatively small, which is certainly the case in the area of Wales that I represent. Does the government here in Westminster have any view on that particular aspect of the Welsh economy; if you have what is it and what are you actually going to do about it, if anything?

Caroline Flint: It is about trying to provide that mix; the public sector is very important in terms of employment and the Government has invested resource into public sector spending, whether it is in health or education or other parts of the public sector, which I think is to be welcomed. At the same time, investment in the private sector and developing new jobs is clearly important too and the combinations by which we deal with that are first of all how do we develop the skill bases that are needed for those different sectors, how do we deal with investment, both investment that we have got within our country but also inward investment as well to make sure we can take on these different opportunities. Again, the partnership work through the City Strategy is about getting a consortium of people together from the public and private sector and agencies such as Jobcentre Plus and voluntary organisations as well to see how much we can capitalise, for example, on enabling some of the people that we have got on our books as customers to get into some of those jobs in the private sector as well as the public sector too.

Q1221 Hywel Williams: City Strategy might not be a particularly good name for the area in Wales that it covers. Do you have a corresponding rural strategy?

Caroline Flint: You are quite right to point that out because we have a number of City Strategy pathfinders and the first thing I discovered is that some of them are actually not cities. For example, the Heads of the Valleys Strategy clearly is not just a city-based approach, but being only ten days into the department it is a term we have used but actually it is not exclusive to just a city-based approach, so I would like to reassure the Committee on that. It is an interesting title for something that maybe does not quite describe the areas where it is current. Importantly, it starts from the basis of focusing on some of those particular areas where, whilst employments rates have improved and the numbers of claimants have fallen, we would like to see faster progress and to allow, as I said, some flexibility and innovation at a more local level and a partnership to develop because we think that is a good idea and actually it has been shown that actually that can prove to have very good results.

Q1222 Chairman: Do you think that with your appointment and also the appointment of the new Secretary of State for Work and Pensions, and given what you said about your own constituency, you will both be bringing to your portfolios a new perspective given the really big challenges that face the former coal-mining areas?

Caroline Flint: In some ways the personal is the political, is it not? We all bring our own experiences to bear in the jobs that we have. I do not think that necessarily it is a change of policy direction, but an understanding based on our experiences of something I think we can bring. I have to say that my previous job in terms of public health is already proving helpful to me in this role because I know that if I overlay the health inequalities that exist against some issues around employment, some of the very same people who are currently not in work that we are trying to support often actually suffer some of the greatest health inequalities as well. In some respects I am glad to see that my two years at the Department of Health hopefully will give me some more insight, but again that working together between organisations not just on the employment side but with education and health, local authorities, community organisations and private and public sector employers too is all a jigsaw which needs to be brought together to have the sustainable impact that we want to make.

Q1223 Mr David Jones: Minister, you note or your predecessor has noted in the memorandum that Wales' employment rate is slightly below that of the UK as a whole, with the most recent data showing that the employment rates were 71.7% and 74.3% respectively. What would you say accounts for this difference in the employment rate and to what extent would you say this is a short term or a long term phenomenon?

Caroline Flint: Part of the reason is probably to do with the effects in terms of structural changes in the Eighties and Nineties. The fact is that Wales particularly, in terms of its industries such as coal-mining and steel and other heavy industries, suffered a huge decline in those sectors and also, I have to say, alongside that a particular impact on male employment. Again, there are some similarities to South Yorkshire I have to say in that respect too, so there were quite drastic changes in terms of the industries that existed at once and their decline, and its impact was large to say the least. Alongside that, again, the rate in terms of numbers who then went onto incapacity benefit was far higher than in other parts of the United Kingdom so, given that, the challenge both in terms of how do you reshape and provide the environment for new job markets to develop, the change in culture that is necessary along with education and skills is important too, as well as, at the same time, having to deal with a situation of large numbers on incapacity benefit which I have to say for a number of years before 1997 there was not
particularly a very strong strategy about how to engage. We know that if people are left on incapacity benefit for too long, even two years, the likelihood is that they will stay on that, that is why the efforts we are making on pathways to work, the changes we are making in terms of incapacity benefit are very important. Those particular issues face Wales in a disproportionate way to the rest of England, although there are parts of England that had similar economies to Wales at that time who also suffered in a similar way through the loss of mining and steel jobs.

Q1224 Mr David Jones: The disparity in terms of unemployment is relatively little, but in terms of the proportion of the population claiming incapacity benefit, it is massively higher in Wales, is it not? According to your memo IB claimants make up 11.3% of the Welsh working age population compared to 7.3% nationally. It is over 50% higher in Wales than the rest of the country; to what would you attribute that?

Caroline Flint: I go back to the point I said before. We had a disproportionate number of people whose way of earning a living went, in just huge swathes, across communities, and I know from my own constituency the numbers of those, predominantly male, who then were moved onto incapacity benefit, and there is a whole debate that we can have around that. The rate is higher in Wales and we are completely transparent about that. What I would say though is that what is hopeful is the rate at which that is dropping faster than is happening in other parts of the United Kingdom so that does suggest that we are making some inroads into this, plus the number of new claimants coming on is falling as well. That combination of support to those who are currently on IB to get off, as well as the falling numbers that are coming on, is a sign of progress but, yes, we are dealing with a bigger pool in Wales than we are across the UK as a whole and I have given, I hope, some reasons for that.

Q1225 Mr David Jones: Massively bigger. Forgive me, but my understanding was that incapacity benefit claimants were unable to work as a result of the state of their health, is that correct? Caroline Flint: Actually I have a number of people who have been on IB who, through pathways to work and other schemes, have been supported to get back into work.

Q1226 Mr David Jones: Forgive me, Minister, the point I was making was that incapacity benefit claimant is ostensibly unfit to work because of ill-health, is that correct? Caroline Flint: The situation is that people are put on that because they are at that point in time unfit to work, the question is whether those people are unfit for any sort of work. That is crucial and, what we are looking at more now is what people can do rather than what they cannot do. There will be some people who are on incapacity benefit who, because of their health and the conditions that they have, are likely to be unable to work and that is a reality. We know that an awful lot of people on incapacity benefit, given the right support, can get back into the workplace. My sadness is that for many, many years before 1997 there were not the sort of policies to engage with that group of people and they were written off.

Q1227 Mr David Jones: Forgive me, Minister, without wanting to be overly political and I am sure you are not being either, but your government has actually been in power for ten years, is that not right? Caroline Flint: In those ten years we have seen people supported to come off incapacity benefit, we have seen the claimant rate for incapacity benefit reduce and fall as well, which is an indication that even where someone may have a health condition they will be supported to both stay in work and, if they have to come out of a particular workplace because of that condition, they are being supported to get back into work. It may be not the same type of work that they left, but certainly back into work and, as I say, we have an employment rate which is at its highest level ever, the claimant rate is going down and significantly we are seeing amongst people with disabilities that the numbers who are actually getting into work are increasing too. There is a lot more to be done, there is no doubt about that, but we have put in place a number of mechanisms as well as resource as well as understanding to tackle this issue, but we inherited a legacy of people who had been on incapacity benefit for many, many years. As I have said before, all the research evidence shows that the longer someone is on incapacity benefit their chance of actually coming off that benefit into work reduces enormously.

Q1228 Mr David Jones: Forgive me, a further question. Just so that it can be clear, Minister, the position is that ten years after the beginning of this Labour Government the incapacity benefit rate in Wales is over 50% higher than in the rest of the United Kingdom; that is correct, is it not? Caroline Flint: It is higher, yes, certainly, but at the same time it has fallen faster and it started from a baseline that was considerably higher because of the market that it had and, since 1997, on incapacity benefit, the numbers have fallen by 15,000.

Q1229 David Davies: Ms Flint, in your role as a constituency MP you must have seen, as I have, people bounding up three flights of steps to see you in a surgery who are on incapacity benefit and 20 year olds suffering from stress who do not want to be interviewed about it because it is too stressful and they are on incapacity benefit. What is your estimate of the number of people claiming incapacity benefit who are absolutely healthy and should be out working? Do you have an estimate? Caroline Flint: I do not think we have an estimate on that on the basis that we proceed on the basis that people who apply for incapacity benefit have to fulfil the conditions of it. If people are defrauding the system and in terms of what they are claiming it is not correct, clearly we have to deal with that and I think I am right in saying—it is not my direct
responsibility—that the progress we have made in terms of defrauding the system, people who are claiming benefits when they should not, situations as you cite where people claim a health condition but are clearly involved in activities that suggest that that is not the case, the number of investigations that have been successful has improved enormously, so that happens. Part of what we are doing as well in changing some of the approaches with the introduction of the employment support allowance is also to look at how, first of all, we talk about what people can do rather than what they cannot do, and that is a change and a shift in culture, but also with an emphasis on more work-focused interviews to get them involved with people what they can and cannot do. I have to say, you know, if people try to defraud any system we have to try and identify that and deal with that, but actually what we do know is that as with lone parents the vast majority of people on incapacity benefit and on non-employment benefits actually would like to work, given the chance. Whilst we can all have anecdotes about individuals in the way that you suggest, there are an awful lot of other people who actually face significant barriers and need the right sort of support to get them out of a particular place they have got after many years.

**Q1230 Hywel Williams:** What actually concerns me are the practicalities that incapacity benefit claimants face in trying to return to work in these areas where there are actually 50% more claimants than average. When they are looking at this marginal job, this one job that they might be able to get, they are going to be facing more competition from, perhaps, able-bodied people and also a large number of other people on incapacity benefit. That is the practicality that they face. Can I ask you about the Government’s willingness and its ability to tailor strategies specifically for that sort of situation, or is it a one size fits all, and also not only tailor strategies but also tailor sanctions, which certainly does concern some of my constituents?

**Caroline Flint:** I might come back to you about the second part, to ask a bit more about what you mean by the sanctions, but on the first part it is about engaging people, about looking for work. You are not going to find a job if you are not looking for one and one of the issues that we have been addressing through, for example, lone parents or those on incapacity benefit is engaging them in terms of more interviews that are work-focused, if you like, and making them aware of the support that is available. When you do that the evidence seems to suggest that actually people are opening up to ideas that they may not have considered before. If you are not looking you are not going to find, so how do we start that process of looking and giving support to it? Alongside that are the sort of partnerships that can work in areas such as you suggest where local employers, whether in the public or private sector can work with Jobcentre Plus and other agencies in Wales to give some sort of pathway for those people who are currently claiming, and there have been examples in different ways where employers have said we want to do our bit by the local community, we will seek to take people from the claimant list and work with different agencies if there is particular support in terms of skills or what have you for that person to start that job. That is one part of it and it is something that we are very interested in developing, and the City Strategy (although it is not city entirely) is one of the ways of getting that sort of engagement. But first of all it is getting people who may become accustomed to being in a group that does not look for work to actually look for work and, secondly, to reassure employers that there is support there for them in actually taking some of these people on. We are talking about a wide range of people, people who may have physical health problems as well as mental health problems; there are some challenges for the individuals themselves but there are challenges for others who want to actually employ them and work with them as well and we are just trying to find a way that we can support that.

**Chairman:** We need to make progress, Mr David Davies, briefly.

**Q1231 David Davies:** My question will be very brief, Chairman, I do not know about the answer. The question is how many people are actually involved in Wales in investigating incapacity benefit fraud?

**Caroline Flint:** I will write to the Committee on that if I may.28

**Q1232 Mr Martyn Jones:** Good morning, Minister. Can I come back more towards what the Committee is supposed to be looking at, which is globalisation. Particularly in my area one of the important factors in employment is the amount of immigration, a lot of it coming from the former Eastern European countries, the A8 countries, the accession countries. In your memorandum you note that migration has “made a small, but nevertheless important, contribution to the employment needs of . . . Wales”. Could you outline for the Committee the particular areas in which migration has made a contribution and the extent to which these areas might change in the future?

**Caroline Flint:** The largest proportion of migrants work in public administration, education and health sectors, some 36%, followed by distribution and restaurants 20% and manufacturing 15%. As our memorandum indicated, the number of migrants in Wales is small, the foreign-born population in Wales is about 120,000 or 4% of the population and that compares with a national proportion of 10.1%. The primary impact of migrants I would suggest is actually to increase total employment, and our research suggests that there is not any indication that migrant workers in Wales are having a negative impact on employment opportunities in Wales. I understand there are perceptions locally that differ from that, and that is where we need to have a debate about dealing with the perceptions and what is in fact statistical evidence.

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Q1233 Mr Martyn Jones: That is true, that is the kind of evidence we have been getting and it is certainly the evidence that I see locally in my area, that they are a positive benefit to the economy of the area. You also note in your memorandum at paragraph 6 that there is a general trend towards less migration to Wales than the rest of the UK. I would like to know how you work that out and, secondly, although that is true of Wales as a whole, as you have already pointed out there are pockets where there is a huge amount of migration and you can perhaps talk about the implications for the Welsh labour market and the economy of those two areas.

Caroline Flint: Like other parts of the United Kingdom it is often places like London that have tended to attract more migrant workers because of the concept that the jobs are there or there are established patterns of migration following one after the other. That probably in many respects is why Wales has a low number of migrant workers but, again, in Wales where it does exist in large numbers it mirrors England, for example, it is the city. It is places like Wrexham, Cardiff, Newport and Powys that tend to be the main attraction for migrant workers where that happens. We continue to look at and research the impact of migration, particularly from the expanded EU, but in terms of where do they go and why do they go there it is usually where there is the highest level of jobs and where actually there are patterns of migration before and, to be honest, the social and community aspect that there are already people from Poland working there so they follow that route as well. That is primarily the situation. The second part of your question was?

Q1234 Mr Martyn Jones: What are the implications are for the economy and the Welsh labour market? Do you see any negative implications or is it all entirely positive?

Caroline Flint: There is little evidence that migrant workers are substituting local workers in the labour market and, as I said before, we have conducted and we continue to carry out research on this impact of migration from the expanded European Union. The inflow of A8 migrants into Wales numbered 15,000 from May 2004 to December 2006. While the employment rate for that group is high, something like 81.5%, that is a small fraction of, for example, the 170,000 plus moves into work in Wales in the last year, and the vacancy rate in Wales for jobs is still high, so there is a buoyant job market there. Going back to our earlier discussion, the question is not that migrant workers are taking jobs, it is those people who are currently inactive in the workplace, in the marketplace, who we need to address about how they can be equipped to actually look for work and therefore take jobs on.

Q1235 Mr Martyn Jones: Can I ask how exactly you do the research?

Caroline Flint: Can I pass to Bill for that one?

Mr Wells: We carried out a number of different ways of looking at the research. One of the most important elements was to consider where the people from the new Member States had settled and whether there was a discernible pattern in claiming unemployment and various other labour market variables, so if there were more migrants in one part of Wales was there a bigger rise in claiming unemployment in that area? The result from that was that we could not find a discernible effect. We also have examined various other elements which are consistent with that approach, that there is not a correlation between where people from outside have come into Wales and changes in the various labour market variables in employment or unemployment and so on.

Q1236 Mr Martyn Jones: It is well-known that not all the migrant workers actually sign up for the workers registration scheme, for example. Have you any idea what percentage do?

Mr Wells: That is quite a difficult question but from a variety of sources the numbers who do not sign up may not be enormously large unless, if they do not sign up, they also do not sign up for national insurance numbers and so on, because there are various different measures of where people are in the labour market and the workers registration numbers are relatively similar to the numbers for national insurance numbers. That does not mean that there will not be people who are not on either of those things and they will be completely outside.

Q1237 Mr Martyn Jones: According to your memorandum again, 22% of migrants report that they are degree-educated, compared to 15% of those who are UK born. Similarly, while only 13% of migrants report no qualifications, that figure amounts to 17% of those born in the UK. What are the implications of this for the Welsh labour market and the economy, now and in the future, and to what extent is this a positive or a negative?

Caroline Flint: It is true that in certain areas migrant qualifications are higher. In terms of A-levels and GCSEs amongst Welsh born people they are higher than the migrant population coming in. It is also true to say that amongst migrants something like 32% report qualifications as “other”, i.e. it is difficult for them to equate it to the standards we have in the UK, so there is a mixed picture in terms of qualifications, but the important lesson with migrants or without migrants, to be honest, is the issue about how we skill our workforce and potential workforce for the jobs of the future, so I would suggest that in terms of skills and qualifications our mind should be on that global competition rather than necessarily a threat from migrants in terms of their qualification base.

Q1238 Mr David Jones: I would like to take you back, Minister, to paragraph 8 of the memorandum that you quoted from a few moments ago which says that the inflow of A8 migrants numbered only 15,000 from May 2004 to December 2006. I must say I was astonished that it was such a low figure. This Committee has been taking evidence now for several months and estimates have varied fairly wildly from “I have not a clue” to as many as 120,000. Where does that figure of 15,000 come from, please?
Mr Wells: There are a couple of different sources but of the two main ones, one is the workers registration scheme and the second is national insurance numbers, and they both come out at roughly the same amount. I should also say that the experience is that these are the numbers coming into Wales. Some of them will leave and go back to the country where they originate from. It should also be said that there are quite a lot of migrants who are not A8 migrants and so it is quite important to consider which group you are considering and also whether it is the numbers coming in, the numbers who are still there at the moment and therefore the numbers who are going out. As I said before, the numbers of A8 migrants have tended to be roughly the same numbers from the official sources of the workers registration scheme and the national insurance numbers.

Q1239 Mr David Jones: How robust a figure is that 15,000?
Mr Wells: As I have said, if they are working and they are not on either the workers registration scheme or the national insurance number they will be illegal workers. How robust it is—the measurement of illegal working is obviously very difficult, but what estimates there are for the UK but not necessarily for Wales show that illegal working is not a particularly large part of the UK system compared to other places. However, there is a growing amount of migration in Wales as elsewhere so it may be a growing issue. As I said, I do not think we have much evidence that it is a substantial problem from the A8 countries.

Q1240 David Davies: Mr Wells, Eastern European workers on the workers registration scheme cannot claim benefits, can they?
Mr Wells: No.

Q1241 David Davies: So it is rather fatuous to say that nearly all applicants to the workers registration scheme are in fulltime employment and virtually none are claiming benefits; that is fairly obvious, is it not, they would not be allowed to claim benefits.
Mr Wells: They may not be in work.

Q1242 David Davies: They would not be allowed to claim benefits.
Mr Wells: No.

Q1243 David Davies: It is a pointless statement, is it not?
Caroline Flint: There is a point, to make sure that nearly all applicants to the workers registration scheme are in fulltime employment and virtually none are claiming benefits; that is fairly obvious, is it not, they would not be allowed to claim benefits.

Caroline Flint: I would not say necessarily that it is globalisation in and of itself, I think the loss of industries in which whole communities were pretty much entirely dependent on one industry, when that goes you have to have in place strategies to offer an alternative. In some respects that was quite slow in some of those communities, but it is that combination of investment, education, better partnership working as well as, I have to say, overarching all of this is a stable economy which we have had for the last ten years, not affected by the sort of recessions we saw in the decades before that. That in and of itself has helped us deal with globalisation. If you look at the employment rate in Wales it is overall higher than places like Japan, Italy, France
Q1247 Mr David Jones: Forgive me, Minister, what I actually asked you was were there some parts of Wales where the impact of globalisation on employment was more marked than other parts of Wales and you have not really answered that question.

Caroline Flint: Most of Wales has actually improved and we see actually faster improvement in some of the poorer parts of Wales.

Q1248 Mr David Jones: Are you saying there is no differential effect at all?

Caroline Flint: What I am saying is that there are variations across Wales in terms of the employment rate. There are a number of factors leading to that, the nature of which are that in those communities and regions of Wales the economy relied, particularly as I say, on heavy industry and mining. The loss of those industries and the reduction of those industries clearly have had a disproportionate impact on those communities. What I am saying in terms of where we are today in the world of globalisation in which we live now as opposed to what happened in terms of those communities and their job market 20 odd years ago, the impact of it is that across Wales the employment rate is improving, but they started at different baselines. What I am saying is that despite what some people might think is the threat of globalisation, the rate of improvement in some of those poorer areas has been at a faster rate than some of the other more affluent parts of Wales. That does not indicate that globalisation in itself is having a disproportionate effect on those communities.

Q1249 David Davies: I appreciate you will not have the information to answer this question now, so I am going to ask you if you could answer it if I table a written question, because a lot of answers come back that the information is not collated centrally. Do you centrally collate information on the numbers of people who have made claims under the refugee back payment scheme?

Caroline Flint: I am happy to write to you on that.29

Q1250 David Davies: Do you centrally collate that information?

Caroline Flint: I would have to check that, I am sorry.

Q1251 David Davies: Would you have figures on the amounts of money paid out under the refugee back payment scheme?

Caroline Flint: I will have to write to the Committee on that.30

Q1252 David Davies: When the integrated loans scheme is set up would you happen to know whether or not the repayments will be deducted automatically from any benefits claims, or will it be up to the individual to make voluntary repayments?

Caroline Flint: I will write to the Committee on that one.31

Q1253 David Davies: I am sorry, they must be quite difficult questions. I think you have already answered the one I have got in front of me here, could you tell us what you are doing to update the skills of people who are on incapacity benefit at the moment and not in the workplace?

Caroline Flint: Part of what we are doing is seeing how we can engage people in looking for work, and part of that engagement is to look at what skills they currently have and how they can be supported to improve those skills. That is done through a number of different programmes that operate. We do a lot of work through Jobcentre Plus in partnership with the Welsh Assembly as well in terms of the various different skills initiatives they have on basic skills and so forth, and in those different ways we try to make sure that we first identify where the skills shortages are amongst individuals and how best we can improve that situation for them, because that in itself will help them get work.

Q1254 David Davies: To what extent do the skills of migrant workers pose a challenge to the labour force in Wales?

Caroline Flint: As I said before I do not think the skills of migrant workers in themselves are posing a challenge. It is a small number of people, the number of vacancies that exist for jobs in Wales is buoyant and very live. The number of vacancies per head of population in Wales is actually far higher than across Great Britain, so that suggests that jobs are out there, there is not a shortage of jobs. As I said before, our challenge is those people who are not actively seeking work and how we best reach some of those people. For those people who are seeking work the number going in and out of work is healthy and, as I said, buoyant; the issue is those people not in work. For those people who are not in work and not actively looking for work, their challenge is not just migrant workers but they are competing against other Welsh born workers who have skills and have qualifications and have already been in work. That is the challenge in terms of those particular people.

Q1255 David Davies: Finally, how long do you think it would take to write back to me on the earlier questions?

Caroline Flint: I will have to check when I get back to the office.
Q1256 David Davies: Would three weeks be enough?  
Caroline Flint: I will let the Committee’s Clerk know; hopefully as soon as we possibly can.

Q1257 Hywel Williams: It was Mr Wells who said earlier that migrant workers moving into Wales have no negative effect on unemployment as such. I would like to just ask you some further questions about that; to what extent does globalisation provide a buffer for the labour market in Wales, particularly in respect of people who are economically inactive and people who are disengaged? Is globalisation actually in some way postponing tackling those particular people; is it just putting the problem off?  
Caroline Flint: I do not think we are putting the problem off. There is the welfare reform legislation and the Committee will know—but I cannot obviously go into detail today—we are publishing a Green Paper this week on the next steps to full employment. We are not putting anything off; a number of the strategies we have put in place are aimed at very much seeking to support those people, lone parents, people with disabilities, on incapacity benefit, into work. The number of people for example with disabilities who are accessing the job market has actually improved enormously and is increasing at a faster rate than some other groups, so I think what we are doing has been shown to be working and the next step is to see how better we can be. Part of that is what sort of people can we bring in to support us with this work from the private voluntary sector, what engagement we have with people earlier on in terms of the time they come onto benefits, as well as—we were talking earlier about the different more personalised approaches for different areas that do face different challenges in terms of what is available locally, transport issues and so forth as well as, I suppose, the education and skills agenda which obviously Wales leads on—we do not in England but certainly from our perspective from the DWP and Jobcentre Plus we want to see through our various arrangements how best we can support that education and skills agenda in Wales.

Q1258 Hywel Williams: I do not think migrant workers make a huge contribution and I am not in any way decrying that, it is just the point I made earlier about the marginal job where you might have someone who has disengaged long term from the economy and there is only one job, whom does the employer choose? It seems to me common sense basically, a highly skilled migrant worker would be chosen above someone who has disengaged.

Mr Wells: It is important to realise just how many vacancies there are coming up all the time. Although the numbers of migrants are larger than they were in the past, relative to the number of jobs that are coming up there is still a relatively small number. Part of the reason why we got the result that we had was actually that in the most disadvantaged areas there had been the biggest improvements in terms of employment and unemployment; similarly amongst the most disadvantaged groups there had been the biggest improvement. So it remains the case that the levels are really quite high, but there has been some catching up even during the period when the number of migrants into Wales has increased although it is still relatively low compared to the rest of the UK.

Q1259 Hywel Williams: I did note some of the figures that you provided us in your supplementary evidence in respect of the registered workers scheme, and it seemed to me that the lowest levels of registration are probably in the most deprived areas such as Rhondda Cynon Taf, for example, where presumably the greatest gains could be made very quickly. Can I just ask you finally, therefore, if you state there is no evidence to suggest that recent migrant flows have had a negative effect on claimants’ unemployment levels—again that might be the case now, I do not know, but that might be your contention—is that sustainable into the future, are we looking towards any changes within, say, the next five years?  
Caroline Flint: Obviously, we cannot predict the future as clearly as that. We do, as I said, research the flows of migration but I have to say again the threat to prospective jobs and work in the future, in the environment of globalisation that we live in, is about whether or not people in Wales are equipped to be able to fit the jobs for the employers who might want to locate or stay in Wales and where that fits in terms of their skill base and knowledge base. As Bill said, you gave the example of two people going for one job. From the information we have the numbers of vacancies in Wales are very high, so the question in that respect is where are the vacancies, is there access to jobs in some of the regions and areas of Wales that there should be and how best can we support that, what is the skill base of Welsh people and how can we improve that for those who have no qualifications or do not have the right qualifications. That will be necessary regardless of what is happening in terms of migration if we are to keep up. The other side of it of course at the end of the day is how strong our overall economy is because that overarches everything else we are trying to do in Wales with different partners and what have you. That has created the framework in which our economy is healthy and, compared to other countries in Europe, we seem to be doing better, a lot better.

Q1260 Mr David Jones: To what extent, Minister, does your department work with the Welsh Assembly Government in addressing the challenges posed by globalisation?  
Caroline Flint: As I said earlier, Jobcentre Plus is a key partner in, for example, Value Wales, which looks at sustainability in public sector procurement. That project looks at training, skills development and employment of some of our priority customers in Jobcentre Plus to support them into the workplace. They are also exploring opportunities to help small and medium size employers in Wales to become more competitive and better placed to compete for public sector contracts. The Jobcentre Plus works closely with Assembly business advisers and others to see where we can assist through
training and employment support to actually maximise the opportunities that are available locally, so on a whole number of different fronts Jobcentre Plus is working very constructively with the Welsh Assembly.

Q1261 Mr David Jones: Do you think that the dual role of your Secretary of State will assist this process and smooth the way?

Caroline Flint: It obviously helps in terms of an insight. As I said earlier we all bring our experience in government, our experience as MPs and also from our previous lives to being a Member of Parliament. Certainly, Peter as Secretary of State for Wales will have a very good understanding of the joint working that we can achieve but also what more we need to do.

Q1262 Mr David Jones: You have mentioned that the number of job vacancies in Wales is very high. You may have heard in fact that Quinton Hazell Automotive in my constituency has announced that it is to make 120 of its staff redundant with effect from next year. Can I take it that your department and the Welsh Assembly Government will be working closely together to ensure that those workers who are about to be made redundant fill some of those job vacancies locally?

Caroline Flint: I certainly would hope so. My understanding is that where there are redundancies in communities Jobcentre Plus, working with different organisations in Wales, has tried to see what they could develop as packages to support people for redeployment into other work. I am happy if Mr Jones has not got information already to find out what currently is happening on that in his particular constituency. It clearly is very important that it is not just about getting people into jobs but where jobs go and what opportunities we can provide for people to remain in work is clearly important.

Q1263 Mr David Jones: You are clearly aware of the document that your Department recently published in partnership with the Welsh Assembly Government called Wales—Towards Full Employment. Could you outline to the Committee the effects that this document has had and expand on how its proposals are now being taken forward?

Caroline Flint: The report was something that we were very pleased to work with the Welsh Assembly on. What it demonstrated was that despite the progress that has been made there are some significant challenges and we have addressed some of that already this morning. Not all areas in Wales, all groups within society, have benefited equally from improvements we have seen today, so how we secure sustainable employment for those people is often very hard to reach and that is something that we need to address. The first stage of welfare reform has clearly delivered in the sense that we have the lowest claimant unemployment for 30 years. The new deal programmes and the support in different ways provided in Wales have helped to tackle long term unemployment in an incredible way. As I said before, the key task next is how we address and engage and support those people who are on non-unemployment benefits and, as I mentioned earlier, in taking forward the Welsh paper on full employment, the Green Paper we will be publishing this week will be taking further forward some of the issues that that paper addressed on how to tackle these particular groups even better than we have done already.

Q1264 Mr David Jones: You will be working hard to ensure that the number of incapacity benefit claimants in Wales ceases to be over 50% higher than the rest of the UK.

Caroline Flint: We would all want to strive to achieve that.

Q1265 David Davies: Just on that, the thrust of this and other documents has been that migration has had no effect on unemployment and that other factors are causing some people not to be able to get into work. Therefore, does the Government feel that migration can continue at its current levels each year without having an impact on employment or is there any upper limit at which large numbers of people migrating into the country might have an impact on employment of indigenous people?

Caroline Flint: As I said before we do not have any evidence that it is having a negative impact. Sometimes—and I do appreciate this—in some communities it may seem that way, particularly if you are in a community that is not used to people from other countries with other languages being around. I know in my own area, again, very often what I get from constituents is there seems to be a lot of people coming in, and when you actually get down to the facts it is a very small number but they stand out because if you are in an area that is not like London, is not like a big city, differences amongst people often stand out and that is a perception that people then have. It is important in that to make sure that we talk about these issues so that perceptions do not lead to misinformation about what is happening in the local job markets, and to that end there is not any evidence that migrant labour in Wales is actually contributing in a negative way. In terms of the future, I do not think it is necessarily about having an upper limit. We continue to monitor the situation and look at that; clearly in terms of the A2 countries the Government has taken a particular position in relation to those two countries and put in place some particular requirements for entry, but as I said before ultimately the importance is do we have a healthy economy, is it stable, are we equipping our people with the necessary skills to get the jobs that currently exist as well as have the skills for the jobs of the future, and that is the area where we need to be making sure we have our attention because if we do not do that we will not get the jobs coming here because we will not have the skills that employers want, and actually whether it is migrant workers or any other workers we will be leaving a number of people in a position where they cannot enter the job market. That is where our focus should be, and if
we do that then we are giving people as good a chance as any to be able to work for now and the future.

Q1266 Chairman: Could I end by thanking you for your responses this morning, but I would like to ask you this final question. You have clearly given us the message that whilst globalisation is an issue that faces us all, in terms of the challenge in relation to Wales and particular parts of Wales there are some internal structural issues that we need to address anyway as in most post-industrial societies. In Wales we are faced with the close correlation between economic inactivity, ill-health, low educational skills attainment, poverty and high levels of caring. Could you describe to us how you think we ought to be moving and developing a more sophisticated strategy in relation to the Welsh Assembly Government, particularly where we have still relatively high levels of economic inactivity. The question is about the inter-relationship of activity between yourself and the Welsh Assembly Government.

Caroline Flint: There is a whole number of ways in which—and I hope it is received this way in Wales—the DWP and Jobcentre Plus are very much engaging with the Welsh Assembly on a whole range of different programmes to tackle exactly what you have outlined. We have things like the work-based learning improvement board where Jobcentre Plus is a member of that, which is helping to look at how we can develop for those post-16s the sort of skills that they need in Wales, we are a member of the Assembly’s Raising Economic Activity Rates group on how we can improve economic activity, and clearly that is very important in parts of Wales that do not necessarily have the same advantages as some of the other parts in terms of Cardiff, Wrexham and elsewhere. There is the Want to Work Programme, again Jobcentre Plus working with the Assembly to again look in a more targeted and I would say coherent way how best we can engage those who are not economically active. There is often, I have to say, and I do not think this is just in Wales but elsewhere, quite a lot of programmes around, but how coherent they are and how they piece together for the individual—it probably is always worth looking at to see if that can be better. That is where the consortia on the Heads of the Valleys and the Rhyl strategies are very important because that is part of what we are saying to the consortia: can you address this using your partnership, using your knowledge. We also are involved in the Wales Economic Advisory Panel as well as on the basic skills agenda, so there is a whole number of areas where I hope it is understood that we certainly are engaging and finding that way in which we can both get the best out of our national responsibility to Wales as the Department for Work and Pensions but also harness the very best of devolution to make sure that there is an approach that can deliver—that is really important—but is attuned to the particular needs within areas of Wales. I hope that is something that we can continue to develop, particularly following the Green Paper we are publishing this week.

Chairman: Thank you both for your attendance, it has been extremely helpful and it has certainly been interesting and a good preparation for next week because we have the Secretary of State for Wales appearing before us on his annual report. No doubt his new responsibilities will also figure in that session.
Tuesday 24 July 2007

Members present

Dr Hywel Francis, in the Chair

Mr Stephen Crabb  Mr David Jones
David T. C. Davies  Mr Martyn Jones
Nia Griffith  Mr Albert Owen
Mrs Siân C. James  Hywel Williams

Witness: Mr Paul Whitehouse, Chairman, Gangmasters Licensing Authority, gave evidence.

Q1267 Chairman: Welcome. For the record, could you introduce yourself, please?

Mr Whitehouse: Paul Whitehouse, Chairman, I am the Chairman of the Gangmasters Licensing Authority.

Q1268 Chairman: Could you outline very briefly for the Committee the work undertaken by the Gangmasters Licensing Authority in Wales since its establishment in April 2005?

Mr Whitehouse: It is very difficult for me to say, Chairman, exactly what we have done in Wales. What I can say is what we have done across the United Kingdom and make specific reference to one operation in Wales and some other ongoing work.

We were set up, although most people consider because of the Morecombe Bay disaster in order primarily to deal with the shellfish, we were set up primarily to deal with the exploitation of labour in the agriculture and food processing industries, and the bill for that was already in the House at the time of the Morecombe Bay disaster and shell-fishing was added on. We have the power to issue licences to those who are providing labour in the licensed sector, which we have been doing since 1 April 2006, and we have been enforcing against people without licences and dealing with those who fail to comply with the terms of licences since October last year. In the papers that we provided to you there is a regrettable error, where we said we refused 30 applications, actually we have refused only 29, but we have very fierce and effective teeth, but we are tethered to the central point, and as long as you carefully stay outside the area of agriculture and food processing you are not caught by us. As we come along to revoke your licence because you have behaved improperly in the agricultural field, you can carry on being a gangmaster and not get caught by us by moving into one of those other fields where there is just as much money to be made.

Q1269 Mrs James: I think I was the Member who referred you to the activity which took place. I am very aware, from the work that I have been doing with various licensees in Wales, that they were concerned that you were also given the skills and the tools to undertake a fuller responsibility, so please take that request in the light that it was made, move into expanding your opportunities and the areas of your work. You note in your memorandum that gangmasters range from recognisable agencies and businesses supplying large processing plants to small-scale operators. Could you outline for the Committee the size and scale of those labour providers licensed with you and awaiting licensing in Wales?

Mr Whitehouse: I cannot give you specific figures for the numbers in Wales but I can write to you with details. I am very happy to provide that, Chairman, if you would like. What I can say is that there are a lot of national agencies which operate across the whole of the United Kingdom, certainly

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across mainland Great Britain, which will operate in Wales, and these will be household names, in many instances, people recognise them from their local high street. Equally there will be quite small operators operating just out of the back of a white van. There will be those entire ranges across Wales and everywhere else, because the fact that someone is not licensed in Wales does not mean that they do not operate in Wales. We have had difficulty with some other government departments which have not realised that actually the fact that someone is licensed in Boston, in Lincolnshire, for example, which is a centre of labour provision activity, does not mean they confine their activities to Lincolnshire; actually they operate across the whole of England, Scotland and Wales from there. They will go for where the business is, and, to that extent, the fact that there are few licensed labour providers with addresses in Wales does not mean that there is not a lot of activity in Wales, but we do not know where people are operating, necessarily.

Q1270 Mrs. James: You say in the submission which you gave us that you believed there were about 13 licensed companies and three others are awaiting licensing: those would be exclusively within the food processing area?

Mr Whitehouse: That is the only area where we have power to license; we have no powers outside of that.

Q1271 Hywel Williams: This is an inquiry about globalisation. Broadly, can you tell the Committee, how has globalisation, and related labour shifts, impacted on labour providers in Wales specifically, if you can?

Mr Whitehouse: The fact that people are able to come to this country from all other countries of the EU, in order to work in the licensed sector, including the two most recent states, Bulgaria and Romania, and the fact that the wages they can obtain for work in this country are generally substantially higher than they can obtain for equivalent or even considerably more responsible work in their own countries, means that many people come, and because there is an incessant demand for labour to do a whole host of tasks which most people in England and Wales no longer wish to undertake then increasing numbers of people are coming and are being employed. Unfortunately, there is a lack of understanding often in the countries from which they come that you can get work over here without having to go through a great many hoops; you have to register yourself under the Worker Registration Scheme, of course, but you do not necessarily have to pay someone a lot of money in your country of origin. You can get a bus from most parts of Europe now, for not very much money, or a cheap air flight, and be here, but unfortunately people do not always know that and some people who are not well informed, sometimes they may not be wholly literate, and certainly not literate in English, are misled, so they can be put upon. This means that the good side of labour being available is turned against those individuals because they are not paid or treated properly.

Q1272 Hywel Williams: You said earlier, in answer to a question, that you felt that the general composition of the licensed gangmaster workforce is largely migrants. Do you have any definite figures on that, and, if not, do you have any impression of trends over the last months, years?

Mr Whitehouse: No, we have no idea who works, in terms of numbers, for individual gangmasters; we are interested only in that whoever they employ, they employ them within the terms of the law, that is the gist of it, the important points we have to fulfil, so we cannot specify numbers. We think that in the agriculture field there could be between 500,000 and 750,000 people working altogether, but not necessarily at the same time, and it is one of those questions tied up with immigration. We do not know how many people are here and therefore who is involved, but it is a very substantial number of people, it is certainly not less than half a million.

Q1273 Hywel Williams: Not all of them are registered?

Mr Whitehouse: No; no, I am sure there are many people who will not be registered. It is not a requirement to be. It is a requirement to be registered on the individual; it is not a requirement on the employer to have his, or her, employees registered.

Q1274 Hywel Williams: Would you say that was a weakness then, in terms of our broad understanding of the numbers involved here?

Mr Whitehouse: It could be. I am not sure myself that the Worker Registration Scheme is terribly helpful in that area, but, yes, certainly it prevents us, those who keep those figures, from having a full picture, you are right.

Q1275 Hywel Williams: Given that the forecasts initially were for, I cannot remember how many it was, was it 18,000 or 30,000 people migrating?

Mr Whitehouse: It has been far more than that. On the other hand, the figures in this area have always been very loose. When I first became involved, which was at the end of 2004, I was told that in the licensed sector there were between 1,000 and 10,000 gangmasters. We have now got that back to, we think, between 1,000 and 2,000, but people do not really know because it is a very fluid area; there has not been much research, it goes on without people necessarily wanting to know about it.

Q1276 Hywel Williams: Can I ask you about gangmasters who provide accommodation to employees, and you know yourself that the accommodation must be proper. Could you expand on exactly what you mean by proper accommodation and give us an idea of what the general nature of breaches of that physical requirement is like?

Mr Whitehouse: One of the difficulties of all the legislation is that, of course, generally it achieves sometimes the opposite to what you intend, and gangmasters realise that if they provide accommodation they can be caught if it is not good enough. We treat related companies as being part
of that, but if, in fact, a gangmaster chooses not to provide accommodation then that is the end of the matter. If he says to his employees “You go and find somewhere to live” then we cannot go to anyone else and say “The accommodation you are providing is not good enough.” Generally what we are looking for is for it to be clean, not overcrowded, proper sanitation, washing facilities, and so on; it has to be a bit of a subjective test. On the other hand, compliance inspectors are reasonable people, they do not expect the accommodation to be four-star, they do not expect to find four beds being slept on by 12 different people, for shifts; there is nothing wrong with a twin-bedded room, properly provided. It has got to be a judgment in each case. Some of the accommodation, we should not be mistaken about this, Chairman, is very good, and there are a lot of employers, labour providers, who want to make sure that their employees come back and they do not want to treat them badly.

Q1277 Hywel Williams: I am aware of cases in my own constituency of some employers who have complained to me about other employers, because they are providing a proper standard of accommodation. Just to pursue that for a moment, you are aware, therefore, that in some cases there are associated companies which might be providing the accommodation, and, for your purposes, are they treated as being part of the gangmaster operation?

Mr Whitehouse: They would be, and what I would say, Chairman, is that if any Member hears of this sort of complaint, which Mr Hywel Williams has just mentioned, then tell us, because we want to go there and deal with it, or establish perhaps that it is a misunderstanding. Of course, in business there are occasionally allegations made for purposes which are not exactly what we would wish.

Q1278 Hywel Williams: You also note in your memorandum the need to increase workers’ knowledge of their own employment rights, and you mentioned that earlier, in terms of paying fees, and that sort of thing. Can you tell us how you have set out to achieve this, and to the extent that you expect gangmasters themselves to follow your lead to inform their workers of their rights?

Mr Whitehouse: We hope that a good employer would do that, but we work on the basis that workers are easily exploited and therefore we have provided in every single language, and of course Welsh, the rights that everyone should expect. These leaflets are small, will fold up and go inside your shoe, so you can easily take them in circumstances where you might not wish them to be seen by others. They are in very heavy demand, because, of course, they apply whether you work in the licensed sector or not, and they give people an opportunity to challenge when someone is not being paid the right amount, or whatever it might be.

Q1279 Hywel Williams: I am interested in that, to what extent here your good practice is generalised in areas for which you do not have particular responsibility but where one suspects that migrant workers are being exploited?

Mr Whitehouse: All we know is that we provide tens of thousands of leaflets via some of the Embassies; we go to trade fairs in the Accession States and we provide leaflets there, and we have provided now all of our leaflets in PDF form, so they can be printed off locally, at Embassies, and they are providing them out to those who enquire. We are gradually spreading it to all those people who are interested enough to make enquiries before they come to the UK to work and, of course, they may come to work in any sector at all, so that must be good.

Q1280 Mrs James: I wanted to go back to the accommodation. You did cover in part the area that I wanted to ask you about. I have come across several problems, not just problems of accommodation provided by the gangmasters, but, in effect, the people who leave that poor accommodation because of problems and then go out into the wider community and they are then on the open market, so to speak, and open to exploitation, so houses under multiple occupation which do not meet the requirements. My concern about the problems which have been brought to me is things like personal security. You have talked about your compliance officers going in and inspecting; do they inspect things—I know they are mundane but they are very important for a woman—like locks on the bathroom door, that there are proper electrical points, etc., things which are health and safety issues?

Mr Whitehouse: Chairman, I do not wish Members to go away from here thinking I have enormous numbers of people out there. For the whole of the United Kingdom, I have got only nine people doing compliance inspections, so it is a big job with a small number of people. Yes, they will be looking for that sort of thing, but in the particular instance I gave, the Neath inspection, the compliance inspector was a woman, I would expect that she would notice that sort of thing. I think what we are talking about here is a commonsense approach and if it were apparent that were no locks on the bathroom door then that is the sort of thing which, because we always want to talk to the people, we are very particular about saying “We’ll talk to him and her and her,” and not the ones that are put forward, and if necessary we take interpreters with us who would get this sort of information and would tell us. Unfortunately, the problem of people going to live in HMOs, which are run by third parties, we have no control over at all, it is a local authority responsibility.

Q1281 Mrs James: We can come to you; you very kindly said that we could come to you with complaints?
24 July 2007 Mr Paul Whitehouse

Mr Whitehouse: Please; yes.

Q1282 Mr Martyn Jones: If I can go back to accommodation, Mr Whitehouse, I will be coming to ABP, a company just outside my constituency which employs people from my constituency, in depth later, possibly, but one of the issues surrounding that is a point you have just mentioned about related companies providing accommodation. Would you say that if a company had essentially inveigled people into signing a contract with another company to provide accommodation at much greater than the £29.50, which I understand they are only allowed to charge if they provide it themselves, would you consider that was a related company?

Mr Whitehouse: We will look at anything, the simple answer is, Chairman. Please may we have the information and we will investigate it?

Mr Martyn Jones: I have got that here. I will give it to you later.

Q1283 Mr David Jones: Just a brief point, Mr Whitehouse, on the question of the leaflets you mentioned. I see that they are published in many languages. I found it surprising that none of them were in any of the Chinese languages, considering that it was a well-publicised incident involving Chinese workers that actually brought your Authority into being in the first place?

Mr Whitehouse: Yes; except that, of course, it is extremely unlikely that a Chinese person would have a right to work here and therefore could not be employed by a gangmaster. This is a slight difficulty. On the one hand, we wish to prevent the exploitation of workers, but someone who does not have a right to work should not be employed, because one of the conditions of holding a licence is that you obey all the laws, and one of the laws you would need to obey is that you should only employ people who have a right to work here; so those who do not have a right to work here cannot be employed. To that extent, we are not aware of significant numbers of people from outside the EU, except those who come on the SAWs schemes from slightly further afield who would be eligible for employment.

Q1284 Mr David Jones: I suspected that would be your line, Sir, but I still find it surprising that you have not at least published the leaflets?

Mr Whitehouse: It is an interesting question. I will consider it, Chairman. Thank you very much for that.

Q1285 Mrs James: Did you have any input into the documentation which the Welsh Assembly has created? I was very interested to note, at my local library on Friday, that there is a “Welcome to Wales” pack for migrant workers, which is produced in a variety of languages, including Welsh.

Mr Whitehouse: I am not aware of its existence and I am not aware that we had any input into it.

Mrs James: I shall ask you for to be included.

Q1286 Mr David Jones: Could you outline briefly for the Committee the licensing process?

Mr Whitehouse: Yes, Chairman. About 75% of all our applicants do carry out the application on line; the remainder talk to one of our operators on the telephone and are then sent a form to fill in. They have to say who they are, generally a limited company, for how long they have been trading, where they are trading, all the relevant details which apply to a limited company, whether they wish to be licensed in the shell-fishing area or the general agriculture and food processing and forestry. Having completed all of that, they have to send us the money; we do not start the process until we have received the fee. As soon as that happens we send off all the details of each applicant to a substantial number of other government departments, the HMRC, what was the DTL, BERR these days, I think, the Department for Work and Pensions, the Home Office, and so on, anyone who has a database which will be able to tell us whether this company, or its directors, or the principal authority, has any record with that other agency, either because they have actually been through proceedings or perhaps because there is intelligence about them. We have had excellent co-operation from all these other government departments; we get an answer within ten working days on that. Until the middle of last year there was a hangover of companies which had been audited under the auspices of the Temporary Labour Working Group; we allowed them to go forward at that stage without inspection, but everyone applying today is then inspected, that is the current position. An inspector, or inspectors, with interpreters as necessary, will visit and go through the records, which will support, one hopes, the application, and also goes to talk to workers, and chooses the workers themselves so they get the people they want, to ask them questions. If they do not score more than 30 points, and in our licensing standards there are critical, major, minor and correctable faults, a critical fault is 30 points and a major fault is eight; so one critical fault means you do not get a licence, four major, but most people, if they start to get lots of majors, get more than just the three and tend to drop out. If they have got fewer than 30 points we will issue the licence with a requirement to correct the conditions which are not up to the mark within three months, perhaps six months, and then, depending on what the nature of that is, we may go back and visit or we may require a statutory declaration from the firm that they have remedied it. Then we will go on a further inspection later, either on an intelligence basis, because someone has provided us with information, or we may go at random, in order to make sure that we do not go just because someone has told us, and we hit an occasional firm on the basis that we have not been in that area before and we have not seen that firm.
Q1287 Mr David Jones: You mentioned in your memo that the number of licensed labour providers in Wales was surprisingly low, given the agricultural nature of the country. To what do you attribute that, and what is the Authority doing to address that situation?

Mr Whitehouse: Until we have information which leads us to suppose that there are a significant number of unlicensed labour providers operating in the sector then there is no reason why we should address it.

Q1288 Mr David Jones: But you found the phenomenon surprising?

Mr Whitehouse: It is surprising in the sense that one would have expected that it would be proportional, but I go back to an earlier answer I gave, that since labour providers go where the business is and it is not always as high in some parts as in others then they will go and seek business elsewhere. The fact that there are businesses in the West Midlands, which is a very short distance away from most parts, in fact it is better placed for going to all parts of Wales than someone based, for example, in South Wales, therefore it would not surprise me that a labour provider might choose to base himself in the Midlands rather than Wales.

Q1289 Mr David Jones: It is, of course, as you pointed out, an offence to act as a gangmaster without a licence, or to use an unlicensed labour provider. To what extent are you able to monitor and calculate the number of companies which may be breaching the law, and what positive work are you doing to reduce illegal activity?

Mr Whitehouse: We rely entirely on information provided to us by other people, in whatever capacity they come across it, together with the work done by our own enforcement teams, in conjunction with other agencies, so running, for example, road stops. There are certain parts of the country where it is well known that if you run a road stop in the early hours of the morning you will catch a very significant number of white vans full of people going to work in different places. Not only may they be in breach of our legislation, they may be in breach of a whole host of other legislation as well, so we can do that by ourselves or with other agencies, such as VOSA and the police, and so on. We have got at the moment one prosecution pending in Scotland; we are waiting for the Fiscal to decide whether to take that forward, but we are optimistic. Essentially, if we got close to someone, it would not surprise me, given the nature of our constrained remit, if they just stepped outside our area. Why bother to put yourself at risk of being arrested if you can continue to make money by moving into an area where there is no offence?

Q1290 Mr David Jones: Unless we have information which
circumstances? What is the Authority doing to address that

Mr Whitehouse: If there is any non-compliance, is there any appeals procedure?

Mr Whitehouse: Yes, there is an appeals procedure to an appointed person, who is a district judge, and we have lost two appeals so far. One, we think the decision was misdirected; the other was so near the knuckle we were not too worried about it.

Q1291 Mr David Jones: Is there any appeals procedure? What follow-up procedure is undertaken in those circumstances?

Mr Whitehouse: If there is no appeal we look to see whether the individual continues to operate in the licensed sector.

Q1292 Mr David Jones: Then you may prosecute, I assume?

Mr Whitehouse: Yes. Then you may prosecute, I assume.

Q1293 Mr Martyn Jones: Mr Whitehouse, you note in your memorandum that employment rights, such as working hours, contractual arrangements and protection from intimidation, are all part of the GLA’s licensing requirements. To what extent are those factors affected by globalisation?

Mr Whitehouse: In the sense that if you live in a country, where, for argument’s sake, the average wage is £1 an hour and you can come over here for not very much money and get work at £3 an hour and actually get that work and not pay too much for accommodation, and therefore have, net, shall we say, £1.50 an hour, you are going to be considerably better off than you would be in your own country. You might be being paid much less than the National Minimum Wage in this country but you will still be, in your eyes, well rewarded. To the extent that people will want to do that sort of thing then globalisation will encourage not just labour providers to make money out of such people but such people to feel that they are not necessarily being exploited, because in their own terms they are not being exploited. If we go back to the Morecombe Bay disaster, the money that the Chinese men and women were making there was unconscionably greater than anything they could earn in the Province from which they came; so, in their eyes, they were not necessarily being exploited, and that is a difficulty which we have to face and contend with.

Q1294 Mr Martyn Jones: It makes your job more difficult, does it not, in terms of enforcing the laws which must apply, minimum wages?

Mr Whitehouse: Except that, because we know what the wages have to be, ought to be, and because we can make assumptions about what the labour user needs to pay in order to allow a labour provider to pay our minimum wage, we publish on our website an advisory minimum contractual rate. Paying less than that would be prima facie evidence that there is improper practice of some sort, which might be either insufficient payment of the wages or not sufficient payment of holiday pay; equally, it might be not paying VAT, for example, or not paying over deductions to HMRC for income tax, and so on. We can do that; and we are talking to all the major retailers at the moment about the need for their auditors, because they all use auditors, to add in a
question about that contractual right as part of their audit. As you will not be surprised, they are extremely concerned to preserve their brand; they do not want to be caught either in the sense that we revoke labour providers who are said to be in the chain for this, that or the other supermarket. We are optimistic that they will come along with us, because they have always been part of this, along with a whole host of other organisations, and that would be a great help. The danger is that the individual who does not believe that he, or she, is being exploited is actually being exploited by the middle man, or woman, and that is not good either.

Q1295 Mr Martyn Jones: I am pleased that you are thinking of talking to the retailers because I have actually written to Sainsbury’s. The particular factory that I mentioned, ABP, which is, as I said, just outside my constituency, in Ellesmere, I have had some horrendous anecdotal stories, admittedly, about what has been going on, primarily with Polish workers there. Sainsbury’s accept all of the output of ABP, and therefore, I believe, as I am pleased to hear you are, they should be concerned about how their process of getting their product is conducted; so I am pleased to hear that. You also note that you work closely with other enforcement agencies and workers’ groups and trade unions, to gather intelligent reports on the gangmaster industry. Do you also talk to the police, for example?

Mr Whitehouse: Yes; we talk to everybody.

Q1296 Mr Martyn Jones: Are there any formal arrangements in place to enable the sharing of reports, and to what extent are you supported in your endeavours by local authorities and by the UK Government?

Mr Whitehouse: Our Act was written specifically to allow the exchange of information relating to gangmasters between any government department, or the police, and us, which we do very effectively, if with some serious help from the local authorities, especially in the case of prosecutions. We just need to be told about it and we will work in conjunction with the police to ensure effective prosecution.

Q1297 Mr Martyn Jones: To what extent are the trade unions engaged with your working with gangmasters in Wales?

Mr Whitehouse: Like the retailers who are represented on my Board, the trade unions are represented on my Board as well and they play a part because often they have access to the information earlier than other people. What we keep saying to them is it is fine, as with any national organisation, the national people know that, it is the local organisers, and so on, who need to realise that actually if they ring us up we can do something about it. We have a fairly substantial programme of going round and talking to groups of people, whether they be trade union organisers, local community groups trying to help migrant workers in their community, or whoever, to explain “If you’ve got a problem, tell us, because it may be that we can help.”

Q1298 Mr Martyn Jones: I am pleased to hear that as well, because one of the problems I have had with these anecdotal reports is that Ellesmere is in West Mercia Police District, and of course my area is the North Wales Police. Although I have got good relationships with them, it is very difficult for me to deal with problems which I would say are criminal, if they are correct, people are being intimidated and threatened with firearms for example, which I would suggest is not acceptable and is probably intimidation in anybody’s books. You cover both sides of the border, you cover Wales?

Mr Whitehouse: We cover the whole of the United Kingdom and, as we are talking here about employment inside the licensed sector, if the information you allege is occurring and is occurring at the behest of a labour provider then we would revoke the licence at once. If they continued to trade then we would enforce against them for being unlicensed, and we would also enforce against the plant for employing an unlicensed labour provider. We just need to be told about it and we will work in conjunction with the police to ensure effective prosecution.

Q1299 Mr David Jones: Is it fair to say, Mr Whitehouse, that the labour provided by gangmasters is, by and large, unskilled, or low-skilled?

Mr Whitehouse: In the agriculture and food processing areas, it is lower-skilled; it does not mean to say that the individuals are low-skilled, they may have skills which are very high.

Q1300 Mr David Jones: Indeed, but the work that is being provided?

Mr Whitehouse: Generally, yes. There will be some jobs which are more skilled than others, but generally it is very low, yes.

Q1301 Mr David Jones: Also, is it fair to say that generally the wages which the people provided by gangmasters are earning again are on the low side?

Mr Whitehouse: The wages, as a general rule, are the National Minimum Wage or, where it is applicable, Agricultural Minimum Wage. Very few people will pay more than that.

Q1302 Mr David Jones: So very few will pay more than the minimum wage. Are you able to say, from that, and it may be that you are not, what effect the labour imported, if you like, by gangmasters is having upon the British economy; is it effectively, if you like, bottom of the pond labour rather than anything higher?

Mr Whitehouse: No. This is a general observation. Many people come here and get work immediately in low-skilled jobs, because it is very easy to get. There is a constant demand for people to work picking, packing, and so on, in agriculture and food processing, but it is not very pleasant work, which is
Q1304 Mr David Jones: To what extent are gangmasters encouraged by your Authority to provide training for employees?

Mr Whitehouse: Certain training is essential. You need to ensure that, if you are working in the food industry, everyone understands hygiene; you have got to be trained. If you are working with machinery, in any case, you need to understand health and safety legislation and to be trained in that. There is no requirement for an employer generally to provide training, other than that minimum, and we do not actually have any power to persuade people to do that and we are more interested in getting people up to the basic minima than taking it on beyond that; it is obviously ideal for that but we do not do it.

Q1305 Mr David Jones: You do not, in fact, encourage training?

Mr Whitehouse: We would not discourage it.

Q1306 Mr David Jones: No, indeed, but you do not regard it as part of your remit to encourage it?

Mr Whitehouse: We have insufficient resource.

Q1307 Mr David Jones: I understand. In fact, you have a very, very small establishment, have you not?

Mr Whitehouse: Fifty-four people altogether.

Q1308 Mr David Jones: Across the whole of the UK?

Mr Whitehouse: Yes.

Q1309 Mr David Jones: Is that sufficient?

Mr Whitehouse: You would expect me to say no.

Q1310 Mr David Jones: No, I would not. I just asked you to tell us what you think?

Mr Whitehouse: If we had more, we could have more of an impact. Essentially, compliance staff and the element of our operation which supports them, the licensing, has been paid for by the licensees. The enforcement staff are paid for by Defra, or by DARDNI in Northern Ireland, and the equivalent of that, so in Scotland it is also Defra and in Wales it will be Defra, but if we had more we could do more. I believe that we are punching above our weight at the moment, but unfortunately if we push hard we just push them out of that circle I described before, away from the area where we could have the influence.

Q1311 Mr David Jones: How concerned are you that, because of your small establishment, abuses are going undetected or unpunished?

Mr Whitehouse: It does not matter how big an operation we have, there will always be people who get round it. I do not think, at the moment, that we are quite big enough, because we are licensing such a small number, just over 1,000, we are not big enough to be able to operate at the scale which would make us as effective as if we licensed a larger group of people. Essentially, if licensing were extended to other sectors, and I am not suggesting that it could be extended across everything immediately, but if it were extended gradually then the economies of scale which would go with that would allow us to have a much more effective group of compliance and enforcement people; that would be my observation.

Q1312 Mr Martyn Jones: Another challenge you identified in your memorandum was that of licensing overseas labour providers supplying labour. Could you expand on the steps you have taken to ensure that the practical difficulties encountered when trying to license overseas labour providers are being addressed?

Mr Whitehouse: The difficulties are, of course, that we do not know where they are and we do not have immediate access to the same information about them as we do with other government departments in this country. We are talking to the relevant authorities in all the other states; in some cases we are very far advanced, in others not so much. We are doing our best to understand, where there are rules of the licensing system in the other states, to what extent those are compatible with our schemes. There is a bit of a difficulty because in some countries, for example, it is perfectly legal to charge an employment finding fee, which is not legal in this country. We have said that it would be nice if some of the other countries which had this would reconsider it, because it would make a difference. We have the lever which if you are, as some organisations are, direct employers of staff in this country but using overseas agents, they need to be licensed, and we can actually enforce against direct employers here who use overseas labour providers merely as agents, because they are caught by our Act. On the other hand, they can, I do not say get round it, regularise the position either by getting that individual to become licensed or by employing the person directly, because, of course, as soon as they employ the person directly they are no longer a third party, and we do not enter into it. If that is happening, and sometimes the people over here are, in fact, very good employers but they are not sure necessarily about the quality of the agents who are working for them abroad, but it is a difficulty and it is not going to become very much easier. We shall just have to keep working at it and hope that we can achieve better relations with the other governments.

Q1313 Mr Martyn Jones: Given that most of the migrant workers are Polish, do you have any connection with the Polish Government and are you trying to get them to either change the rules, if they
have that particular problem, or give fuller information about the kinds of rates that they would have when they came over here?

Mr Whitehouse: Poland is one of the countries with which we have very good relations and we talk to a lot of people in Poland. We have a very good relationship with the Polish Catholic Church in this country, which is a very good source of information, and, on the whole, I would say that Poland is probably the country where we are better placed, in many senses, than some others.

Q1314 Mr Martyn Jones: Do you have any Polish-speaking staff?
Mr Whitehouse: Two; one Pole and one Polish-speaking.

Q1315 Mr Martyn Jones: Do you use translators and interpreters?

Mr Whitehouse: Yes.

Q1316 Mr Martyn Jones: The final paragraphs of your memorandum note that the issue of worker exploitation cannot be addressed fully by yourselves alone, nor by merely setting legislative boundaries. What do you perceive to be the additional means by which worker exploitation can be addressed in Wales, especially in the context of globalisation?

Mr Whitehouse: I think, as much as anything else, raising public awareness of what goes on, how we get to talk about the licensed sector, or the cheap food on the table, and make people think perhaps a little more carefully about what they are doing, and if they knew of some of the things that went on that, in turn, would cause them to urge all those responsible to be slightly more careful in the way they employ people.

Chairman: Mr Whitehouse, we are very grateful to you for coming along today and for your earlier memorandum. This has been extremely helpful to us in our inquiry on globalisation, particularly in relation to population movement. Thank you very much.
Tuesday 6 November 2007

Members present

Dr Hywel Francis, in the Chair

Mr Stephen Crabb
Mr David Jones
David T. C. Davies
Albert Owen
Nia Griffith
Hywel Williams

Witnesses: Ms Fran Targett, Director and Mr Alun Gruffudd, Public Affairs Officer, Citizens Advice Cymru, gave evidence.

Q1317 Chairman: Good afternoon and welcome to the Welsh Affairs Committee. Could you for the record introduce yourselves, please?
Ms Targett: Fran Targett, Director of Citizens Advice Cymru.
Mr Gruffudd: Alun Gruffudd, Public Affairs Officer for Citizens Advice Cymru.

Q1318 Chairman: Thank you for coming along today. Thank you in particular for the very helpful memorandum you have produced. Could I begin by referring to your memorandum. You refer to the extent to which there has been an increase in demand for your services as a consequence of migrant worker populations. Could you quantify that first, please? Could you explain to what extent this has occurred, and what proportion of your work is now affected by this?
Ms Targett: It is actually quite difficult to quantify. I think we have seen that across all public services, and it is certainly true for Citizens Advice Cymru as well and for the local bureaux, partly because bureaux right across Wales have reported to us that they are increasingly seeing people from the migrant worker communities; but the way we record those enquiries tend to be by enquiry type, rather than by the significance of where somebody comes from. We would have recorded it, for instance, as an employment enquiry if the person has come in about employment. I suppose the interesting area where we can quantify it is in the only place in Wales where a Bureau has had some additional funding specifically to deal with this problem—a small amount of funding I hasten to add—and that is Wrexham, where they have managed to secure a small amount of funding to provide specific casework for ten hours a week. Under that specific project they have seen a total of 290 enquiries, that is about 155–160 individual people coming to that service, over a 12-month period. That is obviously a slow build-up at the beginning, and in the last quarter something like 80 or 90 enquiries. Although we are seeing it right across Wales and clearly it is increasing, Wrexham is the only place where we actually have measured it in that sort of way because of there being a specialist provision.

Q1319 Chairman: Are you beginning to measure it in a different way now then?
Ms Targett: Yes, we now through our case management system can identify the place of origin of any enquirer. For the future we will be able to pull off that particular information. That will actually be quite important if we think about the fact that when we talk about migrant workers who become settled actually their country of origin will be of importance in monitoring what happens after people are settled, and EC people have been here for more than 12 months and disappear off other registers.

Q1320 Chairman: I assume then what you are now describing is very different from, say, five years ago?
Ms Targett: Yes. Again, I cannot put figures on it but certainly we started to look at this issue in terms of the impact on individual bureaux from about 2003. That is when we started to see a change. In particular, there were places in Wales, Carmarthenshire to the fore, where from that period on we started to actually identify particular issues in those bureaux.

Q1321 Chairman: If we could compare your work, Citizens Advice Cymru, with other bodies in the rest of the UK, are there similarities or are there serious differences in terms of population movements, both indigenous and migrant?
Ms Targett: I have not got the figures on that but our feel is, certainly talking to our colleagues in other parts of the country, that when we worked for instance back in 2003 we were working with colleagues in East Anglia in rural areas who were also seeing an influx particularly at that time around Portuguese workers. The shift in where people come from happens for all sorts of other external reasons. I do think our view is, both in England and Wales, it is an issue which is not an urban issue, which I think we have thought in the past, but it is an issue across both urban and rural areas; and we are seeing it particularly around the rural parts of Wales as being a particular issue.

Q1322 Mr Crabb: Thinking in a bit more detail about the demographic changes that are taking place within the indigenous Welsh population, such as age, educational attainment, employment status and things like that, how have these changes affected the work of Citizens Advice Cymru, and what has your organisation been doing to respond to that?
Ms Targett: If we look at the work we as an organisation do the biggest change in what we have done over time is actually the shift between debt and benefits being the most that we do. In Wales we are still in a position where benefit enquiries are ahead of debt enquiries across England and Wales as a whole.
Debt is now a bigger contributor to our workload than in Wales. Interestingly, when you look at the figures we have extrapolated specifically in Wrexham, and I know it is only a small sample, we can look at the enquiries from migrant workers, those enquiries—although they cover the whole range of enquiries we deal with, and they include debt problems and they include benefit problems—as a percentage of those problems employment and housing are higher than they are in our general client population. Employment in particular is the highest number of enquiries that come to us in comparison to the norm.

Q1323 Mr Crabb: On the basis of the Wrexham evidence and your general experience talking to colleagues around Wales, would you say that the general pressures arising from the demographic change in indigenous population are still more important for your organisation than that created by migration?

Ms Targett: Yes, certainly what we would say as an organisation is that there is an enormous amount of unmet need for advice across Wales, and that is demonstrated in all sorts of research including if you look at employment discrimination research, the research done in Bangor University and updated this year. Actually what there is is a lack of advice. What we are finding is there are particular pressures that come from a change in the demographics in terms of migrant workers; that we just need to reflect on the sort of service we offer to that particular part of our community.

Q1324 Mr Crabb: One change we have noticed in the Citizens Advice Bureaux in Pembrokeshire where I represent is there is now a Polish volunteer working with the team.

Ms Targett: In our evidence we give you some suggestions of some good practice that is out there which is about bringing part of the migrant community not just into volunteering as advisers but also onto Trustee Boards; because one of the things we try to do as an organisation is reflect our whole community, and obviously these people are part of our community. In delivering services I do not think it is ideal but some of the ways of overcoming some of the problems of translation, of communication, is actually to bring somebody from that community into our organisation. Alun and I were discussing it before we came in, in Welsh it is not an issue—if only we were dealing with people in Welsh—but “Citizen” as part of our title for some of these people clearly appears to identify us not as a voluntary organisation. I think we have to try and reach out more strongly because of that.

Q1325 Mr Crabb: You note in your memorandum that the increase in demand for CAB services by migrant workers is particularly acute in rural areas. Could you expand on this and outline any other challenges facing CAB resources in rural and urban Wales respectively?

Ms Targett: I think in general, although this is not completely true, the biggest response we have had from our bureaux in terms of evidence of difficulties has come from the parts of Wales that are predominately rural. We are looking at evidence which includes Carmarthenshire, which I have already mentioned, Ynys Mon, parts of Wrexham, and I know Wrexham is not necessarily completely rural but parts of it clearly are, but also parts of mid-Wales. I think in terms of those places we are also seeing changes in places like Caerphilly and the Vale of Glamorgan, and parts of Newport are raising issues with us now. Initially certainly most of the enquiries, and most of the poor practice which is reported to us, has come from those rural areas and I think that is a lot to do with the sorts of industries that we are dealing with and the sorts of employers that clearly most of these most difficult cases are about.

Q1326 Mr Crabb: Could you just expand on that very interesting point at the end there. What do you mean by “employers”? Give us some practical examples.

Ms Targett: Alun, do you want to pick up the practical examples?

Mr Gruffydd: The trend has been, initially from 2003, we saw a lot of employment agencies working on behalf of people in the meat and processing industries, and the construction industry providing and supplying the workforce. That is where the trend has been initially. We see now change in the small and medium-sized enterprises that have tendencies to exploit because of the workers’ lack of recognition of their rights and responsibilities; and also having registered in continuous employment for over 12 months. It is that relationship where there is an established long-term employment where we are seeing the problems coming through now.

Q1327 David Davies: Can you tell us how frequently and if there has been an increase in frequency in people coming to see you who have been the victims of poor employment practice, wage deductions or unfair dismissal etc?

Ms Targett: There has definitely been an increase in this from this part of our community. Our view is that in general those are absolute clear illegalities; so what we are seeing are examples of what I would call a “rogue employer”, rather than the contentious employment issue where a tribunal would say, “On the one hand this, and on the other hand that”. They are things like non-compliance with the law on supplying payslips.

Q1328 David Davies: Is that deliberate non-compliance, would you say? It is a judgment call. If it is a very flagrant breach of employment conditions then, it probably is deliberate.

Ms Targett: I cannot see any other reason for it. That is in the mind of the employer. It feels to me that in those sorts of cases, as you point out, it is so obvious that you just wonder how anybody could imagine that was a right thing to do.
Q1329 David Davies: Just explore this: the employers that you tend to find responsible for this, do they themselves not often come from outside of the country or have a background which is foreign to this country? Could that explain why some of them do not seem to feel they have to adhere to things like the minimum wage, employment regulations, health and safety etc?  
Ms Targett: That is not part of our evidence certainly.

Q1330 David Davies: These are indigenous British employers who are exploiting people?  
Ms Targett: Yes. I think both exploiting people and our view on this is that also is a problem, if you like, about undercutting the good employer. What you are then doing in the market, by treating these workers so badly, many of our workers are not willing for us to take their cases on, and that is where it becomes very difficult. Somebody who has had this sort of treatment but who fears the consequence of taking their case to a tribunal, for instance, or even taking their case up with their employer even though it is flagrant, means that it is very difficult to resolve.

Q1331 David Davies: Can you name any? Within this Committee there is no reason why you cannot name any. I think we should name and shame people who are doing this.  
Mr Gruffudd: We have one case against a particular agency Atlanticco, particularly supplying agency workers in the South-West. There is also the meat processing plants which have been associated with agencies such as the CSA around the Swansea and Carmarthenshire area. We do have specific industries and specific companies we have quite a prominent number of enquires around.

Q1332 David Davies: That is an agency called CSA which supplies workers to the meat industry?  
Mr Gruffudd: Yes.

Q1333 David Davies: You have talked about the Fair Employment Commission, is that what you think is one of the answers here?  
Ms Targett: We certainly do. There is this issue of, if you like, putting right something that is fundamentally wrong and expecting one individual to take their individual case, when actually what we want to do is proactively ensure that the law is enforced. I think a Fair Employment Commission is a way of saying, “This can be investigated”, without an individual having to put what is actually their already vulnerable position at risk; and you can put it right for more than one person. The danger of course with some of these employers is that somebody puts their case, takes it to an employment tribunal, perhaps wins their case and what happens: they lose their job; they get their compensation, but that is all; and all the other people who are affected are still in the same position.

Q1334 David Davies: Would it be fair to say that this practice is actually preventing indigenous British people from getting work, because they are priced out of the market? We are importing Third World labour and we are paying Third World labour prices, perhaps not quite but certainly not what we would expect in a First World country; so as a result of that British people end up staying on the dole for longer and we get a short-term gain and good profit for a few irresponsible companies who undercut everyone else, and they should be severely punished for it.  
Ms Targett: We do not have evidence that it makes that specific difference. I think we have to be careful about what we do have evidence for. Certainly in the discussion we were having, for instance, in the Wrexham area with the council there when we were in discussions with Councillor Aled Roberts the leader, his description to us was that this was an area actually with very, very low unemployment, where actually although they were facing some of these problems they did need to bring migrant workers into the area in order for the economy to continue to keep going. I would be unhappy about making broad sweeping statements about that.  
David Davies: I appreciate it is probably difficult for you, but you would be surprised at where support for what you are doing came from—from all sides of the political spectrum. Thank you.

Q1335 Albert Owen: A couple of points. Can we be clear, when you are talking about “employers” you are actually talking in the main about agencies with migrant workers?  
Ms Targett: It is both. In the early days we were talking about we were seeing more agencies but increasingly over time we are seeing individual employers a well.

Q1336 Albert Owen: Is the situation improving? The experience I had in my part of Wales was that the agents were actually the problem in many cases; and the relationship between the agent and the migrant worker was very problematic, and sometimes the employer did not even know about it; so now the employers are actually taking on the employment issues themselves. Is that a fair description?  
Ms Targett: We have not seen an improvement yet. Certainly we do think that one of the potential problems, especially with the smaller employers—this is not just about migrant workers, because a lot of these issues are beyond migrant worker employment issues; these are employment issues for all sorts of people—we do think there are employers in Wales who actually do need support and advice. We have got a couple of examples where we have had some funding to allow two of our bureaux, one in South Wales in Newport and one in North Wales in Flintshire, to do some proactive work with employers, to actually help employers know what the law is and how they can actually comply and how they can improve their practice. I think there is actually some work to do around helping employers to get it right, but I do not think we are there yet.

Q1337 Albert Owen: You mentioned and Mr Davies raised it with you with regard to the Fair Employment Commission, can you tell us how this body would work in your opinion? Would it be the
first port of call for the migrant worker who feels his rights have been destroyed or impinged on and would go to the Commission; or would you see it as a body that would take evidence from employers and employees?

**Ms Targett:** I think we would see it as a body which would actually work proactively to ensure that employers and the state of employment in general actually operated fairly; and that obviously includes both employers and employees.

**Q1338 Albert Owen:** You do not think ACAS at this moment is taking on that role?

**Ms Targett:** ACAS have a very different role, and they certainly do not have an enforcement role. At the moment if you look at the enforcement there are a whole range of bodies who are responsible for that enforcement, some of it proactively but for a very small part of a particular industry and some of them, like the employment tribunals, in an advocacy way. We see this as a body which actually holds a duty to act proactively to make sure so they will have duties to do things like inspect, and they will be able to raise an inquiry. If somebody comes to them and says, “There are problems with this employer”, they would be able to both raise an inquiry and institute things like helping that employer to improve their practice. It is both enforcement and improving the situation.

**Q1339 Albert Owen:** You would see this Commission as giving advice to employers who were taking on migrant workers as well?

**Ms Targett:** I think part of their role when they find that poor practice would be to improve that practice. It is about taking it out of the punishment and into actually improving things across the board.

**Q1340 Hywel Williams:** Some of the problems I have had recently with migrant workers are actually to do with government relations, for example dealing with visas in Leeds. You have not referred at all to how the Government is actually responding to this issue.

Do you have any observations on that?

**Ms Targett:** We do have some evidence of problems around public service, if you like, and we certainly have at least a couple of examples where there has been a case brought to us around people actually being given poor advice through the Home Office which has led to them not registering in a particular way at a particular time, which has actually put their status at difficulty. I have to say in general most of the enquiries that come to us are not about somebody’s immigration status under these issues. The vast majority of the people we have been dealing with are from the EU—although there are a small number who are not—and so the issues are much more about the core work that we do and their impact on these people. Certainly we have come across occasions when poor advice from a public service has been forthcoming around, for instance, somebody’s entitlement to things like statutory sick pay, which of course they are entitled to when they are in work unless they have got their continuous 12 months employment not necessarily to other benefits. There are some issues around that sort of delivery in terms of public service.

**Q1341 Albert Owen:** If I could just come back to the balance between serving the indigenous clients that you have and the migrant workers, you say there are issues and you do not think it is sustainable. Is it a question of just resources, or are you talking about working with other bodies in the community to perhaps alleviate some of the problems before they come to you?

**Ms Targett:** I think one of the issues of sustainability is clearly about the service and its sustainability in any case—put aside the migrant worker issue—and the fact there is insufficient independent advice across Wales. Moving on from that, I do think certainly in the good examples we give you, many of those good examples in terms of delivering advice services to the migrant worker community (and we would continue to think this is a good way of doing it) are about working together with other organisations. Obviously from our perspective we have an expertise in delivery of in-depth advice across a whole range of issues, some of which are particularly interesting to this part of the community. Working with other organisations, what we can get is access to that part of the community and we do that not just in terms of migrant workers; bureaux do that with other parts of our wider community. I think it is a good way to actually work together, so some of the bureaux who are in our evidence, places like Carmarthen, Wrexham (which we have already talked about) and certainly Ynys Mon have actually worked together with organisations on the ground; and have brought that community both into the bureaux and have worked with the communities.

**Q1342 Albert Owen:** An important part of your work is actually signposting. If somebody came in and had an employment issue would not one of those ports of call be back to the trade unions? If the trade unions were organising in the workplace then that would certainly help the migrant workers when they arrived?

**Ms Targett:** As a trade unionist I would say, yes, but the vast majority of the people we are talking about here are not members of trade unions, although one of our pieces of advice around employment matters would be to talk to them about whether or not they were in a trade union and discussion about that; if somebody is not in a union then actually what we do is deliver the advice. If you look at the research that was done in Bangor University around discrimination advice, and that is about employment advice of course, actually there was a dearth of good discrimination advice both from ourselves, other independent advice agencies and trade unions across Wales. There is actually a bit of a gap there.

**Q1343 Albert Owen:** If I could just move on to where you state in your memorandum about promoting community cohesion and reducing race crime, what
do you perceive to be the biggest barriers to community cohesion? What are you doing with other bodies? I understand from your organisation that if somebody came in and had a police problem you would just say, “Go and see the police” basically. That would be the advice, but are you sitting with the police at a certain level, and are you bringing forward, collating your social policies to try and help the police and work with the police?  
**Ms Targett:** We are and we do. If you look at some of the things that are being done, for instance I just use the example of Carmarthenshire because they are working very closely with police authorities, fire authorities and others, to actually do some really good proactive work around this area. Yes, we do; and we do assist people if they have a problem, for instance, with the police; but of course community cohesion is more than that. What we do also have evidence of is some issues coming forward from clients who are raising the issue of whether or not local jobs are being taken away by people. That is something we have to start thinking about, and there has been some very good joint work done by local CABs with local agencies to do this myth-busting sort of thing. I described our discussions with Aled Roberts in Wrexham and Wrexham is a place where they have done quite a lot of work locally around pulling together the realities and the truths around some of the need for migrant workers to be coming in and why that is benefitting the local community.

We are trying to be proactive with our partners on this, and certainly in North Wales we are working with North Wales Race Equality Network and there has been some joint work done in Conwy between NWREN and the local Bureau in delivering advice services through the network.

**Q1344 Albert Owen:** Just one final point, Chairman, on the issue of translation. It is a big issue for certain organisations and I am sure it impinges on yourself, and we just had an example from Mr Crabb where you have turned that around and a migrant coming in has been of help to you. Is that something you are proactively encouraging, to get more people from the migrant communities to join your Citizens Advice Bureaux?  
**Ms Targett:** Bureaux are, in the same way as we are with other parts of the community. However, I think to purely rely on that would be very difficult and potentially leave a few gaps. I do think not just for ourselves but for public service in general there is a real need to look at how translation facilities are provided. For bureaux who have not got somebody local who can do the translation we do provide a translation process through Language Line but that is not ideal.

**Q1345 Albert Owen:** So you have to buy in the resource?  
**Ms Targett:** We have to buy that in, and that is a cost. There are occasions when clearly that cost is a significant one if somebody has a very complex case and you have actually got to try and get to the bottom of that in a number of interviews.
bureaux, but we are aware that the police service in Carmarthenshire is teaching some of its officers to speak some Polish because of their need to communicate. The fire service has actually recruited some Polish fire service personnel. The sorts of things we are facing are being faced elsewhere. Just working with those people is actually very important in terms of delivering a reasonable service.

Q1350 Mr David Jones: Are you able to access adequate legal specialist support services because a lot of the issues you are concerned with are quite complex legal matters?

Ms Targett: The issues that we are talking about here are all issues which bureaux deal with on a daily basis. We have a number of bureaux across Wales who are competent at casework level under the Legal Service Commission’s Quality Mark to actually deal with these particular subjects. A number of them we would actually deal with in-house in general. We also provide specialist support backup to both our volunteers and paid workers so that where a matter is more complex than the initial competence of that adviser then we can provide in-house specialist support. I think that is actually quite important because there are the issues of getting to the community and communicating with that particular community and those individuals and making sure that the advice that is given to them is accurate and of high quality. We think those are actually things that have to be brought together. So setting up some sort of new agency that has the language skills but perhaps has not got the advice skills is not an answer, but neither is it an answer just to have the advice skills but not actually to have a lead in to that particular community.

Q1351 Nia Griffith: We have mentioned workers’ rights a number of times and in your memorandum you make the very good point that it is very easy for workers’ rights not to be enforced because there are a number of statutory agencies and nobody seems to know quite whose responsibility it is. What is the solution? How do you propose that the gaps in the enforcement should be addressed? To what extent do you think it is really an issue of structure as opposed to resource?

Ms Targett: I think it is probably a mix of both. We have been lobbying, not just in terms of migrant workers but in terms of employment law in general, for a Fair Employment Commission for some years. You may all have been lobbied by us on the matter. It is about actually making sure that where somebody has had their employment rights in particular, infringed there is redress through that. There are two things to say about rights. We talk as an organisation about rights and responsibilities and we deal with both. If we are talking about rights, there is very little point in somebody having a right unless, first of all, they know that right exists. That is part of the function that we have but it must also be part of the function of the general public information. Secondly, if you know that right exists, you must be able to robustly redress where that right is infringed and that is where, for instance, the Fair Employment Commission comes in, but also from our perspective, adequate advice and representation on those issues. There does need to be an adequacy of assistance for people to make sure that they can access those rights.

Q1352 Nia Griffith: You have touched very briefly on the role of the trade unions. To what extent do you feel that the trade unions are actually taking these issues up effectively?

Ms Targett: Our experience in Wales has been that they are. We work quite closely with TUC Wales. We are jointly members of the Equalities and Employment Rights Network Wales, which I actually chair, where we have worked quite closely over a number of years talking about, in particular, the transfer of expertise both to trade unions and trade union members and to CABs in terms of people’s employment, knowledge and understanding. We certainly see it as a place where we would expect to work very closely where that is possible.

Q1353 Hywel Williams: You talked earlier on about an employment advice network across Wales. I did not know if you felt you had had enough opportunity to describe it in sufficient detail. If you have anything else to add I would be very interested to hear it. How would that impact on the CAB’s role itself? We want to avoid complexity on the whole if possible.

Ms Targett: In terms of our network, the Equality and Employment Rights Network Wales is a group of organisations. Some of us are advice providers. It was set up under the old commissions, the old CRE, EOC and DRC and of course we now have the Equalities and Human Rights Commission. A number of private practice solicitors were members, trade unions were members and a number of race equality councils. It was actually a grouping of people who were interested in ensuring that people’s employment rights were recognised in terms of equalities and particularly in terms of discrimination and the difficulties in accessing those rights were recognised. Over that period the network has lobbied both the Assembly and the commissions around sufficient resources to ensure that there is sustainable employment advice across Wales. We have had some small successes. We also have lobbied around the need for the really good transfer of expertise so that the quality of that advice is as high as it possibly can be and again we have had some successes on that. We are currently back in negotiations with the new commission and we will continue to be lobbying the Assembly under its equality duty around the provision of employment advice. One of the things that we are doing as a network is looking at the need for centres of expertise in Wales around employment provision mainly because it is not funded at the moment anywhere because the Legal Services Commission funding on legal employment rights in general does not cover these types of cases.
Q1354 Hywel Williams: Would you accept that this is a particular problem in some rural areas? You will know that the nearest employment advice in terms of legal work in our areas is in Wrexham. Many people regularly go to Wrexham.

Ms Targett: And, of course, in bureaux terms, in Flintshire where we have a contract with the old DRC and now with the Equalities and Human Rights Commission to deliver some employment rights advice there. Yes, it is sparse. The network itself put together a proposal for six hubs across Wales which does not bring it necessarily territorially close geographically to everywhere in Wales but is an improvement on what we have at the moment in the bureaux service, which is a centre of expertise in Newport and one in Flintshire. We would at least move on from that.

Q1355 Chairman: The migrant workers that come to you, would they come to you off the street as individuals or would there be a pattern of referral, say some other organisation that would refer them like the Catholic Church or a trade union?

Ms Targett: I think our understanding from the bureaux is that it is a mix. Some of the referrals come from local organisations who are already dealing within that community and some come as individuals off the street. I guess, as with many other things, one person gets a piece of advice that they think has been helpful to them and they pass the word on to someone and in a way that builds the profile of the organisation in terms of the community trust. It does become a matter of trust and I think that is actually quite an important issue, that what we have to do in terms of building services to any community, including this community, to build the trust of that community and the services delivered.

Q1356 Chairman: Is there anything else you wish to add today?

Ms Targett: I think we have probably covered in your questions most of what we wanted to.

Chairman: May I thank you for your evidence today and thank you again for the written evidence which we found particularly helpful, especially the case studies that you provided.

Witnesses: Mrs Chris O’Meara, Chair, Mr Peter Evans, Policy and Information Officer, and Ms Sioned Hughes, Development Manager, Community Housing Cymru, gave evidence.

Q1357 Chairman: Good afternoon and welcome to the Welsh Affairs Committee. Could you introduce yourselves for the record, please?

Mrs O’Meara: I am Chris O’Meara, Chair of Community Housing Cymru. On my left is Sioned Hughes who is the Development Manager and on my right is Peter Evans who is the Policy and Information Officer.

Q1358 Chairman: Thank you. Thank you for the memorandum you sent us which was very helpful in our preparations. You note in your memorandum “a more interconnected global economy” and within that you talk about considerably increased movements of population and the pressure this has on public services, particularly housing. Could you elaborate on that? What are the practical implications of this movement of population for you and your member organisations?

Mrs O’Meara: The practical implication of the movements in the economy I guess are the squeezing on the supply of affordable housing for rent essentially with the groups that we are currently talking about. Since the mid-1990s there has been a significant decrease in investment in new social housing for rent. In the mid-1990s housing associations were producing 5,000 homes for rent a year. The current investment programme in Wales is delivering just over 1,000. That has been happening at a time when local authorities have lost a third of their stock through the right-to-buy and there are a range of other competing pressures on the affordable stock that is left. These include, for example, the growth in universities and university students looking for somewhere to live. Many universities provide their own accommodation, but even more prevalent are students in private rented accommodation living close to universities. That squeezes out many families who would live locally in the areas where our members work and prevents them from being able to rent in the private sector. We have seen the huge hike in house and land prices which again mean many people look to housing associations to provide homes for rent that previously would have gone into owner occupation.

It is a combination of circumstances which include a lack of investment, a decrease in what is available through the right-to-buy and competing pressures from a range of areas. Globalisation obviously adds to that both in terms of economic migrants looking for somewhere to live and who currently would have very little chance of securing a housing association property. Refugees is an increasing issue, particularly after last year when there was a push to decrease the number of outstanding applications from asylum seekers with numbers being granted leave to remain, which then meant they ended up as homeless, being accepted by local authorities and they went to the top of the housing queues. That implication was only in the four areas where in fact asylum seekers are dispersed. I know from my day job in Cardiff that there are currently 160 families who were asylum seekers and who were granted leave to remain and who effectively have gone to the top of the housing queue.

Q1359 Chairman: We have recently read a report by the Welsh Consumer Council on the provision of public services for migrant workers and access to those public services. In that report there is reference to the rules regulating migrants’ access to social housing as being “complex and easily
misinterpreted” and that there is an urgent need for central guidance on housing legislation for both local authority housing and social housing and for that guidance to be given to officers and housing associations. Do you agree with that interpretation by the Welsh Consumer Council?

Mrs O’Meara: I am sure if the Welsh Consumer Council identified a need for that then they are correct, but actually it does not matter how clear the guidance would be, there is very little social housing available for anybody. That is a much, much bigger issue.

Q1360 Albert Owen: In your opening remarks you highlighted some of the problems and in your memorandum you describe pressure on the provision of housing in Wales as “acute”. You mentioned some major factors such as high homelessness, long waiting lists and few affordable homes, but in what section of the population is the demand most acute? Are we talking about certain sections or are we talking about demand per se?

Mrs O’Meara: Housing associations traditionally have housed those in the greatest housing need, those least likely to be able to secure affordable housing solutions. So traditionally we have worked predominantly for those on benefit. As those in slightly better circumstances are being squeezed out of owner occupation and the private rented sector they are looking to housing associations to address their needs. One of the things the sector is looking at to try and address those issues is the use of greater borrowing against the assets that we currently own. What is preventing us currently from doing that is the regulatory framework in which we work in Wales and in which housing associations operate. Jocelyn Davis, the Deputy Minister for Housing, has recently announced a review of housing associations which is something that we have been pushing for over the last 12 months and which we hope will help. Whatever equity we can “sweat”, which is the term that is currently used, it is a drop in the ocean given the lack of supply that has built up over the last 15 years.

Q1361 Albert Owen: So there is a lack of affordable homes and high homelessness. Does that impact on a particular group of people? Are we talking about normal first time buyers who would go after a private house now adding to the social housing? Are the migrant workers moving in to areas thus compounding the problem?

Mrs O’Meara: Absolutely. It is a combination. There is a housing supply. If there is more pressure in one area than another then inevitably that pressure moves those who would otherwise be housed looking to the social rented sector.

Q1362 Albert Owen: And very few of these migrant workers moving in are purchasing properties, they are making it onto the social housing lists?

Mrs O’Meara: One of the problems is that none of this is quantified. We have a rough idea in terms of refugees. Certainly in terms of economic migrants that is one of the problems. You hear lots of horror stories but it is not measured so it is difficult to suggest a solution because we are not clear enough about what the problem is.

Q1363 Albert Owen: That is interesting because your memorandum says you are involved in a number of partnerships with local authorities and credit unions and the Welsh Assembly Government. Surely you should all be sitting down and determining what the problems are and how you are going to deal with them. That should be the primary role of the partnership. What are the barriers that are preventing that? Migration did not start yesterday. As the economy has been growing we have seen more and more migrants coming in. Why have these partnerships not established this and quantified the problem?

Mrs O’Meara: I guess, like anything else, you concentrate on the priorities. What has been the biggest housing priority in Wales, identified by both the Assembly Government and local authorities through WLGA, is homelessness. You are right, there has been a long traditional period of immigration, but it is only in the last few months that it has come to the fore and it is now the big issue.

Q1364 Albert Owen: Has homelessness got that bad in that short period we are talking about? When we are calculating the problem there has always been this “hidden” homelessness, as was referred to. I still do not understand why it has taken so long to establish the facts. You know how many people are residing in an area. You know how many employees have been taken on. Why are the local authorities not better at planning for this?

Mrs O’Meara: I guess it is because it is a complex problem and if there was an easy answer we would know. We do work very closely with local authorities. We do all keep waiting lists. Economic migrancy is something that is just beginning to pop up, although my understanding is—and it is not quantified—that most economic migrants are housed in the private sector and nobody counts and so you get the “hot-bedding” issues that are currently being talked about in Wrexham and in Llanelli where you have got very severe overcrowding for temporary workers who are coming in to do a specific job.

Q1365 Albert Owen: Are the planning regimes in many local authorities not part of the problem?

Mrs O’Meara: Yes, but it is not the only problem. The lack of investment is enormous. The Assembly are talking now about suspending the right-to-buy in hotspots, but in a sense that is bolting the stable door after the horse has bolted. The extension of the eligibility criteria and the reduction in discount combined with high house prices means nobody can afford to exercise the right-to-buy and the numbers being lost are reduced significantly anyway.

Q1366 Nia Griffith: Obviously you have touched upon this business of the quality of housing that people find themselves in, in particular the “hot-bedding” or “bed hopping” and the overcrowding.
Can you tell us a little bit more about the situation? At the end of the day who do you see as responsible for addressing the situation?

Mrs O’Meara: I would love to speak more about it, but the reality is that I do not know an awful lot about it because it is something that is literally coming to the fore now and what we hear is very anecdotal.

Q1367 Nia Griffith: For example, houses in multiple occupation are usually termed to be five-bedroom houses and people can get away in smaller houses with all sorts of things because they do not have to register as such. Is that an issue that needs to be looked at, this issue of what we defined as a house in multiple occupation and what sort of powers the local authority has to deal with them?

Mrs O’Meara: I guess so. An issue in Wrexham that came up through an Assembly member last week in discussions about our work was where they had identified a three-bedroom house with 18 people staying in it all paying £80 a week. That was anecdotal.

Q1368 Nia Griffith: If it is true, it is falling below the sort of size of house that would normally be looked at, is it not?

Mrs O’Meara: Yes.

Q1369 Nia Griffith: That is the issue, it is how we can bring those to light. You are saying at the moment there is no systematic way of doing so, that it is a matter of them perhaps being brought to light by somebody making a comment to somebody else and then someone can investigate. Do you think the tools are there to investigate?

Mrs O’Meara: No, I am sure they are not.

Q1370 Nia Griffith: We have not got sufficient legislation. If, as you mentioned in the run up to the Assembly election, there should be some sort of organisation that perhaps looks into this, what would you see that organisation doing? How would it function and how would it be different from organisations that might be doing that type of work at present?

Mrs O’Meara: I see little point in just having organisations for organisations’ sake. Local authorities have a strategic housing role across the board. It would make sense to me for the WLGA to have that role rather than invent another organisation in the partnership.

Q1371 Nia Griffith: Do you think that the local authority could deal with the whole issue of asylum seekers and refugees and migrant workers and general housing problems?

Mrs O’Meara: Somebody has to have responsibility for assessing what the needs are and at the moment nobody seems to have that responsibility, certainly not for economic migrants. The Wales Refugee Council currently exists for refugees and estimates there are 10,000 in Wales. There is an organisation there that does work and highlights what the issues are. The WLGA is what I would have said. The need needs to be clarified and the issues clarified and then it would make sense to work with housing associations through local authorities as strategic partners. At Community Housing Cymru one of the things we have been very conscious of doing in the last few years is strengthening relationships with local authorities to make sure that we are responding to the local needs in the area.

Q1372 Nia Griffith: You also mentioned trying to make appropriate provision for specific religious needs. Do you feel enough work is being done in that sphere and if not, what more would you like to see done?

Mrs O’Meara: Four or five years ago the Assembly got quite tough with housing associations and local authorities on BME strategies, which should be diversity strategies, to make sure that we were thinking about diversity in the provision of housing and a lot has been done through our members on a range of issues, whether it is disability, race or religion, but it is all being done with the local authority with whom the housing association is working and responding to specific needs. There is always more that could be done, but there is a history of a sensible analysis of need, the prioritisation of need and resources being used to meet those needs. There are also things that we can do as housing associations in terms of our current practices in managing the stock we have got, not just in building the new. There has been a lot of evidence of associations responding in the communities they work with a range of needs, looking at issues, for example, of community cohesion, education, training and religious tolerance. The groundwork is there and being built on. It is probably not enough, but there is a good understanding of the issues.

Q1373 Mr David Jones: You note in paragraph 3 of your memorandum that “Globalisation has increased the number of migrant workers in Wales and this has created new challenges as well as adding to long established issues.” Could you expand a bit on the long-established issues that you are referring to and also the challenges you refer to, please?

Mrs O’Meara: In a way they are the issues along the spectrum, ie what has happened and looking forward. I think what we were trying to get at were the community cohesion issues where you have got a rationed resource. We see in the press every day ethnic minorities being blamed for a range of issues because often there is a lack of clarity about what is actually happening on the ground. There is a supply issue in terms of what is available, there is the resource issue in terms of who gets what and there is the community cohesion issue in terms of us making sure that when we respond to a range of needs we do it in a way which does not just put a roof over people’s heads, rather we work with the individuals that we house to meet the range of needs they have got, whether that is plugging them into other organisations that can respond to the needs they have got, eg the Wales Refugee Centre, whether that
is working with outreach services in terms of social exclusion or whether it is working with employment services in terms of training and capacity building.

Mr Evans: I think I should just come in there, if I may, because I was responsible for the wording of that paragraph. What I should have said was new challenges and opportunities. As Chris has said, with the long-established issues a lot of it comes down to supply. On opportunities, I know a lot of our CHC members have taken on a lot of work in this field in terms of, for example, events incorporating the whole community, following the BME strategy. It is the opportunities side of it and the fact that we are more than bricks and mortar that really needs to be emphasised here. Challenges often do not come without opportunities and globalisation and the increased number of migrant workers in an area are being addressed by our members.

Q1374 Mr David Jones: So really the new challenges are an extension of the current challenges that exist, effectively, is that right?

Mr Evans: That is correct, yes.

Q1375 Mr David Jones: In paragraph 4 of your memorandum you refer to the movement of companies into and out of Wales and indicate that these will have an impact on housing demand in particular areas and you give examples of movements of companies. What arrangements do you and your member organisations have in place to foresee such movements, to monitor them and to enable you to react to these fluctuations?

Mrs O’Meara: We do not specifically other than working closely with local authorities. I guess something we have to emphasise through all of this is that local authorities are the strategic housing bodies, they are responsible for the assessment of needs and we work very closely with them, as broadly as we can. Local authorities are responsible for providing local housing market assessments, not just council housing and house association housing. They are the ones that have got fingers on the pulse in terms of what is happening.

Q1376 Mr David Jones: And they keep you in the loop?

Mrs O’Meara: It is very important that we work closely together.

Q1377 Mr David Jones: You have referred on several occasions throughout the memorandum to the skills and training support provided for residents by Welsh housing associations. Could you give the Committee further details as to the demographics of those to whom you provide such training and expand on the obstacles and opportunities that you face?

Mrs O’Meara: The skills issue for us relates to housing associations investing in local communities and using the investments that we make to build capacity and supply. One of the big issues and opportunities for Wales is the Welsh Housing Quality Standard, which is stock owned by local authorities and housing associations being brought up to the Welsh Housing Quality Standard. We are forecasting from now up until 2012 an investment of £3.5 billion. That requires construction skills but also a much broader range of skills. The housing associations are involved in a range of initiatives and frameworks to ensure that we grow the local labour and that we work with tenants who are not currently employable to build capacity and to encourage them into jobs.

Q1378 Mr David Jones: Presumably the demographic aspect in terms of immigration is going to add an extra dimension to this challenge.

Mrs O’Meara: In terms of young people and skills? We have not even touched the radar in terms of skills of migrant workers. Our role to date has been about the capacity of our tenants and those traditionally living in communities. The issue of economic migrancy has surprised all of us and it is something that we have not got up to speed on yet, although it is clearly an issue where we are going to have to.

Q1379 Mr David Jones: What instigated your involvement in providing education and training to residents? Do you think that this is part of your core remit?

Mrs O’Meara: No, it is not, but we are in a unique position in terms of the investment that we have got and the skills that we have got. One of the things Welsh housing associations are very keen on doing is involving tenants. Compared to England the Welsh housing association is very small. Tenant involvement is a significant part of our work and we build trust with local people. Sometimes the trust is not there for the public sector institutions that traditionally provided services. It is not core business but it is about the way we do business. In my own association, for example, we have a training room for tenants and we provide IT training and skills training along with a range of other things, parenting, health and safety, because tenants are involved and they trust us and they come in and they will do courses and we give them encouragement and confidence. We have had some notable successes albeit on a small scale, but we are only one example of getting people ready to face the work environment.

Q1380 Mr David Jones: Might this not be regarded as going beyond your central remit of providing housing?

Mrs O’Meara: I think we decided a long time ago that if we just provided housing we would put roofs over people’s heads but we would not do much for the community and many of the people we house have lots of other needs. We have limited resources and our core business is bricks and mortar. We have all seen examples of millions of pounds worth of regeneration that has not turned any areas around. So if we work with the residents involved and use what resources we have to increase capacity and training and get people involved, eg staff reading schemes with local families, we can make a bit of a difference.
Mr Evans: I think it is about creating vibrant social enterprises in communities. That is key to what our message has been and has to be from now on. Like Chris says, it is more than bricks and mortar. We can bang on about this ad nauseam, but creating vibrant social enterprises, especially in a country such as Wales with a lot of rural isolated areas but also a lot of vibrant urban areas and having this diversity and also citizen focused opportunities for people and communities to be social enterprises, to be sustainable, is the way it has got to go.

Q1381 Hywel Williams: You have outlined the demand for housing in rural areas as being a major area of concern for you. To what extent has the problem been addressed and with what degree of urgency?

Mr Evans: To be honest, I am not sure it is possible to have reacted urgently enough. I am sure you are aware of the issues. The average house price in rural Wales is £180,000. The social housing percentage is about 12 or 14% of housing in the areas. We have rapid price inflation. The problems and the issues go on and on and on. For our part, our members have been involved in the first rural housing enablers in Wales, the pilot project where four enablers were set up. These have created results in Dyffryn Ardudwy in Gwynedd, a Tai Eryri partnership with the community council and the county council. This is one area that needs addressing and funding in the future. As you said, the problems are very acute. It is on the radar, but hopefully in the future there will be increased funding because the number of second homes in rural areas are only exacerbating the problems in some cases. It is on the radar, but time will tell whether it is being dealt with rapidly enough.

Q1382 Mr David Jones: To what extent is the planning system a hindrance in the rural areas? Do you find that the planning system is sufficiently flexible or do you find it amounts to an impediment to development in the rural areas?

Mr Evans: There have been planning issues with regard to the size of developments. In a lot of cases it has been very difficult to get a number of affordable housing percentages or quotas on developments purely because of the size of them. The size of developments also creates larger expense and negates efficiency savings that would be possible on a 400 house development in Cardiff as opposed to a development in Talybont, Ceredigion. I would say the planning system certainly is one area where we have been looking at opportunities in terms of devolved planning regulations.

Ms Hughes: Certainly there are some areas of the planning system that could encourage more flexibility, that would allow development and be able to look at every case on its individual basis—certainly in the more rural areas. However, I think there are also tools that are not capitalised upon; the Section 106 agreements, for example. You have disparities amongst local authorities. In Cardiff, for example, 25% (looking to increase it to 30%) is affordable housing in any development of over 45 units, or whatever. We are looking, currently, now to provide guidance. The Assembly, I know, is looking to provide guidance for local authorities to look at including affordable housing through the Section 106 clauses, and I think certainly that is an area that we would want to look at. Of course, it is not just houses to rent, it is the home-buying schemes that are available to us. As a sector we would look to maximise what exists currently but, also, to change a few things.

Q1383 Mr David Jones: I am glad you mentioned Section 106 obligations because I was going to ask you about that. It does seem to me, and seems to have been for a long time, that local planning authorities could be a lot more creative in the way that they use Section 106 obligations, but they appear not to be. Would you think that is fair comment?

Ms Hughes: I think that is fair comment, and it is true that some do maximise, make the best use of, Section 106, and others do not. I really think that with the acuteness of supply of housing as it is now it is a requirement that we can work in partnership, possibly, with local authorities. It can work both ways; in terms of organisations such as ourselves, maybe, not really thinking about what we can actually ask, and as we are growing the partnerships between local authorities and the housing strategy as that strengthens that is something we will have to capitalise on in the future, and not look back and look at it as a missed opportunity.

Mrs O’Meara: The mechanisms are less important than the political will to do something. I think that has been evidenced throughout with local authorities, and where you have acute housing needs and a local authority who accepts they have to deal with it you get very strong use of Section 106s, but where housing is low down the political agenda there is always a reason why you cannot do it. So I think it is less about the mechanism and the need to provide more guidance and more about, perhaps, leaning on a few to use what is there.

Q1384 Hywel Williams: Can I go back to the 106 issue, in terms of migrant workers? If there is a large extension of use of Section 106 agreements do you think that would have any, dare I say it, discriminatory effect in respect of migrant workers who might not be seen as being local?

Mrs O’Meara: It depends on the policies of the local authorities.

Q1385 Hywel Williams: What is “local”?

Mrs O’Meara: Again—and I sound like a broken record, really—the issue is supply. You can house anybody you like providing you have got the houses available, but when you are rationing something that is in very short supply it is not only migrant workers who are not getting access to social housing.

Q1386 Hywel Williams: Can I, therefore, ask you about the effect of inward and outward migration? Can you quantify the extent to which migration is
exacerbating or improving the imbalance in housing between rural and urban areas? What is the effect of inward and outward migration?

**Mrs O’Meara:** I do not think we know. Most of the affordable housing that has been provided in rural areas has actually been provided in the urban centres of the rural areas, if you see what I mean; there is very little being provided in villages. However, I guess the work is in the urban—that is not quite true because there is agricultural work from it—but it has not been quantified. Again, it is very difficult to measure because it is one of these things that seem to have charged up when nobody was looking, and we are all now thinking we have got this big problem.

**Q1387 Hywel Williams:** There has been a perception for many years that migration from other parts of the UK is negatively impacting on rural areas. Can you quantify that at all? There are datasets available from the Census, for example, telling you how many people move from one area of the country to another. Is there any way that the inward migration from other areas in the UK, the effect of that on housing provision and prices, could be quantified at all, especially in rural areas?

**Mr Evans:** I certainly take that point. Whether I would use the word “positive” or “negative”—I do not think I would. I was trying to think of it in my mind as a pyramid, where you have got rural, urban, say, in Wales and then, as you said, people coming in from, perhaps, different parts of the UK, maybe purchasing second homes. A lot of the time, I would say, the communities in these rural areas will suffer, maybe in terms of language in some ways, for instance, in my experience, moving from rural Ceredigion to Cardiff, but then it is quite obvious from reading the press that the number of second homes in Ceredigion has increased off the wall. So I would not like to say “positive” or “negative”. I think a lot of communities in rural Wales will change and have changed, but using the word “positive” or “negative”—

**Mrs O’Meara:** Would it help if we got you some figures? We have not got any to hand but if it would help we will find you some.33

**Q1388 Chairman:** That would be very helpful. Could I end with a series of questions about community relations? Your paper makes great play of this and you use a phrase “housing can unite communities”. Could you elaborate a little on what you mean by that?

**Mrs O’Meara:** I guess I refer back to the point I made earlier about using the resources we have got, recognising the needs of the communities in which we work. One of the things every housing association was required to do by the Assembly was to come up with an impact assessment so that it could ensure that its governance arrangements, its staffing complements and the services and homes it provided impacted equally on different sections of the population in the area in which they worked. So my experience, again, is in Cardiff, where 10% of the population comes from an ethnic minority background, for example. What we have been looking to do with the organisation and now achieved—and we are no different from anybody else—is, broadly, governance arrangements where ethnic minority members are represented in those proportions; staff base, which represents the proportions, and those being allocated homes and being provided with services are proportionate. Working in that way reduces very much the opportunity for people to make mischief in terms of benefits that any one minority may be perceived to be getting. We have the evidence, we can demonstrate what we can do very overtly, we can identify the gaps and we can work with other partners to reduce the gaps. So where there are issues we know what they are and we can overcome them.

**Q1389 Chairman:** Presumably, that is what you mean by fair and structured allocation of homes?

**Mrs O’Meara:** Yes.

**Q1390 Chairman:** Presumably, one of the biggest barriers, obstacles, you have is the media and the way in which you state that housing and immigration is often a flashpoint in the media with anti-immigration arguments, often citing the supposed domination of housing lists by migrant families. Is the way in which it is portrayed the main problem that you have? Or are there other problems?

**Mrs O’Meara:** I do not think it is the main problem but I think it is something that we consider has a potential. If we know what the makeup of our tenants is in any community then what we need to do is to be proactive in arranging events and providing information which demonstrates the equity of what we do and the value of diversity to the communities.

**Q1391 Chairman:** How do you go about communicating that then? You say “events”, what exactly do you do?

**Mrs O’Meara:** A range of things. We will provide translation services on request—for example we work with Language Line—and we work with different ethnic minority service providers in the communities that we work. In terms of the services we provide, in our organisation we have got a hostel that will have a ha’alal kitchen because in Cardiff there is no ha’alal kitchen provision for homeless families who want that arrangement. That is one small example. Contributing to multicultural events—as housing associations we are proud of what we do, we work with the diverse communities, whatever your background. If we had more homes we would house everybody but, actually, we are fair in terms of what we do. So, again, it is being connected to the area, working with other local providers, service providers, knowing and being very clear about who we house and how we represent the community, and making sure, really, that if there are issues, for example, of racial harassment there are very clear, proactive policies about how issues...
are nipped in the bud. We work very closely with local authorities and the police, for example, on those issues.

Q1392 Chairman: Implicit and explicit in your answers in the last few minutes is the way in which you work in partnership. Are there any other strategies that you use? Are there any other tools that you use in order to explain this, not just in a local sense, but in a global sense? I presume you see this as a global challenge as well as a local challenge. Ms Hughes: I was going to say I think there is also a general misunderstanding about the sector of housing associations. We are currently running a PR campaign that gives simple messages about what housing associations are all about, and that is on an all-Wales level. That, again, is just getting people to understand what the sector is about and the services we provide, and the fact that we are core to the local communities. So I think we have a different level of trying to pass on the messages. Of course, we have seen, also, in areas where the topic of stock transfer is not always agreeable to some people on a political level, we are faced with misinformation about what we do and what we provide. Therefore, we try and work with our members at those local levels to try and overcome the misrepresentation of ourselves as organisations. As well as the positive relationships it is overcoming the misinformation as well that we have to do.

Mrs O’Meara: To answer the question: “do we do anything globally?”—no.

Q1393 Chairman: I did not mean it in that sense; what I meant was you see it in a global as well as a local sense. Are there any issues which you feel we have not covered this afternoon? Thank you for your written memorandum and thank you for your answers this afternoon. You have already indicated that you will be providing us with some specific statistics, and you may feel, on reflection, that you wish to add further information that we may not have covered this afternoon. Thank you very much for your attendance.

Mrs O’Meara: Thank you.
Tuesday 13 November 2007

Members present

Dr Hywel Francis, in the Chair

Nia Griffith
Mrs Siân C James
Mr David Jones
Mark Williams

Witness: Mr Adam Jackson, Public Policy Director, Tesco, gave evidence.

Q1394 Chairman: Good morning and welcome to the Welsh Affairs Committee. For the record could you introduce yourself, please?

Mr Jackson: My name is Adam Jackson; I am Director of Public Policy at Tesco.

Q1395 Chairman: Thank you very much for your very comprehensive memorandum which we very much enjoyed reading. Could I begin by asking you a question which comes out of that memorandum? Quite rightly you make great play of sourcing Welsh products and supplying them to your Welsh stores, but I do not recall seeing anything in there about how many of your Welsh products you sell globally.

Mr Jackson: I am afraid we have started on a journey to really focus on the fresh fruit and vegetables. This is an inquiry about globalisation across the 13 countries in which you have stores.

Q1396 Mr David Jones: You are now very much an internationally operating company. To what extent do you regard it as part of your function as a business to promote British products in your overseas outlets?

Mr Jackson: I think the approach that we take across all our businesses is to provide value to customers. It is very much providing what our customers want or what will interest our customers. Primarily that means in each market we do a lot of research to establish just what the offer is that customers are looking for. We opened in the US this week after a number of years of extensive research and there I think our offer is very much based primarily on going into markets, going into areas that in some cases have been no-go areas for US retailers—particularly within inner cities—and then to really focus on the fresh fruit and vegetables. Having said that, I think we do promote British products in other markets. I know, for example, in Japan there is quite a high premium attached to some British products so that would be a market where we do specifically sell British produce. However, that will vary according to the different markets we are in.

Q1397 Mark Williams: I wish to explore again the relationship between Tesco and local suppliers. You referred to Rachel’s Organics—a business in my constituency, a key partner in Wales, a family run business—in your memorandum, despite its sale to the multi-national US company Horizon. How closely do you monitor businesses like that when you are looking for your suppliers? How much of an ongoing process is this? I am not denigrating in any shape or form Rachel’s business—it is a fine business and it has put Welsh produce very firmly on the map—but how closely are you monitoring Welsh suppliers generally, looking for other things in the future?

Mr Jackson: Do you mean in terms of the standards?

Q1398 Mark Williams: In terms of the initial approach to businesses, an on-going monitoring of standards.

Mr Jackson: Let me take you through the process of identifying suppliers and then how we pursue the relationship with them. I think finding new suppliers takes a number of different routes. Clearly we have suppliers who come to us; in the past we have had buyers in head office who traditionally have been in Cheshunt in Hertfordshire going out and looking for suppliers, obviously looking at the market, trade fairs et cetera. The real development in Tesco over the last year or so has been setting up local sourcing offices and we have just announced that we are setting up one in Wales. Mark Grant will be the Welsh buying manager; he will be based in Cardiff and takes up post in January (he is doing a bit of part time work at the moment before actually transferring). The approach that we have taken where we have set them up elsewhere is that we have a dedicated team in that market so we have a buying manager, we have a trading and technical manager and we have a marketing manager. We already have a very good marketing manager, Enfys Fox, in Wales who has done a lot of work in identifying Welsh produce and then marketing it in Wales. Their aim is to be much closer to the market and to find interesting, exciting, innovative new products. One of the ways we have been doing that is having roadshows. We have already had one at the Botanical Gardens in Llanarthne back in March of this year where we invited anyone with a product to come along and meet our buyers. We took the entire buying team from all the different categories down
to the Botanical Gardens, set up a roadshow type stall and we had at least a hundred people coming along with their produce.

Q1399 Mark Williams: What kind of produce are we talking about? Over and above the whisky and dairy products, what other products have you been looking at?

Mr Jackson: So far—this is actually over quite a long period of time—we have 600 Welsh products available in Welsh stores. That will include companies like Peter’s Pies with whom we have had a relationship for 18 years (they are based in Caerphilly and now employ 600 people); the Authentic Curry Company which specialises in Welsh curries, Welsh beef curry and Welsh lamb curry (that is specifically in south and west Wales). There is a company called Tregroes Waffles who started by producing waffles for a bonfire night party and actually they were introduced to Tesco by our store manager in Cardigan who introduced them to the buyers and we now sell ten thousand packs a year. It has gone from a one-man band to quite a big line within Welsh stores. We have South Caernarvon Creameries supplying us with cheese for ten years. We have already mentioned Penderyn. We then move onto things like milk and dairy where we have dedicated farmers through direct contracts both for our milk in store which is all Welsh and then our local choice milk which is from smaller, often family run farms who often would not have a contract with a big supermarket.

Q1400 Mark Williams: I can testify to the quality of the waffles! Could you just quantify how localist is the localist agenda? I wrote to the local Tesco in Cardigan asking about locally sourced milk with a constituency interest. None of that milk was actually sourced from within my constituency. There was a case some time ago where dairy products were being branded as local in the store in Bangor and yet their origins were in the Vale of Glamorgan. How in tune are Tesco in developing a real localist agenda to food production and retail?

Mr Jackson: What we do, I suppose, is constrained by what is operationally possible at the present time and where we have suppliers. Equally it also depends partly on consumer, customer attitude. To give you an example, the research we have done would show that in London people consider local as being anything that is British; if you take the south-west of England then people in Dorset expect produce to be from Dorset and it is very much the same in Cornwall. We see different approaches in different parts of the country. Partly it is matching against those expectations. We know in Wales at the moment we have been marketing on the basis of Wales—the whole of the country—and that is, I suppose, the starting position; we have a Welsh sourcing office. If you take milk we have now got dedicated suppliers (most of the suppliers are in Monmouthshire). What that gives us is a foundation to build on and I think that is the best way of looking at it. That is, if you like, the starting position. It means, for example, with milk in the New Year we will be moving from local choice milk that is sourced in the south of Wales but sold in the whole of Wales as local, to a north Wales local choice as well as a south Wales local choice. That is a trend to watch and is relevant in terms of globalisation: as the planet becomes smaller and we have more global markets then equally everything becomes more local as well. That is a trend that we have picked up on and I think it is something that is growing. We, as a customer focussed business, will follow that trend.

Q1401 Mark Williams: Do you detect a great enthusiasm from Tesco customers to have a much more enhanced localist agenda, over and above the whole of Wales?

Mr Jackson: Certainly we have had great enthusiasm for local produce as a general concept and I think people are keen to see as local as possible. For us there is a balance: if we find a really great product actually exposing it to as big a market as possible and giving it the opportunity either to be sold across the whole of Wales or Britain or globally. I suppose we have to look at what is the right market for each product. We are very much committed to growing our suppliers and growing with them, so they may start local but may end up selling in Japan.

Q1402 Nia Griffith: Obviously we have been hearing about what you do, source locally, but we have increasingly competitive world markets and I really want to explore with you to what extent you feel that our horticulture, our agriculture, our dairy and livestock industries in Wales can be sustained in the long term in the light of global competition. You have an absolutely key role in this. Because you are such a big player you inevitably have an impact on prices and you have obviously seen the Competition Commission’s report coming out recently suggesting that perhaps there should be an ombudsman to look at a fair pay scenario between yourself and farmers. I take your point that your foremost concern is to provide value for money for the consumer, but to what extent are you able, within that, to ensure that you give a fair price to the farmer?

Mr Jackson: We said in our submission in terms of Welsh agriculture—indeed, British agriculture—one of the key elements is looking at how the sector can add value. It is moving from a world where we have farmers, suppliers, retailers and customers and they are in separate boxes. In the past customers were not really fussed about where the food came from and equally some farmers did not necessarily worry about what happened to the produce once it had left the farm gate. I think what we have seen over a long period of time—maybe even 20 years—things like producer clubs are developing that relationship and working both ways. Retailers need to understand not just customers but farmers. We are working with farmers to help them understand how markets work, what consumers want and how that is changing, how they can add value. Equally some of the work that we see now—for example Don Curry’s work on food and farming with children—around actually making sure that consumers understand much better what goes on on the farm.
That is something we have seen growing in the UK and we have seen it in Wales over recent years. At Tesco we would be fully signed up to that. To give some examples of that, in Wales St Merryn, our lamb and beef suppliers, pioneered both producer clubs where they bring the farmers together, they introduce them to the retailer, we share a lot of information with them so that the farmers understand what it is that they are producing. Equally they pioneered work on farm assurance and accreditation so you can track produce right back through the food chain. I think continuing to grow that sort of approach is very important. Also, working with the dairy sector on how it can move from being a commodity produce but a value added produce, a bit like Rachel’s Dairy, cheese producers, some of the premium milks; looking at how they can add value so that they get a better price in the market and they respond to consumer trends.

Q1403 Nia Griffith: The bulk of your items are the plain milk, if you like, rather than the fancy items and that is the key issue for a lot of farmers, the actual base product that they produce in the first place.

Mr Jackson: If we take milk, what we have done on ordinary milk this year is to establish dedicated farmers with whom we have direct contracts. There has been a big shift in the milk industry over the last ten years of fewer milk processors which has supported efficiency in the supply chain but it has removed the relationship that we had with farmers. We have worked with our suppliers to develop dedicated contracts with the farmers. Those farmers know that they are Tesco farmers; we know who is supplying our milk. What we have then done is introduce a higher price for the milk we pay at the farm gate; the customer price does not change but we are guaranteeing those direct farmers at the moment 27.5 pence per litre. We review those contracts every six months and actually that price went up in September after five months because the price of wheat, energy et cetera had gone up so much. Again I think that for more commodity produce, having that more direct relationship, more transparent relationship, one based on reviewing prices and agreeing how you go forward. I think that is key. The other point I would just like to make is that we are committed to long term relationships with our suppliers. If we want to supply our customers—if we want to provide what our customers want—then we have to have the suppliers, the producers who are producing that. It is not in our interest for our producers to go out of business; we want to maintain those and we want them to be profitable and healthy. We are the UK and Welsh agriculture’s biggest customer and we want to make sure that there is a successful agriculture sector. I went to St Merryn in Merthyr and I talked to them about the relationship with the suppliers and they told me how they set up producer clubs. One thing they said was interesting was, “We treat our producers as customers; we have to attract them so that they come to us, the people with the best produce come to us rather than elsewhere and we want to have a long term relationship with them”. I thought that was very interesting. We talk a lot about customers as the consumers in the shop, but their focus was having a customer relationship with the farmers.

Q1404 Nia Griffith: The bottom line is that in order to stay in business they need to get a certain price for their goods and the question is: are you paying them?

Mr Jackson: In the case of milk we have introduced the contracts and are paying at the top end of farm gate prices. If you take foot and mouth and at the moment, that is an example of how do you maintain prices? How do you support suppliers in a market that is all over the place? If you take lamb, clearly the market price has sunk considerably. I suppose our approach there again is very much based on ensuring a long term future for our lamb suppliers. It is quite complex what you do in that situation. We have seen on things like the OFT report on milk that you have to be very careful around pricing and any action that might be taken to support farmers; there are legal constraints. Equally, if we want to maintain, say, Welsh lamb as a premium brand—we use it for our finest lamb not just in Wales but in the UK more widely—we do not want to cut prices to promote and that is not necessarily going to do farmers any benefit by going for the massive promotions that bring the price down further and bring a surplus of lamb. We have been very careful in our suppliers paying top end of the market rate to farmers. We have not been paying the market rate; we have been paying above it. We have taken a lower dead weight than we would ordinarily so that our suppliers have taken smaller lambs than they would normally again to try to help the Welsh hill farmers. We have also done some promotions but limited, sensitive promotions that do not de-value the produce and as a result of all of that we have seen like for like sales, so this year compared to last year over the autumn period we have seen sales for Welsh lamb increase. I think that illustrates the complexity of finding ways of supporting farmers.

Chairman: Your answers are very detailed and we are very grateful for that. We have a large number of questions to get through so could you try to make your answers a bit shorter.

Q1405 Mr David Jones: Mr Jackson, would you agree that one of the handicaps faced by British producers so far as food retailing is concerned is the opacity of the food labelling regulations? I would guess that a lot of the food that you retail in your stores is processed. I would guess also, for example, that in most of the chicken curries that you retail the chicken comes from Brazil or Thailand or goodness knows where and maybe the lamb comes from the other side of the world and a lot of the beef comes from Brazil or Argentina. Do you think it would be helpful to both consumers and to processors if, in processed foods, it was necessary to identify the sourcing of the produce that actually goes into those processed foods?
Mr Jackson: Again it is something that we are actually working on, certainly in terms of identifying British food in British processed foods. We have probably gone further than any other retailer in applying the red tractor to our own brand of ready meals/processed foods. Having a red tractor on a curry means it has to be British beef produced and processed in Britain.

Q1406 Mr David Jones: Or possibly just processed, is that not right?

Mr Jackson: No, it needs to be British produce. To have the red tractor it has to come from a British farm. The other ingredients have to come from British farms as well. We have done that; we have ready meals with the red tractor on which guarantees British produce: reared, grown and then processed. That is quite a complex process. It will be interesting to see how consumers respond to that. I would say there is not a huge pressure from people to know the country of origin of processed food, but again with things like the red tractor it will be interesting to see how that develops.

Q1407 Mark Williams: Going back to milk, what proportion of milk sales in Wales or the UK can be attributed to dedicated farmers or those with whom you have a specific contractual relationship with directly?

Mr Jackson: All Tesco own brand milk in the UK comes from dedicated direct contract farmers. It has taken a little while since we announced it in March to get those contracts in place, but as of September every single pint and half-pint of milk sold as a Tesco brand—that includes the local choice milk, is UK milk— and in Wales all milk sold in Wales is Welsh milk. Clearly there are then specialist milks, there are other branded milks which we cannot guarantee but the Tesco own brand is all UK and in Wales it is all Welsh.

Q1408 Nia Griffith: You mentioned opening a specific office; do you have any details yet of location, timescale and what exactly the mandate of this office will be in terms of sourcing locally and the resources you might have in it.

Mr Jackson: The core is an office of three: a buying manager (to look at new suppliers and then signing contracts), technical and trading lawyer (who advise on things like labelling, is the food safe and legal, looking at our codes of conduct, checking things like labour standards or actual policies of the company) and then marketing manager, Enfys Fox, who is already in place and has been there for quite some time and who will be ensuring that it is clear to customers, customers know what the Welsh offer is, it is attractive in the aisles, it is well-labelled et cetera. Their mandate is to get as much local produce into stores as possible. That will vary as to what it looks like. If you go to Cornwall you will see in the stores that a lot of the vegetables will be Cornish and there will be a very strong Cornish focus. Equally there will be a south west approach as well. To give a few examples of what the south west are doing, just this week we have been having a roadshow with some of our direct contract milk farmers actually going round to stores to meet customers and to explain what they do as a dairy farmer, what they are doing on milks. There is an educational aspect so customers start to understand where their food comes from, but more importantly there is a strong remit to get excellent local produce into the stores as well as then identifying produce that can then be not only sold in Wales but marketed more widely.

Q1409 Chairman: You refer in your memorandum to your commitment to education in the emerging markets such as China. How does the skills profile of your workforce in Wales compare with the skills profile of the workforce in the other 13 countries?

Mr Jackson: That is a difficult question. I think it is probably a mixed bag. As well as the 13 countries we operate in as a retailer we have a service centre in Bangalore in India. An observation from our chief executive, Terry Leahy, was that when he went to see the service centre in Bangalore nearly everyone there was a graduate, so quite a contrast to maybe the UK. Equally we know in the UK the Leitch review has said that five million adults lack basic numeracy and 17 million have problems with numbers. There is, if you like, a basic skills issue in the UK. I do not think that Wales is any different to other parts of the UK and clearly there will be markets where we see a higher skills base, others where it is a lower one. I do not know what, for example, things are looking like in the States. If you take Poland, there is a skills issue but also a labour issue and we actually have staff shortages so I suppose we have quite a fundamental skills gap there. I would say yes, there is an issue in that skills are always important; yes, there is an issue that the UK Government has identified and that applies in Wales as well as in other parts of the UK. It would be hard to say whether it is worse or better than average markets.

Q1410 Chairman: I wonder if you could write to us in this context. I am aware of the fact that you have very good progressive policies of recruitment in relation to workers with a disability and also workers who have a caring responsibility. I know that you jointly sponsored campaigns with the shop workers union USDAW. It would be helpful if you could write to us about those policies and also the extent to which of those progressive policies in terms of your other countries would you be developing similar progressive policies in relation to flexibility and flexible working and so on. I would not want to enter into that discussion now but would be happier if you wrote to us about it.

Mr Jackson: Yes, certainly.34

Q1411 Mark Williams: You mentioned Poland and this Committee, as part of its inquiry, visited Poland earlier this year. There also you have a policy of sourcing locally produced food. Are there any differences between what you have outlined with regards to Wales and Poland? More generally, what do you perceive as the impact that that policy in

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Poland has had on local rural economies and are there lessons we should learn in rural Wales in enhancing local employment and in developing the skills agenda?

Mr Jackson: What we do in Poland very closely matches what I have described that we will be doing in Wales. It is a model we have pursued in Scotland for some years now and if anything we have been applying the Scottish model to the rest of the UK and then looking at how we apply it across other businesses, so it is pretty close to what we are doing. Clearly that means supporting agricultural Poland and food products. I suppose one of the successes of the Polish range is that in some areas of the UK where we have large Polish populations, particularly around west London, we brought some of that Polish range into our UK stores because there is a market for it there. I suppose what we ought to be looking for are opportunities for Welsh ex-pat communities to be sourcing Welsh produce in our stores overseas as well.

Q1412 Mark Williams: You are a large employer in my area and in developing the skills agenda is there anything else that Tesco are doing to pro-actively support the local economy?

Mr Jackson: In terms of skills and jobs, one of the things we are doing is working with Job Centre Plus on the new local employment partnerships. The most recent is Maesteg store where we have taken on 91 people from Job Centre Plus who are either long term unemployed or on incapacity benefit or in particularly deprived areas. We gave them a guaranteed interview and they will then be having some retail training. That is a matter of taking 91 people into work, often for the first time in quite some time. We are looking at extending that approach. That was a new store but we can also look at extending it to existing stores where we have staff turnover.

Q1413 Mark Williams: It should be noted that that is significant in rural areas as indeed urban ones.

Mr Jackson: Yes.

Q1414 Mrs James: You mention in your memorandum the apprenticeship and basic skills training and the Retail Academies. I am fortunate enough in my constituency that we have a Retail Academy and I am actually going to be awarding the apprentices with their certificates on Saturday morning. I have a very close relationship with my local Tesco. You have already mentioned the Leitch report and the lack of basic skills, et cetera. To what extent are these programmes in place due to a lack of basic skills, poor business base in Wales in particular but in other parts of the UK as well?

Mr Jackson: I think we would have them anyway. If you take a Retail Academy where we are working with school children—children come in on a Saturday to do work experience—whether that was addressing basic skills or whether that was giving them leadership skills or inter-social skills, I think we would do that although there might be a different focus depending on what they bring to it. I think that is an important part of us being in a big community and giving something back to the community. I suppose then if you look at the training in Tesco it is a basic part of the company’s values. The company’s aim is to treat people as you would expect to be treated. We have a core value in terms of the staff of everyone having an opportunity to get on. That is a very important part of motivating staff and also them providing a better service. We want our staff to be fantastic with our customers and the only way that is really going to happen is if we are really good to them, if we provide them with the training and give them an opportunity to get on. It is a fundamental bit of the business model. It might be that we would be focussing on different aspects of training depending on the skills base of the people coming in, but it would still be there. I suppose if you look at the training it goes from having learning centres where people can learn basic English or basic IT skills to photography courses or learning a different language through to very specific NVQs in retail which will give them all the knowledge they need for running a retail operation, marketing and financial experience et cetera through to the leadership training that senior managers carry on in the company to make sure that they think more strategically, they get the best out of their people and they take the people with them. There is a whole range of training. Clearly there might be a slightly different focus but we want the best basic skills for people coming in to our stores.

Q1415 Mrs James: Do you do that across all 13 countries you work in or just in Britain?

Mr Jackson: It may be slightly different in each country but that value of everyone having an opportunity to get on is absolutely intrinsic to every single market. We have what we call a steering wheel in Tesco which is a bit like a balanced score card in other companies. It is what we mark our performance on quarterly every year. An opportunity to get on is in the steering wheel of every single store, every single department in the company, every single country that we are in so they have to be measuring it as a basic company measure of success. We have an international training academy. I went on my leadership course a little while ago and there were people there from China, from Japan and various overseas markets.

Q1416 Mrs James: As a supplementary to that question, you have mentioned some of the training that you are doing in other countries—you talked about the graduates, for example, in India—are you picking up that we have as good a basic entry coming into Tesco as every other country or are you particularly concerned?

Mr Jackson: If you take India, in Bangalore we are able to attract graduates. That is not to say that everyone in the labour market there is a graduate but clearly there is a different in pay and we can attract those as a company. I would say in China there is a very competitive market for graduates and there are a lot of western companies out there trying to attract the same pool. Although there is an expanding
market for graduates in China, nonetheless it is probably a bit more competitive. I am not sure that we are falling behind but it is interesting to observe, if you look at UK universities, the number of people coming in from China; the number of Chinese graduates has expanded exponentially. That is quite good for UK companies like us because it gives us a pool within the UK to attract and recruit from. However, that does suggest that the UK has to keep on investing in skills and certainly if we do not raise our game we will fall behind. I think that is the clear message.

Q1417 Mrs James: I think that is more clearly related to the fact that certainly the service industry is seen as a second class job, in effect; you would attract very few graduates, only those in universities who want to go and work in Tesco stacking shelves for example or if they were coming into a graduate scheme. Thank you for answering that; I will not expand on it further now. I want to turn to migrant workers now. You have mentioned them already, but what proportion of migrant workers are working in Wales and to what extent have those figures increased, if they have, or decreased over the last five years?

Mr Jackson: In Tesco in Wales we employ 81 migrant workers from Eastern Europe; they are all from Poland, 78 of them work in stores where they work on night shifts and three of them are drivers. That is out of a total workforce in store of around 15,700. The total Tesco workforce in Wales including head office and distribution centres is about 17,500. I did mean to do the maths on that; I think it is about 0.6%, but it is 81 out of 16,000 to 17,000. When we recruit people specifically from Poland we only do so after advertising the jobs locally—in the local press, on the local radio, in store—and after going to the Job Centre Plus and asking whether they have any candidates; in some of the stores there is a guaranteed interview for Job Centre Plus candidates as well. The store manager then has to get the subsequent approval from head office who will then check that they have been through all of those hoops before they can say, “Okay, this is a job you just cannot fill; you have done everything you can to fill it locally, we can fill it with workers from Poland”.

Q1418 Mrs James: You have mentioned some companies already that I know use agency workers, particularly agency workers from other European countries. How closely do you monitor the working practices of those companies that you contract work out to? Do you have a particular emphasis on their welfare and their training?

Mr Jackson: If you look at our suppliers there are maybe three ways in which we look at standards and look at what they are doing. The Ethical Trading Initiative which people usually think of in terms of training in developing countries actually applies to all our suppliers in the UK. That is a basic standard that sets out standards on labour, paying at least a minimum wage or a sector wage (whatever is the highest) and hours of work, et cetera. That is audited by us directly; it is also audited independently on announced and unannounced visits, et cetera. Secondly, we have our own Tesco Codes of Practice for individual produce, particularly for the agricultural sector. For each sector—each area of produce—we will have a code that lays out not just the standards we expect from the produce but it has the environmental standards—what is the environmental impact of production?—and then the labour standards, the corporate responsibility elements. Again we monitor that and we audit it. We have one on vegetables; all our vegetables, salad and fruit across the globe have to meet our Nature’s Choice standard which is very much based around labour standards and environmental standards. Thirdly we expect all of our suppliers in the UK, any of them employing migrant labour, to be licensed by the Gangmasters Licensing Authority. Again that is something we would audit. We met with the GLA (the Gangmasters Licensing Authority) recently and have agreed to work with them more closely to look at ways of increasing our audit and the questions we ask of our suppliers. Also we have them coming along to our trading and technical teams’ away-day which sounds a bit light hearted but actually that is a real way of developing stronger relations with them to see how we can reinforce their work.

Q1419 Mrs James: To what extent do you encourage trade unions to be involved with you? Do you encourage your suppliers to work closely with the trade unions?

Mr Jackson: Yes. The approach we take is one that we encourage our suppliers to take as well.

Q1420 Mr David Jones: Mr Jackson, could I refer you to the Competition Commission’s provisional findings on the supply of groceries in the UK? One of the issues that that report touched on was the extent of land banking by the major multiple retailers in this country. It is probably not information that you have with you, but could you possibly write to tell the Committee how many unused sites you have in Wales, unless you have that information at your fingertips now?

Mr Jackson: The phrase “land bank” implies that people are holding land without an intention of developing a store on it. We only hold land with the explicit intention of building a store on it.

Q1421 Mr David Jones: The second part of my question was: could you also possibly write to the Committee and say what proposals you have in respect of those sites? Is that information you could supply to the Committee?

Mr Jackson: I would need to find out. It is commercially sensitive information in terms of the advance status of where we may be considering building a store. Clearly the important thing when we are looking at building a store is to develop a relationship with the local authorities, to talk to them first and to talk to local people.
Q1422 Mr David Jones: The extent of your land holdings is public information surely? You can obtain that from HM Land Registry.

Mr Jackson: Yes.

Q1423 Mr David Jones: To that extent can you supply the Committee with that information, please?

Mr Jackson: I will look to see what information I can give on land. You would like to know about land owned by Tesco but not actually developed. We can certainly give you sites which are currently being assembled and where we plan to build a store.35

Q1424 Mr David Jones: That would be extremely helpful. I would also like to refer to the Supermarkets Code of Practice which was again referred to in the provisional findings of the Competition Commission. To what degree do you consult with your suppliers as to the extent to which they are satisfied that you are complying with the Code of Practice, and what arrangements do you have in place to enable suppliers to bring their grievances to you about any breach that they perceive in your compliance with the Code of Practice?

Mr Jackson: Firstly the Competition Commission did an extensive piece of work around compliance with the code, and that included in the case of ASDA and Tesco—because we both had major promotions on at the time—looking at all e-mail and all communications between buyers and suppliers over a six week period. I was involved in the logistics of that operation, simply making sure that we were able to extract all of those e-mails and get them to the Competition Commission on time. Firstly the Competition Commission concluded there was no systematic abuse of the Code actually in looking at the communications with suppliers. There were some examples of good practice and broadly it was a constructive relationship between suppliers and buyers aimed at developing common business objectives with both businesses profitting. Certainly I know from what I saw from that exercise that I was impressed at just how good the relationships were with our suppliers. In terms of compliance with the Code, Tesco has very extensive training for all our buyers so new buyers and indeed the buying team have extensive training on what the Code means, how the Code works, what they can and cannot do. That is another aspect of training that is drilled into them. In terms of finding out what suppliers think, we have what we call supplier/Customer Question Times which are like focus groups in stores, pretty much one every week somewhere in the country, where customers are asked what they like and what they do not like, how things are working. We do the same thing with our suppliers, again treating the suppliers like customers to get a temperature check to find out what their concerns are and what is working and what is not. That is probably one of the main ways in which more informally we assess our relationships with suppliers. Clearly if they have a specific grievance then under the Code they can go to the OFT.

Q1425 Mr David Jones: To what extent do you feel that pressures exerted by markets external to the UK upon your operation may eventually drive down the number of Welsh suppliers who service you?

Mr Jackson: In terms of competition from suppliers overseas?

Q1426 Mr David Jones: Yes, essentially. I referred earlier, for example, to Brazilian chicken and Thai chicken.

Mr Jackson: I do not think that that is an area of growth, to be honest. If anything I think the trend is going the other way. If you take beef, when preparing for today I was looking at the statistics where 96% of our beef in Tesco in the UK is British; actually the most recent figures show 98%.

Q1427 Mr David Jones: That would not include processed food though.

Mr Jackson: No, that is looking at the meat on sale. If you take beef what we see is that most of the 2% is accounted for by organic because we simply cannot get enough organic beef from the UK. There again it is back to adding value and working with UK farmers to add value so we are working with farmers to help them convert to organic. Clearly we want to see more organic farmers in the UK because there is a bigger market for it. If we can achieve that then we can actually narrow the gap and have fewer imports. If you take lamb it is the same. Across the UK as a whole 85% of our lamb is British lamb and we are working with farmers to actually raise those numbers. I do not see on the produce side Welsh farmers and Welsh suppliers having market share taken away from them by overseas competitors. The one proviso I would put on that is so long as suppliers continue, as they have been doing, to look at ways of adding value, to look at ways in which they can respond to consumer trends and demands.

Q1428 Mr David Jones: You have referred in your memorandum to the threats of globalisation but your company is a prime example of the potential benefits of globalisation. You have actually ridden the wave, if you like, and you are doing extremely well in overseas markets. Just reverting slightly to the question I asked you at the beginning of this session, do you think that there are opportunities for Welsh suppliers and British suppliers as a whole to ride that wave with you and take advantages of the opportunities of globalisation?

Mr Jackson: Absolutely. We talked about Penderyn whisky; they have a big export drive and are looking at a new market practically every month and I asked them whether they had done that through Tesco. They said not and that they were pursuing different routes into other markets but they kept an open mind in looking at the markets we were in. What was interesting was that they said for them the thing that has enabled them to export is the fact that in the UK—specifically in Wales—they have a contract

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35 Not printed.
with Tesco which guarantees 11,000 bottles a year and that gives them the foundation to then go and look at maybe slightly riskier enterprises overseas. They know they have a really safe contract and can use it as a springboard for exports. Equally other producers may well come with us in terms of other export markets.

Q1429 Mrs James: I know that you are doing a great deal in my local Tesco about reducing your carbon footprint, but it would be very interesting to hear what you are doing in general in Wales to reduce yours and your customers’ carbon footprint.

Mr Jackson: In your constituency we have our second environmental store which reduced the energy use against an average store by about 35%. We are committed to looking at how we reduce our own carbon footprint and looking at how we can help customers reduce theirs. Taking those two we have set ourselves a target of reducing carbon emissions from our existing stores by 50% by 2020 but also reducing, if you like, against a 2006 benchmark, in any new stores between now and 2020 their carbon emissions by 50% on average and also reducing the emissions of our distribution fleet by 50%. Roughly there will be a 50% reduction by 2020. What we are doing to achieve that is, at the moment, building a number of pilot environmental stores. In Swansea Llansamlet is an early example. The whole roof is covered in solar panels which then transmit data back to our environmental experts. We are trying out three different types of solar panels and the aim is to work out which one works best so that we can start rolling that out to other stores. Clearly we have to retrofit existing stores as well as looking at how the new stores can be most environmental. If you go around the store all of that environmental. If you go around the store all of that

Q1430 Mrs James: I was particularly interested when I visited Llansamlet because I thought there were all these Tesco lorries whizzing around Britain empty after they had delivered things, but you were very aware of the mileage and reducing the travel miles et cetera for food production.

Mr Jackson: Yes, and that is a good example where there is a business case as well as an environmental case. If we are paying for a lorry to be driving around we do not want it to be empty because that is costing us money. Equally, environmentally, it reduces the carbon miles if we ensure, as we do, that no lorry ever goes anywhere empty. If it is on its way back to the depot it has picked something else up from somewhere else.

Q1431 Chairman: We notice that in a recent article there was a Tesco initiative of moving some of its wine by barge in Lancashire. Is that right?

Mr Jackson: Yes.

Q1432 Chairman: Have you been experimenting with some coastal travel? Would you be moving some of your goods by sea or around the British coastline?

Mr Jackson: I think we are certainly interested in that. Using the Manchester Ship Canal for beers, wines and spirits was a first move, but we have said that we are interested in water travel as a whole, whether that is a canal network, rivers or using sea ports. It is something we are very interested in exploring further.

Q1433 Chairman: You are quite rightly very proud of your Welsh language and bilingual policy, I just wonder whether you would learn a little from your experience in Wales in terms of a bilingual policy more widely, for example you mentioned the Polish community in Britain. Are you actually experimenting with bilingual signage say in west London or even trilingual signage in parts of Wales, taking account of the Polish community in certain places?

Mr Jackson: I am not aware of us doing that. We will have products for particular communities where they are strong and you probably get some signage on the aisles. I do think that what we are doing in Wales on the Welsh language is a fantastic example of what can be done and I am keen to look at how the lessons can be learned elsewhere. I think it is very much about making customers feel welcome, clearly being able to communicate with them, encouraging and supporting their culture. That will not
necessarily be through language, but there are other ways you can do that. It really enforces the strengthening of a sense of belonging within a global economy.

Q1434 Chairman: Perhaps you could write to us about that as well then, celebrating our cultural diversity and the fact that you are very much an international company but you are very conscious of cultural diversity. It is not for me to be telling you about your policy but it may well be that your colleagues are already thinking about these factors. 36 Thank you very much for your evidence this morning and also for your memorandum. We look forward to receiving further information from you along the lines that you agreed earlier.

Mr Jackson: Thank you.

Witness: Dr Shyam Patiar, Director Skills Development, Llandrillo College, gave evidence.

Q1435 Chairman: Good morning and welcome to the Welsh Affairs Committee. Could you for the record introduce yourself, please?

Dr Patiar: My name is Dr Shyam Patiar; I am the Director for Skills Development at Llandrillo College.

Q1436 Chairman: Thank you for coming along this morning and thank you also for your very comprehensive memorandum. You cover a great deal in your memorandum and we are particularly grateful for the information you have given to us on population, technological changes and industry and occupational changes. This morning we want to focus specifically on skills and tourism. I would like to begin by referring to your memorandum in which you say: “In Wales, there are challenges as regards to skills shortages and an ageing population”. Could you tell us whether there are specific issues in Wales in relation to this compared with other parts of the United Kingdom, in relation to skills shortages and an ageing population?

Dr Patiar: We have to first clarify the tourism industry in itself. We know that the tourism industry is contributing about 100 billion—the target was 80 billion—in earnings for the United Kingdom. Wales is three billion at the moment and I believe this target is going to be superseded in Wales as well for tourism. Tourism is the biggest contribution to the economy in Wales. If you look at the Welsh Assembly Spatial Plan, there are six regions in the Spatial Plan, and the minister for each of those Spatial Plans mentions tourism as the most important part of economy. While we look at the word “tourism” there is a slight conflict. You mentioned about skills and tourism; I think I need to clarify first of all the word “tourism”. I have made quite a few visits to Europe and am aware that tourism means different things to different people. When we look at the composition of the tourism industry, about 85% of the activities in the tourism business relate to hotels, restaurants, pubs, contract catering and 15% is travel. The tendency in schools now is that young people are taught about tourism; food is the last thing on their agenda; hospitality is the last thing on their agenda. They look at geography, they look at travel and they confuse that with tourism. I think this is the biggest challenge before we go any further for skills in the tourism industry. In Austria, Switzerland, Spain, France, when you visit there they call it tourism school, the same in Ceylon or even in Asia. What they really mean is a hotel school. We have first of all the challenge to resolve in schools what tourism is. Once we resolve that then we can move onto the skills agenda. We have mentioned skills agenda; skills are in the hospitality business. If you look at the Sector Skills Council Agreement for Wales they have listed four main areas: one is management and leadership skills, lacking in our industry; secondly, it talks about skills for chefs; thirdly, customer services; fourthly, the biggest problem lies with industry, the retention problem.

Chairman: I would like to pause at that point and ask Nia Griffith to ask specific questions in relation to the points you have been making.

Q1437 Nia Griffith: The very worrying fact which you have highlighted in your paper is that we in Wales seem to have the highest proportion in the UK of young people in the 19–24 age group who are not in employment training or education. Basically what are we going to do about this? Do you see any ways forward?

Dr Patiar: That is very interesting because this is a fact which I have quoted that in Wales itself there is going to be 12.7% of 16–18 year old’s who are not in education or training. The UK figure is 13.1%. When you move up to the 19–24 year olds, it is 19.8% of young people who are neither in education or training. The UK figure is 13.1%. Wales has the highest number of young people who are neither in education nor in training. You asked me what the solution is for this.

Q1438 Nia Griffith: What would you suggest as ways forward?

Dr Patiar: I think we have to look at the reason why these people are not in education or training. We have to look at the root of the problem; which started in schools. First of all we mentioned basic skills being the biggest problem in this country; literacy and numeracy are a huge problem with adults and young people. It is quite a big agenda for the Government to look at the education policy of the schools, what is happening in primary schools, and secondary schools. My experience has been in further education and we get young people coming from schools. We are given the task of giving skills to those people but the members of staff, the professors and teachers, are busy trying to rectify the basic skills levels at that point not focussing on vocational
education and training. We are trying to assist in improving the basic skills by integrating with the actual vocational skills. Why have these people switched off? For some young people I think the reason they are not in education or training is because they have switched off from learning so we have to focus on learning at a young age. If we take an example of global economy, how is it that if you get people from Asia, India, or China they are thirsty for knowledge, they want to learn. There are not enough hours in the day for them to learn. They would work 25 hours a day but in this country we have young people who will be missing classes. I think we have to look at how we are going to motivate them. I think there is a solution by giving them something to learn they like. Instead of something that they dislike. If that is the case it is going to have a big implication for our Welsh economy for the future. The challenge is about changing their attitude. They need to be given the things they like. I saw a very interesting experiment in Aalborg school, Denmark and they were awarded the European first prize in education and training about two years ago. What I saw there was that young people who cannot read or write are given tasks that they love to do and let them learn literacy and numeracy from that. Whatever it is, let them do it that way. I have seen that happening. I have seen young people who were switched off but they were very fine artists and they were doing drawings, and they developed their basic skills by being given the things they loved, and then transfer them onto university. Those children were going to universities from these special schools they have; they are making something useful. I think there are ways to motivate young people but it is a very wide agenda and it is the education policy which needs to be looked at. I hope I have answered your question.

Q1439 Nia Griffith: I think there may also be challenges for our more highly skilled workers as well as our low skilled workers in the globalisation scenario we face. Do you see any specific differences and specific challenges for both of the groups?

Dr Patiar: We have 23 further education institutions in Wales and I think most of them are offering hospitality education. If you go further into detail, what level of course they are doing, I do not think I will be far off by saying that there are only 50% of the institutions which are offering level three qualifications at the moment. That is frightening. Why is it that they are stopping at level two provision? We are striving in the colleges in north Wales—I think there are four fine institutions in north Wales—and I think I can say about 80% are offering level three. The biggest problem lies in south and central Wales and that thought is worrying to me. Cardiff is the capital of Wales and that is where the number one institution should be, driving the education and training for tourism and hospitality. I am talking about vocational education, in further education colleges and I am not talking about higher education. What about the people we need at operational level? We do not have them.

Q1440 Nia Griffith: You mentioned the very heavy investment that is going on in countries like China and India in the skills agenda. Do you feel we are putting the right resources in? Do you feel it is a matter of not enough resources or not using them effectively?

Dr Patiar: I do not think we are putting enough resources in. Looking at the educational policies in the United Kingdom, take the example of the Sector Skills Council, look at the Leitch report. The Sector Skills Councils are UK based. The Government puts out new initiatives coming through centres of vocational excellence. Wales is quite ahead of that. Institutions wishing to go for centres of vocational excellence can apply for it and I think Wales nominated five years ago four disciplines for a network of excellence and those were for aeronautics, for hospitality and tourism, health and care and agriculture. What is the next step after that? In Wales at the moment there is no initiative being taken. In England they are talking about skills academies. Sector Skills Councils are producing the business plans and I am very passionate about it. I am trying to drive the force in, I am meeting the people (chief executives first in England) and I am getting, where are the businesses contributing into the funding of this one? Wales is separate; you need to go through Welsh Assembly. I think there are national policies and Wales is sometimes lost in between. Why are we not able to get onto that? To take another example, an initiative came in to link with countries like India, China, Thailand but it applied only to institutions with the title of Centres of Vocational Excellence so that Britain can deliver the best profile it can abroad. They cannot send second rate institutions. When Welsh institutions applied for this they said, “Sorry, Wales is not part of that”. I know my institution has written now and things are moving, but why are we left to the second stage? Why are we not in the forefront of these initiatives when we have the capabilities and skills? I am very proud to be in Wales because at the moment Wales is driving the agenda for hospitality and catering in the UK internationally. I represent one of the leading hotel schools Europe and I have been nominated as one of the board of directors on behalf of the United Kingdom. Wales is driving this agenda, but is it known widely that this is the case?

Q1441 Mark Williams: In your enthusiasm for this matter you have answered the question I was going to pose about the need for schools to firstly identify that enthusiasm and then you have said about some of the institutional difficulties in capitalising on that enthusiasm. You pointed to one or two other

37 Note by witness: 23 further education colleges and 2 institutions in Wales

38 Note by witness: 75% are offering level three

39 Note by witness: Wales nominated five years ago five disciplines for a network of excellence and those were for aerospace, for hospitality and catering, health and social care, agriculture and farm enterprise and new media (computer-based imaging).
international examples where they have got it right; can you narrow that down to one example internationally where things are going on the way you would like them to go?

Dr Patiar: Which level are we thinking of? Are we talking about the young people’s motivation? I mentioned about Denmark and gave you the example. I have tried to keep myself up to date with what is happening internationally and as soon as I came to know that this institution has won an award I made it my business to go and make a study visit on my own to see what was happening. I saw it with my own eyes. The best form of learning is to see yourself what is happening rather than just read it. Where are things happening? I can give you another example, India. As you know, I was born in India. I received my training from the very first institution set up in India by a British institution in the 1960s. We started with 32 students and that was the growth of tourism in India. After finishing four years the principal of the institution asked various students about future plans. He offered for me to study in this country. I am talking over 40 years ago now; I have spent two-thirds of my life in Wales. In India the institutions have increased; there are about 24 institutions in Delhi specialising in hotel management and over the country there must be hundreds of institutions now. So that is a success story in India. That was the seed being planted at that time. When I came to this country I had an interest to stay on here because I love the country and I want to do more things and there are more opportunities I think. So I can compare what is happening. Education and training in India is very much based on the British values and that is one thing I should emphasise again. In Britain we have moved on with the times. A lot of initiatives have been taken in Britain where we think it is progress, but we need to stop and think and reflect what is happening. Fortunately I would say in India they still have the British values, even today in schools. We see the difference because we have about 24 students from India at the college at the moment and the members of staff are saying “what a difference there is in those young people coming from India and our own people in the matter of respect”, and their values are different. Some of our British values have been lost with this generation.

Q1442 Mark Williams: In looking at these issues in your paper you say, “It would be an excellent idea to publish an annual review . . . to assess the impact of globalisation on the Welsh economy”. Obviously some of the factors we have been talking about that such as the skills agenda would be part of that assessment. What other statistics and trends would you include in an annual audit of where we are on the impact of globalisation as it affects Wales?

Dr Patiar: In the hospitality industry?

Q1443 Mark Williams: Yes.

Dr Patiar: I think in Wales we need to start trying to analyse how many five star hotels we have to judge how good we are. We can count on our fingertips the number of five star hotels we have, or Michelin star restaurants. In that matter Britain is number one. When we look at London it is a gastronomic paradise, the best restaurants are available there. We have produced the best chefs. We have the best chefs in Britain and we have the best management education and training systems as well. However, where we are losing out is at the lower end of the job, contact with the customer. That is where the problem arises.

Q1444 Mark Williams: Are there other countries that have such an annual review, looking at things at that depth?

Dr Patiar: Yes, countries like India, China, they are looking at how they are progressing and competing with the rest of the world.

Q1445 Mrs James: You have already talked very eloquently about the Wales Spatial Plan but could you expand a little bit more on the growing importance of tourism to the Welsh economy, give us a little bit more meat on the bone there?

Dr Patiar: If you look at the total turnover of tourism it is about three billion and it is increasing every year. I think Wales is a beautiful country and we need to capture that. We know that we have the Ryder Cup coming in 2010 and that should be something to capture and to capitalise on. We really need to prepare for that. I have been to the Celtic Manor Hotel and spoken to the management there but I still feel there has to be more education and training to give a Welsh flavour. The world will be coming to Wales, to see Wales, to hear the Welsh language, to hear Welsh music; they are not coming here to be met with Polish people only. I think we need to do something now because time is running short on us, as with the Olympic Games in 2012 in London they are trying to prepare now. I think we need to look at tourism and move forward. If you look at the overseas figures, in 2006 Wales earned 358 million from international visitors and that is up from 248 million in 2001. We are on the increase in tourism; there is no doubt about that. There is a bright future ahead for Wales as well. The only downside is our people because we are only as good as our people and the investment in people has to happen. I do not think there is enough investment in education and training on the skills agenda.

Dr Patiar: In the hospitality industry?

Q1446 Mrs James: I am aware of organisations like the Tourism Training Alliance and it is something within the industry which I have worked in that we are very well aware of and have touched on retention et cetera and the need to grow this feeling that people are promoting Wales. How should this be tackled and at what level should it be tackled at?

Dr Patiar: As I mentioned earlier, it is a people business. I mentioned that Britain is number one brand. If you look at the tourism earning it is number six internationally. Where we are falling is that it is number 16 in customer services; in welcoming people to Britain it is number 16.40 I say it is a people business and where tourism starts is

40 Note by witness: Britain is number 16 in the international league table (of customer services)
winning the heart and the soul of your tourist; so they wish to come and they will tell others and everybody would like to come here. I think our training is lacking in customer service. The previous evidence you heard mentioned about graduates in Bangalore and the jobs they apply for. A similar situation exists in other parts of India and countries like China or Dubai. You have graduates there who will be taking care of you in the restaurant. They are educated people; they will have a very wise conversation with you. We have problems in Britain because some young people have problems with communication, never mind talking about the world affairs and what is going on. There are two sides to this. Firstly, Britain is a very expensive country; we know that as well, food and hotels are not cheap. When you look at the legislation and the overhead burdens on hoteliers and restaurant owners, rates, everything else, they are in business to make money as well and the rate of the return of the capital employed is very, very low for the industry. They need to pay a lot more to the workers; they cannot keep them on minimum wages. If they pay minimum wages that is the quality of staff they are able to get, but to get first class staff they have to pay a bit more. If they pay a bit more they will charge the customer a little bit more and then it is a vicious circle. There are a lot of issues entwined. I wish I could give you a one line answer but I cannot because it is all inter-mixed and I would not like to be unfair and blame one party. It is all interwined.

Q1447 Mrs James: What about initiatives like Welcome Host, etc? They have been very successful and are we developing that further?

Dr Patiar: Welcome Host has worked well. We have had Welcome Host for a long, long time, but I think we need to look at the customer needs. It is not customer satisfaction it is customer delight we need to give. Customer satisfaction is not sufficient because once they get that satisfaction the standard has risen. When they come next time they want a bit more so we have to think a bit differently from Welcome Host.

Q1448 Chairman: You said that Britain is only number 16 in customer service; I am assuming Wales is part of that, or is Wales worse?

Dr Patiar: This is the survey done for the Olympic Games. Visit Britain is very concerned as to how we are going to cope in 2012. We are now in 2007 and in five years' time what is going to happen? There is an agenda about the skills. World Skills Olympics are happening in 2011 which will encourage young people, schools and colleges to achieve perfection, to be the best in the world. I also feel that Britain will achieve it. We will never have enough people in this country to meet the needs of the industry. It will not happen; it did not happen 40 years ago. We will need support.

Q1449 Mrs James: After working in the industry I was particularly concerned about the image of Wales that we are portraying. I am quite comfortable with our traditional image, but there seems to be a drive to move us away from the things that make us intrinsically Welsh which the Irish are not ashamed of. If you go to Ireland they milk it for every inch that they can get. What is your opinion of that?

Dr Patiar: Although I was not born in Wales I came as a young man and my three young children were all born in Wales. I belong to Wales and I am very proud to be partly Welsh and try to promote Wales wherever I can. Wales has a big brand name. They have no problem like Ireland or Scotland. When you start thinking about the people, you have Tom Jones, you have Anthony Hopkins, you have Catherine Zeta-Jones. These are the images, these are the brand names that can bring people in. I ask the young people what is the harm in giving a smile to the customer and earning your living from that. That is all I ask of the young people, be polite and smile at people. That is what the business is all about, is it not? Talk nicely, smile; that is all. The young have all the skills in the world they need to make money, but how many young people wish to do that?

Q1450 Mr David Jones: I would like to ask you a supplementary question on that point you have just made. You referred to the difficulty in getting people to smile. I would guess that something of that sort would come in as very instinctive to, for example, the Swiss or the Italians where there is a long tradition of tourism and vibrant hospitality industries. Why is it that you have such difficulties in Wales in projecting that sort of happy, helpful attitude, the desire to serve? It does seem to me to be a cultural thing. Is that right?

Dr Patiar: If you look at the history of Wales it was through agriculture and mining that people earned money in Wales. But industry is changing. We know the mines are closed. The manufacturing industry came; call centres came and have moved to another part of the world. So it is a service culture now. Are we trying to inculcate the qualities that are needed for the service industries in schools with the teachers? In further education we need to have people who can give skills to them, mature people coming into the industry to give them those hospitality skills. I am very proud to say that we have excellent members of staff and teachers who can do that, but across Wales or across the UK do we have those people? That is the biggest problem. Do we have teachers who can go into classrooms and let young people smile? A survey was done of the happiest profession and I think hairdressers and chefs came as number one and two of the happiest people as opposed to accountants or lawyers. How true this is I do not know. It is anecdotal but it just shows that a smile will only come if people are happy and satisfied. There is no reason why people should not be because I do not think in this part of the world anybody is without the basic necessities. Why they are not happy is something to be nurtured into them, through the families.
Turning to recruitment

Dr Patiar: The Wales Tourism Alliance Conference was only last week and speaking to some of the industrialists—the problem is that there are not enough people coming into FE colleges to supply the staff they need. When I first started at Llandrillo College 90% of the students in the college population were hospitality and catering and 10% were engineering and business.

Q1452 Chairman: How long ago was that?

Dr Patiar: That would have been 1975 to 1985.

Q1453 Chairman: Today?

Dr Patiar: Today it is 10% hospitality and 90% everything else: hairdressing, beauty therapy, engineering, construction, bricklaying. Not hospitality. I carried out research in Clwyd and Gwenedd in the local schools and sent questionnaires to the parents and to the young people and gave them this list of professions where the young people would like to be and where the parents would like to see the young children. Careers advisors were also approached. That was one part of my thesis for my PhD. It was clear that the parents in the majority of cases were saying that for the boys they wanted engineering and for the girls they wanted beauty therapy or hairdressing. Hospitality and catering was fairly low down the agenda. The careers advisers had no idea what hospitality truly means and what it is all about. Hospitality is not a Cinderella industry; it is making 80 to 100 billion per annum. It is contributing to the Welsh economy and to the UK economy. So what is the Cinderella? It is the education and training. If I can touch upon something more—in my thesis I make this very clear—what has happened to hospitality education? Hospitality is a unique education and training area. Since 1990 the government policies introduced NVQs—as we all know—and with NVQs the focus was on training and assessment. I think the hospitality industry is more of an education of the image of the industry because somebody has only to work in a small restaurant or hotel and they get the image and think that is the hospitality industry be all and end all. Careers officers and the teachers are not doing the right thing by telling the young people that; the hospitality industry is more than that.

Q1454 Mr David Jones: You have just touched on my next question. You referred again in your notes to the Committee to the Hospitality Industry’s Workforce Development Plan over five years. In fact the first point that you make in your memo is that the first of the five priority areas is to improve the image of the industry as an employer. Surely the industry itself must have a role to play in that, to project the industry as a desirable career path for young people to do down.

Dr Patiar: If we look at the composition of the hospitality industry, 70% to 80% is small and medium sized establishments (SMEs) and that is another challenge the industry is faced with. If it were a manufacturing industry they can act quickly in one location but the hospitality industry is so dispersed and decentralised, that we have a problem of the image of the industry because somebody has only to work in a small restaurant or hotel and they get the image and think that is the hospitality industry be all and end all. Careers officers and the teachers are not doing the right thing by telling the young people that; the hospitality industry is more than that.

Q1455 Mr David Jones: Can you tell the Committee how it is proposed that the Development Plan will be worked through?

Dr Patiar: The Sector Skills Agreement has already been submitted to the Welsh Assembly. This has been going on for a year. I mentioned to you that there are four areas that they are looking at. Retention is the biggest issue because you can keep training more and more people but if they are not going to stay in the industry we will never resolve our problem. The four areas which are going to be looked at are management and leadership and I think that is the first thing to look at because we need to make sure that the industry understands managing people and leading people and making sure that people coming in will be staying in, and also to be able to give a career progression to the young people coming in to the industry. There is another issue which is underlined, that young people do not wish to join and remain in that position for the rest of their lives so the industry has to offer a career progression. Some of the large companies do—the Marriots and the Hiltons and the Sheratons—but we are talking about SMEs, that is where the challenge lies.

Q1456 Mr David Jones: Could you tell the Committee about the work of the Tourism Training Forum for Wales?

Dr Patiar: I find that the Sector Skills Council based in London is linked with the Tourism Training Forum for Wales but I think it should be more proactive in linking with the colleges and with the industry. This is my personal view until I have the evidence to prove it otherwise THERE IS NO SIMILAR ORGANISATION IN THE UK EXCEPT LEARNING SKILLS
Councils and Sector Skills Councils work together. In Wales we have this dichotomy that the Sector Skills Councils are linked with the Tourism Training Forum in Wales.

Q1457 Mr David Jones: Can you expand on that? Dr Patiar: We have Wales Tourism Alliance as well so we need to be careful that there are not too many parties. We need to give responsibility or accountability to one organisation to see things are moved forward.

Q1458 Mr David Jones: Are you concerned at the moment training is too fragmented? Dr Patiar: It is fragmented.

Q1459 Mr David Jones: As you know, Dr Patiar, this inquiry is into globalisation and its impact on Wales. It seems to me that potentially tourism and the hospitality industry is the ultimate globalisation proof industry to the extent that although you could export a factory to the Far East you can hardly export Wales to the Far East. It is a market that is captive to Wales. Do you feel, therefore, that tourism might possibly be part of the salvation of Wales in terms of its economy in an increasingly globalised environment? Dr Patiar: Exactly, because the money which people have to spend on travel and tourism is increasing year by year. If you look at the food side of the business, I think the spending on food in the UK was about 20% which has now gone up to about 35%. In the United States it is about 60% of money spent on food. I think there is a big potential in Britain or in Wales for this market to be captured. From the tourism point of view Wales has got everything to offer, it is a question of just making sure that when people come they get the service. That is the link which is weak at the moment. Wales has got everything; it is one of the best countries in the world. It has the culture, the people; there is a lot of warm hospitality as well. Welsh people are very warm people. We need the young people to give the service to the people who are coming as guests, that is where we need to make sure that happens. It is quite a comfortable place to be. With the Olympics coming in we need to make sure that Wales captures that on for 2012 and also for the Ryder Cup in 2010. Investment has to be made. Is it left to the private entrepreneurs or is government going to intervene? I am unable to answer that question. We need investment in training and human resources.

Q1460 Chairman: Could I ask the last question and it relates to migrant labour today and in the past? An early form of globalisation was the very large Italian community that came to Wales from the 1890s onwards and in many ways the way you have described the great challenge of customer service and customer care the Italian cafes and the Italian restaurants were—and are—iconic. They take a great pride in that. Today the Polish labour we have is highly skilled with very, very good language skills and are very often front of house in many of our hotels. I just wonder what kind of survey have you done to see the extent to which migrant labour is impacting in a positive sense on the tourist industry, hotels and catering? Has any work been done on that and also has any work been done on the extent to which the Italian community and the Indian community and the Bangladeshi community have also made a positive contribution to the hospitality industry in Wales? Dr Patiar: I have specific interest in the Indian and Bangladeshi community because the Indian restaurants are worth about ten billion spending per annum to the economy of Britain but not specific to Wales. They are also faced with problems, specifically the Indian restaurants. We know Italians, Lord Forte; he is an icon of the industry and came as an immigrant. We can see a lot of Indian restaurants coming into that category as well. However, we need to see the progress with Indian restaurants. Most of the people who came to open Indian restaurants came in the 1960s and 1970s. They are faced with huge problems now. Mainly they were family businesses; the Italians were family businesses. I can talk about Indian restaurants specifically. They have aspirations for their children and they want their children to be doctors and lawyers and they are finding that they cannot pass on their businesses to the family because they are not interested in running restaurants because they have become part of the British culture and they have the same values as the British people have. They do not want to run restaurants. The Indian restaurants are faced with huge problems in trying to find specialised chefs and workers and hence I have a link in Bangladesh with a couple of training institutions at the moment, to train students to NVQ level 3 and bring them to Britain as chefs because that is one of the criteria of the Home Office for people to get visas. We are trying to bring people in with skills and English language rather than getting immigrants who cannot speak English. With the Polish you are right. I can see the evidence. I do not have a quantitative analysis of exactly what proportion of each nationality is employed in Wales, but, especially the area where I live, Llandudno, most of the hotels have Polish staff and talking to the Llandudno Hospitality Association their needs have been satisfied in the front of the house area and looking across the UK there are issues now because a lot of Polish workers have come in and taken up the jobs at the front of the house. This industry also relies on young people. The university students who used to work there find it difficult to get jobs now because those jobs are filled up by these immigrants coming in and they do offer good service. I also happen to run a business and once I had a phone call from a recruitment agency and his sales talk was: “I can provide you with workers who will work on Friday, Saturday and Sunday, no problem. I can provide the workers; they will work 12 or 15 hours a day without questioning. I will provide you with workers who can do split shifts.” That was his pitch. You can see that our industry relies on people working on Friday nights; people want to enjoy Friday and Saturday nights. So immigrant workers are filling the jobs. It is good for the economy in my view. At least the system is still...
moving and not at a standstill. But there is one question people do ask me: “Why do you say there is a problem? I have been to the hotel, I stayed in a hotel, and I got excellent service”. People give their personal experiences. Or they talk about restaurants. We need to see how they are managing. Are they truly getting the Welsh people coming in as you mentioned, Mr Jones? We need to get the Welsh people in; the Welsh culture has to be in the industry. We cannot move the tourism industry to India; it has to be here, people need to come. A couple more things we need to capture on—this has been mentioned earlier on—are things like Welsh whisky and Welsh food: food tourism, wine tourism. On my travels in England they have a centre where people can go in and see the flour being made using the water mills, showing how it was done. People are interested to know how it used to be and how it is now. Making fresh bread, organic bread; looking at the lamb. The best lamb comes from here; the best beef comes from here. We need to try to sell those products and also to bring people in to taste our Welsh gastronomy. That is the first thing. Once people taste that they will go back to their countries and they will want to have Welsh food when they go back. I have had directors from the leading hotel schools and I took them to the Welsh villages, to the Welsh restaurants, to the Welsh delicatessen and they all brought back some cheese and they said “one of the best”. I have done projects with the students. We have taken Welsh cheeses to France to the supermarkets to promote it. We can do it but again I think it is investment that is needed, and sustainability, producing a sufficient amount. If the business does grow we should be able to produce enough for the international market.

Chairman: Thank you very much for your evidence today. If you feel, particularly in the last points you were making in relation to migrant labour and also what you describe as food tourism, you would like to submit a further memorandum about all of this—you were hinting towards the end of your evidence that the shape of the hospitality industry needs to change to take account of this—we would be very grateful to receive it. Thank you very much.
Tuesday 20 November 2007

Members present
Dr Hywel Francis, in the Chair
Nia Griffith
Mr David Jones
Mr Martyn Jones
Albert Owen
Hywel Williams
Mark Williams

Witnesses: Mr Jeff Hopkins, Chairman, and Ms Halina Ashley, Polish Centre Manager and Secretary, The Polish-Welsh Mutual Association, gave evidence.

Q1461 Chairman: Good morning and welcome to the Welsh Affairs Committee. Could I ask you to introduce yourselves for the record, please?
Mr Hopkins: I will be a gentleman and introduce Halina first! Halina is the manager of our Polish Centre in Llanelli. We have submitted a memorandum explaining when we started. I am Jeff Hopkins, the General Manager of the Credit Union and Chairman of the Polish-Welsh Mutual Association in Llanelli. The Polish-Welsh Association began in 2006 when the Welsh Assembly Government gave us some money and we were able to move the work we were doing out of the Credit Union into the Polish Centre which the Credit Union had acquired for further expansion and building.

Q1462 Chairman: Could I begin by thanking you for the memorandum you sent us which was very helpful in preparing for this session. Could you outline the main services that your organisation offers to migrant workers in Llanelli?
Ms Ashley: There is an appendix at the back of the memorandum and the services we have provided over the past 12 months are listed there. We have actually dealt with 6,816 queries. We do a lot of things which are not listed here, like telephone translations and we assist with medical examinations and visits to solicitors. We do anything people require of us.

Q1463 Chairman: Could I begin by thanking you for the memorandum you sent us which was very helpful in preparing for this session. Could you outline the main services that your organisation offers to migrant workers in Llanelli?
Ms Ashley: There is an appendix at the back of the memorandum and the services we have provided over the past 12 months are listed there. We have actually dealt with 6,816 queries. We do a lot of things which are not listed here, like telephone translations and we assist with medical examinations and visits to solicitors. We do anything people require of us.

Q1464 Chairman: Could you tell me whether there are other similar organisations in other parts of Wales or in other parts of the United Kingdom?
Ms Ashley: No, definitely not. We seem to be unique in the UK. For instance, in London there were Polish communities established and when new arrivals came to this country they were seeking support from the older generation, from the old immigration as they call it. In Wales, specifically in Llanelli, there were only three women of Polish origin and so there was no community as such.

Q1465 Mark Williams: In my constituency, in Ceredigion, we have something like 400 Polish residents.
Ms Ashley: We are serving those as well.

Q1466 Mark Williams: Particularly in rural areas where there is not a big concentration of people but they are very much individuals, individual families, the student community and people working on individual farms, you are helping those people as well, are you? They are finding you, are they?
Ms Ashley: Yes, when they are in trouble. They do not come for everyday things like they come to the Centre for, but they do come when they have an employment problem. There is a lot of exploitation going on. We put them in touch with solicitors. When they have a serious problem they come to us.

Q1467 Hywel Williams: Do you have any contact with Dom Polska, which is a long-established retirement home for Polish people?
Ms Ashley: No, we do not.

Q1468 Hywel Williams: I am just thinking in terms of some people who have been in the United Kingdom for 40, 50 or 60 years.
Ms Ashley: They are really getting on now, with respect. They would not be able to help. The new generation’s children and grandchildren perhaps do not even speak Polish.

Q1469 Albert Owen: I want to continue the theme of relationships with other organisations. You say in your memorandum that prior to your inception it was the credit unions, politicians and trade unions that set up this help for migrant workers. Does that relationship still exist? How do you liaise with groups such as the police, local churches and education providers? You said that language was a big issue. How does that mechanism work?
Ms Ashley: We do. As everybody who knows us knows, we are very, very busy. We have a very good working relationship with the council, the police, with medical associations and with voluntary organisations as well. We have a lot of meetings and we are trying to improve our services constantly. The relationship between the Credit Union and the Polish Association is financial. As these people are excluded for the first three years from access to any credit, the Credit Union is able to provide this credit for them. It is not extortionate amounts, just a couple of thousand pounds.
Q1470 Albert Owen: For instance, do they come into the Association's building for financial advice or do individuals go to the Credit Union?

Ms Ashley: People come for financial advice when they are in trouble financially, but this is not the case with Polish migrants. Polish people have everyday problems, dealing with utilities, accommodation problems, work problems, but as far as their finances are concerned, what the Credit Union offers them is the savings facility and then short-term loans to go back home to visit their family, to buy cars or for housing bonds, which would have been impossible for them to get from the mainstream backing. If they need to change accommodation they are forced to go to high interest lenders, like Shopacheck or Providence.

Q1471 Albert Owen: Mr Atkins, prior to the Association you say there was a relationship with the unions and politicians and that is continuing. We have taken evidence from agencies and there are issues there. Do the trade unions actively encourage the migrant workers from Poland to join the unions or give advice?

Mr Hopkins: We encourage the Polish workers from Poland to join the trade unions. The trade unions have come alive to that. Halina went to the British TUC Conference in Brighton this year and she spoke at a fringe meeting there. We have had a continuous relationship with the Wales TUC and in particular with Unite as it is now. We have accessed funds through the Welsh Assembly Government that have come through the trade union movement in terms of education where we have put in two IT facilities, where Polish people come in off the street to us and they can use the computers and talk to Poland or whatever they like with them.

Q1472 Albert Owen: We have had evidence from the police in various inquiries to say that there is an issue with migrant workers coming to the area not understanding the language and needing translators and facilities like that. Do you provide that direct to the police?

Ms Ashley: Yes. Some of our staff are on the books of the police. We do a lot of work unofficially as well.

Mr Hopkins: I think you are on dangerous ground here to be quite frank. The chief constable has retired today and I have been reading all the nice things in the papers that are probably coming from some of you gentlemen sitting round the table. The way we have seen it is that they do not actually record crimes. You try and report a crime and it does not happen.

Q1473 Albert Owen: The issue I was raising was the difficulty with languages, you would then assist the solicitor, would you?

Ms Ashley: Yes. We do assist quite a lot.

Q1475 Albert Owen: Thank you very much. Again, Mr Hopkins, in your opening remarks and in your memorandum you have touched on grants that you receive from the Welsh Assembly Government and that is up to 2009. What sort of business plan have you got post-2009?

Mr Hopkins: That is difficult to answer.

Ms Ashley: To carry on and improve the services which we are providing and if we cannot afford the time we will be doing outreach surgeries in Carmarthen and perhaps Swansea.

Q1476 Albert Owen: What sort of additional services? We have talked about the computer shop and IT skills. Do you envisage holding your own educational courses for migrant workers?

Ms Ashley: We do, and that is financed by the TGWU. Mainstream education is failing migrant workers because of their circumstances and because of their age. The provision of English lessons in English as a second language is accessible but it is not suitable for them. They seem to join the course and then just resign. We have talked to them and explored what the problem is. For a start, employers do not need them to speak English so there is no incentive there. We have established a conversation club which meets every two weeks and we encourage them to speak with volunteers. We are giving them “survival” English. We are acting out situations, which the volunteers help us to do, to break them in to speaking English and we given them materials, which we produce ourselves, and this seems to work.

We get between 32 and 37 people at each meeting.

Q1477 Albert Owen: And you wish that to continue post-2009?

Ms Ashley: Yes.

Q1478 Albert Owen: Where do you see the funding coming from post-2009?

Ms Ashley: We will see what the situation will be like.

Mr Hopkins: I think it will largely depend on the economy. It depends on the input of fresh Polish workers. As it stands today Polish workers come from Poland every week. That is because of the agency situation and the way they operate in the food industry.

Q1479 Albert Owen: As managers, coming up to 2009, you will be looking at submitting another—

Ms Ashley: We cannot be self-financing.

Mr Hopkins: We will have discussions with the Welsh Assembly Government in respect of that.

Q1480 Nia Griffith: I would like to carry on a little bit with the issue of the English language because you say that is one of the major problems that there is. Can you give us any indication of the reasons why...
you feel that there is a dropout rate from the course? Is it that the content is not suitable or the time of day?

Ms Ashley: It is pitched too high. They can choose the time of day, it is available seven days a week, but they cannot get the numbers to sustain the courses. With us it is different because we are advertising it as a social meeting, an opportunity to meet English speakers. We hold a raffle to encourage them to come, we provide refreshments and during it all we pass on the vital information which they need on whatever subject. If we are doing something about buying a car and putting a car on the road, we give them the vital information in Polish on how to do it and the same with banking or whatever problems they are most likely to encounter whilst living in Britain.

Q1481 Nia Griffith: Do you think there is a need for very specific learning materials for people coming into this country? For example, Tinopolis very recently had a lot of publicity about some excellent bilingual materials they are producing for schools. Is there a case for commissioning specific materials of the type that you have been developing which are totally practical and very, very much what people need?

Ms Ashley: The pitch needs to be lower.

Mr Hopkins: I think you have hit on something there. Somebody said to me once that the British Army could teach a raw recruit off the street a foreign language in ten weeks and put them into a foreign situation and they would survive there. These people are coming to us with no English at all. They are just parachuted into our society. How do we get them that level of English in that amount of time? I went to a grammar school. I was taught Welsh. I do not speak Welsh because it failed, so I am a failure in those terms and most of my contemporaries were in the same position. The language teaching is not particularly good at getting you to converse with people. There are issues there. We have spoken to some people who provide English professionally and they do it in a different way to what the educational system is doing, they do it in more of a conversationalist way. Our teachers from Poland have adapted some of those lessons into what we do on a fortnightly basis with Polish people and we are getting some results.

Ms Ashley: We are also getting interest from Bangor University and Swansea University about the materials that we are using. There was also the suggestion that educational funds be used to create a course and then that could be available in the rest of the country.

Q1482 Nia Griffith: It is a real pleasure to visit the Centre where you are working on a Friday evening. Nevertheless, you are still asking people who have done a long day’s work to come out again in the evening. Do you think there is a case for forcing employers to provide English in the workplace when people are perhaps awake, early in the morning or whatever, because they are getting a huge economic benefit and they could be putting something back?

Ms Ashley: It is already available but there is not the take-up.

Q1483 Nia Griffith: Because the quality is not appropriate?

Ms Ashley: Yes. The employers do not really encourage it because they do not care whether they speak English or not because they have the line managers who speak a bit of English and that will do. As long as they can force them to work faster and faster in their own language employers are happy. That is in mass employment.

Q1484 Nia Griffith: Could there be a case for looking into it?

Ms Ashley: There is a case for looking into it for one-man bands where they have to work one to one. They need to be encouraged to learn English whenever it is available.

Q1485 Nia Griffith: You have also highlighted the problem of a lack of suitable materials available in Polish. What do you think are the main items that are lacking, and can you tell us about some of the work that you have been doing to plug those gaps?

Ms Ashley: We are working on it. As far as the materials are concerned, we are working with Carmarthenshire County Council and we are about to produce a very detailed welcome pack outlining every public service that is available and how to go about getting it. This pack is just about to be published. I have not seen a draft of it yet. The final adjustments are going in now. Up until now we have been providing the information ourselves through the Centre on anything that they may come across, from benefits to DVLA information, absolutely everything they are interested in, banking especially. Banking costs them dearly and it is just ignorance. They incur charges because they are not using their bank account as they are supposed to. They sign agreements but they do not know what they mean, what they are committing themselves to and they are incurring charges. Sometimes it can be a few hundred pounds lesson to learn how to use the bank account.

Q1486 Nia Griffith: I understand that some of the agencies pick up a lot of money for introducing customers to the banks.

Ms Ashley: That is what the banks do. When the new migrant comes, instead of registering them with the Home Office they open a bank account because obviously that is the cheapest way of paying their wages. So they give them an introductory letter. All the migrants have their ID cards. That is the basis on which the account can be opened.

Q1487 Nia Griffith: And the agency makes money out of that.

Ms Ashley: Yes.

Q1488 Nia Griffith: Could there be better use of that money?
Ms Ashley: It used to go to a private account and it used to be £40 for every introduction, but now it goes to the company. The company introduces somebody and they get a fee for that.

Q1489 Nia Griffith: Do you think there could be better use of that money than paying it to the companies?
Ms Ashley: Absolutely.

Q1490 Hywel Williams: I was intrigued about learning English. There is a great deal of expertise in teaching people to speak Welsh rather differently from the way you and I were taught, also at a grammar school. Have you had any contact with the people who very successfully teach adults to speak Welsh, which is more of a proposition than speaking English?
Ms Ashley: We have only met two Polish people who speak Welsh and they have been here for a long, long time, but the children have no problem whatsoever.

Q1491 Hywel Williams: There are methods of teaching adults a language which is entirely foreign to them. Teaching Welsh to people who speak English is quite a proposition. Teaching English to people who speak Polish is less of a proposition because English is everywhere. There is quite a lot of expertise required as to how to do that among people who teach Welsh. I just wondered if you had any contact with them.
Ms Ashley: We have not had any contact, no.

Q1492 Chairman: Are you aware of the Welsh Union Learning Fund project run by the Transport and General Workers’ Union, now called Unite, in north Wales where they have been arranging to teach Polish bus drivers English and Welsh?
Mr Hopkins: They have been to see us. We are in close contact with them.
Ms Ashley: We have just made contact with a lady called Jennifer who is funded by the Welsh Assembly. She provides a fun approach to learning Welsh. We are organising an event for Polish mothers and children to take part in. If this is successful obviously we will help them to carry on with it.

Q1493 Mr David Jones: Ms Ashley, you have referred in your memo to Polish migrants forming their own “ghettos”, which I guess, as a Polish person, is not an expression that you would use lightly. Could you explain to the Committee how this process of ghettoization manifests itself, and the effect that it has upon social cohesion?
Ms Ashley: It seems to happen naturally because people tend to gravitate towards people who speak their own language. If they have been in the country longer or they know how to arrange things they turn to them for help. They feel safer in their own communities because they can communicate with these people. I am a victim myself. I came to Wales to escape a ghetto in Manchester. I lived in Manchester for 20 years and it was like living in a small village. You go to the Polish shop and you see Polish people, they are all interested in what you do, you are working with Polish people --- Well, I had enough! I chose this country because I liked a lot of things. This is the country of my choice.

Q1494 Mr David Jones: This phenomenon is now occurring in Wales, is that right?
Ms Ashley: In Wales that is what is happening. If somebody can speak a little bit of English they gravitate towards that person. If somebody finds a house in a certain location they seem to join together. There are clusters of them. We have had four successive migrations into Britain in the twentieth century and it has happened time and time again. It is only valid for the first generation, for the parents and then once the children go to school there is no problem whatsoever, they are fully integrated. They do not even want to speak their own language unless their parents force them or send them to their own school.

Q1495 Mr David Jones: You also mentioned in your memorandum that the government at the time of opening the borders with Poland did not understand the social implications. How do you think that we can encourage the establishment of social cohesion in communities that do contain migrant workers in this country?
Ms Ashley: You cannot do it top-down. It has got to come from the grass roots like we are doing. You have to respond to the immediate need. The government cannot say, “You must integrate”. People trust us because they know we are trying to help them help themselves. We are doing everyday things, things they take for granted. Every day people come and say, “Thank God you’re here. I don’t know what I would’ve done if the centre wasn’t here”. Sometimes they come about trivial things, somebody’s phone, little things, but they rely on us. There would have been a lot more breaches of the law through ignorance rather than design. You were talking about indigenous populations having problems with the newcomers. We are trying to alleviate that. It is a direct response to what the need is that arises.

Q1496 Mr David Jones: At community scale level?
Ms Ashley: Yes. You mentioned about the government before they opened the borders. If people had gone out to Poland and sounded out Polish psyche, what they were thinking, what their ambitions were, what the majority of people wanted to do and what the economic situation in Poland was, they would have known that there would have been a flood of migrants coming here. They have always looked up to Britain. They fought together in the War. Britain was the icon for Polish people. They waited for the borders to be opened to be able to come here legally and just work, make some money and build houses or invest in businesses. They have their own ambitions. They cannot do this in Poland. There are no opportunities. They are seeking those opportunities here. Remember, the majority of them are highly educated people, people with degrees and they are wasted on packing meat. We have to take
those opportunities as Britain since they are here and make the most of it. In order to prevent this we probably should have been thinking differently about how the Polish people were thinking before they opened the borders.

Q1497 Mark Williams: An integral part of social cohesion is going to be what you have said about the education system and children being a part of this. Have there been any particular challenges in the education system with children? I am an English speaker with two Welsh speaking daughters.

Mr Hopkins: We had the problem before the start of term where we knew children were going into the British educational system and they did not speak a word of English. We had meetings with the educationalists who said there was no money to do anything about it. We put it to them that they could sponsor some pre-school lessons and there was no change there. As a community-based organisation with some funding we did it ourselves. We said, “Okay then, if you’re not prepared to do it we’ll do it ourselves.” We rented a home, we got the teachers in and we gathered the children together before they started school in September to acclimatise them, to give them an idea of what the classroom was going to be like, the sounds that they were going to be hearing in a school and the way the school is organised, so that they were not going from the moon straight into the British educational system which was completely alien to them. There was no real comprehension on the part of the authorities that they should be thinking in this way at all. That has certainly helped those children to integrate in those schools.

Q1498 Mark Williams: In the light of that experience and the good work you are obviously doing, has the view of the authorities changed? Is it changing?

Mr Hopkins: I would not like to say whether it has changed or not because the contact with educationalists at that level is not great. They make no contribution to the committees you sit on, do they?

Ms Ashley: No.

Q1499 Mr Martyn Jones: In your memorandum you are highly critical of agencies that employ migrant workers, and refer to work insecurity, low pay, intimidation in the workplace and dubious dismissal procedures as some of the many conditions to which migrant workers are exposed. I have heard some horrendous stories along those lines and I am in northeast Wales. I think it is a widespread issue. To what extent are you able to intervene in your organisation and solve such problems, and what support do you have available to you?

Ms Ashley: The trade unions.

Mr Hopkins: In 2004, on a Sunday morning, I was in the kitchen of the credit union and somebody stepped into the kitchen and I thought, “Oh my God, they’ve come for the money”, but it was not that. The guy could not speak any English. I thought to myself, “Who is this chap? What is he trying to do?” I happened to look over his shoulder and I saw a Polish flag on the car outside and it clicked. I rung Halina immediately and she spoke to him. Within one week of that telephone conversation we had a banking hall, which is a fairly large room, full of Polish migrant workers all with problems relating to their workplace. They were problems that we could not attend to, so we immediately brought in the trade union in an attempt to satisfy some of their problems. That has not gone as well as we would have liked it to have gone because the problems still remain. Some of those problems may be insolvable because they are on a political level in as much as we highlight the “O-hours” of a contract which we believe is the basis of all the ills that befall these poor people. It gives power to the employer that has not been realised by employers since the last century in Britain. The way they operate it is vicious and callous, and they have no consideration for the people who work for them. Some of these employers had a bad record prior to the incoming of migrant workers and they have gone from coming to a country that is fairly sophisticated in its labour market to employers who are on the very edge of that sophistication and it is a really bad deal. There are no foreign people involved here; it is Welsh people who are exploiting them. The housing situation was dreadful but we have seen improvements in that. We have been badgering people and there has been an improvement, but it has not come in the public sector because the public sector turns the other way. The public sector is not responding at all to the housing needs of migrant workers. I think what is tending to happen in the public sector is that is becoming a sink for people on social security. The low wage earner does not get a look in, and these are all low wage earners with families. They have found themselves in the high cost private sector having to find enormous rents. It is driving them into debt when they need not do so because the public sector has voids in housing. I had a meeting last week with the county council and I said how I found it quite ridiculous to see the voids in the streets when there are poor, low paid workers struggling in high cost accommodation.

Q1500 Mr Martyn Jones: The point I was trying to make was what can you do about the intimidation?

Mr Hopkins: We have had a meeting with the Gangmasters Licensing Authority. They sent two of their senior officers to see us and basically they gave the local agency a clean bill of health. They wrote back to us and said there was very little they could do following our conversations with them, which we found quite astonishing.

Q1501 Mr Martyn Jones: I am surprised to hear that you have not had any contact with the police.

Mr Hopkins: The police look the other way.

Q1502 Mr Martyn Jones: I have dealt with the police through the trade union in northeast Wales and we have had some success, although to be fair, the police in north Wales have got a Polish speaking officer and this has been a great help. Have you not found that in your area?
Mr Hopkins: We have. At the street level the police are fine, but when it comes to the reporting of crime—and it happens in our society as well—they come up with these figures all the time that there is no crime and yet we are working with people on a daily basis and find that crime is happening all the time and it is not recorded. We have taken Polish people to the police station to record a crime and we are having to tell the man we want it written in the book because he fails to do it. We have had terrible rows.

Q1503 Mr Martyn Jones: In your memorandum you state that migrant workers are sought after by employers because of their work ethic and skills and that is something we have found, that they are valued as workers. What steps do you take to communicate the fact that, as is the case as far as we can tell, they are not taking our jobs or jobs off British workers? Are you actually trying to get that over to local people, that they are not taking their jobs?

Mr Hopkins: To be quite frank, there is an undercurrent of people that actually say that. I live in a street where I have Polish neighbours and Welsh neighbours and we are getting on fine. I do not come across the problems. I think a lot of it is fermented by newspapers. I think that newspapers and journalism ferment these things. They print fabricated stories that justify the way that they think. I think Daily Mail/Associated Press newspapers should be named, and I will name them, for the way that they operate with their reporters. They print scurrilous lies about Eastern European women. It is ridiculous what we have had to put up with.

Ms Ashley: We had to turn to our MP because of what our local newspaper has done and how much harm it causes through totally unfounded allegations.

Mr Hopkins: We have. At the street level the police are fine, but when it comes to the reporting of crime—and it happens in our society as well—they come up with these figures all the time that there is no crime and yet we are working with people on a daily basis and find that crime is happening all the time and it is not recorded. We have taken Polish people to the police station to record a crime and we are having to tell the man we want it written in the book because he fails to do it. We have had terrible rows.

Q1506 Albert Owen: You mentioned that when Poland joined the European Union the gates opened and floods of people were coming into this country and there were problems and you are assisting with those problems. Is it not the situation—and we found this when we were out in Poland—that people who are actually returning, either out of choice or forced back, are becoming mentors out there and giving advice on what it is like in Britain, not just about the problems but assisting them as well? Do you liaise with groups in Poland who perhaps the agents are also using to get people into this country?

Ms Ashley: No, we do not. There are so many newspapers, magazines, information on the Internet that they can pick and choose. It has been written so much in the press where most of these people have come from and we have got the clippings from the press warning them, naming names and they are still coming, they are still flooding in. They are still paying a lot of money for the journey on the bus just to end up in the meat packing factory in Llanelli.

Q1507 Albert Owen: Whose responsibility do you think it is to offer that information in Poland?

Ms Ashley: You cannot really stop it. They have to judge for themselves which information is good. If people are desperate they will not be checking the information or verifying anything. They just think my neighbour managed to do it, my neighbour is building a house, so I should be able to do it as well. So he/she goes and borrows £200 and pays the agency. They have three recruitment offices in Poland. That is why there is a pressure to bring them from Poland constantly, because that is how they make money, on turning over those people.

Q1508 Albert Owen: Do you think both governments have a responsibility?

Ms Ashley: The Polish government washes its hands of them. We have hosted Polish consuls in the course of our activities with the Association and basically their opinion is if they cannot manage here they should not be here.

Q1509 Albert Owen: I know in the Republic of Ireland they have inserts of Polish media inside newspapers telling the news in the Polish language. Is that something you have considered in the area with a growing migrant population? Some of this is unedited; it is from the Polish community itself.

Mr Hopkins: I do not think there is any need for that. We want to see people integrated into our society.

Q1510 Albert Owen: The reason for it in the Republic of Ireland is that they did not feel they were getting all the information via the media or that it was distorted, which you have identified in your area. They have found that by doing it through Polish journalists producing Polish inserts in newspapers it is more balanced.

Ms Ashley: We provide a lot of Polish newspapers free at the moment because we have not got the funds to buy them. There are over 40,000 businesses in London and a lot of them are living off these
Polish migrants that are doing all sorts of things and charging them for it. There is plenty of information. As far as the British press is concerned, getting them to pick up the British newspaper or getting them to listen to the news or to have British television on is a job. We are encouraging them to do that because obviously they are learning English if they use the media. This is a big problem because they have got Pulsat or their own satellite.

Mr Hopkins: They could all be in Warsaw. They know what is happening in Poland faster than anybody. It is a small world.

Q1511 Hywel Williams: Mr Hopkins, you spoke a little earlier on about the housing situation and you said that the public authorities have turned their backs on migrants. I am dismayed to hear this. I would like you to explain a little bit of why you think that. How is this communicated, the public housing situation, to migrant workers? Do they understand the difficulties of getting into that public housing system?

Mr Hopkins: We try to explain it to them because as they stay longer with us they become more aware of their surroundings and they become more aware of the difficulties they have with housing and the costs of it. They are brought here by the agency. They are put into agency accommodation which is usually overcrowded and overpriced, so if they have got any savvy they quickly move away from that and then things can happen to them, eg they may lose their work. In terms of the housing, they want to move away from that into better conditions normally, but the public sector is not available to them in Llanelli. It may be because it is in short supply.

Q1512 Hywel Williams: But there are restrictions as well in terms of the fact that you have to have residency, for example, are there not?

Mr Hopkins: Yes, the residency thing comes into it. That is another issue that we want to highlight where the agencies are concerned because the agency sends the Home Office registration document off. I had a lady in front of me only yesterday morning that had paid £90 to the agency for her registration document. She is having insufficient work with the agency to keep alive and she has now gone for another job. That new employer is saying they have got to have her Home Office document. So she goes to the agency and she comes back to me with a receipt from the agency in Polish, which we are able to interpret, which I want to give to the new employer and I said that it was insufficient, that I wanted the receipt that she had actually paid this amount to the Home Office and the number. The agency said there was no way she was having that. There are problems in relation to that. In terms of housing, I think the Welsh Assembly Government has got to take a look at that because they have got a responsibility for housing. In Swansea it would appear, from what Polish people tell us, they get much easier access into public housing than they do in Carmarthenshire. There is something somewhere there.

Q1513 Hywel Williams: I had a case last week of someone who had been working for a year without registration at all and they had huge problems when they moved on. You also mention in your memorandum the problems that people have in accessing dentistry and maternity services. What steps are being taken to address that and to improve the system?

Mr Hopkins: They have employed four Polish dentists in Llanelli—

Ms Ashley: One has gone.

Mr Hopkins: — from Poland to work with the health sector. People everywhere have difficulties with dentistry in the National Health Service in Wales and I think that is being addressed not just for Polish people but for everybody that wants to access the national health dentistry system. It has been diabolical.

Q1514 Hywel Williams: What about maternity services, is that a problem? You mention them specifically on page 4.

Mr Hopkins: We have done a lot of work on maternity services.

Ms Ashley: CAVS and the Association have produced a leaflet which they are going to print. It is coming out any day now. It lists and explains every service provided by the National Health Service, telephone numbers, where to get it, where to go for help, so that when they land from wherever they would get it in their own language, it is available to them. That is how much they have done. In the very beginning we had terrible trouble getting Polish people in as patients. Nobody knew whether they were entitled to the service or not. The last thing employers want to tell them is that they are entitled to statutory sick pay. As I say, there were three cases of people who died in north Wales. Luckily I have not come across anything more serious than high temperatures, burst ulcers and things like that where we have had to take people to hospital. In north Wales I do not think they knew where to go for help.

Q1515 Hywel Williams: I wanted to ask you about extreme situations, such as homelessness or mental health crimes. That happens in the migrant community. How is it responded to? Are migrant workers themselves thinking this could be organised better? Do they have any ideas themselves?

Ms Ashley: They are not organised at all. Whatever we provide for them, that is it. We have tried to organise a mother and children’s group, there are quite a few Polish mothers and they are scared of the financial responsibility. They will not do anything. You have got to do it for them.

Q1516 Hywel Williams: I am thinking about the mental health issue. I was formerly a mental health social worker and I sectioned somebody who was Polish.

Mr Hopkins: That is a real problem. The first instance we came across it was when we had a man who we were friendly with who had come to us and we were dealing with some problems for him and he just disappeared. We discovered that he was in
prison, but he had not committed a crime in the sense that he had purposefully done so. He had a mental state and he was locked up. He had been through the courts, he had had what was available to him, oral interpretation or whatever they had there, he had had his legal representative or whatever was available and he still ended up in prison. He should not have gone there, but the people who were dealing with him failed to recognise the problem. He spent five months in jail. He went to the courts in Carmarthen where the case was absolutely quashed by the judge. He should never have gone to prison. He came back to us, the same day he went back to Poland.

Q1517 Hywel Williams: Are there any specific self-help groups for Polish people?

Mr Hopkins: We had a meeting last week with the Red Cross because the Red Cross have come to us now and said that they are changing—I do not know if this is for publication yet—the way that they are operating. They are looking now to work amongst migrant workers because the definitions are changing a little bit.

Ms Ashley: They put them all in one basket, migrants, immigrants, asylum seekers, the whole lot.

Mr Hopkins: They are all asylum seekers, that is what most people think or the Daily Mail would have us believe. The prejudice is there. The Red Cross is now looking at this section of migrant workers. What we have been saying is that when people get dismissed from work for whatever reason and very often it is not their fault, they go off sick and they lose their jobs. They have burnt all their bridges in Poland, but there are no public funds for them, there is nowhere for them to go, so they get thrown out on the streets and nobody can help them. We have had whip rounds in the office and we have looked after some people like that. Halina has had people to stay in her house and so have others. There is no way the authorities can spend any money on them and so they just wander on the streets.

Q1518 Hywel Williams: How does the social security system respond?

Ms Ashley: They cannot. The door is closed. They are not entitled to anything. Social security would not talk to them. This is a big loophole in the system. It is a breach of human rights.

Mr Hopkins: This is where we have brought up the criminality bit. When you get criminals that have got no means of support, what are we doing about them? There is this question of deportation. We took the firm line they should be deported. We take the same line as Mr Prodi in Italy, that these people are not wanted in our society because they have wronged in their own countries very often and they are coming in here. There is no public funding for anybody that finds themselves in prison and comes out. They have not done a year, they have no insurance and so they will not get anything. We are landed with people who could be dangerous in our society.

Q1519 Mark Williams: You talk in your memorandum about the lack of collaboration between European police forces. Are there any other examples you could give to illustrate your frustration at why the European police forces are not cooperating?

Ms Ashley: On 10 August or so our chief constable, who resigned today, went on television and said that there was no cooperation between Polish police forces, they have got no data to exchange or anything like that. He said that British police forces were ready to cooperate with Polish police but nothing is happening. Basically it is a free-for-all here as far as crime is concerned.

Q1520 Mark Williams: How big a problem is that in Llanelli? Quantify that for me.

Ms Ashley: There is a problem, maybe not to the British population, but there is a lot of crime perpetrated amongst the Polish population and people are so intimidated and frightened. They would not go and testify because, for a start, our police do not want to know and they are too afraid to testify. They do not trust the police. We get a reputable firm deliberately seeking big guys as security. Some of them we know got life sentences but they served only 15 or 16 years for murder. There is a whole family of them. They are all big guys. Everybody is afraid of them. Polish people know that they have got contacts in Poland as well. So whatever happens, if they testified against them here probably their families will suffer in Poland. It is all done sort of Mafia style. These people do not have to work. They go and have a drink in some company and then if they do not have any money, they grab them by the throat, they smash their head against the wall, get the card, get the PIN number out of the person, basically squeeze it out of them and they go empty their cash machine. It usually happens after the wages are paid, which is every two weeks, and then they bring the card back, throw it at them and that is it. One boy was particularly badly beaten up. His mother came with him and she said she would have to send him to Poland. I asked her to come with me to the police and to tell the police what has happened and we will put a stop to it, but she said no way because they will let him out and if they let him out her life is not worth living. There have been stabbings, beatings, all kinds of things amongst the Polish community. Nobody speaks about it.

Q1521 Mark Williams: You also mentioned throughout the morning session about the lack of enforcement. Can you elaborate a bit more on that? Why is that so? How is that problem going to be addressed?

Mr Hopkins: Every problem we have addressed with the TUC and trade unions as far as the work is concerned. We have got every possible law in place but nobody is enforcing it. We have got a duty for the employer to have sight of the worker’s registration document within a month of employing someone. They do not even know what the worker’s registration certificate is. Nobody is informing them or enforcing that. Apparently there is a £1,000 fine
for not having it. This is important to us. It has been put in place for a reason, because these people acquire their entitlement if they want to stay for a longer period of time here, like two years or five years or even longer, which is their right, but they are losing it. We had people lose benefit and that is really life saving income support. One person became ill while doing a job here and she could not get anything because her Home Office document was registered too late. As far as employment law is concerned, unfair dismissals, we really need a strong tribunal to deal with cases like that so that an aggrieved employee can go there, place the case in front of the tribunal, without the fuss of solicitors and the process being as protracted as it is now. It should be made simple and easy and contain the need for enforcement either in the form of fines or jail or whatever, but it should be there as a deterrent.

Q1522 Nia Griffith: You mentioned the difficulties of people coming to the country with criminal records and obviously you will be aware that I have been pushing the Home Office to get a Sex Offenders Register across the whole of Europe. Would you see that as something that is absolutely vital? If we have our own Sex Offenders Register, what is the point of it if we can have people coming in from other countries who we do not know about? It is vital to protect our own community and to protect the legitimate Polish workers who can all be tarred with the same brush. If there was a proper system they would presumably feel a lot safer themselves.

Mr Hopkins: I agree entirely. We do not really live in a world where we come across sex offenders so often. It is criminals we are concerned about really. There are stories, I cannot prove them, which go around and they are that some of these agencies actually empty jails and bring them here just to make sure that they have got the labour force.

Ms Ashley: There is another kind which comes here, people with postponed sentences, ie people who have been sentenced in Poland and they have to wait until a place in jail is free so they can go and do their sentence. I think they do it in America. They obviously do it in Poland.

Mr Hopkins: When the hotel room in Poland is not ready they come here and they never go back!

Ms Ashley: We have come across a few in dire straits, without any means of support and we could not do anything because they have not been here long enough. I asked if it would not be better for them to go to Poland. The guy had not got a penny to his name. We committed ourselves that we would deliver him to the Consulate and from then on the Polish authorities would take care of him, but he said he could not do that and then it all spilled out, that if he went to Poland he would go to jail. So no matter how he sees it, he would probably prefer to live on the streets here and be free than to go to jail and do his sentence.

Q1523 Mr David Jones: Ms Ashley, you have painted a very disturbing picture of criminal activity amongst the Polish community here. Is it your belief that organised crime in Poland is deliberately targeting the immigrant community in this country?

Ms Ashley: I would not say deliberately, but it is possible, it is happening. Polish people believe so. The Polish are terrified of them.

Q1524 Mr David Jones: You used the word Mafia.

Ms Ashley: I said Mafia style.

Q1525 Mr David Jones: We know what the Mafia did amongst the Italian community in America.

Ms Ashley: This is the same thing. It is intimidation, it is frightening the children who are left in Poland and it is frightening the rest of the family if they do not provide the money that they want.

Q1526 Mr David Jones: Is it your belief that this is organised?

Ms Ashley: It is organised to an extent. Certain families are doing it or certain gangs. I would not say they are organised on a big scale, but it is definitely a certain group of people.

Q1527 Mr David Jones: Is it a growing problem in your opinion?

Ms Ashley: We are only talking about a small area, but definitely people like that must be in every Polish community here.

Q1528 Chairman: Should I be surprised that in all the evidence you have given you have not mentioned the Catholic Church? There is one other large migrant community in Wales today which shares with the Polish community the fact that they are strong supporters of the Catholic Church and that is the Filipino community.

Ms Ashley: We deal with them as well.

Q1529 Chairman: And also in Port Talbot. Could you tell us about the interface between yourselves and the Catholic Church and also the interface, or the lack of it, between trade unions and the Catholic Church, particularly with regard to helping to get trade union recognition in some of these places where migrant labour exists?

Ms Ashley: There is no Polish church as such. It is all about communication. Although they are a very religious nation, they do not go to the standard British masses because they would not understand what is being said. The priest cannot convey any information to them. They have got a Polish mass once a month for those who know. We advertise it for the priest. I asked the Catholic priest for some cooperation, I invited him to the Centre, to come and meet the people and to invite them all to the masses. When you enter the mass they give you a service sheet and I offered to translate it into Polish in order to make the Polish people go to church and they do not. Only the ones who are preparing children for their First Communion and Confirmation and those who have children in Catholic schools are going to church. In other places congregations have doubled and more but not in Llanelli and I do not know why it is.

Q1530 Chairman: In other places meaning where, in Wales?
Ms Ashley: It is all over the country. We are talking about organisations that help migrants. Mr Hopkins: There are some problems in Cardiff with the church because there is a Polish club in Newport Road in Cardiff which has been there for many, many years, probably since the end of the last War, and the new migrants do not get any entry into it because the Catholic priest or some sort of committee is not prepared to modernise or move into today’s world with it. They come to us and we have been trying to help them to get their ideas sorted and we are getting a similar association established in Cardiff. I think it is the leadership within the Catholic Church very often. It depends upon the attitude of the local priest and how much he is prepared to commit to that particular work.

Ms Ashley: We do cooperate with the TUC. They have provided a lot of very good literature as well about workers’ rights.

Mr Hopkins: I think the Home Office have got to be congratulated there. They were pretty quick off the mark in producing a document. The employers were not using it. It was produced for employers to give to migrant workers with a workers’ registration certificate. It gave all the details that they needed to know, but employers never bothered to hand it out.

Chairman: As you are aware, the Welsh Assembly Government is funding a number of studies into migrant labour currently. Are you involved in that at all?

Ms Ashley: They have not asked us yet.

Chairman: Is there anything else that we have not covered today?

Mr Hopkins: I do not think so.

Chairman: Do you think we have had a fair hearing from you? If you think there are other matters that you think about subsequently after you go away, we would be very pleased to receive further information from you. We are extremely grateful to you for your frankness and the comprehensive way in which you have answered the questions today. Thank you very much.
Tuesday 27 November 2007

Dr Hywel Francis, in the Chair

Members present

Nia Griffith
Mrs Siân C James
Mr David Jones
Mr Martyn Jones

Albert Owen
Hywel Williams
Mark Williams

Witnesses: Mr Bill Goldsworthy OBE, Chair, Wales Agri-Food Partnership, Ms Norma Barry, Director, Food and Market Development Division, Welsh Assembly Government and Professor David Hughes, Emeritus Professor of Food Marketing, Imperial College, London, gave evidence.

Q1534 Chairman: Good morning, and welcome to the Welsh Affairs Committee. Could you, for the record, introduce yourselves, please?

Mr Goldsworthy: My name is Bill Goldsworthy, I am the Chair of the Agri-Food Partnership in Wales. I am also Chair of a further education college in Bridgend and I was lately a Director of NFU Cymru in Wales.

Ms Barry: Norma Barry, Director of Food and Market Development Division in the Welsh Assembly Government.

Professor Hughes: My name is David Hughes and I am Emeritus Professor of Food Marketing, Imperial College, London, and I am self-employed.

Q1535 Chairman: Thank you for that. Do not be afraid to raise your voices; the acoustics are particularly problematic in this room and we would be very impressed with you if you did almost shout. Mr Goldsworthy, could I begin by asking you a very simple and straightforward question about outlining for the Committee the key aspirations of the Wales Agri-Food Partnership in terms of Welsh production?

Mr Goldsworthy: As I indicated in my written brief, the Agri-Food Partnership was originally created in 1999 to deliver strategies that had been evolved by the industry which concentrated on the main products, which were organic meat and dairy products. For the first four years of its existence that was its brief, to work with then the WDA to drive forward the production, the delivery and the export of those products. Since then we have added to our brief and we have a trade development group, we have a horticultural unit, a strategy group, fishery and agriculture and in the stage of our strategy which is now coming to an end we have been taking that forward across the board, both in terms of promotion and ensuring that the Welsh food product, which has always had significant quality, is available both within Wales and outside Wales. We have never sought to compete in the volume market. Wales’ products, particularly its best-known product which is lamb, are aimed at the quality end of the market and at a specific end of that market because in Wales we have geography or topography, whichever way you want to call it, which does limit our ability to use the land flexibly and we have a large amount of sheep which produce a smaller lamb, but which finds a very good market in Spain and southern France. We are suffering at the moment because of foot-and-mouth because the market has been closed and it has come at a crucial time of year.

Q1536 Mrs James: Just developing that theme, Mr Goldsworthy, what do you think are the main challenges and opportunities posed by globalisation to the Welsh agri-food industry?

Mr Goldsworthy: There are significant opportunities there but the challenges in our book are to make sure that the industry evolves strongly in the marketplace. There were very strong drivers in agriculture prior to recent times which were subsidy-led and farmers were encouraged to keep numbers of sheep and cattle rather than purely going for marketplace demand. That has changed in the last two or three years, so that is a challenge for the existing industry to upgrade their product to make sure that they are meeting the demands of today rather than yesterday. It is harder on some because the average age of the farming industry is high and as one of the older brigade myself, as it were, it is more difficult to embrace change. We have seen a lot of innovation coming into the industry and we have seen people coming into the industry from outside and doing some significant developments in the dairy sector for instance, a lot of our products have evolved, but that is in company with other people like Rachel’s Dairies who originally started from having a snowstorm which did not allow them to market their milk, and it has evolved into the company it is today, owned by Horizon of the US. There are wider markets that we have to get into, and on the globalisation scene we are always struggling to compete with the volume producers, we do not produce the volume in Wales that allows us sometimes to be producing the product onto shelves.

Q1537 Mrs James: You have already talked about the markets in the south of France and Spain and we have heard a little bit of previous evidence about China and new opportunities further afield.

Mr Goldsworthy: We have been looking further afield and have recently established some contracts in places like Dubai for sheep. We are looking at the Asian market and of course the Asian market is having an impact on us quite directly at the moment, particularly in the dairy sector where in the last six
months we have seen a significant increase in the price of milk as a result of the demands which are now coming for that product in China and we are also seeing a change in their consumption of meat protein products. I was interested in an article that was in the Telegraph yesterday where they are drawing conclusions that we may actually at some stage find ourselves short of food.

Q1538 Hywel Williams: I would just like to ask a supplementary on the export of lambs from Wales. It was put to me during the foot-and-mouth episode that we had a million light lambs on the hills in Wales eating next year’s grass and we could not export them because of something that went on in England, which had nothing to do at the time with what was happening in Wales and eventually proved irrelevant in many ways to farming in Wales. Do you have a view on that, that Wales was unable to export her lambs as it were because of that sort of incident?

Mr Goldsworthy: We were unable to export because of foot-and-mouth restrictions, there is no question about that, but the farming industry in Wales, although very sickened by the prices of lamb as a result of their failure to enter the export market, was not against the restrictions that were put in place. Anyone who went through the 2001 foot-and-mouth outbreak knew that we needed to take measures to stop it spreading, but what we are concerned about is that the loss to the industry, which some are putting at around £60 million, is not being met, yet it appears to have been caused by a government agency.

Q1539 Nia Griffith: Could I ask Professor Hughes if he could enlighten us a little bit about what you think are the main weaknesses and strengths of the Welsh food industry in the global context and perhaps how that compares with other countries.

Professor Hughes: I guess you have seen my evidence and the point I make there is that there are actually two areas of the food market that are growing: the bottom end, the so-called value end, and the premium end. As Bill points out, clearly if you look at Wales and its production structure, its cost of production, it is not well-equipped to be competing at the bottom end, and that is the area where globalisation has had such an impact. For example, if you take sheep, Australia and New Zealand would have 90% of world exports of sheep and lamb meat and the cost of production would be half or maybe a third, so if it comes down to price in markets which are concerned about price then clearly Welsh lamb does not have a place. However, latterly, at the other end of the market, the premium end, there is clear growth—often more growth than at the value end—and if you link that with increasing interest in local, regional, traditional, seasonal then there is a natural niche for Wales in its own market. Actually, lamb is one of the very, very few Welsh products that has some level of awareness outside Wales and so, for example, within a UK context it has relevance. As you get further into Europe it would be moot actually as to whether the lamb that is sold in Spain or France magically turns into Spanish and French lamb because that is the preference for the consumers in their own countries. The weaknesses therefore are small-scale, relatively poor infrastructure, the high cost of production which it shares with much of Europe, reflecting years of policy and also the fact that we are relatively high cost versus other parts of the world; the pluses are a premium in our market and the challenge is to make Welsh classic exports relevant outside of Wales where there is little or no awareness of Wales as a food-producing country or indeed of Wales as a country.

Mr Goldsworthy: If I could just add to that comment, for many years we were treated as the UK, British Isles, England and Wales, however you want to look at it, and Wales was an oarsman of that export market. In more recent years, not least since the era of BSE, French and Spanish markets have been more attracted to Wales for some reason, a little bit against the Anglophile approach, I think.

Q1540 Nia Griffith: Could I just pursue the issue of where we are now and how we go forward on it? Do you actually feel that there is potential there for an increase in the premium end? Do you think that people are saying that we are now actually spending a very small proportion of our income on the actual food ingredients and there is a place for people actually valuing food more and paying more for good food?

Professor Hughes: Yes. I have used the phrase “people want to pay more for more” but not on every occasion. There are 61 million of us in the UK and we are not all the same. If you take the average household spend on food at home as being around about 10%, if you are a blue collar family of five it is probably 25% to 28%, whereas for the likes of myself with just me and Susan, with the kids gone and well above average income, then I would be astonished if the proportion was 3% or 4% of our income, to be perfectly honest. It is neither here nor there; we do not want to be ripped off, we want a good deal, but we look for food with a story and that is what Wales is selling, it is selling the story. The challenge is how relevant is that story outside Wales? I would suggest that as ever the very, very best markets for your food products are at home, (a) because there is high awareness and (b) because your domestic consumer is more forgiving, whereas the further you get away from home there is the challenge of building awareness and also they have got a complete range of food products from Australia and New Zealand at the premium level. Is premium growing? Yes, Will it continue to do so? Yes. I make the point right at the end, it depends on your time perspective. If you believe, as I do, that we are going into a torrid period in the food industry over the next five to seven years where we will see higher prices than we see now, but also more volatile prices, we will see collapse of food prices which will then escalate and even the better off will be more careful about their purchases. I go back to my point, if they are paying more for more they will be more careful that there is more in the premium products, so whatever you have got to offer has got to be a lot more than just fancy packaging,
you do have to deliver on the intrinsic quality of the products. I think that is a challenge within Wales because a lot of the food businesses are not wildly sophisticated; they are relatively small-scale, though they are growing, some of them, and that will be the challenge: to consistently deliver the promise.

Q1541 Albert Owen: To take up that last point, Professor Hughes, you were saying and a little earlier on both of you who have answered questions on this said that the emphasis should be on the premium market and that we are not very good at competing at the bottom end. You also said that one of the reasons why we do not compete at the bottom end is that some of our Welsh lambs that go abroad are turned into something else. Is there a danger that that could happen with some of the premium brands that we are producing, that somebody could copy our ideas, or improve them or market them in a different way?

Professor Hughes: It was ever thus. In the food industry it is relatively low technology, if you take on a global perspective versus other high tech industries, and one of the reasons why margins are low in the food industry is that you can almost immediately copy anything and it is very difficult to capture the intellectual property associated with it, unless you use instruments that are available within the EU, for example, the PDOs, the designated origin. Outside the Principality the challenge is just low awareness of Wales.

Q1542 Albert Owen: Can I put this to you, Mr Goldsworthy? You mentioned about dairy prices being volatile and actually going up, but is there not a danger that you are encouraging and we are all encouraging farmers to diversify, but when the price of raw milk goes up then they just revert back and move away from the premium markets because there is more money to be made in the short term?

Mr Goldsworthy: More money to be made for whom?

Q1543 Albert Owen: For all concerned.

Mr Goldsworthy: We have to understand that the dairy market has been in the doldrums for something like five to ten years now and the exodus from dairy farming in Wales, particularly West Wales, has been very high. We have reached a situation where we are not fulfilling our quota in Wales or the UK and the major retailers have recognised that they have, to use a colloquial term, seen the bottom of the bucket, so there has been an incentive for them to safeguard supplies. This is why we are seeing more significant increases than we have had in the past. The dairy industry was in a way severely dislocated when the Milk Marketing Board was first taken out and then subsequently Milk Marque.

Q1544 Albert Owen: I would not disagree with that, but where we are at now—a few months ago farmers were telling me that they could not get a decent price for their raw product; now they can and what I am worried about is that those who had plans to probably diversify into the premium market are now all of a sudden sitting back and saying we can get more money for it now.

Mr Goldsworthy: I accept that that is a possibility but I also think that in order to diversify you have to have resource. You do not diversify from a point of weakness. Some have succeeded in doing that, but it is more difficult unless you have a really strong, substantial financial basis. We have just launched a new dairy strategy in Wales and are following that up with action plans, and I think that there is scope for Wales to develop its industry. In the last four or five years we have established outfits like Cheeses of Wales because whilst we produce a lot of quality product in Wales, often it is from smaller units and some of those smaller units reach big stores like Harrods, but it is quite difficult to maintain it on a consistent basis because of the volumes, so by linking together we are able to ensure that Welsh cheeses stay in certain stores on a consistent basis.

Q1545 Chairman: Professor Hughes wanted to make an observation.

Professor Hughes: Just let me chip in two things because I know we do not have long. The fact of the matter is that higher farm prices will reduce the incentive to change. I see that the world over—oh good, we do not have to change now. The challenge in not just farming but in any industry which is characterised by small business is to try and get control of your own destiny when you have still got some blood in your veins, and not wait until you are close to bleeding to death and think oh dear God, now I have got to change. That is point one. Point two, which is not linked to that, is that we focus here on the premium end, and indeed we should do, but let us not forget too a real opportunity where you guys can have some influence which is on public procurement of products within Wales. I see not a renaissance because I do not know that we ever did procure locally, but there are aspects of the—

Q1546 Albert Owen: I am sure we will come on to that a little later, but I just want to concentrate on one other issue that you both raise and that is about expansion of small businesses into medium-sized enterprises. That is the quantum leap, but how do they do that? You have given the example of cheese going to Harrods and I know there is cheese from Anglesey that goes to Harrods, and I am very pleased about that, but how is that sustainable in the future and what incentives and resources are there?

Mr Goldsworthy: If you look at those involved in the cheese sector in Wales you have got the small, premium end and then you have the larger businesses which are run by people like Dairy Farmers of Britain and the old Dairy Crest operation in Haverfordwest and places like that. They are into what I would call the Cheddar market,
which is a hard market anyway, and those who are making a better return are those who are into speciality cheeses.

Q1547 Albert Owen: What was the turning point for Rachel’s Dairy that you suggested then and how can others learn from that example? They will be very pleased that we are promoting them here today because the Committee is going on a visit.

Mr Goldsworthy: I gather you are going to Ceredigion shortly. I think the turning point for the whole business was that they came into their stride, if I can put it that way, at a time when the organic movement was growing very rapidly and there were very few people doing organic dairy products, certainly in Wales—Yeo Valley was doing it across the border—and they actually were fortuitous in that sense, but also the product itself was a very high quality product, and that has been proven in the sense that even since it has been taken over by Horizon it still maintains its markets in England and outside England because of the attractions.

Q1548 Albert Owen: What I am really looking for is that if a company now has X amount, but it is suffering from maybe overburdened regulation, does that type of thing stop it becoming a major employer or a medium-sized enterprise, is that an issue?

Mr Goldsworthy: If you talk to any food producer you will hear a tale that we are over-regulated and I think there is an element of truth in that. It does not matter how big or how small your business is, but it affects smaller businesses more because you have a lesser volume of product to spread the costs across.

Q1549 Albert Owen: My point is does it deter them from expanding?

Mr Goldsworthy: The thing that deters them from expanding often is the employment side of things because they are people who have grown up with small businesses and are sometimes reluctant to go beyond a certain point, especially if they are getting a reasonable return at that point.

Q1550 Mr David Jones: Mr Goldsworthy, would not another barrier to expansion from a small to medium sized enterprise to a larger enterprise be the Chancellor’s proposals for reform of capital gains tax? I was listening to the Today programme this morning and the founder of Lush Cosmetics was very critical of these proposals and he said that the phenomenon that he foresaw was that there would be a scramble for small size companies to sell their shares or sell the companies in some cases and they would be gobbled up by larger conglomerates. Rachel’s Dairies, after all, was eaten by a large company.

Mr Goldsworthy: It was, and in the last couple of days we have seen another company in Wales, Ethnic Cuisine, which has been taken over by Northern Foods. That is always going to happen. One of the first questions that was asked was what are the challenges; one of the challenges we have in Wales in the food market is that so many of the larger units are owned by businesses which have their head offices outside Wales, so our ability to influence them diminishes in that regard.

Q1551 Mr David Jones: Yes, but could you comment on the CGT proposals, please?

Mr Goldsworthy: I can honestly say that I do not think that that has been a significant factor in the development of Welsh food businesses.

Q1552 Mr David Jones: But it has only just been announced, last month.

Mr Goldsworthy: I know; it may well be that it will be more significant as we go forward. I do not know whether you have any comment on that, Norma.

Ms Barry: There has been no feedback from food companies to date on that point, but there is a risk and the very fact that we saw Ethnic Cuisine yesterday being taken over by Northern Foods might be an indication of that risk.

Q1553 Mr David Jones: Do you know if that was a factor?

Ms Barry: I have no idea because I only heard lunchtime yesterday of the takeover, which happened over the weekend. One of my officials has been in touch with the company and we have got the details of the takeover but not the real reason.

Q1554 Mark Williams: Returning to cheese, if I may, I am conscious that cheese is a Welsh brand—I saw them at Builth Wells yesterday at the fair and it was very successful. How many cheese producers are actually involved in that and as a general question how successful are we being, given the potential enormity of that niche market? I am conscious that we are going to Horeb next week, we are going to see the incubator units there and the support that they give people who are establishing food businesses initially, but what is the answer to that next step, particularly in terms of marketing?

Mr Goldsworthy: I think we have about 29 members of the Cheese Association operating at the moment and they range from very small to considerable.

Q1555 Mark Williams: How much of an advance does that represent over the lifetime of your work?

Mr Goldsworthy: We are talking about 5% of the cheese production in Wales, or something of that description, because the volume cheese is still being produced in good old Cheddar, which is the hardest market of the lot to sell in, and we have had some interesting experiences and some poor experiences. One of the things which I did not touch on earlier was that one of the ways in which we have been able to influence the growth of Welsh food companies has been by providing stimulus by way of processing and marketing grants, some of which were helped by European Structures Funds. That has given us the ability to help companies grow and some companies have been very successful, but there have been failures as well—you inevitably get that.
Q1556 Mark Williams: I am just conscious that one visits farmers markets around and there are a lot of highly enterprising, very small-scale businesses there that are very eager to expand, perhaps have not had the opportunities of, in my case locally, the incubator units and the potential is vast. I do not want to be critical of what has happened so far but there is a lot of work to be done, is there not?

Ms Barry: Chairman, could I respond on that point? I think our cheese industry in Wales is really developing, particularly in relation to the niche markets. We have some wonderful producers making a wonderful product and the issue, as Mr Goldsworthy said, is actually producing enough of the quality and in enough quantity to service the markets. The initiative when Cheeses of Wales came together was very interesting in that it was about joint marketing and working together in order to penetrate these markets, but I think there have been real issues in terms of co-operative working, or collaborative working as we prefer to say, and what we are trying to do at a policy level is to develop an infrastructure in Wales under the new Rural Development Plan where we have an organisation in Wales that can actually support more collaborative working between cheesemakers and primary producers et cetera, because really you need to get people working together to have the power to deal with retailers, for example. That is one of the programmes that we are developing under the Rural Development Plan. I have had quite a number of discussions with Cheeses from Wales and it is quite interesting when corporates come together in terms of how they actually manage, and I have tried to give them some guidance. For example, every member has different expectations: because I pay my membership fee I want you to do my invoicing, I want you to do my marketing et cetera, et cetera and I have tried to advise them in trying to get a small strategic board that is made up of sound business people who can actually steer the organisation and to be very clear to its members what they should have for their membership fee. That is what we really need in Wales, it is this infrastructure that can provide that advice to people that come together and want to work co-operatively, and that is what we are developing under the new Rural Development Plan.

Q1557 Hywel Williams: Mr Goldsworthy, you said something earlier on about companies with their offices outside Wales; can I ask you to pass comment, if it is principle, on the practice of producing Shirgar butter in the Cotswolds, with a very large red dragon and then in tiny letters, “Produced to a Welsh recipe in the Cotswolds”. Is that not a disgraceful example?

Mr Goldsworthy: Yes, I think it is rather disgraceful that we lost the original production point within Wales in the first place, and of course since that matter has reared itself in the media as it were they have adjusted the advertising to take account of the fact that it is now actually made in England. Shirgar was clearly a product which originated in West Wales and people felt muzzled and I think you have not got to go very far back when there were five factories in the Carmarthen area producing various dairy products, but Shirgar was one of the leading ones, all of which have now disappeared. That is another example of how we are affected sometimes by decisions being made outside Wales.

Q1558 Mr David Jones: Could I explore a bit further the last point of Ms Barry’s with Professor Hughes? You suggest in your memorandum that accessing external markets to Wales will be challenging—and you have referred to that earlier in your evidence—and you have compared Welsh produce and its recognition with Italian produce, which obviously is known all over the world. Could you outline to the Committee the main factors that give rise to these challenges and comment on whether they are unique to Wales or are they prevalent in other parts of the world?

Professor Hughes: They are certainly not unique to Wales. The point I make about Italy is that, interestingly, the Italians have no notion of Italian food, they only have notions of regional food within an Italian context, but if you ask consumers in many, many countries what is their favourite food apart from their own food they will say Italian food. As I mentioned in the evidence, if you say “What do Italians make?” they will rattled off a great list of products that we all know and love and it is a real challenge for those who are in the exporting business, the examples I gave of Canada and Australia, where in principle people accept that they are exporters of food but they have no idea what Canada or Australia exports let alone Wales for goodness sake. What is the challenge for Wales? You could argue within Wales that to a degree we lost a lot of food culture, food tradition and food heritage which are in the process of now regaining and so it is not surprising that outside our borders there is not high awareness. That is very, very difficult, to suddenly bring relevance to indigenous products which have little or no relevance outside your own country. It is a real challenge.

Q1559 Mr David Jones: Could I put a couple of points to you? In Italy the co-operative concept is well-developed and well-understood which, as Ms Barry has indicated, is not in Wales. Is that possibly part of the solution? Secondly, is it not simply the case also that Italian food, for example, is considerably better marketed than Welsh food to the extent of course that for example Parma ham is protected as a mark of origin. That does not really seem to be happening in Wales.

Mr Goldsworthy: It would be in the case of lamb and beef.

Professor Hughes: PDO products, yes. Sorry, your first question?

Q1560 Mr David Jones: The co-operative.

Professor Hughes: Yes, sure. Look, I have got to be a strong supporter of co-operatives. I am on the board of a farmer co-operative; 80 farmers in the UK over a relatively short period of time have built a substantial business. We have 50% market share in our seasons for fresh berries and there we are,
Q1561 Mr David Jones: Would you say, again, that the co-operative concept is something that would facilitate and drive forward a more effective marketing of the product?

Professor Hughes: Farmers sort of wince when you mention co-operation and so I smile when Norma says collaboration because perhaps they feel a bit more comfortable with that, but one way or another we have to break the view that I can do it myself. I talk to lots of farmer groups around the world and also in the UK and you will hear people say “I am in farming because I value my independence” and I just say “Dream on; nobody is independent, we are all inter-dependent and it is in your best interests to be horizontally inter-dependent.” Would it help? It would help enormously but there is no one size fits all, it does not have to be a traditional co-operative, it could be perhaps a new age co-operative. There are marketing agreements, there are many ways to approach this and all of them have relevance.

Q1562 Mr David Jones: What is a new age co-operative? It sounds a bit hippyish.

Professor Hughes: It does, but actually we are increasingly a new age co-operative which means it is not one member one vote, the ownership in the co-operative is linked to throughput and in our particular case we build reserves as any good operative is linked to throughput and in our co-operative concept is something that would facilitate and drive forward a more effective marketing of the product.

Mr Goldsworthy: I would slightly challenge Professor Hughes on one thing he said there; he said that the attitude to co-operation is the same in Wales as it is in England or Scotland, but it is probably worse in Wales. My experience is that the smaller the farmer the less interested they are in co-operation. If you look at some of the farmer-controlled businesses operating in England, we do not have their ilk in Wales.

Q1563 Mr David Jones: Mr Goldsworthy, your memorandum was a bit more optimistic on the question of export potential than the Professor’s.

Professor Hughes: I am not negative.

Q1564 Mr David Jones: I think you identified the challenges a bit more robustly than Mr Goldsworthy. Mr Goldsworthy, you say there are significant market opportunities within Europe and further afield; could you outline in particular where you consider those opportunities are and what is being done to seize those opportunities?

Mr Goldsworthy: You have just been talking about Italy and in Italy we have managed to be the major supplier of lamb into the Italian schools. That opportunity is one which we can replicate, given the opportunity. We are constantly increasing the sale of products like lamb. What David said just now was that you have to have an awareness of your product and in lamb and beef we have got European designations which assist us in the sale once you cross the border. It is not as important in your domestic sales but it is quite important when you cross the border. I know you are going to meet people like Meat Promotion Wales shortly and you can perhaps follow that up there because, clearly, they have a big interest in that area.

Ms Barry: If I could just explain, under the guidance of the Agri-Food Partnership’s trade development group we are doing a lot of promotion of Welsh products, nationally and internationally. We attend the major shows in London and last weekend it was the Good Food Show in London; this weekend it is the Good Food Show in Birmingham. We have recently come back from Anuga which is the major worldwide and international show and we featured a number of Welsh products. Our experience is that what is quite good from those shows is that it is not just about the products that we are producing in Wales, it is actually raising the profile of Wales, and I think that was the point made by David earlier, that people do not know where Wales is. Since we have become the Assembly we are out there on the world stage, letting people know where Wales is as a country and what wonderful products we are producing. It does take time because you have to start by having a presence and then people getting to know about Wales, getting to know about your product, and if you keep repeating this my short experience in the job is that people get to know you, they get to know Wales, they get to know it is a place to visit, a place to invest in, it is the home of good food.

Chairman: We are anxious to be progressing this session and we have barely got through half the questions, so I would urge all my colleagues to be a little more careful of the number of supplementarys they ask. We will have a very brief one from Mr Hywel Williams and then Mr Mark Williams.

Q1565 Hywel Williams: Thank you, Chairman. I did not want the point about co-ops to pass without mentioning the South Caernarfonshire Creamery, which is a farmer-owned co-op which survived the Milk Marketing Board and all the other
tribulations. Perhaps you would like to submit something in writing if you have any ideas about why culturally that co-op that was set up in the Thirties is still thriving to a certain extent; what makes it different from all the other enterprises in Wales which have either been sold or folded or people have survived on a much smaller scale. Perhaps it is a hard case.

Mr Goldsworthy: South Caernarvon Creamery is interesting because it was established at one stage by the then NFU in that area, a man called Dafydd Rowlands I think was very key to it. It was different to the establishments in South and North West Wales where much greater reliance was placed on the development of the Milk Marketing Board facilities, which became Dairy Crest, and which moved out of farmer-control at that point in the game. They continued to take a very strong interest and it was also perhaps true to say that the people involved were perhaps smaller milk producers originally and it was a band of people who worked well together. That is probably the most important thing in collaboration, is to be able to trust the people you work with. Every time we have tried to set up co-ops, collaboratives or farmer-controlled businesses you get 20 people in the room and at the end perhaps half a dozen stay and that is the nucleus of your co-operative, because trust is a huge thing when it comes to working together.

Q1566 Mark Williams: Turning now to public sector procurement, I would like to ask Ms Barry, we have heard for instance that in 2005 public sector procurement of Welsh food amounted to something like £66 million but only £14.6 million of that sum accrued to the Welsh food industry.

Ms Barry: Yes.

Q1567 Mark Williams: I think you would agree that there is a great opportunity there, not just for marketing Welsh products on the national and international stage but locally as well. What methods do you perceive as necessary to address that fact, what has been done to date?

Ms Barry: It is a big challenge but one of the statistics that I would like to draw your attention to is that over the last two years the percentage of Welsh products purchased by the public sector in Wales has gone up by 46% and that is a result of the activity that we have been doing or what was done by the former Welsh Development Agency before it merged into the division that I lead. We are doing a number of things: we are working at a local level; I have four regional teams throughout Wales so we are working locally to find out when contracts are coming up and then getting in touch with producers who could fulfil those contracts and working with them. One of my concerns is that this work is not being done within a strategic framework, so I am working at the moment with Cardiff University to develop one of the One Wales commitments about local sourcing and developing a local sourcing strategic action plan which will cover the public sector. Talking to the people who work in the public sector that are involved with these contracts, one of the issues we have in Wales is that a lot of the food procured is not grown or made in Wales. For example, we are not producing a lot in terms of horticulture so what we are trying to do through the strategies that are under the guidance of the Agri-Food Partnership is to try to encourage farmers to diversify into the production of more fruit and vegetables in Wales, and climate change presents us with an opportunity there. What I am trying to say to you is that this really has to be done in a strategic framework which we are currently developing, and this local sourcing action plan will cover the public sector and will sit under a wider food and drink strategy that we are developing.

Q1568 Mark Williams: Are there certain sectors in which you are more successful—I am thinking of education, the health service, meals on wheels? What particular areas have you been more successful with, within those global figures that you mentioned?

Ms Barry: Particularly with red meat, very much with the health service and also education. There are areas of the public sector that we are not tackling as well as we could, because the public sector is huge in Wales and that is why it is really important to get the market intelligence together and to get the strategic framework.

Q1569 Mark Williams: I have to say to you there is quite a lot of cynicism in the farming community when we hear stories about Brazilian beef, for instance, in the meals-on-wheels service.

Ms Barry: We are working with Value Wales because, at the end of the day, this has to be done properly through contracts and tendering and it is about value. Our job is actually getting the producers to understand what the requirements are and trying to support them in developing their product, but the value issue is one of the considerations and we cannot intervene in commercial issues, as you will well understand.

Q1570 Mark Williams: But in the same way as you say you have done work at different shows and exhibitions, you are bringing public sector groups together on this basis.

Ms Barry: Yes, we are.

Mr Goldsworthy: One of the big concerns that people have is that if they step off the procurement trolley they are on now to make sure that they are able to access all that they want from the new trolley. In the meat sector we have been relatively successful, particularly in the NHS where all the red meat is procured via the Welsh suppliers, but when you are in discussions with the contractors they are very concerned that you are able to supply on a continuous basis in the quantities they want at the times they want it. We have also had discussions in the past with MOD because, as you know, the MOD has got a significant presence in Wales and they use a lot of Welsh lamb. We are less than satisfied with the current position so far as the supply to the MOD is concerned because we feel that this is a market which we should be accessing fully.
Q1571 Mark Williams: If I could ask Professor Hughes as well, with your experience of the global food market how does Wales compare with other similar nations in terms of the proportion of food that is procured locally, by the public sector specifically?

Professor Hughes: Norma mentioned that it is a real black box area and as often as not we do not know how much goes in and what proportion comes from where. If I look elsewhere I tend to look in the UK and in general if we went back five or seven years ago we were all roughly in the same position with a very small proportion procured within Scotland, England or Wales for that matter and in part that was because the criteria that were identified for purchase certainly did not include local or regional, it was not perceived as being a particular priority and so it came down to price and then, as we have already discussed, where are you going to get your meat from? You are not going to buy it from the UK, you are going to get it from Argentina or Brazil. So that is not at all surprising, it is just that you have to alter the criteria and you will change behaviour. That seems to be happening and it seems to be encouraging.

Q1572 Hywel Williams: You have to be thinking long term.

Professor Hughes: Yes.

Q1573 Hywel Williams: You call it “brutally competitive”. How can the Welsh food and drink industry compete in that sort of climate and how successful have they been in engaging with supermarkets?

Professor Hughes: Again, as I mentioned briefly, the encouraging thing is the return of seasonality, and I see that right around the world and not just in the UK where, for fresh produce—where Wales is not particularly strong—and in other food products such as livestock, Welsh lamb has got its season and a celebration of the season is an opportunity to build awareness of the product itself and also to get a premium. What is encouraging is that supermarkets now see that there is an opportunity to move—if course we are going to have 52 week coverage but disproportionately the product will be sold in its best season and certainly we see with strawberries, for example, that yes it is available 52 weeks of the year but—I cannot remember the figures off-hand—probably 65% of all strawberries are sold in June/July. Why? Because consumers associate those two months with the strawberry season. I suggest that what we do is just celebrate that more than we do at the moment, and that requires an educational component because the notion of seasonality has been lost from many households; what is a season, how do you mean a season? It presents an opportunity within Wales for the products that we have that have a season; the issue is that we do not have enough products.

Mr Goldsworthy: You have to be thinking long term. The supermarkets are tying up their contracts for next year now, they do not arrive at 1 May and start wondering if they have got enough lamb or whatever it is coming through, so you need to be moving a significant period ahead of the game.

Professor Hughes: I will give you just a for instance, back to KG Fruits, a strawberry company. We do not have a grower in Wales, we have growers on the border; is there a market within Wales for Welsh strawberries? I would guess so actually and you could say why have we not taken the initiative but I suggest why has a Welsh strawberry grower not taken the initiative to come to us. We have access to all the major supermarkets, we are the gatekeepers in many respects because we are such a big player. Would we respond well? Yes, because supermarkets are saying to us “improve your regional offer” and yet—I had not really thought about it—we do not have a regional Welsh offer, but there is no reason in principle why we should not. There is an opportunity for somebody, and I can imagine it might be down in the west where you have the warmer climate, clearly that is strawberry country but we do not have one member. We would be happy to have a Welsh member.

Q1574 Hywel Williams: Can I just ask the same question to Mr Goldsworthy, to what extent is the Agri-Food Partnership engaged with the large multiples? What impact can the supermarkets have on the indigenous food industry in that respect? I was thinking earlier on of the stampede for Beaujolais Nouveau; why can we not have a stampede for Welsh spring lamb? You said earlier on that they are now looking at their contracts for next year; is there a way in which we can take that sort of long view on behalf of the industry?

Mr Goldsworthy: Our officials are in constant contact with the supermarkets, a whole range of them, and we have had some interesting announcements in recent months where people like Morrisons have indicated that they are prepared to buy all Welsh lambs within the Principality; Waitrose have worked very closely with us in terms of procurement and I think it is fair to say that working with the major players in the supermarket is a never-ending job. You have to constantly be there offering your product and it has to be good quality product and it has to be there when they want it. Those are the major ingredients. Some of our ice cream producers produce quite a lot of ice cream in Wales and a number of those smaller producers are suppliers into big chains like Tesco; a major issue for them is to ensure their constancy of supply at the prices agreed.

Q1575 Mr Martyn Jones: Mr Goldsworthy, you note in your memorandum that the “shortage of appropriately skilled labour is a key limiting factor to industry development” and you refer to the fact that “a significant proportion of manual positions within the processing sector are currently filled by migrant labour”. How do you propose that this skills shortage ought to be addressed and to what extent do you feel it is a key limiting factor for the development of the food industry in Wales?
Mr Goldsworthy: It is a limiting factor across the industry from production through to point of sale and we now see a number of the major dairy herds in Wales, for instance, are being milked by dairymen who come from places like Poland because they cannot get them locally. Part of that is to do with the talent, part of it is to do with the attractiveness or lack of it that might be perceived by people who want to work in the dairy sector in a milking parlour. At the other end of the scale there has always been a considerable usage of foreign labour in the hospitality trade and that has been increasingly so in recent years with the European borders opening. What we are trying to do in Wales is we accept that we are using these people, no question, but we have tried to accommodate them on farms so that they become as it were part of the family, they attend Young Farmers’ clubs and things of that description so that they are not perceived as the alien community, they are part of the community. You can do that more easily in smaller numbers than you can in big cities of course. The other issue which we are tackling, and I notice that in some previous evidence you had from one of my colleagues in Llandrillo as it were, they were taking steps on this—that is happening in South Wales as well. We work closely with the FE sector—as I mentioned I am the chairman of one of them—UWIC have a number of courses which are up-skilling; in fact it is fair to say that UWIC’s offering to the food industry goes far beyond Wales and is significant in the south of England as well. What we need more of really within this sector is a greater understanding in the education sector of the opportunities that exist. The principle that UWIC would be able to say to you is that every person that they train is assured of a job and a significant job, yet that is not getting home to youngsters as they are coming through the education system.

Q1576 Mr Martyn Jones: On the other hand, do you think that the industry could cope if we did not have the manual import of migrant labour filling those jobs?

Mr Goldsworthy: That is right. One of the biggest meat companies in Wales was St Mirren’s, now owned by Welsh Country Foods and when they were established initially in Merthyr they took on a lot of local labour, but not many of those people were prepared to continue with the company. I think the main reason was that there was not a tradition there of people being associated with a major butchering/slaughtering industry as it were and so it was a bit of an alien culture to people who had grown up with a culture of coal mining and steel.

Q1577 Mr Martyn Jones: If I can move on to Professor Hughes, I think we do grow strawberries in North-East Wales at any rate; I do not know if there is a significant number but there are certainly strawberries there. You suggest in your memorandum that Wales may lack the infrastructure that a modern food industry demands. Can you tell us what you mean by “infrastructure” and how can it be improved?

Professor Hughes: That is a big one really and it is in terms of access to markets. What is infrastructure—it is roads, rails and linkages with major markets et cetera. We are not particularly well set up for that; in Aberystwyth, for example, there are lots of things but it is not convenient, is it, with a lack of infrastructure in almost every area. With regard to labour there is a labour infrastructural problem which is shortage of labour and just to pick up on that, the food industry is not the top of most people’s list and in many cases involves working in cold, damp, uncomfortable conditions. If we did not have an importation programme for labour the industry would collapse, not just here but everywhere. In strawberries, for example, 10% of the picking labour is brought in and what might intrigue you is that it is an international market. For example, I was in Australia—I am often in Australia—and talking to a greenhouse tomato-grower; I said “Where do you get your labour from?” and they said “Lithuania and Latvia.” That is where we get ours so we are competing for it. The Poles have become skilled labour, the foremen, so they are slowly moving up and we would be in deep trouble if they were not. In terms of infrastructure, we are a rural country with difficult access to major markets, with small-scale farms by international standards and with all the problems that that brings. Notwithstanding that, of course, clearly there are a lot of opportunities.

Q1578 Albert Owen: You mentioned growers and obviously it is about getting goods out to the market, but is not the way to solve it by bringing goods into the locality as well? That is a challenge, but in North Wales the A55, the “road to opportunity”, is seen very much as a route for carrying goods from the Republic of Ireland to mainland Europe. I know there are many benefits and I as a resident do benefit from it, but is there not a danger that by just improving the infrastructure without having the planning or the strategy for a five year period is not very helpful?

Professor Hughes: It is a profound area, is it not? If you consider Wales to be a developing country—and to some extent you can say that it is—developing countries do not elect to be developing countries, they are developing countries because they have problems, one of which might be an infrastructural problem, another might be availability of labour. The trick in development is to get about 14 things right at the same time, and that is the challenge. That is why it is so difficult and that is why we struggle.

Q1579 Chairman: Professor Hughes, I noted your remark about how inconvenient Aberystwyth is; I am sure those who live in Borth would not agree with you—the member for Ceredigion lives in Borth.

Professor Hughes: I am delighted to hear it.

Q1580 Chairman: Could I thank you all for your evidence this morning? One measure of a successful session is the large number of supplements and the fact that I have had to cut people off in their
prime, so to speak—and I do not apologise for that—means that it has been a successful morning. Thank you also for your memoranda. One issue that emerges amongst many that occurs to me as the Chairman is your constructively critical remarks about the co-operative movement. It occurs to me that we ought to invite the Wales Co-operative Centre to send us a memorandum about the issues that you have raised, not least because next year it will be very much a celebratory year as the 150th anniversary of the death of the founder of the co-operative movement worldwide, Robert Owen. In the midst of all the celebrations I think we ought to also be a little self-critical as well and we would be grateful to you for your observations on that matter. Thank you very much.

Mr Goldsworthy: We do actually work with the Wales Co-operative Centre, we fund them on community projects.

Witnesses: Mr Robert Taylor, Director, Age Concern Cymru and Ms Sarah Stone, Head of Public Affairs, Age Concern Cymru, gave evidence.

Q1581 Chairman: Good morning, and welcome to the Welsh Affairs Committee. For the record, could you introduce yourselves, please?

Mr Taylor: My name is Robert Taylor, I am Director of Age Concern Cymru.

Ms Stone: I am Sarah Stone. I am Head of Public Affairs for Age Concern Cymru.

Q1582 Chairman: Thank you very much. Thank you for your very helpful memorandum, it was extremely helpful to us in preparing for today’s session. Could you expand a little for the Committee on what you perceive to be the opportunities and also the challenges provided by Wales’s changing demography?

Mr Taylor: The demographic change is referred to by many as a demographic time bomb; we do not accept that at all. What we have is a population that is ageing but a population that is bringing with it a wealth of experience and a major contribution to society. It has been shown and proven in Wales that in volunteering older people are the major contributors to volunteering, grandparents are taking a major role now in families, people want to work longer and so in the employment market we have got an increasing amount of people who are past state retirement age who would like to carry on working if the opportunities are there for them to do so, with caring responsibilities generally older people who are carers are being shown to make a major contribution to the economy in terms of the value of the caring they are delivering, so there is a whole range of opportunities. In terms of the issues, as the population grows so the very small percentage of the very frail and vulnerable in our society also grows with it and the structures in place in Wales, the health and social care structures, created as they were for the UK 60 something years ago now are not really designed to meet the needs of a population that is going to spend perhaps 30 years in retirement and of the size and scope we have at the moment, so there are some serious challenges for the traditional support services for older people.

Q1583 Chairman: Your memorandum makes a differentiation between challenges in rural and urban areas. What are the particularly acute issues in relation to rural areas? I assume you are dealing largely with social services, but could you describe to us the specific challenges in Wales in those rural areas?

Ms Stone: Some of the challenges are around health and social care services, obviously because you have people who are isolated and it takes longer for care staff to get out to support people, but I do not think it is just about that actually, we see it much more broadly than that. Some of the issues are around access to services, to shops—the whole post office question is really important here and it is symptomatic of the need for people to be able to access things locally, that is the really big issue about post offices and we are seeing a new closure programme in Wales being unveiled bit by bit, and what we have wanted to see is the Post Office Development Fund reinstated in Wales. There is enormously strong feeling about this because of access to local facilities. There is a range of issues: transport is another question and having more imaginative ways of getting people to where they need to be, including public transport and community transport, developing that kind of thing for example. Another aspect of research that we have carried out recently is that Age Concern carried out some research for the Mental Health Foundation. It was a three-year project and one of the things they found was a very strong link between isolation, loneliness and depression, and it is very helpful to quantify something which a lot of us have really known intuitively for a long time, that those kinds of community facilities, the things which engage people meaningfully, locally, are much more important than very often the funding emphasis that is put on them in preventing decline and keeping people active.

Q1584 Chairman: On the other hand there is the more positive side of globalisation through things like the internet. I assume that Age Concern has been engaged in measuring the success or otherwise in rural areas of older people accessing the internet.

Mr Taylor: Yes, there are a number of reports that suggest that people aged 50 plus are becoming significant users of the internet, particularly for email et cetera. Particular issues in Wales, of course, are related to having access to broadband and many rural areas of Wales just do not have broadband access, so we are talking therefore about a fairly high
cost to people who become dependent on internet and e-mail as a communication tool. The reality is that very few older people do access the internet by choice and those who do cannot afford the modern equipment that they need to operate it effectively, so they do not have the opportunity to use it and they do not have the desire to use it. A poll we did last year or the year before last suggested that less than 3% of people over the age of 65 would choose the internet as a communication tool, so whilst it is there it is not a choice for communication and access.

Q1585 Chairman: Another phenomenon that we are looking at in the 21st century is a vast shift in population, and Wales is not excluded from that and we have large numbers of people coming to retire into Wales. Could you make an observation on this, that they do not have the social, family and other networks that the indigenous population do have? Mr Taylor: We have a net migration into Wales from England at the moment of around 20%; it is about 6,000 per annum. 20% of the whole migration between England and Wales. There are therefore about 6,000 more older people coming into Wales than leave Wales for England; that means that we have got 6,000 additional people each year, predominantly in North Wales and South-West Wales, who are moving in for retirement purposes without any infrastructure around them, and it is creating problems, particularly in North and South-West Wales, for local communities, for support services because there is no support infrastructure for them. So it is an increasingly problematic area.

Q1586 Mr David Jones: If I could just briefly come back on that point, Colwyn Bay in my constituency, as you can imagine, has probably got one of the largest concentrations of retired people in the country. At the moment what I am noticing is that retirement flats are being built, chiefly blocks of flats, people arrive there relatively fit, but maybe 10 or 15 years later they can no longer live alone and they need to move into retirement accommodation, a retirement home, and the homes are simply not there because they are closing down because of lack of support. Is this a phenomenon that you have noticed? Mr Taylor: The answer is yes and it is a phenomenon everywhere. Clearly it is not just in relation to people moving in from England or elsewhere, it is a phenomenon for the whole of Wales. It is particularly true in the last 20 or 30 years where people are increasingly refusing to accept that they will have care needs as they get older, and only a small proportion do of course, but it is an important proportion. Most people will continue to live at home; 96% will continue to live at home with maybe varying degrees of care to enable them to live at home, but we have still got that 4% of our older population who are going to be in some kind of residential establishment, and it is a particular issue. In places like Colwyn Bay and Pembrokeshire particularly, that are increasingly being referred to as Little England, we have got particular issues with people who do not have any kind of family support, so there is no respite care available for them and therefore they are far more likely to become major users of social and healthcare services without that support there. Colwyn Bay, you are absolutely right, is one of the biggest issues. Interestingly, there are always vacancies in residential and nursing care units in Wales, a small percentage of vacancies. Despite a major fear that we will not have enough in the future we have yet to see full capacity for those that are there.

Q1587 Mr David Jones: Is respite care not a particular problem? Mr Taylor: No, this is long term residential and nursing care. Respite care is another matter, there is not enough respite care available and there needs to be a lot more.

Q1588 Mr Martyn Jones: You note in your memorandum that figures reveal a steeper decline in the employment rates for the over 55s in Wales compared to other places in this UK, and we know that male employment rates are in fact the lowest in the UK for over 55s. Have you any idea of why this is? Ms Stone: We can speculate but we can speculate intelligently about this one. You have to look at the economic history of Wales and you have to also look at the relatively high rates of illness in certain areas of Wales as well, both of individuals themselves and of course people leave work to care for other people, and we know that quite a lot of what they call economic inactivity is linked to people caring for other people, thereby making an economic contribution in a way. I also think that there are issues around retraining and people's ability to get back into different kinds of employment, and there are also issues about discrimination and people's attitude towards older people getting back into the workplace. It is a question of whether you are able to do something different, whether you are prepared to accept you are doing something different, and whilst age discrimination in employment was outlawed last autumn it takes quite a long time for a cultural change to happen. I do think this is an opportunity to say something to you that we particularly want to emphasise, and that is that we do hope that there will be a change in the existence of a default retirement age at the age of 65 because that helps to reinforce a whole culture around the idea that age is somehow linked with a capacity to work. We do mention that in our paper; we need a culture shift really to see ageing and work and the potential for people to change jobs and change careers on their path through life.

Q1589 Mr Martyn Jones: You suggest also in your memorandum that the skills shortages that we are seeing in some parts of industry in Wales could be addressed by having older people who have those skills getting back into the labour market, but why is that not happening now? Ms Stone: Again, it has to be linked to people's opportunities, to people's motivation. There are places in Wales where people have not worked for a
very long time and it is very difficult then to break those kinds of habits and we want to see programmes which are aimed at getting people back into work much more targeted at people over 50. Personally I have heard it said over the years that we should focus on younger people when we are looking at trying to get economic activity back up, but there is a whole swathe of people over 50 who have not been included with the same kind of spirit of optimism in that, and I think that is really quite wrong, you need to have the same expectations and energy going into getting people back into work. We have some fantastic programmes, we know the kinds of things that work in terms of getting people back into the workplace and it is a question of rolling those out much more positively and in a much more consistent way really, as well as targeting those groups of people who have been unemployed perhaps for quite long periods of time.

Mr Taylor: Just one other point on that, if we exclude government as an employer in Wales through the NHS and various forms of government, then the majority of the employment in Wales is through SMEs. Whilst SMEs actually have a better record generally than many of the larger employers in terms of employing older people, it is a very different way of working for people who have spent many years working in one industry or one trade and there is a big attitude issue around people's willingness to go in and work for an SME. There is an agency in Wales called PRIME Cymru (Prince's Initiative for Mature Enterprise) specifically established to try and assist people aged 50 plus to return to work with a different skill set and in a different employment market, or to actually establish and set up business for themselves, SMEs for themselves, to try and reflect the issue that in Wales the majority are small employing bodies.

Q1590 Mr Martyn Jones: You were sitting at the back earlier and you probably heard us talking about migrant workers. We do have a lot of migrant workers in Wales and they are contributing significantly to the economy, without a doubt, but do you think that the increase in migrant workers has affected the employment prospects of the older population in Wales?

Mr Taylor: It is another speculative answer really. We do not have information; we have not been able to get the information on the figures of migrant workers in the social and healthcare sectors which care for older people. As Sarah has already said, there has been an emphasis in the past on older people should move on to create job opportunities for the young, although the statistics do not seem to bear out the need for that. I cannot honestly say that there has been any real suggestion that it is migrant workers who are taking jobs that could be taken by people aged 50 plus; migrant workers in our experience—and it is limited—are tending to go for the lower-paid posts, the ones that other people do not really want to move into and it is the basic care jobs in the residential care sector, it is cleaning jobs, it is the hospitality industry, probably not the sort of jobs that a lot of people aged 50 plus would be looking for anyway. I cannot honestly say that it has not had a real effect.

Q1591 Hywel Williams: You did mention earlier the question of mobilisation and the loss of the post office and also transport in rural areas, but what about other areas which are important to the older population such as health and broadcasting, matters which are of particular interest to this Committee. Has there been pressure placed on these services by globalisation and to what extent in Wales?

Ms Stone: That is a really interesting question and in the paper we make reference to one specific example of a local station, a local broadcaster. One of the issues around broadcasting is that there is a weakness in terms of the Welsh media and getting news about Wales anyhow and there are not really many places media-wise for older people to go to find out about what is happening around them. That particular initiative that we referred to sounds really very interesting, but then of course people have to have digital TV access and so the digital switchover is very important here, making sure that older people really can use and access that and see its potential. There are media issues in terms of health and social services in globalisation and we did a lot of thinking around this one, trying to picture what sort of impact there might be. I think the major impact is in respect of labour and, as Rob says, there is a big gap, there has been a recruitment problem to health and social care in Wales as I think there has been in the rest of the UK because these are low-paid jobs and it has been difficult to get people to do them, but there are other issues around that which involve the status that is actually accorded to jobs which are incredibly important and we need to raise the status of health and social care jobs as well. I am not sure if you have something else in mind though around health and social care issues and globalisation.

Q1592 Hywel Williams: I was going to ask you about social care issues in a moment, but just to turn back to broadcasting, are you aware of the problem with the licensing of radio in North Wales in that — this is a matter for the Committee that we might want to pursue elsewhere—but the licence for digital broadcasting of radio is not likely to be granted in North Wales until 2012 or possibly 2015, and that is because the Irish actually occupy that particular band at the moment and there is a particular implication for broadcasting for older people, many of whom listen to the radio rather than watch TV, particularly Radio Wales. Are you aware of those issues and if so have you done anything about it?

Ms Stone: I am not aware of it, but I think in relation to what we were just saying it needs to be a matter of concern because of the need to be able to access local information. It is absolutely our experience that radio is very widely listened to in Wales and is a very good means of communicating with people.

Q1593 Hywel Williams: You also refer in your memorandum to the pressure on the social care providers, particularly in rural areas, and you have
already mentioned the role of migrant workers. Is the arrangement that we have at the moment where, as you were saying, migrant workers are attracted perhaps to the lower skilled jobs in social care sustainable in the future or is it in any way problematic?

Mr Taylor: Is it sustainable in the future? That is a very good question and I guess what we are going to find is that the current tranche of workers coming in are taking what jobs they can get to build up their skills knowledge. There is a lot of work going on in Wales on workforce retention by developing standards and developing the workforce and training the workforce. The outcome of that of course is that people then move on; they move out of those lower-paid jobs, they move out of the areas that are considered to be less exciting for people, who just do not want to stay in and look after very frail older people for many years and want to move on to other areas. If we do not have a constant flow of people moving into those jobs then we are going to have some serious issues in the future for care of the very vulnerable and frail in our society, not just older people but right across the board where these positions are being filled by people who are looking to get into the workforce but want a career. I think you are right, there could be some real issues, but we have not honestly explored it.

Ms Stone: Could I just add a small thing to that? We did have a discussion on the All Wales Adult Protection Advisory Group on this very issue fairly recently, and I think maybe the influx of people from different parts of the world highlights something that should have been highlighted long before really, which is about the standards and the values which guide people when they are looking after very vulnerable, often older people, for example in care homes and in other settings. I think we have big issues anyway about how people are treated—there are issues of neglect, there are issues of abuse which are documented through the inspection processes and in other ways and they are far too high, even those we know about are far too high. It becomes even more important really when you have people coming in from all sorts of different cultures and backgrounds, that you actually have a shared value base. It goes back to that raising of the status of vulnerable people, and counties like Powys, Ceredigion and other major areas of Wales—you all know where they are—really need a much stronger infrastructure and a much greater emphasis given to the travelling costs. If we are going to stick to the concept that people want to remain at home and therefore they should be supported to enable them to remain at home, then those core services need to be provided where they can reach them. We are currently having many discussions going on about hospital closures in rural parts of Wales; it is difficult enough for anybody to have to travel to hospital if they have large distances, and if you are an older person and you have not got access to a car it becomes an impossibility. Even if you have access to a car and one partner in a couple goes into hospital and the other one has to travel to visit them, the costs...
of actually travelling to visit them are ridiculous—they cannot afford to get there, they cannot afford to park when they do get there, there are issues there. We talk about the need to keep the body and mind healthy as you age; access to leisure centres is limited in many rural areas, access to education is limited in all parts of Wales, but particularly in rural areas, so we are not seeing enough going on in the preventive agenda for older people. Sarah has mentioned shopping, she has mentioned post offices, they are both crucial; employment opportunities are difficult for those who want to stay in employment and as farming reduces and as smallholdings close one after the other, a family history of staying in farming ends, younger people are moving in order to get employment which means communities are breaking down and some rural areas are faced with the same kind of problems for those who move into Wales which is that there is no support structure there for them. There is a whole host of problems, particularly emphasised in rural areas.

Q1597 Mark Williams: You have talked a great deal about rural isolation as an issue and that covers a multitude of things that you mentioned. What about urban isolation for elderly people? I appreciate what you say about population figures but what particular challenges in urban and other communities are you experiencing?

Mr Taylor: If I can keep going for a moment, I think there is a difference between isolation and loneliness. People might choose to be isolated, people go to live in the country because they want splendid isolation; what people do not choose is to be lonely and those who move to a different area, whether it is urban or rural, in later life are far more likely to be lonely as they age than those who have lived in a community all their life. In an urban area loneliness can be just as great as in a rural area, it makes no difference. We continually hear of people who do not mix with their neighbours, who do not have social contact. Older people will tell you that one of the key areas of concern and importance to them is social contact and the traditional methods involved taking people to a day centre, but increasingly people do not want to go to a day centre, they do not want the traditional things. We need to rethink the way in which we maintain social contact and where older people, particularly those who become more housebound and less able, are able to have social contact with others. There are ways of doing it, there are pilots being tested, but it takes an awful lot of time, effort and money to make the switch from the traditional service provision to one that meets the needs of the current population.

Q1598 Mark Williams: Returning to the debate on the post office, do you anticipate if you have not already—and I am sure you have—a robust contribution to the consultation on the post office restructuring?

Mr Taylor: Absolutely.

Q1599 Mark Williams: On the grounds of the social experiences you have mentioned.

Mr Taylor: Post office and pharmacies, interestingly, are important; older people are far more likely to go to a pharmacy than younger people, not just to have their prescriptions filled—although they take up twice as many prescriptions as younger people each year—but they go there because the pharmacist becomes not just a source of help and knowledge about a whole range of things that have nothing to do with pharmacy, but it becomes almost a centre, somewhere there is a friendly face that the older person can see and post offices perform the same function in a variety of ways. What is going to happen is that as we lose them and as W H Smith takes over the post office chain we are going to see less and less older people seeing it as a meeting place and a community centre.

Q1600 Mr David Jones: Your paper refers to the conclusions of the RuralWIDe report. One of the matters identified in that report was the need to monitor the progress of programmes that attempt to redress material inequalities in Wales. To what extent, if any, do you think that globalisation is having an effect on such material inequalities and could you also tell the Committee how you would propose that such monitoring should be undertaken?

Ms Stone: In terms of inequalities in Wales it is difficult to quantify exactly what effect globalisation is having on the massive health inequalities and other inequalities which currently exist, although they do not seem to be getting an awful lot less. In terms of the RuralWIDe research—which was conducted partly by older people themselves so it was a good model of engagement with people—how you monitor the outcomes of initiatives, it has to be on that word “outcomes”. You can measure outcomes by bean-counting, to a degree, but you have also got to measure outcomes by talking to people who are being affected by such programmes. You have to look at it programme by programme to see how you actually do that, but you have to ask people and the model for that RuralWIDe research was partly about that, actually working with people and their peers asking them what they think, so you are actually engaging with the citizen in assessing the outcome of programmes. There have been an awful lot of initiatives around Wales and there is some patchy evidence for their effectiveness, so that is one way of measuring better.

Q1601 Mr David Jones: You are talking about a continuous process; who should be undertaking this continuous process?

Ms Stone: I might be talking about a continuous process but I think that model of engaging with people could be used on a continuum but it can be used very specifically for monitoring particular initiatives. It depends who is conducting those initiatives—the Welsh Assembly Government has an immense range of initiatives like Communities First and others and the lead, clearly, I would say, needs to be taken by the body which is pushing
forward those kinds of changes. It is very interesting to think what would be the role of other bodies in monitoring outcomes.

Q1602 Mr Martyn Jones: Probably the last question and probably the $64,000 question, do you think that globalisation is a determining factor in the opportunities and challenges posed by that ageing population, or are other factors more significant?

Mr Taylor: It is a good last question. Is it a factor? Yes, it is a factor in a variety of ways, but is it the most important factor, probably I would say no. The most important factor at the moment is related to the powers of the Welsh Assembly Government and the way in which they are carrying out those powers, but that is not a subject for today, so I think that over time globalisation may increasingly become important, whether it is to do with migration, emigration, the way in which Wales responds to some external pressures. We are seeing, for example, a number of little things now which are not really making an impact at this point in time and we are starting to see some European-wide care delivery firms just taking tentative steps into the UK and one in particular has just started to look at Wales where we are starting to see whole care programmes being looked at from a European-wide perspective rather than, if you like, a bottom-up approach which is the one we have tended to favour, and so we may well see differences in the way care is provided but we cannot judge yet whether that is going to make things better or worse for older people because we have yet to see how they would establish that and bring it into Wales. We have migrant workers coming in; at this stage it is very new and we have a number of concerns as we have already expressed to you about training and development, but over time we might see them providing a very robust and effective workforce that beefs up areas in which we are weak at the moment. So there are a lot of issues, but at the moment it is so early it is very difficult to say what the longer term impact will be.

Ms Stone: Also, there are some big things around which we have not put in our paper for you, one of which is around climate change and the global responses to that—there are issues like fuel price rises, for example, which impact disproportionately heavily on people who are on fixed incomes. If there was a massive hike in gas prices, for example, that would have a disproportionate impact on older people and there are things like that around which have the potential to be very big.

Mr Taylor: The other point I should make, I suppose, is that many of the migrant workers coming in are in their 30s and 40s. Some are intending—I have talked to a number—to bring families in and intend to stay in Wales; they are bringing to Wales now different cultures, different norms, different languages. The statistics currently would show that just under 1% of the population in Wales is from what are classified as minority ethnic communities, but the definition of minority ethnic is effectively non-white, so we need to reframe how we look at minority ethnic communities and we need to recognise that in 30 years we may be dealing with a whole variety of cultures of those who have come in as workers but are our ageing population.

Q1603 Chairman: The final question. One aspect we have not discussed this afternoon or this morning, and also casting my eye again over your paper, is the question of opportunity to travel, both locally and nationally. The Welsh Assembly Government’s much-praised free bus pass has had a transforming effect, as I understand it, on opportunities for older people in my constituency and elsewhere I suppose to travel and has led to the phenomenon of too-earlies—those who get on the buses too early and exclude all workers trying to get to work—and so they are encouraged to go later in the day to travel from Baglan to Porthcawl. Have you measured the impact of the baby boomer generation who are now travelling far more, locally and globally, on the life chances of older people?

Mr Taylor: The whole travel thing is a very interesting one. When the free bus travel came in and once they ironed out some of the issues about trying to travel from Caernarvon to Cardiff and whether you could actually do it, it has been very much welcomed by older people and, as you rightly say, a number of the bus operators were slightly concerned that the buses were now full of people aged 70 and over, no one else could get on them. What has happened as a result of that is people have begun to realise the benefits of travelling around: it is great to have free travel for those areas where you have got decent bus services—we have not gone into that today but that is another issue itself—and where there are, people are using them a lot. Now we are starting to hear what about trains? One of the things we have noticed as well, aside from that—and it is not about subsidy other than from airlines themselves—is that the increase in cheap air travel from Cardiff Airport and Bristol Airport, and Birmingham Airport for North Walians and even from Caernarvon down to Cardiff means that people are flying a little further than they used to and we are starting to see people taking more foreign holidays than they used to. The baby boomers is a whole new area; being one of them there are assumptions that we are going to be very, very different to the current group of people who are 75 plus. At the moment I think I probably will be and I am sure anyone else around the table who fits the generation will say the same, but I am not sure yet whether by the time I am 75 I will actually want to be doing things that are that much different to what people over 75 are doing. So we are talking about what we expect baby boomers to want, to need and to expect from our society, but when we reach our 70s we may have already burnt ourselves out so we do not know yet and we may be quite happy with the kind of structures we have got in place. I would love to think that I am going to go right through to my 90s or 100s and just be a pain in the neck for everybody, want everything and want it now. I am not so convinced
that that would be true for the majority of us as we actually continue to age, but I think what we will expect is easier access to the whole world rather than just easier access in Wales.

Chairman: Will you wear purple? On that sobering note, could I thank you today for your very illuminating evidence and also for your memorandum.
Monday 3 December 2007

Members present

Dr Hywel Francis, in the Chair

Nia Griffith
Mrs Siân C. James
Mr David Jones
Mr Martyn Jones
Hywel Williams
Mark Williams

Witnesses: Mr Dai Davies, President, Ms Mary James, Deputy Director/Head of Policy, and Mr Huw Thomas, Assembly Adviser, National Farmers’ Union Cymru, Mr Gareth Vaughan, President, Mr Emyr Jones, Deputy President, and Dr Nick Fenwick, Director of Agricultural Policy, Farmers’ Union of Wales, gave evidence.

Q1604 Chairman: Good morning. I am Hywel Francis; I am the Chair of the Welsh Affairs Committee. Can I ask Fred Williams, who chairs the Council, to welcome us to Aberaeron and Ceredigion?

Mr Williams: Thank you very much, Mr Chairman. It gives me great pleasure to welcome you here to Ceredigion, the heart of Wales, to the most valuable county in Wales, with the smallest population and the smallest budget—so we are dependent very much on finance and could always do with a little bit more finance out of the Welsh Assembly. I am sure that, as a Select Committee, you will put pressure on the Assembly to give us a little bit more money. Thank you for coming to Ceredigion. It is important that you come and hear the views of your witnesses. I think agriculture here has been well represented—I can see Mr Vaughan there and a few others. We hope that you will take on board what they say. Welcome and Croeso Ceredigion. We hope you will have a very good meeting.

Q1605 Chairman: This session will be in English. I am looking to my colleagues now to ensure that if you want to ask a question look to me, please. It is not going to be easy, but it is very nice to be able to control you in that way! Can I welcome the witnesses before us and begin by asking you to introduce yourselves, please.

Mr Davies: I am Dai Davies, President NFU, Cymru.

Ms James: Good morning. I am Mary James and I am Head of Policy and Deputy Director of NFU.

Mr Thomas: I am Huw Thomas, Assembly Adviser for NFU Cymru.

Mr Vaughan: I am Gareth Vaughan, President of the Farmers’ Union of Wales.

Mr Jones: I am Emyr Jones, Deputy President of the Farmers’ Union of Wales.

Dr Fenwick: I am Nick Fenwick, Director of Agricultural Policy, Farmers’ Union of Wales.

Q1606 Chairman: You appreciate that this is an inquiry into globalisation, and food is a very important theme in our inquiry. We thought that we should come to Ceredigion, which is a county that is very important in the world of agriculture, and we are delighted that you were all able to come to speak to us. Can I begin by asking you a very straightforward question: how dependent are Welsh farmers on supermarkets?

Mr Davies: Mr Chairman, I would say very, very dependent, because we have to bear in mind that between 75% and even up to as much as 80% of our food is sold through the supermarkets, and therefore that market is very, very important to us. Obviously, there is the 30% in farmers’ markets and local retail shops that are important but the bulk of our food is traded through the supermarkets.

Mr Vaughan: I would concur with what Mr Davies has said, and we have little to add to what he has said on that. We are very, very dependent upon them and the goodwill they show, and it is worrying to note that some at present are paying £2.70 a kilo for lambs; others are paying £2.50 a kilo for lamb and some are as low as £1.75.

Q1607 Chairman: Tesco gave evidence to us and they said that in their stores all the milk that they sold in Wales was Welsh milk, and that increasingly they had contracts direct with the producers. Is that your experience?

Mr Davies: That is, in our experience, very late in the day; that is all happening in the last four or five months. You asked the question why that has happened, and the answer I would give from the industry point of view is the fact that they are very, very concerned about their supply going forward. Quite recently we also heard of Sainsbury in the last few days announcing that they would be sourcing all their flour from contracted farms. The reason behind that is of course that we have seen an escalation in the price of flour. There is a shortage in the world market, the same as there is now a shortage of milk; and therefore, because they want to secure the best price, they want to contract with local suppliers. If you went back two or three years ago, when there was an ample supply of milk in the market and an ample supply of flour in the market, they were not interested in the contracts at all.

Q1608 Mark Williams: Welcome, it is good to have everyone here. Can you quantify in terms of milk production the number of specific contracts with producers? You mentioned that this is late in the day. How advanced is this? There is some scepticism from farmers that I have talked to that this is
window dressing, and that the number of farmers involved in this is quite a small proportion. Do you have any figures?

**Ms James:** I think a hundred or so producers are actually supplying direct liquid milk to supermarkets. The bulk of milk produced in Wales, however, goes to the commodity market, so it is a relatively small proportion of total milk produced in Wales. Clearly, it is a move in the right direction. One point that I would like to add is that since we have had a reduction in the supply position, it is quite noticeable that the milk price has increased very significantly. We have got up to a milk price from about 16 or 17 pence a litre to 25 pence a litre as a result of that. That just shows that the supermarkets are in a position to pay that level for milk, but will only do so when there is a shortage in the supply chain.

**Mr Davies:** To add to what Mary has said, 80% of Welsh milk goes into the cheese market, not the liquid market. Just supporting what you said, approximately a hundred farms have relatively recently come in. We have to remember that all their milk does not go into this contract; sometimes Tesco will say, “We will take 20% of your milk to go into this direct contract; the rest will have to go into the commodity market”. If there was a shortage at certain periods of the year, that 20% could move up as far as 60%, and then they say, “We will take 60% of it into this direct contract, and the rest goes to the commodity market”.

**Mr Jones:** There are some supermarkets more supportive of the Welsh farming industry than others. Somerfield is one of the supermarkets that have been selling only 50% Welsh lamb in the last three or four months or more. The farmer is cutting prices for his lambs after foot and mouth at the beginning of August; they are still selling New Zealand lamb, and that annoys farmers very much.

**Q1609 Mrs James:** On my way over this morning I heard the Welsh Assembly Agriculture Minister speak of her plans possibly for a food ombudsman. I want to concentrate on the compromises that farmers and producers are having to make between profits and security of income. Can you tell us a little more about that, please?

**Dr Fenwick:** The nature of farming has changed a great deal, particularly since 1996; increasing numbers of people have to go out and subsidise the incomes of the farms due to the pressures in the markets. We have seen in the last couple of months the 2020 Report published which highlights the fact that the average incomes certainly do not reflect the value of farming to Wales, and they are around £12,500 per farm on average. That pressure has increased. Elin Jones this morning has acknowledged the severe pressure that is on the industry and the need to regulate what is our major outlet, which is the supermarkets. The report by the Competition Commission published on 31 October draws attention to the fact that they have control over the farming industry to some extent and will dictate the future of the farming industry. It was not as strong as we would have liked it to be, obviously, but when you take its impact on the daily lives of every single person that lives in the UK, then it amplifies the significance of their conclusions.

**Q1610 Mrs James:** How would you like to see that code of conduct strengthened? Are there any suggestions that you could make?

**Mr Davies:** There was an issue I was going to mention before coming on to that, if possible. The sheep sector in Wales has been economically decimated with the ramifications of the foot-and-mouth disease, and Welsh lamb at the beginning of November was 29% down on what it was last year, and it was covering about 52% of costs of producing Welsh lamb. You would have expected that because of a drop in price at the farm gate this would have been reflected in the retail price, but—and I quote—"We will take 20% of your milk to go into this direct contract; the rest will have to go into the commodity market". If there was a shortage at certain periods of the year, that 20% could move up as far as 60%, and then they say, “We will take 60% of it into this direct contract, and the rest goes to the commodity market".

**Q1611 Mrs James:** And the code of conduct? **Ms James:** There are a number of things really. The code of conduct at the moment only covers four major supermarkets. We believe that it should extend to all retailers. It certainly should cover food service providers, distributors and particularly primary agricultural producers because at the moment there is no provision for direct sales. It needs to be more explicit about what is reasonable and what practices are not reasonable. We would like to see an independent ombudsman with his own staff and his own offices, with the power to investigate, scrutinise, monitor and address examples of abuse.

**Mr Davies:** The example I would give—take Merthyr Abattoir, Llanbydder Abattoir and Wales Country Food in Anglesey. The retailers, the supermarkets, do not contract direct with farmers, but those are sole suppliers: Anglesey for Asda; Llanbydder for Sainsbury; Merthyr for Tesco; so they are sole suppliers of those supermarkets. Therefore, the supermarket dictates the terms to them, but of course they pass on those terms to the farmers. But the supermarkets will hide behind the pillar, saying: “We do not negotiate direct with farmers”—but of course they put these processors in such a position that they have got no room to breathe and therefore they have to pass the conditions on to farmers and put pressure on the price they pay to farmers.
**Dr Fenwick:** In terms of an ombudsman, we have consistently called for an ombudsman to be appointed to investigate the practices in supermarkets because the voluntary code of conduct has not been working appropriately and we have to bear in mind that an ombudsman, by his very nature, is supposed to be impartial, and there therefore should not be any fears over the appointment of such a person. Secondly, the issue of transparency was mentioned. The fact that there is no transparency in the food chain except where farmers’ prices are concerned, which are reported, means that supermarkets are always in a position to blame the processing side rather than accepting the fact that they are taking the lion’s share, which is what we suspect.

**Q1612 Hywel Williams:** I am glad to see the unions sitting together—a very pleasing sight! Going back to a very minor point, organic production has been suggested as one way out for some producers. How much of an advantage does organic production provide and is this a major aspect of milk production or is it on the edges?

**Mr Davies:** It is a major aspect for those who actually produce organic milk, but taking a global viewpoint it is a very, very minor niche market. I know the Welsh Assembly has been pushing for developing niche markets, but my view to the Minister has been from day one—when I went to Sunday school and read my parable about the good shepherd, actually he secured his 99 sheep in the fold first before he went out to look for the other one: we tend to look after the one sheep before we search for the 99. Important though it is to produce, as far as the global issue or even the market within the UK is concerned, it is very much a niche market, about 4% of that market.

**Q1613 Mr David Jones:** Both Dr Fenwick and Mr Davies referred to the need for transparency, which of course is an issue that is raised not simply in connection with food production but many other areas too. You highlighted the problem of lack of transparency. How do you think transparency could be achieved practically, ignoring the issue of the ombudsman, which seems to me to be a matter of last resort?

**Dr Fenwick:** The problem with transparency from a pessimistic point of view is that it can potentially affect competition, and that is the major problem that any company has with it. We nevertheless, as far as farm gate prices are concerned, do have that transparency and in terms of production we also have transparency in that our production figures are published. It would seem appropriate therefore to have a time lag between prices being paid and being made transparent; so if you had a six-month or 12-month time-lag before reporting prices, it could not be perceived to affect competition issues because it would be retrospective reporting, but it would nevertheless highlight any past injustices which would put pressure on current controls.

**Q1614 Mr David Jones:** Who would be responsible for delivering that transparency—the OFT, or do you have some other institution in mind?

**Dr Fenwick:** If an ombudsman was appointed, one would hope that that would fall within his remit. In terms of working out the precise details of how such reporting would operate, it is something that would be up for discussion. As I am not an economist, in terms of the timescale between prices happening and the reporting of those prices, that would have to be worked out.

**Q1615 Mr Martyn Jones:** To what extent do you think that producer co-operatives might be able to raise your ability to compete in line with the supermarkets?

**Mr Davies:** Going back, when the Milk Marketing Board, which had a monopoly status in the UK, disappeared, we fell back on our resources and we developed Milk Marque, which traded about 45% of the milk in the UK, and that gave us power to our elbow because we were receiving 26 pence per litre ten years ago for our milk when Milk Marque was in operation. The Government, because of its wisdom, or the OFT in particular, decided that they should put pressure to break up Milk Marque into three separate co-operatives, which are probably responsible for 12–13% each of the milk produced in the UK. We see Tesco now having the power of probably 25% of the food traded in the UK. What we want is parity. Give us a little bit of power to enable these retailers to grow and get stronger.

**Q1616 Nia Griffiths:** It is very nice to see you all here this morning. I think we all recognise the importance of the recommendation by the Competition Commission to have an ombudsman, but I think you probably share my concern that we need to make sure that that ombudsman has the necessary teeth and is able to do what we want them to do. I would like to take up the issue you mentioned in the papers about intimidation. Can you explain a little bit more about what form this takes and how you might see an ombudsman tackling it?

**Mr Davies:** The biggest sector that has had experience with supermarkets is probably the horticultural sector and probably the vegetables, potatoes, carrots and so forth. Over the last five years, as far as we, as unions were concerned, we used to get regular complaints that they were being pressurised, being bullied, being billed for something that they had not expected. Of course, because supermarkets insisted that all their business was traded as one supermarket, that means if I was producing potatoes, all my potatoes would have to go to Tesco or would have to go to Morrisons. Therefore, I had no other option once I was tied in to them. I could not say, “I do not like this; I am going somewhere else to sell my products”: I was virtually enslaved to them and had to accept the rules and regulations which they presented to me, or I was out of business. That is the sort of factor that would
worry my business because I would not be able to complain because a week or so down the line I would be out of business.

**Q1617 Nia Griffiths:** Effectively, when talking about a free-market economy, in some respects it is completely the reverse as far as the producers are concerned, because they do not have a free choice to go elsewhere to sell their product. Do you see any way of resolving that either through legislation or through change in practice?

**Ms James:** I think the fact that the protection that was given by the Competition Commission itself when it was taking evidence about the code of practice—it is that sort of security that we could offer to producers when they are trying to raise issues of abuse, which would alleviate intimidation and allow people to come forward with their concerns and examples of bad practice. What they need is greater protection and an ability to come forward in the knowledge that there will not be recriminations at a later date in terms of their selling practices.

**Mr Vaughan:** Going back to a previous question from Mr Jones about co-operation, the examples we have seen in recent months from New Zealand suggest that there are four major co-operatives in New Zealand that deal in sheep meat, but in the early part of 2007 they were vying, one with another, for the export market, and they were ratcheting the price down simply to get a larger share. There were protests here in the UK and protests by farmers in New Zealand as well, simply because instead of trying to resist the temptation and hold the price up, they were ratcheting it down because of pressure from the UK and European supermarkets and large processors.

**Q1618 Mr David Jones:** Given the increased pressure on the industry from the supermarkets, which we have just discussed, and also increasing competition from overseas suppliers, which Mr Jones has referred to, what assessment would you make of the sustainability of livestock farming in Wales?

**Mr Vaughan:** Given the experience of recent months, I think the situation is extremely bleak. I fear very much for the sheep industry long-term. I think NFU Cymru came out with a strong statement in the early part of 2007 that they were going downhill very, very quickly, and that the point of no return is not so very far away.

**Ms James:** Chairman, the Assembly produced figures at the end of last week about farm incomes for Wales and the average net farm income for 2006–07 is £12,300. Those figures do not take into account that 80% of Wales is designated “less favoured”. The budget for NFA support this year has been reduced by 33%. That will come directly off those net farm income figures. Mr Davies referred earlier to the fact that prices this autumn had been about 29% less than last year. If you take that into account when looking at a net farm income figure in the previous year of £12,300, it is not difficult to see that many of these farmers will be in a negative income situation this year.

**Q1619 Mr David Jones:** The answer appears to be that it is not very sustainable. We hear constantly of the need for diversification, but to what extent is that possible? In what ways do farmers diversify to supplement their incomes?

**Mr Davies:** Coming back to what effect it can have, if we go back to the milk industry and use that as a template, in 1994 there were 5,000 milk producers in Wales. At that time of course we had the Milk Marketing Board and had some powers to dictate terms or negotiate on a level playing-field with retailers. Sadly, when the Milk Marketing Board disappeared we came to 2007 and we have just over 2,000 milk producers in Wales; so we have lost almost 3,000 in 12 years. I can see the same thing happening as far as the sheep industry is concerned. Those people with fringe land, giving them the option perhaps of looking at other things such as energy production or now even corn because of course that is a very buoyant market, you will see those who have the ability probably moving away from producing red meat. As Gareth said, we have a lot of hill land in Wales, and therefore the only option for them will be sheep production; but they are not going to go on carrying on producing lamb meat and making a loss—unless they get a reasonable return they will cut back on the number of sheep. Why should they subsidise sheep production with their Single Farm Payment, which is supposed to be a payment for looking after the environment and keeping the countryside in the beautiful state we are used to?

**Q1620 Mr David Jones:** What do you anticipate they will do to supplement their incomes in those circumstances?

**Mr Davies:** The initial thing is not to subsidise their meat production with their Single Farm Payment; that is a step forward. As far as the traditional way we have seen in Wales of going down the bed-and-breakfast route, I think probably that market will be saturated and there will be less and less ability to do that. You ask what they will do. You have such things as LEADER being set up in Wales where they create employment in rural areas. The thought behind this of course is for members of families who live on farms to go out and work in these industrial units. At the end of the day we have to ask ourselves what we want to do with rural Wales. Do we want to urbanise it? Do we want to bring manufacturing capacity out? Is that what the tourists moving to Wales want to see? You have to remember that the LEADER money is sourced from within the Single Farm Payment, as it were, by modulation. I would think it would be better to leave that money in rural areas in farmers’ pockets so they are able to employ their sons and daughters on the farm rather than push them out to seek employment in these units.
Dr Fenwick: Mr Jones asked about the niche markets, and by definition they are niche markets and have a limited size; so certainly not everyone can diversify. Diversification, by its very nature, is limited. In terms of what will happen as a result of such pressures, already we are seeing a lot of the upland areas being de-stocked. Bodies such as CCW, which were at one point expressing concern about over-grazing, are now all talking about the impact of under-grazing and are involved in schemes whereby livestock is moved around in order to prevent damage to the natural environment by people de-stocking. We have seen over recent years a consistent fall in livestock numbers, particularly in the upland areas. Those falls reflect the pressures on the industry. If an animal is not viable, it is not worth keeping.

Q1621 Mr David Jones: Is the potential effect not a loss of skills from the land, and is that not a very serious issue too?

Dr Fenwick: The skills that are there on the land have been built up over decades—and millennia. There are some families, it can be said with certainty, have always farmed ever since farming came into existence; and that knowledge is invaluable. When people leave the land and a generation is skipped, then that knowledge is lost for ever.

Mr Davies: A sustainable environment is closely linked to sustainable farming because the managers of that sustainable environment are farmers. You mentioned skills: if those skills are lost and if the population of the world goes up from 6 billion to 9 billion, we need to prioritise food production and sadly those skills will not be there and they will not be able to be developed and trained with sufficient time. Let us accept the fact that much of the skills in upland Wales are skills passed on from father to son and that is not something you can learn in an education institution.

Q1622 Nia Griffiths: In the Competition Commission’s provisional findings into the supply of groceries in the UK, we read: “We consider that the buyer power of grocery retailers and intermediaries is one of a range of factors that has influenced farming profitability in recent years.” What is your reaction to that claim they make and what other factors do you see as having an influence on profitability of farmers?

Dr Fenwick: Certainly it is a part of a range of pressures and when we are talking about globalisation one of the biggest impacts is unfair competition from countries that do not meet the standards that are required of British farmers. If we were to undertake similar practices that exist in countries such as Brazil we would certainly be fined heavily, if not imprisoned, for some of the actions that occur there in terms of not tagging animals, not publishing withdrawal periods for drugs administered to animals on the bottles that are used to treat animals, et cetera. Red tape is one of the biggest pressures upon the industry in addition to the pressure from supermarkets. However, supermarkets can sell Brazilian meat and Welsh meat side by side, despite the fact that they are produced completely differently and there are unfair discrepancies between conditions.

Q1623 Nia Griffiths: Do you think a lot more needs to be done to highlight what is going on in terms of practice elsewhere, because I think the general public is probably not aware of many of these issues, and perhaps we need to get them to be much more aware of what they are doing when they are buying produce?

Dr Fenwick: I would say so. I would go a step further and say that produce should not be allowed to enter the European Union if it does not meet the standards that are expected of British producers. It is wholly unfair that we have to compete on such an unfair playing-field.

Mr Davies: Just to go back on that one, I do not think we can refuse Brazilian beef if it meets our standard, and we accept that; but of course the FBO or the Commission people have been to Brazil on seven occasions, and even after seven occasions it still does not meet the standards of the Commission and they still allow this beef to be imported. They came to Wales on two occasions to look at our double tagging of sheep. They did not come on a third occasion; they just put the shepherds down and said: “You will have to do something about it. You will have to go down the double tagging route and forget about the single.” That was just after two occasions, and they had been to Brazil seven times, but it still does not meet the standard of the European Union. Whenever some supermarkets take people to visit Brazil they will show them ten farms. What surprises me is the number of stock that comes out from the ten farms—thousands and thousands of cattle. It is obvious to me there is one door at the front farm and there is another door at the back; so as the cattle disappear from the front, they are fed in from the back. It is a known fact that you cannot trace cattle in Brazil more than 90 days, whereas in the UK you have to trace them from birth until their arrival on the plate. If Brazil can produce beef to the same standards as we can, as long as they do not destroy the rainforests and make environmental damage and as long as they treat their labour force in an acceptable and humane manner, I do not think we can refuse their produce; but they are not doing that at the moment.

Q1624 Nia Griffiths: Essentially, we need much stricter implementation by the EU of its standards, and if we have EU standards we can be absolutely certain that we are importing meat to their standards.

Mr Davies: Yes. I do not think they are using their teeth as they should. Unfortunately in Wales, paper welfare is just as important as animal welfare, and that is a sad reflection. Therefore, the cost of production because of having to cope with the bureaucracy—our costs of production in relation to
now is over 58 so that is proof, is it not, that the youngsters are not there to farm in the future? That is a very sad reflection.

Mr Davies: Supporting what Emyr said, if we lose our young people, it is the psychological effect on young people hearing their parents talking in a depressed manner, and we see the honeypot of Cardiff and young people drifting towards Cardiff; and of course we have to remember housing as well. That is a major problem for all young families to be able to purchase houses in rural Wales. I think the present situation is a lost opportunity. We should be adding more value to our primary product here in Wales, so to make the communities far more sustainable. What I fear might be a missed opportunity is, for example, the development of St Athan in South Wales. Here we could see a major catering facility being developed probably for 5,000-6,000 people. Why can we not get local supplies of food into that catering facility? Why can we not get more of our food into the armed forces, local authorities and so forth? I think we need a lead from the Welsh Assembly in setting up some kind of hub to be able to source those foods. We cannot expect these organisations to go knocking on farmers’ doors and saying, “Can you supply me with A, B and C”. We need a hub or central organisation that can offer contracts to farmers, and then these organisations can ask for what they need. Initially, I realise they would probably have to source some of the food from across the border from other parts, but surely over the next few years they could offer these contracts to local farmers to be able to supply these organisations?

Q1628 Mark Williams: Farmers are seen as the guardians of the countryside—it sounds very poetic, but it is a serious practical point obviously as well. Is that fair, and in the present climate is that realistic, given the global pressures and others that the farming industry is facing?

Dr Fenwick: Farming has received a very bad press, as you will be aware, over recent years. As I have emphasised two minutes ago, CCW and bodies like that are now talking about the problems of under stocking. We even see in the Common Agricultural Policy Mid-Term Review document, which was released on 20 November that they are suggesting measures to try and keep livestock in the uplands, and they recognise the importance of livestock in upland areas in particular and the fact that economic pressures can result in those livestock being taken away, and very dire consequences for the countryside. The countryside, as we know, has been created by agriculture since the Dark Ages; it is there as a consequence of farming, not as a coincidental thing; and I think that obviously economic pressures, globalisation, supermarkets, et cetera have the potential to decimate our countryside.

Mr Jones: Unless farms are profitable, farmers will not invest in the farm. We are a breed of people that if we make a little money we tend to invest it in the farm, in the machinery, in the stock, in the buildings, and on improving the farm generally—in the fencing...
and gates, everything. That money is money that is spent in the local area and in the local co-operations. The farmer himself, if he makes a little money at the end, he will invest back in his farm; and that improves the farm, improves the stock and improves everything in general. We have been told in the past to produce what the market wants, and that is exactly what farmers have been doing in the last ten years. We have changed our breed of sheep and cattle to produce exactly what the customer is asking for, and that has happened, but now we are penalised because of imports and the unfair competition of imported produce.

Chairman: I am conscious that we have barely asked half the questions!

Q1629 Hywel Williams: You talked previously about regulation and Brazil, but how much of the price differential between Brazilian beef and Welsh beef is because Brazilian beef is of a high quality? What proportion of the differential is down to quality, and what proportion is down to lighter or heavier regulation?

Ms James: I do not think there is a quality issue. Welsh beef producers can produce beef of equal quality that produced in Brazil. There is absolutely no question about that. With the assurances—farm assurance attached to it, quality assurance—produced in a sustainable way in terms of the environment—so I do not think there is any question in those terms. The problem is that the regulation of companies in terms of statutory management requirements, and cross-compliance for Single Farm Payments—all this adds to the costs of production and at the end of the day that is the difference between your farm realisation and the costs of producing that product. That is where we fall down badly.

Mr Davies: As far as the UK is concerned, and Wales in particular, 100% is farm-assured in that we can trace it and the standards are high, so 75% of our livestock is farm-assured. The retailers quite often try to hoodwink the consumers in that they will say that Brazilian farms are farm-assured, but they are farm-assured under the Eurogat scheme, which means they are farm-assured and the measurement they take is the local standards, that is the local standards within Brazil. We know that those local standards do not come up to our kneescaps as far as farm assurance is concerned.

Q1630 Mr Martyn Jones: Talking about competition from imports, surely one of the ways to get around that is to have compulsory origin marking? Would you support that and would you think that would help Welsh farmers?

Ms James: I think that is a very good point. The problem we have at the moment is that if a product is being processed in Wales, then they have the right to put on it “produced in Wales” and of course it is a total misnomer and misleading as far as consumers are concerned. Certainly that is a view that we would strongly support.

Q1631 Mark Williams: Could Welsh farmers increase production to such an extent that we could reduce the quantity of imports? That is the first thing. On a positive note, what are the greater opportunities for the promotion of Welsh products from globalisation overseas?

Mr Davies: As far as some of our produce is concerned we do not need to increase because 35% of our lamb is exported anyway, so we obviously have ample sources of that. As far as overseas is concerned, the PGI (Product of Geographical Indication) status that we have means that the animal is born, reared and slaughtered in an abattoir that is licensed by HCC; so therefore it has a brand of its own. We have seen Welsh lamb in particular in Europe: it is a respected brand in the same way as Scottish beef is a respected brand. Therefore, we need to develop this quality label, and PGI status is one of the ways forward.

Dr Fenwick: I agree with Dai entirely. We are under the pressures of a world economy as far as supply and demand are concerned, and we have seen that impact more in the last couple of months than ever, or certainly more than the previous five years, in that the over supply has resulted in a massive slump in lamb prices. We are in the ironic situation where, for example, money is being spent to help those who are producing lamb, and yet we have this massive Welsh welfare problems that have been caused by the foot-and-mouth problem, and that money is being spent by the taxpayer and yet the taxpayer is also paying for food that comes from third countries in terms of contracts by bodies such as the National Health authorities, et cetera. It is up to the Government to lead on these types of issues by showing their faith in British standards. I think the general public does want to buy Welsh produce and British produce and produce produced locally, and there is a huge growing trend. We have to bear in mind that while the supermarkets cater for demand, they also dictate it to some extent. It is a case of six of one and half a dozen of the other, and supermarkets lead the way in dictating, I would say.

Q1632 Mark Williams: How do you perceive the issue of seasonality? The effect of imports has been that the season has been determined in terms of supermarkets and what people can buy. If we were to reduce the availability of out-of-season products, what would the consumer reaction be to that, do you think? I very much agree with you on the importance of the locally-sourced food agenda versus overseas—whatever you want, all year round.

Dr Fenwick: During discussions we have had with supermarkets, we have emphasised the fact that the general public does want local produce, and the farming industry will meet the demands. It will change its systems of farming to extend its production season in order to meet those demands. Historically, we would recognise that seasonal imports from Australia and New Zealand have been beneficial possibly in maintaining people’s taste for lamb; but on the other hand earlier this year we saw a severe situation which saw Welsh farming incomes that were very, very low, due to low prices in the market...
place, and we also saw the same impact in New Zealand. Ultimately they have been playing us off against each other and have been playing these large co-operatives in New Zealand off against each other as well in order to drive market prices down.

*Mr Davies:* If the price was right we could have lamb from Wales all the year round, because the only thing is the costs of production at certain times of the year would be higher. If that was reflected in what we had from the retail trade, I am sure farmers would respond. If you compare it with the milk industry, the natural trend for producing milk is for a calf to be born in the spring, and you have milk in the summer and it dries off towards Christmas; but because they changed the pattern of payment it encourages farmers to calve in the autumn because you just have to feed them extra and the cost of meat is higher and the cost of milk is higher, and farmers respond and they produce milk throughout the year. That could happen with lambs if the wish was there.

**Q1633 Mrs James:** Two quick questions, which are quite important for the rest of Wales: we have seen the growth in farmers’ markets and their success, and we have recently seen the first farmers’ supermarket open in Ludlow. How significant is the role of farmers’ markets and other specialised markets too?

*Mr Jones:* There is an increased demand for farmers’ markets, and as farmers we are very glad that they are successful, but the majority of our produce as farmers in Wales—they do not go through the farmers’ markets. It is more or less a niche market. We like to do as much as we can to support them, but it is impossible for most of our produce to go through farmers’ markets. I heard one farmer saying the other day that there should be a corner in every car park in these big supermarkets—there should be a corner in car parks with a farmers’ market there.

*Mr Davies:* For those farmers involved in the farmers’ market, it is a lifeline for them, but we have to remember that they only cater for about 2% of the food eaten in the UK. We have to remember as well that families need the convenience and flexibility of even shopping on Sundays these days, on Saturdays even at midnight. Farmers’ markets do not provide them with that, but I am sure they cater for a lot of people. Any outlet we can have is a bonus.

**Q1634 Mrs James:** We have talked about trends in food and Wales developing a niche market in food, and that leads to tourism. How important is tourism to farmers and to selling your produce?

*Dr Fenwick:* Certainly, like farmers’ markets, tourism is very important for certain individuals. We saw a huge growth in the bed-and-breakfast industry back in the 80s in particular. However, as they say, it is a niche market and as such we have to bear in mind that the core of income comes from livestock or should come from livestock production; and that production is the very reason why tourism exists in Wales to the extent that it does in that it will shape the beautiful landscape in Wales; so the two go hand in hand, together. Without a viable agricultural industry we simply would not have a tourism industry as it is at the moment.

*Ms James:* I think that there is huge scope there that we have not capitalised on yet. Tourists come to Wales because they value the countryside, the environment and what they see. There is a huge opportunity there to develop demand. When they go home they request Welsh produce off the back of their experience. Unfortunately, in terms of the tourism industry and hospitality industry, we have not yet got there. We have not gone sufficiently far. It is a long way to go but there is tremendous scope for the industry.

*Mr Vaughan:* There is another aspect as well. I know that on our own farm, which is quite a long way from here inland—we thought we might have some chalets on the property. When we went to look into support for the chalets they said “no” because we had not got any fishing or any footpaths and we did not qualify for the support. We need joined-up thinking to create things. It is foolish to say that certain parts of Wales have nothing to sell. We realise that areas such as this have far more than others and must accept that.

**Q1635 Chairman:** Can I pursue this question of food tourism. You say much more could be done. We have been very impressed by our visit to Ceredigion. We stayed in the Harbour Master and that is one of the exceptional centres for food tourism, of food locally sourced. How can we develop this more in Wales?

*Mr Davies:* The minority of food is served in such quality restaurants as the Harbour Master in Aberaeron—we accept that—but we have to remember that the majority of food sold through restaurants quite often is not labelled on the menu and they do not describe it as Welsh black steak or Welsh steak or Welsh lamb—it is just put down as Welsh steak or Welsh lamb. We find quite often, because it is not identified on the menu, the food is imported. So many of our chained restaurants that come into Wales do not sell local produce, and it is a shame that we can not go down the same route as they have in Scotland where they insist on the food being served in the restaurant to be labelled as local or Scottish or whatever.

**Q1636 Mr David Jones:** Mr Davies has already touched on the issue of public procurement of food. You mentioned St Athan, and the Ministry of Defence is probably one of the largest consumers of food in this country, as is the National Health Service. In your opinion to what extent is food sourced on the basis of price primarily and to what extent does quality come into the equation?

*Mr Davies:* I have a little bit of experience of this. I went with Cardiff University to Florence in Italy, because they seemed to be the flagship for sourcing food locally. At the time I was there, they said that every school dinner was costing €3 per child; and because they source the food locally it was costing them 20% more; but when you looked a bit further into it, it was only €1 of that €3 that actually paid...
for the primary product; the other €2 paid for cooking it and serving it at the school; so it was only 20% of the €1. When you spoke to local politicians they said they were quite happy with paying that extra 20% because that money was circulated locally and did not end up in Brazil or Poland for pork, and actually was circulated locally and the parents of the children knew exactly where the food came from and knew what standards it was produced for and so they welcomed them with open arms. We do not seem prepared to go down that route in Wales as yet; but of course the infrastructure was set up in that they had a hub develop there, so this hub issued contracts through farmers to produce this food locally.

**Q1637 Mr David Jones:** Are you effectively saying that public procurers are prepared to sacrifice quality for price?

**Mr Davies:** I am sure historically some of the quality must be questionable because of where it comes from, and the freshness of a product and how that product is produced. We have no record, no traceability of where it came from or what standards it was produced at.

**Mr Thomas:** The figures we have show that the value of the public sector food procurement in Wales is about £66 million and about £20 million of that is for fresh meat, so there is a big opportunity out there for farmers and they can tap that opportunity.

**Chairman:** Thank you all for your evidence this morning and for the memoranda you supplied us with. It has been very helpful in preparing for today. If you would like to give any additional information to us, any additional memoranda, and of course in the light of the statement today by Elin Jones on a food ombudsman, we would be delighted to receive such memoranda.

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**Witnesses:** Professor Noel Lloyd, Vice Chancellor, Aberystwyth University, and Professor Robert Pearce, Vice Chancellor, University of Wales, Lampeter, gave evidence.

**Q1638 Chairman:** Welcome. Thank you very much for your memoranda, which we found extremely helpful in preparing for this session. In your written papers you refer to the importance of the university to the local community, to the region and to Wales. Can you describe this contribution for us in terms of the direct and the indirect effect it has?

**Professor Pearce:** I think the contributions have been identified in the memorandum that I provided. There are both direct and indirect contributions. The most obvious direct contribution is that in the case of Lampeter and Aberystwyth we would both be the largest employers by far in our area, and that is particularly marked in Lampeter. It would be hard to imagine the town of Lampeter without the university, so in that context our contribution is very evident. There are also indirect contributions. The students of the university spend in the local area. ATW has done some calculations on the kind of multiplier effect, which certainly applies a multiplier of 2.5 or maybe even higher than that. For Lampeter University, with a turnover of roughly £13 million a year, the indirect distribution we make to the local economy is in the order of £30 million, which, in the context of a town with a population of just 3,000, which is the size of Lampeter, is a very significant contribution. I think the contribution goes beyond the financial. We also add to the amenities of the area. This is also true of Aberystwyth and I imagine it is true of all universities. The facilities we offer allow a cultural experience for local residents which they would not have but for the presence of the university. One of the areas that is open for consideration for universities in Britain, which has not yet happened here but has happened in America, is the university being seen as a focus for retirement communities. In Lampeter, many people do come into the town for their retirement years. One of things that I think all universities should consider is trying to enhance the facilities they offer to the older generation to improve their quality of life. We already are doing many things, and so is Aberystwyth, but it is something of which we could do still more. I think our contributions are very significant, both direct and indirect.

**Professor Lloyd:** The most obvious direct contribution is that we are employers, as Professor Pearce has just said. In the case of Aberystwyth our turnover is £80 million per annum or thereabouts, and we therefore bring in around £200 million to the economy on an annual basis, and that is a huge impact. It gives us great responsibilities as well, and we are aware of them. There is a direct impact as well in terms of training and educating people and in terms of technology transfer. Universities over the last ten years have become much more aware in their terms of technology transfer. Aberystwyth has just said. In the case of Aberystwyth our turnover is £80 million per annum or thereabouts, and we therefore bring in around £200 million to the economy on an annual basis, and that is a huge impact. It gives us great responsibilities as well, and we are aware of them. There is a direct impact as well in terms of training and educating people and in terms of technology transfer. Universities over the last ten years have become much more aware in their terms of technology transfer. Aberystwyth has quite successful in Aberystwyth in establishing small, relatively hi-tech spin-off companies, and that is something we take very seriously. In terms of the facilities that we have been offered and engagement with the local community, that is important. Our sports facilities are obviously available. Thinking about Aberystwyth in particular, and this obviously goes for all universities, but one of our contributions is the Aberystwyth Arts Centre, which is the largest arts centre outside Cardiff in Wales. It is very successful and becoming increasingly so. We have all those both direct and indirect effects on the local economy and local community. I would emphasise that it is not just economic, but it is cultural and social development as well. There is one other contribution which I think perhaps sometimes we forget, but it is the reputational one. A successful university sector in Wales is a huge boost for Wales as a nation and is a superb shop window for Wales for people coming from outside, not just the UK but...
Chairman: The very fact that you are both rural universities, away from great urban centres like Manchester or London or whatever, means that in a way you exist in large part because you have this international reach. Could you say a little bit about any apparent contradiction between the local and global university? Do these sit alongside each other comfortably or are there problems about that?

Professor Lloyd: I do not think there is any tension. I do not think it is either/or, and, as I said earlier, it has to be both. In order to be successful locally you have to be competitive globally. Yes, we are situated in a rural/coastal environment, and obviously it means we have to offer a high-quality provision for potential students in terms of the care which we take of them when they are in Aberystwyth—and it is a niche market in that sense. Obviously, students who wish to have the bright lights of the large city will not come to Lampeter or Aberystwyth; but what we do have and we are very pleased with are the high ratings we always have in satisfaction surveys. For example, in the national statistics survey we have always been in the top ten. We had an interesting event last week—finalists in the TATS competition for the best student experience. That is something that we take very seriously. What we do find at present is that it is a challenge obviously because there is increasing localisation of student populations. The figures are roughly about half the population of our universities in England and Wales live within 50 miles of their homes. Obviously, we do not have a local-based population from which to recruit and subsequently we have to compete on a much wider scale to offer an attractive provision to people within Wales and from outside. One of the more recent developments, which has pleased me at any rate, is that our applications of those coming to us from schools in Wales, from Wales, has increased quite sharply, and that is also a source of comfort to me, but it is not, again, to repeat, either/or; it has to be both.

Professor Pearce: Like Professor Lloyd, I see no contradiction at all; indeed I think that one without the other would be impossible. The missions are complementary. First of all, all universities now operate on a global scale in a global environment, both in relation to recruitment of students and in relation to recruitment of staff. If you were to try and operate a university on a purely local basis, it would be essentially doomed to failure. The bringing of international students to the local area, certainly in the case of our institutions, makes a huge contribution to local diversity. The ethnic population in Lampeter would certainly be very much smaller if it were not for the presence of the university. Indeed—and there is an interesting little example of this—Noel talked about spin-off companies earlier and we have an example of that kind of activity in Lampeter. A new Chinese restaurant—and indeed its second ever restaurant—was established just over a year ago. Without the support of our student population it would not have happened if it were not for the number of Chinese students in the university. I see that the two very much work together.

Mr Martyn Jones: Can you both expand briefly on what you described at your university—and particularly Professor Pearce, you said in your memorandum: “It is important for the future prosperity of the UK and the development of the full potential of our home students that there should be international students. Can you both tell me why?”

Professor Pearce: I know it sounds a little bit platitudinous, but when I think of the need for a university to engage internationally I think of the future of my grandchildren. Britain is not particularly rich in natural resources: our future lies in our success as a trading nation with strong international links. To me, it is of huge importance that we are developing now the connections between our graduates and graduates overseas to develop trading into the future, and so I see it as very important that we have students from overseas coming to Britain and that we have links at the research level and at every level in order to encourage the kind of future that I think we will be depending on.

Professor Lloyd: The economic impact is very significant for the UK as a whole. Education is now ahead of pharmaceuticals and aeronautics in terms of impact on the UK economy, that is taking Britain as a whole. There is the significance of the transnational flow of education, as I think I note in my memorandum. The number of students going for education in other countries has doubled over the last ten years or whatever the figure is, it is climbing very significantly and the UK has to compete in that; otherwise we will not be seen as international players in other things. It is quite interesting that universities are increasingly putting on courses, certainly at Masters level, in the English language and are being much more competitive therefore as far as the UK is concerned. This is a serious challenge. We have to maintain our credibility internationally, and, through our quality systems, we have to establish and make clear that our quality is high; and if we do not do that we will be on a downward slope as far as both economic impact but perhaps more importantly the reputational impact of our universities are concerned. As you know, the science and all academic disciplines are international by their very nature, and you have to be there and be in the international arena. One way of demonstrating that is through recruitment of international students.

Mrs James: I want to turn to engagement of employers. What established links do you have with employers, and are you seeking to develop these further?

Professor Lloyd: It is a timely question and an important one. I mentioned earlier that we are employers in our own right, of course, but also,
through our commercialisation activities, we are trying to establish direct linkages in our case with SMEs in Wales. I would say that there are three aspects to our engagement with employers. Firstly, it is about the employability of our own graduates, seeking to establish correct communication and contact with companies that employ graduates. We have a very strong alumni base. I was in a university group in London a few weeks ago who have succeeded in business. We are establishing contact with them so that people can go to placements, and take advantage of that goodwill, because that in the end will be of benefit to our students. Then there is the commercialisation of our research and technology transfer. We engage with large companies in the sense of research contracts, which are again part of the currency of science departments within universities. Thirdly, and perhaps most importantly, is the engagement with local companies and with the small and medium size companies in our neighbourhood. They are very individual initiatives in many ways. An example of what we are doing is that a couple of weeks ago we had an event in Aberystwyth and we invited people from local businesses. We are starting a business network in the area, and we had about seventy or eighty people there and it was a very good occasion. It was the first of these meetings that we were holding in order that we understand what businesses need, especially in the area; and importantly that businesses know what we can offer. I think that communication has at times in the past been—because everybody is so busy doing their own thing you have to work very hard at making sure that we understand the requirements, and as I say, businesses know what we can offer. They can come to us.

Q1642 Mrs James: Can you tailor courses to their needs? Do you have experience of that?

Professor Lloyd: We have some experience of that, but it is something I would like to do more of. Several years ago we had some, quite early on, but it is something that we should be doing more of and that universities generally should be doing more of. Again, this will come from a better understanding, establishing a clear view of what we can do and can offer.

Q1643 Hywel Williams: Can I just ask you about your perception of employers’ understanding of what they want? I spent ten years in the University of Bangor putting on short courses, and when one asked employers what they wanted, they tended to ask: “What have you got?” Do they know their own minds?

Professor Lloyd: This is why communication is so important. Again, everybody is very busy, as I say, and it is an engagement so that we have to demonstrate what is possible. It is a kind of mutual educative process. It is hard. It is getting better, I think, but it requires serious conscious effort to address it. It will not come otherwise; it will not come without making that effort.

Professor Pearce: There is a particular challenge for our two universities in that we operate in a part of the world where there are very few large employers. When you are working with large employers it is possible to develop tailored courses. I have experience of that working in my previous institutions. Working with small and micro companies, it is very much harder. Lampeter is doing much the same sort of thing as Aberystwyth. We have very strong engagement with local employers for student placements. We have an enterprise network that has been running for a number of years and offer short courses in IT and other areas. We have a Department of Voluntary Sector Studies, which is unusual, which offers a certificate designed for people working in the voluntary sector, which is taken through business learning and has proved very popular right across the UK. Aberystwyth already has this, but this is something Lampeter that wishes to develop: space for new companies to grow alongside the campus where you get the interaction between the university staff and new businesses. What is important here is that the facilities provided are of a nature that are suitable for very small employers, people perhaps starting off on their own with one or two employees, with the scope to grow and trying to reduce the risk to new businesses starting up.

Professor Lloyd: If I could come back on that, we have an incubator for small businesses. More interestingly perhaps we are in the process of building a similar mechanism for creative industries. This is associated with the Arts Centre in Aberystwyth and we are building about ten units that will be available for small businesses in the creative industries, which is a sector that is growing very rapidly. Our location does not debar our successful participation in it.

Q1644 Mr David Jones: Professor Lloyd, you referred earlier in your evidence to the establishment of spin-off companies; can you tell the Committee some examples of these and the success or otherwise you have had?

Professor Lloyd: We have had variable success. I do not have the figures in my mind, but it is something of the order of three or four a year that we establish. One of the most successful is a company that has grown quite rapidly in agriculture, and so is genetic genotyping and things of that sort. They tend to be in the biological area or in physical sciences, or computing quite often. We have had a few examples of being involved in IT. We have a connection with one pharmaceutical company whose headquarters are in Holland. We have one quite exciting one coming up, and perhaps I will go into more detail about that. We have two mechanisms for doing this. We have challenge fund, which we were successful in getting a few years ago; and this has funding put into early-stage spin-out companies. We also have the spin-out programmes through Finance Wales, which we operate with Lampeter. What we have found over the last few years is that what is difficult is to persuade venture capitalists to put second phase funding into these.
companies. They run at a certain level for a certain period of time on the initial funding, on the funding we give, but it is more difficult to get that second phase funding in from the venture capital industry, which at the moment has of course retrenched somewhat. This is where our location is a problem. We find that unless you are within a day’s travel back and forth pretty much from the home counties, they do not really want to know.

Professor Pearce: Can I add that the phrase “spin-out” is generally used to refer to the exploitation of technology or an invention derived from the university. If you look more generally at businesses that are started by young graduates you would see many more examples of success. There is one example that is on the intranet in Lampeter this morning, which I saw before I left. A student at Lampeter has set up a business based in Carmarthen, recycling waste products, taking waste products from companies, which are still capable of being used in their original form; and effectively he is creating a market for them. You will find many examples of these being created—not in that specific industry—but examples of new graduates setting up businesses in the area. You find many of those each year, many more than you would find spin-outs.

Q1645 Hywel Williams: What proportion of your students are EU or international students or local students in both institutions? What are the most effective methods of recruiting students?

Professor Pearce: I have the numbers but not the percentages, but I am sure the percentages can fairly easily be calculated. Of our 2,400 full-time equivalent students, 1,815 are domiciled in the UK; 235 have an EU domicile and 340 are non-EU students, and I am sure the percentages are relatively easily to calculate from that. Lampeter is unusual in having a relatively high proportion of EU domiciled students compared with many other universities, and for the character of the institution the number of foreign-domiciled international students is a little lower than we would like to see it. We believe there is scope for growth there. You will typically find proportions of international students are roughly 15% or more.

Professor Lloyd: Our figures are different. We have an interesting division in that we are looking at something like a third of our students come from Wales; about 60% come from the UK and EU because they—I will come back to that later—but about 10%, maybe a little under at the moment from outside the European Union. As far as directly from the European Union, I think our intake is about 10% of the total intake for each year coming from Europe, outside the UK.

Q1646 Hywel Williams: Where would you see yourselves therefore, compared to similar institutions? I know Lampeter is slightly smaller, but Aberystwyth is perhaps the same size as Bangor.

Professor Lloyd: In terms of overseas students?

Q1647 Hywel Williams: Yes.

Professor Lloyd: We find that the figure for overseas students was growing at about 15% a year for several years and then dipped. We are putting together currently a more focused international strategy because I think the key to it is that one has a broad-brush approach, as it were, and we need to focus on individual areas. As far as our students from the EU are concerned, we are fairly typical of universities of our size outside the south-east where you find universities like Kent with a very high percentage of EU students, for obvious reasons.

Professor Pearce: I do not have the figures with me, but figures are produced each year by Universities UK, which is a higher education report, which identifies the proportion of international and EU students in each university in Britain on a chart. Lampeter appears between a third and half-way up on most of those charts in relation to the proportion of EU and international students, which, given our distance from the major airports, is a very respectable figure. We nevertheless believe it is a proportion we can increase. Like Noel, our experience has been that this needs to be through specific initiatives. A general marketing campaign is likely to be ineffective, and we find the greatest benefits have been derived from developing institutional links, partnerships with institutions overseas. We have been very successful in doing that with China, and that is reflected by students at Lampeter having one of the Confucius Institutes in Britain. We were very proud to be the first university in Wales to get that status, just before Cardiff. We are less well represented, as I indicated in my memorandum, in India; and as one of the major growing economies of the world we believe that is an area where we need to be more fully engaged.

Q1648 Hywel Williams: I was in Beijing three weeks ago and visited the largest Confucian monastery and saw Wales and Lampeter mentioned. It was very reassuring, being far away from home.

Professor Pearce: St David’s College is marked on maps of Britain circulated in China. It is very interesting that we are on the map in China, even though we may not always be on the map in the UK!

Q1649 Hywel Williams: Can I turn to the disincentives that you mention in your papers. What are the disincentives to overseas students—things like visas or whatever? Is it a big problem?

Professor Pearce: I think the biggest challenge for the University in Wales currently is a challenge that is indirect; it is the level of funding we receive from the Assembly Government per full-time equivalent student, which is running at levels of about 15% below those in England and substantially below the levels in Scotland. I know that this is not a Westminster matter but an Assembly matter, but the long-term effect of that poorer level of funding is to make institutions in Wales less competitive, and that I see as being a major challenge in the recruitment of overseas students. It means fewer staff and a poorer
quality campus; and those are important factors in recruiting international students. The position of visas is extremely important. I think there has been some improvement over the last year, but we have to bear in mind that in recruiting international students we are working in an extraordinarily competitive market, with other companies extremely anxious to recruit students. The regime in Australia and America is still seen in many countries as being far more favourable than that in Britain, so we still have some way to go. As Professor Lloyd is saying, we are now competing not just with major English-speaking countries but other countries throughout the world are beginning to teach through the medium of English. The importance of international recruitment and the degree of competition is illustrated by the view of the Chinese Government, which presumably was communicated to you, which is that within a few years they expect to import to China as many students from overseas as they export themselves. I think the timescale for that is quite short and it demonstrates the degree of competition we are likely to face, particularly in some of our traditional markets in Asia, where travelling distances strengthen the perception of the relatively high-cost of education in Britain, which all militates against us. The submissions are not easy to find, but, as Professor Lloyd was saying, the important thing is that we continue to demonstrate that British higher education is distinctive in its quality, and the way we develop individuals to challenge received wisdom is extremely important in that context. It is something that we do, which is not mirrored in the Asian world, where there is very much more emphasis on formal learning. So we are able to offer a product that is distinctive. We have to demonstrate continued high quality so that even if it is more expensive it is worth paying that much more for. There is quite a lot of evidence that the market in higher education, although it is sensitive to price, is much more sensitive to quality. We also need to reduce the other barriers. The easier it is for students to come to Britain, the more we will be able to recruit. We still have some issues relating to the visa process.

Professor Lloyd: Can I pick up on three points. The last point Professor Pearce made related to quality, that we have to make sure we have the highest possible quality and that it is perceived to be of very exceptional quality. That is critical. Our worry is that the system across the UK, for example, is as strong as its weakest link. The QAA—I should say that I am on the board of the Quality Assurance Agency—is currently looking at ways it can clarify and establish some sort of kite mark for international education in the UK. I think that is required because—the second point—many other countries are becoming more active in the international market. Interestingly, the UK and the US have lost market share of international students over the last ten years. That is market share, not number, because the whole thing has gone up very significantly, and categories in Australia and Japan have increased quite significantly. We have strong links in Malaysia through our alumni base. In fact, one of my provost chancellors is out there now for some festivities. They are beginning to draw in students from other south-east Asian countries such as Korea, and they are becoming a kind of local hub. Finally, in regard to the possible disincentive of visas: I am worried about the perception that has grown perhaps of the difficulty—the opaqueness perhaps of the system. We were a little bit concerned this year in that we had fewer international students arriving than we expected. There may be all sorts of reasons for this, and we are trying to do some research on it, but it is quite conceivably related to the visa question. Of course, the system is changing and from January will place very significant burdens on institutions in terms of checking students, and obviously the whole process of making sure that those we expect come and those we do not do not. Significantly for us, it would be a burden it places on us as employers as well because we employ significant numbers of academics from overseas; so it is not just the student population; it is employees as well.

Chairman: You are right about education and it being devolved and it being an Assembly matter; however, we, as a Select Committee from Westminster, are concerned about the very facts that you have just revealed—cross-border issues are matters of deep concern to us. We shall be beginning an inquiry in the New Year and we will be seeking more detailed evidence, particularly in relation to research. Of course, that is not a devolved matter, and one which we would be keen to receive evidence from you on.

Q1650 Mark Williams: Professor Lloyd, you talked in your memorandum about research collaborations between different institutions and building up that effective mass of researchers. Can you talk in more detail about the collaboration between Aberystwyth and Bangor and any other universities? How effective have they been in building competitiveness?

Professor Lloyd: The Chairman commented about transnational issues in terms of research. One of the things we have to continually try and ensure is that UK funding agencies realise that they have a UK remit.

Q1651 Mark Williams: Has that been an issue?

Professor Lloyd: It seems to be an issue. Occasionally you feel that there is a lack of awareness in some areas. Higher education has evolved, but research has not. We continually try to make the point. Once you make it of course it is accepted because it is fact. That is, I think, one reason why it could be used in collaborations to which you refer. In order to be able to compete—and we have to compete on a UK basis—going back to what I said earlier—internationally with research councils and other funders, private industry and so on, and locally, for example Defra—if I can come back to that—you need sufficient effective mass. This is not just about size although it is about size to some extent, but it is more particularly about having the range of expertise available. In addition to that, we also know that large groups are more successful
in research because people feed on each other, and there is an element of competition, in a sense, wanting to do as well as the best. I am very certain that with institutions of our size and Bangor, in order to develop this effective mass by collaborating in a formal way you will effectively double your size overnight. I say in a formal way because there has always been a lot of collaboration between individuals in different universities, but the kind of collaborations I am talking about are the three “S”s: strategic, structural and sustainable. That has led to the formation of the enterprise partnership with Bangor, which is still in its early days—it is only a year old. So far I am pleased with the way it is developing. We meet with the people involved. It involves about four subject centres and they are working together and doing things which they could not do separately. It takes obviously time for this to bed down, but I have every confidence that it will do so and pay dividends. In that context of course, it is a matter that we are very excited about at present and it will enable us to become seriously competitive on an international scale in lab-based research, the merger of IGER\(^{42}\) into Aberystwyth University, and it is part of the agreement of the entity so formed with the appropriate departments in Bangor. As you can imagine, we are fully engaged at the moment with the details of the legal transfer, which is not something you accomplish overnight. It is going very well. In doing this kind of thing not only do we ensure capacity in Wales, but we have the opportunity of establishing a centre of a size and range of expertise which will be continually internationally competitive and we want to be well placed to do that kind of thing, and we have a chance.

Q1652 Nia Griffiths: We have already heard a lot from you about the challenges and opportunities presented by overseas universities, but Professor Pearce, can you outline how it came about you had the links with China; and, more importantly, what do you see as the way forward with those other links?

**Professor Pearce:** Our links with China have developed largely because a member of staff is Chinese—a professor of Chinese religions. If it were not for him and his personal contacts I think we would have made very little personal progress. Indeed, my experience elsewhere is that if you want to make good inroads into new territory you really need staff who have a national background which is strongly connected. It is one of the areas in which it is very important that we recruit internationally at staff levels. One of the problems we face in relation to India is that we have not had the same kind of drive from a senior member of staff. I think we will see opportunities there, and once we build on our links I think it will create other opportunities. I have just come back from India—I was there about a month ago at a higher education conference—and one of the things that struck me is that the rate of growth in universities in India is so fast that it is going to be very hard for them to sustain that growth using their own graduate population. In so far as they are using their own graduate population, they will be drawing down deeper than would be normal in filling academic posts. There is going to be an ongoing need in India, and probably in China as well, because we have experienced this already, for further training for existing academic staff. There are opportunities over at least the next decade and probably over the next twenty years for Britain to assist in staff development.

Q1653 Nia Griffiths: I was interested to know what the potential would be. You see yourself as essentially providing what you might call third level input, i.e., after postgraduate, in order to enable the staff to get the necessary expertise to return to teach the students coming in.

**Professor Pearce:** That, certainly, but I think we are experiencing a change in the market. A few years ago there was an enormous demand from countries like China and Malaysia for undergraduate study in Britain. As their own education systems develop that demand is reducing, but there is still an interest in a British-based education either working through a partnership or working through three plus one, two plus one, arrangements, where students spend most of their period as an undergraduate in their home country, but they come to England for a relatively short period. That is an area in which we are still experiencing some difficulty because this is not yet seen as a typical pattern and therefore creates some problems for the authorities. That is one development. We are also seeing increasing recruitment of postgraduate students as a proportion of the total number of international students. Again, this reflects part of that migration to higher level skills. We are also seeing demand from existing teachers to upgrade their qualifications, in many instances sponsored and supported by the government of their home country. Effectively we are seeing a migration towards higher levels and away from the undergraduate market, and it is a development that we need to support: if we do not, we could find our market for international students disappearing, if we do not move with the trend.

Q1654 Mr David Jones: Professor Pearce, you mentioned the importance of recruiting staff internationally. Do you have any problems there, and if so what are they?

**Professor Pearce:** We have not experienced any particular difficulty in recruiting international staff under the current rules. Whether that will change with the new points-based system I am less sure. I can give an example of the difficulty of sometimes recruiting staff from the UK base, and this goes back to my previous institution, the University of Buckingham, when we were seeking to recruit a new lecturer in accountancy—not a subject we offer in Lampeter, perhaps fortunately, judging by this experience. We received European applications for the post: not one of them was a British person; all of them were international. We shortlisted four people, three of whom indicated they required work permits;

\(^{42}\) Institute of Grassland and Environmental Research
the fourth person indicated he did not require a work permit. But we discovered when it came to interview that the reason he did not require a work permit was that his knowledge of the English language was insufficiently good to understand the question! We ended up with a shortlist composed entirely of people who required work permits, and I think that experience would not be terribly unusual in that kind of field.

Q1655 Mr Martyn Jones: Do you lose people who want to go and do research positions or whatever abroad?

Professor Pearce: We do, but it is an international market and for those who lose I think we gain. If we erect barriers that make it difficult for established academics overseas to join we would have a seriously diminished higher education sector and you would then be seeing a brain-drain.

Professor Lloyd: It is indeed an international market and we have recruited some senior academics recently from abroad. I think we have recruited more, significantly more than have gone in the other direction, as it happens. There is also a much higher flow at research level than perhaps PDRA level, immediately after PhD, where you would expect this to happen. There is a large-scale flow at that level. Again, for us it is net in-flow on balance. You asked whether there were technical difficulties—which I presume you meant. We have not had those difficulties, no, when we need to recruit someone.

Professor Pearce: I recall that we have had one technical difficulty, which is that staff seeking permission to work in Britain need to do so from their home country, and we have had technical problems where we have had a person who is at Lampeter as a student or as a temporary employee, where change of status arises, and there have been instances where, quite ludicrously, they had to fly back to their home country to complete the requirements.

Mr Martyn Jones: That is worth knowing.

Q1656 Mark Williams: Professor Pearse, you talked about the origins of Lampeter's very close links with China. Can you elaborate to the Committee the development of the Confucius Institute? I was there at the opening. Fundamentally, having established it, how do you foresee it developing in the future?

Professor Pearce: The Chinese Government I think has acted very astutely in setting up Confucius Institutes because they are intended in some ways to reflect the same sort of initiative that is exercised by the British Council; in other words, they are bodies that represent national culture and education overseas. Had the Chinese Government decided to set up their organisation in the same way as the British Institute, it would have cost them a great deal more than it did by operating through the universities. They are giving relatively small amounts of funding but supported by the mobility of staff. In Lampeter's case, we received a grant of $100,000 from the Chinese Government to set up the Confucius Institute, but they will be sending us a visiting academic on a full-time basis next year, and that is a very much more valuable contribution than capital funding. They will also support individual projects. That was the great advantage we perceived in having a Confucius Institute at Lampeter: it is a recognition of the quality of the education that we already provide. We have been offering courses in Chinese Studies for over a decade and degree courses for several years, and this effectively underlines the provision that we already make. We will be expanding what we do to include offering support to schools which wish to teach Chinese, and having Chinese students at Lampeter will give us the resource of native speakers to enable that and we will be offering courses to businessmen as well.

Q1657 Mark Williams: How many students have enrolled?

Professor Pearce: We had forty Chinese students last year. I think the numbers may be slightly down this year because we are in between different modes of programme transfer, but we expect the numbers to increase from next year onwards.

Q1658 Mrs James: Professor Lloyd, you mentioned in your earlier evidence IGER and the merger that you have just touched upon. Can you described to us a little more about this merger and the advantages that might come from it?

Professor Lloyd: IGER is a BBSRC sponsored institute.\(^{43}\) It is within three miles of the University at Aberystwyth. Interestingly of course it span out of the university many years ago from the Welsh Plant Breeding Station. Following a review of governance by BBSRC of its six research institutes, we entered into discussions with the BBSRC Council, which were quite prolonged and connected in a very good way on both sides. It was agreed that the future for IGER would be as part of the university. Part of IGER itself is in Devon, in a place called Northwick. The university took the view that the part in Wales, which was the dominant part, would come to Aberystwyth but that Northwick would not. That itself is causing problems, as you can imagine, because you are looking at dividing IGER in that way. We had hoped that the whole would be able to come, but that appears not to be happening. We signed a heads of agreement with IGER, with the involvement and strong support of the Welsh Assembly Government and the Funding Council, and the target date for the merger is April 2008. It was always a very ambitious target. I think it is on track, but there are certain things that are outside our control which one has to take into account. This is a very exciting development. It is something that all parties are very keen to make work. It goes back to what I said earlier; you need a broad environmental arc—land use, single land use, environmental science and agriculture are important. We already have significant strengths and already work with people in IGER at the university. Putting IGER together with our own institutes of rural sciences and biological sciences will form a very large unit, and as I think I

\(^{43}\) Biotechnology and Biological Sciences Research Council
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mentioned in the memorandum I produced, it will be in a position to attack seriously such global problems.

**Q1659 Mark Williams:** You mentioned the scale of IGER and the scale of the university. The significance of this arrangement for the broader local economy, I think you will agree, cannot be understated! It is very critical.

**Professor Lloyd:** That is right—the fact that we will have a centre of this kind in what is an extremely important part of science to do with climate change and environmental issues generally. To have that kind of expertise in Wales will be extremely valuable to this area but also to Wales as a whole. I emphasise there are strong linkages as well with other things that go on in the university and this is one of the other benefits. I mentioned climate change as one but we have other strengths. It is very interesting that all these things are coming together in what is for me at any rate an exciting and very pleasing way.

**Q1660 Mrs James:** Professor Pearce, can you describe to the Committee Lampeter’s web-based distance learning programme, including the Welsh language programme?

**Professor Pearce:** Can I describe it? It is quite difficult to describe verbally something that is visual. Lampeter’s distance learning programme in Welsh is distinctive. It was the first programme of its kind and has recruited extremely well over the years. It recruits internationally. Our students come from Spain, Patagonia and right across the world, as well as from within Wales. The programme is innovative in that it offers facilities to learn Welsh that would not be possible without web-based learning. Some distance learning programmes including ones we offer at Lampeter could be offered by correspondence in a relatively traditional way, but the Welsh language of course is very different in that it is designed for the Web and operates through the Web. It gives, for example, guidance on pronunciation, which would not be possible through regular correspondence courses.

**Q1661 Chairman:** Thank you very much, both of you, for coming along today, and thank you for your written evidence as well. If you feel, in the light of today’s session, that you would like to add a further submission, we would be pleased to receive that. In the New Year we will be exploring cross-border issues including higher education issues and we look forward to receiving the evidence from you on that issue.

**Professor Lloyd:** Thank you for the opportunity of presenting our evidence.

**Witness:** Mr Owen Burt, Deputy Director, Shelter Cymru, gave evidence.

**Q1662 Chairman:** Can I begin by referring to the published conclusions of your year-long inquiry into homelessness and poor housing conditions in Wales. We note that you say: “There is an urgent need to address the serious shortage of affordable homes.” Do you think that globalisation has had an impact on the housing supply in certain parts of the world?

**Mr Burt:** There are other factors. Globalisation is one of many factors. The second part of our written evidence today covered the effect that global financial markets have had and will have in the future on the availability of mortgages, and that is obviously a very important factor in terms of the supply of housing in Wales. On the other side of things, the other main point we picked upon in our evidence is the impact of large numbers of migrant workers on the housing supply in certain parts of Wales. Admittedly, it is not a huge proportion of our case work, but it is something we are noticing more of.

**Q1663 Mark Williams:** In your memorandum you talk about acute housing pressures, particularly high levels of homelessness, shortage of social rented housing and affordable homes in the private sector. Within which sections of the population do you perceive demand for affordable housing to be most acute? It transcends obviously all groups of society, but I would be interested to hear your views on that.

**Mr Burt:** The easy answer would be that it is affecting all sectors of society. I am sure that through your constituency surgeries you are inundated by people with a range of housing concerns, unable to find suitable housing for their needs whether that is young people with very limited options—particularly young people who may not be in employment or training. Families, particularly families who may at some point in the past have considered social rented housing; the social housing supply is drying up. Here in Ceredigion is a very good example: affordability in terms of home ownership is a barrier to many people. The proportion of average incomes to house prices makes it almost completely inaccessible for many people on average incomes in many parts of Wales. You have large numbers of families in those circumstances. At the other end there is not only difficulty in accessing housing, but difficulty in maintaining housing as well.

**Q1664 Mark Williams:** The Hidden Homeless agenda covers all age ranges, does it not?

**Mr Burt:** Yes.

**Q1665 Mark Williams:** You have this aspect. There are not a huge number of people homeless in the traditional view, out on the streets of Aberystwyth on a cold winter’s night, but there are many families like those you have identified. Is there a divide between the challenges in rural and urban areas in
Wales? You have outlined the picture in Ceredigion, but more generally how much does the urban picture differ?

**Mr Burt:** In terms of the broad underlying issues that determine—the problem is there and I think they are very similar. As the Chairman summarised at the beginning, it is rising homelessness, rising house prices and a diminishing social rented supply; so there is a true shortage there.

**Q1666 Mark Williams:** As an organisation, you do a huge amount of work yourselves. How closely do you work in collaboration with other organisations to address the current challenge of shortage of affordable housing and what are you doing with those organisations?

**Mr Burt:** We work very closely with many other housing organisations, obviously, in terms of our policy and campaigning work, looking at potential solutions to some of the problems we face. We work particularly closely with CABs across Wales and operate our advice on an outreach basis. We obviously do not have a lot of our own offices across the whole country, but we operate services from CABs and other community venues, to make them more accessible to people that need them. We work closely with the CAB and Women’s Aid, the local authorities, statutory agencies and the Probation Service, trying to get people referred to our services as early as possible; and, when you have identified the problems, try to find appropriate solutions in those circumstances.

**Q1667 Hywel Williams:** Do you think the pressure on affordable housing for migrant workers is a significant determining factor? Is there a local and a national or UK aspect to this?

**Mr Burt:** Certainly from our case work it is very difficult to make any broad conclusions. The examples that were included in the evidence, if you like, were very much based on discussions with our case workers in different parts of the country, particularly those areas where migrant worker populations are concentrated. In local terms there is very much an additional pressure, but in terms of the overall issues around affordable housing supply for the whole of Wales, I would not put it at the top of the agenda.

**Q1668 Hywel Williams:** A recent report evaluating the provision of public services for migrants in Wales by the Wales Consumer Council notes that rules regulating migrants’ access to social housing are “complex and easily misinterpreted” and that there is an “urgent need for central guidance on housing legislation”. Do you agree with this statement, and to what extent does the ability of migrant workers to access social housing affect Shelter’s work in Wales?

**Mr Burt:** It is an issue that comes up in the volume of case work we do with migrant workers. I must admit I am not expert on the detail of the legislation, but in broad terms, as I understand it, the requirement to be registered for work and undertaking registered work for the 12-month period before being able to qualify for certain benefits and assistance with housing creates a problem because of the fragile nature quite often of the employment that those people were in, or the level of understanding about the complex legislation that applies to them. One or two of the cases studies included in our evidence referred to the situation where a relationship has broken down, where one member of that household may well have been registered for work and the other member, when that relationship breaks down, has great difficulty in accessing any support or assistance with alternative housing options. There are other circumstances when people simply do not understand the regulations that apply to their circumstances and can do something not necessarily particularly dramatic or wrong, but it will undermine their opportunities to access the support that they need.

**Q1669 Hywel Williams:** Do you think more could be done with employers? I have had a case where somebody had been working for a year and a half for a not very good employer who had not registered them so when they left that employment they were effectively homeless as well as being jobless, and had no qualifying period. Is that exceptional, do you think?

**Mr Burt:** I looked through the evidence that the CAB provided to the Committee several weeks ago, and I think they covered this area probably in more depth than we would, because they are dealing with a significant proportion of employment type inquiries and cases as well, but it does come through our case work in relation to the housing issues of migrant workers, it is not something that is unusual—but again because of the overall volume of migrant workers that we are dealing with, it is not high numbers of people at all.

**Q1670 Nia Griffiths:** You mentioned in your memorandum the role that good-quality affordable housing has in reducing tension over the perceived preferential treatment of migrants. Can you expand that observation for us and tell us a little about the issues of social tension around housing in Wales?

**Mr Burt:** We have raised concerns about the impact that lack of suitable affordable housing has in terms of creating this perception that it is migrant workers or other immigrants who access all of the housing, the nature of some of the extremist parties who have raised these issues in their election material. We have had the misfortune of spokespersons from Shelter Cymru being quoted on BNP websites on issues around affordable housing and our views misconstrued. The obvious and probably rather simple answer to all of that is that if those issues are addressed in terms of the appropriate priority for more investment in housing or provision of housing, and issues in the private sector are addressed more effectively, then those issues of supply would be reduced. That would hopefully, as a consequence, undermine the argument being made in that way. We come across—again, working with other

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Note from witness “we operate our advice on an outreach basis from many CAB premises”
agencies, particularly those working with refugees and other vulnerable groups, and in the BME community as well, come across shocking cases where people are facing very difficult circumstances and where on occasions—and I would not want to draw any strong conclusions—cases where clearly the statutory services have not provided the level of intervention and assistance that should have been provided. That equally applies in many other areas of our work as well, and so in a way it is not that unusual. It just appears more shocking that in some cases people who have fled to this country in fear of their lives—when they have been through some very difficult times—and found some secure accommodation, that that can then be threatened, and a limited amount of action is taken to address that.

Q1671 Nia Griffiths: Obviously, you must have a lot of dealings with private-sector accommodation: do you feel there is a strong case for further legislation in that field, such as a fair rents type approach?
Mr Burt: Yes, there have been improvements. This was something that came up in the evidence of the CAB in terms of regulation of HMOs and the scale of properties that do not have to come within that legislation. There is more that could be done in that area. The pressures on the private rented sector have been increased by the fact that people who perhaps previously would have accessed social rented housing are not able to. The turnover of rented social housing is lower. People who would previously have gone into home ownership are not able to, so there is more pressure on the private rental sector; so you are effectively juggling that limited resource and the more that can be done to improve that situation, the better.

Q1672 Mrs James: Following on the issue of resources, in your memorandum you say that Shelter Cymru’s current case work involving migrant workers is small but growing. At what rate do you think that case work involving migrant workers is growing and to what extent is your ability to provide assistance to both migrant and indigenous populations sustainable at current levels?
Mr Burt: It probably would not come as a surprise to you or other Members of the Committee if I said we need more resources to do the jobs we want to do. We are very pleased that over the last seven or eight years the money available to us as an organisation working in specialist advice has increased considerably, but we know we are far from meeting that demand. We are constantly juggling cases. People come to us for assistance—and those in the most urgent need will receive assistance. It is a very difficult area. In terms of proportion of migrant workers, our own case work recording systems are inadequate in this area; and it is something that the CAB also covered in their evidence. We do not record as a matter of course, that it is a migrant worker that we are dealing with. We are moving to a system in 2008 that will be more sophisticated and we will record that information. It will obviously take a time to build up the level of data to do more analysis in this area. The cases in this particular evidence and in other forums where we are asked to discuss these issues come from a more anecdotal analysis of our case work. The case workers in the Wrexham area, where there is a large number of migrant workers, will have on their file at any time—a number of ongoing cases. They may have records, and in other parts of the country they may not. It is not a detailed analysis of our case work. The gut feeling is that it is growing and it is likely to continue to grow. The challenge is in addressing adequately the needs of that migrant group. It is difficult for a whole variety of reasons. The level of understanding of the housing legislation is limited. I make the point in the evidence that quite often—and it is not just migrant workers—but many other vulnerable clients are unsure as to how to go about raising their concerns about the problems they face, and they are concerned that if the problem is raised it will lead to them losing their employment and losing their housing—it is better to sit it out as long as they can than raise those concerns. In terms of service delivery there are other barriers, language and cultural, and issues with that client group. We can provide a level of translation—sometimes if there happens to be a member of that community network who will accompany a client to see us. We do use Language Line services, but anyone who is familiar with those—they are not ideal in terms of one-to-one discussion over what can be quite complex and harrowing problems that people are facing. It is difficult, but equally other clients that we are working with, perhaps with mental health issues or physical disabilities—it can be quite difficult sometimes to assist and it can be more time consuming to deal with a type of problem that in other circumstances might be more rapidly dealt with; and that has an effect in terms of volume of case work that we undertake.

Q1673 Mr David Jones: Mr Burt, you have noted in your memorandum the effect that the credit crunch has had on the market in this country. Obviously it emanates originally from the United States and to that extent Wales cannot insulate itself from the global nature of mortgage lending. Can you, however, expand on the problems you have identified in connection with this phenomenon, and do you consider that this is a trend that will get worse over the immediate future?
Mr Burt: Yes, I think it is. The information that we have supplied in the evidence here today is largely based on a piece of research we have been undertaking with funding from the Welsh Assembly. It has identified at the sharp end, if you like, the sub-prime lending area which is providing mortgages to those people who perhaps in the past would not have had access to a mortgage, which enables them to access home ownership. Obviously,
that is a key thrust for overall housing supply and policy. The difficulty is that quite often some of the people who come to us for assistance, having taken on those sorts of mortgages—if you look at their personal circumstances the information available to us as an advice agency—when we are talking to them we wonder how they were ever offered that mortgage in the first place, because it does not look sustainable or affordable. That is what happens. That obviously leads to repossession and loss of the home and the pressure as a consequence of that. I am not criticising the people who take on mortgages in those circumstances, because what are their other options? At the moment opportunities to access social housing are very limited. They will need to take on a mortgage that is a considerably higher multiplier than the average income. That mortgage will be on higher interest terms than for others, and there is no supply of housing in the private rented sector either—so they are in a very difficult position.

Q1674 Mr David Jones: You mentioned in your memorandum the need for improved regulation as well as improved implementation of existing legislation. You seem to be contemplating additional regulation to what is in place at the moment. What do you have in mind?

Mr Burt: The concerns about the sub-prime lending end of things—there is the sales element, the predatory approach to that end of the market, which is a cause for concern. The CLM, Council of Mortgage Lenders, has also raised its concerns over the need for more regulation in that area, because it is not necessarily working particularly well at the moment. From our evidence and our case work that is very much the case.

Q1675 Mr Martyn Jones: You mentioned in your memorandum that both the Welsh Assembly and the Westminster Government could do more to help sustainability of home ownership. Can you tell us what you would like to see?

Mr Burt: The conclusions of that research project were attached as an appendix to our evidence. It has not yet been published and finalised, but I will quickly run through some of those there. There are the obvious things you would expect an organisation like Shelter Cymru to say; that there is a need for more social rented housing.46 We will continue to say that as the long-term solution. The issue of mortgage insurance: basically mortgage insurance does not do what it says on the tin. People take on mortgage insurance with the assumption that it will provide them with assistance if their circumstances change if they are unable to afford the mortgage. In practice that does not work out. Again, the Council of Mortgage Lenders has identified a need for that to be reviewed and investigated and will look at whether there are alternative options there. In relation to those people who may end up on benefit, on income support, and the restrictions around assistance in those circumstances—we would like to see those kicking in much earlier. The overall message is that we should invest more to prevent repossessions rather than spending on picking up the pieces afterwards. That clearly fits in with our concern about the broader impacts of homelessness on families and individuals affected.

Chairman: Mr Burt, thank you very much for your evidence today and for your earlier written evidence. If, in the light of today’s session, there is anything that you wish to clarify, we would be very pleased to receive further memoranda.

46 Note by witness: “and more investment in the intermediate housing market.”
Tuesday 11 December 2007

Members present

Dr Hywel Francis, in the Chair

Nia Griffith
Mr David Jones
Alun Michael
Albert Owen
Hywel Williams
Mark Williams

Witness: Mr Ian Williams, Director, International Business Wales, gave evidence.

Q1676 Chairman: Good morning. For the record, could you introduce yourself, please?
Mr Williams: Ian Williams, Director of International Business Wales.

Q1677 Chairman: Thank you very much for your memorandum. Could I begin by asking you a straightforward question: could you outline International Business for Wales' key priorities in terms, first of all, of attracting inward investment into Wales and then, secondly, promoting trade from Wales?
Mr Williams: Of course. When I joined the organisation 18 months ago from Shell, the oil company, I set some guiding principles for International Business Wales. Those are five-fold and they are based around achieving more and better jobs. The first one I set was that all jobs that International Business Wales achieve will pay more than £30,000. I needed to set the standard for the higher paid jobs that we bring in. The second was that all jobs that International Business Wales bring into Wales should pay more than the local average, because bringing in jobs that pay less than the local average would actually decrease the GDP per head. So it seemed to me that I should, at least, set that guiding principle as a priority. The third is the ballast of our guiding principles, which is that we should always pull our weight. What I mean by that is that we should always get more than 5% of all inward investment into the UK, because we are about 5% of the population, so we should get at least 5% of the inward investment. Otherwise my first two principles would be achieved by just ten jobs in the bio-sector, for example. The fourth guiding principle that I have set the organisation is that we should cost the taxpayer nothing. I basically set a very simple algorithm for this because I needed to change the conversation for the staff abroad away from: “Why have we got those expensive people?” to “Why wouldn’t we have them?” The way I did this was through “we should cost the taxpayer nothing in-year”. The way we do that is an average job coming into Wales would pay, let us say, £24,000. The tax-take in that year will be £8,000, so that is the benefit; just on the personal tax-take, of that job. Let us forget about the job being available for five, ten years, and just take that single year. If a member of staff I have abroad costs—let us say his salary, his overhead, his on-cost, plus all the marketing attached to that role—£160,000, then that person has to achieve 20 jobs in that year. If they do that, I think, they can wash their face. They can genuinely say: “All that tourism work I do, encouraging people to come to Wales; all that work we do on trade, encouraging Welsh companies to export, and all the work we do on external relations is all, in a sense, free to the taxpayer, because I have achieved something”. If they do not achieve at least that level there is a consequence to that. We have to be able to match the opportunities that exist in the market with the resources. Where markets are not washing their face (to use that phrase) then we have to make some tough decisions about that. I think that allows people abroad to feel proud of what they do when they achieve. I know it is a simple algorithm but it seems to work and it is a sense of measurement that seems to be catching on. The last one I would have answers the other part of your question, which is about trade, which is at least as important as inward investment. The priority I set the team was that we should have a 25% year-on-year increase in exports out of Wales but out of each region of Wales. I define regions in the old-fashioned way of North, Mid, South East and South West. It means it keeps my focus on the North and Mid as well as the South East and South West. Exports I see as are as important as inward investment—it certainly is to Welsh companies, of course. There was a study done a few years ago in Nottingham University (you may have heard of it) which showed that not only do companies who export get more turnover (that is the obvious thing they get) but they also get an improved employee value proposition for their employees; there is more opportunity for their employees and they tend to take technology transfers earlier. So there is a whole load of benefits, undercurrent benefits, to exporting that you do not see, other than just the increase in turnover. I apologise, I have talked a long time.

Q1678 Chairman: Could I follow up with a question about Amazon? It is a small correction to your paper. You refer to it as an investment in Swansea, it is actually in Neath, Port Talbot. I am sure that Neath Port Talbot County Borough Council would be as keen as I would, as the local Member of Parliament, to ensure that they have full credit for that. Could you tell me about the significance of Amazon, in terms of the quality of the jobs? How does it relate to other sort of inward investment that we have witnessed in recent times?
Mr Williams: Quite. I would be happy to, Sir. Amazon is an interesting case, and it was virtually exactly this time of the year, just seven days before Christmas, that my deputy and I flew out to Leipzig
to make the initial pitch for Amazon. They had already decided to go somewhere else, and 100 days later we were digging the first sod of earth in Neath, Port Talbot.

Q1679 Chairman: That is to the credit of Neath Port Talbot County Borough Council.  
Mr Williams: It is very much to the credit of Neath Port Talbot Council, and Will Watson there was an amazing ally, and the whole team were; we would never have been able to do it. I think that is a point in general. International Business Wales, of itself, does not achieve what it achieves without the help of the councils and, as I say, of the whole team Wales. To get to the point of how Amazon fits into the broader context, you could argue these are logistics jobs, they are not ICT jobs, they are not bio-science jobs, but Amazon is a great company which is very high values for its employees. It pays fairly good money and it pays bonuses based on the performance of an individual and bonuses based on the whole team. It also gives share options to every single member of the team, which I think is fairly new in thinking, and which we encourage. It has grown from nothing ten years ago to one of the great organisations in the world. Certain parts of the demographic do not want to go into call centres but they will do work that has an element of computing work and an element of skilled manual labour, and we are finding already that the take-up for the jobs—this is what Amazon tell us—and the quality of the people that they are picking up is first rate. It has been a very edifying experience all round to work with such a high-quality company. To see that building go up—I do not know if you have seen it yet—it is large and it is very impressive.

Q1680 Mark Williams: In your brief you have obviously got staff all over the place, quite frankly, but are there particular regions of the world that you are focusing on and what criteria do you use to prioritise those areas at any particular time?  
Mr Williams: Of course, and that is a great question. If I just go round the world and say why we are focused specifically in certain areas: the US is the number one foreign direct investment country into the UK by a factor, I think, of about five. It truly is number one foreign direct investment country into the UK. We are closing the offices in those places. We have not seen the inward investment in the last four or five years from those places. It would be nice to be able to keep an office there but if we want to make the kind of investments we would need to make in India and in China, then we have to balance the books, and Taiwan and Singapore are closing.

Q1681 Mark Williams: What are the implications in those two countries?  
Mr Williams: We are closing the offices in those places. We have not seen the inward investment in the last four or five years from those places. It would be nice to be able to keep an office there but if we want to make the kind of investments we would need to make in India and in China, then we have to balance the books, and Taiwan and Singapore are closing.

Q1682 Mark Williams: You mentioned financial services. More generally, how do you prioritise certain industries and certain sectors of the economy? How do you assess that and the change in priorities in the global scene?  
Mr Williams: Again, a great question. We are a small country; we cannot focus on every single sector but, obviously, we are opportunistic. When opportunities come we would not throw them away; we will accept and work with any company who wants to work with Wales. In terms of targeting sectors, we have five that we truly work within, and I have created five teams that sit together and live and breathe their sectors. The first five sectors are financial services and business services (so those would also include the call centres, if I am honest); life sciences (so we have a team specialising in bio-science); low carbon renewables and sustainable technologies—not had a massive amount of success yet; we had G24I in photovoltaics last year, but that is a growing sector, and renewable energy is clearly a growing sector; automotive, a more traditional sector, obviously, but one that we refuse to accept there is no future for because it feels from our pipeline that there are great opportunities within the supply chain of automotive and the Accelerate Wales automotive team is doing some great work in that field as well. Obviously, information technology. I do not know if you have read recently but the Sword company is coming into Cwmbran, and they do contract and bespoke ICT systems for large companies. We beat India for that project, which is quite nice for our team to beat India for a project.

Q1683 Albert Owen: Before I ask you about challenges posed by globalisation, can I take you back to one of Mr Williams’ questions in regards to investing in regions. I did not hear you say the Republic of Ireland, which is a near neighbour.
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know the old WDA were late getting there. From my regular trips to Ireland there is contact between companies in the Republic of Ireland and, also, with companies in Wales but very little between organisation and structures. Many of these companies are leapfrogging not just Wales but the United Kingdom and going to Europe. So what is your strategy for the Republic of Ireland, which is one of the fastest growing economies, as you know, in Europe?

Mr Williams: It is. I completely agree. We do have two trade missions going out to Ireland—Showcase Ireland. I know we have 28 great Welsh companies going out there. I am afraid the name of the other mission evades me at the moment. I apologise. I know there are 20-something companies going, and I know that because there is a big sheet outside my door that I watch as companies sign up for these missions. That is a start. We have an office in Dublin and are finding that it is one of the more successful offices. I can think of three companies (I had better not mention the names of the three companies for commercial confidentiality) but we have a large pipeline coming out of Ireland. Our Dublin office is certainly not one that is at risk; it is more than washing its face in terms of investment into Wales. I fully agree that ignoring a great, rich market right on your doorstep would be a foolish strategy, and it is certainly not one that I would advocate. Last year, you may remember, in Newport (not in Anglesey, I am afraid), Quinn came in for their second tranche of investment. That is a very fast-growing and ambitious Irish company that we are very proud to have in Wales.

Albert Owen: You mentioned “not in Anglesey”, but I see Anglesey as part of Greater Dublin.

Alun Michael: I thought you saw Dublin as part of Greater Anglesey!

Q1684 Albert Owen: It depends which side of the water I am on! Can I ask you what you perceive as the greatest challenges of globalisation to the Welsh economy and to the labour market in Wales? What are you doing to address these challenges?

Mr Williams: I guess the biggest challenge is the fact that activities move on and activities move to countries that have cheaper labour costs than us. The way to address that is to invest in Wales and to address it is that companies do not have to leave. The two examples that come to mind immediately would be Sony, for example—Sony in Pencoed, in Bridgend. They have changed what they do and moved up the value chain. They are now doing high-definition, professional broadcast cameras in Pencoed. Part of the reason they are doing that is the fantastic relationship that we have with Steve Dalton, the manager there, the account management that team Wales and International Business Wales provides to Sony and, also, the relationship we have with head office in Japan. Only last year I was out in Japan with the head office of Sony. Similarly, in North Wales, it is Sharp. Sharp have changed what they do in Wales. They are moving into photovoltaics, as you probably know, and again we have an excellent relationship with Sharp to try and help them move into the higher value end of what they do. Again, on that trip to Japan, I also met, in the headquarters of Sharp Photovoltaics, with three top executives. Having that relationship abroad, where some of the decisions are made, and here in Wales, closely staying with the great companies, because activities may move but the great companies we want to keep, I think, is the biggest challenge. In opportunities terms, of course, these growing markets are exciting. Just last week we were in India with the Minister for the Economy and Transport, and there was a company called Cintec—I do not know if you have heard of them—but they provide the infrastructure and scaffolding for heritage buildings—they are actually stabilising the Konark Temple in India at the moment. Their chief executive came out with us and we took him in to see the Minister of Tourism. He could not have got that meeting without us being able to facilitate it. The Minister of Tourism was delighted to see him and the company was delighted to have that opportunity. It is a great opportunity for a company like Cintec. Arup is the other company—the Cardiff company. They are now bidding for a new city south of Bombay; they are designing a new city. The opportunities are just as great as the threats from these countries, I believe. We have always got to do more, of course.

Q1685 Albert Owen: You said earlier on, in your opening remarks, that you set yourself a benchmark of more than 5% because we have got 5% of the UK population. What are you doing differently with these challenges to the rest of the regions and nations of the United Kingdom to achieve that? What is different about Wales? Why would a company in India come to Wales, as opposed to any region of England or even Scotland or Northern Ireland?

Mr Williams: Quite. The teams in Northern Ireland and Scotland are very good, and I have a great deal of respect for them, and meet with them every quarter. The reason Indian companies look at us is, first of all, that they look on us as a gateway to Europe—but then I suppose they do for Northern Ireland and Scotland as well. They then look at the really low staff turnover rates, because in somewhere like Ireland they currently have staff turnover rates of about 40–45%. That means, in effect, you are turning over your staff every two years. That is a huge cost. We have staff turnover rates of around 5%; Wales has the lowest staff turnover rate in the UK.

Q1686 Albert Owen: So how do you attribute that to you?

Mr Williams: I am sorry. I was going through the sales pitch for Wales. I do apologise. What do we do differently?

Q1687 Albert Owen: Yes.

Mr Williams: I hate to use an Americanism, and I apologise, but it is a “can-do” attitude. I think we have demonstrated it best with Amazon. To be able to turn that round in 100 days—admittedly with the help of Neath Port Talbot and admittedly with the help of our team in West Wales—that can-do spirit
and saying: “We won’t be beaten”, is what International Business Wales does. I believe it exists because we have great staff. A lot of staff have been there ten, 15 years; they know what they are doing. That is not attributable to me.

Q1688 Albert Owen: I meant as an organisation. One final point. You have mentioned Neath Port Talbot, and so has the Chairman, on a couple of occasions. Do you think it is partnership with the local authorities that is important in Wales, and it differs, perhaps, from other parts of the United Kingdom?

Mr Williams: I do not know how it operates well enough in other parts of the United Kingdom to be able to comment. I do know the relationship between International Business Wales and the local authority is excellent. I was just in Blaenau Gwent last week working with the officials and the Leader of the Council there. So I think our relationship is close, but I am afraid I could not say whether or not that differentiates us from Scotland and Ireland.

Q1689 Mr David Jones: Mr Williams, could you tell the Committee how IBW works with other trade bodies, such as UK Trade and Investment, to ensure that Wales reaps the benefits and meets the challenges of globalisation?

Mr Williams: Yes, absolutely. Once again, in India last week, if we were to include the High Commissions in that description of representatives, the support that Jane Owen and Vicki Treadell in New Delhi and Mumbai gave us was superb, and we simply could not operate without the good offices of the High Commission and UKTI abroad. UKTI have huge resources. Personally, I have a very good relationship with the director of UKTI and meet with him every quarter—that is Andrew Cahn. UKTI have offices all over the world and they develop most of the leads—a huge amount of leads—and we have to have a mature and adult relationship, where we find companies where Wales does not have a proposition. It does happen sometimes. We have to share that with UKTI abroad and, similarly, UKTI do that for us with their reporting mechanisms and the great relationship we have. We are also a member of the Committee for Overseas Promotion, which means that we try and get a joined-up message. A lot of companies think first: “We want to be in the UK as a gateway to Europe”, and then they decide on Wales. So the UK’s proposition is as a springboard for global growth. Ours is the gateway to Europe, the low attrition costs and the pitch I was giving earlier on. We have to be joined up, and I believe we are, very closely.

Q1690 Mr David Jones: Are there any aspects in which your efforts overlap and, maybe, even work against each other?

Mr Williams: I have not noticed that yet. I could not tell you categorically, sir, that it does not happen.

Q1691 Mr David Jones: No duplication of effort?

Mr Williams: I do not believe so, no. Once again, if we felt there was a duplication of effort we would attempt to cut our own cloth so that we would just take the benefit of UKTI and focus our finite resources in places where that duplication does not exist. Maybe an example would be that we have something running at the moment called the Pathfinder project. That is us dipping our toes in five or six markets where we have never had, or had very little, inward investment. So the markets would be Switzerland, Israel, Mexico, Brazil and Russia—growing markets where Wales has not had a huge impact yet. So we are dipping our toes in there at the moment, to see whether or not there is investment potential. Two of those countries are looking very good.

Q1692 Mr David Jones: How do efforts there interface with UKTI?

Mr Williams: We cannot afford to set up an office out there, so the person in my team responsible for Brazil went out to Brazil, met with the Consul General and the UKTI staff, who were tremendously helpful and have agreed to champion Wales, because we are showing an interest. Until we can see that there is something there we cannot go setting up offices everywhere. So it is only through UKTI that we can truly do this initiative.

Q1693 Alun Michael: In your introduction you said that you would be judged by whether or not you win a greater percentage of inward investment to the UK, and you referred to the figure of 5%.

Mr Williams: Yes.

Q1694 Alun Michael: I think it is important for us to understand what we have got already in order to understand what the base is. In your memorandum you say that Wales secured over 9% of all foreign direct investment jobs promised to the United Kingdom in 2006–07. What is the percentage of existing foreign investment in Wales as a proportion of foreign investment in the UK? What is our starting point? How does it compare with other regions, particularly regions of England?

Mr Williams: We have about (I apologise for the “about”) 500 foreign-owned companies in Wales, if I exclude hotels and if I exclude retail. That employs about 75,000 people, excluding hotels and retail. (I will explain why I am making that distinction, in a second.) There is no equivalent number, excluding hotel and retail, for the UK, so to do it as a percentage is difficult. However, if I were to take the total numbers where there are data, for example, we have 133,000 people employed by foreign direct investment companies including retail and hotels in Wales. That is 16% of our working population. London has 500,000, including retail and hotels. That is 13% of their population. So we have a higher percentage of our working population working in foreign owned companies. I am afraid I cannot quite answer your question as I know you want—I do apologise—because there is not an equivalent number because we, as IBW, tend to look at the 500
companies that do not include retail and sales because they tend to come because of demand. If the demand is there for the shops and the hotels they will come; it does not really have any impact on what—

**Q1695 Alun Michael:** Sure. I would be perfectly happy, Chairman, perhaps, if you would like to supplement the answer on this, because it is asking for some detail. I think if you explain what we are looking at, clearly, especially with the development of the RDAs in England, there is very strong competition from the English regions now—

**Mr Williams:** Yes, there is.

**Q1696 Alun Michael:** The North West would be a case in point, where they have over twice the population and quite a diverse economy and some major centres of population. It is important for us to be able to understand the comparison.

**Mr Williams:** Quite.

**Q1697 Alun Michael:** I would rather have a thoughtful response than sort of push you now. It would be useful to have that, in comparative terms, with some explanation, because I think that gives us the starting point for understanding the point you made earlier about the percentage your target is.

**Mr Williams:** Would it be okay for me to supplement that in writing?

**Chairman:** Yes, please. It would be very helpful.

**Q1698 Alun Michael:** If I can move on to develop the thought a little bit, you referred to the mechanisms of support that exist to help companies in Wales trade overseas and to make them ready to trade. Can you explain a bit what those mechanisms of support are, in terms a bit like an engineering study?

**Mr Williams:** They are, I think, three- or four-fold. I believe we are trying to do some fairly innovative things in one of the programmes, as well. The basic programmes are the International Development Programme for new exporters. We do not actually try and help every company in Wales export. Many of them just do not need our help and so government intervention would be a waste of effort. However, SMEs make up the large proportion of our nation and we do help them to learn how to export and hold their hand in the early stages. That is what the New Exporter Programme does. However, what is different over the last two years is that we are changing the way we do something called an International Business Opportunity Programme, through what we call a trade change. We currently have a lot of lead generation consultants round the world trying to find leads for Welsh companies, for Welsh SMEs, and they are on retainers. Now, I know that the behaviour you engender by moving people from a retainer to an incentivised contract based on results is massive, and we have changed the contracts that we have with lead generators from just retainers, whether they deliver results or not, to incentivised contracts, which means they can make, possibly, slightly more money but only on real results that come to Welsh companies. We have also got a position where rather than having one contractor we have two contractors in market, which means that we manage the contractors rather than them manage us. Those are the real mechanisms of support. I guess the other one would be the trade missions. The trade missions, I think, is another really interesting area of how trade and investment, which were previously separate, are now coming together. We support trade missions abroad. For example, Medica is a medical instruments and medical industry exhibition in Germany. We had 52 Welsh companies four weeks ago going out to that. Of course, what we are able to do with 52 companies is work with them and have investment people, as well, selling Wales as well as helping the companies sell themselves. There is no better advocate for Wales than companies who are currently successful—far better than my sales team is, because some people might say: “You would say that, anyway, wouldn’t you?” Whereas with real companies being truly successful abroad, I find that is the most compelling evidence that people should be doing business, at least, with Welsh companies. We can then try and encourage them to invest in Wales as a secondary mission.

**Q1699 Alun Michael:** You say, as well, in your introduction that International Business Wales exceeded its trade target output of £90 million, reaching £147 million in the 2006–07 financial year. Given that you, in your introduction, put the stress on percentage of UK activity, what is that figure as a proportion of UK trade overseas and to make them ready to trade. Can you explain a bit what those mechanisms of support are, in terms a bit like an engineering study?

**Mr Williams:** Overall, exports for Wales are 4.6% of the overall trade numbers for the UK. So, just about washing our face, I think. That is the overall number.

**Q1700 Alun Michael:** So it is well in excess of your target but only meets your criteria, just, of the proportion of UK activities?

**Mr Williams:** That is correct.

**Q1701 Hywel Williams:** Can I ask a supplementary on that? The profile of UK trade overseas is heavily weighted towards financial services. Is the Welsh economy similar, or do we have a greater emphasis on manufacturing, and does that make it more difficult for Wales to trade overseas, as compared with the undoubted success of the UK economy?

**Mr Williams:** The relative numbers for exporting would suggest that we are holding our own. The financial services are becoming more and more important within Wales, as I suppose you realise. I would not say that services are, in a sense, more difficult to sell. I was giving the example of Arup earlier on, who are bidding for the work down in South Mumbai, the new city. That is the sort of service industry in high-tech, high-end engineering where Wales has a lot of skills and is able to compete extremely well.

**Q1702 Hywel Williams:** Can I turn to the creative industries, which you refer to in your memorandum? You say that your involvement with creative industries is fledgling. Can you tell the Committee...
what your strategy is for the sector and, also, what are your priorities and challenges that you are facing?

**Mr Williams:** We are very lucky in Wales that we have the second-highest concentration of television and media companies outside London. That is right; outside of London, it is the second-biggest in the UK. That, in a sense, may be one of our crown jewels, then, the creative industries. We have some of the biggest and most successful independent companies; we have Tinopolis in Llanelli, which is one of the largest independent companies; we have Boomerang, who have just been listed, Cwmдар in the Caernarfon region, I believe. So a large number of excellent companies. What we are trying to do with all our creative companies is account manage them in a way which helps them on the business side, not just the creative side. I think we can leave the creative side to them, I do not think we can add any value there. In terms of business planning and growth plans, I believe that we have a good proposition to be able to give them and a lot of skills that we can add to their teams. We also have experts within the creative business in Wales. So, for example, the Wales Screen Commission tries to encourage film-makers to make their films in Wales. That boosts tourism. We have the Film Agency for Wales, which encourages film-makers in Wales to do deals and to create films even if they do not do it in Wales; at least they are able to do those films anywhere they want but it is Welsh film-makers doing it. We have the Welsh Music Foundation which encourages fledgling producers and rock bands to develop their businesses—but mainly producers, if I am honest. That is the way we operate with the intention of creating the creative business, which I know that every other region is doing as well. So we have to be focused on what we do.

**Q1703 Hywel Williams:** The creative industries are, essentially, American in character, at least in this country if not in the rest of Europe. What particular challenges does that provide for the Welsh creative industries?

**Mr Williams:** It is fortunate; one of the advantages is that we all speak English and so our programmes are potentially transferable into the Anglo-American market. What we tend to find is that animation, which does not necessarily link to the language that we use, is one of the great exports. I look at Calon at the moment, I look at DynaMo, two great companies who are exporting a great deal of their product, but I would suggest that the fact that we do have the language skills does help us.

**Q1704 Mr David Jones:** Just a brief supplementary question, to what extent are Welsh companies becoming involved in the rapidly expanding computer games sector, which is projected to overtake the film industry in terms of turnover before too long. Are there any Welsh computer games companies?

**Mr Williams:** There is Jester, which is our prime success, absolutely, and it is a huge market. We do not have a huge number of companies, unfortunately, but Jester’s success has been an inspiration in the computer games industry and one that we as International Business Wales and the Welsh Assembly Government want to support.

**Q1705 Chairman:** Could I end with a rhetorical question, in a way. If you reflect on where the Welsh economy was 100 years ago, it was very much central to the global economy, if you think of coal, slate, tinplate, flint, copper and the shipping that was associated with it; now today, to use the phrase of Professor Peter Grippaio, who gave evidence to us about two years ago, there is a kind of mentality of fortress Wales rather than a global Wales in the post-devolution era. Do you find that a paradox, that in fact we are less of a global economy now than we were 100 years ago?

**Mr Williams:** In the industries where we do less exporting than we did 100 years ago—we were the first country to have a £1 million cheque, as we know—is it a paradox? My role is to try and encourage Wales, as we said before, to export, but internationalisation is not just about exporting it is also about technology transfers between ourselves and other universities, it is about licensing, distribution; there is so much more than just exporting which, I admit, we do less of than we did 100 years ago. However, in areas like low carbon renewables we have the opportunity to be at the forefront of development, we have the intelligence, we have the capacity within our universities. Also in bioscience I would say the same thing; the largest bioscience department in the whole of the UK is the Institute of Life Sciences in Swansea, and what an opportunity that is for internationalisation at least.

**Q1706 Chairman:** I am pleased that you made reference at the end of this session to universities; I suppose that is the key to the knowledge economy.

**Mr Williams:** I believe so.

**Q1707 Chairman:** To what extent do you actually see the universities as a spearhead of your work really in terms of globalisation?

**Mr Williams:** They absolutely have to be. The opportunity to be able to work with the front end companies, the leading edge companies, companies like Wockhardt in North Wales who are looking at doing some contract manufacture in a certain area—I will not go into detail about what they want to do. The fact that they can do that with Welsh universities, with Cardiff University actually, is a bigger selling point to a great company like that than a grant would ever be. That is absolutely where, I believe, we can make a difference, and we are utilising that I believe to a large extent.

**Q1708 Mr David Jones:** Just briefly on that point, to what extent are you satisfied that Welsh universities are turning out graduates tailored to the needs of industry and commerce in Wales?

**Mr Williams:** I am afraid I do not know; I am not able to make a qualitative comment on the graduate side. I do not hear from my customers that they are dissatisfied with Welsh graduates as such.
Q1709 Mr David Jones: I am sorry, that was not the point I was attempting to make. If I can illustrate it, when we visited Xiamen University it was quite clear that the university authorities were working very closely with commerce and industry in that particular part of China to produce graduates who were tailored to the needs of those industries, and my concern is are Welsh universities turning out graduates who have the necessary skills for Welsh industry and Welsh commerce?

Mr Williams: If I have understood properly, is Welsh business engaging with and encouraging the universities? The Skills Councils attempt to and do address this issue more so than I would in International Business Wales. It is not something I am actively engaged in, I apologise.

Q1710 Albert Owen: You mentioned relocating members of your staff to the emerging economies, i.e. India and China in particular. When we were out in China we met about half a dozen people from the British Council and other organisations, but some of them had huge areas to cover. What is your plan for the future, do you intend to relocate these people or do you intend to do joint working with other organisations? Everybody is trying to get a piece of the Chinese cake in the economy there; what is your strategy for China for instance?

Mr Williams: China is extraordinarily exciting. I agree. We are constantly reviewing the number of staff that we have in every market and at the moment the US is generating 540 projects into the UK, China would be about 52. The number of staff we have in China—we have five staff with two in Hong Kong and two coming on board into Chongqing which is the equivalent to or more than the other RDAs with devolved administrations. Clearly, we have to work with UKTI who have far more staff in-market, but I can assure you that if the opportunity starts to grow, if the pipeline starts to get bigger, then we will have to meet that opportunity with resources.

Q1711 Albert Owen: Is it not obvious that it is growing?

Mr Williams: Certainly in India, I can see that, and we are addressing that right now, moving from one to six, to become the biggest development agency. In terms of inward investment it is extremely exciting, but potentially the attraction of the UK to China is not as great as it is for Indian companies; India at the moment is about 20% higher than China in terms of inward investment into the UK. It is somewhere where we have to be encouraging, but in terms of more staff I would want to wait maybe two years to see whether the opportunity develops and work with UKTI until that happens. I am not getting a sense from my team in China that they desperately want more staff.

Q1712 Albert Owen: Perhaps there are too few on the ground; that is the serious point I am making. When they were coming in from Hong Kong and everything they were talking about the challenges and saying that they needed extra resources; this is one of the reasons why I wanted to ask that question from the UK dimension. Certainly out in the field they are telling us they need more resources.

Mr Williams: Sure. I do not know if you know the China-Britain Business Council, but we are hiring a person in Cardiff from that excellent body who is helping us develop our proposition in China. We also have two staff who are primarily focused on trade in China in Cardiff as well and we have two lead generators in market in China who are not directly employed by us but are paid by us. Compared to other regions, that is a generous focus, but I take your point.

Q1713 Albert Owen: Be bold.

Mr Williams: Thank you.

Q1714 Mr David Jones: I have to add to that and say that I personally, and it is fair to say some of my colleagues on the Committee, were very disappointed at the level of export business that IBW had generated in China. I think I am right in saying that the numbers we are talking about are £7.7 million last year and up to the time that we were actually present in China, about £4.4 million, which seems extraordinarily low given the incredible dynamism of the Chinese economy. It is not so much a question as an observation but I have to say in all frankness that it did not appear to me that IBW’s efforts in China were producing much fruit.

Mr Williams: In terms of exports or inward investment or both?

Q1715 Mr David Jones: In terms of exports.

Mr Williams: We run two export missions to China every year and they are always some of the most subscribed, so a great number of people are very interested in dipping their toes into the Chinese market at the moment. A lot of the companies that we work with are, by nature, not the ones who are going to give us the £25 million, £30 million, £40 million export numbers right now, but those companies with the right development and with the right growth may give us those sorts of numbers in the future. £4 million is not a huge number for China, no, I would accept.

Q1716 Chairman: Could I thank you for your evidence this morning and also for your memorandum. We look forward now to your subsequent memorandum.

Mr Williams: Of course.
Witness: Mr David Gilbert, Regeneration Adviser, WLGA, gave evidence.

Q1717 Chairman: Welcome, and for the record could you introduce yourself?  Mr Gilbert: My name is Dave Gilbert, I am a Welsh Local Government Association adviser but my actual employment is that I am the Director of Regeneration and Leisure for Carmarthenshire County Council.

Q1718 Chairman: The acoustics in this room are not very good so do not be afraid to raise your voice and almost shout. Thank you for your memorandum, which was extremely helpful and very comprehensive. If I could begin by referring to the memorandum, you note that local government has a key role to play in addressing the increased challenges faced by Wales as a result of globalisation; where do you think the greatest challenges are in relation to globalisation for local government in particular in Wales?  Mr Gilbert: I think there are two or three key issues really. One is the whole agenda around sustainable development; local authorities are at the moment grappling with some of the policies such as TAN8 and TAN15 that really are quite challenging to most local authorities and also there is a big agenda for Wales about how do we spread economic prosperity. I certainly work for a mix of urban and rural local authority and there is a real challenge for us about how do we bring employment into some of the valley locations that inward investment perhaps is not well-gained up to. I certainly see local government having a role in filling many of the gaps, so you have a central government strategy, you have a Welsh Assembly strategy and local government has to plug some of the gaps on the ground. You know, we are right at the lower end of the size and the challenge for us is how do we get economic prosperity for everybody in our communities.

Q1719 Nia Griffith: You refer in your memorandum to an “ever decreasing pool of labour” for Welsh local government; how would this decline be best addressed and to what extent is the decline in the labour pool unique to local government? I say this in the context of so many people thinking and saying people are coming in and they are taking our jobs, yet when I speak to people like yourself you tell me that there are gaps and there are issues.  Mr Gilbert: It is a question of the balance of the skills that you need and giving perhaps more people the skills to do some of the jobs. I have been in local government longer than I care to remember and traditional local government was seen as a very secure job, well-paid, et cetera et cetera. Young people today have a lot more choice and maybe local government does not look as attractive as it used to do. We have to make it a more attractive place to work and we can do that in a variety of ways—we can do it with flexible working, we can do it with added value of facilities that we might provide. We certainly are facing a shortage in some of the key skills; for example, town planners are very difficult to recruit at the moment, social workers are very difficult to recruit at the moment, so it is an issue that really needs to go right down to school level. One of the issues for us generally to grow the Welsh economy is to take a long term view about what sort of skills do we need, be it in the private sector or the public sector, and what we have to do is give the skills that match the employment opportunities as opposed to just courses that you might run. There is an agenda in the future, perhaps, about how do we get a match of skills? I was sitting in on the earlier presentation and one of the questions was about universities; as many of you will be aware we are growing something called a “Technium” concept—there are several in South West Wales and the whole emphasis of that is to try and encourage university graduates to spin out of universities with something that has got commercial value, that can be exploited and can be a wealth creator.

Q1720 Nia Griffith: Can I say, Chairman, that this is particularly surprising in the context of Wales having for years and years exported graduates, particularly in areas such as teaching social work and so forth. You are talking now about a graduate shortage but the complaint has always been that there are not enough graduate-type jobs for the young people who do get trained, so this is quite a new departure. Would you say that it is very recent or would you say it is something that has been there for a while?  Mr Gilbert: I would say it is relatively recent. Certainly, if you look at planning and civil engineers, Wales has done a lot of regeneration over the last five to seven years and those shortages are now beginning to show. There are a lot of property-related activities going on across the whole of Wales and one of the consequences of that is that we are facing shortages in those particular areas. Again, the issue is that you can import them or you can try and grow them, and the issue then is have you got the confidence that these skills will still be needed in five, seven, ten years time. I guess that is really about the confidence of Wales and its ability to grow its economy.

Q1721 Mr David Jones: Mr Gilbert, your paper refers to the “massive challenge” presented to local government by demographic change and the problems of an ageing population. To what extent would you say that local government is currently able to meet the demand for social care and how does it propose to meet the increasing demands of this ageing population that you mention?  Mr Gilbert: There are real pressures on just about every local authority to do with social care. It is one of those areas where the demand just seems to grow and grow. The challenge for local government probably is two-fold; not to do it all itself but how do we share that perhaps with other agencies, be they from the voluntary sector or the private sector. Also, the focus needs to be more on what can we do at an early stage, possibly to prevent some of the problems that the elderly population presents. If you look at the whole of the health agenda, for example, there is a lot that local government and the health service
Mr David Jones: One of the things we are looking at is how we can, perhaps, grow our own employees collectively rather than as individual local authorities, so there are quite a few collaborative projects at the moment about recruitment, pools of labour and how do we train. For example, in Carmarthenshire County Council we actually take on young people and put them through a full town planning programme so we rely on the fact that they will stay with us then, and that tends to be successful. We take them on very often as summer students, we then put them through the programme and we keep our fingers crossed that we will actually retain them.

Q1725 Mr David Jones: This is a very serious problem, is it not? Mr Gilbert: It is a very serious problem and it is a problem that can encourage local authorities to compete against one another, which drives up market rates, and I do not think that is in anybody’s interest. One of the things we are looking at is how we can, perhaps, grow our own employees collectively rather than as individual local authorities, so there are quite a few collaborative projects at the moment about recruitment, pools of labour and how do we train. For example, in Carmarthenshire County Council we actually take on young people and put them through a full town planning programme so we rely on the fact that they will stay with us then, and that tends to be successful. We take them on very often as summer students, we then put them through the programme and we keep our fingers crossed that we will actually retain them.

Q1726 Mr David Jones: To what extent and in what way would you say that central government could be of assistance in helping to address this problem? Mr Gilbert: Enough programmes to address the shortages and we all have an interest in a sense to make these professions more laudable if you like. Accountancy, town planning and civil engineering are very good professions and maybe by writing to colleges and schools we need to get the message through that these are very good professions to go into. There is a slight mismatch in that young people do not appreciate, perhaps, some of the opportunities that those professions offer.

Q1727 Albert Owen: You mentioned in your paper the Welsh Spatial Plan and the fact that local authorities have been heavily involved in the development of the plan, but you are quite critical that they have not moved to the next stage from research and strategy to policy and delivery, and you keep saying that this is a very important period for Wales. What sort of policies do you think we need to have that leap forward?

Mr Gilbert: We do need a debate generally about where do spatial plans fit into the overall planning process. They kicked off with a lot of enthusiasm and encouragement and maybe it is just because the process has been relatively slow, maybe it is because there were distractions through the election period. I have had a couple of conversations with the minister...
responsible for spatial planning and he actually is looking at the value of the spatial plans and how they now might move into delivery phase. A lot of work has gone into preparation, most of the spatial plans have gone through a lot of work about what are their key settlements et cetera and maybe in the new year the minister will announce something about how they will be used as delivery vehicles because they need to be delivery vehicles if they are going to retain the value that has already been put into them, to be quite honest.

Q1728 Albert Owen: You are more or less repeating what the ministers are saying but I want to know specifically, can you give me an example of what you would like to see delivered by this spatial plan?

Mr Gilbert: In the case of South West Wales, which I am very familiar with, the spatial plan can be a very good vehicle for delivery of some of the Structural Fund programmes. If you look at town centre renewal, for example, most local authorities have got issues around town centre renewal. It is one of the spatial frameworks, so the groups on the spatial plan could be very valuable in terms of moving those programmes along.

Q1729 Albert Owen: That is a good example. The lack of affordable housing in Wales is something that all politicians and many groups are aware of within local authorities, particularly for young people, and you highlight in your paper—and I think it is a good idea—the establishment of a Commission on affordability. Could you outline to the Committee what you see this Commission actually doing?

Mr Gilbert: There is a need in Wales for some consistency of approach about affordable housing. In some instances we use the planning framework to achieve affordable housing and in other areas we use maybe discounted land, we use housing associations. There is a need to try and get some consistency. Everybody would agree that the gap on affordability is very large in just about every part of Wales now and I know for example in Carmarthenshire that it is something like seven times income to get the average house. We in the last 12 months have dedicated three specific sites in Carmarthenshire that we owned to go towards affordable housing, and 300 units will be allowed there. We do have a planning policy that says any development of more than ten houses must have an affordable housing element, but there are inconsistencies across Wales, even inconsistencies across neighbouring authorities. It gives confusion to developers, it gives confusion to the affordability part of the equation, and I think a Commission would perhaps give us some good advice about how we might address that and get better consistency.

Q1730 Albert Owen: Do you think we should keep using the word “affordability”?

Mr Gilbert: In the absence of trying to think of a better word for it.

Q1731 Albert Owen: You gave an example there that the average house is not affordable; not to a first time buyer because most people work their way up the ladder, so what I am suggesting—and I think it has been suggested in the past—is that we have low cost housing and there is no stigma attached to that, that people start in low cost and then they would need the land that you are talking about. Do you think the Commission could bring this together?

Mr Gilbert: I think they probably could. There is a debate to be had about this whole agenda of housing—low cost, affordable, social, private—and I think it would add a lot of value.

Q1732 Nia Griffith: We often think of affordable housing in the context of young people but I am meeting elderly couples in terraced housing who need to move to a bungalow, but the only types of bungalow available at the moment are at the upper end of the market, posh-looking three-bedroom detached bungalows and they are desperately looking for something much more affordable. The result is, if they do not get it, that they either need expensive adaptations to the houses or, of course, they go on to the housing list for the local authority. I just wondered if any work has been done really on the needs of that sort of age group that are trying to move into something they can manage, particularly in the context of your earlier comments about more elderly people remaining in their homes.

Mr Gilbert: I am not aware of any work that is under way. I know, for example, on adaptations to houses for people with particular disabilities there is a debate, certainly in my own authority, about instead of giving grants for adaptations we actually provide them but retain ownership, so that if circumstances change they can actually be removed and used elsewhere because there is some evidence that says there is a lot of wastage, where you might spend a lot of money on adaptations, only to find that when the circumstances change you have lost the adaptation. There is some work that is going on around that particular area but, you are quite right, affordable housing or low cost housing is not just for young people, it is for the whole population frankly.

Q1733 Alun Michael: There is quite a significant section of your evidence that is devoted to the issue of migrant workers and migration flows. The Welsh Local Government Association says in that that the lack of accurate figures and the profiles of the migrant worker population are core factors inhibiting local authorities in their efforts to respond to the needs of economic migrant workers. What, in your view, would be the best way of tracking and reflecting those numbers; is it not basically down to intelligence that will be gathered by each local authority in its local area?

Mr Gilbert: It is a mixture, to be honest. I know the Office of National Statistics is actually doing some work around this at the moment and I think the real issue on tracking is for those that are short term workers, in other words for less than 12 months. They are very difficult to track and that, I think, is where the main problem lies for local authorities; we
are getting better at tracking the longer term stays, over 12 months, but it is the ones which are there for three months or six months that are quite difficult to track. Some of the pressures that this causes are, for example, English as a second language and if migrant workers stay for a longer period then there are pressures on the education system. What Welsh local government is looking for is some sort of contingency fund to be set up where local authorities can bid, where there are particular pressures to individual areas.

Q1734 Alun Michael: I realise that behind this is a bid for more money, it would not be the Welsh Local Government Association that we have come to know and love if it was not, but I am trying to probe this issue of the figures and I am not quite clear about the implications of your response. In one sense short term workers surely are less of a problem because if they are not coming in and they are not settling then they are not posing health and care issues in the way that long term settlers are; therefore, the information firstly is volatile and is only likely to be available at the local level. Going back to your point about statistics, the UK does not make sense on average and Wales does not with the differences between Carmarthenshire and Cardiff in terms that the nature of the migrant population that is there for short term employment would be quite different. Can I come back to the point, is it surely not for the local authority to be collating that sort of information, and what do you want to do with that information specifically in relation to the short term migrant workers that you highlighted?

Mr Gilbert: The short term information for us is useful in terms of being able to help them find their way around and finding the sort of services that they need and trying to prevent, perhaps, some of the exploitation on the houses in multiple occupation, so there are issues about the care and protection of some of the migrant workers. I know you have received evidence about issues to do with employment of migrant workers, but I think the local authority has an interest in that to avoid issues, particularly in some of the tensions there might be around local communities. I am not sure I am saying that local government would want more money, I think what I would be saying is that there ought to be some sort of funding set aside to recognise that certain local authorities would have different pressures to others. You are quite right though that the real pressures come if the stay becomes a longer term stay because then you do get into housing, although obviously some migrant workers buy their own houses and there are no pressures there, but in terms of education specifically, that is when it does tend to become a pressure on the local authority in terms of its main cost.

Q1735 Alun Michael: You leave me still with the view that it is for the local authority to collate that within its area because it will best know its area and be able to do that. You made reference in your reply as well as in the evidence to the provision of English language education. I understand in evidence that came from the Polish Welsh Mutual Association there was a suggestion that the current provision is too highly pitched for migrant workers—I take it there they are talking very much about the sort of thing you are talking about, the short term employees, and the drop-out rate is very high. Is that something that the WLGA is working on?

Mr Gilbert: Yes, we are conscious of the fact that we have got to try and design something that actually does satisfy. We are quite lucky in a sense in Carmarthenshire because we have actually got a Polish Welsh Association that actually does a lot of valuable work for us, and that is probably something that I would encourage other local authorities to look at because you do need to get the confidence of the migrant workers that there is somewhere they can actually go that is not necessarily to do with the government as such: that has been a very good encouragement. We have managed to draw down some ESF funding there to provide basic language skills, but you are right that it is a question of pitching it at the right level because if it is only going to be for three or six months the actual level that is required is very minimal.

Q1736 Alun Michael: And again that comes back to the knowledge and judgment in the individual local area, does it not?

Mr Gilbert: Yes, I would agree with that.

Q1737 Alun Michael: You also referred to the misconceptions many people have regarding the impact of migrant populations on Welsh communities; part of that of course is that there can be very different impacts from different communities, particularly within individual local authorities like Cardiff and some other parts of Wales. Has the WLGA pulled together experience across that and can you outline the Association's experience of this and how best to address these misconceptions in particular?

Mr Gilbert: The Association is actually pulling something together at the moment. Speaking from Carmarthenshire County Council, we have actually had a task group looking at this particular issue for Carmarthenshire, and there is actually a report which could be made available to anybody that would want to read it, but it is quite interesting reading that some of the issues that people have got perceptions about are not actually evidenced at all. There were misconceptions, for example, that migrant workers were taking council housing from local people; that in fact, certainly in Carmarthenshire's case, has not proven to be the case. What has happened very often is that housing is being rented quite legitimately and people just have the perception that people are jumping the queue. Also, there is some suggestion—and certainly again I speak for Carmarthenshire where I do have quite a lot of knowledge—that migrant workers were stealing the jobs of local people, but when actually we look at the evidence of that, that is also not proving to be the case. The job vacancies at the Jobcentre are still the same.
Q1738 Alun Michael: You are expanding on the misconceptions but it is a question of addressing them because very often these are quite localised impressions, are they not?

Mr Gilbert: Yes, and that is a question of trying to give local communities confidence that some of these issues are not real issues, and that is something that we are trying to do at this very moment.

Q1739 Nia Griffith: I really wanted to ask much the same thing as Alun has been asking, but particularly in respect of the English classes what is the situation with charging?

Mr Gilbert: The English classes are now provided free.

Q1740 Nia Griffith: That is set to continue, is it?

Mr Gilbert: That is set to continue, yes.

Q1741 Mark Williams: You refer to the crucial role that public procurement can play in relation to the local economy—you talk about relocalising it in your memorandum—not least in relation to the food industry. What proportion of food is procured locally by the local authorities in Wales? In your memorandum you talk about some good local examples in Caerphilly, Ceredigion, Powys and indeed your own authority. How sporadic is the pattern of sourcing food resources locally?

Mr Gilbert: I do not have actual percentage figures although I think some might be available so that may be something I could find out. What we are trying to do though is to procure more and more of it locally. Again, speaking from my own authority we do have a strategy of local procurement for schools; this is not just about getting best value because in fact about three or four years ago we were criticised by the Wales Audit Office for the fact that our school meals were more expensive than other local authorities, but we obviously have tried to defend that position and it is more acceptable that the reason it was more expensive was because it was more nutritious. The agenda for local government is to try and source more and more locally for sustainable reasons, but also to try and assist your own local businesses.

Q1742 Mark Williams: Is that message getting through?

Mr Gilbert: I think the message is getting through. I think there is a lot more acceptance now about the concept of local procurement and we hold regular workshops with local small companies to try and encourage them to bid for work with us. One of the problems associated with bidding for local authority projects is the sheer paperwork of the tender process would put off a lot of very small companies, so we have been trying to break down those barriers. We have had a session of workshops to try and encourage local firms to bid and we are also encouraging local firms to form their own consortia to be able to bid, so I think it is something that has got a very good long term future, this local procurement, where it is possible, even to the extent where local authorities can assist businesses generally to inter-trade, that again is something very important. Businesses do tend to be quite blinkered very often and do not necessarily have the time or the expertise to see where there are other business opportunities and this is something that local authorities can play quite a valuable role in.

Mark Williams: If you could supply any figures you have got on that at a later time, that would be very helpful.

Q1743 Hywel Williams: Turning to broadcasting and creative industries, you say in your memorandum that “the main role of local authorities in Wales is to work with the creative industries to maintain and create quality jobs and to create suitable opportunities” particularly with young people. Can you tell us what sort of arrangements are in place within local government to achieve this, and what challenges exist in putting such plans into practice?

Mr Gilbert: We are fairly marginal players to a degree, but there was reference made in the earlier evidence to, for example, Tinopolis in Llanelli. Tinopolis in Llanelli is a leading creative industry and has a very good track record in training people locally rather than poaching them from around the rest of the UK and that is something that we look to encourage. Most local authorities were also participants in the Film Commission work that went on because again there is some added value there in terms of Wales as an ideal location for a lot of film sets, which can actually raise the economic base. I did put in my evidence that Carmarthenshire County Council has submitted a Big Lottery project called The Works which is a creative cultural centre; the bad news is we did not make it to the final nine and we did not make it to the final three, although when the synopsis was put out we were led to believe there would be five from ten in the final, but in fact it was three from nine in the final, and one went to Northern Ireland, one went to Scotland, one went to England and I am trying to find out if the fourth place should have gone to Wales on a spatial spread or not, but as you can probably imagine there is quite a sense of irritation in South West Wales that Wales actually lost out at that very final point. That would have been a good example where Tinopolis would have created quite a lot of social enterprise, Coleg Sir Gâr would have done a lot of training in media work and it would have been a community-based facility. That sort of ideal is something that we should encourage.

Q1744 Hywel Williams: You say in your submission that the Assembly Government strategy considers economic development and focuses on the high-end business developments and then you say later on that much remains to be done to deliver quality jobs and in the short term specific skills shortages need to be addressed, meaning the
sort of things like training theatre technicians. That is rather at the other end of the scale to compared to the near Hollywood production balance.

*Mr Gilbert:* Yes, it is.

**Q1745 Hywel Williams:** What are local authorities doing in terms of those sorts of fairly basic skills? *Mr Gilbert:* We are certainly encouraging colleges to train at those basic levels. Again, in Carmarthen we have got Theatr Genedlaethol, which is the Welsh language theatre, and that has led to actual courses being laid on for basic skills, because the thing is to get the young people into these industries, and they can then move up. It is getting the seed bed there that encourages them to get a foot on the ladder and that is something that we have been working with local colleges to try and provide.

**Q1746 Hywel Williams:** Can I then turn to partnership working in the context of migrant workers? You note in your submission that there is a need for far greater co-ordination between the UK Government, the Welsh Assembly Government and local government in Wales. Can you expand on the opportunities and challenges posed by globalisation that a co-ordinated approach could address; what exactly do you mean?

*Mr Gilbert:* If you take the issue of migrant workers there is a lot of evidence that the UK Government would hold, there is a lot of evidence that the Welsh Assembly would hold and there is a lot of local information that we would hold, and I think maybe there does need to be a better joining-up of the sharing of that evidence. There is probably a need for a better sharing of evidence between the local authorities, and I know that work is something that has started because there are areas around Wales that have got expertise now in dealing with some of the issues around migrant labour, and I am a big believer that best practice is something that should be shared and I think that perhaps we are not all that good at sharing best practice. There is a little bit of us keep it to ourselves in case somebody else finds out about it, and I think that actually is the wrong way of doing it. If we have got something that is worthwhile and is best practice we should be out everywhere telling people about that best practice.

**Q1747 Chairman:** On that positive note can I end this session? Thank you very much for your evidence this morning and also, once again, thank you for the memorandum you have provided us with. If you feel that in the light of questions this morning you would like to submit a further memorandum then we would be delighted to receive it.

*Mr Gilbert:* Thank you very much.
Tuesday 8 January 2008

Members present

Dr Hywel Francis, in the Chair

David T C Davies
Mrs Siân C James
Mr David Jones

Albert Owen
Hywel Williams
Mark Williams

Witnesses: Mr Martin Stanley, Chief Executive, Mr Andrew Taylor, Inquiry Director, and Ms Kate Collyer, Lead Economic Adviser, Groceries Inquiry, Competition Commission, gave evidence.

Q1748 Chairman: Good morning and a happy new year to you. Would you introduce yourselves for the record please?

Mr Stanley: Certainly, Chairman. I am Martin Stanley. I am the Chief Executive of the Competition Commission. On my right is Andrew Taylor, who has been the Inquiry Director in charge of the Groceries Inquiry, and on my left is Kate Collyer, who has been the Lead Economic Adviser on the Groceries Inquiry.

Q1749 Chairman: Could I begin by reminding you of the fact that this is an inquiry in relation to globalisation and could I also thank you very much for your memorandum which we found very helpful. To what extent are the provisional findings identified by your groceries investigation determined by global rather than local considerations?

Mr Stanley: That is an interesting question. Chairman, can I very briefly explain? I will probably ask my colleagues to answer many of the detailed questions from the Committee because they have been intimately involved in the inquiry so far, but I will try and kick off on at least some of them. A preliminary point to make is that we were asked to look at competition between grocers within the UK and so our remit is essentially UK-wide, but inevitably this industry is affected by global trends and a lot of the issues that we identified are common in developed economies around the world.

Mr Taylor: In terms of competition between grocery retailers in the UK, that is fundamentally something that is determined by conditions within the UK. Obviously, there are parallels with what happens in other countries and the retailers that operate here. In the case of Asda it is owned by an American retailer and in the case of Tesco it has extensive operations internationally, but the way in which competition plays itself out within the UK has fundamentally a UK-type focus, if you like, rather than being determined by international factors.

Q1750 Chairman: This Welsh Affairs Committee is interested specifically in Welsh issues but in a global context. Do you have anything specific to tell us about Welsh retailers and Welsh producers? Is there anything distinct that is happening there that is rather special and separate from the rest of the UK?

Mr Taylor: At the retailing end of the industry there is not anything particularly different. Obviously, the inquiry has been full-ranging and has looked at the supply chain and at retailing and at planning issues and their impact on retailing and so on. Of course, in planning in particular there are a few small differences in, say, the planning guidance between Wales and other jurisdictions in the UK but on the whole there is nothing that makes us take the view that things are substantially different in Wales than they are elsewhere in the UK.

Q1751 Chairman: Perhaps I could put it slightly differently then. We are concerned about increasing competitive and global issues. Is Wales more vulnerable? Are producers more vulnerable in Wales compared with other parts of the UK?

Mr Stanley: The farming industry in Wales in particular has taken a great interest in our inquiry and inevitably Scotland and Wales and the north of England tend to be more interested in farming issues than certainly in the south east of England, so I think there is a Welsh aspect there. That is the main one—farming in the supply chain.

Q1752 Hywel Williams: Supermarkets in Wales make great play about local producers supplying locally. Would you say therefore that they make the same sort of pitch in Wales as they do in East Anglia or Scotland? Is it flim-flam or is it a real influence on their ability to compete with their competitors to secure supplies locally?

Mr Taylor: What supermarkets do is fundamentally driven by what their customers want, and so in those areas where there is a demand for local produce they respond to it and you see that in Wales. We have seen that there are Welsh products on offer specifically in Wales and we see it elsewhere around the country, and so you also see more efforts in terms of local purchasing and things like that. They are in my view making genuine efforts to respond to consumer preferences.

Q1753 Mark Williams: You highlight in your report the lack of local competition affecting sourcing arrangements. How big a problem is that?

Mr Taylor: We have not really drawn a link between local competition and local sourcing. What we have found is that in some areas there is less competition than is desirable between supermarket retailers and that has an effect in terms of what consumers get offered in terms of the nature of the offer at the local store but it also has an effect on supermarket retailers’ ability to charge higher prices or...
deteriorate the quality of their offer nationally, so we have concerns on that, but those concerns do not necessarily feed back up into the supply chain.

Q1754 Mrs James: Just to develop this theme of competition a bit further, can you expand a little bit more on the various weaknesses? Where do the weaknesses lie currently with respect to that competition in local grocery markets and how do you think that they can be improved?

Mr Stanley: The broad picture as I see it is that in some areas—not in a high proportion of the UK but in some towns in particular, or parts of towns—there are very high concentrations of a particular brand. There are Tesco towns and no doubt there are Sainsbury towns and other towns, and in those areas the inquiry found clear evidence of some detriment in some sense of the stores being less responsive to local customers, maybe having a more limited range or that sort of thing. It is not a huge effect but it is noticeable.

Q1755 Mrs James: Again on this same theme, you say in your submission that “weak competition in local markets lets grocery retailers weaken their retail offer across the UK”.

Mr Stanley: Yes.

Q1756 Mrs James: How does this affect consumers and suppliers?

Mr Taylor: Obviously, consumers are worse off, but in terms of suppliers it is not necessarily clear that there is a link between the degree of competition in those areas and the supply chain or the importance of that link. It is driven by the bargaining power that supermarkets have with their suppliers and that might be driven by their size overall, not necessarily their strength within each local market.

Mr Stanley: The sort of thing you see is that if there is a special offer and you are in an area where there is very little competition between stores or they are just competing with themselves down the road, the special offer, surprise, surprise, sells out rather quickly; you go in after a couple of days and it is not there. In an area where they are competing madly with one another those special offers are there day after day and you can see that there is a slight national effect but the real detriment is locally where people are simply paying more or queuing longer or whatever.

Q1757 Hywel Williams: Is there a rural/urban dimension here? Wales is very much a rural country but most of the operation is concentrated in the south east and the north east. Are you looking at a specific rural/urban dimension or are you looking at broad competition throughout the UK?

Mr Taylor: You are right: there is a rural/urban dimension to this, but in the sense that the population base in urban areas is much more dense and can support more supermarkets. In rural areas you cannot support more supermarkets just because there is not the population catchment, so in some areas you have to accept that there are towns which can only support one supermarket.

Q1758 Hywel Williams: I just have a general interest in the rural proofing of legislation in general. I tend to think that what fits in cities does not always fit in rural Wales. Are you likely to be making any recommendations specifically on this rural/urban dimension?

Mr Taylor: We are certainly taking it into account in the way we analyse markets. We are making allowances for the differences in those things. Whether that takes the form of specific recommendations or is split on a rural/urban basis is another matter.

Q1759 Mark Williams: Again, representing a rural constituency, there are two urban centres in the north and south of Ceredigion, each served by one large supermarket but, following on from that, you noted in your memorandum that there is currently no significant distortion in competition between large and small retailers. Looking to the future, if we accept that trend, is that likely to continue? What does the future hold?

Mr Taylor: I think a good barometer of what is happening in the small shop sector is what is happening amongst grocery wholesalers. These are the people that supply the small stores. The grocery wholesale sector on the whole is relatively healthy and we do see small shop revenues as a whole growing at a faster pace than large shop revenues, so that macro trend, if you like, does hide a number of trends within the small shop sector. You are seeing growth in symbol group convenience stores, symbol groups being people like Spar or Londis or Budgen, and then a decline on the other hand amongst independent small shops. There is a real switch-around at the moment through that sector.

Q1760 Mark Williams: Which again, if I may make the point, reflects the rural/urban divide. Those small retailers are critical to the local economies.

Mr Taylor: Certainly the symbol groups are in some of those rural areas as well. I took my holiday in Newtown in Wales last year and there was a Premier store servicing that particular local community.

Q1761 Albert Owen: Just on that point, I understand it is a complex issue and you are looking purely at competition, and you have said that there is no significant distortion of competition between large and small. However, the headline from the interim report says that there is no impact on town centres by supermarkets and yet the Federation of Small Businesses would argue completely the opposite, so how do you arrive at that conclusion and how do you convey the fact that supermarkets, many of whom have been fined for rigging prices, do not impact on town centres? I do not fully understand that.

Mr Taylor: I do not think we have gone as far as saying that the supermarkets do not have an impact.

Q1762 Albert Owen: No, but the headlines are saying that.
Mr Taylor: Unfortunately, we cannot control how our report is reported. It is something you might suffer.

Q1763 Albert Owen: No, it is from the report.
Mr Taylor: But the subsequent point, that we do not find that there is any unclear competition or distortions in competition, is certainly what we have found. If you take a long term view of the mix between small stores and large supermarkets, going back to, say, the fifties, what we have seen is a substantial decline in the number of small stores and that has been driven by a whole range of things, including changes in lifestyle, changes in shopping habits, the growth in supermarkets and on the whole lower prices in those supermarkets, reflecting consumer preferences.

Q1764 Albert Owen: Can I come in there? Prices are the big issue, are they not? If things are cheaper in a supermarket and they have got the economies of scale it is going to impact on the small stores, so why do you not just come out and say that?
Mr Taylor: I thought we had said that.

Q1765 Albert Owen: Those are not the headlines coming out. The headlines coming out are saying that there is very little impact by supermarkets on town centres.
Mr Taylor: But there is a difference, if I can come back to this point. In a sense we would say that a supermarket offering lower prices because it has the economies of scale and is doing well and is offering consumers what they want is doing a good job and that is competition in action. What we have to guard against is unfair competition or distortions in competition and that is what we are looking at. What we merely say is that there are no distortions in competition. We are not saying that competition is not working. Perhaps I am not expressing that particularly well.

Mr Stanley: One way of putting it is that if you are a small shop trying to compete with a Tesco, a Sainsbury’s or an Asda, clearly their cost base is going to be lower in various ways and clearly they are going to have a much bigger range, so you have to compete in a different way. We tend to want convenience. One way I read the report is to say, “What do your constituents want? What do we all want?” We want convenience and we want two sorts of convenience: first, the convenience of going to a big store to do our big shop—quite cheap, huge range, very high quality, frankly, fresh food and all that, but we also like the convenience of going into a local shop for the occasional item which is very easy to get to and often has quite specialist foods. Some of the local small shops are doing really rather well and big shops are doing really rather well. They are offering slightly different things to the customer and that is what we see as good competition. I am not saying it is not tough for some small shops but it is not unfair.

Q1766 Albert Owen: But the Federation of Small Businesses would totally disagree with you on that.

Mr Stanley: If you are a small shop and you are aware of a big guy coming along offering lower prices life does not seem very fair, but from a competition point of view the customers can go where the good offer is, where the shops are open long hours and where there is what they want to buy.

Q1767 Albert Owen: You have touched on competition levels between foreign and domestic producers and you answered, Mr Taylor, that you have not really looked at that in any detail; it has been predominantly the UK. Is that correct?
Mr Taylor: The report focuses very much on competition between grocery retailers. We are certainly looking at supply chain issues but we have not conducted any detailed investigation of competition amongst different foreign and domestic suppliers.

Q1768 Albert Owen: Going back to the theme that colleagues have raised with regard to urban and rural, many of our constituents in Wales are rural producers of food and they have said on a number of occasions that they feel there is unfair competition from abroad due to the fact that there are different standards abroad. Is this something you have looked at and is it something you are likely to run with in your report and in your findings?
Mr Taylor: We do already in the provisional findings make reference to some of the concerns that have been raised with us about product labelling, particularly with pork, and so we are aware of those concerns. Fundamentally, product labelling is not something that we control. It is a matter for trading standards and those types of agencies, and similarly in relation to production standards as well. We would have a concern if we saw those kinds of issues having a major distortory effect on competition between grocery retailers. We do not necessarily see that being the case though.

Q1769 Albert Owen: So you think it is fair that some brand comes in, such as for South American meat, and it is not clearly labelled?
Mr Taylor: That is not what I said.

Q1770 Albert Owen: I am asking you the question. I am asking it from the perspective of the person who wants the convenience food and the person goes in there and is looking perhaps for local produce, cannot find it and sees this label, which is not clear. Do you think that is fair or unfair to that consumer?
Mr Stanley: From what we see as observers it does not look at all fair and Mr Taylor has already mentioned that there are clear concerns in the pork industry. What we try to do when we write our reports is put the facts in there. There is lots of evidence on the website. If people then can use what we say in another forum, great, but it is not actually our responsibility.

Q1771 Albert Owen: Although I understand it is not your responsibility would you be making the comment that British farmers and Welsh farmers in
particular make, that they feel that the standards are different and therefore that affects the price that the consumer pays?

**Mr Stanley:** I think we can say we have been told that but we have not investigated it. We tend to be very strongly evidence driven, so we have not been abroad to check on that sort of thing. What we try to do is signal those concerns and we hope that people like yourselves and other agencies will pick up on this.

Q1772 Albert Owen: I respect the fact that you have limitations but I would suggest to you that recommending that others look into it would be helpful.

**Mr Stanley:** I know that.

**Mark Williams:** Just following that, I appreciate that this is not actually within your remit but many of the farming unions that liaise with you make the point about the lamb and beef sectors, which is exactly the point that you made, so there is perhaps some future work there for your Commission.

Q1773 Albert Owen: Still on the theme of global issues on a European level, do you liaise with the European competitive organisations to look at these at a European level and how they impact on the UK and Welsh markets?

**Mr Taylor:** Again, the report being focused on competition between grocery retailers, we have had a number of informal conversations with people in other agencies about those issues, and not just within the EU. We are talking in particular to agencies in Australia about the operation of a code of conduct there which has some similarities with the code of conduct here. We have also spoken to US authorities. We speak with a wide range of people.

Q1774 Albert Owen: But, again, putting the farmers’ message across, they find that they have to adhere to European levels and standards and yet the competition mechanisms are different in those European countries than in the UK so that puts them at an unfair disadvantage. Can you comment on that?

**Mr Stanley:** It is a bit outside our area. It is not an area we spend a huge resource on. What we do is that we put up on our website and we report in here what we are told, especially if it appears to make a lot of sense and it appears to be consistent, and then hope that others will pick it up. We have a pretty massive job, as you can see from this report, just concentrating on our remit.

**Albert Owen:** It is a massive report.

Q1775 Mr David Jones: I would like to explore please the issue of land-banking which you touched on in your memorandum to the Committee. You indicate in paragraph 14 that by and large you do not consider land-banking to be a major barrier to entry, although you do identify that approximately 10% of all larger grocery stores in highly concentrated local markets have a nearby landsite which is controlled by a retailer. Do you mean controlled in the sense of owning or in the sense of being controlled through a restrictive covenant, or both?

**Mr Taylor:** Both. We are looking at outright land ownership and we are looking at restrictive covenants. We are also looking at exclusivity arrangements that might particularly be struck in shopping centres. All those different mechanisms of controlling land fall within what we are looking at.

Q1776 Mr David Jones: Given that we are talking about a relatively small percentage, is this a cause for concern?

**Mr Taylor:** I think it is a cause for concern in those markets where it happens.

Q1777 Mr David Jones: So do they tend to be concentrated in certain markets or are they spread across the country?

**Mr Taylor:** They are spread across the country.

Q1778 Mr David Jones: Is there a significant Welsh aspect to this?

**Mr Taylor:** We tried to have a look at the figures before coming here, and from our look at it Wales does not appear to be significantly over-represented in there, or under-represented.

Q1779 Mr David Jones: You have referred in paragraph 9 of your memorandum to giving consideration to addressing a range of measures to address these concerns, and you say, “Options under consideration include the lifting of restrictive covenants . . . ”. How would that be done in practice? Have you thought through that far?

**Mr Taylor:** That is what we are doing at the moment. We are in this process. We had a whole lot of hearings prior to Christmas when we were taking submissions from the parties. We are currently analysing a lot of markets to look at what might be done but one option might be just to issue an order to the supermarket retailers not to enforce any of the restrictive covenants taking place.

Q1780 Mr David Jones: Any of them in any circumstances?

**Mr Taylor:** Obviously, there is a whole range of options from, “Please do not enforce any restrictive covenant that you have anywhere in the country” down to “Please do not enforce these particular ones that are of specific concern to us”. We are in the decision-making process at the moment.

Q1781 Mr David Jones: Of course, this touches on the ability of retailers to preserve and support their own commercial positions in markets.

**Mr Taylor:** Definitely.

Q1782 Mr David Jones: Therefore I would guess that you would be reluctant to interfere too much save to the extent that that has a distorting effect upon competition. Is that correct?

**Mr Taylor:** It is a matter for the group that is responsible for making decisions on this and we are still in the decision-making process.
**MR STANLEY:** That is absolutely the debate. As an authority we will do the minimum. We do not like interfering with people’s ownership of any property. Sometimes it is necessary.

**Q1783 MR DAVID JONES:** It appears to me that this could have a very distorting effect upon the commercial property market in this country.

**MR STANLEY:** Even if you look at all the areas that we identified in our provisional findings I doubt if it will have an effect nationally. It may have an effect locally but I doubt nationally.

**Q1784 MR DAVID JONES:** It also seems to me that it is arguably legitimate for a supermarket to preserve its commercial position when going into a new area by ensuring that it is to a certain extent proofed from competition in its immediate surroundings, so it might possibly have a distorting effect on the market to the extent that it might prevent retailers from going into areas where they are not currently represented.

**MR STANLEY:** Yes. I think it is worth making the point that we are not making any criticism of any of the grocery retailers, large or small, in here. They are all doing sensible things and if I were they and bought a store I would want to preserve my position. I would want to make sure that land nearby was not going to be opened up by an immediate competitor and that sort of thing, so they are not doing anything wrong. In most of the country, as we have said, there is loads of competition, customers have loads of choice and it is great, but it is just that in some areas doing what comes naturally to a large company can lead to quite significant detriment, especially in smaller local communities.

**Q1785 MR DAVID JONES:** Have you identified any specific examples that you could tell the Committee about?

**MR TAYLOR:** I do not think we are in a position to—

**Q1786 MR DAVID JONES:** I mean without identifying any particular location, but perhaps you can indicate how they operate in practice.

**MR STANLEY:** We have identified about 300 areas of the country which at the top level we have started looking at, and, obviously, within those 300 there will be priorities and others will get cut out and the next situation, which will be our final report, will list the areas (if we find any) where we think action should be taken. Can you give an example of the sort of thing, Andrew?

**MR TAYLOR:** I am just trying to think off the top of my head. I seem to remember looking yesterday at one particular small town location where there was one supermarket that was present on another site in town and which appears to us to be suitable for growth for retailing and there is a restrictive covenant on the site and that means that no-one else can make use of that site.

**MR STANLEY:** And it is a town presumably where it could not sustain more than a couple of stores?

**Q1787 MR DAVID JONES:** But that particular town was capable of sustaining more than one store?

**MR TAYLOR:** It looked to us to be the case, yes.

**Q1788 MR DAVID JONES:** You have noted in the memorandum that planning policy can act as a barrier to entry within the groceries market. To what extent have you given consideration to the emergence of the Welsh Assembly and its responsibility for planning policy in Wales? Are you noting any significant differences between what is happening in Wales and in the rest of the country?

**MR TAYLOR:** What we are mostly focused on is what is PPS6 in England and its equivalent in Wales and in Scotland and Northern Ireland. There are some differences in planning guidance that we note in the report between Wales and other jurisdictions. Those differences are not huge but certainly that is something that we are noting and something that we need to take into account and we will probably need to speak to those people in some of the governments that are responsible for this as we go forward.

**MR STANLEY:** There are two stages now. One is to take responses to this huge document, and most of the main responses came in just before Christmas so now we are sitting down and taking account of those responses. What do we do? Do we stick with the recommendations we have made in here or do we change them and, if so, how in detail do we implement them? We talked about orders before. We could ask the companies just to undertake to make changes and so on, and this is the stage at which we get into the nitty-gritty (the devil is in the detail) and we will obviously need to talk now to planning authorities, including in Wales.

**Q1789 MR DAVID JONES:** Again, in paragraph 16 in your memorandum you refer to economies of scale and you identify these as a barrier to smaller retailers entering the grocery market, although you do also say that this is mitigated by the presence of the grocery wholesaling sector. Presumably you mean organisations such as Spar.

**MR STANLEY:** Yes.

**Q1790 MR DAVID JONES:** Could you expand upon this? Is this a significant problem, and again if you would address the Welsh context it would be interesting.

**MR STANLEY:** It is clearly hard to imagine somebody arriving and investing heavily and competing with the existing big four chains. They have got a high proportion of the market, they have got large economies of scale, a lot of experience and so on, but equally for the smaller guys, as we were saying earlier, there are niches, there are local needs and so on and it leads to a lot of thriving small shops. What they in particular are finding is that in order to keep the prices down they are making large use of Spar, Londis and the rest, and they are oiling the wheels of the independent sector.
Q1791 Mr David Jones: And successfully, would you say?

Mr Stanley: In many areas, yes. It is a very patchy sector. I went to an awards dinner a while ago where the stories were absolutely fantastic of small shops really doing well and taking business off the big supermarkets because they were really meeting local needs—students’ needs, local town needs and so on. In other areas, if the shop is scruffy, if it is fairly expensive, if the milk is four days old, if it closes its doors at 5.30 so that people coming from work cannot go in there, they are not doing very well, and that is what you would expect.

Q1792 Mr David Jones: To what extent are you concerned about the development of, for example, Tesco Metro, where you may get a Tesco on every corner? Is that having a distorting effect upon smaller retailers?

Mr Taylor: It is certainly making life difficult for smaller retailers but that is not necessarily the same as just being unfair in competitive terms.

Q1793 Mr David Jones: To what extent would you say that economics of scale are acting as a disincentive to small producers entering the grocery market?

Mr Taylor: We had a little bit of a look at the size distribution of suppliers in the sector and it does not seem to have changed a great deal over recent years so we do not see that there are necessarily huge barriers for small producers to get in. That is not to say it is easy, but it is not necessarily placing massive barriers to getting their products on the shelves.

Mr Stanley: You need a certain minimum size, I think. Just a single farm or a single producer of pickled onions is going to find it very difficult to get anybody in Waitrose or Asda or anywhere else to take them seriously, but if they get to a certain size, if they have a regional offering—Tesco has regional offices now and they are genuinely keen to buy locally as far as we can tell—there are opportunities there. As in most industries, the very small struggle. They really need to find their niche and stick to it, but if you are ambitious and you have a good product you can grow and in our terms there is no barrier. You do not hit anything that says, “No, you cannot go any further”. There are opportunities. It takes time, it is not easy, but it is okay.

Q1794 Hywel Williams: It might be beyond your remit but how local is local? Tesco, for example, had lamb chops and I think they came from a farm in south Wales, the other end from north Wales. Probably my constituents would think of local as being very local. Is that something that you have come across?

Mr Taylor: We hear what you say but it is a little bit beyond our remit.

Q1795 Hywel Williams: The other thing that occurred to me a bit earlier on when you were talking about restrictive covenants was, is there a rural/urban dimension here as well? If you have restrictive covenants in central London that might apply to across the river, but in rural Wales it might apply to a town and there is no other town for another 20 or 30 miles. The practical implications for the consumer trying to buy from a range of competing outlets are significantly greater in rural areas. Is that the case and are you investigating that?

Mr Taylor: It certainly is the case and we are looking very closely at that. We are looking in detail at specific locations and where we think there might be a problem we are looking in quite a detailed fashion at them, or as detailed as we can manage, and yes, that is definitely one of the factors that we would take into account.

Q1796 Mark Williams: Just very quickly on that, your description of a small town was followed by my definition of “urban” was in a different context earlier on. It means a rural town. I think of one with one supermarket and proposals for another one. You say you are looking at that. How detailed is your investigation at a local level on those 300 examples that you mentioned? Could you very briefly explain what that involves?

Ms Collyer: When we were talking about at a local level we are going down to individual sites of the supermarkets in the areas that we are looking at in terms of the areas of potential concern, distribution of populations where the stores are, the road networks, the local communities. We are looking very closely at lots of different local aspects down to the very location of those individual supermarkets.

Q1797 Mark Williams: And how much of the input in that analysis would the small retailers in a small rural town have in that process?

Ms Collyer: What we are trying to understand at the moment is how in particular the behaviour potentially of the large retailers may be affecting the outcomes for consumers in those particular areas, and so the primary source of information is information we have gathered during the course of the inquiry from many different sources and in particular we sourced information from the retailers themselves, the large retailers.

Q1798 Mark Williams: And the small retailers?

Ms Collyer: To the extent that there are individual retailers whom we would consider to be part of a multiple we are also looking at those.

Q1799 Mrs James: Coming now to the supply chain, in your submission you mention a number of things that I would like you to expand on. You mention the need to address the relationship between retailers and their suppliers. What do you think are those key improvements that need to be made?

Mr Taylor: What we are particularly concerned about is what we term in our report the transfer of unexpected risk and cost from the supermarket retailers up to suppliers. That in particular takes the form of retrospective adjustments to supply agreements and that is one particular area that we have concerns about and we are looking at in terms of what changes might be made to see less of that happening.
Q1800 Mrs James: I am very aware that producers are often forced into a position where they have to compromise their profits for the security of income that the big retailers provide them with. Have you anything to say about this?

Mr Taylor: It is not easy being a supplier to the big retailers.

Q1801 Mrs James: They are squeezed.

Mr Taylor: Yes, and obviously if you supply a big retailer they have a lot of bargaining power relative to you unless you are able to supply perhaps an extremely high demand niche product or a very high profile branded product.

Q1802 Mrs James: I think it is often difficult for the housewife to understand when they see gluts of produce or shortages of produce that it takes a long time for those improvements or increases or decreases to be passed on to them.

Mr Stanley: I must say I find it a very difficult area because from the point of view of the supplier they want long term contracts. They want to know that the supermarket is going to buy—so many people have lots of apples or whatever over the coming year—at a fixed price. That would be absolutely ideal, but of course the supermarkets from their point of view do not want to enter into those contracts because they cannot be sure they will be able to sell at those prices and so on, so there always has to be an uneasy compromise between the supplier and the supermarket. What we have found is that generally it works well and there is give and take but sometimes the supermarkets are just too ruthless and we need to do something about that.

Q1803 Hywel Williams: You say in the memorandum that the Supermarket Code of Practice “does appear, at least to some extent, to be constraining the exercise of buyer power by the retailers to which it applies”. Is the code of practice sufficient to constrain the exercise of buyer power only to “some extent”? Should it be stronger?

Mr Stanley: That is exactly what we are looking at. The suggestion from the provisional findings is that it is not quite strong enough. Now we are getting loads of evidence from the supermarkets saying it is absolutely fine and loads of evidence from others saying, “Yes, spot on. You got them”, so we have to now debate that and decide what to do about it.

Q1804 Hywel Williams: So you would agree with the Welsh Assembly Government Minister Elin Jones’ assessment that the Supermarket Code of Practice ought to be updated and strengthened?

Mr Stanley: Yes. That is exactly what we are looking at. I have got the letter in front of me.

Q1805 Hywel Williams: One of the findings you made, and some concern has been expressed to me as well by farmers, is that they should be able to give evidence anonymously. About a year ago when I last looked at this with my own collective they were hugely concerned that people would be singled out. Is that something you are looking at?

Mr Stanley: We went rather further during the inquiry than we have ever done before. I think in the early days we said, as we normally do, “Look: to be fair to the other side, if we are going to take evidence into account we have to be able to say what the evidence is”, the usual rights of defence, so to speak, but as this inquiry went on we realised that if we were just too pure in this area we would not get some interesting and useful information so we did offer in effect anonymity. We had various ways of getting evidence from especially the farming community, and we got some very useful stuff at the end which greatly strengthened our provisional findings.

Q1806 Hywel Williams: I am not sure to what extent their fears were justified but in terms of the fact that they had them I think that is quite significant.

Mr Stanley: It is very hard to say. I think with supermarkets they are big and to them it may all seem very silly, but if you are just a small supplier facing big wholesalers, big supermarkets, you are nervous and you are worried that any criticism of your customer might rebound on you. You have probably got no evidence that it will rebound on you but you are inevitably going to be quite cautious.

Q1807 Hywel Williams: One figure of concern for local farmers is the Brazilian farmer who farms massive acreages, et cetera. Were you taking evidence directly from producers in other countries in respect of the globalisation aspect of this inquiry?

Mr Taylor: No, we were not. We did have some representations made to us by organisations on behalf of producers in other countries, but not directly from producers in other countries themselves.

Q1808 David Davies: Mr Stanley, amongst the anecdotal stories I have been given by farmers about supermarkets they have been encouraged to enter into very large contracts to buy machinery and invest large sums of money, only to be told subsequently that not as much was required as had previously been stated, and that the supermarkets have demanded that they take part in two-for-one price offers and other loss-leading ventures as well, and that farmers, having signed a contract, are then charged an unspecified amount by the supermarkets for in-house marketing. These are all anecdotes and it is very hard to get anyone to put their name to it but they have come to me from many different sources. Are you finding also that farmers are saying this to you?

Mr Stanley: Yes. It was a significant theme in our report. I think what happens is that supermarkets buy from some very large companies—Proctor & Gamble, Mars and so on, and there the relationship is of equals and is quite robust and if they are going to try and sell more of that particular product they will probably share the marketing expenses and so on. Then they turn to the smaller guy and take the same approach and it can be quite a reasonable approach but often it can be unfair.
Q1809 David Davies: Do you think this practice is widespread?
Mr Taylor: Yes, although there are lots of different practices. This is wrapped up in what you said and certainly a lot of them are very common throughout the industry. What particularly concerns us is those arrangements that come as a surprise to the supplier after they have signed up to the agreement. If they have signed up to an agreement and have agreed to something up front that should be less concerning than if they are in the middle of a supply agreement and then the retailer says, “Oh, and, by the way, we would like to do this and it is going to cost you X”.
Mr Stanley: And it is not so unreasonable if the price of apples around the world or onions or lamb or something has fallen quite sharply for the supermarket to say to the wholesalers probably, “Look: we cannot sell your stuff at those prices. Do you want to cut your prices?”. That from the supermarket’s point of view is a pretty reasonable thing to say. From the point of view of the supplier it can be quite devastating and getting that balance right is very difficult.

Q1810 David Davies: I suppose what the farmers will argue is that if there is a shortage and the prices have suddenly risen the supermarkets will use the contract to say, “Sorry, you entered into it at this amount and that is it”.
Mr Stanley: Yes.

Q1811 Mr David Jones: This is an extension of the same debate, but you note in paragraphs 18 and 19 of your memorandum that transfer risks and increased costs from grocery retailers to suppliers are impacting on some farmers. Which sector of the farming industry would you say is most affected?
Mr Taylor: We did not look at it from that point of view of trying to compare a range of different sectors. We had a look at a number of different sectors—red meat, pork, fresh fruit, to see how they were affected, and we detected effects like that across all of those sectors.

Q1812 Mr David Jones: How do these transfer risks and increased costs operate in practice? Do you have some examples of encouragement to purchase equipment and so on? What are the ways in which it has manifested itself?
Mr Taylor: Retrospective price changes are one example that I gave. There are things like the way in which volume risk is shared between the parties, if sale volumes unexpectedly go up or down, in particular if they go down, how that is shared. There can be things like the way in which product quality rules are administered by the supermarket retailers. It may be other risks such as wastage costs and how they are shared between the supermarket retailer and the supplier. There is a whole range of ways in which costs and risks can be either agreed up front or not agreed up front and come and rebound on the supplier later.

Q1813 Mr David Jones: But the impression I get from your memo is that you do not regard this as a significant problem overall.
Mr Taylor: No. In a sense that is a matter of concern, which is why we are very much looking at the Supermarket Code of Practice.
Mr Stanley: What we are not saying is that in every instance every supermarket is beating up every small supplier in an unfair way. The Supermarket Code of Practice is working reasonably well but there are holes in it and there are problems and we are minded to do something about it.

Q1814 Mr David Jones: Your memorandum notes in paragraph 20 that there are “no systemic problems with the financial viability of UK food and drink manufacturers”, which is encouraging but is that the case, that there are no systemic problems whatever?
Mr Taylor: We said there was no systemic problem, which means that the industry as a whole is not in danger of falling over. That does not mean to say that individual companies do not experience difficulties. Of course they do, like any other industry.

Q1815 Mr David Jones: But in terms of the overall health of the system it is pretty robust?
Mr Taylor: Yes, it is.

Q1816 Mark Williams: In terms of addressing grievance on these issues the Assembly Minister for Rural Affairs mentioned in that letter that you have got a copy of about her call for an ombudsman specifically to address the problem. I do not want to premise your final report but is that something you are actively looking at?
Mr Stanley: Yes.

Q1817 Albert Owen: You have said that the UK drinks and food market is not in danger of toppling over, but the recent hikes in staple groceries are definitely having an impact. How do you see that impacting in the near future and beyond that with regard to the Welsh dimension of the UK market?
Mr Stanley: These are increasing global or international prices, yes. They are certainly causing problems.
Mr Taylor: It has been in the media over recent days, including that there are going to be some very difficult negotiations between suppliers and grocery retailers in the coming months.

Q1818 Albert Owen: What can consumers, and indeed retailers, do to protect themselves against that?
Mr Taylor: Very little, I suspect. These are in part international commodity markets.

Q1819 Albert Owen: But, going back to what Mr Davies said with regard to the contrast in individual suppliers, if the utility prices go up that is passed on straightaway to the consumer who pays for it, but not necessarily when the producer has any extras, and they have to produce it and have invested in it
and that obviously is a disadvantage. Some may fall with this external pressure and leave the market and foreign suppliers then plug the gap possibly.

Mr Taylor: The problem is that suppliers, of course, are subject to many of these international price increases as well, so it is not necessarily a change in the relative situation.

Q1820 Albert Owen: The standards are different. I just want to labour that.

Mr Taylor: Yes, I understand that. Those standards are different but the difference in standards is constant over time. These cyclical fluctuations will affect everyone equally. In fact, you are right. Certainly some producers may go out of business as a result of this.

Q1821 Albert Owen: So there is very little that you or other organisations like yourselves would be able to recommend under the system?

Mr Stanley: What we look for is competition and the ability of people to respond to these sorts of pressures by changing prices and so on and there our remit ends, unfortunately. You do feel very sorry for smaller suppliers in some of these markets. It is very tough.

Q1822 Albert Owen: But do you think some of these external factors are short term or medium term? Does everybody have to live with them for the near future, ie, utility increases? When I am talking about the wheat prices, for instance, and there is diversification in different countries, that will now make that price increasingly high?

Mr Stanley: I think if I knew the answer to that I would not be here. I would be making my money in the City.

Q1823 Albert Owen: But you do have an opinion and we respect your opinion.

Mr Stanley: I honestly do not. I would be surprised if any of us did. These things are way beyond our knowledge.

Q1824 Hywel Williams: I am interested in any potential anti-competitive effects of supermarkets’ marketing policies, these two-for-one offers or whatever. Just to explain, we visited Rachel’s Dairy in Aberystwyth recently and they told us that at any one time any one of the supermarkets might be running a two-for-one or whatever and that that guided their production planning quite substantially, of course. They did not report any difficulty in supplying, say, Tesco, when they are running a two-for-one for Asda or whatever it is, but have you detected any anti-competitive effects in respect of small suppliers that if you have to suddenly supply a huge amount of stuff to one you are unable to supply to another? Is there anything going on there at all?

Mr Stanley: If I remember rightly I think we have seen one effect, which is at particular times when there is a lot of this discounting going on and therefore a lot of volume going through the big supermarkets the smaller shops can find it difficult to get supplies. These are very temporary problems and I think we have seen an element of that.

Mr Taylor: Yes. Even amongst bigger suppliers, particularly of, say, soft drinks in the hot weather, you can find that in some areas the smaller retailers may struggle to get hold of supplies if demand has suddenly shot through the roof.

Mr Stanley: This is another reason why it makes a lot of sense for the smaller shops to join a club because then to some extent they are insulated.

Q1825 Hywel Williams: Your provisional findings into the supply of groceries note that the buyer power of grocery retailers and the intermediaries is one of a range of factors that has influenced profitability in recent years, so if it is one what are the other factors which have influenced profitability?

Mr Taylor: I would say things like CAP reform, exchange rate fluctuations, disease, regulation related to animal health and welfare. All of those things are massive influences on farming incomes. Supermarket buyer power is just one of those factors.

Q1826 Chairman: Thank you very much for your evidence today and once again thank you for your earlier memorandum. I understand that you intend to publish your conclusions and your report on 8 May.

Mr Stanley: At the latest. We hope in fact in April some time.

Chairman: We look forward to reading that and hope that we can incorporate it into our final report. Thank you very much.
Tuesday 15 January 2008

Members present
Dr Hywel Francis, in the Chair
David T C Davies
Nia Griffith
Mrs Siân C James
Alun Michael
Albert Owen
Mark Pritchard
Mark Williams

Witnesses: Mr Elis Owen, Managing Director and Controller of Programmes, ITV Wales and Mr Michael Jeremy, Director, ITV Regions, gave evidence.

Q1827 Chairman: Good morning and welcome to the Welsh Affairs Committee. For the record could you introduce yourselves, please?
Mr Owen: I am Elis Owen, Managing Director of ITV Wales.
Mr Jeremy: I am Michael Jeremey, Director of ITV Regions with ITV plc.

Q1828 Chairman: Could I begin by thanking you for coming along and thanking you also for your written memorandum. So it is on record, our congratulations to you on your 50th birthday, commercial television in Wales; I understand you are celebrating that this year. Could I begin by asking you a fairly straightforward question about what are the challenges and the opportunities of globalisation for broadcasting and the creative industries and particularly for ITV Wales?
Mr Owen: ITV Wales started off 50 years ago—we started in 1958—and obviously ITV was at that time one of two channels and then one of three or four channels, and when we had the licence we were the only channel making money out of advertising, the only commercial channel. To get the licence to do that obviously we made public service broadcasting programmes like news programmes, like non-news programmes. Increasingly over the last few years—the last ten years in particular—there has been a growth in the amount of channels on television; there are over 500 channels competing against ITV for advertising. As we go towards digital switchover there will be even more channels competing with ITV for advertising so it is increasingly difficult to justify the public service broadcasting element of our licence, particularly news and non-news programming. Obviously we do make news and non-news programming and Ofcom recognise the fact that they are regulators and say that we should make this news and non-news programming. As we go towards digital switchover it is going to be increasingly difficult and commercially viable to make these programmes. We are obviously going through a review this year with Ofcom.

Mr Jeremy: I think in the broader context I would add to that, in specific response to your question, the challenges of globalisation are that whereas we were competing in a market just a few years ago with only one other commercial competitor, we are now competing with hundreds of other channels, with the internet, with Google doing more advertising than ITV1 did across the UK in the past year. Immense competition is a challenge. The opportunity is a more international market where, if ITV can invest in strong UK production, it is possible for franchises like ITV’s Hell’s Kitchen to be something we can export internationally. You are right in emphasising that there are challenges but there are also opportunities there for ITV.

Q1829 Chairman: Could I ask you specifically about the challenge of maintaining Welsh identity? How would you define that in this new global world? How difficult is that and how would you characterise it?
Mr Owen: It has been increasingly difficult over the last ten years or so as we went through a period of takeovers by other companies from the old HTV Wales to various other companies to ITV plc because of the commercial problems we have had. There has been a competition for advertising so it has been more difficult to make news and non-news programming. Luckily we have had the backing from those various companies to make the news and non-news programming and keep a Welsh identity. The fact that we are called ITV Wales within ITV plc keeps a Welsh identity as well and I think we have managed as a nation to show that we can actually make these news and non-news programming. However we are going through a period of even more difficulty and there are probably questions about how long we can carry on in the future.

Mr Jeremy: I think that is right. Over the past 50 years in Wales and across the UK as a whole there has been a compact, if you like, whereby ITV was given rare analogue spectrum that could deliver enormous audiences and was immensely valuable. In return for that, as well as a healthy cheque to the exchequer, ITV Wales and regions within England provided high quality public service broadcasting in the form of news and non-news programmes. We know that that traditional compact is breaking down. The value of the remaining analogue frequencies is minimal now. A good number of the licences, including ITV Wales, I think you can argue about how commercially viable they are as of today but certainly come 2012–14 they become commercially non-viable. If we believe that there is value— as I certainly do—in plurality of news provision, plurality of other forms of programming in Wales and elsewhere in England, we, as a society (I do not think it is just down to the broadcasters, I think it is for Parliament, for Ofcom and others) need to find a way through to ensure that that
plurality continues to exist. I do not think it is obvious that the market on its own will continue to provide that.

Q1830 Mrs James: I want to develop this theme of the digital switchover a little bit more. What impact do you think the analogue switch off will have on the Welsh content on the ITV channel and in particular what sort of service will we have after switchover in Wales?

Mr Owen: At the moment we are going through a period of review by Ofcom, our regulator, which is looking at this very point of what the broadcasting commitment will be for ITV post digital switchover for ITV Wales. At the moment we make five and a half hours of news programming and four hours of non-news programming. ITV, in their proposals to Ofcom, have said they want to keep a national news service for Wales because they recognise Wales as a nation and to make news programmes that cover the whole of Wales I think is a good commitment towards Wales. Obviously it will still be commercially difficult as we move to the future. That is the proposal ITV put to Ofcom. As regards non-news programming, we make four hours at the moment of non-news programming which is more than the English regions. Ofcom will decide what the number of hours will be again in the future and that review will take place this year. Obviously Ofcom consults thoroughly with everybody, including ourselves, as to what that will be in the future.

Mr Jeremy: I think there are almost two phases. There is the phase now to 2012–14 when I think there will be a significant continuing amount of regional broadcasting in Wales on ITV news and non-news programmes. As regards the mandated number of hours as of today, however, behind your question I think is: what are the economics of public service broadcasting moving forward? I think ITV is making it clear that we perceive our public service broadcasting priorities to be to continue to invest in strong UK production (we invest more in UK production original content than any other commercial channel) which is clearly valued by audiences everywhere; to continue to invest in national UK news and, if economically sustainable, to continue with regional news and, in the case of Wales, national news for Wales. I think that last caveat “if economically sustainable” is important. The value of the licence, as I say, has dipped massively. There is massive competition and if we are to sustain original UK production we need to look very carefully at other areas of funding. There is a year long Ofcom review taking place and I think it is a priority for people who are interested in plurality to look at other possible solutions beyond 2012–14. I do not think that one can assume that the current model will roll on providing the level of public service broadcasting in the commercial sector that has traditionally been there.

Q1831 Mrs James: Another issue that my constituents have been bringing up with me, particularly those who live in blackspots within the constituency, is the geographical coverage which will be post switchover. Is it going to be more or less accessible? Will ITV be just as accessible to people or less accessible?

Mr Owen: That is probably a question to put to Digital UK who are looking after the switchover process. As far as we gather it will be better access for viewers in Wales; the signal will be better through digital signal and more homes can get ITV Wales and BBC1 Wales, the main terrestrial broadcasters in Wales. Already, as part of digital switchover, 50% of the homes who get Sky digital/satellite digital and the default channel there is BBC1 Wales, ITV Wales and S4C. People who could not have had those terrestrial channels before can now get those channels because of the process towards digital switchover. I think it will enhance the coverage in Wales.

Q1832 Mrs James: What about access to other ITV regional coverage? Will it make us able to watch other ITV areas or just specifically what you produce?

Mr Owen: Certainly through the Sky process you can access other ITV regions. I think on the Freeview process you will only get the signal available from your nearest transmitter. The six big transmitters in Wales will deliver ITV Wales to you; if you want the other ITV regions you will have to go through a satellite digital system.

Q1833 Mark Williams: Following on from that, have you, as a company, quantified that problem of coverage? We have heard the figure of 98.6% which involves perhaps 30,000 households so it is a big problem. In my area, as with Mrs James, there are black spots, so how big a problem is that?

Mr Owen: The figure is 97.7%. Overlap viewing always has been a problem in Wales, particularly the north east, the borders and the south east of Wales. There have always been problems with overlapping signals, stronger signals from other transmitters, mainly in England. HTV before and ITV ten years ago tried to grasp that problem and put a new frequency into the Wrexham area so that people in Wrexham who could not previously get ITV Wales could get ITV Wales; that is now available. I would imagine that as part of the whole process of democracy in Wales and devolution it is in our interests and the politicians’ interests that we get the ITV Wales signal rather than the default signal from parts of England because the Assembly and the whole democratic process is so important. I would hope that the digital process will actually fill in a lot of these gaps as regards the signal and people will be able to get ITV Wales. It is also up to the viewers themselves; some viewers do not realise that they can get ITV Wales by just switching their aerials. Historically they have stuck with maybe Granada—or ITV West as it is—and do not know that they can switch their aerial and get an ITV Wales signal. A lot of it is historical; it is an education process as well.

Q1834 Mark Williams: Which, as you say, is a role for Digital UK. I appreciate what you say about the borders and how important that is; there are some
black spots in the west of Wales as well and there is a lot of hope and expectation out there that with digital switchover something can be done for those communities as well.

Mr Owen: Hopefully, yes.

Q1835 Albert Owen: I am getting mixed messages with regards to the improvement of the signal on digital switchover. There are many people in my constituency—and indeed in the whole of south west Wales—who now have difficulty even with their digiboxes getting a signal. I am talking about the non Sky customers. Are you saying that their signal will be improved because they have this equipment when the digital switchover comes?

Mr Owen: Again this is a question which should be put to Digital UK rather than us because they are looking after the whole process.

Q1836 Albert Owen: I appreciate that.

Mr Owen: We obviously understand there are problem areas and what we have been told is that that signal will be a much stronger signal once the process is completed. When digital switchover actually begins and goes through the 12 month process in Wales, by the end of that there will be a very strong digital signal and hopefully the people who do not have a strong signal at the moment will have a strong digital signal so that problem should go away. I presume they can also still get analogue signals at the moment, therefore they can default to analogue if they wanted to.

Q1837 Albert Owen: The reason I am putting that to you is because many people have greater trouble with ITV than they do with BBC currently with digiboxes. I have also put that to Digital UK but I think it is important to hear that. I am very concerned about what you say about the switchover with people on the border losing access to the English regions because they do that by choice. In one breath you are saying that we need greater competition and yet in switchover you seem to be going down the road of just having one choice. Non Sky customers would not have the choice with the digibox.

Mr Owen: Sky customers can have the choice.

Q1838 Albert Owen: The non Sky customers—the ones who choose not to subscribe to Sky—are wanting a full digital coverage equivalent to what they have now.

Mr Owen: There will be a stronger signal I should imagine because that is what will happen. The digital signal will replace the analogue signal. If the stronger signal happens to be in this region from an English transmitter they will probably get the English signal then. Again there is a lot of tidying up to do as regards Digital UK. As regards the signal, obviously if they want to see the ITV news from an English region that is up to them. We have hundreds of thousands of people telling us that they want to see the ITV Welsh news in Wales. Obviously we cannot cater for everybody, but the fact that part of the full democratic and devolution process created Wales as a democratic entity means our news will be Welsh news for the people in Wales. I am sure the people of Central, if they had to take this Welsh Select Committee or they had to take events in the Welsh Assembly, they would not like it if it was in Central. That map has to be clearly drawn.

Q1839 Albert Owen: I understand that but what does concern me is that much of the Welsh broadcasting is Cardiff-centric and many people in North East Wales relate more to cross border issues which are in very close proximity to them. They find out that when they have the Welsh only option they are getting predominantly South East Wales and vary from their regions and that the Offa’s Dyke is maybe a political barrier but it should not be a barrier for broadcasting.

Mr Owen: Obviously that has been a complaint that has happened over the last 50 years of ITV Wales. If we go back historically there have always been people from North Wales complaining that there is too much South Wales news and obviously people from West Wales saying there is too much North Wales news. As a nation it is something we have to grasp as a national broadcaster. What has enhanced that position for us as regards making our service for Wales is that over the last two years we have had satellite news trucks which have enabled us to go to live links throughout Wales. There is one based in North Wales and one based in South Wales. We cover a lot more North Wales stories; physically we can cover them because we can go live to them. In November and December last year there were 42 live links from North Wales. I cannot remember all the stories but 42 times we went live from North Wales in a period of eight weeks. I think that coverage of North Wales is being enhanced with what we have there.

Q1840 Chairman: We are going to be looking at cross border issues in another inquiry later on.

Mr Owen: I agree it is something which obviously should be discussed.

Q1841 Mark Williams: You touched on my question in your earlier comments. In terms of the plurality of the provision of public service broadcasting, being negative now the threat that digitalisation presents to that—you mentioned that economic sustainability is one of the key criteria and an Ofcom year long review and its possible solutions—what solutions would you like to see to counter that threat?

Mr Jeremy: I think in the short term—by the “short term” I am talking about the next three to four years or so—I think ITV should be given more freedom by Ofcom to configure the news map across the UK in a way that returns us very clearly to regional broadcasting rather than very sub-regional broadcasting. For instance, in England over the history of ITV, we have seen a process where you had one regional news service for Anglia which became, with subsequent franchise rounds and competition for licences, two separate services for Anglia or three for Meridian or two separate
programmes for Yorkshire. In the short term we are proposing a reduction in the number of flagship programmes that ITV makes at six o’clock across England and Wales from 17 to nine. We are not proposing any change in Wales but we are proposing considerable changes in England. That will still mean that ITV is investing very, very substantial sums of money in regional news, more than any other commercial broadcaster, but at a level that is more sustainable, for the remaining period of the licences. I think the issue becomes refocused, if you like, post-2012 or post-2014 at the end of the licences and is there an economic system that could be put in place that continues with plurality in public service broadcasting beyond that date? As I say, the priorities of ITV are investment in UK content so that we can make attractive programmes for the people in the whole of Britain. We invest more than any other channel—let alone any other commercial channel—on ITV1 in home generated UK content; we want to be able to continue to provide the best possible service. We want to be able to continue to provide an absolutely first-rate UK news service and with the return of News at Ten last night I hope you can see how serious ITV is about that. Also, if economically sustainable, we would very much like to continue something which has been part of the DNA of ITV for 50 years, that is strong regional news. Whether it is economically sustainable I think there is a question mark over. If you can tell me what the revenues of ITV1 will be in 2014 or how the television market will be performing against the internet by 2014 I might be able to give you a clearer answer as to the degree to which it is economically sustainable or not, but nevertheless the trend lines I think are fairly clear and if, as a society, we think that plurality—not just in Wales but in England as well—is important, there is a need to look reasonably urgently at some of those other models. We have talked about some of the things that we have been given; we have talked about the possibility of hypothecating advertising minutes which does not seem to solve the whole problem. In other bits of the forest relief could potentially be given to commercial broadcasters. In a sense I am not sure it is for us to purely come up with the answer; there are some great minds in Ofcom and elsewhere looking at these issues. However, I think it is important for all of us who care about public service broadcasting to realise that there is a timetable and a track and that unless some imaginative policy solutions are found this could lead to a reduction in plurality.

**Q1843 Mark Williams:** Notwithstanding what you said about the clash, if you like, between plurality and regions, would you welcome a quota of that type specifying how much regional material should be provided?

**Mr Jeremy:** Provided within regional news or to the network?

**Q1844 Mark Williams:** Within regional news.

**Mr Jeremy:** Within regional news Ofcom absolutely regulates the number of minutes as a region that ITV news broadcasts to honour its licence.

**Q1845 Mark Williams:** More generally?

**Mr Jeremy:** More generally, if you are talking about quotas for regional contributions to the network schedules, I think our view is that we are the commercial broadcaster that makes the largest amount of programming outside London as it is and we believe there should be a meritocracy in ideas and that ideas, from wherever the come—England, Wales, Scotland, Northern Ireland or any other part of the British Isles—should succeed on merit and that trying to mandate these things through quotas is not the way to build a successful, creative industry.

**Q1846 Mark Williams:** Is there a role for Ofcom to potentially identify shortfalls in that provision?

**Mr Jeremy:** Shortfalls in the provision in what sense?

**Q1847 Mark Williams:** In terms of Welsh regional material.

**Mr Jeremy:** If we are talking about network productions, as I say, ideas will win out and to artificially put quotas on any part of the United Kingdom seems to us not the way to have a strong creative channel that people will want to watch.

**Q1848 Mark Pritchard:** Competition when it is not around is a good thing for those who have the monopoly and then competition when there are many other people around is not such a good thing. That seems to me what I am hearing from you, Mr Jeremy, today, and I think in a way ITV generally has been rumbled; now there is competition the lack of broadcasting philosophy and vision in the management of ITV has now been exposed. Why do I say that? Well, loss of advertising revenues; ITV is often bleating about this, complaining about competition rather than perhaps upping ITV’s game on the internet and new media platforms. For example, your internet product I think is very poor; you stream very few programmes. I just see an inconsistency: when the times were good there was very little complaint and now there is more competition there is bleating and complaints. What I would like to hear from ITV, particularly from Wales, is a vision and a philosophy of what ITV wants to do for Wales rather than complaining about competition.

**Mr Jeremy:** There is no complaint about competition at all. We are very happy to be a competitive channel in a commercial market. The complaint, if you like, is that whereas hundreds of
other channels have no regulatory burden on them at all, there is an expectation in some minds—I am sure not yours, Mr Pritchard—that the same sort of regulations, the same sort of quotas, the same sort of public service expectations can continue regardless of the competitive environment in which we are operating. We welcome new technologies like the internet; we are launching products on the internet which are successful. We are still Britain’s most successful commercial channel; we are still investing more money in UK production than any other commercial channel and more than BBC1. What we want is a playing field that correctly recognises that we no longer have the monopoly advantage which historically undoubtedly ITV once benefited from. We are increasingly—and in a few years with digital switchover—in a very, very similar position to one of hundreds of other channels. The degree of regulation needs to properly reflect the degree to which we are a competitor with others.

Q1849 Mark Pritchard: Is Ofcom not assisting you in that under your existing licensing arrangements, for example non-news output is at five and a half hours which is going to decrease to four hours. We know that Ofcom is looking to actually reduce in some English regions non-news output to half an hour and that decision for Wales will come later. Even without any action on your part Ofcom is assisting ITV in saying that you will no longer have such a burden of these requirements.

Mr Jeremy: On a point of fact, for non-news programmes it is four hours moving to three in Wales and in England one and a half hours to half an hour. Ofcom is recognising that the burdens and the commercial challenges faced by ITV are getting greater and is reducing the number of mandated programmes but most of the hundreds of channels we are talking about, most of our competitors on the internet have no regulation by Ofcom; there is no requirement on them to produce any programmes over and above what they choose. I am not suggesting for a moment that ITV wants to be there; we want to continue a news service in Wales, we want to continue providing non-news programmes in Wales. What I am pointing out is that as you approach digital switchover—we are 80% of the way there and at some point we will become 100% of the way there—unless there is some motivation given to a commercial broadcaster to provide programmes that it would not provide if the market just existed, then one cannot necessarily expect those programmes to continue to exist. ITV may well decide that there are some things that have been done traditionally under a public service broadcasting compact that we want to continue to do for commercial reasons and that may be a very good thing, but I do not think it is reasonable to assume that the same burdens that have existed on ITV historically can continue in a world where all the rules have changed.

Q1850 Mark Pritchard: Finally, as a contradiction perhaps in what you are saying—unless I have misinterpreted what you are saying—you want freedom to develop more of these new platforms. I just sense that you might be crying out for some future subsidy.

Mr Jeremy: No. We have made it quite clear within ITV that we do not think that taking direct subsidies is something that is in our interests as a commercial broadcaster.

Q1851 Mark Pritchard: So you would rule it out if it were offered?

Mr Jeremy: It sometimes depends on your definition of subsidy.

Q1852 Mark Pritchard: It comes back to my first question as to your philosophy as a broadcaster.

Mr Jeremy: Our philosophy as a broadcaster is that we are a commercial broadcaster and we prefer to exist largely in a commercial world. For 50 years there has been a form of subsidy and it may be at the end of an Ofcom review this is something you may point to and say is still a form of subsidy for providing public service broadcasting, but our instincts are commercial and our instincts are that we prefer to provide high quality programming for the people in the whole of the UK and indeed viewers in Wales in a commercial environment.

Mr Owen: We also have ITV Local as well which works very successfully and does provide another platform to show news programmes and our non-news programming.

Q1853 Nia Griffith: Can you see a scenario in which there might be a shift away from nationally regulated media to more internationally regulated media? How might you see that developing?

Mr Owen: By the last Communications Bill our regulator is Ofcom in the UK and we are regulated by Ofcom. There are bits and pieces in European legislation we have to adhere to—human dignity and things like that—but at the moment Ofcom is our regulator and will remain so unless there is another government act which changes that.

Q1854 Nia Griffith: Do you see potential in expanding elsewhere and competition coming in here?

Mr Owen: Us expanding elsewhere?

Q1855 Nia Griffith: Yes.

Mr Owen: As ITV Wales

Q1856 Nia Griffith: Yes.

Mr Owen: Our service is to ITV Wales. ITV as a company will sell their programmes throughout the world I would imagine as part of their philosophy of making programmes for ITV. Our programmes have gone all over the world already. As regards specifically to ITV Wales hopefully we will make programmes for ITV network as well which will go round the world and hopefully there will be independent producers in Wales who have the ambition to make programmes for Wales, the UK and the rest of the world. The ambition is there, the market is there. As regards regulation, to go back to that, it is strictly Ofcom in the UK and in Wales.
Q1857 Nia Griffith: You may be aware that there has been a recommendation from the House of Commons’ Culture, Media and Sport Committee that public funds, including the licence fee income, should be made available on a contestable basis beyond the BBC to sustain plurality and introduce market forces to the provision of the public service content. How do you react to that? What is your view on it?

Mr Owen: As Michael just said just now, ITV are not into public funding per se as regards our programming; we are a commercial broadcaster.

There might be some indirect means in future that we do go for some funding. In a way what we have done over the last 50 years of ITV in Wales has been public funding because to gain the licence from ITV the various companies providing television in Wales had to promise a specific amount of news and non-news programming which we fulfilled. So in a way that has always been there. As for public funding per se, I think the philosophy of ITV is not to go for that.

Q1858 Nia Griffith: You mentioned earlier on the devolution settlement. To what extent do you feel that the current devolution settlement is suitable as it relates to broadcasting and the creative industries?

Mr Owen: Certainly we have covered the Welsh Assembly, Westminster, the European Parliament and local elections in Wales thoroughly in our news and current affairs programming. We have done much more news and current affairs programming because of what has happened in Wales over the last ten years. As a broadcaster I am quite proud of what we have done as regards news and current affairs programmes regarding the new democratic system in Wales and its devolution.

Q1859 Nia Griffith: I am thinking more particularly about what we call a reserved matter, something that is regulated from Westminster.

Mr Owen: Are you talking about Welsh Assembly regulating broadcasting?

Q1860 Nia Griffith: I am asking the question really whether you feel this is the appropriate way or do you feel there should be some sort of change?

Mr Owen: As a commercial broadcaster our regulator is Ofcom; we are independent of government. I would hope as a commercial broadcaster we remain independent of government. We have a regulator and we are not controlled by Westminster or by the Welsh Assembly in Cardiff. We are a standalone, independent commercial broadcaster.

Q1861 Albert Owen: Just to take the devolution issue a little further, I am being critical here but why do you not go head to head with the BBC and have prime time political programmes?

Mr Owen: We are going head to head with the BBC at half past ten after the News at Ten as we did last night.

Q1862 Albert Owen: What about weekend programmes?

Mr Owen: Plurality means plurality of choice and to have two programmes going head to head all the time would mean there is no plurality really. If you have two programmes, one a week from BBC and from ITV, going out at the same time limits the choice of the people.

Q1863 Albert Owen: Timing is important to people.

Mr Owen: You will be pleased to know the timing of any political programme this year is 11 o’clock; it was 11.30 last year so there is a better timing for that programme this year. The reason we went to a Thursday night rather than a Sunday was because the viewing figures are much better on a Thursday than on a Sunday.

Q1864 Albert Owen: Thank you; I wanted to raise that directly with you. Concentrating on your memorandum where you refer to the economic contribution that ITV makes to local jobs and the local economy, you make particular reference to the Welsh Media Park. To what extent is that Media Park and ITV Wales’ other operations that you mentioned in the north feeding into a pan-Wales economy rather than just a Cardiff-centric?

Mr Owen: To start with the Welsh Media Park, at the moment you have 17 other media companies on the Media Park so we are part of a kind of creative industries process there. There is not just ITV Wales there now, there are other companies making dramas for BBC, S4C and other broadcasters. The Media Park is a very viable operation and we want to expand that operation to make the creative processes in Wales and the creative initiatives in Wales part of a media hub in that part of Cardiff. We are going through a process of developing that site. That will create eventually, if it went to full fruition, over 2000 jobs in Cardiff. We are very proud as a broadcaster that we have other sites throughout Wales as part of a news operation, particularly in North Wales. We have a base in Newtown and an office in Carmarthen; also we have people based here in Westminster and in Cardiff Bay. It is a pan-Wales organisation and hopefully that benefits the people of Wales.

Q1865 Albert Owen: Is one of the criticisms on a UK level that too much is concentrated in the London area and the south east and that your competitors, the BBC, are doing something about that by moving jobs out? There is a danger that in Wales it is disproportionate and the majority of jobs are in the Cardiff area.

Mr Owen: Most of the jobs are in the Cardiff area as regards ITV Wales but you have a very heavy presence in those other areas. Satellite news gathering enhances our process in Wales.

Q1866 Albert Owen: Moving onto the sourcing that ITV does with the other creative industries, and again linking it into your previous response, creative industries in North West Wales and North Wales find it difficult perhaps liaising with you because of your Cardiff-centric views; they have to develop
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independently and there is a lack of joined-up thinking between the creative industries and media in Wales.

Mr Owen: As regards the creative industries in Wales for our non-news programming 25% of our programming is made by independent producers and we have an open competition for those programmes. People give in their ideas, we go through them, we shortlist them and then we get people to make the programmes. There are two or three independent companies in North Wales we always use. We encourage programmes from North East Wales and one successful programme—Fishlock's Wild Tracks—has been made for the past ten years by a North Wales company. So we are, I think, using a lot of North Wales independent people as regards the creative industries in Wales.

Q1867 Albert Owen: Do you see that growing as the Media Park grows as well? Will it not just be drawing business into the Media Park and into the Cardiff area?

Mr Owen: Because of what we said previously about growth, it is difficult as we go on producing plurality of choice we have in Wales. We discussed this earlier on. I would hope that people in Wales would see beyond ITV as well and try to make programmes not just for ITV but for other broadcasters. We are trying to create an atmosphere where people can make programmes not just for Wales but for other parts of the UK and maybe—hopefully—other parts of the world.

Q1868 Albert Owen: Do you see this relationship with the creative industries in Wales growing?

Mr Owen: Very much so. Just to quote The History of Mr Polly which was a drama done in peak time by ITV Wales that went out this year for ITV network, that had money from the Welsh IP fund as part of the funding. It was made in Cardiff; it was partly funded by the Welsh Assembly through the IP fund and was very successful on ITV. There was part funding—to go back to a previous question—but that has actually benefitted programmes being made on the network.

Q1869 Chairman: Could I come back to this question of Welsh identity which I asked at the beginning. Are there any lessons to be learned from other regions or nations in Europe in terms of how the creative industries are interfacing with broadcasting in the way that you are describing now? Are you learning lessons from elsewhere?

Mr Owen: I think we have learned lessons through the process of what has been going on through Ofcom in the last few years. It is recognised in the UK that the nations are slightly different things than regions. Broadcasting systems elsewhere are so different to broadcasting systems in the UK. There are different forms of regulation so you cannot really directly compare. Some broadcasters abroad are funded by governments for example and we would not want to go down that road; we went to be a completely commercial channel. There is no real direct comparison to the system we have in Britain, I would not have thought.

Q1870 Chairman: The evidence you have given this morning has been very instructive for us. Is there anything you feel that we have not covered that you would like to add at the end of this session?

Mr Owen: No. I think we have gone through a thorough process as regards most of the questions we have covered. I think plurality is the one you touched upon and I think plurality is something in the future that everybody should be aware of. If it happens and ITV does less programming I think we are all still involved in plurality and somewhere or other something has to be found for plurality to continue.

Chairman: Could I thank you both for your evidence this morning and again for the written evidence that you have given. If you feel later on that you might want to submit anything further we would be very grateful to receive it and also maybe we will see you again when we are exploring broadcasting in the context of cross-border issues. Thank you very much.

Witnesses: Mr Meic Birtwistle, National Executive Council, Mr Jim Boumelha, National Executive Council and President, International Federation of journalists, Ms Kate Carr, Chair, Welsh Executive Council, Mr Lawrence Shaw, Assistant Organiser for Wales and Mr Martin Shipton, Father of the Chapel at Media Wales, National Union of Journalists, gave evidence.

Q1871 Chairman: Good morning and welcome to the Welsh Affairs Committee. For the record could you introduce yourselves, please?

Mr Birtwistle: Meic Birtwistle, representing Wales on the National Executive Council of the National Union of Journalists.

Ms Carr: Kate Carr, Chair of the Welsh Executive Council of the NUJ.

Mr Shaw: I am Lawrence Shaw, the Assistant Organiser for Wales for the NUJ.

Mr Boumelha: I am Jim Boumelha of the National Executive of the NUJ and I am also President of the International Federation of Journalists.

Mr Shipton: I am Martin Shipton, Father of the Chapel of the NUJ at Media Wales as well as being Chair of the Cardiff and South East Wales Branch of the NUJ.

Q1872 Chairman: Could I begin by asking you this very general question about how globalisation is a threat or is it an opportunity or both to the various industries that you represent?

Mr Birtwistle: I was going to say first of all that one of the things we would like to stress is that our written evidence was submitted nearly a year ago and therefore in order to partially answer that
question we would like to bring you up to date with some of the changes that have happened since then. I think this will show that we do perceive much of globalisation as a serious threat to our members. We have recently seen the announcement of some 230 further job losses at BBC Wales; that is on top of the previous 220 job losses. Management will say that there will be some new jobs coming in in terms of possibilities for independent companies and in terms also of the fact that there may be some new jobs created, but those will not, for the most part, relate to programme making about Wales. That is a very serious blow, the loss of some 450 jobs altogether. I know you have just been hearing evidence from ITV Wales and we are seriously concerned about the economic state of ITV as a whole and the dangers that that places on broadcasting in the nations and regions of the United Kingdom. We are seeing the number of news organisations in England seriously reduced; that is not going to directly affect Wales at the moment but clearly we feel that it is only a matter of time before there is a possibility of a loss of ITV regional news, ie news on Wales. There is an intention, as we understand, to cut back the non-news output from I think four to three and a half in 2009 (I would have to check that). This is part of a process that is very long running and, as we say, it may well be the case that it is only a matter of time before we lose the news output. There is also the possibility that ITV could be bought out due to the parlous economic state of ITV at the moment and we do not know who then would then control ITV.

Q1873 Chairman: Are you saying that these are all the consequences of globalisation?
Mr Birtwistle: Globalisation is part of the effects that are causing this. In the print industry there is a further 17 job losses at The Western Mail on top of a whole series of job losses over a period of time. In the last few months we have seen the intention to transfer the print operation of The South Wales Argus to Gloucester which is following on from an announcement that The Evening Post in Swansea has transferred its print operation. Things are being centralised at a United Kingdom level; they are going to London. We have seen a political devolution developing in Wales over the last decade or so, but at the same time ironically we are seeing cultural centralisation occurring in London. More and more power is going back to the centre and in terms of specifically ITV and also we would argue in terms of the BBC the job cuts that are being implemented—which obviously affect quality of output for BBC Wales—are being dictated by London. We see that clearly as part of the process of globalisation.

Q1874 Chairman: Do any of your colleagues want to supplement the comments you have made and perhaps you could then move onto opportunities?
Ms Carr: I think we recognise that there are opportunities and threats. Some of the opportunities are obviously providing greater reach, the potential to reach new audiences, for example particularly with the Welsh language. We have Welsh language audiences overseas that we could be reaching in new ways. There are a number of opportunities there both economically and culturally. The threats are perhaps obvious. There has always been room for improvement in the coverage of Wales as a nation, but with fewer owners and fewer journalists where we have potential for investment into some of these new services we are finding these large companies are not putting the investment in, they are more interested in taking profit out so the opportunities are being wasted that they may have through some of the new media. Instead of opportunities to reach these new audiences we are ending up with a lot of look-alike media, a media McDonald’s (a phrase that Martin has used previously) providing junk journalism which is a huge waste.

Mr Shipton: One of the manifestations of globalisation which I detect is the increasing monopoly of a small number of large companies who own media companies. The day of the local, independently owned newspaper is almost gone in Wales. The big players are not Wales-based companies; they have their headquarters in London, sometimes they have ultimate ownership in other countries like the United States (that is certainly the case so far as Newsquest is concerned which owns, for example, South Wales Argus). Also what has happened as a result of this increasing concentration of ownership is that over the years there has been an increasing demand on the part of shareholders for shareholder value. During my working career I have seen a transformation from a situation where, for example in the 1980’s, regional newspaper companies used to be content with a profit return on turnover of around 10%—at least they aspired towards 10%, they did not always get it—but now we have a situation where, for example, Trinity Mirror (which owns the company that I work for) is out of Wales making a profit return on turnover of between 35% and 40%, approaching 40%. That is a huge turnaround and inevitably what that means is that the quickest way to increase profit margins is to reduce labour costs and that means fewer journalists and fewer journalists means the likelihood of less comprehensive coverage, so that is a major threat.

Q1875 Alun Michael: You refer to this as if it is something relatively new. My working career goes back even longer than yours, Martin, and when I was employed by The South Wales Echo in the mid-60’s it was owned in Canada so it is not a new development.

Mr Shipton: That is quite right, Mr Michael, but of course the problem is that as time has gone on these companies, whoever they are owned by, want more and more profits. Whereas the Canadian owners of Thomson would have been content with a much smaller rate of return back in the 60’s, now the Trinity Mirrors want to have a much higher rate
of return and that has added extra pressure. I am not disputing what you say, but I just say that the process has accelerated.

Q1876 Alun Michael: I would suggest to you that the view taken by the Officers of the Chapel in those days was quite similar to what you have expressed now.

Mr Shipton: I am sure that is so.

Q1877 David Davies: I want to suggest that maybe it is not national ownership that is the problem. If I could shamelessly plug two local papers in Monmouthshire, *The Monmouth Beacon* and *Chronicle*, they are owned by Ray Tindle (this is not a public listed company, it is privately owned) and do only want local stories and they will get quite annoyed if they get anything with a national flavour. To what extent do you think, as journalists, as well as making points here you may have to encourage editors to look at local government stories, Welsh Assembly stories within Wales to try to make sure that that level of interest amongst the public for local issues is there?

Mr Shipton: This of course is a manifestation of the need and the opportunity for a specifically Welsh media. We can talk about the specific needs of Wales in this context because clearly with the devolution process going ahead there is a greater degree of divergence in policy terms between what is happening in England and what is happening in Wales. The problem at the moment is that because, for example, a very high proportion of people who live in Wales do not buy newspapers that are published in Wales, many of them are not aware of these policy differences. What can be said is that the move towards multi-media forms of providing journalism creates an opportunity—I suppose this does emanate from globalisation ultimately—to reach people with Welsh news via the internet who currently are not accessing material by not buying the newspapers. If they can get for free from the internet news that currently they have to pay for then that is a great opportunity for media companies to be able to extend their coverage and to reach a greater proportion of the population of Wales.

Ms Carr: *The Brecon and Radnor Express* was a locally owned paper within the community that employed a number of journalists and that was bought out by Tindle, the number of journalists greatly reduced and we believe the quality of news greatly reduced. There are opportunities within those community papers on the internet and within the papers themselves; we are keen to see the processes at local government level, Assembly level and here properly covered by the media. However, when you take away from the journalists the ability to do their job by reducing the resources and the staffing levels so significantly I think that is what is at the root of people’s frustration at not seeing the work that is being done reported.

Mr Shaw: The papers that you mention there from my own experience would employ maybe two reporters in each case. *The North Wales Chronicle* in Bangor now employs just one reporter covering the entire town. I do not think it is going to be possible for that level of staffing to be able to provide the actual news and the range of coverage that is actually needed.

Q1878 David Davies: I do not want to too shamelessly plug those papers but they have slightly more than two journalists on them. They do report on very good local stories and second to none for that I think.

Mr Shaw: Can they have the resources to actually cover the Welsh Assembly?

Chairman: Can we move on? I do not want to get into the minutiae of local coverage.

Q1879 Mark Pritchard: Ultimately newspaper groups are not charities; they need to sell copy and they need to sell advertising in order to pay the salaries of the journalists the majority of whom, as you quite rightly identify, are doing a good job and working hard. Hopefully it is a virtuous circle rather than a negative one. My disappointment about the press is that many newspapers are being very slow to adapt to new platforms such as the internet. If you look across newspapers—not only in Wales but across the country—the internet product offer is actually very poor indeed. I do not know whether it is because of some of the senior managers of these newspapers or editors are perhaps not in the technological age, but they put perhaps one or two people in a room and say, “That’s the internet, boys and girls; put them over there” rather than saying, “Well actually, we need to be prioritising this in order that we get the volume on the internet and the traffic and we can then go out and sell the advertising space and then we can continue to employ journalists”. There will always be a need and demand for news stories alongside the advertising on the internet so in a sense it is not just about globalisation—Mr Michael is absolutely right about his point—it is about the industry, your industry, getting its act together, catching up and providing an offer that people want to look at.

Mr Shipton: I think it is certainly the case that a lot of newspaper companies have been slow in embracing the internet. Media Wales is in fact currently involved in moving over to a much more internet based operation and as a Union we have been fully involved in discussions about this and within the next few months that is going to come to fruition. I suspect that one of the reasons why there has been a certain delay—not exactly reluctance, but a certain delay—in pushing these things forward is the fact that the sort of advertising revenues that companies have got used to from newspapers are not really of the level that are going to be replicated online. This is a problem.

Q1880 Mark Pritchard: Can I just interject to say that we are talking about the volume. If I am somebody who wants to advertise my product—say I am a sports manufacturer—if I see the traffic increasing on the website you referred to then I would be prepared to pay more money. That is my first point. Secondly, going back to globalisation and the positive, in fact the audience potential is
global and far bigger; it is regional, sub-regional, national, whatever. The audience potential is far greater than any delivery van delivering your hard copy newspapers.

Mr Shipton: That is absolutely right but of course what one has to bear in mind is the fact that while, for example, a lot of exiled Welsh people will be looking at the *Western Mail,* for example, online, local advertisers who want to sell their goods in Wales are not really going to get much value out of people in London or Patagonia looking at *The Western Mail* internet site. That is an issue. The point remains that the levels of revenues that it is possible to get from advertising are not as easy to attain from the internet as they are from newspapers. The companies, certainly my company has got plans to try to improve and increase the level of advertising they get from the internet but at the moment we are talking in single figures percentage in terms of the overall revenue of the company.

Q1881 Mark Williams: I think you have already given an answer to the question I was going to ask about the difficulties in terms of viability of promoting a Welsh identity and the trend very much towards London. Turning to a positive, something you have been working on in terms of your Media Plan for Wales that you have been calling for, how do you perceive that addressing the global as well as the domestic pressures that you have outlined? Who should be responsible for devising such a plan?

Ms Carr: I think what we are trying to achieve through the media policy is for a range of bodies and organisations to actually look at these issues and to consider adopting plans and policies. Part of this is around raising awareness of a lot of the issues we are talking about today. We are perhaps having this debate quite late in the day; these are issues, as you rightly say, that have been going on for a very long time. We have to get people to start addressing some of those now and there are a number of different things that can be done at different levels. I do not know whether you have had receipt of the proposed Media Policy; if not then we will send it to you.

Q1882 Chairman: What is it?

Ms Carr: A proposed Media Policy which addresses some of these issues, some of the things we would like to get people thinking about. It is about audiences; it is about organisations as audiences as well, seeking to hold the media to account, to actually question quality and to want a quality media and to be seeking proper coverage of the organisations that are actually making the decisions that affect their lives.

Mr Boumelha: If I might inject the thinking of the International Federation of Journalists which deals with the global journalists’ organisations of which the NUJ is a member, which deal with the many instances throughout the world where concentration of ownership and the pressure on diversity has become quite a big problem. Because it has a standing with international organisations such as UNESCO or the United Nations it has quite a lot of experience in terms of working with commissions or with national institutions to set out media policies. Can I just say that in the past few years some of the concerns have been raised in some ways throughout the first discussion have concentrated on the fact that news and information sources were dominated almost everywhere in the world by multi-media conglomerates, the voice of the local people rarely heard. There is also the question of culture and resources which are spoilt by an increasingly multi-cultural vision of the world. You will see it in the concentration of the written media in Wales.

Q1883 Chairman: Mr Boumelha, please could you raise your voice? We are having great difficulty hearing you.

Mr Boumelha: Finally there is the question of the quality of information; that is a very big question and that relates to what has been described in terms of cuts in resources which means that quality has suffered. Hopefully if there are steps being taken to discuss media policy, that those experiences of what has been happening in some situations that are similar to Wales can be taken into account. I do not know whether the Media Policy would be the impetus to have some specific regulation or something that is very specific to Wales. There are certain principles that are general; it is a question of concentration of industry and ownership which is obviously discussed in every single media. The question of cultural diversity is very specific and could be specific to Wales.

Q1884 Mark Williams: I think you articulated what should be in a policy; who will be responsible for drawing that up and who will be responsible for implementing such a policy?

Ms Carr: We would certainly like to see something at Assembly Government level in Wales. Obviously you will be aware of the commission that has been set up in Scotland. Both yourselves and the Assembly might like to consider that idea. Apparently in Ireland they are looking at setting up a print commissioner. The idea of a media commissioner or even to get existing commissioners looking into some of these issues and how they affect their areas could be built into that. Areas that we think should be covered with that are issues of plurality, of quality, of training. Again there are several issues around training. There is a huge amount of media courses and fewer and fewer media jobs. We would like to see places in Wales becoming centres of excellence. We have some excellent training courses which are well-recognised in Cardiff, but there needs to be better cross-over. Somebody needs to be looking at how that links into the media organisations and retaining those skills.

Q1885 Mark Williams: Are you actively lobbying on that basis the National Assembly in the first instance?

Mr Birtwistle: We think it is a joint responsibility. Clearly broadcasting is primarily your responsibility and the Assembly has powers of scrutiny so they obviously look at some of these issues. What concerns us—and it is great to be here today and it
is great that you are looking at this subject—is that we gave evidence back in 1999 when the Welsh Select Committee looked at the questions specifically of broadcasting and devolution and we specifically looked at this question of the democratic deficit. We are looking at it again now and we think that the democratic deficit has deepened and the degree of cultural non-representation has become more acute. If nobody looks at it again for another eight years then we fear the process would be driven specifically by globalisation. A commission needs to be set up urgently we feel. Who should have responsibility? We think that there should be a degree of joint responsibility potentially, but obviously Parliament at the moment is the lead player in the question of having responsibility specifically for broadcasting.

Q1886 Mark Williams: What response are you getting from ministers on this issue?

Mr Birtwistle: We are kicking it off now.

Ms Carr: Where we have had some discussion there has been a good deal of support and a recognition that we need to grow a stronger media industry in Wales, but it has to happen at a number of different levels; it has to involve all levels of government.

Mr Shipton: Always when one is considering these issues it is very easy for us here today to agree that there is the need to do something, but in terms of actually exercising leverage it is not so easy. One possible route could involve the issue of cross-media ownership and looking at that. While there are no fixed proposals that we would come up with, it is certainly something that needs to be looked at because the current system of regulatory control is dated from an era where there were very strict demarcations between print and broadcasting journalism. As we enter a new multi-media age the current regulatory controls relating specifically to cross-media ownership are outdated. For example, I have taken advice on this and I am told that while, under current circumstances, it would not be possible for Trinity Mirror to enter some kind of partnership with ITV to provide some kind of local news service in Wales because of the issue of Trinity Mirror not being allowed to enter the broadcasting field, it is possible—or it would be possible—for Sky television to do so because the regulations relating to satellite television are later and freer than those that relate to terrestrial television. So while it would be possible for Rupert Murdoch to come into Wales and do a deal with ITV Wales, it would not be possible for The Western Mail to do so and that seems to be a complete inconsistency. Currently there are, I believe, a number of investigations or a number of bodies—the Office of Fair Trading, Ofcom and, I think, the Competition Commission—who are looking at the issue of Sky television’s share ownership in ITV but that is only because of the terrestrial element of ITV. If we were to reach a situation where some consideration was being given to perhaps relaxing the current restrictions on cross-media ownership, it might be possible to exercise some kind of leverage by saying that if we are to relax these rules we would expect some commitment from companies towards a public service element. I just throw that in as a possibility and I think it is something worth examining.

Q1887 David Davies: Going back to something you said earlier, do you think that the current media studies courses, particularly the GCSEs, are a useful qualification for anyone wanting to go into journalism?

Mr Shipton: I think the problem we have is that at the moment a lot of educational institutions—we are talking right the way up to higher education here—are opening more and more courses for more and more students to do media studies at a time when, as we know in Wales, the actual opportunities for working journalists are diminishing. What appears to be happening is that in the higher education sector the market for education is determined by what the students want to study rather than the need that industry has for graduates in those particular fields. I think a lot of people are being led up the garden path to take media studies courses, whether at GCSE or at degree level, perhaps thinking they are going to enter journalism when in fact there are not going to be jobs available for them. That is an issue that needs to be addressed.

Mr Birtwistle: I agree totally but, having said that, my understanding is that those taking media studies degrees have a high possibility of achieving employment but not necessarily within a media. It is a very useful form of academic currency and obviously at a lower level my understanding is that it relates to the question of citizenship as well in terms of how people understand the society that they live in, in addition to purely being a stepping stone to employment.

Q1888 Albert Owen: You have answered in great detail some of the issues that I wanted to raise about the serious concerns that you have with the Welsh media and in particular the print media in Wales. I look forward to reading the Media Plan and some of the answers that you feel are in that Media Plan. I know this is a Welsh Affairs Select Committee but my friends in the media in different regions in England are saying exactly the same thing, that regionalism per se has been lost in the United Kingdom. I would put it to you that there is also regionalism within Wales and many people in my part of Wales feel there is a drift to other parts of Wales and indeed across the border into England. I am very concerned about what the written press in Wales is doing to cater for Welsh speakers. This week we had the interim report with regards to Y Byd (The World) which is a Welsh medium daily newspaper that has been proposed. How do you think the Welsh language media can be successful with the impact of globalisation?

Mr Birtwistle: Can we just say that we agree totally that what is happening in Wales represents a clear indication of what is happening in the rest of the United Kingdom and in Europe, if not the world. The advantage that we have in Wales is obviously that we have a Welsh Affairs Committee that we can come and have these discussions with and we have
the Assembly where we can express these views as well. We are better served than our English counterparts specifically but we see their pain with regards to ITV; that is something that crosses borders. With regards to the question of regionalisation within Wales the problem that we face is that the cutbacks that occur in terms of ITV, every time they lose a couple of people, every time the BBC loses 230 jobs, then the ability of the BBC to represent the different regions and the different areas and the different cultures within Wales is eroded. That is exacerbated. The BBC management will come here and say they are creating new jobs and they will speak of the successes of Torchwood and Dr Who et cetera, but Torchwood and Dr Who do not produce cultural output for the people of Wales; they do not represent the people of Wales in terms of their lives. It is great; there are fantastic skills being acquired, but all the time the 10% cutback in budget will seriously erode the ability of the staff of the BBC to represent all those different areas of Wales. On the question of Welsh language journalism, specifically print journalism, we have heard that this report has come out with regards to the possibility of Y Byd. We have a number of members of Y Byd (although it is not up and running as a paper at the moment) and we have a number of members at Gorw so we represent a number of journalists working in the Welsh Language print sector. Clearly it needs to be strengthened and clearly it requires public money to do that. Public money is supplied to the print industry in a number of ways, primarily through advertising, by central Government, by the Welsh Assembly, by county councils, et cetera. That is all public money going into print journalism in Wales. Clearly the question of how, across the board, Welsh language print journalism is to be supported needs to be carefully examined, but we would go back again to our point that, although it is costly, it is vitally important that there is plurality. There must be plurality in Welsh and in English, in print and in broadcasting because otherwise at the moment there is a danger that further erosion of ITV is meaning that the BBC is the only game in town with regards to broadcasting, radio and television, specifically in Welsh but also increasingly in English. We need to ensure plurality but centrally we need to preserve the BBC; there is no point robbing Peter to pay Paul otherwise that will just steal from an operation that is working relatively well to give to a more speculative venture potentially.

Q1889 Albert Owen: On this topical point about Y Byd being set up as a standalone daily newspaper (that is the proposal) do you think there are other ways that Welsh speakers can get Welsh language print, ie distributed as inserts in other newspapers? It does happen in The Daily Post in north Wales, albeit on a weekly basis, but it is a useful distribution mechanism.

Mr Birtwistle: That is perfectly possible but if you look at the success of S4C which is very well publicly funded one of the reasons for the success of S4C is its relative autonomy. It does not face the sort of issues that ITV has faced and that the BBC has faced where the control is firmly in an organisation based in London. Obviously they are scrutinised by the DCMS but there is a degree of independence there. Therefore we would prefer to see, if possible, autonomous Welsh language newspapers because there are cultural differences, as we said before, and on occasion the larger English language culture tends to overawe the Welsh language culture.

Q1890 Nia Griffith: I wondered really what numbers of journalists we have who want to work in the written media who feel confident about doing so through the medium of Welsh.

Mr Birtwistle: It is increasing. I think the levels of literacy in Welsh amongst Welsh speakers have increased gradually over the years and I think there are policies to strengthen that. I know in Scotland our Union has been involved with the Scottish Parliament in terms of encouraging Gaelic language journalism courses. That is potentially something, if required, that can be looked at but I know that a number of the university colleges deal with Welsh language journalism but not specifically print.

Ms Carr: I believe Aberystwyth University runs a course in the medium of Welsh but again I am not sure that is focussed on print, but that could be something that could be addressed. There are a number of journalists currently operating online at a high standard of written Welsh.

Q1891 Albert Owen: Is there anything that Wales can learn from other bilingual countries, ie the Basque Country, Catalonia in Spain or indeed in the Irish Republic? Do you have any comments on that?

Mr Boumelha: Certainly at the level of countries where there is a strong multi-cultural situation and multi-languages there are a lot of things to learn. The current mandate of the European Commission is to preserve cultural diversities. It is very clear in the article of the treaty. Today, with the enlarged Europe with other cultures and other languages there is a necessity to apply the regulatory tools that exist. There are parallels; there is no doubt about it. The main debate at the moment is precisely how to implement the instrument that exists and how to allow national government also to be inspired by these instruments; there are no national regulations.

Ms Carr: I think it comes back to globalisation offering threats and opportunities as well because obviously there is a threat that we lose our cultural identity, but the opportunity is that the more that we build that, the more the rest of the world takes notice of Wales and what is happening in Wales because we are distinct and different.

Mr Birtwistle: That was one of the things we wanted to raise with you, that one of our concerns is what we term currently “invisible Wales” whereby—I know you are aware of this—Welsh representation in British print and to a degree in British broadcasting is appalling basically. There has been a lot of debate recently about the Britishness of Britain but we have an increasing concern that the debate in fact is Englishness that is being presented and in fact the Englishness of the south east of England to a large degree and that Wales is losing out in this. If we turn
to the print newspapers we do not see representation of Welsh political life; we do not see the representation of Welsh political culture. We think that is very dangerous for a number of reasons. It is dangerous in terms of cohesive Britishness as a concept; it is dangerous with regard to the large proportion of our population in Wales who do not look specifically at the Welsh media and they need to understand the political questions that are happening in Wales. This again leads back to the question of globalisation and the fact that everything seems to be going culturally back to the centre, in this case London if not further abroad potentially in terms of what may happen to ITV. This is of great concern and it was to some extent the concern that was represented by the report of the Welsh Select Committee in 1999 and we hope it will find place in your report as well, that this is a very, very worrying trend.

Q1892 Mrs James: There were claims made seven years ago on *The Welsh Mirror* and *The Welsh Mirror* actually tried to address this deficit and carried regional stories, *et cetera*. Why, in your opinion, did *The Welsh Mirror* fail in that case?

*Mr Shipton:* My understanding is that it simply was not producing enough revenue and it was as simple as that. They tried it for two or three years; they obviously had targets, I do not know what the targets were.

Q1893 Alun Michael: Not enough extra revenue.

*Mr Shipton:* Not enough extra revenue, yes, because obviously *The Mirror* was circulating in Wales and clearly in order to justify the extra investment which they made by employing specific journalists who operate in Wales which had not really been the case before, they clearly had set targets—this is *Trinity Mirror*—about what they wanted to achieve in revenue terms and it just did not work out.

Q1894 Alun Michael: Can we look at the issue broadcasting and the Welsh economy for a moment? In your memorandum you say one thing specifically: “Placing more emphasis on the economic role of the media rather than its importance in the political and cultural life of a society” and this is something you warn against. There is always a tension between whether it is financial or news or culture that is contributed to by the media, but how would you suggest that a balance can be struck between that important element of economic viability and the provision of public service content, especially in view of the comments that have been made earlier about convergence and the challenge that that provides?

*Mr Birtwistle:* I think this came out to some degree when Ofcom was set up. There was the usage of the terms “consumer” and “citizen” and we felt there was an increasing tendency for the consumer to be more important than the citizen. We think that that trend needs firmly to be challenged. It is questions such as the democratic deficit; it is questions such as cultural representation.

Q1895 Alun Michael: My question was not whether this was an important issue to deal with, but how can we strike that balance?

*Mr Birtwistle:* The one has to be placed in the form of the other when drawing up policy due to the nature of Wales. With regards the question of *The Mirror*, sometimes Wales is not going to supply the sort of profit that would attract people to cover it. Sometimes it has to be argued that for the benefit of the United Kingdom as a whole that Wales needs to have a voice.

Q1896 Alun Michael: As with S4C.

*Mr Birtwistle:* Yes, as with S4C and as regards other things. One of the things that is very upsetting—you probably remember this better than us to some extent—is the way in which previously national newspapers had Welsh correspondents and now they do not. Now there has been an almost total collapse. I think *Gogog* ironically has somebody based in the Assembly; I do not think any other newspaper has currently got anybody based full time in the Assembly. What happens is that the companies and the organisations argue that they cannot afford it. We think they can.

Q1897 Alun Michael: Are you talking primarily about broadcasting in this context?

*Mr Birtwistle:* Yes.

Q1898 Alun Michael: There is still a challenge of that balancing of economic viability in the provision of public service content; how can we get that balance?

*Mr Birtwistle:* One of the ways you will not get it, we would argue, is by further cutting the BBC.

Q1899 Alun Michael: I think we have probably got the drift of the negatives; I was hoping for a little bit of positive.

*Ms Carr:* Perhaps it does come back to regulation and we are entering a situation where, before too long, ITV may be able to pull out of Wales completely because of lack of regulation after digital switchover. Perhaps that is one of the ways in which it can be addressed. There is an issue around independent companies and a strong independent sector in Wales as well in relation to broadcasting and clearly we want to see a thriving independent sector but not damaging the corner stone of the broadcasting industry in Wales.

Q1900 Alun Michael: I think the problem has been quite well identified during the discussion but I think finding the solutions are more difficult and it might be that you want to supplement the answers on this. Can I just come onto one other question because I am aware we are short of time, and that is what do you see as the consequences of the introduction of digital audio broadcasting for the provision of public service for the Welsh audience? Do you see that having great significance compared perhaps to the impact of digital television switchover or do you see it has not likely to have the same impact?
Ms Carr: It is difficult to say at the moment. There are concerns over the cost; it is expensive to get a radio station onto the spectrum and obviously we want to be sure that the existing services are provided to all audiences in Wales. There has been a problem in the past with television services; Channel 5 is not available terrestrially (clearly that changes post digital switchover) but we need to be sure with radio that the entire nation is able to receive those services and with the right quality. I think perhaps the impact is not going to be quite as great as digital switchover.

Q1901 Mrs James: I want to turn now to the independent commercial media. To what effect is the current climate conducive to the growth and survival of that sector, particularly in Wales?

Mr Birtwistle: With regards to independent broadcasting companies that have set up, we have seen a number of them created and they have been very successful. However, what we always seek to remind them and the people of Wales is that these independent companies are built on the back of public money; they are built on the back of money that has come via the BBC or S4C. One of the things that worries us in the future is that there have been two quoted on the Stock Exchange, for example, and that sounds very good but we have concerns there as to whether they will stay in Wales in the future. Will there be a temptation for them to be bought up? Will there be a temptation for them to forget where they came from? We are slightly edgy. We understand the desire to create larger independent companies and to encourage that; I think there are a number of organisations that are seeking to do that. Arguably it creates greater security for our members and members of our sister unions who work there; it offers greater possibilities with regards to training and questions like equality. Having said that, the bigger they become, will they be making themselves more attractive to independent broadcasters to swallow and therefore again what will be the relationship that they have to Wales in the future. We have mixed feelings about it. We can see advantages in terms of increasing quality and better employment rights but we do not know where exactly this process is going to end up.

Q1902 Mrs James: You make the very valid point that it has been built on the back of public investment in a way. Do you have any ideas on how we can retain the profit from that, the payback from that, within any future contracts et cetera? It seems as if we have paid for these companies to become big players and we are not benefiting from it or may not benefit from it.

Mr Shipton: What I was going to say relates to the print media and for the print media it is very difficult to conceive of a situation where you are going to get many new Wales-wide newspapers launched. We have heard about the report on Y Byd which was out yesterday, the difficulty for the Welsh language publication. A couple of years ago there was an attempt to launch a national newspaper in English, The Welsh Globe, and it was not ultimately able to go ahead because it could not raise enough finance. The problem here is circulation; we know that newspaper circulation generally is declining and that is why newspaper companies are moving into the web. What is very important is advertising revenue and I think what finally killed the concept of The Welsh Globe was that they could not be certain that they would get sufficient advertising revenue because the existing companies, predominantly Trinity Mirror of course, have already got the advertising market sewn up so that to start any new publication is extremely difficult simply because they are not going to get enough revenue to sustain publication.

Mr Shaw: As Martin has already said, the percentage of turnover that is profit is higher than that of the banks in some respects. I think it really is worth looking at the astonishing levels of money that are still being made in newspapers despite what they say about declining circulation. On the issue of new technology as well journalists are actually very keen to embrace the technology in a lot of instances. I do not think so perhaps with The Western Mail but certainly with other titles within Wales, the kind of top down approach of saying, “We are going to have this internet thing” but without consulting with the journalists themselves and how best that can be done is what is creating the problem and what is stunting the growth of good internet based media in Wales.

Q1903 Mrs James: On my point about retaining investment, is this something for future discussion?

Mr Birtwistle: It is tricky. We would say that it is still vitally important that you retain a strong public sector broadcast. That must be at the key of it and we are concerned that that is being chipped away at. Our sister union members work in these companies. Maybe the degree of scrutiny in the independent sector is not as acute as of S4C and the BBC and, to some extent, ITV. I do not know whether you have asked TAC, for example, to come to give evidence before you because they have been re-establishing themselves after a degree of hiatus and that is a question which could be put to them. To some extent they are falling off the radar screen at the moment and as a sector, specifically in broadcasting, that has increased maybe they should be brought more clearly into the picture or into the sights of the various bodies that are responsible and the Assembly to some degree.

Q1904 Mrs James: Last time I counted there were over 50 independent television producers in Cardiff alone.

Ms Carr: I think Wales needs to ask itself as well what sort of independent sector it wants to develop. I do not think this necessarily just applies to the media: if something is a success a bigger organisation is going to want to buy it. There is a wider issue as well that if you go down a path of outsourcing because something is cheaper, what happens when you have outsourced so much that you do not have the ability to do these things in-house any more and it has grown into a bigger and bigger global company which is going to turn round and bite you in the proverbial.
Q1905 Nia Griffith: What I was going to ask about the democratic deficit has actually been covered in the comments you have made about the Media Policy and the ideas you have to try to address the market failures as you put it. I think really I would just like to finish on whether you are optimistic about the future or not. You have given us quite a gloomy view of where we might be if you came back in eight years' time; can you give us one or two indicators as to perhaps how that could be turned into an optimistic vision?

Ms Carr: I think whether we are optimistic very much depends on the response we get as we try to engage people in this debate and actually involve people. There are opportunities there I believe. We are not about preventing companies from making money. What we are trying to say is that if you invest properly in your journalism then you will see the rewards of that. I think it would be interesting to explore further the possibilities for a commission or a media commissioner at different government levels; we would like to see that explored further. I think it is partnership work between people like yourselves, between the business owners, between the public service broadcasters and actually the public themselves to engage in the debate about the media which obviously in the last 12 months has really started now, and for all of us to want to fight for quality media.

Mr Shipton: I take the view that there will always be a market for excellence and if newspaper owners and broadcasters are prepared to invest in journalism they will reap the rewards because there will always be a market, people will always want to know what is going on. On a Welsh level there will inevitably, as a result of the devolution settlement and increasing moves towards policy divergence et cetera, be the need in the future for a distinctive Welsh media and therefore despite all the concerns that I have I do remain optimistic. So far as my own company is concerned which is currently about to enter a very significant period of change, we remain optimistic. So far as my own company is concerned which is currently about to enter a very significant period of change, we remain optimistic.

Mr Birtwistle: If you are concerned that we sound unduly pessimistic then we would say that as journalists maybe our watchword is pessimism of the intellect and optimism of the will and I think it stands us in good stead. I think that we are optimistic that our members and our co-workers produce high quality output, that Wales is very well regarded specifically in the broadcasting field, throughout the world. That shows that it is not a question of cultural poverty on our part, it is the fact that we are not being heard effectively.

Mrs James: I wanted to bring up the issue of how little control Wales has over its own media but I think we have explored that fully. You have also made some suggestions about the implications for that. Unless you have anything to add to that I think we should go onto the next question.

Q1906 Albert Owen: Just to add onto that, when you talk about the Welsh media, Mr Shipton, I think you have to mean the whole of Wales and that is an issue. When you talk about the BBC jobs I certainly opposed the cuts. There has been decentralisation from London to Manchester which benefits many people in North East Wales and has the potential to have the creative industries there. Bearing that in mind, with regard to the creative industries, do you agree with the Culture, Media and Sports Select Committee of this House that the protection of intellectual property and enforcement of copyright is more important now than ever before?

Mr Shaw: I think there is a real issue there. We obviously represent the freelance journalists who make their money by selling content to media providers, and photographers in particular are finding things very tough at the moment. Certainly in the context of North Wales the amount of money that is being paid by Trinity Mirror per picture makes is almost not worth photographers getting in their car to go and do the job for the amount of money they make from it. When you then see those images being put on the internet without any extra payment being made to those photographers or those journalists who have provided copy, it does have a great impact and it does mean that a lot of people will actually be turning away from doing that work and will be looking to other areas. We are certainly losing a lot of freelancers. An interesting point that we have had raised is around the Welsh Assembly. The Welsh Assembly has contracted a number of photographers to work for the Assembly, to do jobs across various areas of photography and one of the things they have insisted on is that when a photograph is taken the copyright is then signed over and I am afraid that from the NUJ point of view that is not sustainable. If the Assembly uses a photograph it should pay once for that photograph and then if they want to use it again they should pay again rather than just buying the actual image from those freelance photographers because it does create a real problem. I think it is a very major issue for a lot of freelancers.

Q1907 Albert Owen: That is not just a Welsh dimension or a UK dimension; we have seen in America that it is an international dimension. Do you see international regulation as possibly dealing with this problem because of the internet?

Mr Boumelha: Can I just try to add the international dimension? As well as pluralism and diversity intellectual property is also an important issue. It does kind of tie in with the worst aspect of globalisation and if we take the concentration of ownership when today there are ten multi-million dollar corporations that dominate the whole kind of media landscape you will see there is no regulation to individually protect property but also property that could even belong to a group of people or to a culture. If there are no regulations they will try to use it to make maximum profit. Something that has come out of Wales and could be syndicated throughout the world without any regulation to recognise where it is coming from and how it is going to be regulated and organised. Obviously it is a free for all and the people who own it can do whatever they want with it. I think at that level organisations...
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like the United Nations and the World Intellectual Property Organization (WIPO) are quite important and for the last ten years there have been very tightly fought battles between the lobbyists representative of multi-nationals to try to preserve their interpretation of international laws. You cannot take that out of the equation and certainly there is more work in order to establish a media policy and I would have hoped that there would be some thought as to how that should be expressed.

Q1908 Albert Owen: Under the current devolution settlement as it relates to broadcasting and the creative industries, do you think it is suitable? For the benefit of this Committee and its report what can be done to improve it?

Mr Birtwistle: We think that there has to be a sharing; there has to be scrutiny clearly exercised. We are happy to some extent that we can come and express our concerns to you and we can go and express our concerns to the Assembly so it is great to have a choice, but clearly at the end of the day it is Westminster that tends to hold the purse strings and therefore it is primarily the responsibility of Westminster. Maybe there needs to be a sharing of responsibility in this field and maybe this question of a commission that we are only beginning to grapple with at the moment—as you will see—maybe that will be an opportunity to look again at that responsibility and how control or regulation of the media in a hands-off way can be implemented more regularly. It is a bit fitful at the moment is how we would put it; there are gaps in between. We have a state of redundancies and then we go back to the question maybe and we can lobby you and we can lobby the Assembly. Maybe the creation of a commission which had an on-going responsibility and where there was a degree of shared input of the two bodies would enable us to have a tighter democratic control or at least a better understanding of the influences that are affecting the media. We obviously would like to take this opportunity to thank you for having allowed us to come here and for having chosen to deal with this subject and to allow us to express our views to you.

Chairman: Could I thank you all for your evidence today. It is always a challenge to us when we have five witnesses and I think it has worked very well, although occasionally it seemed as if it were a seminar rather than a select committee. That said, we do look forward to receiving your Media Plan and anything else you wish to submit to us. We note the fact, as you pointed out, that your evidence to us was some time ago now and things have moved on; we have noted all of that. We note also that as the session progressed you did move from a sense of pessimism to a sense of optimism and as the late, great, Raymond Williams talked about the resources of hope I think you began to identify with that and I am sure it has informed your Media Plan which we look forward to reading. Thank you very much.
Tuesday 22 January 2008

Members present

Dr Hywel Francis, in the Chair

Mr Martyn Jones
Albert Owen
Mark Pritchard

Hywel Williams
Mark Williams

Witnesses: Mr John Walter Jones, Chair, Mr Phil Williams, Secretary, S4C Authority and Mr Tim Hartley, Head of Corporate Affairs, S4C, gave evidence.

Q1909 Chairman: Bore da; good morning and welcome to the Welsh Affairs Committee. For the record could you introduce yourselves, please?
Mr Jones: Yes. I am John Walter Jones, Chair of the S4C Authority. This is Phil Williams, Secretary of the S4C Authority, and this is Tim Hartley, Head of Corporate Affairs S4C.

Q1910 Chairman: As I said, welcome, croeso, to this session, which, as you know, is dealing with globalisation and its impact on Wales. Could I begin on that very theme? What do you think, from the perspective of S4C, are the greatest challenges and opportunities posed by globalisation to broadcasting and the creative industries, and particularly challenges and opportunities for S4C?
Mr Jones: Thank you for the welcome, Chairman; diolch yn fawr am eich croeso. I do not propose to take the Committee through the written evidence we have submitted. I make the assumption that it has been or it will be read at some date during your deliberations. I think we have tried to set out there where we are in relation to this word globalisation because I think it is a word that a particular unique problem really?
Mr Hartley: It is interesting you say that the challenges facing a Welsh language broadcaster are similar and yet dissimilar to those facing all other broadcasters. We find ourselves as one of more than thousands upon thousands of different outlets where you can access material. As the Chair said, we have many viewers outside of Wales because we are available on Sky satellite...
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across the whole of the UK. We have also made ourselves available through the website—video on demand; you can catch up for 35 days after a programme has been aired on the channel. We also have live streaming; we also have a contract with a company called Inuk and we are available on Internet Protocol television. So in terms of availability and cover we see that S4C is not simply a matter for Wales but, as the Chair has mentioned, for people outside Wales in the UK and even worldwide where the rights allow us to broadcast. So in that sense we see ourselves as part of a British, a UK, a European and a worldwide broadcasting environment. What we have to do is to make sure that in those thousands of opportunities to view and to consume content we stand out. How do we do that, how do we make it? It is by making our programmes excellent, innovative and our services modern so that people will actually say when they come across the S4C content, “That is good content; it happens to be in the Welsh language.” We try to make all our programmes accessible by subtitling them in English, so 80% of our programmes in the peak hours are subtitled in English. That means that people can enjoy our programmes wherever they are and whatever language they speak. Interestingly, looking at the figures some 33% of the viewers for the Welsh language hours are not Welsh speakers themselves; they may be parents with children who are learning Welsh, it may be that they are learners themselves, or it may simply be that they prefer to watch S4C rather than the BBC, ITV channel 4, Sky, QVC, whatever channel is available to them. They are tuning in to watch us because of the excellence of our output rather than for the fact that it is simply in the Welsh language.

Q1912 Albert Owen: Good morning, first of all. The broad thrust of our inquiry is globalisation, the impact on Wales—that is the title—but also the other side of that is obviously localism and regionalism. So moving on to Welsh programming and in a regional dimension how important do you think the regional delivery is to the people of Wales?

Mr Jones: I think it is vital because I mentioned the audience outside Wales, obviously it exists, it is there and they are served by the programmes we broadcast; but the bulk of S4C’s audience is within Wales. I think that we think global and act local and that is very important. S4C does allow choice for the viewer in Wales because we commission from three main sources—the BBC, ITV and the independent sector. We do offer choice in terms of output amongst all genres, from news to current affairs to variety and light entertainment. Over 25 years I think that S4C has done—even though I have only been Chair for two years—a wonderful job in terms of the non-Welsh speaker; we owe a duty to the non-Welsh speaker. Ours is not a middle aged, middle class Welsh speaking audience; it is a bilingual audience and we try to humiliate and that is going to become increasingly important post-digital switchover when all S4C output will effectively be through the medium of the Welsh language. We must keep building the bridges that we have been building over 25 years to make sure that the audience that we have nurtured stays with S4C and that we use the technology, the programming, especially sport and music that transcend language, in a sense, to bring the non-Welsh speaker into the fold of the S4C family, and that they want to watch the programmes because they enjoy the programming. Through subtitling they do have access to Welsh medium programmes and they enjoy them.

Q1913 Albert Owen: That was a very comprehensive answer and I am sure that you will be asked questions later on some of the points you raised. I just wanted to concentrate really on the sourcing that you talk about from the BBC and ITV and regional programming. You state in your memorandum that that is under threat, i.e. the number of hours that, in particular, ITV will be asked to provide regional programmes. How will that affect your total production and what do you think can be done to protect that important regionalism that you have talked about?

Mr Jones: ITV like the independent sector has access to the S4C producer website and they can make bids for programming. Whatever happens to ITV in the future, whatever decisions are taken which affect the regional role of ITV I would hope that ITV would still be gaining commissions from S4C as it has in the past. I cannot comment and I cannot see that far into the future but I would not think—and I would hope—that anything that happens to it would have a negative effect on what we get from ITV, which over 25 years has been invaluable.

Q1914 Albert Owen: I know that you cannot look into the future—I wish politicians could as well as programmers like yourselves—but the actual threat is there and you mention it, the fact that there is a contraction by the ones that you source from with regional programmes. What can you do to protect yourselves? You tell me how you actually acquire it now but what can be done to protect that in the future so that the Welsh public get good regionalism?

Mr Jones: We acquire programmes from ITV as we do from the rest of the independent sector on a bids basis; in other words, they compete for what is available in terms of resources and in terms of programme ideas. They are submitted, they are considered and then the staff at S4C hand out the contracts for the programmes. I would hope, being a commercial organisation, that ITV in the future would still bid for programme making for S4C; in other words, that it would wish to do so. I do not think that whatever happens to ITV News, for example, would have a direct effect on its ability to serve the needs of S4C as it has in the 25 years because that service to S4C is a commercial undertaking, which has been in existence and I would hope would continue. They and the BBC, for example, provide us with current affairs programming and I would hope that would continue because we need the plurality, because the viewing
public needs the choice and it is now getting that choice, and I hope that the choice, whatever happens to ITV, would continue in the future.

Q1915 Albert Owen: But there is no mechanism that protects you and makes you any different.

Mr Jones: There is nothing which protects us. At the end of the day the public money which we receive is spent on programming and we commission the best available from wherever source.

Q1916 Mr Martyn Jones: Good morning; bore da. Mr Jones: Bore da.

Q1917 Mr Martyn Jones: Mr Jones, you have just touched on the fact that after the switchover, I think you have just said in fact that all your programming will be wholly in Welsh, but in your memorandum, in the appendix in the third paragraph down, you said that it will “remain a mainly Welsh language channel”. There is some contradiction there; could you explain?

Mr Jones: No, it is not a contradiction. The public money we get from DCMS is for Welsh language programming and that money is there to be spent on Welsh language programming. If we are called upon to produce bilingual programmes or English language programmes then give us the cash and we will produce the programmes; but the money we get is for a specific purpose and it is earmarked for that.

Q1918 Mr Martyn Jones: Recently Chris Bryant MP, one of our colleagues, published a paper on broadcasting; I do not know if you have read?

Mr Jones: I have indeed, many times!

Q1919 Mr Martyn Jones: I have not but I am told that it actually warns against S4C becoming a Welsh only channel for fear of it becoming marginalised. Do you agree with that?

Mr Jones: I do not think that S4C will become marginalised; it will be the majority channel for Welsh speakers, those who are learning Welsh and, as I said, I hope for those who want access into the programming of S4C because it is high quality programming. I do not think that we will become marginalised because over 25 years we have played more than the role of the public service broadcaster; we have been involved in language planning. I know that possibly, other than Mr Hywel Williams, language planning is not something that this Committee has considered or discussed in the past, but S4C’s role in that respect has been an important one. It is not laid down in statute but by the very nature of its being it has contributed a great deal to the furtherance of the Welsh language and that is the role which S4C will continue to play in the future. Especially, if I may mention, in our plans for the children’s channel; those are exciting, they will happen, hopefully, and in global terms the influences on children and young people are enormous and we want the children and young people of Wales to be able to face the challenges of globalisation through the medium of the Welsh language.

Q1920 Mr Martyn Jones: You know of course that BBC 2 Wales is disappearing post switchover; do you think it would be appropriate for S4C to take up the slack there with programmes relating to Wales and produced in Wales, but not in Welsh, if you were asked and you were paid?

Mr Jones: Again, if asked, if given the cheque, if the capacity was there then we certainly have the ability to do it. But, as I said, the existing budget is there for a purpose and if we go beyond that budget then I am afraid that we could not contain it. We are containing the initial expenditure on the children’s channel within existing resources; we are not asking for more money. Even though it is very, very exciting we are containing it within existing resources.

Q1921 Albert Owen: Can I just come in on the back of that? I think there is some contradiction actually. You are saying that you support plurality and all this and yet here is a niche, here is an opportunity where there is diminishment of regional programming post switchover and you say that you want to broaden your appeal and obviously increase the number of viewers you have. Why in your planning have you not considered going after that niche?

Mr Jones: As I tried to explain to Mr Martyn Jones, the money is there for a purpose. I agree that the niche is there and if the need is there also then, given the additional resources, we can fill that need or respond to that need, but within the budget we get and in the terms of the money we receive from the DCMS we are there to provide programming in Welsh. Not just programming about Wales, we are a public service broadcaster and we want our programming to make an impact; we are there to entertain, educate . . .

Mr Hartley: A broad range of high quality programming.

Mr Jones: Inform, educate and entertain, that is what we are there for. We can do that in the Welsh language and if anybody wants to go beyond that remit through the medium of English then, as I said, give us the money and we will do it.

Q1922 Albert Owen: The point I am making is—and I am sure you have done a survey of your viewers—many of your viewers watch S4C but also watch BBC 2 Wales and that is going, so surely there is an opportunity for you as a predominantly Welsh-based broadcaster to look at that?

Mr Jones: Certainly there is scope to look at everything—nothing is ruled in, nothing is ruled out; I am just saying that within the budget it is earmarked for a purpose and beyond that purpose we need extra finance.

Q1923 Chairman: Can you be a little more precise about the post switchover situation? You seem to imply that it all depended on, “If you give us the money we will do this or that”; where is the policy though? Are you saying that it is going to be the same kind of mix or could you end up, for want of a better description, as a kind of Tinopolis writ large—that you would go wherever the money is?
Mr Jones: When we talk about English language programming on S4C to date what I am talking of really is the Channel 4 programmes which we have been rescheduling over 25 years, which was the wraparound around our Welsh language output. They, post switchover, will not be broadcast; they will not be on S4C, you can get them on Channel 4, as indeed you can today. So we have lost the comfort, if you like, of the English language programming. English language programming on S4C produced by S4C for S4C would be something new; that is where we go beyond the budget because the budget is there for a purpose, i.e. the Welsh language programming.

Q1924 Hywel Williams: I think there is the danger of confusion of your role, that is whether you are a Welsh language broadcaster or are you the national broadcaster for Wales. What I get from you is that actually you have a specific Welsh language brief and you are not a national broadcaster. People who suggest that English language programming from Wales might be under this are confusing those roles, although you would be quite happy to be a national broadcaster, I am sure, were you funded adequately!

Mr Jones: I would be happy to be anything if adequately funded, is the short answer to the question.

Q1925 Mark Williams: You referred to the children’s channel and it is very exciting and I know that you have been lobbying hard and your consultation exercise got widespread support. In your memorandum, though, you note that this could potentially displace coverage of the National Assembly. So my questions revolve really on how you are reconciling that public service, which is critical, I think we all agree on that, with the very exciting project involving young children?

Mr Jones: What I have said about the National Assembly and the broadcasting of the Assembly is I think that S4C does have a public duty—not a public service broadcasting duty but a public duty—to the Assembly, that it has discharged from day one of the Assembly in terms of the broadcasting. What we have said is that possibly with the advent of the children’s channel, i.e. a new service post digital switchover, we will need to look at the way in which the Assembly is covered on S4C, but I have gone on record as saying that I am not going to be the Chairman that pulls the plug on coverage of the Assembly. The exact nature of that coverage post switchover and come the children’s channel remains to be discussed. I think that in the lively period of the consultation everyone supported the advent and the thoughts and the proposal for a children’s channel and no one objected to the fact that we would need to discuss with the Assembly—and with the BBC of course—the nature of the coverage come the children’s channel.

Q1926 Mark Williams: What options are available? I think in your consultation you give us three options there and option two, is that the broadcasting of National Assembly proceedings ceases and is replaced by a new children’s channel, uninterrupted, seven days a week. What other options would you look at to ensure that accessibility on proceedings of the National Assembly is maintained?

Mr Hartley: I think there are many creative ways of looking at the way that you perhaps combine elements of the National Assembly and the children’s channel. In fact we talk about a children’s channel but it is a series of children’s services; we define three very distinct audiences—the pre-school, the junior school and then the young teens—and it may be that certain elements of those services could be launched without having to go on to S4C 2. For example, capacity may be available on S4C Digidol during the daytime hours, which would not be a problem for us. So it is not quite as black and white as perhaps that option makes clear. So, as I said, there are many creative ways of looking at it and also the coverage of the Assembly, “gavel-to-gavel”, as it is known, it may be that the service which is offered by the Assembly itself across the Internet may be something to look at as well.

Q1927 Mark Williams: Such as the Scottish model. Mr Hartley: Holyrood.tv; yes.

Q1928 Mark Williams: What are the viewing figures, as a matter of interest, of the National Assembly proceedings?

Mr Jones: Fairly low!

Q1929 Mark Williams: I suspected as much, but the principle none the less is enshrined—

Mr Jones: It is not a question of viewing figures in terms of broadcasting the National Assembly; I think it is a service in terms of democracy in Wales and the growth of devolution as a project in Wales. I think that everyone, including S4C, has a duty at some point in advancing devolution as a concept in Wales.

Mark Williams: I think we would all agree on that very strongly, but equally if I reflect on my young family at home as well and I think of what Mr Hartley said about the different audiences and young children it is a critical one and there is a very important case for reconciling both those challenges.

Q1930 Hywel Williams: Coming on to the creative industries in Wales, could you give us a broad take on the prospects for survival and growth of the creative industries in Wales in the next five or ten years? How do you see it going?

Mr Jones: The Authority commissioned an impact study on the economic benefits of S4C last year and we were seen as a lean, fit machine contributing to the creation of 2,200 jobs in Wales and turning over a multiplier of £85 million within the Welsh economy, and I think you can see the effects of that multiplier effect in various parts of Wales. We do not commission programmes on a geographic basis, we commission programmes because we need the programming. Looking at your own constituency, looking at Albert Owen’s constituency in Anglesey I sometimes have difficulty in working out what is
Menai Bridge and what is the Rownd A Rownd studio in Menai Bridge because it does have an impact on the local economy. In terms of the creative industries, I think that they are underplayed in Wales quite often because they do contribute to the economy and we have played our part in what we have tried to do with the independent broadcasting sector in Wales. The Chairman mentioned one particular company in Llanelli, Tinopolis. We have encouraged independent sector producers to merge because we think that there is scope then for enhancement of the industry, of employment within the industry and of training within the industry. Skillset are coming to the Committee in a couple of weeks' time and they can talk to you in detail about training, but that is an important element within the creative industry sphere in Wales. The BBC and ITV years ago used to involve themselves with training. We try to make sure that for every commission we hand out there is an element of training attached to that commission to make sure that there are opportunities for training for the industry because it is an attractive industry and it does provide employment locally. I have seen a recent example in Mark Williams' constituency, in Aberaeron, where Boomerang have opened an office in Aberaeron, not just because of the commissions received from S4C but because they think that there is scope there for them to develop. These companies then develop not just on the back of S4C but they are now becoming not national but international and I think that can only be good for the industry in Wales.

Mr Hartley: To answer your question in the macro, so to speak, if you look at overall growth in the economy at around 3% and the creative industries at 5% Wales does have a very good news story to sing and dance about. We believe that sustainable growth is vital for those companies to expand and also from the point of view of S4C. If you have companies which are sustainable, which are longer lived and bigger they will give us economies of scale, they will give us more experience, a wider portfolio of programmes and skills and opportunities and, as the Chair has mentioned, most importantly that you are bedding in a skills base there for Wales. What we have done from S4C’s point of view is to offer longer and bigger contracts to companies which gives them opportunities, if you like, to invest in staff, to invest in equipment so that they have a more sustainable future themselves. That in turn allows them to look for markets other than S4C, other than the domestic Welsh markets. So you are moving from a situation of dependent companies to truly independent companies, not dependent just on the public sector but independent in that they serve more than one master, that they are being commissioned from the likes of Sky, from European broadcasters, from the BBC and Channel 4 as well as from S4C. As I say, it gives them enhanced market experience and stimulates further growth, which can only be good in this high paid, high value job sector.

Q1931 Hywel Williams: I think you are jumping on to my next question in fact, how important is the placing of contracts from service public broadcasters to the development and growth of the independent sector itself? I assume you would say that it is absolutely crucial.

Mr Jones: It is crucial; it always has been. You know as well as I do the impact that S4C had in the early days in Caernarfon, for example, and what we received from the independent sector has been the backbone of the output and remains the backbone of the output. Apart from the hours which we get from the BBC, all S4C's commissioning comes from the independent sector. Of course, one thing which you must remember at all times is that you cannot buy original Welsh language programmes from anywhere else in the world; they have to be commissioned by S4C and they have to be produced for S4C—unlike other broadcasters we cannot go out there and buy Welsh language programming. We are the second, for example, biggest commissioner of children's programmes, original programming, in the United Kingdom. So we are very proud of that and when others are pulling out we are actually investing not just in the future of television but in the future of the Welsh language through our young people.

Q1932 Hywel Williams: Looking at the other side of that question to what extent have independent companies become less focused on Wales in the pursuit of international markets to the extent that we do?

Mr Hartley: On that question of small producers pulling out, there are about five main large producing organisations in Wales in the independent sector. Within those five, half a dozen large companies there are between 30 and 40 what used to be small, independent companies working under a new banner, so they are there employed within the industry—they have not been lost to the industry—and they can now dispense with the chores of administration, they can concentrate on the creative and they are still out there producing, and because they are part of larger organisations they gain the experience which contracts from other directions, i.e. outside Wales, bring to those organisations and they create the opportunity to bring that expertise to Wales for the benefit of S4C and its viewers. So I think it is a win situation.

Q1933 Hywel Williams: The question to ask, however, is: is there a downside to this in any sense, in that there is less of a concentration on Wales and the matter of Wales, as it were? Perhaps to take it a little bit further—and it is certainly a hugely controversial thing—that with the growth of some companies there is on the adverse side that people who are very small producers are pulling out, and is there a downside in that respect?

Mr Jones: On that question of small producers pulling out, there are about five main large producing organisations in Wales in the independent sector. Within those five, half a dozen large companies there are between 30 and 40 what used to be small, independent companies working under a new banner, so they are there employed within the industry—they have not been lost to the industry—and they can now dispense with the chores of administration, they can concentrate on the creative and they are still out there producing, and because they are part of larger organisations they gain the experience which contracts from other directions, i.e. outside Wales, bring to those organisations and they create the opportunity to bring that expertise to Wales for the benefit of S4C and its viewers. So I think it is a win situation.

Q1934 Albert Owen: You have encroached really on what I wanted to ask. Hywel was talking about the downside and you were talking about the successes of going overseas and having these international markets and in your memorandum you cite some of these very successful winners abroad. What makes
you attractive to a creative industry to come along to you and want to make programmes that are international successes?

Mr Jones: I do not think they start from the basis of wanting to make international successes when they come to S4C; they want to make good programming for S4C within the parameters which S4C set.

Q1935 Albert Owen: How do you nurture that?

Mr Jones: We have readjusted, if you like, the development money that S4C hands out to the independent sector to bring along a creative idea, to work it up to a point where it could become a programme and that has been done for the benefit of the idea, for the benefit of the company, for the benefit of S4C and eventually for the benefit of the audience. Whoever we are accountable to at the end of the day there is only one important sector out there I believe we are accountable to, and that is the viewing public. If we do not supply them with the programmes that they want to see and which they enjoy then we are not doing what we should be doing. I think that by nurturing and developing ideas and helping the private sector, the independent sector to do this, at the end of the day if those ideas become programmes, if those programmes hit the screens, if they are then submitted to competitions and are given plaudits outside of Wales, excellent, because it then proves that Wales—coming back to this general question of a creative industry—is a hotbed of good, creative ideas which can be translated into good programming.

Q1936 Albert Owen: You have had a number of successes and the point I am making is what makes you unique within Wales, or do you think that the others are doing exactly the same? Or is there something that you are doing different that entices people to come to you rather than go to them?

Mr Jones: I think that what makes us unique is the Welsh language but at the end of the day, as I said, we set ourselves high programming standards because we believe that the viewing public, through the medium of the Welsh language, deserves what others are getting through the medium of the English language. The medium, i.e. the language, does not make any difference to programming standards; that is why it is becoming expensive to produce high quality programming, and therefore we have to make sure that where we invest there will be an impact and the bang for the buck at the end of the day needs to be assured. It is not an exact science and it is very, very difficult; we do take risks. If I may mention one particular programme, i.e. the play currently on a Sunday night, Teulu, I think that stands up to any production in any language on any channel that can be enjoyed by anyone and I am sure that Mr Mark Williams will thank S4C for the benefit to his own constituency! That is by the bye!

Q1937 Albert Owen: Just before I go on, I certainly applaud the opportunities that S4C and other broadcasters are giving in northwest Wales but there is still a huge drift of people into the media, to Cardiff in particular and the Cardiff area, and I do not think that S4C is any different to that. People feel that if they are to get on in media in Wales then they have to go down to the Cardiff area, although I do accept that the independents do contribute a lot. Moving on to the new media platforms, and again you have mentioned the alternative sources that you use for this, do you think that the Web and the websites and everything are actually a threat or even a challenge to you? Which one do you see it as for the future?

Mr Williams: When you talk about globalisation and you talk about threats the challenge is the hundreds of challenges, but new media and the methods by which we can access new audiences is our opportunity. For the first time since 1982 we can now go out and talk to and communicate with the Welsh Diaspora and since 1998 we have been available on Sky throughout the UK, and as John said earlier on we have over 120,000 people watching a week on the Sky platform outside of Wales, and that clearly says something—that there is a demand for our content out there. We have started web streaming now, video on demand, IPTV, subject to rights issues and things, which all broadcasters are going through as part of the terms of trade and things like that, and we hope to be available to international markets and audiences. We firmly believe that there is an opportunity for Wales and for S4C and that there is an audience out there for our content. That is an opportunity.

Q1938 Albert Owen: I hear what you say and a lot of people have mentioned this about being available on Sky and outside Wales, and all the broadcasters say that, but if you do not have Sky how do you get hold of S4C if you live in the Midlands?

Mr Williams: It is a very good question. Sky is the first step for us; we think it is very important to be on Sky. Ideally we would love to be on Free View throughout the UK but there are clearly logistical and financial issues associated with that.

Q1939 Albert Owen: What are those? Could you explain them? What is the attraction of Sky? What does Sky give you that they do not and what are the barriers to you going on to digital Free View?

Mr Williams: Sky gave us access in 1998 to a UK-wide audience and under the 1996 Broadcasting Act we were gifted capacity on a terrestrial multiplex, on SDN, as it was, but only in Wales, which followed our analogue remit and therefore we were not available on DTT throughout the UK. We would have to buy capacity in the open market for that and those would have been prohibitive costs which would have come from our production budget. So it is a balancing act. As I say, ideally we would love to be there, and possibly after DSO and more capacity becomes available it is a discussion we would like to have with DCMS, Ofcom and the BBC, but there are no guarantees.

Q1940 Albert Owen: So it is a financial problem as opposed to a technical problem?
Mr Williams: I imagine there are technical issues as well and we are hoping when more spectrum becomes available after DSO that we can have discussions. We are in the process of having discussions—not about capacity in the UK but regarding capacity post DSO because we have already mentioned S4C2 and the children’s services, where do they go post-DSO? We believe it is very important that as many people in Wales—and beyond obviously—get to see those services. So these are important issues to us.

Mr Hartley: I wonder if I can help you? If you want to watch S4C and you did not have Sky and you were in Newcastle upon Tyne, you could watch it through live streaming through the internet, and if you missed a programme you could watch it for 35 days after transmission on the video on demand; so you can actually access it anywhere in the UK. Similarly, if you are a student and you have access to the JANET network in your hall of residence you can receive it through Internet Protocol television.

Q1941 Albert Owen: And this is a market that you are hoping to expand in the future?

Mr Hartley: Yes, very much so.

Q1942 Mark Pritchard: Bore da. ITV Wales, we had some senior management here last week and they were basically saying how times were difficult because of reduced advertising revenue. If ITV Wales were to close its locations in, for example, Wrexham and Colwyn Bay, what impact do you think that would have on the general view of the broadcasters to the people of Wales?

Mr Jones: That is not an easy question to answer because broadcasting, as Mr Albert Owen alluded, has traditionally been Cardiff centric, that I accept. There have been studios in North Wales—the BBC still has a major centre in Bangor. ITV traditionally has had a foothold in North Wales; it had more than it has now. In Paddington many, many years ago—and I am showing my age now—there used to be a sign saying “Welcome to your station back home”, which was HTV’s advert in Paddington. I think that ITV is still regarded as ITV Wales, whatever it is called these days; BBC Wales is still BBC Wales; S4C is the Welsh language station for Wales, and I think it is important that we do have footholds. We do it through independent production centres, if you like, in places like Caernarfon, in places like Anglesey, in places like Aberaeron, and we are to be seen outside Wales. We keep in touch with the audience through regular public meetings up and down Wales, as does the BBC. We meet our viewers, we discuss with our viewers their aspirations, what they want in terms of programming, and that in fact is a statutory duty that we have. But at the end of the day I think that people’s views of television in Wales are probably more national in terms of Wales than they are outside Wales, and that has been concluded in more than one survey by Ofcom and others—the gut feeling that it is theirs, be it ITV, be it BBC Wales or be it S4C; that it belongs to them and it is within Wales. In S4C terms, for example, we do not have to defer decisions to anyone, they are taken in Wales for the benefit of the viewers in Wales. Whether that answers your question, I do not know.

Q1943 Mark Pritchard: But do you accept that for the people of Wales to have real ownership, to feel that it really is theirs, as you put it, that whatever the brand over the door, whether S4C, BBC Wales, ITV, that there needs to be a shared ownership through a geographical distribution and a financial distribution of those broadcasting resources?

Mr Jones: Yes, undoubtedly. I do not think that the need for a physical presence is as great today as it was let us say ten, 15 years ago because technology enables you to be where you want to be, and if you watch evening news broadcasts, for example, and programmes on S4C like Wedi Tri and Wedi Saith we are out there, as are the other broadcasters, in different part of Wales on a regular basis. No longer is it an event when a television crew turns up in a village wherever because they are there on a fairly regular basis because of technology.

Q1944 Mark Pritchard: If I can interject for a moment, if you have two equivalent news stories and you only have a limited number of outside broadcast vehicles—and let us focus on news, for example—whatever the brand one has to make a decision whether you send that vehicle let us say from Cardiff all the way up to Wrexham to gather a news story, or whether you send it just down the road to St. Athan or something. So that is a financial decision, a management decision and it is a real decision that no doubt does take place, will continue to take place and may take place even more so if there are not the safeguards in place that I allude to.

Mr Jones: If we are talking in terms of news, it is also a news value question and at the end of the day that is down to the judgment of the news editor. I think that from my experience of watching news on ITV, BBC and in Welsh from the BBC on S4C that news runs fairly high in Wales and that judgment would reflect the importance of the story and the news value of the story and only in extreme circumstances now, with technology, would it be down to finance and cost because technology enables you to broadcast in some form or other far more easily than was possible five, ten, 15 years ago.

Q1945 Mark Pritchard: I am conscious of the time and I am grateful for the answer. I did actually premise my remarks with there being an equivalent news story, so all things being equal I think there are some real challenges there that I hope you might accept. Moving on, I wondered what you thought of the honourable Member for Rhondda’s idea, Chris Bryant MP’s suggestion that funding for S4C should be devolved to the Assembly?

Mr Jones: Anything of course is possible in this weird and wonderful world of politics. We can be funded from the moon as long as we are adequately funded—that is my main concern. It is not just a question of discussing the funding of S4C when you talk in terms of devolving responsibility for an aspect of S4C. I do not think that that debate is
confined to S4C; it is a debate which encompasses broadcasting and that is a pretty broad debate. It involves Ofcom, it involves the BBC, it involves ITV, it involves S4C, it involves far more than the Welsh language. I think it is a convenient debate for some people to flag up in terms of, “It is Welsh, it is Welsh language, devolve it to the Assembly.” I do not think that is the issue; it is a broadcasting debate. Obviously we are open to take part in any debate.

Mark Pritchard: I hope you will be open but be prepared to take a stand on the position that you finally resolve to take because my own view is that I do not agree with the honourable Member for Rhondda; I think it is a populist idea which has not been thought through, and actually the evidence that you have brought before this Committee this morning would suggest, particularly in the context of the Diaspora, that it is very much a national, an international one and needs to become an increasingly international broadcaster and platform.

Chairman: Thank you, Mr Martyn Jones.

Q1948 Mr Martyn Jones: I know the feeling! Can any lessons be learned for the future of media policy in Wales from the experience of other bilingual countries, such as Ireland, Catalonia and the Basque Country in Spain?

Mr Jones: I think the major difference between the Broadcasting Act that set up S4C and similar legislation in other minority language situations is that, as I am sure Elin Haf Gruffydd Jones who is going to speak to you after we have finished will explain, their legislation, as in New Zealand, sets a duty on the broadcaster in terms of language and culture and the fostering of the language and culture. There is no such duty on S4C. S4C is a public service broadcaster and the authority is a broadcasting authority in its own right. As I said, by the very fact of our being, by the very fact that we are broadcasting through the medium of the Welsh language, we have played, I think, a major part—a major part—in what in other countries is a statutory duty and we are part of that movement to help the Welsh language look to the future with strength.

Mr Hartley: The comparison, Mr Jones, may be with other lesser used language channels rather than programming on the main broadcasters, and Elin Haf Gruffydd Jones will be able to tell you better than me. But the examples you have are the Frisian language and the lesser used languages in Spain, and in those areas, the Basque Country and in Catalonia, there is a mixed model of funding so that there is government money given to the channel but also there is advertising, and I think what we have in S4C is a unique and novel funding mechanism whereby most of our money comes from a block grant from the government and then we have our commercial revenues and of course we also take programmes from the BBC, and again that is under statute. So it is a very interesting and novel mixed model not only perhaps for lesser used languages.

Q1949 Chairman: Could I end by thanking you for your written memorandum and also the way in which you have responded today to our questions. It occurs to me that when you talk about the Welsh Diaspora I was reminded of the seminal work of Hanes Cymru by John Davies where he describes that in the third quarter of the nineteenth century the battle over the survival of the Welsh language was lost at that moment because, even though the numbers of Welsh speakers was rising, within the territory of Wales as a proportion it was declining. What you have described today and the way in which S4C is working through the globalisation of broadcasting is that you are in a sense reversing that and you are describing the way in which you are linking to the Welsh Diaspora in a way that the Welsh Diaspora was in a sense lost to us for 150 years. I wonder whether you could write us another memorandum in which you actually give more evidence to the Committee and they suggested that it would be a good idea to set up a commission on perhaps for lesser used languages.

Q1947 Mr Martyn Jones: But you think it probably would be a good idea if it was set up, or do you have another view?

Mr Jones: I would like to see more flesh on the bones before I respond to your comment but obviously every debate on the future of broadcasting is an important debate. You have had them, they are ongoing; broadcasting is ongoing; technology is changing and I often feel that I am not able to keep up with whatever happened yesterday as it is going to be different tomorrow. So a debate is relevant today but it needs to keep up with everything else that is happening within broadcasting ecology.
interesting to have a fuller paper on that to explain what you are actually doing in a more comprehensive way.

Mr Jones: I would just mention one thing, for example, which we will be doing in October; we will be holding a public meeting in Liverpool. We are doing that for two reasons: there is an audience there, which watches S4C, and of course Liverpool is the Capital of Culture 2008 and we feel duty bound to go and see the Welsh Diaspora in Liverpool, which has been so important to the Welsh language in that part of the world.

Chairman: Ffarwel. Thank you very much.

Witness: Ms Elin Haf Gruffydd Jones, Director, Mercator Centre, Department of Theatre, Film and Television Studies, Aberystwyth University gave evidence.

Q1950 Chairman: Bore da. Could you introduce yourself for the record, please?

Ms Gruffydd Jones: My name is Elin Haf Gruffydd Jones; I am a Director of Mercator Centre at the Department of Theatre, Film and Television Studies, Aberystwyth University.

Q1951 Chairman: Thank you for your very helpful memorandum. In that memorandum you note that “globalisation can be seen to be at work in the Welsh creative industries at the point of production, distribution and consumption”. Could you give us some examples of that?

Ms Gruffydd Jones: Can I thank you for the opportunity to be here today and I am sorry that I do not have a table full of colleagues to back me up—academics are overworked and underpaid, as I am sure a lot of you know from experience! I think if we look at the public debate about globalisation it has been around for quite some time, but in this particular field the technological advances have accelerated the process and our understanding of it and our capabilities of engaging with it. If we look at the production within the creative industries in Wales, if we look, for example, at what has happened recently within S4C and the way in which a large number of small independent producers have merged together to create larger entities that is an example, is it not, of the way in which phenomena that are associated with globalisation—so in the case of production the consolidation of economic entities—we can see that happening in the production base. If we look at distribution then reference has been made already this morning that we are not just looking at broadcasters broadcasting but we are also looking at broadcasters presenting their content on a number of different platforms; that we are looking at internet television, we are looking at mobile television; we are looking at streaming and so on. So in terms of delivery we have had that change due to technological advances that we link to globalisation. Then with consumption we are aware that we can access all kinds of audio-visual material from all parts of the world and that is affecting the younger generation probably more than us and older generations. So I think in our viewing patterns, in the way that we access material that could be classified as broadcast material I think there are great changes going on. So that is what I had in mind.

Q1952 Mr Martyn Jones: Is the recent growth seen in the creative industries in Wales sustainable, in your view?

Ms Gruffydd Jones: The creative industries is an umbrella, is it not, for a number of different kinds of activities, and of course in the converged field where the difference between the broadcaster and another kind of content distributor becomes a little bit more blurred then we will probably have to look at the industry, even though it is made up of different segments, in a more cohesive way, if you like. There has been growth in the creative industries over and above the general growth in the economy. How sustainable is that? I think a lot of it will depend on the way in which we as consumers decide to consume media. Do we want to access media that is produced in Wales or in the UK or do we prefer to access material that is produced outside our economy? If so, then we are effectively exporting jobs, are we not? So the level of sustainability within the economy depends a lot on us as consumers but also it depends on the way in which policy makers decide to implement policy and where to deploy public funding. We know in the UK and in Wales that we have a very highly respected track record of broadcasting—that has not come without substantial public funds.

Q1953 Mr Martyn Jones: I was going to ask you about that. Do you think that the growth is due to public funds being invested in the business or is it that we are selling significant amounts of programmes abroad? Is that growth international or is it just public investment?

Ms Gruffydd Jones: I think that it is wise to start looking at your needs as a market or as a society at home first, if you like. I think if you are just producing for exports then you are not contributing to the tradition of public service broadcasting in the way that we have recognised it. I do not have figures to hand; I would not be able to tell you if we are going more in the direction of exporting or more in the direction of consuming what we produce at home.

Q1954 Mr Martyn Jones: That neatly leads me on to my next question because the NUJ last week suggested that there is a risk that independent companies become less focused on Wales for the very reason that you have just intimated, that they might be focusing on selling abroad. Do you agree with that?
**Ms Gruyffyd Jones:** I think independent producing companies that produce Welsh language programmes have to focus on Wales but they need to be able to look beyond Wales too and I do not think that all Welsh language material has to be Wales-based. Indeed, we have a tradition in Welsh language broadcasting of dealing with world issues as well. I think that it is important to have an independent sector in Wales that can produce the best quality programmes for the broadcasters in Wales, and I think that if we were concerned that their attention was being caught elsewhere to a large degree that you would want to look into more detail at the structure. I do not think that that is the case at the moment.

**Q1955 Hywel Williams:** Is home-grown Welsh broadcasting actually Welsh language broadcasting exclusively? Are there independents in Wales who produce material exclusively in English? Is this one sector, or is it two?

**Ms Gruyffyd Jones:** There are independent companies located in Wales that do not produce material in the Welsh language, yes, that is right.

**Q1956 Hywel Williams:** Is it significant?

**Ms Gruyffyd Jones:** It is not as significant as the sector that produces in Welsh. The Welsh language sector also includes companies that produce in Welsh and in English.

**Q1957 Mark Williams:** My questions relate to the changing nature of the public sector and independent broadcasting. A general question to start with: the extent of opportunities and what are the main challenges?

**Ms Gruyffyd Jones:** I think one of the challenges facing public service broadcasting is that young people are tending to go outside broadcasting and going into web-based material. I think there is a shift there that has been identified in several Ofcom reports, so I think that it is very important to ensure that there is an engagement between the public service broadcasters and young people—and not just while they are young but as that generation gets older if that generation is lost to the public service broadcasters then that has deep implications for the role of broadcasting within the democracy.

**Q1958 Mark Williams:** That has very usefully pre-empted one of my questions on the extent to which public engagement was responding to those new media platforms. Do you perceive that the broadcasters are responding to that lead? You talk about consumer driven—are they responding to the need for those new media platforms?

**Ms Gruyffyd Jones:** I am very pleased to see public service broadcasters using more than one platform; I think it is important that they are engaging with the new platforms and S4C, the BBC and ITV as well have been quite prominent in that area. I think it is also important when we are looking at new platforms to make sure that we have this notion of universality of access, yes? When we look at broadcasting, broadcasting is available to everybody more or less in the UK; it does not matter where you live, you should be able to access television and that was one of the cornerstones of public service broadcasting. Similarly, if we are looking at public service broadcasters using other forms of delivery, for example through broadband, through internet access, then it is very, very important that people who live outside urban conurbations are able to access these services on an equal footing, and I think that there are comparisons to be made with the situation that we had in the 1980s before privatisation of BT, that there was a responsibility to provide a telephone line at the exact same cost regardless of where you lived; and I think there should be a way of addressing that issue and using that principle of universality of access in the digital era.

**Q1959 Mark Williams:** As a Member of Parliament for Ceredigion I can relate to that from my postbag on that particular area. As you know in a rural area it is a very live issue, particularly in terms of the effect that digitalisation would have on, if you like, people’s democratic entitlement. You talk about the history of BT and the universal obligation there; how else can we address that problem?

**Ms Gruyffyd Jones:** I think the more that democracy relies on being able to communicate to the citizens through broadband and through the internet, if it is for example televising this type of Committee so that people have access to finding out what you are doing as their representatives, the more that democracy depends on broadband services the more broadband services become part of a basic package or a basic entitlement, and that you should be able to access those. The technology is there but there is a cost implication and where the market does not deliver the kind of society that we are used to living in means that if the market does not deliver and if it is something that we as a society feels is very important then the public sector steps in.

**Q1960 Mark Williams:** You heard the discussion we had earlier about the discussion of the children’s channel and broadcasting from the National Assembly. Presumably in that context there is a serious concern there?

**Ms Gruyffyd Jones:** Yes. Personally I think that broadcasting Parliament and broadcasting the National Assembly is something that is very important to democracy, but I think it is possibly more accessible to more people through broadband than through broadcast. I think that the system you have here is very good for people who are able to access it, but again we are down to the issue of being able to access through broadband. If we are in a situation where people are able to do that then I think it would be a better way of disseminating the work of the Assembly to put it on broadband and it would be a better way of serving the children audience in Wales to use that capacity as a television channel. If you look at the popularity of children’s channels, niche broadcasting for children, I think that in Wales CBeebies is the fifth most watched digital channel. CBeebies is aimed at children who
are under five or six years’ old. It is just an example, if you like, that children—as I am sure many of you know—want to watch children’s channels now, not just children’s programmes, and they are very, very receptive to picking up the brand—they know what channel they are watching.

**Ms Gruyffydd Jones:** I do not know what the possibilities are in terms of the technical aspect of these problems. I do not know what the BBC is doing on a Welsh level. I read the Audience Council for Wales’ minutes of their meeting in May 2007 and they did not seem to be aware of the problem. However, since Ofcom announced that there would be a delay up until 2015 for this that is a signal that something should be done, and I think it is very possible that you as a Committee would be able to take the matter further if you thought that it needed further attention.

**Q1965 Hywel Williams:** So what are the implications for Wales? Is the digital service going to be dominated by commercial radio?

**Ms Gruyffydd Jones:** Again it depends how the programme rolls out over the next couple of years. The issue of digital DAB radio in that part of Wales is also going to be a problem for commercial radio too. So the rest of the UK or other parts of the country will be moving ahead and using DAB radio sets, whereas people who live in Gwynedd and Conwy and so on will be using the DAB radio sets but will not be able to access more than that limited amount of radio stations.

**Q1966 Hywel Williams:** I do not know if it is unique but the area is the only one—apart from Ceredigion perhaps—where you have not only Welsh language broadcasting on the BBC but also on commercial radio, and that will be the very area where digital will not be available. That is an observation really. Will digital switchover, and the closure of BBC 2 Wales in particular, have an effect on English language production from Wales?

**Ms Gruyffydd Jones:** Certainly it is the end of a brand, is it not, and I think that it is very important in a situation where you have numerous, countless outlets to have a very strong brand that people can turn to and they know what to expect. So it is very important to make sure that the 2W brand, as it disappears that there is something that replaces it in terms of branding and also in terms of programme content and the number of programmes that are produced by the BBC in Wales and for Wales.

**Q1967 Hywel Williams:** You will have heard us early on asking John Walter Jones whether there is any potential for SPedwarC commissioning and broadcasting English language production from Wales. What do you think about that?

**Ms Gruyffydd Jones:** I think first of all there would have to be a change in the parliamentary Act because the legal basis is that S4C is funded through DCMS to produce programmes in Welsh, so there would have to be a change at that level in order to proceed with English language programming. I think that it is extremely important to ensure that broadcasting and content production through the medium of Welsh can stand up against any kind of competition. As viewers we do not expect lower standards just because it is in Welsh; we want to enjoy programmes, we want to be informed just as well through the medium of Welsh about what is going on.
on in our society as we do if we want to be informed in English. So I think that it is important to ensure that there is a very high level of standard of programming through the medium of Welsh. Similarly, we are not all the same, are we, as people who speak and understand Welsh today would agree? We are not just one group of people; we do not have one set of tastes, and I think it is important to recognise that in Welsh language provision as well. So I think that it is a positive step to see the authority move into the direction of setting up a niche channel for children because that is a way of extending broadcasting in Welsh rather than reducing it.

Q1968 Mark Williams: Turning now to the written media and your thoughts on the trend towards concentration of ownership of the Welsh written press?

Ms Gruffydd Jones: I think we are in a position in Wales where we do not have the diversity of written press and we do not have the strength of written press compared to what is happening and what has been happening for a number of decades in Scotland and also in Northern Ireland and in other countries too. So in that sense we are very dependent on the broadcasters for a plurality of coverage and also studies show that we look to the broadcasters for news coverage more than to the printed press. I think that the concentration of ownership that has taken place in the past couple of years has shown that we live in a society in Wales where there is a dangerous monopoly, if you like, that the company that owns the main Welsh newspapers is possibly taking out of Wales more money than it should do in terms of profit, and there was a report published by the Cardiff School of Journalism that came to that conclusion. So I think there is a danger where you have one large player that they are taking out too much profit and not putting enough back in. So the NFUJ and others have concerns in that respect. I perhaps ought to declare an interest however in that I am a member of the Board of Directors of Dyddiol Cyf, which is the company that is trying to set up a daily newspaper in Welsh, just for the record.

Q1969 Mark Williams: I am coming on to that now. In your memorandum you said, “Of the minority language communities that have a strong media, Wales is an anomaly in that it has not yet succeeded in setting up a daily newspaper in the language.” Is the establishment of a newspaper viable in Wales, not least in view of the report that came out on January 14, which questioned the viability of that?

Ms Gruffydd Jones: I think the Welsh language is in an anomalous position and that has been identified by the Council of Europe as well; the Council of Europe’s Expert Advisory Committee, the international committee that observes the implementation of the European Charter for regional and all minority languages on behalf of the Council of Europe stated in their report that the Welsh language was in an anomalous position in having a strong broadcast media but relatively weak in terms of the printed press. The Bianchi Report identifies that there are viability issues with the production of a daily newspaper in Welsh if there is not a level of public funding allocated to it in terms of a revenue grant. Our research, looking at the various models of daily newspapers in minority languages across Europe, suggests that the vast majority of daily newspapers in minority languages actually have access to public funds, and I think that is a picture that we are traditionally not familiar with in the UK, and that we have not been subsidising the printed press in the same way that we have accepted public subsidy for broadcasting. So I think it requires a little change of attitude if we are going to have a daily newspaper in the Welsh language. For example, the Basque daily newspaper was established in 1990 and today that newspaper receives around €1.5 million, so about £1 million in revenue grant from the government, and that is about 20% or so of its turnover. So in comparable terms it is necessary to have that kind of level of public support in order to produce a daily newspaper that can serve a minority language.

Q1970 Mark Williams: I think that was acknowledged in the report where the word was used that the need was actually “pressing”. So how advanced are we in your work to achieve discussions with government on this?

Ms Gruffydd Jones: As far as we are concerned as a company now we would be ready to move very, very quickly once the government decides if it wants to pursue this issue.

Q1971 Chairman: You mentioned that figure for the Basque newspaper; how does that compare with the indirect public funding of, say, the Western Mail, as a result of advertising by the Welsh Assembly Government and local authorities?

Ms Gruffydd Jones: I think that the indirect is substantially higher—I think it has been mentioned in terms of three and four million.

Q1972 Chairman: That has been quoted, has it?

Ms Gruffydd Jones: Yes, I think it is in the Cardiff School Report.

Q1973 Mark Williams: In terms of the regulatory and policy framework, you will know of course of the controversy around Ofcom and their representation of Welsh interests with the new arrangements. For the sake of the record for the Committee could you tell us how Ofcom Cymru is represented within Ofcom’s overall structure, and perhaps your observations on that?

Ms Gruffydd Jones: I think that Ofcom has done some very thorough work into the nations and regions in terms of broadcasting and in terms of communication in general, so I would welcome the level of detail in their report that they have attached to the Welsh consumer, the Welsh citizen, and equally in Scotland and so on. I am not entirely familiar with the level of decision-making that takes place on a Welsh level or on a Scottish level and so on, but my impression is that though it is very much a UK-based operation there is a level of operation...
that takes place in Wales but I do not know how strategic that is. I think you would be better placed than to ask me.

Q1974 Hywel Williams: Moving on to the international context with people accessing all kinds of media from global sources, do you envisage a shift away from national to international regulation of the media, or the European parts, which I suppose are the business end here?

Ms Gruuffydd Jones: There are elements of European regulation within the current UK framework of regulation. I think that when it comes to ensuring that people who live in border areas in Europe are able to access the audio-visual content or broadcasting, however it is delivered, I think it is important that people are able to access material that is culturally relevant to them as well as the material that is available in their state. So in that sense cross-border arrangements have to be watertight when it comes to digital switchover and I know that there are problems associated with the Danish minority in Germany and the German minority in Denmark, and as a result of digitisation that they are having less and less access to material in their language on the other side of the border. We do not have that level of problem here. In terms of regulation there needs to be a subsidiarity approach. I think in terms of content regulation maybe the closer you can get that to the people then the better, but then of course you have the issue of where does your audience live? Does it live within the proximity of the culture or the cultural base, the territorial base or is it diasporic?

Q1975 Hywel Williams: Do you see on the European level an impact from competition policy, for example? Or, for example, the chances for minority languages; is that impacting at all, do you think?

Ms Gruuffydd Jones: There is also the Framework Convention for the Protection of National Minorities and that is a Council of Europe Charter that the UK government and others have signed up to; so there are clauses within those two pieces of legislation that protect the rights of minority language speakers outside the defined territory as well as within it. So there would be possibilities of implementing those if there was a big problem.

Q1976 Hywel Williams: To move on to the evidence that we had from the NUJ last week, where they called for the establishment of a commission on broadcasting and the media in Wales in order to achieve a greater degree of joint working between the Assembly, Westminster, media representatives and regulatory bodies—that is what they called for—do you agree and, if you do, how do you think it could be best achieved?

Ms Gruuffydd Jones: As important as broadcasting is—and it still is a very, very important vehicle for communication—it is important to recognise that we are moving in the direction of communications rather than just broadcasting, so I think it would be important to identify areas outside traditional broadcasting that are relevant to an inquiry of that kind, and I think the issue of access to broadband is something that is very, very pressing in Wales. So if you are going to look at the issue of broadcasting you need to look at it in this wider context. So if there was a Broadcasting Commission for Wales I would like to see its remit extend beyond broadcasting and I would like to see it look at the issue of communication and broadcasting as a whole and not just look at what is being produced in Wales, but we need to look at what is being consumed in Wales as well.

Q1977 Mr Martyn Jones: Can any lessons be learned for the future of media policy in Wales from the experiences of other bilingual nations and regions, and you have mentioned the Basque Country but Catalonia and the Republic of Ireland must have experiences that they could share with us?

Ms Gruuffydd Jones: I think the issue of looking at the whole of the creative industries is one that can be learned and in that sense having a daily newspaper would represent another link in the chain. I think that it would enrich the other communication and creative industries around it. If we look at Catalonia they are a couple of years ahead of us; they have established a 24-hour news service, a news channel in Catalan; they have established a children’s channel; they have established other channels in addition to the main channel that they started with in 1983. So they have moved ahead and they have moved into these niche areas of broadcasting, so I think that is something that clearly we need to look at and the S4C Authority has looked at that. In terms of creating good produce that the produce that is coming out of Wales at the moment is on the whole recognised to be of international standing and I think in that sense we are probably leading a lot of minority language communities, but I think the strength that we have in some areas, mainly the Basque country and Catalonia, is that they have a holistic approach to it and maybe that is linked to the way in which their media was set up. They were set up as part of language legislation rather than broadcast legislation. So they are part of a jigsaw and they are very much aware of their role as part of a larger jigsaw.

Q1978 Mr Martyn Jones: You mentioned the regional newspaper in the Basque country. Do you think that there are different lessons to be learned from the written press as opposed to the broadcast media?

Ms Gruuffydd Jones: When the Basque language newspaper started in 1990 its circulation was well under 10,000 copies a day. By now it is around 20,000 copies a day—it has peaked, it has gone over 20,000, it has gone down to 17 but on the whole it is around 20. I think the way in which they established that newspaper, by popular support if you like, they went out and they sold shares in the company and they tried to build it as a popular project, is something that is interesting to look at and it is part of creating a vibrant society that people feel that
they belong to something, that people contribute to it. They can also judge it and criticise it but they have a stake in the project.

Q1979 Mr Martyn Jones: Does it actually cross the borders?
Ms Gruffydd Jones: It does; it has several offices and one of them is in the French part of the Basque country. It is a very interesting project; it has about 60 or so staff on it and it has correspondents in many parts. In one piece of academic research they looked at all the newspapers available in the Basque Country and looked at the level of political coverage in terms of political viewpoints and in fact the Basque language newspaper was the one that projected the widest range of political viewpoints. I suppose if you are the only paper in the language then you feel that you have responsibility to be as wide as possible and not just to follow a specific party line.
Chairman: Thank you very much for your evidence this morning and also for the very helpful memorandum, which we found extremely useful in preparing for this session.
Tuesday 29 January 2008

Members present
Dr Hywel Francis, in the Chair
David T C Davies
Albert Owen
Hywel Williams
Mark Williams

Witnesses: Mr Humphry Trevelyan, Co-Director, Skillset Screen Academy Wales; and Mr Gwion Owain, Chief Executive, TAC (Welsh Independent Producers), gave evidence.

Q1980 Chairman: Bore da, good morning, and welcome to the Welsh Affairs Committee. For the record, could you introduce yourselves please.

Mr Trevelyan: I am Humphry Trevelyan. I am Co-Director of the Skillset Screen Academy Wales and also Head of the International Film School Wales, University of Wales, Newport.

Mr Owain: I am Gwion Owain, Chief Executive of TAC, Teledwyr Annibynnol Cymru, the trade association for independent producers in Wales.

Q1981 Chairman: Could I begin by asking you, Mr Owain, this question: what challenges and opportunities does globalisation pose to independent producers in Wales?

Mr Owain: I would say the main opportunity that it offers to independent producers is the opportunity to exploit the intellectual property rights in programmes and digital content because that right now resides with the independent producers. The 2003 Communications Act revolutionised the business environment in which independent producers operate by creating an assumption within the general terms of trade with broadcasters that the intellectual property rights in programmes reside with the producers, whereas previously they resided with the broadcaster, which created what was seen as a slightly uncompetitive way of dealing with the process of the exploitation of intellectual property rights. That has opened up for independent producers new markets, especially internationally, in terms of exploitation of things like format rights and so on in their programmes, which can then be sold internationally to international broadcasters following the reversioning, and they can exploit the format. For example, you will know about programmes like Deal or No Deal? and Who Wants to be a Millionaire? where the basic idea and the basic format is sold. I would say that that is the main opportunity. I would also note that there are significant opportunities in the evolving market for new media and digital content. Whilst there is still a long way to go before we have a mature market there for producers, I think there are very significant opportunities there as technology and as the market for content evolves in the UK.

Q1982 Chairman: Mr Trevelyan, could I pose this question to you: are you satisfied that the skills training that Welsh graduates are receiving is appropriate and satisfactory to prepare them for globalisation within the creative industries?

Mr Trevelyan: I think it is a key question which we are starting to address within the Skillset Screen Academy Wales and with our other industry partners and agencies such as CYFLE for example. In fact, our current second stage of development is very much focused on internationalisation. I would say that there is still quite a lot of work to be done. We do see that our graduates in Wales need to have an international perspective, so a large part of our programme for the next two years is to develop that internationalisation. I have to say that we do liaise closely with Creative Business Wales in respect of getting their help and support and, if you like, piggy-backing on their international trade delegations, so that is a very important part of what we do. It is early days but it is certainly a very explicit focus of what not just ourselves but our industry partners are planning for the next two years.

Q1983 Chairman: We were struck when we were in China that perhaps we were not performing to the levels that we should be in terms of seeing the opportunities that China and East Asia provided us. Is that a fair observation?

Mr Trevelyan: Yes. I think there has been a change in the Chinese Government’s attitude to relations with UK higher education—I am sure you are all aware of that—in the sense that their policy is to be less dependent on sending their students abroad. What we are looking at really is to have working relationships and exchange relationships with staff and with students in terms of the training element and vocational education. I think they would be very interested in that. I am in fact immediately after Easter going to Singapore and to Hong Kong on behalf of the University of Wales (Newport) to look at connections with the two universities in Singapore and one in Hong Kong to set up that kind of exchange. I think we have to recognise that China has immense experience. It has a very mature film industry and it can only benefit our students and graduates to access that kind of expertise, and the development of staff exchanges for example would be very key in this. As part of the internationalisation of our programme we hope to bring that international expertise into Wales, so it is an important element.

Q1984 Hywel Williams: To what extent do you think the creative industries in Wales have an outlook which is international or is it domestic in the same sense that perhaps regional broadcasting in other parts of the UK would be? Are we different?
Mr Trevelyan: I have been engaged in vocational film education in Wales for nearly five years. I think certainly in the last couple of years the international perspective has developed very fast. There are a number of Welsh film and broadcast industries who have already spread their wings beyond Wales, within the European Union and Ireland for example. I think everybody recognises that in order to function, to survive, you do have to have that global aspect, looking for in-coming work globally and also exporting the expertise. In the sense of the development of the Welsh film and broadcast workforce, it is important that it is understood that the opportunities are outside Wales as well as in Wales, however I think it is changing quite rapidly. We are certainly finding that with our stakeholders and partners.

Q1985 Albert Owen: Could I ask Mr Owain first, talking about the Welsh Assembly Government’s Creative Industries strategy; what has the relationship been between the creative industries and the Welsh Assembly Government in the development of that strategy?

Mr Owain: The Creative Industries strategy, if I remember, was created around three or four years ago and there was a process of consultation with the creative industries in Wales, certainly with the TV sector. By and large, it has been a TV sector-focused strategy, albeit with a significant film element as well through the creation of the new Film Agency for Wales and also the Creative IP Fund, which is an equity-based fund which sits within Finance Wales. I think generally the industry reception to how that strategy has been delivered has been very warm, they have been very receptive to it and very supportive of it. As with all policy interventions in what is a commercial arena essentially, there are shortfalls but there are also opportunities. One must remember that the Creative Industries strategy through Creative Business Wales, and what is known as the Urban Spoke set-up there, is still a very, very young arrangement for delivery of support to the creative industries, so I think in two or three years we will be in a position where we will be able to comment in a more confident way on the effectiveness of that strategy.

Q1986 Albert Owen: But you were involved in it? It was more than a paper consultation in the development?

Mr Owain: Absolutely, yes. I think there was quite thorough consultation with certainly most of the stakeholder companies within the sector. That process was quite thorough, as you would expect for the creation of that kind of strategy.

Q1987 Albert Owen: Just across to Mr Trevelyan, with regards to the strategy and how it ensures that technical and leadership skills are being fostered in the industry; are you happy that that is happening?

Mr Trevelyan: I think that there is still quite a lot of work to be done. Are you saying technical leadership skills?

Q1988 Albert Owen: Yes, technical and leadership skills.

Mr Trevelyan: I think on the technical skills there could probably be a little bit more partnership with manufacturers, for example, with those who are developing technology. We do have reasonable access to capital in terms of upgrading, and each of the individual partners, the HEIs, within Screen Academy Wales are identifying an area where they invest, but I think that we are looking to have closer contact with the partners. Just as an example, there are two kinds of digital editing software we are developing, and we are becoming members of an HE industry partnership scheme which will allow us to sell what we are doing both at a national and international level. In a sense, that is an on-going question simply to keep on upgrading and to have that contact with the industry. The Industries Liaison Panel that Screen Academy Wales has set up is very helpful in this respect, and we have industry experts in each of the craft areas who are giving advice, so I think we are more or less okay there; it is just a matter of keeping the investment going so that we can keep up with the cutting edge developments and in that sense be a service to the industry.

Q1989 Albert Owen: Do you share Mr Owain’s view when he says that it is a young strategy and is just developing and that it is improving? Do you see improvements?

Mr Trevelyan: I would say so. I think that now with all the changes over the last couple of years and the re-orientation through the Assembly Government in terms of Creative Business Wales and the Film Agency, it has been a period of considerable change and ourselves in the Screen Academy Wales also had an awful lot of work to do. I think that there is a lot of goodwill now in terms of developing the relationships further and certainly fleshing out the strategy and looking, say, over the next five to ten years. I think there is a lot of work to be done but the various agencies and institutions are in place and the structure is clear now—which it may not have been before—and I think the restructuring has opened up the discussion and we can work face-to-face in this sense. I still think there is quite a lot to be done to extend the view over the next five to ten years.

Q1990 Hywel Williams: This is a question for Mr Owain. You referred in your first answer and also in your memorandum to the impact of technological changes on broadcasting in Wales. Can you expand on this, with any particular impact there might be on the independent sector?

Mr Owain: I think what we have seen over the past few years since the advent of almost universally available broadband, or certainly an increase in broadband penetration in Wales, that broadcasters—and I would note as examples particularly the BBC and S4C—have sought to move their content services on-line, not just broadcast. An example would be the S4C on demand service which is available for a specific period of time after a programme has been
broadcast. In the evolution of broadcasting services, these types of services will become more and more ubiquitous and I think the main issue that that creates for independent producers is that in the commissioning process broadcasters will require ever-increasing bundles of rights from the independent producer to allow these services to be delivered. I think it is very much a watching brief on how particularly the PSB broadcasters, and specifically the BBC and S4C in Wales, deal with this over the coming years, particularly in terms of adding elements to broadcast programmes on-line that are not part of the broadcast programme. I think that is very much an area we are closely interested in at the moment.

Q1993 Hywel Williams: Can I ask you about intellectual property rights. You did refer to those earlier on. Do you want to expand? Is this a problem for independent production? How would that be addressed if it is a problem? You talked about reassignment in 2003, following the Act at least.

Mr Owain: Following reassignment. I think our members would assert that at the time when S4C undertook the commitment to reassign those rights (they were the first UK broadcaster to commit to reassigning their programme library to producers) it was very much in the spirit of the 2003 Communications Act and the new terms of trade and what was seen as the new business environment in which independent producers would operate. I think what has happened is a sort of institutional matter between TAC as the trade association and S4C as the broadcasters. I think that process has been particularly slow. There may have been unforeseen complications when they made that announcement that they were going to reassign those rights. I think that is an on-going discussion between us and S4C really, but the principle is that they will reassign those rights.

Q1994 Hywel Williams: Thank you. Just a question to Mr Trevelyan; what proportion of the Academy’s courses provide training and skills for new media platforms? Is that enticing people to choose a career in the creative industries?

Mr Trevelyan: I think there are two aspects to that. One is despite the fact that the Screen Academy Network is funded by the UK Film Council and it has this very clear focus on film, as opposed to broadcast, nonetheless, as Gwion was saying, we all have to be aware of the new markets and the web-based markets, so that is something that we are having to develop and orientate students and graduates towards as a professional outcome and as something they have to be aware of. There is another Skillset Academy Network being set up which some of the lead partners of Screen Academy Wales are part of and, if successful, means there would be a New Media Academy in Wales which focused on broadcast and new media. Inherently that will have a different relationship with the industries because it will not have central funding and, in a sense, it will have to go out and find its own funding, but I think that could be a very interesting development, and if we are successful in the bid, then the overlap between the two kinds of academy would be pretty clear from the Welsh perspective in terms of the Welsh film and broadcast interests because they would be, in a sense, coming up under the same umbrella, albeit one with two different names on it. In that sense, the new media side is very important. There is a lot of
development still to be done, to be quite honest, and quite how it relates from our point of view in terms of vocational education and training, quite how it meshes with the more traditional kinds of work that we do, I think there is more work that needs to be done there. I think that is very much to do with conversations with those people involved in that sector of the industry and working at that relationship. Of course we have traditionally close relationships with broadcasters, with production companies, with animators, but it is the new media side that needs to be brought into the fold, and that will happen with face-to-face discussions with the new media producers.

Q1995 Chairman: Could you provide us with a note on that bid for a new academy?

Mr Trevelyan: Certainly.

Q1996 Chairman: It would be very helpful to us to have that.

Mr Trevelyan: To give you an idea of the timescale, the new partnership is intending to submit a revised bid around March and the intention would be that if it was approved the New Media Academy would start in the autumn of 2008. Of course we do not know what the outcome is going to be at the moment but we could certainly let you have details of the bid, yes.

Q1997 Albert Owen: If I could move on to employment and the economy, Mr Owain, you mentioned in your memorandum that a number of policy interventions are required to fully realise the potential of the creative industries to deliver further economic growth. What policy interventions in particular do you believe are needed?

Mr Owain: Specifically I think they are to do with expanding the potential market that could exist for independent producers in Wales. I also mention in the paper that the level of UK network penetration by independent producers from Wales is still woefully low. That could be the subject of a range of policy interventions both in the supply and demand side, I think it is fair to say, because certainly terrestrial broadcasters are subject by their side, I think it is fair to say, because certainly policy interventions both in the supply and demand side, I think it is fair to say, because certainly terrestrial broadcasters are subject by their side, I think it is fair to say, because certainly terrestrial broadcasters are subject to various quotas in terms of regional production on the main UK networks. I think there is still quite a sophisticated debate to be had there about how exactly we define regional production, how exactly those quotas are policed, and so on. I think that is a very significant debate. In fairness, I think that is an issue for Scotland and the English regions as well as Wales, both to ensure there is a plurality of supply of programmes on the UK networks and a plurality of voices being heard on UK-level networks.

Q1998 Albert Owen: So you are not talking just about public service broadcasting here? Are you talking about the wider dimension of creative industries or are you talking just about public service?

Mr Owain: I am stating the level of UK network penetration as one area of policy intervention which I think TAC would assert that there is room for improvement or room for change. Another potential policy intervention might be some interventions to increase international co-production via the supply of some form of public financing in Wales for the creation of content in Wales. Currently we do have the IP Fund which sits within Finance Wales and I think it is fair to say that it has been reasonably well received but generally lots of the productions that that fund has financed have not been Wales-based productions, they have been productions filmed in Wales with that investment through the IP fund. Although we would note very positively the effect that it has had, sometimes there may be scope to look at that fund and how exactly that fund works in terms of the use of production expertise in Wales, not just crews but using co-producers in Wales. That is how I understand a number of the European regional models of film funds work. There are several policy interventions there and TAC would seek to create a debate with the relevant statutory bodies and the relevant areas of government over the coming years.

Q1999 Albert Owen: Mr Trevelyan, you mentioned in your memorandum and you have referred to the increase in employability of those working in creative industries in Wales. Is Wales succeeding in retaining creative industry graduates?

Mr Trevelyan: To some extent the data that we have from each of the HEI partners and also some data that we are beginning to generate through the Screen Academy Wales is that a significant proportion of graduates do stay in Wales. There is lots of anecdotal evidence as well as—

Q2000 Albert Owen: Just on that, are we also attracting people into Wales?

Mr Trevelyan: I think there are two factors. One is there is a realisation on the part of a lot of graduates that simply going to London is not necessarily going to do them much good because it is expensive and it is incredibly competitive. The other point is—and I have been involved in film education in a number of institutions around the UK—I have to say Wales does provide a very, very good basis for the kind of education and training we are involved in. Outside of Manchester I would have thought that Wales has the best infrastructure for students and graduates outside of London anywhere in the UK. It is extraordinarily welcoming and extraordinarily supportive and I think that does encourage our graduates to stay. Many of them are setting up small businesses. Some of them are staying on for further training, for example with Cyfle, or they are getting traineeships with the broadcasters, so they do see it as a real opportunity to stay on.47 What happens after the first two or three years I think is the question. We need more data on that anyway, but I think that is the challenge.

47 Cyfle is the Training Company for the Welsh Television, Film and Interactive Media Industry
Q2001 Albert Owen: A question I have got for you is how do we sustain it in the future?

Mr Trevelyan: To an extent, people in my business, if you like, are dependent on what is happening generally with the industry. It is interesting to hear what Owain is saying about that. In terms of sustainability, that is something that we are looking at very hard. To be absolutely factual, we have Film Council funding for another two years. After that there may be some programme of funding still to be developed from the UK Film Council but what we are really interested in is achieving sustainability on a Welsh basis. In that sense, the discussions that we will be having in the next 12 months with broadcasters, with the Welsh agencies and with the Higher Education Funding Council will be very important. We would like to be able to set out a strategy for the next five years at least, with a view to ten years, which everybody can sign up to and give some kind of sustainability. I think there is a relationship between, for example, our internationalisation push within the Screen Academy and how that might feed back into development of the industries in Wales. If we can produce graduates who have an international perspective and who are highly skilled, not just in terms of craft skills but film business skills, that can only benefit the Welsh creative industry economy. We do see the need to see ourselves and to be seen and to be working with all the agencies and stakeholders to try and pursue that over the next few years.

Q2002 Albert Owen: Just one final point, you mentioned the attraction of London as a magnet pulling people in. Is there a Cardiff mirror in Wales that pulls them down? Are we more successful at getting it across Wales with North West Wales and the different universities as hubs?

Mr Trevelyan: I think that we are reaching the point where there is beginning to be a Cardiff pull undoubtedly. Obviously the success of BBC Wales drama series is important and it is also very encouraging that BBC Wales is planning to build seriously on that and invest on that success, and that must make Cardiff in the future an attractive place for our graduates to stay but other well-trained graduates to come to Cardiff. I can see that happening. I do not think it is wishful thinking to say that. There are some serious developments going on in and around Cardiff which will have an impact over the next few years.

Q2003 Chairman: I think you misunderstand the question. I think that Mr Owen is looking at it from a Ynys Mon or North Wales perspective.

Mr Trevelyan: Oh I see, sorry.

Q2004 Albert Owen: What I am saying is the BBC are addressing this in England by moving to Manchester, and devolving and decentralising. Is that happening in Wales? Will we see a drift from the North West of many people to Cardiff, and maybe if the industries were to develop across Wales then they would be able to go back, and creative industries and modern technology provides the basis for that?

Mr Trevelyan: That is a very difficult question. Obviously Cardiff gets the headlines at the moment. From our point of view, there is certainly a strong interest in developing education and training across Wales. I think that if we are successful with the Media Academy bid that will broaden the base very much. There is a lot of discussion about how to bring in the educational partners in North Wales. We have a slight difficulty with the Screen Academy in that there is a tendency for Skillset UK to want to narrow things down, and in a sense we have this constant debate with them about how broadly based we are already and that does inhibit the ability of the Screen Academy to operate directly in North Wales, but we are looking at developing associate partnerships. If we can get that sustainability, then we would certainly look at extending what we do into North Wales, and if the Media Academy is successful that will help. It is difficult for me to comment about the question of how the industry will develop. There is lots of good work that has been done over the years and some wonderful production companies who have survived very well in North Wales, and let us hope that can continue and expand, but I understand the issue. I do not have many clear answers to that but we are very conscious about the need to maintain and develop their presence in North Wales.

Q2005 Mark Williams: I was going to ask you, but I think you have largely answered it, the extent to which your students are attracted to a regional career as opposed to international production? Are you really saying that given the opportunities that are now afforded in the industry that that divide is a luxury we cannot really sustain?

Mr Trevelyan: I think there is a difference between broadcast and feature film. Of course S4C, BBC Wales and in fact all the broadcasters are playing a very important role, and you could argue that there is a purely Welsh-based career in television. In film production I think that is less so. I think you would have to ask the question how desirable is it? It is really important for anybody who wants to contribute to the Welsh industries’ creatively that they need to go where they can get the experience, so I think that one model would be to hope that our graduates will gain experience outside of Wales but also that they will bring that back. Again, I think there is that difference between broadcast and the cinema or the feature film business.

Q2006 David Davies: Could I just ask a supplementary. I just wondered, Mr Trevelyan, what percentage of your students actually end up with a job in the industry?

Mr Trevelyan: You may be aware that the data on this is not very good. We have the long-standing first destination statistics, which covers anything between six months to a year. Screen Academy Wales has been developing an initiative in tracking graduates beyond that, which is already beginning to
bear fruit. In terms of the first year of graduation, I would say between 50% and 60% of our students are engaged in one form or another. Some of them may be in further specialised training or apprenticeships and traineeships. Some of them will be setting up their own small businesses. Others will be working freelance in a particular discipline or craft. I think that is a pretty good proportion really given that in the main the Screen Academy is under-graduate based. We are developing our masters programmes. I would say it is probably a higher proportion with the master programmes, but then of course that is far fewer students. Comparing our graduate outcomes with other institutions across the UK, I think we do pretty well.

Q2007 Mark Williams: A couple of questions to Mr Owain as well now. You mentioned in your answer policy initiatives and you mentioned the issue of public money, and there was one fund you mentioned. How important is the investment of public money via contracts with public sector broadcasters to the sustainability of the independent sector?

Mr Owain: I think that is key. Certainly if you are looking in terms of television, the funding that for example goes through S4C is absolutely key to the sustainability of this industry. The independent sector simply would not exist without the funding that goes through the BBC and S4C, which specifically in Wales is the major investor in the independent sector. The regional ITV franchise has also historically been very important in that respect, although due to pressures on the ITV network financially it is less able to do so now.

Q2008 Mark Williams: How big an impact has that had on independent producers? You mention the challenges faced by ITV?

Mr Owain: I do not think what has happened in ITV over recent years, due to the existence of S4C, has been as devastating as it might be if that commitment to indigenous language broadcasting did not exist. The ITV effect would have been much, much worse obviously, but that has been to a very large degree mitigated by the investment that S4C puts into the independent sector. Obviously we would assert in terms of what Ofcom are doing with their current PSB and looking at the funding of the public service broadcasters, again specifically S4C and BBC in Wales, that that investment sustains a vibrant independent sector. I think the issue for public policy, other than the investment that goes through the licence fee, the BBC and S4C, would be how can we create maximum value added from the creativity of that sector, for example on UK networks, which is still an issue in the sector in Wales, and how we can maximise rights both in libraries and on the international market and also maximise the opportunities that exist on new platforms. I think these issues are still very, very much in the process of evolution at the moment and certainly we are very concerned with how the public sector in Wales contributes to the growth of the sustainable industry beyond simply the investment that goes in in terms of PSB in Wales.

Q2009 Mark Williams: You mention access to the UK market. What proportion of Welsh independent production is consumed—it is a very naive question—within Wales?

Mr Owain: I would say that over 90% of it is created purely for the Welsh market, but I think that is true within other regions in the UK as well. The nature of programme financing, the nature of the commissioning process means that without that significant investment in broadcast content locally, then these sectors probably would not exist. What has happened in the independent sector certainly since the Communications Act 2003 and the new terms of trade with the broadcasters is a very, very sharp public focus on added commercial activities of independent producers. We have seen both in Wales and on a UK level, significant private investment coming into the sector, which is based around the potential to exploit the IP rights and the potential to penetrate new markets internationally. I think there is the added dimension as well of the independent sector in Wales still looking for a breakthrough on the UK networks.

Q2010 Mark Williams: Are most of TAC’s members Welsh language producers?

Mr Owain: Most of our members, although not exclusively, there are others.

Q2011 Mark Williams: Is there a difference in both sectors in terms of the challenges they are facing?

Mr Owain: I think the UK network issue is relevant to both those companies that are predominantly in Welsh language and companies who historically have seen the Welsh language market as their primary market. I think that is still an issue. I would note there are significant successes in that. I would note the success that companies such as Indus have had. I would also note the example of Tinopolis who have taken a different strategy and have done so very, very successfully, it has to be said, to break through to UK network markets by employing what is, in essence, a financial strategy of the takeover of a UK-recognised producer, and I think that is a significant successful sector in Wales. Yes, I mean the issues for predominantly English language companies are different from those who see themselves as Welsh language, but I think we would still urge that we do require policy interventions for their future success and sustainability. I do not think there has been a breakthrough on the UK networks that is appropriate to the level of investment that the sector gets in Wales. I think we could expect more.

Q2012 Albert Owen: Mr Owain, you mentioned what can be learned from other parts of the UK and indeed other regions of Europe. What association do you have on the UK level and beyond? Is TAC an affiliated member? Does it have partners in the rest of the United Kingdom, Scotland and the English regions?
Mr Owain: We used to have an affiliation with the UK trade body PACT. The TAC/PACT relationship is currently undergoing a review. A full merger was considered recently but due to the financing model for PACT that did not go forward. There were some changes there and so that merger did not actually go forward. TAC are always looking to create those kinds of affiliations on an international level. Some of those would be facilitated through Creative Business Wales, but generally, in policy terms or in lobbying of political relations terms, it is very much its own entity. I think there will be in the next few months discussion between TAC and PACT, the UK trade body, as to how their partnership evolves.

Q2013 Albert Owen: And European bodies? Is it a specific region or is it European-wide? Do you have associations and affiliations with other associations in various parts of Europe?
Mr Owain: There is an umbrella body in Brussels for the national trade associations in the audiovisual and new media sectors. I am afraid the name of that organisation escapes me. I think we will over the coming months and years be strengthening those relationships at that level. There are a number of Europe-wide policies which very much affect our membership. The Television Without Frontiers Directive is obviously one of them and the future of the European Media Programme is another. I think that is something that going forward we will be looking to strengthen and expand on.

Q2014 Hywel Williams: Just finally on the product that we produce in Wales, this is almost a yes/no answer: can the product that we are producing in Wales stand up in the global markets? Are we doing it and can we succeed into the future? Are we good enough?
Mr Trevelyon: In terms of the creative content and quality, certainly, yes, I think so. There is a question of capacity. It is often said that Wales has one and a half feature film crews. I do not know how true that is. It is probably getting a bit better. In terms of creative quality, yes, I think so, absolutely.
Mr Owain: Absolutely. The only thing I would add is for you to bear in mind that the creative industries are highly disaggregated industries and they are complex industries, and the relationship between the industries and governmental bodies can often be complex. In terms of being able to break through on the world stage yes, definitely we have the best producers in the UK in Wales, if not in Europe.

Q2015 Chairman: To bring you back down to earth, what effect will Valleywood have? Is it going to happen?
Mr Trevelyon: I think that if it did happen it would have a very significant effect on any operation that it brings in. Essentially it would have to be based on bringing in overseas investment really, but it would have a very significant impact on our ability to develop our technical creative capacity, there is no question about that. I cannot comment on whether it will happen or not. I think we would welcome it very much if it did. We have had as the Screen Academy some initial discussions with Dragon International and if they are successful then we would hope to play a significant role and to work closely with them. It would be a really significant development.
Mr Owain: I think the same goes for our members as well. We very much look forward to that development happening. It has been a long time in the gestation when it arrives and I think it will be a significant investment in the future of creative industries in Wales.
Chairman: Thank you both for your evidence this morning and also for your memoranda. We look forward to your additional memoranda in due course. Thank you.

Witnesses: Mr Rhodri Williams, Director, and Mr Peter Phillips, Partner, Strategy & Development, Ofcom, gave evidence.

Q2016 Chairman: Bore da, good morning, and welcome to the Welsh Affairs Committee. For the record, could you introduce yourselves please.
Mr Williams: Good morning. I am Rhodri Williams and I am Ofcom’s Director for Wales.
Mr Phillips: Good morning. I am Peter Phillips and I am Ofcom’s Partner for Strategy and Market Development.

Q2017 Chairman: As a Welsh Affairs Committee I suppose the first question is pretty obvious: what arrangements are there in place at Ofcom to ensure that Welsh interests and views are represented at the UK regulatory level?
Mr Williams: Ofcom has an office in Wales. There are nine members of staff working there, three of whom deal with spectrum interference issues, technical investigation officers, and then six of us who work on broadly the rest of Ofcom’s work, which is representing Ofcom within Wales, whatever that entails and in whichever policy area. Ofcom also has non-executive representatives in two of its bodies. There is a Content Board member for Wales, Sue Balsom, and also a Consumer Panel representative for Wales, Simon Gibson. We work very much as a team keeping in contact not only with ourselves but with colleagues within Ofcom on policy issues. Those on the executive side answer to Ian Hargreaves, who is an executive member of the Ofcom Board and heads up, amongst other things, the nations and regions function within Ofcom. And then, Peter, perhaps you could explain how we formulate policy and the relationship there.
Mr Phillips: In all policy areas which have got a significant impact on Wales, so for example the public service broadcasting review, Rhodri or his colleagues would form part of the team that was developing that policy work, so in areas as important as public service broadcasting Rhodri
We commission research. The research Mr Phillips: institutions in Wales or outside? in-house or do you use higher educational Q2018 Chairman: Do you undertake that research research on issues relevant and of concern to Wales. section on Wales including dedicated specific the nations of the UK, and we produce a specific section on Wales including dedicated specific research on issues relevant and of concern to Wales.

Q2018 Chairman: Do you undertake that research in-house or do you use higher educational institutions in Wales or outside? Mr Phillips: We commission research. The research is led from in-house but we commission a range of research bodies from across the UK to help us with that.

Q2019 Chairman: In terms of the challenges faced by Ofcom in Wales, are the particular challenges unique to Wales, and also are there specific challenges in relation to globalisation? Mr Williams: Starting with globalisation, what we have seen in the broadcasting arena over recent years is technology-led developments which have occurred on a worldwide basis which have changed the ecology of broadcasting in Wales, as those who are old enough to remember can remember. If we think of the four channel environment, or perhaps five for some people in certain parts of Wales, it has transformed into an area where now not only are there hundreds of channels available on certain platforms but also of course you move into the online world. There are limitless—it would not be appropriate I think to describe them as channels—sources of content. That brings clear benefits to viewers and listeners within Wales who can now turn to anywhere in the world for the audiovisual content that they would like to listen to and to watch. That brings clear benefits to all, but of course it also brings new challenges to the creators of Welsh content in that although they still produce content they are now producing it in a far more competitive environment, and when they are trying to attract audiences, they are now not only competing against three or four other UK terrestrial broadcasters but they are competing against the whole of the world, and the effect of that has been clearly seen. Perhaps, Peter, can you say a little bit more about how that has affected viewing of the mainstream channels. Mr Phillips: Clearly one of the things that has been happening in Wales is that, ahead of a number of other parts of the UK, the take-up of digital television has been proceeding very rapidly. Within Wales more than 90% of households have digital television, so the range of choice which is open to households in Wales is now significantly larger.

Clearly one of the consequences of that is that the amount of viewing of the traditional public service broadcasting channels has been declining over time and that affects and will continue to affect in the future the economics of those channels and therefore their ability to invest not only in UK content but, for some of those channels specifically in Welsh, Welsh content.

Q2020 Hywel Williams: It is an obvious point I suppose but would you say that having a home market in Wales for product is advantageous, especially having a home market in terms of Welsh language production? Does that help the industry in Wales survive? Mr Williams: Yes, it certainly does. If we cast our minds back to 1982 before the creation of S4C, there were only two creators of content of television in Wales, one was the BBC and the other was ITV (ITV as it then was) and it is really only through the existence of S4C that the independent sector came into existence. As in the rest of the UK, it was Channel Four that created the demand although there was some sort of small independent sector in existence particularly in England before that, and of course those companies have grown, have developed, some have been and gone, other new ones have appeared, but there are now some strong companies who not only provide content for the Welsh market but they leverage the expertise and the experience they have had in making programmes for the Welsh market in both languages, because there is a market for English language programmes for the BBC and for ITV and also for other people commissioning content, and they leverage that expertise and experience to make programmes not just for other UK broadcasters but also, if we take the Discovery Channel, a company based in Swansea recently made a series of programmes for the Discovery Channel, so there are clear benefits to the industry and economic benefits to Wales generally as a result of the existence of this independent sector.

Mr Phillips: I think one critical element of that has been that the number of companies there now means that talent wants to be part of that. There is sufficient work to attract people of the highest levels of ability and, as a result, we have seen commissions like Torchwood and like Dr Who and so on which have been real successes for the production sector in Wales.

Q2021 Mark Williams: Turning specifically to some of the challenges facing public service broadcasting, you stated in your very weighty and appreciated submission that the “existing model of public service broadcasting will not survive the transition to a wholly multi-channel world unchanged”. How do you foresee the future of public sector broadcasting? How is public sector broadcasting going to rise to the challenge? Can plurality of service be maintained? Mr Phillips: I think it is worth separating the answer to your question into two parts. Clearly of all of the interventions in public service broadcasting, the BBC is far and away the largest part and now that the BBC has its Charter through to 2016 and has a licence fee settlement for several years to come, its position is clear. I think the key challenges around public service broadcasting are around the...
challenges for commercially funded public service broadcasters. I think the reasons for that lie in the economists. In the past, there was very significant value which those broadcasters had through their privileged access to the radio waves, to broadcasting spectrum, and there were only a limited number of competitors, and therefore there was an opportunity for all of them to gather significant revenues and to be able to afford as a result to invest in public service content. As the level of competition increases with all of the new digital channels which people are able to access, the value of that spectrum declines and is continuing to decline, and therefore the balance of benefits versus costs of being a public service broadcaster are changing and have already changed significantly and will continue to change in the run-up to switchover. Obviously in Wales that is not that far away now. I think that the challenge is really going to be two-fold. The first part is that the value of those implicit benefits of being a public service broadcaster is going down and therefore will buy less and so there will be an increasing need to set priorities over what are the most important public service areas of content for that diminishing investment. I think the second area is that to the extent that there are areas where it is important to have public service content in the future, but where it can no longer be afforded by that shrinking pot of money, to consider whether there need to be new mechanisms and new ways for that kind of content to be funded.

Q2022 Mark Williams: So a much more targeted approach rather than the broad subsidies that we have been used to?
Mr Phillips: I think it could happen in a whole range of different ways, some of them potentially broad and targeted at institutions but others potentially narrow and more focused and drawing more on contestable mechanisms.

Q2023 Mark Williams: So you would support the views of the Commons Committee on Culture, Media and Sport when they were talking about contestability of resources beyond which has traditionally been available to the BBC?
Mr Phillips: At the moment we have not come to any conclusions. All I am trying to say really is that that is one of the possible routes which will need to be explored. The key point, to my mind, is given that the implicit subsidy is getting smaller, the amount of public service broadcasting by commercial companies that can be supported as a result is going to be smaller, and therefore if we as a society want more than that we will need to find more ways to intervene in order to be able to support it.

Q2024 Hywel Williams: Can I turn to radio provision and ask what are the greatest challenges and opportunities facing radio provision in Wales into the future?
Mr Williams: Broadly I think it is a similar position to television but on a far smaller scale. In the radio sector there is increasing competition because people can now listen and access the radio in ways which they could not in the past. In the past you had to have a radio set to listen to the radio; now you need a mobile phone, a computer or a television and you can access radio. Therefore again the number of radio services that is available to people in Wales has increased greatly. Whilst new digital technologies might appear, digital audio broadcasting (DAB) is the current digital format available in the UK. There may be others in the future and as they come on-stream they not only offer new opportunities to the existing service providers within Wales but they offer new services. Ofcom has licensed a second UK-wide digital multiplex which will bring more services and that creates, once again, a competitive environment. The radio providers within Wales, whether we are talking about the publicly funded BBC services, Radio Cymru and Radio Wales or the network of local and in some cases in South Wales regional services, have to fight harder, and of course that creates a significant challenge to the commercially funded broadcasters in that they need to sell adverts in order to maintain their services, and to do that in a competitive environment is difficult. Of course, viewers (and listeners in this case) have an appetite for locally delivered radio services and that is why during the years that Ofcom has been in existence we have licensed additional services on FM in various parts of Wales, and more recently a number of community radio stations as there is now the ability and there is spectrum available for community radio stations. Only last week we licensed two new stations, one in Rhyl and one in Llandudno, adding to the family of local community stations that exists in Wales. I think the challenge facing them all is to secure enough listeners, and therefore enough income, to be able to compete in a market-place which is becoming increasingly difficult.

Q2025 Hywel Williams: I take your point entirely about competition but we did hear in earlier evidence that digital broadcasting in terms of BBC Radio Wales and Radio Cymru will not be available in parts of North Wales until 2015 because of a technical international issue to do with Ireland, if I remember rightly. Is that the case and, if it is the case, are Ofcom doing anything to address this?
Mr Williams: Yes, if I can wind back to when digital audio broadcasting began, that was prior to Ofcom’s existence, and the decision was taken at that time by the Radio Authority and by the BBC that Radio Cymru and Radio Wales would be carried as local stations in other parts of the UK, not on the UK-wide BBC multiplex which carries Radio One, Two, Three, Four, Five, et cetera, across the whole of the UK but would be carried on local commercial multiplexes. There is a “must carry” obligation on anyone who has a licence to operate a local commercial radio mast. Within Wales they must carry Radio Wales and Radio Cymru. The position when Ofcom came into existence was that there were two such multiplexes operating in South Wales and therefore Radio Cymru and Radio Wales were not available on the DAB platform outside of industrial South East Wales. We have taken steps in order to bring new licences on-stream. We have already licensed one such multiplex for the North East Wales/West Cheshire region which will have a must carry obligation for Radio Cymru and Radio Wales. We have also taken the decision to join together the Mid and South Wales areas to form one area, and because the batting order in which these licences are advertised depends on the size of the available audience, putting two together means that they go up the list and will be advertised this year and will come on-stream we hope before the end of the year. That only leaves North West Wales, which again we would hope to advertise fairly soon but it might take some time for the operator to be able to actually provide the service throughout the whole of that licensed area on account of the fact that the spectrum that is allocated for DAB use in the United Kingdom occupies the same space as analogue television uses in the Republic of Ireland. There are some parts of North West Wales where there would be more interference and therefore international co-operation is required before a new service is rolled out, and that would require the Republic of Ireland to put a switchover scheme, as we have for digital television in the UK, into place, so that might take some time.

Q2026 Hywel Williams: So therefore is it likely to be the case that Radio Cymru and Radio Wales will not be available in North West Wales until 2015? Is there anything that the Government in London can do about that matter? Are we likely to see the core part of Radio Cymru’s audience especially not being able to pick it up on digital until 2015?

Mr Williams: We cannot be definite as to how long it will take. That is a decision for the Government of the Republic of Ireland to decide when they intend to switch over. They have to complete that process by 2015 but they could decide to do it earlier. Until they do it, I think the chances of getting the whole of the North West Wales area covered by DAB is very low.

Q2027 Hywel Williams: I suppose the implications of that are something for the BBC, but do you have any observations on the possible long-term loss of audience, people who might then start tuning into other radio channels which are available on digital or not listen to the radio at all for example, purely speculatively?

Mr Williams: Ironically, as we outlined earlier with television, as people are given a wider choice of services their loyalty to the traditional services, if I can describe them like that, tends to wane, or they spend less time listening to the traditional services, so it could be argued that a delay in rolling out DAB might not necessarily be detrimental to the viewership but it would be impossible for us to speculate as to what viewers or listeners are likely to do in that context.

Mr Phillips: One other thing that is worth saying is that a proportion of listening to digital radio is not on DAB but is through other platforms like listening through the Internet. We are now starting to see the development of wi-fi enabled radios to be able to stream services through the Internet around people’s houses, and those kinds of technologies would mean that people could have availability much earlier.

Q2028 Hywel Williams: I did ask you if you were aware whether the Government in London were aware of this issue and were they actually doing anything. Do you know if they are?

Mr Williams: I am certain that the Assembly Government in Cardiff are aware of the issue. It is something that the former Culture Minister Alan Pugh wrote to Ofcom repeatedly about. I assume that officials in DCMS here are aware of the position but, again, it is not a situation where there is an easy solution where somebody can wave a magic wand and all of a sudden it can happen. It is going to take some time whatever. I think we have to be patient.

Q2029 Chairman: I am not sure whether you have answered this question but what about the Heads of the Valleys. We had a witness last week, Elin Haf Gruffydd Jones from Mercator, who told us that there has been no commercial interest in the Heads of the Valleys contract. Is that the case and, if so, what is going to happen about it?

Mr Williams: That is the case. At the time the two commercial multiplexes in Cardiff and Swansea were advertised, the licence for the Heads of the Valleys area was also advertised and there were no operators who saw it as a commercially viable proposition. We are considering whether there are other ways in which that could be brought on-stream. There is the possibility of looking to the operators of the existing South Wales multiplexes to extend their area of coverage, and that is something that members of our radio team are considering, but certainly the prospect of somebody wanting to take up that licence as it currently is slim. We have regular discussions with the existing radio players within the sector in Wales and new groups who might be coming in from outside and, as yet, there is no interest. Generally speaking, our approach—and we have been working in collaboration with our colleagues in BBC Wales—is to try and move this process forward as quickly as we can to ensure that DAB is made available as widely as possible within
Wales in order to bring not only the wider choice that that brings to listeners but to bring Radio Wales and Radio Cymru onto the DAB platform.

Q2030 Albert Owen: You have touched on the issues I wanted to ask about, particularly regional provision, but to what extent do you think Welsh broadcasting will retain its Welsh identity after digital switchover and what is Ofcom doing specifically to make sure that Welsh regional programming is available and accessible once switchover has taken place?

Mr Phillips: I think that the provision of programming for all of the UK’s nations is something which is central to the work that we are doing in the public service broadcasting review. We have said consistently that plurality of provision, particularly in key areas like news and current affairs, is something which we believe is and continues to be important. Therefore, as I was saying in the earlier part of this conversation, to the extent that there are problems in continuing to fund that kind of programming to enable plurality, particularly in those critical areas in the future, then we think that Government and Parliament will need to consider new kinds of solutions in order to be able to make that programming sustainable. There is a range of options about that and clearly we need to complete the analysis we are now doing in order to understand more precisely what the scale of the problem is. Is it small or is it large? I think the basic point, which is that plurality of provision for each of the nations of the UK, particularly in Wales where there is clearly a sense of democratic accountability within the nation as well as part of the broader UK framework, is something which we think is very important.

Q2031 Albert Owen: When you say it is very important, do you go further and recommend that there should be certain thresholds, certain hours of output in public service broadcasting?

Mr Phillips: There already are.

Q2032 Albert Owen: I am talking post switchover. Are those going to be maintained?

Mr Phillips: We have not taken those decisions yet. We will be publishing over the course of the spring an initial consultation document on our analysis of the broader issues facing public service broadcasting. We will be publishing a second consultation in the autumn which will be setting out more detailed proposals and which will get into the kinds of areas you are talking about. We will be bringing proposals in those kinds of areas but the principle which will be underlying any proposals we bring forward is that plurality is and will remain important, particularly in those kinds of areas.

Q2033 Albert Owen: How does that mechanism work? Will you be making recommendations to the Government?

Mr Phillips: Within the Communications Act there are some levers we have directly, so we could continue to impose quotas on broadcasters in those particular kinds of programming, as we do at the moment. I think the issue with that though is the point that I was raising earlier on which is that as the value of the spectrum goes down to those broadcasters, at some point they will want to consider handing back those licences because there is a disproportionate cost for them versus the benefits they get from having public service broadcasting status. The only way that that can be bridged, if that is the situation that arises, is by some new means of funding in order to make up that gap. Any decisions about that funding will be a matter for Parliament and for Government and not ones for us. We can make recommendations, and indeed we are required to under the Communications Act, but those decisions will be ones ultimately for Parliament to make.

Q2034 Albert Owen: Can I move on to the retention and development of Welsh language services. Again we are looking to the future and, as you said, that digital switchover is almost upon us. What steps is Ofcom taking to ensure that that Welsh language provision continues?

Mr Williams: The existence of Welsh language provision on television is something that is set up by Act of Parliament from the 1982 Act, the 1990 Act, the 1996 Act and the 2003 Communications Act. S4C’s statutory provision remains as it is. Obviously the PSB review will be looking at Welsh language programmes in the way it will be considering all other kinds of public service provision, not only in Wales but across the UK, to see to what extent S4C is meeting its public service obligations in that sense. Its position in that sense is perfectly secure. There is no question and it would be beyond Ofcom’s remit to do anything that would have a detrimental effect on S4C. At the time of the last review of public service broadcasting, we raised some questions about the possibility of different models under which S4C could operate, one where it would become a BBC service, one where it would go to the opposite end of the spectrum and become a completely commercial entity. In the end, unsurprisingly, we ended up somewhere in the middle and a new relationship was forged—what I think the BBC and S4C describe as a strategic partnership between both. That clearly has brought benefits to the way in which it operates. Certainly so far as other suppliers are concerned there is visibility and transparency in the nature of the relationship between BBC Wales and S4C, so in that sense the outlook for Welsh language production is good. If you like, the worst effects of the move to multi-channel have already occurred, with 90% of people in Wales already having access to multi-channel TV. Of course there have been benefits. I think S4C probably in their evidence to you referred to the fact that they now access through the Sky platform viewers outside of Wales, something which they could not do before, and also they are using the Internet and you can access some S4C programmes over the Internet which brings an international audience, so it is not only the disadvantage of being in a more competitive environment, there are some advantages there as
well. It seems to me that the recent change in strategy at S4C and the leadership of Iona Jones and John Walter Jones has led to an increase in viewing figures, and also a production sector which has seen some companies coming together to form larger units, which give them more security and allow them to compete not just within Wales for programme contracts but outside in the rest of the UK and beyond. That brings benefits to not just the production sector in an industrial policy sense but I think it brings benefits to the quality of what is produced. I make a habit of reading the credits of programmes like Dr Who and Torchwood and you will see that people who are working on those programmes also work on programmes that are made in Welsh for S4C, so I think in that sense the Welsh language production sector and S4C does not have any particular unique concerns that it needs to be worried about at this stage in time.

Q2035 Albert Owen: Just one further point, if I may, on the 90% takeup of digital thus far. Predominantly that is Sky based. Is that because they have poor analogue and other digital choice that they have to go with Sky?
Mr Phillips: About 50% of the 90% is through satellite. And does that include cable as well?
Mr Williams: No, half of it is satellite.
Mr Phillips: The bulk of the rest of it is through Freeview.

Q2036 Albert Owen: How does that compare with the rest of the United Kingdom?
Mr Phillips: That is slightly higher than the rest of the United Kingdom. The figure is about 40% I think across the United Kingdom as a whole.

Q2037 Albert Owen: Is that anything to do with reception where some areas of Wales need to have satellite because it cannot get Freeview or the other digital channels?
Mr Williams: Yes. Freeview is currently available to 57% of the population. Clearly that will change to 98% when switchover happens. That is why the switchover process is needed—in order to be able to bring Freeview to the same number of people who can receive analogue television in Wales. Obviously, for completely understandable reasons, people do not want to wait for switchover in 2009 (completed by 2010) for that; they want access to multi-channel television now. Peter referred earlier to our communications market review and one of the findings is as a nation Wales is keen on watching television. We watch more television on average than other parts of the UK, so people were clearly wanting to get access to multi-channel television. That is not to mention of course that if you are keen on sport there are some clear incentives to go down the Sky route.
Albert Owen: Okay, thank you.

Q2038 Hywel Williams: I would just echo as far as my own constituents in Caernarfon are concerned, they can see the masts out of their windows but they cannot get Freeview and that has caused some angst. Can I turn to the digital divide that you referred to in your memorandum and the emerging divide between rural and very rural areas in other parts of Wales. We have had evidence already, last week for example, that there are concerns there is going to be a democratic deficit because of this and also, certainly in my own constituency, difficulties for businesses which operate on broadband from very rural areas and the difficulties that they are experiencing just in running their businesses from day-to-day. Can I just address this by asking you what, in your opinion, is the source of the digital divide? What will the impact be and what are you doing about it, given that it is one of your statutory duties to ensure as wide a possible range of electronic communications?

Mr Phillips: Clearly one of the positive developments in this area has been that broadband is now available from all of the BT exchanges in Wales. Clearly one of the issues about rural areas is that the distance from exchanges is much longer than it is in urban areas and that restricts the ability for households, particularly in remote communities, to be able to receive broadband, either at all or at the kind of speeds they would have if they were that bit closer. In addressing those issues, I think that one key element is about the role which the development authorities have played across the UK and which the Assembly Government is now playing within Wales. In order to solve those problems, it is quite likely that there will need to be some form of public intervention for the most remote kinds of areas in order to close that gap. I think that there are two ways of thinking about the question which you have asked. One is about the current generation of broadband where I think the issue is about addressing the specific remaining areas of what are now called “not spots”. However, I think there is a second set of issues, a longer term set, which is how will broadband infrastructure evolve more generally across the UK and to what extent will the new generation of much faster broadband be rolled out in urban or in other parts of the UK over the coming years. We have just started to see really over the course of the last few months the first announcements from commercial providers about much faster provision, so we have seen Virgin Media announce that they will be making available 50 megabits per second services to cable households. We have seen also a Welsh-based company, H2O, in the last couple of weeks announce some initiatives that is it having to put fibre optic cable through the sewer networks in three towns, in England and Scotland initially, to be able to provide much higher speed access. The challenges for rural areas in making the economics work for deployments of that kind of much faster broadband are going to be pretty challenging. The question is going to be to what extent the current generations of broadband solve those issues about the potential democratic deficit and to what extent one needs to have very high speeds in order to be able to address those problems. Because those kinds of networks are still at the very early stages, I think it is hard to predict with certainty the nature of the services that will be provided and therefore the potential impact on citizens of the inability to access those services.
Q2039 Hywel Williams: I am just wondering if we are going to have three categories eventually where you will have at one end the full range of services, at the other end you will have “not spots”, and in the middle you will have “not much spots”. The implications for Wales, not only domestically in consumption of whatever comes down the line but in straight business terms, are going to be difficult for some areas. I am thinking in my own constituency of Rhiwlas, which has a number of people who work at the university who want to work from home, for example, and they can actually see Bangor in the distance but they cannot get broadband there. It is very frustrating and it is a very long-standing problem.

Mr Phillips: Absolutely, and I think there are two kinds of problems there, one of which is particularly for small companies. Large companies typically can justly having their own fibre links direct to their premises and so it tends to be much less of an issue. For smaller companies they are dependent in effect on the same infrastructure that households are. The second is absolutely the issue you touch on which is the wish of people to work from home and particularly in rural areas the infrastructure can put constraints on that.

Mr Williams: This is an issue that we discuss again regularly with ministers and officials at the Welsh Assembly Government. The RIBS programme that enabled the exchanges that Peter referred earlier has a second phase which is currently being rolled out to address the “not spots” specifically. The Assembly Government also has another project which has EU approval and has been licensed by ourselves to become a telecommunications provider, the FibreSpeed project, which is linking up business parks in North Wales for highspeed broadband access. We are certainly working with officials at the Welsh Assembly Government and providing advice to them on how this process can continue because, as Peter says, it is very difficult to imagine that there will be market-based solutions to all of these issues; public intervention is essential.

Mr Phillips: I think that in the current generation of broadband the market has gone further than people initially predicted. When broadband first started, the projections were that we would only cover about 60% of households across the whole of the UK, and a significantly lower proportion in Wales. What has happened as a result of the levels of competition that there have been is that the market has taken availability post 90% across most of the country, and now targeted public investment and good use of public funds is possible because it is not duplicating things that could be done by the market. I think in the kinds of areas that you talk about, as Rhodri says, it seems unlikely to me that purely commercial provision will generate high-speed access for people living in those kinds of areas.

Q2040 Mark Williams: We touched a moment ago on the democratic deficit. Turning now to the written press and a perceived shortfall there, you say in your memorandum that “there is an absence of a strong agenda-setting press in Wales that can act as a ‘debating chamber’ for Welsh issues,” and you note there is a sense in which news about Welsh policy areas is not reaching the electorate, particularly since the emergence of the Assembly. What can you as Ofcom do under your remit to encourage that public political debate on Welsh policy areas?

Mr Williams: As we point out, the position of the written press in Wales is very different to that in Scotland and in Northern Ireland for instance. We have, in effect, two regional papers and we have provided, hopefully, some interesting statistics there on the readership. That is really why in going about our work in the review of public service broadcasting, we have to take the market context into consideration, which is not simply what is available in broadcast television at the moment but what is available on new media, what is available in print and also radio because that forms the context, if you like, for any recommendations that we will make in relation to the future of provision of public service content within Wales. Clearly the press themselves are outside our remit. It is not an area that we have any power over or power to make recommendations about, but we do have to take into consideration the content provision in its wider context within Wales, so that when we look at public service broadcasting we come at it from a point of view that realises that there is a greater onus, if you like, on public service television broadcasters in Wales to provide the kind of information that is necessary for democratic debate, than perhaps there is in other parts of the UK.

Q2041 Mark Williams: Are the new technologies going to add to that or are they going to diminish the chances of that debate? I just think with the evidence we took last week from S4C and the challenges they are facing in promoting the children’s channel as opposed to live coverage from the National Assembly.

Mr Phillips: I think that it works in both ways. There are some new kinds of opportunities and we have seen in different parts of the UK local papers moving into the provision of video content and audio content on their websites. When they send reporters out for many local papers they take video cameras with them or they take audio recorders with them and that clearly provides a new set of services that can take them into different areas and provide new forms of revenue to support their continued investment in local journalism and other kinds of editorial content. Potentially it opens up competition in those areas to a broader range of services. Where the balance of those two things lies is difficult to judge right now.

Q2042 Albert Owen: If you could move on to the creative industries—and you refer in your memorandum to the Welsh Assembly Government’s Creative Hub and the support it provides for growth in the creative industries in Wales—is that growth of the creative industries in Wales dependent on public funds?

Mr Williams: It certainly is in one sense in that most of the production is funded either by the BBC or by S4C. The role that the Creative IP Fund plays in it is small in comparison—it is a budget of £7 million—but that is to do something slightly different. It acts as a gap
financier in financing commercial projects, some of which may be produced for a Welsh audience but some of which are produced for a worldwide audience, and that intervention, the Creative Industries Strategy, was something introduced by Andrew Davies when he was responsible for economic development within the Assembly Government and has been a welcome initiative. I think it has certainly enabled companies and encouraged companies to look beyond producing content for BBC Wales, S4C or HTV in Wales. I think the purpose behind it was to try and secure companies in Wales who operated by creating content where they retained a stake in the ownership of that content and therefore benefited in terms of recouping the value of that over a period of time, not simply being paid for one piece of work and delivering it and then finishing, so it has been beneficial. Clearly it is a small proportion of the overall market but certainly to date it has been successful.

Q2043 Albert Owen: So it allows independent companies to attract private finance as well?
Mr Williams: Yes, it encourages them to do that and to think beyond. Going back to the days when I was an independent producer in Wales, the business model was that you sold your programme to the broadcaster, the broadcaster then owned it; once you had delivered it and delivered your financial reports, the process was over. Nowadays that sort of 100% funding from a broadcaster sometimes is not available so there are some companies, especially those specialising in drama or in animation, that will only have in place possibly half of the finance that is required, so they will get maybe half of the required finance or possibly less from the BBC and from S4C and will then need to go out to the market to find finance. They will get that from other broadcasters in other parts of the world or from other sources and that is what the Creative IP Fund does; it is to provide some additional finance. It does not provide anything like the whole finance that is required for a project but it can provide very useful gap financing which makes it easier for companies and, as I say, encourages companies to look beyond Wales and to be more ambitious in some of their programme ideas.

Q2044 Albert Owen: You also note in your memorandum, moving on to skills and training, that television and radio is regulated by Ofcom on behalf of the Broadcast Training and Skills Regulator. Do you believe that the current level of training provision is sufficient in Wales in the creative industries or do we need to invest more?
Mr Williams: There is considerable investment in training within Wales. Obviously the model of training has changed. Going back 20 years, most people working in the industry would have been trained by the BBC and would then move on to work somewhere else. The BBC still undertakes a large amount of training but clearly people need to be trained in places other than the BBC and the independent sector contributes in a large proportion to that training in Wales. We also have organisations such as Skillset, who are providing that training. It is well-funded, well-resourced, and I do not think there is any shortage of availability. That also is linked to the large amount of provision that is in further and higher education establishments in Wales who almost all nowadays provide some degree of education in media-related skills, and in doing that they are responding to a market demand, that colleges feel the need to offer courses on the content creation side. For instance, there is an excellent School of Journalism in Cardiff, which is one of the leading providers of journalism training in the UK. I think possibly there is a question of whether there is more provision than there is actually demand for jobs in those industries at the end of the day.

Q2045 Albert Owen: Is that demand coming from the students themselves or the industries? Do students just want to take up media studies or are the universities and higher education and further education establishments actually following the demands of the creative industries, which are growing?
Mr Williams: I think it is a bit of both. Clearly there is a demand there from industry and what the industry is looking for is high skills levels to enable it to compete in that increasingly competitive marketplace, but I do think you are right that there is a perceived demand from students and they want to do more media courses. I am not persuaded that there is sufficient opportunity in the market-place to find jobs for all the people who are trained in all the media studies courses throughout Wales, or whether there are that many jobs available for them at the end of the day. Of course, that does not mean that they do not find employment in related jobs. People come in and out of the sector as they do other sectors.

Q2046 Albert Owen: So do you think there is a need for a skills audit within the creative industries in Wales for the modern day and the future?
Mr Williams: That is not something that has come across our desk. Certainly we have not heard either from the broadcasters, from the production sector or from those responsible for training that such an audit is needed at this time. Skillset is still a relatively young organisation and I think it is providing a good strategic lead to the sector within Wales. If there is a demand for an audit of that kind then I am sure we will hear about it soon.

Q2047 Chairman: Could I end with two questions about the future of communications policy in Wales. One general question and one very specific and I will start with the specific question. Is there a need for a Commission on Broadcasting and Communications in Wales akin to the one that has been established in Scotland last year? You pause there and you have a smile on your face. Could I put it in this context then: you quite rightly drew our attention to the sales figures of the press. I know this is not your remit directly but it is quite startling—the decline in the Welsh press in the last decade. One wonders for example whether or not it would survive at all but for public sector advertising. I just throw that in as a way of helping you out of the question.
Mr Williams: I think the easy answer to the question is that it is not a question for Ofcom whether there should be a Commission to look into broadcasting in Wales. It was the decision of the Scottish Government to establish the Commission. What I think is very clear is that now that has happened we at Ofcom are co-operating with the Commission and have given evidence formally to them which will be made available publicly. Our Chief Executive visited them recently in order to do that and we are providing them with as much assistance as we can in terms of data and information about the market. If such a body were established in Wales, I am sure we would provide the same level of assistance. The situation is slightly different at the moment. There has not been a call for such a Commission to be established, but we are certainly talking to the Welsh Assembly Government ministers about the formulation of what they describe as an “integrated” communications policy, so that they not only have views on selective pieces of the Ofcom agenda, but they have a view that covers the whole of the waterfront and, as it happens, they describe as an “integrated” communications policy, so that they not only have views on selective pieces of the Ofcom agenda, but they have a view that covers the whole of the waterfront and, as it happens, Ian Hargreaves, who I mentioned earlier, was in Cardiff yesterday meeting with Rhodri Glyn Thomas, the Heritage Minister, and Andrew Davies, the Finance and Public Service Performance Minister, discussing these issues. There does not seem to be a demand for a Commission of that kind but I think greater interest and greater expertise within these policy fields is certainly something that we would welcome because, for reasons to do with citizenship, for reasons to do with economic development, the place of the communications industries within the modern economy is only getting greater, and therefore to have an informed input from policymakers in Wales so that they liaise with ourselves and respond to the numerous consultations that Ofcom embarks upon in any one year is useful and something to be welcomed, and we would cooperate with them on anything that they asked for help with.

Q2048 Chairman: I do not find it surprising that you are engaged in that dialogue with Welsh ministers, but given that it is a retained, non-devolved matter, surely that dialogue should begin with UK ministers or they should be part of that dialogue?

Mr Williams: It certainly does. There is no shortage of debate between Ofcom and DCMS.

Q2049 Chairman: On Welsh matters I mean.

Mr Phillips: Clearly within the public service broadcasting review, the position of broadcasting in Wales is an important set of issues, and that is one of the issues on which we are engaging both with the Department for Culture, Media and Sport and also with the relevant ministers.

Mr Williams: If you look at the whole of the Ofcom waterfront, the engagement of the devolved administrations is greater on the telecommunications side of it where they do have direct powers. We referred earlier to the RIB scheme. There are similar schemes in existence in Scotland and Northern Ireland where they do have responsibilities and powers which do not exist on the broadcasting side where it is more a discussion rather than something that directly affects provision.

Q2050 Chairman: I move on now then to the more general question—and this is the last question: does Ofcom look to the experiences of other countries, similar countries to Wales, for example, and learn from those experiences at all or are you somewhat introspective?

Mr Phillips: We do a lot of research looking at models for communications right around the world. We published in December the latest of our international coms market reports precisely to be able to look at what is going on in a range of economies around the world, not only the obvious ones in Europe and in North America but also looking to what is going on in developing economies in Asia and elsewhere, so it is something which in all of our policy work we are very actively engaged in looking at what people are doing in other countries and for opportunities to learn from them.

Q2051 Chairman: I am asking that from the perspective of Wales, this is a Welsh perspective; does Ofcom look at other countries in order to learn in terms of communications and broadcasting in Wales?

Mr Phillips: I think that in drawing from that wide range of countries, in trying to get experience from those, clearly a number of them are countries which have high proportions of rural communities. Clearly there are lessons for Wales from that. A number of them are countries with populations roughly equivalent to Wales so within that set of countries clearly there are things which have got lessons not only for the UK as a whole but also for Wales or for the situation in Northern Ireland or Scotland or regions of England. We will look actively for those kinds of opportunities to learn, and I think also we see a lot of evidence that other countries are interested in learning from us not only in terms of our UK-wide approach but also in the way in which we are approaching the nations and regions of the UK.

Chairman: Could I thank you both for your evidence this morning and also for your very substantial written memorandum, which was extremely helpful to us in preparing for this session. If you do feel in terms of the last question that you have something else to say to us about your international perspectives, then we would be very pleased to hear from you. Dydd da, thank you very much.
**Tuesday 5 February 2008**

**Members present**

Dr Hywel Francis, in the Chair

Mr Martyn Jones

Mark Pritchard

Mark Williams

**Witnesses:** Ms Menna Richards, Controller and Mr Pat Loughrey, Director, Nations & Regions, BBC Wales, gave evidence.

**Q2052 Chairman:** Good morning, *bore da*, and welcome to the Welsh Affairs Committee. May I begin by placing on the record that I am a guest of BBC Wales at the Wales and Scotland game next Saturday. Could you introduce yourselves for the record, please?

**Ms Richards:** *Bore da*, good morning. I am Menna Richards, the Controller of BBC Wales, and my boss is Pat Loughrey, who is the Director of Nations and Regions at the BBC.

**Q2053 Chairman:** Thank you very much for the two memoranda which were very helpful to us in preparing for today’s session. Could I begin by asking you what specifically do you see as the main challenges facing the BBC in Wales; and could you particularly tell us whether you think they are unique to Wales in the context of globalisation?

**Ms Richards:** I think the challenges for us are about the proliferation of content; the fact that globalisation means that content is available for people throughout the world to consume. I think the challenges for us therefore are to make any content that we produce—whether it is television, radio or online material—of significance, of relevance and of huge impact for audiences, so that we can cut through any competition. I am very pleased to say that there are many examples of the way in which we are already doing that; and clearly we wish to do more of it. If I may give just a few examples: if you take *Dr Who*, for instance, probably the biggest success the entire BBC has seen for many, many years, produced in Wales by BBC Wales, sold currently to 37 countries across the world; and *Torchwood* its sister series, also produced by BBC Wales, sold to 31 countries across the world; and *Cardiff Singer of the World*, a biennial international signing competition shown in 15 countries last year.

I think the significance of the scale of those kinds of programmes means that BBC Wales has a very significant role to play globally. Of course the fact that the BBC is an organisation of such scale means that we in BBC Wales can benefit from that, in the sense that we can develop talent, and we can use the BBC’s training resources to ensure that we have got the best possible talent in the world working on some of these productions.

**Q2054 Chairman:** You specifically refer in your memorandum to what you call “growing global influences”. Can you expand precisely on what you mean by “growing global influences”?

**Ms Richards:** I think, for instance, when you look at the competition for audiences across the world digital technology is changing the rules about the way in which people consume content. For example, Google and Yahoo, which are familiar to all of us, are regarded as the third and fourth best news providers in the world and they do not make any content. The way in which technology is changing people’s perceptions of big operators’ activities makes a big difference to the way in which the BBC has to think about the future and the way it develops its ideas.

**Q2055 Chairman:** I was intrigued by your first memorandum because implicitly running through it, in response to the question about responding to globalisation, you seemed to be developing a strategy which was about localisation; that your real response to globalisation was actually to go back to your roots. Could you say something about that? Is that unique to BBC Wales; or is this happening right across the BBC? Perhaps you could give us some examples of how it is or is not different in other parts of the UK?

**Mr Loughrey:** Firstly a more general point, if I may, Chairman. It is an interesting aspect of the global media market that people tend to hold more tightly to their own culture and identity while embracing warmly the broad spectrum of the wider Western world cultures. The BBC has a unique opportunity to nurture that sense of self-confidence in the different communities that make up the United Kingdom, and increasingly a market obligation so to do; because the market tends to cater less well for the smaller communities across the United Kingdom. From our conception we have strong commitment from the very beginnings of the BBC in the 1920s to news-gathering, to information flow, to dialogue, debate and discussion in local communities. As new platforms and new opportunities become available it is really important that we take advantage of those to ensure the local democracy, local identity, local heritage and local language is nurtured and maintained. We find that that is how you build your strength in the global world—not by adopting a form of cultural mid-Atlanticism, but being strong in your indigenous identity and your indigenous experience, and having the self-confidence that comes with it. That is why the BBC local proposition is so much a part of our plans for the future and why we are putting it to a public value test in the hope that the BBC Trust will accept the management’s commitment to that
service: which means that basically across 60 areas of the whole United Kingdom we will offer on television, on radio and on demand an unrivalled, we think, service of news, information, discussion and debate.

**Q2056 Mark Pritchard:** Your memorandum is very optimistic about BBC Wales competing and increasingly having a greater market share in a global environment. You have touched on the scale. Are there other factors that give you that optimism?

**Ms Richards:** The current success, although this is fairly recent success in the last five or six years with some of the very big series I was describing earlier like Dr Who and Torchwood, I think what that has taught us is that we can draw on the BBC’s resources, with the question of scale, but also we can work in partnership with other organisations. I think in a small place like Wales it is essential that we can work with partners in order to develop talent, in order to ensure that there are employment opportunities not only for local people but perhaps for talent outside Wales that wants to come back. If I give some examples of the kinds of organisations we work in partnership with—some of the universities, colleges, skills agencies and training agencies—we work very closely with them to ensure that by creating a sense that we are in this together and that part of the BBC’s contribution to the creative economy is to create opportunities for young people, talented people, to learn the kind of skills through training agencies, colleges or universities that will eventually lead them to get jobs working on big global productions, that is I think a very, very important factor in the success that we have achieved so far.

**Q2057 Mark Pritchard:** Welsh language services, you have a strategic partnership at the moment with S4C. That obviously has a timetable. How do you see continuing that partnership or the delivery of Welsh language services in the context of resources that are reducing rather than increasing at the BBC?

**Ms Richards:** I think it is important to make the point that the BBC’s Welsh language services are not limited to the contribution that we make to S4C. We do of course run two national radio stations in Wales, Radio Wales in English and Radio Cymru in Welsh, and we have a very extensive online Welsh language presence—again something that is available internationally, Cymraeg Byw. As far as the strategic partnership of S4C is concerned, this is a partnership between the BBC Trust and the S4C authority; and it is in its first year and it is a three-year partnership. Clearly the BBC Trust and the S4C authority will be reviewing the partnership as we go through the next three years. Clearly that will be something for the Trust to determine.

**Q2058 Mark Pritchard:** Obviously the BBC is going through a redundancy programme at the moment. I just wonder how you think that will impact on BBC Wales and where in particular the axe is going to fall?

**Ms Richards:** I announced two weeks ago that for the next two years we have succeeded, by careful planning, in reducing the number of potential compulsory redundancies to 27. We are in discussion with staff and unions at the moment so I do not feel it would be appropriate to discuss individual departments, and I am sure you would understand that. Clearly we will be seeking to minimise those redundancies as far as we possibly can. What I can say of course is that while there will be post-closures there is also a great deal of new investment, much of it linked to BBC local that Pat was describing earlier. Provided the BBC Trust gives approval then I anticipate that in our news department, for instance, there will be more staff than there are currently.

**Q2059 Mark Pritchard:** Notwithstanding the pressures of globalisation, do you think there is an argument for a review of some of the salary levels of those who are on contract to the BBC—Jonathan Ross being an example of a very large salary indeed, and there are other examples you will know better than I. Do you think those sort of figures, those sort of size contracts are sustainable: firstly, in principle, with people being made redundant; and, secondly— notwithstanding the creative industry pressures from the independent sector, where we are told they could go if we do not give them these large salaries but noting that point—whether other talents, similar talents, could be attracted to the BBC perhaps for a lesser sum?

**Mr Loughrey:** These are difficult matters, as you well know, and they are under constant review I promise you. It is not just when there are newspaper stories or allegations in the press that we review them; there is a constant balancing act. Without going into specific cases, and you would not expect me to, it is fair to say, however, that there are certain talents at certain times which speak to the audience in a way, and can win levels of audience size and audience engagement that were we to try to deliver at the same level of audience engagement through drama, entertainment or comedy would actually cost a great deal more than an individual talent contract. It is a constant challenge to a public service broadcaster.

**Q2060 Mark Pritchard:** May I interject at that point. The difference is that you cannot export that programme (and I do not want to single out Mr Ross) like you could export a docudrama or drama programme. Given that it is not about advertising revenues—so Mr Ross attracts so many million viewers therefore we have advertising revenue—that is not relevant to this argument. If you had a drama you could export that and actually have revenue from that particular programme?

**Mr Loughrey:** Some drama works as a worldwide global commodity, and some very, very powerful and effective drama does not. Especially in my brief, in nations and regions, drama which is entirely of its place and which does not aspire necessarily to a global market actually is more effective. I think it is invidious to talk about individual cases here. However, the entertainment show format and the
high costs that go with it are part of the entire media market across the world. There are individuals that at certain times have high cost premiums; those times change; the market moves on; and the model moves on.

Q2061 Mark Pritchard: I asked the former Secretary of State some time ago whether BBC salaries should be made public, given that the BBC is a public corporation, and I know the BBC thinks very much in the public interest about such matters. Do you think that at certain levels of manager and upwards perhaps that a salary should be made public in the public interest, first of all? Second, in this era of when everybody is talking about “Britishness”, would you describe the BBC as a “British brand” or something else entirely different?

Mr Loughrey: Firstly, the entire executive board of the BBC, the entire board of management as it were of the BBC, all salaries, remuneration, bonus, pension funds are made public in the annual report, and that is how it should be. The BBC is a significant manifestation of the British plural identity right across these islands. It has been a fulcrum for celebrating, nurturing and exploring what it means to be British and the sense of that identity in the worldwide market. We are proud to say that we are one of Britain’s most recognised brands in the world because of our heritage and because of what we are achieving at the moment. BBC Wales’ contribution to that achievement is increasing and considerable. We are something that helps define a sense of Britishness, which is not in any way a contravention of our profound involvement with the Welsh, Scottish and Northern Irish identity—in fact it is a manifestation of it.

Q2062 Mark Williams: We are awaiting the outcome of the report commissioned by the BBC Trust into BBC UK network news coverage of the four nations. We have talked about a “plural identity right across these islands”. Do you feel there has been a lack of specifically Welsh current affairs coverage on the BBC UK network?

Ms Richards: As you know and have indicated, the Trust is investigating these matters. One of the reasons that the Trust has decided to investigate is because the Audience Council for Wales, a body which advises the Trust, has raised this as an issue on several occasions; and it has been causing concern to members of the Audience Council for some time. I think the relationship between BBC Wales’ newsroom and the network newsroom is such that we are able to have a dialogue with them about the nature of news coverage. I think devolution across the whole of the UK means that all news journalists have to think quite carefully about the way in which they cover news stories. I think it is a relatively new issue for many of my colleagues, but I think it is being addressed, and I think it is being addressed with some success.

Q2063 Mark Williams: We took evidence from Ofcom and they talked about their feeling that Welsh politics is not reaching the electorate, particularly since post-devolution. I note the comments of the Director General in his interview with The Guardian a couple of weeks ago about the need for a burst of creative energy in its treatment of the Assembly and other bodies; and the need to create the most engaging, most creative multimedia portal for democracy in the world. Apart from your earlier remarks that you think there has been a problem in terms of getting the message of the Assembly and devolved institutions out to people, do you agree with the Director General about the need for imaginative approaches?

Ms Richards: I would slightly separate BBC Wales’ coverage of the devolved institution with that of network news. I think BBC Wales gives certainly a significant coverage to the Assembly and its activities. Yes, of course part of our role is constantly to challenge the way in which we do these things and to recognise, as I was saying earlier, the impact of new technology and the way that people consume what we do. Part of the challenge for us is to recognise that we have to make it more interesting and we have to make it more accessible. The Director General is right to set us this challenge and it is something we do think about constantly. I think there is some evidence, for instance, at the last Assembly elections we found different ways of communicating with our audiences. We selected a panel of 60 people to represent different views in Wales and we called them the “Wales 60”; there was a wide demographic age, gender, geography and so on, and there was something very interesting about the way in which they were able to represent different parts of Wales and the demands of different communities. Part of our responsibility is to recognise that we have to think radically about the way in which we cover both Westminster and Cardiff.

Q2064 Mark Williams: You mention in your memorandum BBC Wales’ contribution more generally to the UK network, radio, television and online services and the great example of Dr Who. Is there more scope for BBC Wales to provide more drama and entertainment programming for the UK network?

Mr Loughrey: As we are in the spirit of quoting the Director General, Mark Thompson has recently said there is an irreversible shift in the weighting of network production across the United Kingdom that is very much in favour of production within the devolved nations of the United Kingdom. Based on the contribution to the creating economy that Menna described and the proven excellence of that production in the strong titles we have discussed already, there is a very real appetite in the BBC to enhance, to some extent, its presence in the production business across the whole of the United Kingdom.

Q2065 Mark Williams: I think the figures you mention in your submission represent £5 million worth of network TV production in 2000, rising to £43 million this year. Do you see the trend as a positive one moving further beyond that?
Mr Loughrey: We are awaiting an internal BBC report to explore further enhancement of those figures.

Q2066 Mark Pritchard: Do you agree with the Archbishop of Wales, the Rt Revd Barry Morgan, when he allegedly raised some comments recently about competition in broadcasting being a healthy thing for Wales? Given the imminent digital switchover, do you share the concerns of many people that there will be a news monopoly in Wales which the BBC will be running?

Mr Loughrey: Yes, obviously anyone who cares about this and has spent a lifetime in public services broadcasting is concerned about the future in an uncertain world, particularly uncertain from the perspective of some of the commercial players in the market. I, however, am more optimistic than some that the rich heritage that commercial broadcasting has had across the whole United Kingdom—arguably often ahead of the BBC’s sensitivity to the nations and regions of the United Kingdom, often leading the way and demonstrating to us the creative power of the nations and regions, despite the commercial pressures—that that should not and, indeed, will not be lost.

Ms Richards: If I might add to that, clearly the question of plurality is something we are all concerned about. It is something that will be explored in the Ofcom PSB review. You mention specifically commercial broadcasting, and many members will know I used to run ITV Wales, and it is a cause of real concern to me to see the way in which ITV Wales has been forced to diminish in this way. I have to say, from what I know of the people who run ITV Wales, I think it is extremely unlikely that they would want to see any kind of further diminution of ITV news.

Q2067 Mark Pritchard: Given Ofcom has written to Members of Parliament this week saying that the decisions and consultation process will be going on in the next few months, do you think BBC Wales might make their own representations to Ofcom about the future of ITV in the regions and the news coverage in particular, and actually petition in favour of maintaining and retaining ITV news services in the regions, including Wales?

Ms Richards: I am sure it did. I know that the BBC is engaged in formulating its response to the Ofcom PSB review and I would be very surprised indeed if that did not contain some reference to that.

Q2068 Mr Martyn Jones: Do you think that digital switchover might actually affect the plurality of public service broadcasting in Wales?

Mr Loughrey: Just as we have been discussing, digital switchover is one of the moments in the life of public service broadcasting when there is a fundamental change in provision, and a fundamental change of the choice available to the audience and, indeed, to some of the broadcasters. I do not think that in itself it necessarily diminishes the plurality or the opportunity for plurality in broadcasting in Wales. It is other market forces that are creating those pressures.

Q2069 Mr Martyn Jones: Will the merger of BBC Two Wales and BBC 2W impact on the availability of English language programming actually produced in Wales in English?

Ms Richards: The merger of BBC 2W and BBC Two Wales is a consequence of digital switchover. BBC Two Wales is an analogue service and BBC 2W is a digital service. Once digital switchover happens it is technically impossible to run two services, so the intention is to merge them so that we have the best possible service for audiences in Wales. The BBC’s commitment to English language television is undiminished, and I am very confident that commitment will continue.

Q2070 Mr Martyn Jones: It is better than the misapprehension we had that it was going to go altogether.

Ms Richards: Yes.

Mr Loughrey: And be easily offset, for example, by the ever-expanding level of production from BBC Wales to the networks. We are often in the invidious situation with the traditional 2W that we are actually opting out of BBC Wales-produced content; that does not make sense.

Ms Richards: I think the other interesting point about BBC Wales’ production—English language television production in Wales—is the way in which we have been able to use the skills and the talent employed on local BBC Wales’ production to deliver high quality network production. Again going back to this point about the scale of the BBC in a global context, being able to ensure that individuals have the ability to move along a career path that gives them such a wonderful experience of both local and network production is a very, very valuable thing.

Q2071 Mr Martyn Jones: In your memorandum you note that “the non-availability of both Radio Wales and Radio Cymru on DAB digital radio across large parts of Wales continues to be a cause for concern and inconvenience for many listeners”. Is there anything that can be done to solve the lack of accessibility to both of those?

Ms Richards: By way of background, this is a regulatory issue which causes a great deal of concern to us because a decision was taken that Radio Cymru and Radio Wales would be available on the commercial multiplexes, so we are dependent on commercial operators in different parts of the country. We have been working closely with Ofcom, and I am very pleased that they have advertised the Mid and West Wales multiplex area. As you will know, the Wrexham multiplex has been awarded and will shortly go live, I understand, which means that Radio Wales and Radio Cymru will then be carried in the North East, and eventually in Mid and West Wales. Having said that, there are still some real concerns about, say, the Head of the Valleys Area where there is no commercial interest at all, which is one of Radio Wales’ heartlands.

Mr Loughrey: We are constantly seeking new ways of distributing our content, because the BBC is obsessed by reaching the people who pay for us. One new form of distribution about to be launched before the
summer is free satellite, freesat; that will carry Radio Wales and Radio Cymru and transcend the geographic problems. There is an increasing level (which the market did not predict) of radio listening via television—via speakers in the living rooms of Wales. That contributes to distribution, as does worldwide web streaming—significant I think in the context of the Committee’s concerns with globalisation. The entire Radio Wales and Radio Cymru schedule are now available right across the world on a stream basis. None of them quite offset the real anxiety we feel about the availability of DAB in certain areas.

Q2072 Mr Martyn Jones: Do you think a change in legislation would help to get round the commercial use of multiplexing?  
Mr Loughrey: It could, yes.

Q2073 Mr Martyn Jones: Would you want that?  
Mr Loughrey: I think the BBC is clear that we are increasingly anxious to deliver our services by whatever means to audiences.

Q2074 Mark Williams: Just briefly turning to more generally creative industries in Wales, do you feel that independent production companies in pursuit of international markets are becoming less focussed on Wales; or are they still largely dependent on the public purse via domestic broadcasters like the BBC for their survival?  
Ms Richards: I think there is some very encouraging recent evidence that some independent production companies see themselves as players on a global scale. Indeed, I think you are taking evidence from one of them later on this morning. I think there are one or two companies in Wales who have demonstrated that they have the talent and the ambition to play both across the UK and globally. As far as the BBC is concerned in its relationship with independent production companies, one of our responsibilities is to work with independent companies, not only because they are commissioned by the BBC but, certainly in Wales, to ensure that any expertise that we have as far as commissioning is concerned, or contacts within the BBC or industry elsewhere, that that kind of information is readily shared with some of the smaller independent companies. That is something we have done I think with some success over the last few years. I think it is an evolving picture, but I think there is some very encouraging recent evidence.  
Mr Loughrey: I think we applaud the increasing ambition of the independent sector to a broader remit and to increasing globalisation of content. As I said at the beginning, however, I do not see a contrast between meeting the tastes and needs of an international audience and the local audience. It is that content, as Dylan Thomas demonstrated, and, as an Irishman would say, any writing of value from Joyce on, if it is firmly rooted in the place from which it came it has a profound international appeal. It is that which seeks to appeal to everyone that tends to appeal to no-one.

Q2075 Mark Williams: Do you feel the provision of skills training for broadcasting and the creative industries in Wales is sufficient? We will hear evidence later on which I am sure will testify there is a lot of good work going on, but are you satisfied that skills base and training is there?  
Ms Richards: I think some of it is there. Just going back to the point I was making earlier about working in partnership with high education institutions, with the skills agencies, with the training agencies, I think that is the way in which we will grow that talent base; to ensure that we have got the appropriate skills. This is a relatively new industry for us in terms of the huge success of broadcasting in Wales internationally—Dr Who and Torchwood being the prime examples. I have been very impressed by the way in which many of those institutions have engaged with us to recognise that by working together we can train a whole generation of people in these new creative industries. I think it is relatively early days but I think the signs are hugely encouraging and there is a great deal of evidence that we have already done a lot of good work. If I could just give you some examples: the training agency Cyfle has been working with BBC Wales in order to ensure that there are traineeships for young people on Dr Who. We have been working the Royal Welsh College of Music and Drama to ensure that some of their set design and production design graduates work in production design on Dr Who and Torchwood. It is by creating those partnerships that we can both identify the talent that is coming through and ensure we create opportunities for future talent.

Q2076 Mark Pritchard: On the wider issue of competition, how do you see other nations, such as Spain which is a nation having autonomous regions in its broadcasting—how do you see the parallels between somewhere like Spain? Part of our inquiry is looking at this.  
Mr Loughrey: I spent some time recently in the Basque country and looked at what is a significant new investment in the infrastructure of television for that territory. I would however say without a sense of smugness that the creative infrastructure around the United Kingdom bears comparison with any of the countries with which I am familiar; although, as you rightly say, there are structures that are a good deal more federal than ours; but that federal structure tends to affect news and current affairs content in particular; it is less evident in the creation of drama, entertainment, comedy, the high-end, high-cost genre. I think there are lessons, and obviously we must be open to European models; but I think in public service broadcasting the British model is one of which we have some right to be proud, and that is not just the BBC part of it, but the plurality of the commercial and purely public service role of the BBC.

Q2077 Mark Williams: Turning specifically to the BBC’s current financial arrangements, and the general question are they sustainable. I am prompted by the House of Commons Culture, Media and Sport Committee’s recommendation that public funding should be made available beyond the BBC on a
Q2078 Mark Williams: I do not think there would be many on the Committee who would deviate from the need for a bigger cake. Again, the Western Mail of yesterday is rich in quotes from politicians at Assembly level talking about the support for a range of providers, and there is talk of top-slicing 5% of the BBC licence fee to allocate and support news and regional programmes on the ITV system. How do you respond to that proposal?

Ms Richards: I think ITV have said, and I think the ITV representative who was here very recently said, that ITV are not in the business of wanting to see the licence fee top-sliced. Clearly what is behind this I think is the question of plurality and the point Pat was making earlier, that this is not about new money, this is about redistribution of existing money. Let us not forget that much of what we talked about in the context of BBC Wales this morning, the huge network success, the continuing success of our relationship with S4C—the fact that we have a strategic partnership, Radio Cymru, Radio Wales, very, very popular factual series like Coal House which was a tremendous success at the end of last year—those exist because of the scale of the BBC; the fact that we are able to draw on funding and resources and to develop ideas because we are part of the big BBC. I clearly would be very concerned if what the BBC in Wales is able to provide for audiences were to be diminished in any way. I think there are other issues, and we have touched on the Ofcom PSB review, which will address these questions. I think there are some very, very testing matters for us to think through very carefully.

Q2079 Mr Martyn Jones: Is there a need for a Commission on Broadcasting and Communications in Wales akin to that proposed in Scotland last year?

Ms Richards: I think all of us would say that any organisation, any body that takes an interest in broadcasting in this way is to be welcomed. I think Pat has given evidence for the Scottish Broadcasting Commission. I think there are probably slightly different issues that would be addressed in Wales, and I think we have touched on some of them already. Clearly we would welcome participating in any Commission of that kind.

Mr Loughrey: I think arguably over time not enough attention has been paid to the power of the creative industries or the role of public service broadcasting. I think the Commission in Scotland, indeed this Committee and its business, is refreshing for those of us involved in broadcasting, to recognise the significance and to spend time exchanging opinion on it. I am sure that is absolutely true. The core principles of that Commission in exploring the relationship between broadcasting, the rest of the creative arts, the creative industry and infrastructure is a matter of wide concern across the whole of the United Kingdom. I think there may well be things that the rest of the country should learn and follow.

Q2080 Mr Martyn Jones: Talking of learning lessons, can any lessons be learned for the future of communications policy in Wales by looking at other bilingual countries such as the Basque Country in Spain and the Republic of Ireland?

Mr Loughrey: One is always wary of sounding terribly smug but at international conferences the Welsh example is very often cited as a particularly rich provision for an indigenous language. I have heard it argued by people who know a good deal more about it than I do that the relatively healthy state of contemporary Welsh language has a lot to do with the very early commitment of the BBC to provide radio, television and now increasingly on-demand services in that language.

Ms Richards: It is certainly my experience within the BBC and outside the BBC that Wales is held up as an example of how to do these things.

Q2081 Chairman: Could I end by asking you a question about the interface between BBC Wales and further and higher education in Wales. In the course of our inquiry into globalisation we have found that perhaps the most important and most striking feature is skills levels and the need for a higher level of skills. In terms of creative industries it would be very useful to us if you actually produce a short memorandum describing your relationship with further and higher education in Wales; but also, Mr Loughrey, if you could add to that without going into too much detail how it happens elsewhere in the United Kingdom as well, and how it is different.

Mr Loughrey: Yes, we could do that, Chairman.48

Ms Richards: We would be very happy to do that.

Chairman: Thank you very much for giving evidence this morning, it has been very helpful.

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Witnesses: Mr Ron Jones, Executive Chairman, Tinopolis PLC and Mr Sion Hughes, Director of Art, Design and Humanities, NEWI, gave evidence.

Q2082 Chairman: Good morning, bore da, and welcome to the Welsh Affairs Committee. For the record, could you introduce yourselves, please?
Mr Jones: Bore da. I am Ron Jones and I am Chairman of Tinopolis, a media company based in Llanelli.
Mr Hughes: Bore da. My name is Sion Hughes and I am the Director of Art, Design and Humanities at the North East Wales Institute of Higher Education in Wrexham.

Q2083 Chairman: Mr Jones, could we begin by asking you a question. Could you describe to us very briefly what the role of Tinopolis is within the creative industries in Wales and, more broadly, within the global context?
Mr Jones: We started off our corporate life really as a provider of services to S4C. For much of the early years of our development that was virtually the only source of work we had. As the industry began to develop and become truly international in the late 1990s we concluded that we had to decide whether or not to remain a purely Welsh organisation or to try and build on what we had in Wales and become an organisation with at least ambitions outside the borders of Wales. We have always believed that the independent production sector in Wales has largely failed to sell its services directly outside, and that there were good structural reasons why that was the case, and that we would adopt a fairly radical approach in terms of becoming an international company; and we took the approach of using effectively financial engineering rather than our creative skills by acquiring businesses outside Wales which would add to us a whole range of new customers, a whole new range of products and services, and the ability really to fight a different battle using that new critical mass that we had acquired. Today we operate in something like 100 different countries with our various programmes, although I have to say that we still regard ourselves as very much a Llanelli company with that peculiar commitment to the Welsh language that comes from having started off our life really as a Welsh language production house.

Q2084 Chairman: You have an intriguing name which has a resonance with the evidence you have just given.
Mr Jones: I felt as we began to develop as a company it was important for the people who worked in our company and the people who dealt with us to realise that we saw Llanelli very much as our home, both in operational terms and in spiritual terms, and that is why we chose that name and we take it with us wherever we go.

Q2085 Chairman: Given that you have made this major leap now in recent years what do you envisage to be your major challenges in the coming decade?
Mr Jones: I think the challenge we face is pretty much the challenge the sector faces in Wales. The creative sector in Wales is always going to be a very, very small part of the global market. I think to some extent we should avoid the hubris that sometimes comes into our self-assessment as a country of what we are able to do in the global market. The big challenge for us is to do two things: first of all, we are a very small company in a global sense in an industry that is fast consolidating into giants, and we have to try and grow our company in this new context; but at the same time I think we have to try and keep very much our roots in Wales. I want to develop a company that in future has global aspirations but is still a Welsh-based and Welsh-controlled company. That is a real challenge—because clearly we are dependent upon financial markets to fund our growth and, inevitably, that means significant elements of our ownership, our shareholders, are largely major financial institutions and a large part of that ownership structure takes us outside Wales—but we have to demonstrate that we can run that business from Wales and we do not have to move to London or to another metropolitan centre to do that. I would like to think, if Ben and Jerry’s can be based in rural Vermont making ice cream for the world, Llanelli might still have a shout in the global industry that is modern media.

Q2086 Chairman: Would you agree with me when I say that perhaps you have been very fortunate in two quite unusual circumstances: that you have the Welsh language; and, on the back of that, you have public funding; and that you have had a good base but you have been able to grow the business beyond that?
Mr Jones: I do not think there is any question at all that without both of those elements we would not have been able to grow as a company. To some extent I think that those companies inside Wales that operate significantly in the English language only have been disadvantaged in this period—there is no question about that. I think our approach is that we can only play with the cards we are dealt and I like to think that we have taken as much advantage as we can of that position, and hopefully made some contribution as well in terms of the people we employ and our contribution to the economy and so on.

Q2087 Chairman: Mr Hughes, if I could turn to you. Could you describe very briefly the role of your institution in the creative industries in Wales and beyond?
Mr Hughes: NEWI is the second higher education provider in North Wales. It is a polytechnic-type institution which serves the needs of the region of North and North East Wales in particular, but also sees itself as having international significance as part of that. Wrexham in North East Wales is the largest metropolitan area outside South Wales, and we have particular issues with regard to setting up a creative industries base and cluster in that region when we have got Liverpool and Manchester and all that is happening in those cities on our doorstep. Those are major issues for us.
Q2088 Mark Williams: Mr Jones, you note in your memorandum that Tinopolis’ decision to purchase a major operator outside Wales was in part a “recognition of how difficult it was to grow organically from Wales into other markets”. Could you expand on that for us, please?

Mr Jones: I think there are two reasons for that: partly there is a natural reaction for television producers in Wales to feed the Welsh market because, frankly, it is a much easier market to sell to. I think that is an element of corporate and personal laziness which comes into people’s attitudes. Secondly, I think we have to accept, at the time when Wales was beginning to produce large numbers of hours of television from within Wales, we were facing a market outside which already had established relationships. The major UK broadcasters very much see themselves as London-based broadcasters. Relationships with independent producers, individual personal relationships between people in the independent sector and broadcast commissioning editors were already established, and it is a very, very difficult market to break into. That would be equally true if you were based in Glasgow, Leeds or Plymouth all of which have significant production centres. There is no point in trying to complain about that: I think we just have to find another way of playing the game, and that is fundamentally what we have tried to do. I do not genuinely think that television producers in Wales have done particularly well in terms of selling to outside markets. I think it is a feature of the industry which we can only look at and say, “Well, that hasn’t really worked terribly well”.

Q2089 Mark Williams: You mentioned again in your memorandum, and you alluded to it just now, that current business plans being adopted by Welsh production companies more generally would not result in the kind of economic growth in the sector that we want to achieve. You say there is no single solution which works for all and pointed to one direction your company moved into. What else could be done to address that?

Mr Jones: I think it is time to consider perhaps more critically than we have in the past whether or not our television production sector really is going to make a huge contribution outside the borders of Wales. I think what S4C has done, the BBC less so, and ITV less so again, is actually permit the development of companies which are independent of the BBC and therefore are able to be slightly more innovative perhaps than the major institutions, but they are going to be restricted by the size of the Welsh market. The likelihood of them selling extensively outside is not great and, therefore, the real economic benefit to Wales is not I think going to be particularly significant. Film is the worst example. I think that has been evident for a number of years. We only have to look at the track record of all the individual companies, and I do not exempt us from criticism, to come to that conclusion.

Q2090 Mark Williams: You do not see it as a trade-off between sacrificing the domestic market for the international market, but more a case of fundamental difficulties in accessing that international market?

Mr Jones: I think that has been evident for a number of years. We only have to look at the track record of all the individual companies, and I do not exempt us from criticism, to come to that conclusion.

Q2091 Mark Williams: Mr Hughes, in your memorandum, again on the same theme, you have stated that the output of the creative industries in Wales “should be orientated towards international markets rather than those which are local and Welsh-language based”, the same theme. Are the creative industries in Wales too introspective?

Mr Hughes: Yes, I think one thing that is an issue is that discussion about creative industries and the development of the creative industries in Wales and its benefit to the local, regional and national economies tends to be focussed around broadcast media, film, the visual side of things, and radio. The creative industries are so much more than that: it is fashion; it is lifestyle; it is the way people live; it is applying creativity to business. I think we have got to embrace the challenge of how we develop and nurture creative talent in a range of ways, not just looking at it as being something that is channelled into the BBC or into small production companies.

Q2092 Mark Williams: In your memorandum you talked about the growth of the Chinese and Indian creative economies. What could Wales learn from the experience of those countries?

Mr Hughes: I do not think it is just Wales. The multicultural mix we have within the UK gives us a particular range of talents. What the Eastern economies find very difficult to do is to produce new content because they do not have education systems and they do not perhaps have mindsets which are as effective at developing new products in the same way as people in the United States and people in Western Europe and the UK do. I think that is a huge advantage and, in the work my institution has been doing with Indian companies, Chinese companies and Chinese universities, that is what they want. There is a huge market; a billion people consuming media and creative industry products in China and they want new products.

Q2093 Mark Williams: How developed are the links between NEWI and those countries?

Mr Hughes: They are growing. We have links with probably the largest film industry in the world, the Tamil film industry coming out of Chennai. We have students enrolled on programmes in China on foundation degrees and that work is growing, and the demand for that work is growing.
Q2094 Mr Martyn Jones: What challenges and opportunities are being presented to creative industries and broadcasting in Wales by the new media platforms?

Mr Hughes: From our point of view it gives our graduates the opportunity to have their products seen by a range of markets. You Tube, Facebook, all these markets for getting their work out there now are developing niche markets. I think we have to be aware of that, and aware of how people think and develop. Certainly one of the things we are finding with our students now is that they are far more entrepreneurial than they perhaps were 15–20 years ago. We have got to be aware of that and put the support in place for keeping creative young talent in Wales. The biggest issue we have is that the support infrastructure for graduates and postgraduates at, say, Manchester and Liverpool is far better than it is in Wales.

Q2095 Mr Martyn Jones: Is there a problem with intellectual property rights?

Mr Hughes: A big problem, yes.

Q2096 Mr Martyn Jones: Could you expand on that?

Mr Hughes: There is a problem with how we prepare graduates to operate effectively in entrepreneurial markets anyway. You could argue that the universities in Wales were developed to provide the public sector. There was no polytechnic sector in Wales as there was in England outside the polytechnic of Wales, and perhaps there is something missing there. Certainly what we are trying to do in my own institution is to do something about that in preparing graduates who are ready to go to work and have business acumen.

Mr Jones: I have one aside on what Sion said earlier: we compete against Indian and Chinese companies consistently, particularly with our sports business, and they do not need a leg up from us. They are formidable technically, intellectually, financially. These are skilled operators, real street fighters at the moment. Your question goes to the heart of where we are, in terms of looking at the impact of globalisation on these areas. The reality is that many of the debates we now have about the role of S4C, the role of the BBC, the role of the independent production sector, are dealing with the problems of yesterday, and they are dealing with perhaps solutions to yesterday’s problems which increasingly over the next couple of years are going to become less relevant. We have devoted quite a lot of our efforts and our capital in recent years to building the new media part of our business and that is in recognition of the long-term needs of our company. I genuinely believe that we can see the future with complete clarity, we just have no grasp here of what the timescale is going to be, but we are undoubtedly on a journey from dependence on traditional broadcasting only to an environment which is significantly, perhaps substantially, going to be based on new media, in terms of production techniques, in terms of the creative content, as well as the various distribution channels. Having spoken earlier about the established relationships, which cause us difficulties, as companies in Wales, from breaking into these markets, in these new media areas the relationships have yet to be determined, the major companies have yet to be built up, and there are real opportunities here for us. Geography is no longer a barrier. It came across to me when we sold one of our first new media projects about four or five years ago. At that stage, if you were a middle manager in Silicon Valley wanting to do your professional education and doing that at the University of California, they logged on and all the training material came directly from Llanelli. Increasingly, these are areas that are of interest to us, but we need some structural changes really in terms of how we look at these industries in Wales if we are really going to take advantage of that. Why are we funding second rate films that do not have distributors and therefore no chance of making money, when there are some really good exciting young companies, not just ours, in Wales, small companies, which are beginning to do some really exciting and innovative things in this field? That potentially is a more significant and important part of our future—culturally as well, perhaps, as in purely economic terms.

Q2097 Chairman: Could you give us some examples of those companies?

Mr Jones: There is a very exciting little company in Abercarn, for example, which has devised entirely new ways of distributing new media content across the internet which are much more economical in terms of use of bandwidth. That is a geeky company, in the sense that it is doing things that most of us do not understand, including me, but it really is opening up an entirely new way of distributing content—and it is invented in Wales. Our people are doing an enormous range of things now in this new field and everything is new. We are devising new ways of telling stories in an interactive fashion; we are looking at ways in which people interact with content in the new media; we are looking at ways in which disabled people are able to access information from the new media that previously was not available to them. There is a whole range of things like that, and that is potentially very exciting.

Q2098 Mark Williams: You have both expressed the view in your memoranda that broadcasting and the creative industries in Wales are perhaps too focused on Cardiff. Could you give us some examples of that and elaborate on your memoranda, please.

Mr Jones: I have a particular hobby horse that in Wales we are replicating, not just in broadcasting but elsewhere, the centralised ethos that we have throughout the UK. I would like to think that in Wales we have a slightly more subtle approach to how we develop our country. When Lord Crickhowell, in his early days, said that the development of Cardiff was there as the way of taking Wales into the future, I think he was fundamentally mistaken. Cardiff is too small an area, too small a city, to have the effect of being the economic driver in the sense that Dublin has. We
have to be looking at ways of spreading the wealth around. In my industry, in particular, as I said earlier, there is no reason for us to be in London and there is no reason for us to be in Cardiff. I think that some of these new industries offer very exciting and well-paid employment to people, and can do so throughout Wales. In Llanelli we employ probably about 170 people: the average age is under 30; their average salary would be at least twice the local average. Why should we not be able to do that throughout Wales? I think North Wales is disadvantaged. North East Wales is certainly disadvantaged in this field. The Valleys area, the Chairman’s own area, which is close enough to Cardiff, suffers from this. We have the wrong approach really with some of our national institutions, in terms of: “We can direct this work.” It is not a free market. It is not a free market; this is public money being spent and I think there ought to be an economic multiplier there for some of our perhaps less fashionable areas as well.

Mr Hughes: I think there is a huge opportunity for North East Wales now, with the BBC relocated to Salford Quays. Wrexham is less than an hour from Manchester. With some strategic thinking, there is no reason why North East and North West Wales should not be able to benefit from that, in terms of the critical mass of work that will come our way from that, and I hope that it will. But I think there has to be some encouragement for somewhere like Wrexham. Wrexham has full employment but a strong manufacturing base. Depending on whom you ask, that may well be vulnerable in today’s economic climate. The creative industries, as part of the knowledge economy, could be very important to Wrexham, and, geographically, it is in a good position to take advantage of that. I would take issue a little bit with what Menna said this morning, when I was listening at the back: I do not think the BBC does enough to put in infrastructure for training to nurture the talent and develop the talent in Wales. If you look at what Cymle does: it trains cameramen, it trains people in studio skills, and that is very, very important, but, in terms of the wider skills, the creative skills, the new ideas, the things that are really going to make Wales distinct in a very competitive market, they need developing in a very different way.

Q2099 Mark Williams: Mr Jones, in your memorandum, you referred to the anomaly that Welsh speakers are better provided for than our native English speakers when it comes to broadcasting and the creative industries. We have touched on this in previous sessions of this Committee. Could you expand on that, please?

Mr Jones: I have always felt—and I think it becomes increasingly apparent as we move into an area where a lot of people’s information news, education, entertainment needs are served globally—that we have to be very, very careful to ensure that both our language groups are given the same advantages. We have tried to create, in recent years, a Wales that is truly valuable. As so much of the culture that we are part of becomes global, there is a need for reinforcing that sense of Welshness. I hate the word “identity”—thank God, Kim Howells is not here—but that feeling of being served by your own people in your own community is necessary for English speakers as well as Welsh speakers and to the same extent and I do not think the English language broadcasting institutions that we have at the moment, the BBC and ITV Wales, are capable of filling that need in the way I would like. I spoke earlier about English language production companies having been disadvantaged over many years. No-one conspired to do that; it is a natural result of the emphasis on Welsh language broadcasting which we have had over the last 20 years. I think, ultimately, the Welsh language needs to be more welcoming of English language provision, because if we are unable to sustain the feeling of Welshness then the Welsh language will have no meaning. Welshness, in the sense of it being available to both language communities, is a key element of the Wales we are trying to build. This is not going to happen overnight. I think there are problems with changing these institutions. This is not a devolved issue, of course. It lies inside this House to decide how this is going to be structured but, ultimately, it makes no sense for broadcasting not to be a devolved issue and it makes no sense for broadcasting not to be considered in a Welsh context and in a truly bilingual way. What institutions have to be put in place for that and what funding mechanisms have to be put in place for that is a debate that we need to have over the next couple of years.

Q2100 Mr Martyn Jones: Mr Hughes, what key challenges are faced by those providing training in the creative industries in Wales?

Mr Hughes: I think that of establishing opportunities outside the academy, certainly in North Wales—which has to take on board a rural agenda, rural depopulation and all those things—as well as an issue in North East Wales of replacing the traditional economies which might go. It is being a major partner in that development, in creating the infrastructure in places like Rhyl, Colwyn Bay, Bangor, Holyhead, Wrexham to create opportunities. In terms of the development in new media now, Ron has alluded to the fact that you can work anywhere, and that is true, but you have to put the infrastructure there if you agree with the concept of creative cities. We are seeing the development of creative cities in the UK now, and there is no reason why you cannot have creative towns and creative villages, but the people who work on their own or in micro businesses need particular types of support and we have to provide that support. On whether it is a strategy which involves the local authorities, which involves the major companies, which involves the universities, there has to be some real joined-up thinking.

Q2101 Mr Martyn Jones: Are there at present enough jobs in the creative industries for the graduates we are producing in Wales?
Mr Hughes: If you agree with the notion that all creative industries graduates go into the creative industries, probably not. But there are lots of university courses now branded as “creative industries” but the good ones produce creative thinkers, creative problem solvers, people with good communication skills, people who can work in teams and people who can communicate visually and verbally. Those types of people are very useful to a range of economies and even in a business sense. I go back to my first point: I do not think a creative industries economy is just about broadcast media or new media either for that matter.

Q2102 Mr Martyn Jones: Is the Welsh Assembly Government’s creative industries strategy working? Mr Hughes: It is like a lot of strategies: it is a high level and aspirational strategy. The challenges come in what happens beneath that and how it feeds down and how it is developed on the ground.

Q2103 Mr Martyn Jones: So it is not working then. Mr Hughes: If you asked me honestly, no, I do not think it is. It is certainly not in North East Wales. Mr Jones: I do not think the Welsh Assembly Government would argue it is working either. I think there is a recognition that it has been a flawed strategy. From our perspective, I can honestly say in our entire company we probably only have two or maybe three people who have joined us from the “creative” educational establishment. We have tended to get our people from elsewhere. They have not gone through the formal education in the creative industries because, in the main, I have to say, the quality of the people coming out of those courses has not been what we need. For many years we have had to select our people based on normal criteria and train them ourselves. That has been the case for as long as we have been in business.

Mr Jones: That is part of the problem. Mr Jones: We have thousands of media graduates and God knows where they go. They do not come and work for us.

Q2104 Chairman: The 170 workforce that you have, come from far and wide, do they? Mr Jones: They come from a whole range of different backgrounds: kids off the street, just local kids, who want to be cameramen or sound engineers, we take them in at the age of 18 and we train them; people who have degrees in virtually any subject under the sun who are interesting people and want to get involved in television. We do employ a lot of software engineers. They come to us, typically, from Swansea or Cardiff universities and the computer science courses there. But even then we find we have to train them significantly before they are useable by us. There is a disconnect really between the educational system and the people we need in our industry—which it is not for us to address. We just have to find ways around it.

Mr Hughes: Yes.

Q2105 Chairman: When Mr Hughes was describing the range of skills that you need, creative skills, that has a resonance with what you were saying about your needs. Mr Jones: Yes, I think it is an issue. The one thing I will say in favour of people who do come to us is that they are not difficult to train to be the sort of employees that we want. People do come to us, either from college or off the streets straight from school. We do not have any trouble finding people with the talent or the enthusiasm to do something with their careers. That is not the issue. I think the education they have had is the issue, not the raw talent. The raw talent is great. Mr Hughes: You could ask the question of successful companies throughout the UK and you would get the answer: “Well, the universities do not produce what we need” and from the universities you would get the comment, “We do not get the joined-up thinking.” It is a self-perpetuating argument, in a way. But it is an issue.

Mr Jones: In defence of Welsh education, our London-based companies, where we have hundreds of people, suffer in exactly the same way. Very few of our people there would come from a traditional media education background either. There is something about the media education industry which perhaps has lost contact slightly with the real world of the creative industries.

Q2106 Chairman: I can think of a number of your employees who are creative thinking, adaptable, flexible, former teachers or former miners. Mr Jones: Absolutely, yes.

Q2107 Chairman: One of whom famously said, when he was not sure whether his pit was closing, “If you are not confused, you’re not up to date.” I assume you know who that is. Mr Jones: And he is still with us.

Q2108 Chairman: Perhaps I could end by asking you a straightforward question. Is the future of the Welsh creative industries in the domestic market or in the international market or both? Mr Jones: From my viewpoint it is both. The creative industries strategy, driven by the Welsh Assembly Government, was based on the misconception that one could translate into the other, and it may be we have two distinct industries here, one of which is it worth nurturing—for its economic effect, of course, but also for its cultural value—because it is Wales talking about Wales to the people of Wales and it is a key part of being a community inside Wales. There are some potential areas of development outside as well, but we must not confuse the two. There are areas outside Wales where we can make a mark—we have chosen a particular road to it and I am sure others will find different ways—but it has to be in those areas where we truly have no competitive disadvantage. If you are going to try to do what you can do in downtown Soho, it is not going to work for us in Llanelli or in
Cardiff. Just a bit of realism when it comes to looking at what we ought to be persuading our young and immature companies to do is really at the heart of it. I sense that the Welsh Assembly Government is beginning to think along these lines. I think there is a recognition there now of what can work and what cannot. On the domestic side, there are things that need to be done, but they will be driven largely by the assessment that this House makes on the future of broadcasting across the UK. That is probably the biggest single driver in changing the geography of that part of our agenda.

Mr Hughes: The domestic market is the easy one. Certainly in terms of broadcast media, if you are Welsh speaking, if you have the connections, then it is far easier to establish yourself as a fledgling independent company. The real challenge is to get talented Welsh people to embrace the international and global dimensions and sell their work out there, and to prepare them from the IPR side, and to make sure we have graduates who are equipped to compete. Global competition for creative industries products is going to become critical and unless we are outward facing then we are going to lose out.

Chairman: Thank you very much for a very stimulating morning’s evidence. Thank you also for your earlier written evidence to us. If you feel, in the light of this morning’s session, you would like to add something further—and I was particularly intrigued about your ideas about location across Wales—then we would be very pleased to receive a further memorandum from you. Thank you very much.
Good morning and welcome; apologies for keeping you waiting this morning. For the record, could you introduce yourselves, please?

Ms Prys: Delyth Prys, I am the head of the Language Technologies Unit at Canolfan Bedwyr, Bangor University.

Mr Jones: My name is Bryn Jones; I am the Business Development Manager at Bangor University, mainly dealing with knowledge transfer collaborations with businesses.

Q2109 Chairman: Could I begin by asking about your unit, the Language Technologies Unit; could you explain briefly what are the challenges and the opportunities posed to your unit by globalisation?

Ms Prys: Mainly it is opportunities, to be honest, because our unit developed to deal with the needs of Welsh industry for language technology tools, primarily to aid the Welsh language, and by language technology tools we mean electronic proofing tools, electronic dictionaries, translation aids, speech technology, text-to-speech and speech recognition. This has led us into an area which we did not really envisage at the outset and before we knew it Welsh SMEs in particular were coming to us for help in developing aids and components to put into their commercial products and then we realised that we could do this, not just for the Welsh language but increasingly in a multilingual environment and it really opened up other avenues for us to engage with the outside world.

Mr Jones: I just would like to reinforce what Delyth said. It is an opportunity and the fact that Wales is a country with two languages gives us a unique position really to look at scaling up those capabilities to offer them in a multilingual context within globalisation.

Q2110 Chairman: Your memorandum was very helpful to us in preparing for this session and began to explain why you look beyond the borders of Wales. Could you explain—other than the obvious, that Wales is a bilingual society—what are the key factors for you actually looking beyond Wales in terms of your work, which is really very much a global enterprise?

Ms Prys: A lot of the tools that we are developing are being developed on a generic platform, i.e. if you are developing a low-cost generic solution for Welsh you can then go on and develop that for other less resourced languages, the sorts of languages that do not have the massive commercial pull that the English language has. As we have made partnerships with small language communities or less resourced language communities in India and in Africa, we have discovered that we are able to expand the tools that we have developed for Welsh and share them with these other languages, maybe not just to make money out of them but really to help those other language communities. For example, we have the Sinhalese blind community who have benefited from a tool that we initially developed for Welsh and Irish with funding given to us by the INTERREG cross-border Wales/Ireland fund, and because we designed that tool to be suitable for Welsh and Irish it was also suitable for languages in the Indian sub-continent and in Africa as well.

Q2111 Chairman: Good morning. You note in paragraph 2.2 of your memorandum that the Knowledge Transfer Partnership, the KTP programme, is an excellent conduit for transferring knowledge from academic partners to industry, particularly SMEs in Wales. To what would you attribute the success of this model?

Mr Jones: The great thing about the Knowledge Transfer Partnership is that it brings together three key components, needed to develop a large knowledge economy. It brings together a company, it brings together an academic department which has expertise or knowledge that that company needs and it also introduces a graduate to actually do the project between the two partners. It actually brings that together and supports that partnership in terms of giving personal development to the graduate and also provides a grant to make university services accessible to a lot of these SME companies that would not normally have that opportunity, so the overall package is very attractive to companies and it delivers what it says on the tin, it delivers knowledge transfer, which helps that company to grow and expand and develop its profitability. We are very keen on the programme in Bangor, we are into our hundredth programme in Bangor, and it is a UK-wide programme. In 2007 the university won two national awards in the UK in knowledge transfer, partnerships awards, including the best overall programme in the UK. We think it is a really good programme and it delivers for businesses, but it also delivers for all our academics because it gives them good opportunities to work with companies.

Q2112 Mr David Jones: Good morning. You note in paragraph 2.2 of your memorandum that the Knowledge Transfer Partnership, the KTP programme, is an excellent conduit for transferring knowledge from academic partners to industry, particularly SMEs in Wales. To what would you attribute the success of this model?

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Q2113 Mr David Jones: You mentioned in your memo that the Department of Music at Bangor University is involved with Sain; is there scope for the programme to be further developed in relation to creative industries?
Mr Jones: I think so, and to an extent that has happened recently with the Arts and Humanities Research Council also coming on as a sponsor of knowledge transfer partnerships, so that means that there is money specifically for those types of partnerships. Also, I have to say that the Welsh Assembly Government, which is also a sponsor of the programme has backed programmes in the creative industries because they recognise that it is a key sector for the Welsh economy.

Q2114 Mr David Jones: You have mentioned that the KTP programme is a UK-wide programme; to what extent at Welsh interests represented in a strategic direction on that programme?

Mr Jones: The Welsh Assembly is a sponsor of the programme but the main sponsor is the Technology Strategy Board, the newly-established TSB, which took over from the DTI. The Assembly is a major sponsor of the programme, as are the research councils and the other devolved administrations as well as some of the English RDAs. Certainly in Wales as a sponsor they have their own criteria and priorities and I am pleased to say that those priorities are very much attuned to trying to deliver for companies in Wales and recognising that a lot of our company base is made up of micros and SMEs.

Q2115 Mr David Jones: Would you say that there are lessons that Wales could learn from other countries with regard to co-operation between academic institutions and industry?

Mr Jones: Certainly the KTP is held up as a global example of a good way of working with businesses to do knowledge transfer. If there is one area in Wales specifically that we would want to address it is the fact that a lot of our companies are smaller, are micro companies and do not always have the trading record or the size that sometimes some of these programmes require in order to participate. I would like certainly a more flexible approach to some of these companies which are viewed often as being high risk, but if you are going to work with small companies, if you are going to do knowledge transfer in these areas, that is a risk worth taking.

Q2116 Mr David Jones: Are there examples of that flexibility in other countries?

Mr Jones: There are; in some of the Scandinavian countries there are examples where they are very much focused on creating the environment and then leaving it up to the universities and the businesses to work together.

Q2117 Hywel Williams: You refer in your memorandum to the establishment of SALT Cymru, to partner researchers in language technology with SMEs in Wales. Can you outline for the Committee the terms of reference of SALT Cymru and what the objectives will be?

Ms Prys: I sent a further draft copy of the proposal so far to the Committee last Friday—I am not sure if you have had a chance to look at that yet—and we will have a fuller report to you by the end of March. Basically the project aims to take an overview of the current situation of developers in SALT technologies in Wales, associated developers and also users of SALT technology. The response so far has been very encouraging; we have had 61 SMEs register their interest in the project and 61 SMEs is a very large number if terms of the Welsh economy. Of those, 31 SMEs have already filled in our questionnaire as to their business activities, and so we will be reporting on that in the final report more fully, but it does seem that there is an unanswered need out there from these very small companies. None of those 61 companies who registered their interest employ more than ten members of staff at present, so if they are able to take advantage of the KTP programme, for example, they are very much at the lower end of what is acceptable in terms of business turnover and so on, so we will be working with these companies to develop other means of helping them and hopefully to set up a special interest group for the longer term so that we can work together, both as academic partners to consolidate and improve the research base in Wales but also improve our methods of delivering knowledge transfer to these companies and helping them compete in a global environment. Some of them have been very inward-looking so far, they have looked at ways of helping specifically maybe in the Welsh language environment or in an all Wales situation, but with that understanding perhaps that there are opportunities out there in the global environment for them. We hope to help them to take that second step.

Q2118 Hywel Williams: Can you tell me, very, very broadly, what sort of companies the 61 companies are? Secondly, why do you think that their needs have been unmet in the past?

Ms Prys: The nature of the companies is very varied. Many of them are in the creative industries sector, we are talking about small companies, say in the television sector, also translation companies—there is a great deal of interest from the translation industry—also software companies who are developing general ICT products and companies who are developing educational software and maybe buying world products for the education market within and outside Wales. That is the varied base we have had; sorry, what was the second part?

Q2119 Hywel Williams: Why have their needs been unmet in the past?

Ms Prys: There has been a lack of understanding of the language component in ICT. Really if you are talking about the knowledge-based economy, knowledge is transferred through key words, metadata sets. If you are doing a search on the worldwide web you look for key word searches, you look for indexing, and you need to do that increasingly in a multilingual environment, so those key words or those specialist terms really encapsulate what knowledge is in reality and I do not think that that multilingual dimension or even that human language dimension has been properly understood in the past. You have this fragmentation in that on the one hand you are
talking to ICT developers and on the other hand you are talking to creative industry people, you are talking to language people, and the dots just have not been joined up. We have asked the question, for example, are you users of source technology people have tended to reply “No”, but then when we challenge them and ask them do you use language-proofing tools and spellcheckers, grammar checkers, everybody says “Oh yes, we have electronic dictionaries” but they have not been perceived as language technology aids. That is also true of speech technology which is increasingly becoming quite crucial to multimodal technologies and the way that we will be using our mobile phones to access all sorts of information. That will increasingly come through the spoken word, but it really has not been perceived to be something that is integral to multimodal technology.

**Q2120 Hywel Williams:** Can I ask a question for Mr Jones really: to what extent is the Knowledge Exploitation Fund provided by the Welsh Assembly Government co-ordinated with the Knowledge Transfer Partnerships that we have already referred to and is there a duplication of effort or are the programmes complementary?

**Ms Prys:** Maybe I should clarify that. We consider in that section?

**Mr Jones:** KTP is a UK-wide programme and the Knowledge Exploitation Fund was very much an Assembly-funded programme. That is coming to an end and yesterday there was an announcement for the next round from WEFO (the Welsh European Funding Office) that the follow-on programme has been accepted for convergence funding—I think it was £50 million that would be going into knowledge transfer and technology transfer. Certainly within the proposals there we see a lot more joined-up thinking and certainly the Knowledge Transfer Partnership element of funding from the Assembly as I understand it is part of that package, so we welcome that. One of the things I should have mentioned earlier was that there are these plans for the mini knowledge transfer partnerships which we welcome in Wales—this is a recommendation in the Sainsbury review—and we recommend these shorter, more flexible programmes which would fit very much the needs of our companies, with the proviso really that there is a chance for us in Wales to influence the scheme, and that it is very much focused on our needs. Our concern would be that these UK-wide programmes are very much one size fits all, but we hope that we will have our say in Wales and we will have a programme that is very much geared to meeting our needs. To go back to your original point, both programmes were trying to meet different needs; the Knowledge Exploitation Fund was also a higher education and FE programme which looked at supporting enterprise, looked at supporting technology transfer capabilities across the institutions and, as with any new programme, there was some overlap and some operational difficulties. Those have improved and with this next round there is a real opportunity there, as Delyth mentioned before, to join up the dots.

**Q2121 Hywel Williams:** I just wanted to ask one other very brief question. You say in your memorandum that for the information technology and media sectors there is scope to benefit from the global market but that you feel this has been under-exploited in terms of potential benefits. What is the source of that under-exploitation, why have we not done this in the past and how can it be done?

**Ms Prys:** In Wales specifically our activities have been primarily concerned with the Welsh language, to begin with anyway, and that has always been considered, by outsiders at least, to be something to do with poetry and music and maybe dance and not something that belongs to the world of hard technology and science. That really has counted against us in the past, we have had to overcome this hurdle before we can start to persuade companies that engaging with multilingual applications, growing up from a basis of having dealt with Welsh in a bilingual situation is a valid basis for engaging with the global community. Increasingly, as we do engage with organisations, universities and companies outside Wales our track record speaks for itself and we are now reaching the stage where our products have a good name and we are engaging in standardisation activities, for example, and the Welsh experience is being used by other countries and increasingly people are turning to us for advice. Even, if I may say so, China is now looking at a new law to standardise their terminology and the basis of this law will be the guidelines that we provided for the Welsh Language Board last year. That is quite a remarkable turn of events.

**Q2122 Mr David Jones:** Could I turn to section 3 of your memorandum which has got rather a gloomy assessment of the academic knowledge base. You say that “Despite the opportunities presented to Welsh industry by the emergent speech and language technology sector, the academic knowledge base which should sustain and nurture it is itself perilously fragile.” Would you say that Wales’ competitive ability is being compromised as a result of the fragility of the research base that you refer to in that section?

**Ms Prys:** Maybe I should clarify that. We consider ourselves to be a nascent sector at the moment, so it is not surprising that the base which we have is fragmented and we are still trying to audit what is available, what resources we have in the academic base and trying to consolidate that base and bring researchers together so that we are then better able to offer these research and development opportunities to industry. It is an improving situation but at the moment the demands on our expertise from industry outstrip our capability to supply or answer these needs, so we really need to look to put our own house in order before this can be built upon.

**Q2123 Mr David Jones:** You say you have to put your own house in order, how do you believe that it is possible to address this problem?
Ms Prys: We are looking, for example, at ways of improving the long term prospects of our own research team because at the moment we are a self-funding unit. I am the only member of the team with a permanent contract; the other researchers are all project-based contracts and this is not suitable for long-term sustainable developments so we are now in discussion with the university on a better structure to house and to grow our own research academic base, and from that then we will be in a better position to grow the industry in Wales.

Q2124 Mr David Jones: You refer in your memo to inadequacy of funding in Wales and you say that there is a funding gap for Welsh universities as compared with English universities. Could you explain further to the Committee the extent of that funding gap and how do you see that that funding gap is impacting upon Wales?

Ms Prys: Universities are funded for their core teaching activities or their research activities and for their economic impact activities, and if we take the economic impact activities, if you compare them with universities in England—taking Exeter as a comparable university to Bangor with the same sort of research-led ambitions and the same sort of rural hinterland—their core funding for economic impact is four times that which Bangor is receiving for core economic impact activities according to the economic indicators this year, because England has their own mechanism for this, the Higher Education Innovation Fund.

Q2125 Mr David Jones: That is a very significant difference.

Ms Prys: It is. Therefore, it is no wonder that we are struggling in Wales to provide these sorts of economic services to industry.

Q2126 Mr David Jones: If this is not addressed what do you foresee will be the impact upon your institution?

Ms Prys: Obviously it will affect our ability to engage with industry and with the sort of SMEs where the main call for our help comes from at the moment.

Mr Jones: Internally the issue is for the university in that the money you do get for this economic development work you will naturally put into areas which will deliver impacts for you. The kind of work Delyth is doing, the nascent industry there, may be seen as more risky and would not necessarily get the support it needs at this early stage to mature in.

Q2127 Mr David Jones: Then of course there is the perception that you have already touched on, that anything to do with Welsh belongs to the field of culture and the arts rather than science and technology. Is this a widespread perception?

Ms Prys: It has historically been true but I hope that we are beginning to change that perception; we are working very hard to persuade people otherwise. There is also the problem that the work is multidisciplinary, it does involve software engineers, linguists and speech technologists in the same team and that is the strength of our team, we are a multidisciplinary unit, but if there is a shortage of funds then we are passed from hand to hand and everybody thinks that somebody else should fund these activities.

Q2128 Mr David Jones: Are you saying that the best way of addressing this perception is by increased funding or are there other ways in which you could address the problem of perception which you have identified?

Ms Prys: Increased funding would enable us to produce more, and then we would build up our track record which has been very successful with the limited resources that we have had to date, and of course success breeds success. You reach a critical point and we are just about to reach that now with the publication of the SALT Cymru report, but I do not know whether the penny has finally dropped that this is a serious technology sector which has the opportunity to grow a really vibrant economic sector in Wales.

Q2129 Mr David Jones: In the same paragraph—I was interested in this particular example that you gave—you referred to having applied in 2006 for funding of £426,000 to research and develop text-to-speech components for the Manx and Cornish languages. You say: “This bid was unsuccessful, and amongst the comments received was the statement that working with these languages was ‘of no commercial or industrial value’, which I have to say seems to me a fair response.”

Ms Prys: It was not meant to be a term of reference for that particular grant to begin with, but also it is not true even. It might be a niche sector but given that Cornish is now taught in all primary schools in Cornwall and that there is a demand for language technology components to furnish educational material for those schools, and by the same token the Isle of Man has introduced the Manx language to nursery, primary and secondary school provision and they are desperately looking for help to create resources for these educational environments, adult learner classes as well, software for these environments is something that we could really help them with. Speech is a fascinating subject for them in resurrected languages; there are recordings made in the 1940s and 1950s by the final generation of native Manx speakers and we want to revisit those recordings, clean them and make synthetic speech out of them to help the new generation of Manx speakers with proper pronunciation and so on. There are really exciting opportunities out there and this sort of blind response, “no commercial benefit or value”—really does bring down the shutters before we have been able to start exploiting these opportunities.

Mr Jones: With Delyth’s example you can see with technology there is so much more you can do, there are so many more possibilities by using technologies, certainly in the educational arena, to do these things, so investing in them is very worthwhile.
Q2130 Hywel Williams: Can I turn to intellectual property rights, which is another aspect of this educational thing. You refer in your memorandum to issues surrounding intellectual property rights for academia and industry; could you outline the main challenges faced by your Unit in terms of intellectual property rights and how they would be best addressed?

Ms Prys: We thought that we had developed a very good model for helping SMEs and less resourced languages by publishing our source codes and resources to do with projects that were developed with the help of public money, publishing them freely on the Web, so that they can be downloaded and used by commercial companies and others without restriction, because if you try and close that code or stipulate that it has to be kept open only in further applications then commercial companies will not touch it because it obliges them to open up their code as well, so we thought that a BSD-style licence was a very good way of sharing resources and enabling others to take our work further.

Surprisingly, when we have been trying to apply for grant money in Wales we have been faced with two problems: one is that a public sector body is trying to take our background IPR if we use it in a particular project, they want to then own that background IPR as well, which is unheard of; the other example we have had is where they have offered us money or we have applied to them for grant aid and they have said that we could have the grant on condition that we do not then make any further commercial gains out of this, which means that we are then unable to develop the products and sell them. This is to do with basic speech technology, which is of no use in itself, it has to be incorporated in commercial products for it to be of any use, and we had hoped that we could develop these products further and that other companies and SMEs could also avail themselves of this new technology and build further products on top of it. These two situations are currently under discussion, we are trying to persuade that public body—if I can name it, it is the Welsh Language Board that we are in discussion with here—to allow us in the one case with speech technology to publish it with a BSD-style licence so that commercial applications can be built on it, and in the other case where we do hold the background IPR it is not appropriate for them, for the very small sum of money that is being offered for this piece of work, to take that background IPR for themselves.

Mr Jones: At this stage we are very much at the stage of trying to build capabilities within a growing sector so that access to that IPR, sharing that IPR between the partners, is important. A hurdle put in the way of doing that can be very damaging.

Ms Prys: We are not arguing that one size fits all, we know that different types of licences are appropriate for different situations and we always try and respond with the most appropriate licence for a given situation, but particularly in a situation where we are trying to help SMEs in Wales to start engaging with this technology, it is important that the IPR licences are correct from the outset.

Q2131 Hywel Williams: You did refer earlier on to the technology that you developed for Welsh and Irish being used elsewhere in the Indian sub-continent. Is there further scope for building on a global scale and also what challenges do you face more generally in trying to export your products globally?

Ms Prys: The worldwide web is a wonderful thing because all we did was publish our code on the Web and it was taken up by these less-resourced languages in the Indian sub-continent and Africa without any need for direct contact between us really. We do not know the extent to which this code has been taken up. The Sinhalese were kind enough to email us and tell us of the success they had had with a piece of software for the blind Sinhalese-speaking community and we do know that other universities in Africa and the Indian sub-continent are looking at our software and are now beginning to contact us; they ask to send students to us for internships, for example. At present we have to turn them away because we have no mechanism to accept interns working within our organisation, but that is something we would very much like to engage with.

There are also commercial opportunities out there as our name is beginning to become well-known in other countries and the fact that we are developing resources in an environment which does not need the large investments of money, which of course these language communities are unable to give. We are able to engage in this dialogue with them and there might be some commercial possibilities further down the line, maybe working with small commercial companies in those countries as well. So this is as yet untested, but we are making those initial contacts with organisations and individuals in those communities.

Mr Jones: If the outcome of the report is to establish a special interest group then one of the roles of that group will be to raise the profile of Wales in this area. I know this year is the UN year of languages and we are hoping to hold a conference in Bangor.

Ms Prys: Yes, we are hoping to hold an international year of language conference in Bangor University at the end of August to coincide with the Bryn Terfel Festival; we have invited the former president of Iceland, Vigdis Finnbogadottir, to open this conference for us and I have had a personal conversation with her on this point: Iceland is another country with a very small language community, very much engaged with globalisation and using their language technology sector to engage with the worldwide community. We do hope that Vigdis will come and open that conference in Bangor and also other international names. It is being backed by the BSI and by UNESCO and other international bodies; hopefully this will be yet another means of raising our profile internationally and getting some people together. In industry as well we hope to hold workshops for SMEs where they can engage with the academic community because, again, this is quite a rare opportunity to have a conference where you have both the business community and the academic community together, interfacing with each other and really learning of each other’s needs.
Q2132 Chairman: Could I end by asking you some more questions about your international links; your memorandum refers to “strong international links”. First of all, could I ask you are there similar units in other universities in the world? 

Ms Prys: I am a terminologist by background and I headed the terminology centre in Bangor before we evolved into the language technologies unit. There is a European Association for Terminology and a terminology activity in every country in the European Union, and we meet under the auspices of this European Association. There is certainly terminology activity, therefore, and funny enough those units are now expanding their role in the same way as we have to look at other language technology tools, given the importance of terminology and language resources in general in the worldwide web, in computing and digital environments. This seems to be an increasing trend and we have modelled ourselves very closely on the Language Technologies Institute at Carnegie Mellon in Pittsburgh in the States; we have close links with them and we are really emulating their success, or trying to at any rate, and there are other centres in universities worldwide who are developing this sort of technology and now moving into a new phase with multimodal technologies as well. We learned in an interview with Birmingham University that they are moving to look at language resources in a multimodal environment, so it is an exciting time for us, expanding our remit in a way.

Q2133 Chairman: It occurs to me that your work is quite challenging in terms of what we understand to be Wales, the modern Wales, in the 21st century, but also your work is challenging in terms of those so-called nation states like Russia and the United States which are now going through a process of deconstructing themselves in terms of what they understand to be Russia and America. Do you think that your work has something to offer them in terms of their relationships with their indigenous people, for example the native Americans? What is the relationship between the English language and all the, I am sure, multiplicity of languages of native America?

Ms Prys: One of the very interesting things that the Language Technologies Institute at Carnegie Mellon does is work with a whole gamut of needs in the United States, from those of the defence industry to those of the native American communities and we are currently talking with them about creating a specific project to work both with native American languages, the Inuit languages in Alaska as well, and the situation in Wales for a jointly-funded project by the National Science Foundation in America and the United States; we have really taken that to heart, not just in Wales but also your work is challenging in terms of those so-called nation states like Russia and America. Is their approach to learning or to have their languages restored to them, and is your unit a facilitator of that?

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ISO committee of which I am a member, deals with terminology and language resources and we had our summit in Provo last August and these issues were raised there, and we are having the ISO summit this year in Moscow, so we will be looking very much at the Russian experience. We are currently developing new standards for interpreting and simultaneous translation where the Welsh experience is being closely looked at, both by the Americans and other world communities. We were discussing, for example, should we create two interpreting standards, one for large corporates and maybe a different one for native American situations, and the decision was no, we create one standard which will be adjustable to all sorts of different environments because otherwise we are not going to protect the weakest language communities. They really have to be brought up to speed and included in any efforts to standardise or to provide global standards.

Q2134 Chairman: I am impressed with the detail that you have spread into, but there is one very crude question that I would like to pose both to Russia and to the United States and others: what is their official attitude to the indigenous languages? Are they, as you described earlier, encouraging a situation as in Cornwall where primary schoolchildren are being allowed to learn the Cornish language? Are native American Indians on reservations being allowed to learn or to have their languages restored to them, and is your unit a facilitator of that?  

Ms Prys: I cannot talk for the governments of those countries of course, but the terminologists and providers of language technology resources that we engage with are certainly working very hard to provide them with the means to be fully included in using their native languages, on the reservations certainly, and to become part of this electronic environment. It was David Crystal who said that one of the six things that are needed if languages are going to survive are electronic resources, and we have really taken that to heart, not just in Wales but our colleagues working on the ISO TC 37 committee and other relevant standard committees, that we have to include the indigenous language communities in the development of these electronic resources. That is the priority for the coming year.

Q2135 Mr David Jones: As you know, this is an inquiry into globalisation and you mentioned your links with Iceland and Icelandic language technology. I would guess that Iceland is probably one of the most successful—dare I say aggressive—beneficiaries of globalisation. Is their approach to language technology would you say an integral part of that success and, if so, how can we learn from the Icelandic experience? 

Ms Prys: I was privileged to be invited to Iceland last November to the establishment of their language centre; the Icelandic government is investing in that centre so that they can engage with other languages in a global environment and really invest in what
used to be the Department of Modern Languages in the University of Iceland. They are aware of the need to furnish multilingual technology modules for industry and for education, but really they have half the numbers of Icelandic speakers as there are Welsh speakers, and to have come so far with so little is very impressive. Yes, we do wish to emulate that success and it is an integral part of their success that they are very aware of the multilingual dimension.

Witness: Mr Simon Harris, Chief Executive, Wales Co-operative Centre, gave evidence.

Q2136 Mr David Jones: Again, it is primarily an issue of funding I guess.

Ms Jones: Yes, of course, as always, but it pays, you see, when you invest a little and you get a lot back from it.

Chairman: Thank you very much for your evidence, it has been a fascinating session this morning, and could we wish you well in the future development of your unit.

Q2137 Chairman: Good morning, welcome to the Welsh Affairs Committee. Could you for the record introduce yourself, please?

Mr Harris: Yes, my name is Simon Harris and I am Chief Executive of the Wales Co-operative Centre.

Q2138 Chairman: Could I begin by asking you some general questions. Although we initially invited you to come and give evidence on food and food supply, we thought that it would be a good opportunity also to ask you some questions about wider issues and about co-operatives and globalisation more generally. Could you explain to us briefly what role the Wales Co-operative Centre performs in raising awareness about the challenges and opportunities of globalisation?

Mr Harris: I will have a go. Globalisation is not high on our agenda, or had not been high on our agenda, because the whole ethos of co-operatives, certainly within Wales and within the Wales Co-operative Centre is to encourage the support of local indigenous business, in any industrial sector, whether it is community-owned organisations, employee-owned organisations or farming co-ops. When I wrote the outline of the paper submitted here it got me thinking about globalisation and some of the issues are particularly focused within food supply and within farming co-ops and the opportunity within certainly the Welsh public sector to consider its purchasing policy, to try to establish a balance between fair trade purchase and ethical trade and to support local business because we have this kind of balance that we have to try to strike between let us support local businesses but what do we do about fair trade. That is where our challenge lies really and co-operation is really at the heart of that, co-operation at a local level with farmers coming together and co-operation at a national level where fair trade countries are forming co-operatives to be able to supply the Western world. Globalisation had not been a top priority, therefore, in terms of my thinking, but if I was to answer it would be the focus on food supply and food production.

Q2139 Chairman: Could I move on and ask you this seemingly very simple question: how do you go about setting up a co-operative, and in doing that do you make those people who are interested in doing so more aware of their vulnerability because of globalisation, and perhaps it is not as easy now as it was 30 years ago or perhaps the opportunities are better because of globalisation. How do you go about setting up a co-op; can you give us some examples?

Mr Harris: The first thing we would need to do within the Co-op Centre is an awareness-raising activity really; we need to promote the concept of co-operation because it is not widely accepted. There is a historical understanding of co-ops which is not really in line with today's modern co-ops, so firstly we need to generally raise awareness of the opportunities for establishing co-operatives. As I say, the main areas are within community-type co-operatives, within organisations and employee co-ops and within the private sector—encouraging private sector small businesses to come together as co-ops. That is the first thing. In terms of if we have done our job in raising awareness we would expect people to come to us to ask for assistance in helping to set up a co-operative, and the starting points really are people, who are the people who would be involved in that organisation, how would they be structured—and we do not get into the detail on that—and then what is it that they are actually going to do, what is their market? You then build on the back of that business plan, so it is similar in terms of the market, the business plan, but it is quite different in terms of the structure and the people who are involved. The globalisation bit would be the same, as I say, with private sector business I guess in that the business plan needs to reflect the market that that particular co-operative is operating in, and as I say it can be any form or type of industrial classification or organisation. Again, the globalisation question has probably not been at the forefront of the business plans that have been developed but I think it is certainly something that we should begin to look at now and into the future. I guess our focus is supporting local businesses, recognising the local markets, the local supply chains, other local businesses that perhaps they could share ideas with and share supply and purchase from as opposed to the opportunities outside of Wales, the opportunities for European or worldwide market analysis. As I say it was only due to coming to this Committee that I began thinking what are the challenges that globalisation presents to the co-operative movement.

Q2140 Chairman: You have described to me very well several elements that are important like a robust business plan, a good idea, teamwork and
acceptance of co-operation. It seems to me that the most famous example that you have been associated with of course is the Tower employee buyout, and you were instrumental in all of that. Are there lessons there in terms of the relationship between localism and globalism that are transferrable?

**Mr Harris:** I am sure there are. Of course, Tower Colliery was a one-off, it was 300 plus employees buying a pit that was previously owned by the Government and, clearly, at the heart of its business plan was a need to identify worldwide markets to sell its coal. In the success they achieved in doing that is, I guess, a lesson that could be applied elsewhere, but taking on board the fact that most co-ops that we would work with are not 250 employees—five, ten, fifteen would probably the average size and struggling to supply local markets—but I guess it is linked to that lesson, what are the global markets here and what are the further opportunities outside of the local area for your business and your business plan with ten to fifteen employees to supply and to purchase globally. Fair trade is an interesting area; they have started Fair Trade Week and fair trade is very much rooted within the co-operative movement in terms that fair trade suppliers tend to be co-operatives themselves within the southern countries, and last year we appointed a person specifically to develop fair trade services to the co-ops that we help set up, so advising the co-ops on their purchases and fair trade policy to encourage them, wherever possible, to purchase fair trade. We are trying to do more on that and would like to create a situation certainly whereby it goes without saying that co-operatives that are established have ethical trade purchase policies.

Q2141 Chairman: Could we move on to food and farmers. You mention in your memorandum that by bringing farmers together larger contracts can be won with the major outlets. Can you give us some examples of those contracts that you have helped local producers to secure with the major supermarkets and is there a direct link between the kind of work that you do with one particular supermarket, namely the Co-op?

**Mr Harris:** You would think so. The Co-op is an obvious starting point and they are doing more and more to purchase their supplies locally, from co-operatives themselves and from farming co-operative supplied food. I gave you an example that was Welsh Assembly Government News and it was Cambrian Mountain Lamb that had partnered up with the Co-operative Group to supply lamb to Co-operative stores in Wales. That seems so obvious, but the opportunities lie outside of the Co-operative Group as well and, clearly, farmers coming together to be able to target Sainsbury’s, Tesco and Marks & Spencer—Calon Wen milk is a good example in Wales of organic milk supplies. They supply Rachel’s Dairy which produces the organic yoghurt but they also supply Tesco and in Welsh Tesco’s you will find their milk on the shelves, and they have done very well to win that contract. Brecknock Cheviot is a co-op that I set up about ten years ago to supply lamb and they have won a contract to supply Marks & Spencer. There are a couple of examples there and we are working with a number of organisations and with farming co-operatives to form these joint partnerships to put them in a better position to win these bigger contracts with the supermarkets.

Q2142 Chairman: What more can be done and can education authorities, for example, do far more?

**Mr Harris:** There are almost three markets really. On the first hand there are the private sector supermarkets and they are driven by profit, driven by commercialisation, so it is a difficult thing to tap into but some of them are doing their bit. The other key market is the public sector. In terms of the public sector, local authorities, local health boards and food supply to schools, colleges, hospitals—for any public sector-purchased food the policy should be proofed against ethical/local/fair trade and where food is available locally then schools, colleges, local authorities, the Welsh Assembly Government themselves, local health trusts and local health boards, they should be trying to purchase locally and that is really what I think we would like to see. Obviously, bananas are not available in West Wales so if it is not available locally then purchase fair trade. That is really the second area; public sector purchasing, because it is public money, should be applying ethical and fair trade policies. The third area, which is smaller I guess but just as important, is for farmers to link in with the communities and to supply to farmers markets and food co-operatives, and what we get there is providing local food, locally sourced, healthy food involving the community, so with food co-ops they are operated by individuals within the community through a community-type co-op structure. I see those as the three main opportunity areas and it is a vision of ours, certainly on the public sector side, that local authorities and the like are adopting this ethical fair trade policy.

Q2143 Hywel Williams: You have just used the word vision and you have outlined a vision of how to combine ethical supply and ethical sales and local and fair trade production. How do you as a centre practically encourage Welsh producers to work in this particular way and also Welsh consumers, public bodies or whatever?

**Mr Harris:** That is a good question. It goes back to awareness-raising, it is a case of changing culture, changing attitudes and it is up to the Co-op Centre and some of our partners to raise awareness of the opportunities for local ethical fair trade policies adopted by public sector groups. It is part of the wider debate that we are having within Wales. I also chair the Social Enterprise Network and co-ops are deemed a type of social enterprise, and within that there is a group looking particularly at procurement. We have been meeting for three or four years and really trying to focus our action, what can actually be done to encourage local authorities, let us say, to adopt socially responsible procurement practice, which would include food. We have had some small gains through the Welsh Assembly-sponsored Value Wales body, which is responsible for public...
procurement, along the lines of changing the wording in their charter and in their documentation. What we need to try to do is to target what I am calling warm local authorities, warm local health boards, warm local health trusts—by “warm” I mean those that are open to us working with them to really get them to analyse the barriers, to analyse the opportunities for changing their purchasing practice, because barriers are put up as a reason why this does not happen regularly. European legislation barriers being the main ones. If we can target particular areas that are open to this discussion we can try to change the way of thinking within the so-called public sector bodies.

Q2144 Hywel Williams: You say in your submission that food miles have to be reduced. To what extent is this being achieved in Wales?
Mr Harris: Again, I would like to go back to previous examples. The establishment of farmers markets hopefully is encouraging communities to purchase local vegetables that are in season as opposed to buying asparagus in December or whatever and getting people to purchase food that is in season. Again, it is a big culture shift; we are so used to going into major supermarkets and buying anything you want at any time of the year but I think in a small way the creation of more and more farmers markets really is encouraging people to purchase locally, hence reducing the food miles. Again, in a small way the supermarkets that really are trying to engage with local farmers hopefully will help to reduce food miles. As I say, it is an interesting challenge: on the one hand we say let us buy fair trade, but if you buy fair trade by the very nature of fair trade you are going to be increasing food miles to an extent, or at least you are not going to be reducing food miles, but my argument would be that sugar is not manufactured here and bananas are not grown here, nor is coffee and the like. It is the farmers markets and the small way that some of the supermarkets are sourcing locally would be some of the examples, I guess.

Q2145 Hywel Williams: I am just thinking of a couple of specific examples. In my home town, Pwllheli, there is a Co-op and two and a half miles away there is a farmers’ co-operative called South Carmarthen Creameries which produces a wide range of excellent quality goods, dare I say, but the Co-op does not sell them and never has, yet you can almost see one from the other as it were. The other infamous example is the lamb chops from Bridgend sold in Cardiff—the lambs are sourced out of North Wales and sent to the West Country to a cutting plant. Is there anything practically that your Centre is doing to try to encourage supermarkets to set up their own cutting plants and encourage the Co-op to actually buy from the other co-operatives down the road—in practical terms?
Mr Harris: I referred in the memorandum to a project which was an agri food project to really try to address the strategic challenges within the sector. That project has now unfortunately finished and we do not have the ability to spend, to focus, particularly on the agri food sector—but when we were working on that project and we hope to replicate it in the future through European structural funds—we were working with farmers and we brought a number of farming groups together to discuss what the issues are. That was a perfect example of an issue: we are not speaking to one another, farmers are saying that we are not necessarily making best use of the facilities that we have available within Wales. Processing is one area of development, why are things farmed locally and processed elsewhere, are there gaps strategically in processing so that we reduce food travelling all over the place, and distribution is another one. There were discussions around half empty vans driving up to London to drop off Welsh goods, which is fine, we are selling Welsh goods, but why is the van half empty, let us fill that van up by getting a number of the farmers coming together, packing it with Welsh goods and having one trip up the M4 instead of four or five. What we would really like to do is get to work with these farmers that are already addressing the issue of co-operation and forming co-operatives—and that is a challenge in itself because farmers traditionally have worked on their own. Those farmers are beginning to work together to begin to address those strategic issues of processing—where is the processing done—and how are the distribution channels being improved or developed.

Q2146 Hywel Williams: You give me a broad opinion or belief that food supply seems to be increasingly global, do you think there is any prospect of reversing that trend?
Mr Harris: It is a culture thing, is it not? I would like to think so. I would like to think that if we start with what we know we can affect, which in Wales is public service purchase—it is difficult to affect the supermarkets because they are driven by commercialisation and driven by profits. I was listening to the news last week about the price of alcohol and supermarkets saying we cannot increase the price of the really cheap alcohol because it would be more expensive immediately than the other major supermarket. We can do what we can to try to encourage supermarkets but if we can encourage from a starting point the public sector and public sector provision to be local, we will be achieving quite a lot.

Q2147 Mr David Jones: Mr Harris, could I develop that particular point? You refer in your letter of 21 January to the need for all public sector food procurement to be socially sourced and you explain that this means that local authorities, health trusts and boards and other public sector buyers take into account the social and environmental impact of their decisions with equal importance to contract costs. Do you think that is a realistic aspiration, given the financial constraints that all public bodies are operating under at the moment?
Mr Harris: I think the use of the word “all” perhaps should be preceded by “where possible”, that they have policies that address the ethical and social impact of decisions as well as, obviously, the
financial impact of decisions. Clearly, it would be foolish to expect that all food purchased by the public sector is locally sourced or socially sourced, but the policy should be addressed. As I say, it is trying to encourage that culture shift and trying to get at the forefront of the local authorities and the public sector buyers that social and environmental impacts are important and are equally important as cost. In some instances you might pay a little bit more but you are contributing globally to fair trade, for example, or you are contributing to local supply which improves the lot of the farmers and can improve the quality of the food. It is just the case that all public sector provision should adopt socially and environmentally responsible public purchasing policies.

Q2148 Mr David Jones: To what extent are public sector purchasers beginning to do that?

Mr Harris: It is certainly rising up the agenda with them. We have Value Wales, as I say, which is the organisation responsible for public sector procurement and they are recognising that the social and environmental impacts are important. Some local authorities are better than others—Torfaen is regarded as a very good local authority in terms of its procurement policies—but we are beginning to have an effect. The Welsh Assembly Government is also critical in terms of its policy and its strategy and in the submission I gave I suggest that in the One Wales Plaid/Labour Coalition document local procurement strategies are being developed, so it is getting strategic leadership from the Welsh Assembly and filtering that through to the public sector bodies such as local authorities. There is a movement towards improving supply chains.

Q2149 Mr David Jones: Do the Welsh suppliers have the capacity to meet all the public sector requirements in Wales?

Mr Harris: I guess, going back to Hywel’s question, that is another activity or another responsibility that could fall on the shoulders of the Wales Co-op Centre. If we get the public sector looking at adopting different procurement practices, is the sector then able to supply? It is up to the Co-op Centre and others to encourage local co-ops to develop their business plans and their outlook to ensure that they are able to respond to, hopefully, rising demand for supply of food to the public sector. I do not know whether I would know the answer to the question as to whether it is there now; I think work needs to be done to encourage these farmers to capitalise on potential opportunities and where they are too small to form co-operatives to be able to win bigger contracts. There is a responsibility on our organisation to provide that level of business support and advice to help that happen.

Q2150 Mr David Jones: You suggest that in order to meet large public sector contracts they could be broken down into smaller parts or co-operatives and consortia developed to win big contracts. How would this work in practice and to what extent is it happening at the moment?

Mr Harris: Again Value Wales has a role to play in working with the public sector buyers. In some instances it is not possible to do that and that would be the response that we would get, or I have heard is provided, but the challenges for us, with others who are specialists in public sector procurement—and we are not necessarily that body—people within Value Wales and the Welsh Local Government Association, the people employed there to look at procurement, if we could jointly work with them and then perhaps work with overall local authorities to see what are the opportunities for breaking down contracts into smaller bite-sized chunks. I do not know where that has succeeded or whether it has actually been achieved, but I could certainly find out. As I say, the challenge is to work with them jointly to see if there are opportunities to be able to do that, to improve the possibility of local supply. If that cannot be achieved we look at the other side, the supply side, and if the suppliers are too small we bring them together so they can win bigger contracts.

Q2151 Mr David Jones: From the buyer’s point of view it is obviously much more convenient to deal with one supplier and that I would guess is a problem in putting together the sort of system that you suggest.

Mr Harris: Yes, it is a challenge. As I say, we would all need to accept that in some instances it may well not be possible or practical to do, but I am being told—as I say I do not have a specialism in procurement itself—within the sub-group I sit on in procurement that there are opportunities to do that and to break these down. It is just a case of working with them at quite a local level really, and I guess at quite an intense level with those local authorities that are prepared to look at it.

Q2152 Hywel Williams: You state in your memorandum that you would welcome the opportunity to work with the rural and farming community to develop co-operative solutions.

Mr Harris: Yes.

Q2153 Hywel Williams: I just have a number of questions around rural communities really; initially, what do you see as the main challenges facing rural communities and are these specifically the consequence of globalisation or are there other factors as well?

Mr Harris: There are quite a lot of challenges, but from our perspective it is focused on community facilities, local and rural community facilities and the loss of those—post offices, local stores, pubs are closing, all sorts of rural facilities are closing. That may well be as a result of globalisation, as a result of people leaving rural villages; the challenge there for us is to identify what community facilities could be provided economically and co-operative purchase or ownership of rural facilities is one way forward. It all boils down to a business plan at the end of the day with these things: it is all very good keeping a post office open but if nobody uses the facilities it is difficult to argue for it to remain open, but if you can
get the community involved, local businesses involved, farmers involved in the construction of a business plan to own a community facility with a co-operative structure so that they have a say in the way it is operated and they have a say in which direction it takes, you can develop robust business plans that maintain those rural facilities. That is one area and farming clearly is another area and we have mentioned food and food supply, but also farm diversification. I spoke to someone this morning actually from Oxfam about biodiesel and it is a bit of a controversial area because of the possibilities of increasing the price of food but farmers diversifying into growing different crops to meet different markets is another area of opportunity which, again, can have a global impact. Those are the main areas. Going back to rural facilities, I am just trying to make the link with credit unions as well in terms of financial services and developing and creating credit unions to ensure that financial services are available at a rural level, which are not necessarily available otherwise. Those I would see as some as the challenges: maintaining rural services, encouraging farmers to diversify and respond to the increasing pressures on their businesses. I am sure I have missed a few that I will think of when I leave, but those would be some of the things.

Q2154 Hywel Williams: We visited Ceredigion recently and we had some very interesting farm visits where farmers were talking about questions as to the future viability of livestock production in Wales because of various pressures. Do you have any opinion as to whether livestock production is viable into the future? You did now just mention diversification into renewable energy and tourism; can you give us any examples in urban, rural or even valley communities where this has happened successfully?

Mr Harris: Diversification?

Q2155 Hywel Williams: Yes. There is the livestock question also, but are there concrete examples of successful diversification?

Mr Harris: There are a couple of farmers—this is complete diversification actually—who built a rally park and they actually encouraged tourism by laying a whole load of tarmac—this has lots of other issues I guess around it—but I cannot for the life of me remember what it was called. It was complete diversification, they had the land and thought let us attract some tourists in here and we will have rallying. That is one example. I am trying to think of other examples because the ones I have got down here really are all food co-ops. None off the top of my head, I am afraid, spring to mind.

Q2156 Hywel Williams: Can I ask you something else about rural communities; in my constituency in Caernarfon we have a co-operative pub The Victoria, in Llysfaen, and the community also owns the post office there, bought at a time when they both were going to close. You would advocate local communities setting up co-operatives like this I am sure, but the question is that they did not seem to be commercially viable as private businesses. They are now co-operatives and they are actually succeeding, but in general how would you see co-operatives being able to supply those services in a hostile commercial environment?

Mr Harris: Again, it goes back to the business plan. I do not know where we are with Llysfaen, but I actually had a pint in there and they were talking at the time—it was quite a few years back now—about having a restaurant. It has got such a fantastic view at the back.

Hywel Williams: They have put a lift in the back, the only disabled lift within the Llyn Peninsula.

Q2157 Chairman: At the risk of ruling you all out of order perhaps you would like to add the postcode so that we all know where it is.

Mr Harris: It goes back to the business plan and with that particular example you encourage ownership of the community into that business, you can generate working capital through the purchase of shares, so the local community residents purchase shares, but it really does boil down to the quality of the business plan. I always remember working with post offices and looking at doing some research on post offices closures and post offices that had retail outlets attached. One of the key problems was the ability of the person who ran that post office to stock shelves; the shelves were not stocked, the pricing was very poor in terms of labelling, so there are very specific issues around the quality of the service that is offered and the quality of the business plan. The argument we would make is that with a group of people involved in owning that business and having an input into the development of the business plan, it is more likely to reflect the needs of that particular community to provide the services from within that faculty that the community want. As I say, a credit union is an example, better retail services, a pub, a restaurant, there are all sorts of things that could potentially be provided as identified by the people who procure the benefit from the service.

Q2158 Mr David Jones: Mr Harris, your website notes that the Centre tackles social exclusion and brings economically inactive individuals back into the world of work. Could you explain to the Committee what sort of exercises you undertake to tackle this?

Mr Harris: Wider than just food production, a couple of the main projects are digital inclusion which is one area which is encouraging communities who are getting left behind in the digital revolution, people who do not have access to websites, email addresses, computers; we have a project that is working with communities to encourage people to engage with information and communication technology, so that is an example of social exclusion using digital technology. We are linking that with social enterprises and co-operative businesses to encourage social enterprise and co-ops not to get left behind in the ICT revolution. Credit unions are organisations that we help develop and support through training and advice; we are also managing a couple of projects on behalf of the Department of
Work and Pensions which is really all about trying to grow credit unions to reach out to more members who are currently unbanked, currently do not have access to financial services, so again that would be encouraging social inclusion through credit unions. We are delivering a project at the moment which is less co-operative in terms of your focus and has more focus on individuals, but encouraging people who are currently claiming benefit to test trade whatever business it may be, usually lifestyle-type businesses, for a period of six months where they continue to draw their benefits but are testing out a business idea to see if it works, with a view to them coming off benefits. They are a couple of examples of projects that really are trying to engage with people who are socially excluded. There are others, but those are three that spring to mind.

Q2159 Mr David Jones: To what extent would you say, if any, that the process of globalisation is putting up obstacles to economically inactive people who want to get back into the world of work?

Mr Harris: Again I find that a difficult question to answer on account of the lifestyle businesses I just referred to, which I think are important businesses—plumbing, painting and decorating, window cleaning—so I guess I am struggling to make the globalisation link with those types of lifestyle businesses.

Q2160 Mr David Jones: A lot of plumbers come from Poland.

Mr Harris: Yes, indeed, missing the obvious point that most of the plumbers currently are Polish. I suppose the market is increasingly being developed through the wider European Union and the obvious pressures there would be that really. I do think that there are opportunities—if we take the particular example of people on benefits, there are so many people who are on benefits and have ideas. There is an argument that the system is against them to allow them to develop those ideas and I think if we can give them a little bit of a stepping stone, remove the barrier which is the fear of losing your benefits—you lose your benefits, you start trading as a business, it doesn’t work, it is a difficult decision for people to make and we need to give people a bit of a cushion. What we have to capitalise on is trying to make the links with local markets for them to be able to do that but, you are right, with globalisation and with people moving from country to country there is more pressure on the local supply of those types of services.

Q2161 Mr David Jones: You refer in your memo to the provision of business support by the Co-operative Centre; how do you provide that support? Do you provide access to lawyers, to accountants, to business consultants, how does it work in practice?

Mr Harris: We have a team of officers who are the business advisers and provide a generic level of business advice on business planning, raising finance, but then we also engage with some external advisers, we have some legal advisers for buyouts, for example, which are a bit more complicated and we do engage now with our partners who are linking in with other experts who can provide more in depth support and advice such as accountants, lawyers, chartered surveyors and the like.

Q2162 Chairman: We have found in this inquiry over the last year that possibly the most crucial aspect of the inquiry was skills enhancement. Do you find that with you, that with all the range of support that is provided—business support, legal support—is it skills right at the top there?

Mr Harris: Yes would be the short answer. A number of the programmes that we are offering are around mentoring and around training—it would be training, we dress it up as workshops but it is essentially improving the skills of individuals to be able to rise to the challenges that we think are there such as public sector food supply. It is up to us and a range of other organisations to try to improve those skills through the programmes that we are offering.

Q2163 Chairman: Are other providers doing that? You obviously cannot do all of it in-house; is this mainly in the public sector or are there co-operatives that are actually providing the training?

Mr Harris: It is a mixed bag, which is a good thing, a mixed approach. We are doing what we can through the team of staff that we have to provide skills training. We set up a co-operative a while back, Cambrian Training, to provide training services in the heavy goods vehicle driving sector, so there are a number of co-ops that we are working with that also provide training services themselves and, clearly, education and the public sector is important. What we would like to do and where our focus is is two-fold: one, trying to reach those people within the community who perhaps have been left out of the formal education system or have not necessarily succeeded perhaps as they would like to have done in the formal education system, so engaging them through voluntary activity, membership of co-operatives and through the boards of the co-operative businesses, providing them with training through those organisations and ultimately providing them with employment opportunities to improve their skills, so there is a focus there for co-operatives to be used to improve the skills.

Q2164 Chairman: I suspect that co-operatives, because they are in the voluntary sector, are much more likely to be able to reach out to socially excluded or economically inactive people compared with, perhaps, the more mainstream providers. I am thinking of three co-operatives that I am familiar with—and I declare an interest here—Amman Valley Enterprises in the Amman Valley, obviously, the Glynneath Women’s Training Centre and the DOVE Workshop, and I declare an interest there because my wife is the president of that and she has recently written its history. Would that be the case, that those kinds of small, community-based co-operatives are more effective in reaching out to the socially excluded?
Mr Harris: That is an argument we make all the time, that co-operatives and social enterprises tend to be rooted within the community, and you have said exactly the words that we would use, they are more suitably positioned to reach out to those people who are excluded.

Q2165 Hywel Williams: Can you tell us a little bit about Communities@one and how the training is provided and funded, and do people then find jobs?

Mr Harris: Communities@one, which comes to an end this June, is funded through the Welsh Assembly Government, it has been going for two and a half years or three years in June, and really that has been targeted within communities and community organisations to get them engaged in ICT, including communications—digital storytelling, the use of computers, email, videos, cameras, any form of ICT communication. Really the remit has been both engagement with people who have been economically inactive or excluded in some way and to develop projects that have an impact on their local community, mainly through engagement, so there has not been a focus in the first stage of Communities@one on jobs, but—and I cannot give you the figures because the programme was not really intended to measure it—I am fairly confident that as a consequence jobs have been created. The next stage of Communities@one, which we are hoping will kick off on July 1 for three or four years, will have more of a focus on building on what has happened on the first stage and creating businesses with an ICT focus rooted in the community that employ people. We are moving on, therefore, and it is a new area for us and certainly a new area for the community sector and the voluntary sector.

Q2166 Mr David Jones: Mr Harris, you have already explained your involvement with credit unions and your website refers to the problem of financial exclusion in Wales. Would you say that that is a problem that is disproportionately high in Wales as compared with the rest of the country?

Mr Harris: I do not know would be the honest answer. We have found that there is now full coverage within Wales for credit unions so anyone who lives in Wales can access a credit union and become a member of a credit union. Our challenge has been—and I do not specifically deal with credit unions within the Co-operative Centre—and remains to encourage the growth of those credit unions to encourage more and more membership. I guess the demand was not as high as we originally anticipated, but again it is a case of awareness raising, trying to reach out to the people that really are quite difficult to reach out to, and once a credit union has been set up it is up to that credit union and us working with that credit union to really try to recruit the members. There is clearly a demand for the services and there is a percentage of people who are unbanked, who do not have access to financial services, and these credit unions plug that gap, but I cannot honestly give you a figure that suggests that it is higher in Wales than it is elsewhere.

Q2167 Mr David Jones: Is the demand for the services of credit unions particularly pronounced in individual parts of Wales and, if so, where would you say it is?

Mr Harris: How do you mean?

Q2168 Mr David Jones: Is there more demand for credit union services, for example, in South Wales or North Wales?

Mr Harris: Again, I would not know the answer to that. I am a member of Cardiff Credit Union, for example, and the demand there has been increased by bringing in local businesses as members, so employees of local businesses can join, and by bringing together what was a number of smaller credit unions. Historically the demand was quite difficult to generate because these credit unions were far too small; we have moved in the direction now of merging credit unions and they are much larger, both in South Wales and in North Wales. Rhyl Credit Union is very successful, the Newtown Robert Owen Credit Union is very successful and then Cardiff and the Vale is very successful. I am sure there are others that I have left out, but off the top of my head I would not be able to say whether the demand is higher in North Wales or South Wales, I do not have that figure.

Q2169 Mr David Jones: We have had evidence earlier in this inquiry from the Welsh/Polish Association about the problems faced by Polish immigrants in relation to financial exclusion. Were you aware of these particular problems?

Mr Harris: I am aware that there is a credit union in Swansea that is addressing this issue as a specific project within its credit union.

Q2170 Chairman: The Welsh/Polish Association actually grew out of a credit union in Llanelli.

Mr Harris: Yes.

Q2171 Chairman: Could I end by asking you about your international connections? We are aware of course that the Wales Co-operative Centre owes its inspiration in many ways to Mondragon in the Basque country and the Wales TUC was instrumental with visits and so on in gaining a lot of experience from Mondragon. Do you have links with Mondragon and also what are your international connections?

Mr Harris: I have not been to Mondragon, I have always been trying to get a trip arranged but I have never managed to get around to it. One of our members of staff went to Mondragon a couple of years ago to find out how things were there because, you are right, the Wales Co-operative Centre was set up in 1982 as a result of a visit to Mondragon and the vision was to create Mondragon in Wales whereby you have community-owned facilities much more central to public service delivery than we currently have. Mondragon is still doing well as a region and it still has a co-operative focus in the way it delivers public services. We have done less on our international links in the last five years than we have previously, certainly during the Nineties, where
through the trade union regional network we had strong links with a number of European countries which were really looking at sharing ideas. For example, we provided advice to the public sector, the local authority, in Thessaloniki in Greece to encourage them to set up a Wales Co-operative Centre and to provide advice to their local authority on bus buyouts, to encourage the purchase of the local bus companies by the employees, because at the time we were doing a lot of that type of work within Wales. Through the trade union regional network we had a number of partners in Portugal, Spain, Germany and France and we three or four years ago we had a joint partnership project with Ireland through the European INTERREG funding whereby we jointly developed some training materials with the Irish and ourselves which was really all around focusing on improving the performance of social enterprises and co-operatives throughout Ireland and throughout Wales. Our international links more recently have been, I guess, less strong, but the challenge we face this year are securing funding to take us through to the end of the year and then for the next three to four years. In that period, when we get over the next six months, I certainly want to take forward some of the opportunities that have been raise here really—globalisation and where co-operatives can react and where co-operatives can take forward opportunities that it presents.

Chairman: If you have thoughts as a consequence of your evidence session this morning that would be helpful when we prepare our final report about the way in which you are likely to be responding to globalisation, we would be very pleased to hear from you. Thank you very much, it has been a very illuminating session and an appropriate session given that we are now celebrating the 150th anniversary of Robert Owens’ death and I know that your association will be commemorating that. Thank you very much.
Written evidence

Memorandum submitted by CBI Cymru/Wales

1 Wales, as a Western industrialised economy is impacted by globalisation. The CBI’s submission to the Treasury Select Committee inquiry into globalisation covers many of the generic issues.

2 Globalisation offers challenges and opportunities for both individuals and consumers.

3 For consumers, the increased availability of low-cost centres of production, whether of goods or services, has resulted in low inflation and increasing standards of living. However, for individuals in the UK it also demands the skills levels necessary to be able to partake in the higher value end of the economy, which is where most opportunities will be created in future. For those individuals with higher skills, opportunities overseas are now more readily available.

4 For businesses, globalisation offers the potential for lower-cost sourcing of components and services, and significant new markets. China has developed from a competitive threat to a vast new market for many companies. But globalisation also greatly increases sources of competition. Companies that fail to constantly innovate will suffer. The cycle time from a new product, carrying premium margins, to a commodity selling on cost, is shortening for most companies.

5 Wales has a significant proportion of its larger private-sector employers, which are subsidiaries of international businesses—the consequence of a successful inward investment strategy—and few indigenous companies of any size. Whilst indigenous companies will pursue a strategy of overseas sourcing, or setting up offshore subsidiaries in order to compete, they will be less prone to the complete relocation of their operations from Wales than international companies. The Welsh subsidiaries of global companies that have to compete for investment within the group are more vulnerable to the speeding up of product life cycles.

6 However, it is important to stress that globalisation impacts the location decisions of both indigenous companies and inward investors. It is just more visible for the latter.

Government Interventions

7 The priorities for governments must be to underpin the attractiveness of a location to businesses, which now have greater choices available to them. Some of these interventions are within the power of the UK Government and some are for the Welsh Assembly Government to deliver.

8 Amongst the responsibilities of the UK Government are to provide a competitive tax system, both for companies and their employees. The creation of a legal and fiscal environment that encourages free trade and movement of labour is important; as is ensuring that the administrative ease of doing business from the UK is maximised.

9 Assisting Welsh companies to take up the opportunities offered by overseas markets can be facilitated both by UKTI and International Business Wales.

10 Areas of focus for the Welsh Assembly Government should be the skills and knowledge base of individuals and companies, and the flexibility within the labour force. It is concerning that basic skills levels within the existing workforce and school leavers are still not high enough when the prospects for low-skilled employment will diminish.

11 The funding gap for Welsh universities (compared to those in England), currently c. £40 million pa, needs to be addressed. The HE base should be the source of both knowledge transfer to companies and also a skilled workforce.

12 And the proximity of areas with high levels of economic inactivity and employers who are increasingly dependent on migrant workforces raises questions about the barriers to individuals entering the workforce.

13 Connectivity with markets will also increase in importance with globalisation. Road, rail and air connections from Wales all require upgrading.

14 With increasing powers flowing to the Welsh Assembly Government with the Government of Wales Act, the onus will now also be on WAG to ensure a light-touch to regulation that affects business. The CBI would call for Regulatory Impact Assessments for proposed new legislation.

15 Government interventions should not be made to try to resist the effects of globalisation, rather to enable businesses and individuals to react to and cope with its challenges. Preserving low-cost manufacturing operations in Wales is ultimately a fruitless exercise that can only buy time—the focus must be on helping individuals left behind by this process to re-train, and businesses to invest in productivity and innovation.
Migrant Workers

16 Migrant workers are now used by employers across Wales, including in those areas commonly regarded as unemployment black-spots. They are used to fill relatively low-skilled positions that do not attract local workers, but also to fill skilled positions. Polish engineers and surveyors are in Wales as well as plumbers and fruit pickers.

17 The employer experience of migrant workforces is almost entirely positive, with comments around work ethic featuring strongly. There are now some anecdotal reports of tensions in smaller communities where a high number of migrant workers settle—typically rural communities—which may warrant further examination.

Conclusion

18 Overall globalisation is having a positive effect on Wales, but it is undoubtedly challenging. It will highlight and reward the companies and individuals who are best placed to rise to the challenges, with consequences for those who do not, or cannot, adapt.

January 2007

Memorandum submitted by Wales TUC

General

Globalisation has made a real difference to the living standards of working people in Wales but there are victims as well as winners.

Globalisation brings benefits to the Welsh economy and the consumer. Those countries that are more open to trade have higher growth rates according to the OECD. There is a strong and positive link between GDP growth and employment. Since 1999 there are over 100,000 more people employed in Wales.

However the negative impact of globalisation is being felt harshly in many parts of Wales. Welsh manufacturing jobs are being hit particularly hard. In recent years a large number of manufacturing jobs have been lost in Wales—over 35,000 jobs in the last seven years. In December 1999 manufacturing made up 20% of all Welsh jobs. In December 2006 manufacturing made up 14% of all Welsh jobs. Many workers, including those with high skill levels, pay the costs of globalisation through unemployment or lower wages or poor health.

Government assistance, strategic policy making and more protection for workers are crucial if we are serious about maintaining a long term manufacturing sector in Wales.

A key priority for public policy in Wales and the UK should be to support workers vulnerable to the impact of globalisation by prioritising the skills agenda.

The Relocation of Jobs

British workers are particularly exposed to relocation decisions. UK laws allow employers to make British workers redundant far more easily than in other EU countries (for example levels of redundancy pay are lower so making British workers redundant is cheap and consultation arrangements are inadequate).

The Wales TUC believes that companies that relocate should be made to pay back the state aid they have received.

In some EU countries, such as France and Belgium, there is a requirement on multinational companies considering redundancies to draw up detailed social plans. The fact that this obligation does not exist in Britain makes it more attractive for multinational companies to make British workers redundant, rather than workers elsewhere. Company exit costs are still far from even or fair across the EU. Thus the UK is particularly vulnerable to the whims of the global market.

The Wales TUC does not believe that the relocation of jobs is down to the level of labour market regulation. This is myth put forward by business organisations. According to OECD rankings the UK has amongst the lowest levels of regulation.

The workers who lose out from globalisation need particular help—for example through training and job search support for all workers who lose their jobs. Where pre-existing workplace learning initiatives have been established, such as those that have benefited from WULF funding, the speed at which employees can take advantage of retraining schemes is considerably enhanced.

The threat of competition from countries with lower wages or of outsourcing or of transferred production is used by some employers to keep down wages, cut pensions schemes or increase the pace of work.
The implications for workers in developing countries are also a concern for the Wales TUC. Globalisation can lead to higher growth and higher living standards in the UK. However riches built on the labour of workers denied core labour standards are not acceptable and we should promote the inclusion of core labour standards into multilateral trade agreements.

**The Implications of EU Enlargement for Employment Prospects in Wales**

Wales gains from migration. Studies show that the overall levels of employment and wages are slightly higher as a result of migration and migrant workers, pay more in taxes than the value of public services they receive. The accusations of the extreme right that immigrants take workers’ jobs or are a drain on the welfare state area false as they have ever been.

Immigration is also beneficial for the home country of immigrants—the income gained from wages sent back outweighs loss of skills to the home country.

Immigration is also on balance positive for immigrant workers. However individuals can face serious risks of exploitation and social exclusion here in Wales and in the UK.

Immigration can cause other problems—for example it may cause some displacement of workers and there can be problems planning public services.

Public policy needs to respond to these problems by making sure the migration dividend (in terms of the fiscal contribution) is directed towards supporting the potential losers.

**The Impact of Eastern Europe and Southern Asia on Manufacturing and Service Industries in Wales**

Globalisation is having a negative impact on manufacturing jobs and the threat to jobs should be taken seriously. These jobs are lost faster where there are high levels of international competition. But loss of manufacturing jobs is also down to the need for higher skills to keep up with technological change.

We must do more to support our manufacturing industry. We need a coherent manufacturing strategy. The Wales TUC welcomes the Welsh Assembly Government’s decision to set up a Manufacturing Forum to provide strategic support to Wales manufacturing businesses.

Companies that produce higher value-added goods and services are more likely to survive. We need to raise Wales’s skills profile to ensure the workforce has the skills and the flexibility to take advantage of changes in technology and the new opportunities offered by globalisation. It is also important to recognise that some workers have met every challenge put to them in terms of skills—but their jobs have still been exported.

The TUC’s Industrial Strategy argues for a focus on strategic sectors to help meet the impact of Eastern Europe and Southern Asia. We need to identify and support strategic companies and industries which: provide high value to the UK economy; provide capabilities that if lost, would be difficult to recreate in the future; and make a major impact locally, supporting a high number of quality UK jobs.

There have been improvements in the public sector procurement situation with more businesses based in Wales winning public sector contracts but further improvement is needed. The Wales TUC believes Government needs to do more to level the playing field for businesses based in Wales, for example by taking into account the environmental costs of production and transportation.

**Skills Shortage and how it can be Addressed, Internally and Externally**

Workers of all types can suffer from the impact of globalisation. Those workers with the lowest skills probably suffer most. If a factory closes those with the lowest level of skills are going to find it most difficult to find work or to find work paying as well.

The partnership approach between employers and unions has a profound impact in delivering the kind of skills which benefit both business and the employee.

The Wales TUC is helping to build a learning culture, often in companies where workers have been less likely to be offered training by their employer. Backed by the Welsh Assembly Government Wales Union Learning Fund programme, workplace projects have been developed the length and breadth of Wales to bring learning to people in their workplaces.

Up-skilling the workforce increases productivity and staff retention rates as well as enabling working people to fulfil their potential to lead more satisfying working lives.

Overcoming barriers to learning is a key concern and unions bring the added benefit of engaging with hard to reach learners, such as part-time and atypical workers to ensure equality of opportunity in the learning arena. Union members are far more likely to have the confidence to raise issues around their learning needs with their union and unions are best placed to support them through their learning.

The Wales TUC believes that employers should have an obligation to train their employees.
CONCLUSION

The Wales TUC and affiliated unions are committed to working with Welsh companies to meet the challenges of globalisation. We are also committed to helping to arm employees with the necessary skills to perform to the best of their ability and to raise the skills base of Welsh communities.

January 2007

Supplementary memorandum supplied by Wales TUC

Q60 Chairman: Could I ask a supplementary here? What you are describing is very interesting. Could I suggest that it is somewhat introspective in relation to the fact that you have now had the Welsh Union Learning Fund for 10 years. This is an inquiry on globalisation. Are there any projects that actually address the fundamental question, the impact of globalisation on the workforce?

The first WULF projects commenced in April 1999. However, we recognise that seven years is sufficient for us to recognise the effect of WULF funded programmes on the opportunities and challenges, which a globalised economy presents.

Wales TUC and its affiliates have taken the recommendations of the Rolph Review on board and this is reflected in the step-change that is outlined in the new three-year contract agreed with WAG. In particular, we are keen to establish a more strategic approach to union learning, and recognise that the kinds of skills, which can be delivered through the WULF programme fit with the policy imperatives of WAG in this area.

In the broadest sense, the kinds of learning that is core to all WULF projects impacts positively on basic and generic skills and increases the flexibility and transferability of the workforce. The CBI has recognised, in both the Skills Concordat which has been agreed between CBI, Wales TUC and WAG, and in its response to the Skills and Employment Action Plan 2, that employers view up-skilling the workforce in these areas as essential to business needs in Wales.

For business, the case for workplace learning, particularly in the areas of Basic Skills and ICT, is that it enhances productivity and competitiveness. We would expect this to impact positively on decision-makers when deciding to locate or relocate business in and out of Wales.

Where regrettable business decisions are made to “off-shore”, it is key to union concerns that a redundant workforce is able to move swiftly into alternative employment and the benefits of sound transferable skills are essential to that process.

The other aspect of globalisation affecting the Welsh economy is the increasing mobility of the European workforce. Wales is now host to many workers, often of eastern European origin who may have poor English/Welsh language skills.

The challenges that this throws up have been recognised by unions in Wales. Indeed, it is union organisation of migrant workers, which is the guarantor of appropriate support in employment rights, pay and conditions and social well-being.

Unions also have a role to play in assisting migrant workers in developing the skills, particularly the language skills, which they need to function effectively in the Welsh workforce.

Unions have addressed the ESOL needs of migrant workers within their WULF programmes. Amicus were at the forefront in these developments.

WULF has funded a groundbreaking “Access for All” project by the TGWU, which commenced in 2004 and has been extended, with continued WULF support to 2008.

This provides learning in ESOL and citizenship, which, in recognising the mobility of these workers within Wales, offers a package of support which enables workers to continue with their chosen learning programmes at centres throughout Wales. In addition, the social needs of migrant workers are supported by the establishment of a network of partners, community groups and learning providers as well as employers.

Details of these initiatives can be found at: http://www.wtulearn.org.uk/downloads/AccessForAllbestpractice2006.pdf

February 2007
Globalisation and the accompanying increase in international trade and investment have been key drivers of world growth and prosperity. Hundreds of millions of people around the world have been lifted out of poverty. Increasing international flows of goods, services and investment and the rapid growth of emerging economies provide substantial opportunities for the UK in terms of opening up new markets for exports and providing customers here with a greater choice of goods and services. Participation in global markets also enables firms to gain access to new ideas and technologies and by increasing competition and incentives to innovate, increases productivity.

By participating in global markets, Wales has seen substantial flows of inward investment. This has helped the restructuring of the Welsh economy, creating many thousands of jobs. Wales is now home to about 500 overseas-owned companies; they have invested in Wales as a platform from which to serve the UK and European markets. Since 1983, foreign direct investment has brought investment of almost £13.4 billion to Wales (over £16 billion when investment from elsewhere in the UK is included) and, overall, about 80,000 people are now employed in overseas owned companies in Wales. Investors include companies such as Airbus UK, Robert Bosch, the Ford Motor Company, GE, Toyota and Macquarie Bank and the Sony Corporation. Many of these are long term serial investors in Wales; the Sony Corporation, which has been there for over thirty years, is a prime example.

But globalisation also creates challenges. Globalisation puts UK firms and workers in competition with those from across the globe. In order to compete effectively in world markets and retain a competitive advantage, particularly against lower-wage competitors, the UK must continue to innovate and offer higher quality goods and services. A key part of the challenge is to raise the underlying productivity of the economy.

Wales is no exception in needing to respond to these challenges and opportunities. It has made excellent progress in restructuring its economy from one dependent upon a narrow range of industries, to one more diverse and robust with a healthy mix of manufacturing, service sector, public sector and knowledge economy higher value added activity.

Government Assistance to Wales

You are seeing Andrew Davies—the Assembly Minister for Enterprise, Innovation and Networks—on 13 March and he is best placed to inform you on the position in Wales. However clearly both central and devolved governments are playing a key role in assisting Welsh businesses to maximise the benefits of globalisation. The Welsh Assembly Government is responsible for setting the broad economic development strategy to help the Welsh economy meet these challenges. This is outlined in their strategy document, Wales: A Vibrant Economy. Alongside this they are putting in place focused policies looking to improve skills and education, science and innovation and boosting enterprise, including helping those who lose their jobs to quickly move back into employment.

But the UK Government continues to play a key role in raising the growth of the Welsh economy. Firstly, central government is delivering macroeconomic stability. The UK has historically suffered from relatively low levels of investment, but following a sustained period of macroeconomic stability, there are signs of improvement. Certainty—provided by factors such as the low volatility of interest rates—helps reduce the risk for those looking to invest in the UK.

Secondly, central government is investing in the Welsh economy through the relocation of public sector jobs from London and the South East to the English regions and devolved administrations. Figures from the Office of Government Commerce show that as of September 2006, Wales was the largest recipient of transferred posts, receiving almost 2,500 jobs. Further relocation is planned, such as transfer of workers at the Office of National Statistics’ London Office to an expanded Newport office. Wales has also seen strong increases in jobs in education and health in recent years, the majority of which are government funded.

In terms of providing direct investment into Wales, the government is bound by European regulations with respect to regional state aid and structural funds. However in the latest Assisted Areas map (with runs from 2007–13), Wales is the only region of the UK where coverage has not been reduced, and West Wales and the Valleys are still allowed the highest intervention rates under Tier 1 status.

Wales will also receive significant funding under the different aspects of the Structural Funds, receiving over £1 billion in convergence funding targeted at regional development, economic change, enhancing competitiveness and skills. Combined funding for Wales is equivalent to €676 per capita, compared with €149 per capita average for the UK.
Thirdly UKTI provides support for potential and existing investors seeking to do business in and from the UK, and works alongside the devolved administrations in achieving this. Support ranges from information provision across the UK network, support with exporting from the UK and also tailored client account management supported by a new cadre of technology specialists with expertise in key technologies. UKTI also continues to play a key role in encouraging foreign direct investment into the UK. In Wales, UKTI works with International Business Wales (part of WAG) to encourage inward investment and to assist Welsh companies internationalise. Welsh companies are also able to benefit from UKTI Trade Development schemes, such as trade fairs, overseas market introduction services and sectors group support.

GLOBALISATION WORKING FOR WALES

The Graig Group provides a good example of how Welsh companies are exploiting the opportunities provided by globalisation. The company has transformed itself in recent years into a leading international company managing over 70 new ship buildings in China, Vietnam and India. While production of the ships has moved overseas, the company’s senior management and staff of its core activities designing ships and providing associated shipping services including finance—are employed at its Cardiff Bay offices. Thus by internationalising the business and utilising overseas capabilities, Graig Group were able to remain competitive end retain the highly skilled and technical jobs in Cardiff Bay.

Looking at the experience of Wales more generally, it is clear that the Welsh economy has been a significant beneficiary of globalisation. Over the nine years from 1996–2005 the value of Welsh exports of goods grew by almost half, almost twice the rate for the UK as a whole. Growth has been particularly strong in the fast growing markets of Asia. By 2005 Welsh exports of goods to Asia and the Pacific were almost 170% higher than they had been in 1998, despite the disruption caused by the Asian crises in 1997. By 2006 Asia and the Pacific accounted for over 10% of Welsh exports of goods, clearly establishing the region as Wales’s third most important market behind Europe and North America.

Partly as a result of increased inward investment, over 150,000 more people are now in employment in Wales than in 1998. Average incomes have continued to rise, and gross annual earnings have risen marginally faster than the UK average over the past four years.

It is clear that Wales has begun to adapt to the challenges that globalisation brings, although there are still some hurdles to overcome. I look forward to having the opportunity to discuss these issues with you further.

1 February 2007

Memorandum submitted by the Department of Trade and Industry

GLOBALISATION AND THE UK GOVERNMENT’S POLICY RESPONSE

THE PROCESS OF GLOBALISATION

The IMF defines globalisation as, “the process through which an increasingly free flow of ideas, people, goods, services, and capital leads to the integration of economies and societies”.

The globalisation process is not a new phenomenon and waves of globalisation can be traced back to at least the 1870s. Historically, globalisation and the accompanying increase in international trade and investment have been key drivers of world growth and prosperity.

The current wave of globalisation differs from previous waves in at least three important respects. First, developing countries—like India and China—are taking a growing share of world output and trade in goods in general, and the output and trade in manufactured goods in particular. In 1980, roughly 10% of manufactured exports came from developed and emerging economies. At present, the figure is about 25%. By 2025, around 50% could come from developing countries, according to HMT. Second, the current wave has been accompanied by a marked rise in intra-industry trade. Finally, foreign direct investment, FDI, is central to the current wave of globalisation—particularly FDI in the service sector.

Developing countries’ increasing share of the output of, and trade in, manufactured goods and the outsourcing of service provision to developed countries has raised concerns in some circles about adverse effects from globalisation on UK employment. Whilst it is difficult to assess the impact of globalisation on employment, the UK labour market has been strong in recent years—both by international and historical standards. Where there have been job losses, the government’s aim has been to ensure that those made unemployed can acquire new skills and move quickly into alternative employment.

At the same time, it has to be borne in mind that the rapid growth of emerging economies like India and China provides substantial opportunities for the UK, with new markets for our exporters and investors, and cheaper, more diverse goods and services for our consumers.
Patterns of Specialisation

The growth of Asia and the increase in the UK's trade with Asia has generated benefits for all parties, by allowing greater specialisation in products where they have a comparative advantage.

This is not new. Since the Second World War there has been a shift in the UK towards increased consumption of imported manufactured products, as the UK economy increasingly specialises in services. But, the rapid growth of China and India in particular, means that Asia is now driving much of this process.

Currently the UK and the fast growing Asian economies specialise in different areas. As would be expected from countries with large populations, China and India tend to specialise in labour intensive products, whilst the UK increasingly specialises in services and higher value added manufacturing.

As the following table shows, the UK is particularly specialised in services, more so than other major developed economies.

Estimates of the UK’s Comparative Advantage

<table>
<thead>
<tr>
<th>Revealed Comparative Advantage (RCA)</th>
<th>Year: 2003</th>
<th>Services</th>
<th>Goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>1.71</td>
<td>0.84</td>
<td></td>
</tr>
<tr>
<td>EMU</td>
<td>1.03</td>
<td>0.99</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>1.15</td>
<td>0.97</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>0.71</td>
<td>1.07</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>1.03</td>
<td>0.99</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>1.52</td>
<td>0.88</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>0.77</td>
<td>1.05</td>
<td></td>
</tr>
</tbody>
</table>

Within services, the UK specialises in financial and insurance but also in many other business services such as legal advice, consultancy, R&D, royalties/licence fees and information.

<table>
<thead>
<tr>
<th>UK Service Sector RCAs (using Balassa method)</th>
<th>Against OECD</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Other Business</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Personal, cultural &amp; recreational</td>
<td>1.6</td>
<td></td>
</tr>
</tbody>
</table>

In goods, the UK appears to perform well in more specialised products. The following table shows the UK’s top 19 performers by share of world exports of goods in 2003 as well as how these sectors perform in other countries. Only products where global exports were at least USD 250 million in 2003 are considered.

The goods in which the UK export share is less than its 4.9% share in the export of all goods (not shown) are largely commodities. The UK's strength in cultural items (art and printed materials), pharmaceuticals, aircraft components, chemical (particularly pharmaceuticals) products and instruments, are all product areas that have a long presence in the history of UK trade specialisation. The UK also has a significant share of world exports in specific products within other categories for example stainless steel, silicones, non-porcelain ceramics, sheepskins and whiskies.

The UK’s top 19 performers by share of world exports, 2003

<table>
<thead>
<tr>
<th>Sector</th>
<th>UK</th>
<th>Germany</th>
<th>France</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works of art, collectors pieces and antiques</td>
<td>38.2</td>
<td>4.9</td>
<td>7.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Printed books, newspapers, pictures</td>
<td>12.9</td>
<td>15.2</td>
<td>6.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Pearls, precious stones, metals, coins</td>
<td>11.3</td>
<td>3.5</td>
<td>1.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>10.5</td>
<td>12.2</td>
<td>9.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Aircraft, spacecraft, and parts thereof</td>
<td>9.4</td>
<td>14.8</td>
<td>17.3</td>
<td>2.4</td>
</tr>
</tbody>
</table>
By contrast, the broad sectors where China and India have most products where they have a comparative advantage include labour intensive areas such as clothing and textiles or commodity products such as metals and metal manufactures. Although they also specialise in sectors that include higher value added items such as mechanical and electrical machinery and equipment, this might at least in part in China’s case be due to its role as final assemblers of products.

India top 10 sectors with the highest number of product lines with RCA > 1:
- Organic chemicals
- Cotton
- Clothing, not knitted
- Machinery, boilers, etc
- Iron & steel
- Manmade staple fibres
- Clothing, knitted
- Inorganic chemicals
- Articles of iron & steel
- Electrical/electronic equipment

With the highest individual scores being for materials and textiles such as silk, gums/resins, cotton, clothing, carpets, tea and ores.

China: top 10 sectors with the highest number of product lines with RCA > 1:
- Electrical/electronic equipment
- Organic chemicals
- Clothing, not knitted
- Inorganic chemicals
- Clothing, knitted
- Cotton
- Machinery, boilers, etc
- Manmade staple fibres
- Articles of iron & steel
- Other made textile articles

With some of the highest individual scores being for products such as leather articles (eg suitcases), silk, toys, footwear and clothing.

These different patterns of specialisation are likely to continue. Firms in Asia are moving into higher value added products. India’s software sector has grown rapidly, albeit from a low base. More sophisticated services are increasingly being offshored to Indian firms. R&D facilities may move to Asia to take advantage of its large pool of graduates. As the Asian market grows and average incomes rise, there will be increased domestic demand for more sophisticated products and services.
However, the continued growth in their labour force (China is estimated to need to create at least 10 million new jobs each year to absorb migration and its rising labour force), means that labour intensive manufacturing is likely to continue to dominate Asia’s industrial structure and hence its exports for some time to come. Whilst the UK is likely to continue to specialise in services, which should leave it well placed to benefit from greater access to overseas markets.

**Role of Globalisation in Reshaping UK Economy**

Globalisation and the specialisation that has resulted from increased trade has been one of the drivers of change in the UK economy. However, it has been only one of the factors. Most economic analysis suggests that trade with lower cost economies has played a minor role, compared to other factors such as technological progress in the shrinking share of manufacturing in developed economies. Studies have estimated that trade with lower wage countries accounts for roughly a fifth of the fall in the share of manufacturing employment in OECD countries.

It is difficult to estimate the impact of globalisation on the UK labour market. Wage rates in many Asian economies are much lower, for example China and India’s wage rates are around 3% of Western levels (depending on the exact measure used). However, direct comparison of wage rates is not a very useful guide to competitiveness, because it does not take into account differences in what each worker can produce ie productivity. Productivity data show that China and India are significantly behind the developed world. Research by the Conference Board (2006) estimates that Chinese and Indian unit wage costs in the manufacturing sector are around 15–20% of US and EU levels.

Over time, however, the process of economic development usually leads to an increase in a country’s real exchange rate. This means that differences in labour costs tend to narrow. Such a pattern may arguably already be evident in the case of China, where average wages, on an internationally comparable basis, have trebled in the last decade.

**The Government’s Response to Globalisation**

The Government recognises that change is inevitable and that turning back the clock is not an option. The government is working to maximise the gains to the UK economy from globalisation while at the same time attempting to mitigate the downside risks associated with globalisation, by raising productivity and competitiveness. This will require sustained effort across a range of policy areas aimed at: entrenching macroeconomic stability; promoting an enterprise culture; strengthening innovation; opening up skills to all; ensuring fairness through a flexible and responsive welfare state; and promoting sustainable development—through effective multilateral action. Recent developments and innovations in each of these policy areas are discussed below:

The government has—and continues to—pursue policies aimed at entrenching macroeconomic stability and fiscal sustainability to provide certainty for those deciding whether to invest. As a result, macroeconomic volatility in the UK economy is at a historically low level, and is, in fact, the lowest in the G7, according to the HMT’s 2006 PBR.

The government has gone to great lengths to promote an enterprise culture by maintaining a robust competition framework and creating a supportive business environment with eg, low rates of business taxation, incentives to reward long-term business investment, and a good regulatory record internationally. Consequently, the UK has the lowest barriers to entrepreneurship of any major economy and is ranked top among all OECD countries in terms of economic flexibility, according to a recent report published by the OECD. Figures from UNCTAD indicate that, at $817 billion, the UK also had the second-largest stock of inward FDI in the world in 2005 (with FDI inflows of $165 billion in 2005 alone). Notwithstanding, UKTI is looking at ways of further increasing trade and investment with the likes of India and China.

In the fields of science and innovation, the government is working to harness science and innovation by helping to ensure that the UK is a leader in the world in turning science and innovation into business innovation. Here, the government has set out a 10-year science and investment framework strategy that aims to increase the level of R&D in the economy and help facilitate partnerships. The government-commissioned Gowers Review of the UK’s intellectual property framework is also a critical component in the UK’s present and future success in the global knowledge economy.

The government is working to ensure that the UK has the correct skills mix by opening up the acquisition of skills to all. The Skills Strategy (“21st Century Skills, 2003” and “Getting on in Business, Getting on at Work, 2005”) and the recently-published Leitch Review (“Prosperity for all in the Global Economy—World Class Skills”), which identifies the UK’s optimal skills mix in 2020 to maximise economic growth, productivity and social justice in a globalised economy, are central to the government’s response to the UK’s skills challenge.
The government is seeking to ensure fairness by equipping people with the skills they need to adapt to change, and to give them greater flexibility and choice in balancing work and family commitments. The government is also working to enable women to participate fully and equally in the labour market. At the same time, the government is focussing on those sections of society who face the greatest barriers to work and are most exposed to adjustments brought about by globalisation.

Globalisation is increasing the pressure on energy resources and the environment and the government is acutely aware of this. The government-commissioned Stern Review on the economics of climate change, published in October 2006, found that all countries will be affected by climate change, but it is the poorest that will suffer earliest and most. The report also noted that effective action requires a global policy response, guided by a common international understanding of the long-term goals and strong frameworks of co-operation.

January 2007

Memorandum submitted by PCS

In this submission to the Welsh Affairs Committee, we hope to be able to provide a detailed summary of the major issues affecting civil servants working in Wales and the impact of changes upon them and the public that we serve.

For information, PCS (Public & Commercial Services Union) is the largest civil service trade union and the sixth largest affiliate to the Trades Union Congress. PCS represents over 320,000 members nationwide in over 200 departments and agencies.

Much of the evidence provided in this paper concentrates on the announcements by HM Revenue & Customs made in November 2006. However, we would wish to point out that many of the issues facing PCS members in HMRC also apply to other Whitehall departments of state, such as Department of Work & Pensions and Ministry of Defence.

Freedom of Information requests submitted to every civil service employer in Wales have shown a projected job loss total of 5,132 jobs in Wales up to 2008. This figure is net as it includes those posts relocated to Wales under the Lyons relocation programme from the SE of England. Further cuts are likely as a consequence of the 5% year on year efficiency requirement outlined in the 2008–11 comprehensive spending review. The focus on HMRC, however, provides a useful case study of the impact of the civil service efficiency programme on local economies, local services, and the environment in Wales.

OBJECTIVE ONE FUNDING

West Wales and the Valleys have been designated as European Objective One Funding areas. The aim of these funds is simple—to revive areas where the decline of traditional industries has caused serious economic and social problems. Funding seeks to:

— Promote sustainable economic growth.
— Increase prosperity in all parts of Wales.
— Reduce disparities within Wales.
— Tackle inequality, inactivity, and social exclusion.

Wales qualified for this extra funding, of course, because these areas are amongst the poorest parts of Europe, and it should be noted that these areas continue to qualify for such funding in spite of the dramatic expansion of European Union Member States in recent years.

The priority of Objective One is to promote the development and structural adjustment of regions whose economic development is lagging behind—usually those regions whose per capita GDP is less than or close to 75% of the European Community average.

Lastly, Objective One areas all have a number of economic signals/indicators “in the red”:

— Low level of investment.
— A higher than average unemployment rate.
— Lack of services for businesses and individuals.
— Poor basic infrastructure.

The number of projects and activities by the Welsh Assembly Government and various partners are, of course, far too great to list in this written submission. However, it is suffice and fair to state that it is the policy of the Welsh Assembly Government to invest in Objective One areas and, as far as possible, to ensure a wide base of jobs and skills in its workforce across Wales, and not just in Cardiff, where it has its base.
THE WHITEHALL APPROACH

On 16 November 2006, HM Revenue & Customs announced, as part of its five year plan (now cited as an “ambition”), its intent to consult on the future of vast swaths of its office estate.

Nationally, HMRC is looking to save some 25,000 jobs and withdraw its presence in 100’s of locations.

In Wales, official figures show the likely effect to be in the region of 1,000 jobs. The following locations are now under review for potential closure. The committee should note that a “minimum headcount” is defined as three maximum providing face to face services (although see the note on this later in the paper) in the town, but not, of course, at the present location. The list does not include offices which will stay open, but the committee should note that there will also be job losses at some of those locations:

<table>
<thead>
<tr>
<th>Location</th>
<th>Current Headcount</th>
<th>2010 Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberystwyth</td>
<td>40</td>
<td>minimum</td>
</tr>
<tr>
<td>Bangor/Colwyn Bay/Rhyl</td>
<td>218</td>
<td>70</td>
</tr>
<tr>
<td>Bridgend/Merthyr Tydfill/Pontypool</td>
<td>170</td>
<td>50</td>
</tr>
<tr>
<td>Haverfordwest/Pembroke Dock</td>
<td>72</td>
<td>Minimum</td>
</tr>
<tr>
<td>Holyhead</td>
<td>13</td>
<td>Minimum</td>
</tr>
<tr>
<td>Llanelli</td>
<td>40</td>
<td>Minimum</td>
</tr>
<tr>
<td>Newport</td>
<td>120</td>
<td>30</td>
</tr>
<tr>
<td>Newtown/Welshpool/Oswestry/Shrewsbury</td>
<td>135</td>
<td>Minimum</td>
</tr>
<tr>
<td>Pontypridd</td>
<td>50</td>
<td>Minimum</td>
</tr>
<tr>
<td>Porthmadog</td>
<td>35</td>
<td>Minimum</td>
</tr>
</tbody>
</table>

The committee should note that certain offices have been linked together by HMRC as “clusters” (marked in bold type), and these are shown above. In all of these clusters, only one location will survive the review, with a minimum face to face presence left in the town. However, recent discussions between PCS officials and senior managers have left even this presence in some doubt, with managers openly stating that they envisage locations hit by closures being served by means of a mobile tax office—of course, such a service would not be fixed and permanent.

It is, therefore, absolutely clear that the policy of HMRC is at direct odds with that of the Welsh Assembly Government. The vast majority of locations specified above are in Objective One funded areas.

PCS has obtained from Bridgend Council estimates of the likely impact upon the local economy should the present 50 jobs in HMRC Bridgend, as is likely, be lost. The council estimate the loss to the local economy in terms of expenditure to be in the region of £1,175,000 and the direct loss of some 15 further jobs in the local economy.

We can, of course, extrapolate this to include all of the locations above that are under direct threat of closure. We estimate that these proposals, if seen through, will mean the loss in terms of expenditure in these locations to be in the order of £17,000,000 per annum and the further direct losses of some 220 jobs in addition to those lost in HMRC.

Given that we are discussing Objective One & Two funded areas, it can clearly be seen that these figures impact upon Wales in such a way that is not the case in many other areas of the United Kingdom.

THE WELSH ASSEMBLY GOVERNMENT APPROACH

We have, below, reprinted an extract from the WAG assessment of the impact of its investment policies in Pembrokeshire. The committee will be aware, of course, that similar projects are being run across Wales by the WAG.

Below are just a few examples of what we are doing in Pembrokeshire to deliver our top priorities as an Assembly Government. The priorities are:

Helping more people into jobs

— During 2005 we committed £240,000 in Regional Selective Assistance grants to projects in Pembrokeshire. This investment will help to create 25 new jobs.
— In addition, we committed £330,000 in Assembly Investment Grants to 14 projects in Pembrokeshire to create 43 new jobs.
— We have invested £5.1 million in the £13 million Pembrokeshire Technium Development at Cleddau Bridge Business Park, Pembroke Dock. The development will create quality jobs for local people, encourage innovative businesses, and develop a higher value-added economy.
— We have awarded a grant of £750,000 to publishing company Friday Ad, based in Cleddau Bridge, to create more than 60 new jobs.
— In partnership with the Pembrokeshire Coast National Park Authority we have invested in the Tenby town scheme for the repair and restoration of historic buildings. This has helped to improve the appearance of the conservation area, stimulating economic activity and revitalising this attractive tourist town.

— We have invested £3.7 million to improve the A477 from Nash Fingerpost to Bangeston, on the outskirts of Pembroke Dock, which will bring substantial economic and social benefits to the area.

— We have invested £8.8 million over three years in the Welsh Genotyping Scheme to help sheep farmers develop flocks that are resistant to disease to improve their competitiveness in the industry. The scheme is free to farmers.

**Improving health**

— We are investing £300 million across Wales to build new hospitals and improve existing ones, including:
  — £5.2 million to build the new South Pembrokeshire Hospital in Pembroke Dock. The new development will see the co-location of 35 NHS in-patient beds for intermediate and palliative care alongside five social service respite beds.
  — £4.1 million to redevelop and modernise Tenby Cottage Hospital. The new facility will include day hospital care, minor injuries and outpatient services.

  Both of these developments are the result of partnership working between the local Trust, Local Health Board, Local Implementation groups and the Welsh Assembly Government.

— We are helping to improve health and well being by offering free swimming to children and older people. The national pilot schemes are being delivered in over 120 local authority owned leisure centres and swimming pools across Wales. By 2008–09 the Assembly Government will have invested £25 million in Free Swimming in Wales.

— In response to Health Challenge Wales, the national focus for efforts to create a healthier nation, we have funded a number of Inequalities in Health Projects, including the Pembrokeshire Heart Health, which looks to reduce heart problems through screening, nutrition and lifestyle change advice. Over 7,000 screening appointments have been delivered to date.

— The Rural Stress Information Network, which has received funding from the Welsh Assembly Government, under the Rural Recovery Plan, is working to help raise awareness of the causes, symptoms and effects of rural stress amongst health and social care professionals.

**Developing strong and safe communities**

— Since 2001 £1.7 million has been committed to Communities First areas in the Pembrokeshire. Communities First funding is designed to get local people involved in improving their communities and in turn improving their own prospects.

— To help improve facilities and activities for people of all ages and abilities in their local communities, we have invested nearly £600,000 over three years in the following projects:
  — A grant of £40,000 to refurbish Maenclochog community hall.
  — Building of a new annex at New Hedges Village Hall, near Tenby, at a cost of £128,000.
  — Pater Hall in Pembroke Dock will receive £250,000 for upgrading and refurbishing work.
  — Planed, in Narbeth, will receive £174,717 to help encourage community enterprises to set up and promote sustainable living.

— As part of our commitment to tackling domestic abuse in Wales, Pembrokeshire Domestic Abuse Centre has been awarded £40,000 for the setting up costs for a Women’s Safety Unit.

This is not a party political issue. The fact is that the WAG, and all parties in the Wales Assembly, are committed to investing in the poorest regions of Wales. The emphasis is clearly on tackling low investment in poor areas and actively promoting investment outside of major conurbations such as Cardiff.

This needs to be contrasted with Whitehall policy. The closure of Haverfordwest tax office and the downgrading of Pembroke Dock office are in direct contrast to the policies outlined above. Furthermore, the net effect, of course, will be to undo in terms of employment in Pembrokeshire virtually all of the good work undertaken by WAG. In effect, it would barely have been worth making the investment, such will be the impact of Whitehall policies on the area.
CENTRALISATION

Somewhat strangely, HMRC state that “these proposals are not about centralisation”.

The reality is the opposite—HMRC is openly centralising many of the functions it presently carries out in rural locations, and this policy is set to increase exponentially.

There are 36 different “business streams” within HMRC, all carrying out specific functions of responsibility. It would not be possible to list each function as it affects Wales in this paper, but the following should serve as a summary of the department’s policy in this regard.

Under the announcements made in November 2006, all Debt Management & Banking (this used to be called Collector of Taxes—ie the arm of the department which collects duties from those customers who have not paid, for example, self assessment taxes on time) will be centralised in Cardiff.

Processing deals with a range of functions, for example the capture of self assessment tax returns, ensuring that PAYE customers have had the correct amount of tax deducted from their salaries etc. Under the plans announced by HMRC, all of this work will be centralised in Cardiff & Wrexham by 2010. The committee should note that Cardiff & Wrexham (Large Processing Offices) work under the LEAN system. PCS can provide details of how this works at the committee hearing—for the purposes of this paper, PCS has obtained figures from large processing offices around the UK which absolutely demonstrate that over one million pieces of correspondence remain unanswered (and, in most cases, unrecorded) by the department. PCS believes that further centralisation and LEAN methods of working can only increase the detrimental service presently being experienced by its customers.

VAT registration jobs presently undertaken in West Wales are being lost to Grimsby and Wolverhampton, this in spite of the fact that West Wales has a proven and long-term track record of delivery in this area.

Many of the compliance functions presently undertaken by the two former departments are now being centralised in remote centres. For example, capital gains tax enquiries, once undertaken by teams across Wales, are now only taken up by a team based in Cardiff. Whilst it is the case that this work is not “location specific” and can be worked at almost any location, it exemplifies the approach of the department that it was not left with skilled officers in North & West Wales, but rather based in Cardiff. This approach is now being repeated across compliance in Wales.

Indeed, Wales now faces the loss of Operational Intelligence, Detection, and Large Business Service under plans being announced by the department.

The common theme to all of these changes is the loss of work and skills from poor areas of Wales to urban centres.

CUSTOMER IMPACT

The changes as noted above do, in the opinion of PCS, have a very detrimental impact upon the level of service that PCS members wish to provide to their customers.

We have already alluded to the 1 million pieces of correspondence remaining unanswered. Customers now face weeks of waiting for responses to important queries, and the loss of a link between customers and their local offices has led to a sharp deterioration in the process of getting problems resolved.

It is the opinion of the department that, in a changing world, customers wish to call remote call centres at various times and to conduct most of their business with HMRC electronically. No doubt, some do. However, to the majority of customers in rural Wales, the loss of a highly skilled local service is something that is completely unacceptable. These customers may well wish to undertake some business electronically, but the overwhelming majority wish to have a choice in how they interact with HMRC. By the time PCS appears before the committee, we will have the results of a major customer survey presently being undertaken which will, we are sure, underline these points dramatically. The customers we talk to are clear—there is no substitute for a local, skilled, accountable public service.

Recently, PCS has publicised a very serious consequence of centralisation, one that goes to the heart of the social debate in each constituency of Wales, but more especially the poorest areas of Wales.

HM Customs, over the course of the last 14 years, has lost some 63 staff in the major ports of the Principality. There are now no uniformed Customs officers manning our ports to detect drugs, illicit goods, and people entering. Instead, all work is undertaken by a remote team based in Wolverhampton who operate on a “risk assessed” basis to threats. The department’s rationale for this is to concentrate its efforts on detecting major threats from large criminal gangs and organisations. It has not been overly successful.

PCS researched a number of sites for the purposes of this paper. Below, we have quoted from a paper published by The Observer on 24th December 2006. However, all papers researched agreed on one thing—the price of hard drugs on the streets of our country have never been cheaper or in such high supply.
Ev 408  Welsh Affairs Committee: Evidence

Extracts from Special Report on Drugs in Britain

Heroin has never been as cheap or as easily available in 30 years. It is easier to score heroin that it is to score cannabis.

Senior police officers are now warning that with record amounts of heroin flooding the streets, readier availability, and all-time low prices will increase the number of addicts drawn from the most impoverished margins of society.

The narcotic subculture is no longer largely confined to metropolitan Britain, but instead has spread to hundreds of towns.

The most recent analysis has found heroin being sold for as little as the price of a cappuccino. Wraps have been sold for £2, often as a “taster” for potential new users.

The Chairman of the Association of Chief Police Officers drugs committee stated “one factor is that the criminal markets are very fluid and once one of the routes is blocked, then they will try and find another”.

PCS believes that there is a direct correlation between the low price of hard drugs on the streets and its easy import into the country—hard drugs are clearly flooding into the country, and it would take a fairly dim criminal mind not to realise that the chances of being caught at an unmanned customs port are substantially lower than those ports that are manned.

This issue is not merely confined to drugs. Police raids on massage parlours in Cardiff, Swansea, and Bridgend in 2006 highlighted the fact that grave human rights abuses of women trafficked for sex working exploitation is happening on our doorsteps in Wales.

At any time, it is estimated that up to 75% of hand-rolled tobacco smoked in West Wales is illegal.

The cost to the country in terms of social impact, lost revenue, and human misery cannot be easily quantified. It is suffice to state that all are exceptionally large, and PCS argues very strongly that the centralisation of HMRC functions in this regard have contributed to this situation.

It might be noted that the Welsh Affairs Committee took evidence from PCS regarding this in 2003, since when further cuts have occurred.

Lastly on this theme, it should be noted that the same process of centralised risk assessment is now being planned in direct taxes compliance. Local compliance is the active “coal-face” of the enforcement of the tax regime. It seeks to ensure that all taxpayers, from the very small to very large, pay the correct amount of duties at the correct time. It is, in essence, the police force of HMRC.

As a result of the announcements in November 2006, no risk team to select cases for investigations/enquiries will be based in Wales (or, indeed, Scotland and Northern Ireland). All of these teams will be placed in centralised locations in England, and PCS argues that one of the most vital aspects of dealing with taxation fraud, that of local knowledge driving projects, will be lost forever. It is very difficult to imagine how a centralised team based in Central England can effectively counteract the growing problem of businesses in Wales never registering themselves for income tax and VAT, thus costing the exchequer billions in lost revenue—indeed, it is PCS’ belief that the centralisation of VAT registration exaggerated the cost to the country of so-called carousel fraud.

Environmental Impact

The growing cost to our environment, and the potential costs to the economy as amplified by The Stern Report, by man’s activities causing increased global warming are, rightly, at the top of the news agenda now. The fact of global warming, and its impact upon us, is now recognised by all major commentators and scientists.

Indeed, Government is now placing this at the top of its agenda. Britain has clearly been at the forefront of global efforts to bring about a change in international and personal attitudes to climate change. Government ministers regularly highlight the fact that global warming will impact upon countries in terms of social consequences, economic downturns, defence capabilities etc.

Indeed, HMRC itself recently joined in the clarion call for change. The front cover of OneHMRC (the internal staff publication) for January 2007 stated in bold headlines Our world needs us. HMRC today takes up a challenge from Prince Charles to do more to reduce its effect on the environment. There is a lot more in this vein over the course of four pages.

PCS, regrettably, has no hesitation in heralding headlines such as this as the worse type of double standards witnessed in recent years.

There are two areas that we must concentrate on in this paper. The present effect of centralisation and the potential effect of evermore centralisation and local office closures.

There has, as we have already pointed out, been a large degree of centralisation in HMRC, and the discussion paper attached to this submission hopefully marks that out clearly.
Prior to this policy, Wales had its own senior management team, with officers also responsible for the three geographical areas of Wales. Meetings, therefore, were by and large all conducted in Wales and the environmental consequences & impact were largely negligible.

This is no longer the case, and we will highlight two departmental “business streams” in Wales by way of example:

**LOCAL COMPLIANCE**

The Committee may well be surprised to note that the local compliance “zone” for Wales is actually Wales, Scotland, and Northern Ireland (WSNI). The senior civil servant responsible for this zone is based in Scotland—indeed, Wales actually now has no senior civil service personnel at all.

Managers in WSNI are now travelling to meetings (and there are plenty of them) regularly by plane. PCS estimates that in WSNI local compliance alone, some 100 plane journeys per month are taken by senior managers in the course of their duties, either attending meetings with other managers, or visiting staff in the three countries for which they are responsible. It is also, of course, far more difficult under such a system for there to be any meaningful consultation between trade union staff side and management.

In addition to this, many middle managers now have staff spans that reach throughout Wales and, in some instances, include Chester or Northern Ireland. These managers are almost constantly on the road.

As regards the processing stream, the local manager for West Wales is actually based in Cardiff, whilst the “zone” head for Wales is based in Leeds, England. Again, this necessitates a great deal of travelling for all stakeholders, and this is a pattern repeated across HMRC’s 36 business streams.

It is, however, the November 16th announcements that will have the greatest environmental impact.

It is almost so obvious a fact to state, but is one that is clearly worth making, that to relocate a group of staff into a central location will have a far greater environmental and financial impact that retaining staff in local offices.

PCS SW Wales have undertaken an exercise in asking PCS members in offices under threat of closure to state their travelling patterns as they stand now, and what they will be if (and it is an if) they are relocated to the offices to stay open (namely, Carmarthen, Swansea, and Cardiff).

This data was then translated into a carbon footprint programme run by The Carbon Neutral Company. The results make interesting reading.

As regards Haverfordwest office, any relocation to Carmarthen will lead to an increase in emissions of carbon in tonnes per year from 28.7 at present to 139.3—an increase of over fourfold.

A similar relocation of members from Llanelli to Swansea will lead to an increase from 6.7 tonnes per year at present to 26.8 tonnes per year—precisely four fold.

Responses received from Aberystwyth & Bridgend to date suggest that a 10 fold increase in carbon emissions in tonnes per year can be expected as a result of these proposals.

The above figures are, of course, substantial and make no sense at all in a society which is supposedly committed to reducing the impact of its activities on the environment. In addition, these are only figures for staff themselves being relocated. They take no consideration of the impact of staff having to travel to remote locations for work purposes, such as direct tax enquiry work, or collection of duties. They take no consideration of customers, both business and individual, having to travel further in order to make appointments for advice or compliance activity.

PCS is able, with absolute confidence, to inform the committee that the environmental impact of HMRC’s proposals will be in direct contravention of relevant government thinking regarding global warming.

**CONCLUSION**

This paper has, we hope, set out in clear and stark terms to the committee the impact that PCS believes HMRC announcements will have on Wales. We believe that the effect in Wales is far starker in real terms than similar announcements elsewhere in the UK, simply by virtue of the economic and social status of Wales.

There is the political dimension. It simply beggars belief that one arm of Government, namely the Welsh Assembly Government, is committed to real investment and jobs in rural Wales, whilst another, namely HMRC, is seemingly committed to the complete opposite.

PCS believes that the customers of HMRC want real choice in how they deal with their taxation affairs, and that choice includes a bespoke local service that provides real employment and investment in their local communities.

PCS believes that the people of Wales are genuinely concerned about the social impact that the smuggling of drugs and people has upon communities, and they wish to see a Welsh solution to that problem, which includes full investment in the resources necessary to stop these evils.
PCS believes that the people of Wales wish HMRC to ensure that all individuals and businesses pay the right amount of tax at the right time. Senior managers have openly stated that customers in rural West Wales are “not key customers of HMRC”. PCS disagrees, and the cessation, as planned, of VAT visits and the withdrawal of swathes of direct taxes compliance staff can only mean deterioration in monies collected for the exchequer. In fact, HMRC official figures released state that whilst £74 million will be saved by cuts in local compliance activities and staff, the actual loss to the exchequer will be £250 million, an economic fact which PCS believes is beyond satire.

It is also a fact that recent pilots undertaken in new compliance interventions have been less than successful. The public requires trained, local staff to work with local professionals to ensure that the tax gap between what HMRC should collect in Wales and what it actually collects is closed.

To summarise:

— The policy of HMRC and other government departments will adversely affect some of the poorest areas of the UK, areas of Wales that qualify for Objective One funding.

— The policies of Whitehall based departments are in direct contrast and opposition to the policies of Welsh Assembly Government and serve to undermine efforts to reduce the prosperity gap with England.

— Hundreds of jobs and millions of pounds of investment will be lost to local economies as a result of the closure of offices and centralisation of services.

— The service to the public of Wales will deteriorate further as a result of these announcements.

— The impact on the environment will be a sharp, and unacceptable, rise in carbon emissions at a time when government is actively seeking to introduce measures which reduce its impact upon our planet.

— In terms of estate costs, the proposals are not particularly efficient, given that these are very much higher in locations such as Cardiff and urban centres in England than in rural Wales.

We commend this submission to the Welsh Affairs Committee and trust that it helps to outline the serious nature of these proposals.

22 January 2007

Supplementary memorandum submitted by PCS

1. Civil Service Staff Number Reductions in Wales, 2004–11 (PCS Projection)

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* This information has been obtained from 24 FOI requests submitted by PCS Wales to all the major civil service employers.

** Projected staff numbers based on estimate of impact of Chancellor’s announcement that the two largest civil service employers, DWP and HMRC will be subject to 5% efficiency saving in real terms in each of the years 2008–11. Assumption is made that other Departments will be required to make the same level of efficiencies.
2. Civil Service Percentage Employment in Wales

According to official figures, in 2005, the UK civil service numbered 518,430, out of a total labour force of 27,106,000—1.91%. In Wales, the equivalent figure was 32,680 out of a labour force of 1,239,000—2.64%.

Labour force figures from ONS, Regional Trends 39 (2006), Table 5.1.

Civil service staff figures from Cabinet Office, Civil Service Statistics 2005 Table A.

3. List of Offices Closed or Under Threat of Closure

Department for Work & Pensions—all the offices listed below have been closed since 2004 or are about to be closed. Some have been merged with another office in the same town but in the case of all those marked with an asterisk there is no longer any DWP presence in the town in question. Despite the establishment of new contact centres, Wales will have seen a net loss of more than 1,500 DWP jobs during 2004–08.

Aberdare Jobcentre (JC) *Llangollen JC
Ammanford Social Security Office (SSO) *Llanrwst JC
*Barmouth *Llantwit Major JC
Barry SSO Merthyr Tydfil JC
*Beaumaris *Monmouth JCP
*Blaenau Ffestiniog Neath SSO
*Brynmawr JC *Newbridge JC
*Ferndale JC *Neyland JC
*Cefn Mawr JC Pembroke Dock SSO
*Conwy JC *Penygroes JC
*Cymmer *Risca JC
*Denbigh JC Prestatyn JC
*Fishguard JC
*Garnant JC *Tenby JC
*Glynneath JC Tonyrefail JC
Flint SSO Swansea SSO
*Glynneath JC
*Glynneath JC Tonyrefail JC
Haverfordwest SSO *Treharris JC
*Knighton JC
*Lampeter JC *Tywyn JC
*Llandeilo JC *Tumble JC
*Llandysul JC

HM Revenue & Customs—all offices listed below face effective closure by 2010, leaving only a public enquiry counter with no more than three staff:

— Aberystwyth (40 staff at present)
— Brecon (30 staff)
— Bridgend (52 staff)
— Bangor, Colwyn Bay & Rhyl (218 staff combined)
— Haverfordwest & Pembroke Dock (68 staff combined)
— Llanelli (37 staff)
— Merthyr Tydfil (83 staff)
— Newport (143 staff)
— Newtown (six staff)
— Pontypool (40 staff)
— Pontypridd (40 staff)
— Porthmadog (35 staff)
— Welshpool (44 staff)

Ministry of Defence

Defence Aviation Repair Agency (DARA), St. Athan, Vale of Glamorgan—to be closed 2007 (1,550 posts will have been lost since 2004)

Defence Storage & Distribution Agency (DSDA), Llangennech—to be closed March 2008 (250 posts)
Other

Export Credits Guarantee Department, Llanishen, Cardiff—closed March 2006 (51 staff)

Memorandum submitted by BT

SUMMARY

1. BT is proud to be a major stakeholder in the Welsh economy. Employing almost 1% of the Welsh workforce across every single unitary authority in Wales, BT has major operational centres in Bangor, Cardiff, Swansea and Newport. BT has committed significant resource in establishing a meaningful Welsh presence through investment in its infrastructure and services and its participation in the strategic development of major programmes in Wales, such as the recent Convergence funding programme and the Heads of the Valleys initiative. BT has become a major strategic partner in Wales, benefiting greatly from the support of organisations such as the Welsh Language Board in developing an award winning Welsh language policy and in turn giving significant support to bodies such as International Business Wales.

EMPLOYMENT WITH BT

2. BT employs around 4,800 people in Wales. The vast majority of these are directly employed, with the proportion having increased recently at the expense of the number of contractors. Much of this increase has come from BT’s Openreach business, and has been targeted at providing improved services in Mid and North Wales.

3. In addition to having exchanges and employing engineers across the whole of Wales, BT has major operational centres in Bangor, Cardiff, Newport and Swansea. Key features of BT’s Welsh workforce include its geographical spread and the range of skills employed across all work disciplines eg engineering/IT, sales/marketing, finance/HR at both manager and non-manager level.

4. In 2005–06 BT spent £43m with suppliers based in Wales. It has been calculated that an additional 3,600 FTEs are supported by BT as a result of this spend (Source DTZ Consulting).

BT’S INVESTMENT IN WALES

5. 21CN—BT has made Wales the lead area for its new 21 Century Network (21CN) programme, and will be investing over £460 million in Wales over the next five years. This will put in place a world-leading communications network that will bring a range of benefits to businesses and consumers over years to come. New voice, data, broadband and multi-media services will be delivered quicker and cheaper than before, including faster broadband. The first connections of live customers to the new network were made in Cardiff in November 2006.

6. Broadband—BT has completed its roll out of ADSL Broadband to 99.9% of Wales, funded by BT alone. This coverage is already providing the benefits of broadband to the vast majority of communities in Wales. Broadband take-up among Welsh customers has been growing rapidly over the last year and currently stands at 32.9% which is above the national average take-up figure of 30.9%.

7. Access to broadband from home is a major driver for the proliferation of home working. Such activity makes a contribution to reducing carbon emissions, through the avoidance of travel to and from work, it provides employment opportunities to some who might otherwise be excluded from the working population, and it boosts rural opportunities by negating the need to travel to urban centres. Nationally, BT has 11,000 people that work from home and 64,000 more are equipped to work flexibly.

8. Regional Innovative Broadband Support (RIBS)—BT is also pleased to be working in partnership with the Welsh Assembly Government to provide infrastructure for the final exchange areas in Wales without broadband and other “notspot” areas ie areas of Wales located within enabled exchange areas that still cannot receive a broadband signal. BT has engaged on a 50:50 basis with the WAG to provide broadband as widely as is possible across Wales.

9. International Data Centre (IDC)—In 2003 BT opened its first bespoke International Data Centre in Europe in Cardiff—a £90m investment in a state of the art facility. The IDC delivers cost advantages to companies storing data whilst providing the highest levels of security and resilience. Firms benefiting from such arrangements vary from cost conscious SMEs to very technically sophisticated software companies or major public sector bodies seeking high level security clearance.

1 The delivery of broadband services is governed by both network economics and technical limits. BT estimates currently that approximately 99.9% of the Welsh population could receive broadband service if ordered. BT cannot provide a definitive figure as the characteristics of lines differ from household to household and business to business.
Welsh Affairs Committee: Evidence

10. Welsh Language Services—BT provides services for every community in Wales. It respects the culture and heritage of the nation and as part of this has developed an award winning Welsh language policy, in conjunction with the WAG, the Welsh Language Board and two BT Welsh language focus groups representing both North and South Wales. Many of our services are delivered bi-lingually and we have a published bi-lingual policy.

CONCLUSION

11. Modern communications infrastructure is a vital pre-requisite for economic success in the 21st century. Without this, it would be very difficult to compete with nations in other parts of the world in what is now, more than ever before, a global economy. BT’s investment in infrastructure and services in Wales is providing the platform for competitiveness on the world stage upon which others can build.

February 2007

Supplementary memorandum submitted by BT

WELSH CONTACT CENTRE FORUM

1. OVERVIEW

1.1 The Welsh Contact Centre Forum Ltd has been in existence for three years. It is a company limited by guarantee that receives a small level of funding towards its core operational costs from the Welsh Assembly Government. The remainder of its costs are covered by contact centres and suppliers to the Industry. Over the past three years the Forum has established itself as the voice of contact centres in Wales which is evident in the volume of traffic to the Forum help desk from its three customer streams and the vast press coverage we gain for the contact centre industry both in and out of Wales. The Forum works both strategically and operationally to ensure a sustainable Industry for its customers. The Forum has three distinct customer groups:

— Welsh Contact Centres (including shared service centres).
— Industry stakeholders (public and private sector).
— The Welsh Assembly Government.

1.2 At the end of the Forum’s three year funding term (March 2007) it will have made inroads into becoming self-financing. Over the next three years the Forum needs to put further building blocks in place and make the investment into infrastructure (which includes the recruitment of additional part-time personnel) to reach the self-financing goal. The Forum follows best practice models from similar organisations and is aware of the necessity to fully develop the diversity and breadth of both its customer base and the services offered.

2. KEY OBJECTIVES

2.1 To provide a high level Employers’ Forum to the Welsh Contact Centre Community.
2.2 To work strategically across a range of cross cutting themes to ensure profitability and continued growth for the Industry in Wales.
2.3 To provide a lobbying platform for Forum members.

3. THEMES

3.1 The Welsh Contact Centre Forum provides its members with current intelligence and, where necessary, strategic planning groups around themes that are necessary and timely. These include globalisation, recruitment, attrition, general HR issues, technology, business process and outsourcing.

4. FACTS

Latest research shows there are 141 (including micro centres) contact centres in Wales which together employ 24,500 people (to Jan 2007 inclusive). The total number of people employed in Welsh contact centre sites, including ancillary support staff, is in excess of 40,000. The Industry horizontally loops most sectors of business however the biggest customer base comes from financial services, public sector, telecoms and utilities.

The Welsh Contact Centre Forum fills a singular position Wales being the only forum to provide the Welsh Assembly Government with a Service Level Agreement which takes into consideration the needs of its three customer streams.
Over the past two years the Forum has established an infrastructure of benefits to all of its customers. This positions the organisation as a value for money and key body for help regarding all aspects of the contact centre industry.

The Forum currently generates funds through its stakeholder membership fees, sponsorship and consultancy. The Forum regards these elements of service and the potential to charge contact centre members as being a potentially valuable future revenue source. This avenue for future sustainability will be further explored once the diversity and breadth of members has been fully established.

4.1 Contact Centres:

— Ensure appropriate regular networking opportunities for all members.
— Provide regular communication by a variety of channels eg email, web, meetings and events with members and potential members on key industry issues.
— Where appropriate, the Forum helps the industry to understand the support available from the public sector.
— To work with other sector representative bodies, both within Wales, the UK and globally, where relevant eg Call Centre Association, the relevant SSC, e-Skills UK.
— Provide appropriate information, both to and from members, to help improve market competitiveness. This may include for example: sector development issues, changes in legislation, innovation and new market opportunities eg the latest legislation affecting outbound contact centres, the impact of offshore outsourcing.
— Provide, where appropriate, representation for members on relevant working groups that could be at a Welsh, UK or EU level eg Institute of Customer Services.
— Ensure appropriate representation of cross cutting themes such as equal opportunities, ICT, Welsh language and sustainable development. eg Diversity Training Workshops and WEFO “Esteem” bid.

4.2 Welsh Assembly Government:

The Forum has, over the past two years, been able to provide the strategic market intelligence needed by the public sector in Wales to develop plans to protect and grow their current customer base.
— To provide the Welsh Assembly Government through appropriate representatives full benefits of Associate Membership to the Welsh Contact Centre Forum (Ltd). Benefits of this are outlined above.
— To provide access to any data that the Forum may carry which is not deemed “confidential” by source.
— To provide quarterly intelligence by job gains and job losses from existing contact centres.
— To provide quarterly intelligence on general market conditions and any and all issues that may have a bearing on the public sector in Wales.
— To respond to all questions from all departments of the Welsh Assembly Government within two working days.
— To provide the Welsh Assembly Government with full briefings regarding the Contact Centre Market as requested within a period of five working days.
— To conduct a minimum of two pieces of market driven research in a calendar year and share the findings with the Welsh Assembly Government.
— To facilitate any meetings requested by the Welsh Assembly Government, or its appropriate representatives, with Forum members.
— To assist the Welsh Assembly Government on inward investment matters relevant to the sector regarding data, meetings with members, etc.
— To attend Inward Investment meetings with appropriate notice to help the Welsh Assembly Government, or its representatives, secure further Investment for Wales.

4.3 Stakeholders

Associate membership gives suppliers to the industry an opportunity to be a part of the Welsh Contact Centre Forum, a market worth in excess of £400 million to the Welsh Economy. This membership also gives an opportunity to network at a high level in a low cost manner. Benefits include:
— Attendance with two guests at four Welsh Contact Centre Forum meetings.
— Access to the members’ area of the website.
— Listing on Forum website.
— Members’ discounts on all other events.
— Preferential speaking opportunities.
— Access to help desk.
— Networking opportunities.

5. OTHER ACHIEVEMENTS/INITIATIVES

Events:
Quarterly Forum meetings attended by 90 to 100 personnel.
Welsh Contact Centre Conference attended by 150 personnel.
Welsh Contact Centre Awards attended by 420 personnel.

Training:
Provision of specialised diversity training aimed at providing a low cost training solution to SME’s.

Research:
Recruitment Costs 2006.
Public Perception of Contact Centres 2006.
Cluster Mapping (For Welsh development Agency) 2006.
Training 2005.
Sickness 2005.

Strategic Think Tanks:
These have included: training, benchmarking, and offshore outsourcing and from these the Forum has now developed the ongoing Financial Services Think Tank which looks at key challenges facing the financial services sector and the Forum’s Welsh Contact Centre Recruitment Think Tank looking a the ongoing issue of attracting staff to the Industry.

Esteem:
Esteem is a ground breaking project aimed at encouraging people from Cardiff’s black and minority ethnic communities to come forward to fill scores of vacancies in the city’s contact centres. The unique, two year, pilot project is targeted at, but is not exclusive to, the BME (black and minority ethnic) community across the southern arc of Cardiff. Supported by the European Social Fund, the ESTEEM Project, is managed by the Welsh Contact Centre Forum Ltd. and aims to tackle issues of social exclusion, skills development and economic growth, in marginalised communities.

EASL:
This initiative has been test piloted with Duffryn School, in Newport. The scheme is aimed at giving contact centre placement opportunities and enhanced skills through a training academy to students at both GCSE and AS level.

March 2007

Memorandum submitted by Admiral Group plc

1. INTRODUCTION

The Admiral Group Plc was established in Cardiff in January 1993, selling car insurance and other associated products throughout the UK. It currently employs over 2000 staff in two main offices in Cardiff and Swansea. A recently opened subsidiary has started trading in Spain and there are firm plans to open in other European countries in the near future. Outsourced call centre operations in India opened in 2001 and currently employs 180 staff. The group floated on the London Stock exchange in November 2004 and at a
current market capitalisation of £2.7 billion is Wales’s largest public company. Andrew Probert was a founding director of the group and was Group Finance and IT Director, until his retirement in September 2006. He currently has a part time role concentrating mainly on International development.

2. EMPLOYMENT

Admiral is a major employer in South Wales and despite being voted into the Sunday Times “100 best companies to work for” competition for the last six years, and operating generous company wide share ownership schemes, finds it difficult to maintain and expand its workforce in the area. To stand still in size the group needs to employ up to 400 replacement staff a year, and this figure will increase substantially with planned future growth. In 2001 the group started outsourcing call centre operations to India, motivated not by cost savings but in an attempt to remove unsocial working hours in South Wales to reduce staff turnover. To an extent this move has worked, although it’s not an easy solution to manage and if there was a choice the group would not follow this route.

The prospects for future growth of the business are very good and plans are in place now to increase employment levels substantially. That means expansion in South Wales, principally in the new Swansea offices in SA1, but this will not satisfy all the requirements of the group. The group has recently been exploring the possibility of setting up a wholly owned subsidiary in Nova Scotia with the intention of employing hundreds of staff there to complement the operations in South Wales and make up the likely shortfall of staff available here.

The key issue for Admiral is lack of staff in South Wales, not costs. Admiral is the most efficient operator in its sector. We perceive the key reasons that we cannot get enough staff to be the low level of economic activity in Wales amongst the potential workforce, and strong competition for people who do want to work from other businesses, which have been encouraged to set up in the area, and in particular from the public sector which has expanded dramatically in the last decade. From our own experience therefore we do not see that enlargement of the EU, and the rise of eastern and southern Asian activity to be a threat. There are sufficient job opportunities for those who want to work as long as they are flexible, and our experience is that they are flexible and willing to be trained. The influx of eastern European labour does not appear to us to have displaced work in Wales rather they have filled the jobs that the local workforce is not keen on and they contribute to the overall economic good. When these worker’s language skills are improved they may become a source of talent for Admiral.

The key issues that we would like to see government tackle are; more encouragement to get the economically inactive into work; better productivity in the public sector to release more people into the private sector; encourage the private sector to train people and be flexible with working patterns so they stay economically active.

3. POPULATION AND POPULATION MOVEMENT

The demographic changes in Wales have relatively little impact on the Admiral Group directly in the medium term. We have looked at setting up satellite operations in rural areas of Wales to access this workforce, but have not found a location to sustain centres of 50–100 people over the long term.

4. FOOD PRODUCTION AND SUPPLY

No opinions from the Admiral Group.

5. BROADCASTING AND CREATIVE INDUSTRIES

As a major advertiser in the UK Admiral does have some insights into the media and broadcasting sector which have some relevance to Wales. The principal issue we see is the rise of the internet as an advertising and direct response channel and its impact on traditional media and creative businesses. In excess of 85% of all Admiral’s new business starts on the internet today, and a rapidly growing proportion of its advertising spend is directed to online channels. Our early adoption of the internet has enabled a quicker expansion of Admiral’s business in the UK, and the experience gained is providing the platform for our expansion in Europe. We see this phenomenon as both a threat to Wales traditional media businesses, but also an opportunity to capitalise on it, particularly to expand markets both UK and worldwide for local businesses.

We would encourage government to help focus Welsh businesses to use the internet as a marketing tool to expand their markets.

9 February 2007
Memorandum submitted by Amicus

1. **What has been the impact of globalisation on Wales?**

   Globalisation has created a culture of uncertainty in manufacturing. In 1999 20% of Welsh jobs were in manufacturing. By the end of 2006, that figure was down to 14%. The most worrying factor is that some of those jobs have gone solely and simply to increase the profits of multi national companies not because they were losing money and had to relocate in order to survive.

2. **Which industries are benefiting from globalisation and which industries are losing out?**

   The vast majority of companies moving out of Wales have been in the automotive and electronics sectors.

3. **What is the impact of globalisation on Trade Union representation?**

   A lot of the jobs lost have been in areas of heavy manufacturing that typically employ men who have in the past been more likely to be union members. Amicus, however, is growing in membership in other areas such as the finance sector and NHS.

4. **Is the labour market flexible enough? And what is the impact of labour market flexibility on job security?**

   Labour market flexibility has created a very uncertain future for many of our members. Members who work in multi national companies with plants elsewhere in Europe have seen jobs disappearing to other areas of Europe, mostly Eastern Europe. Short term contracts offer no stability to employers.

5. **What help and support is available for people who are made redundant?**

   There is limited support available to re-train, but in many instances this is again for jobs that are short term, less secure and poorly paid.

6. **How vulnerable is our manufacturing industry?**

   Manufacturing is the most vulnerable of all sectors of employment because as global companies chase increased profits they are moving their production facilities to China, Eastern Europe and India where labour is so much cheaper. Which is why here in Wales we have to concentrate on higher value production and more research and development because we never can and never should try to compete with China, Eastern Europe and India in the production of goods.

   The education of our young people has to be about what the Welsh economy is going to need in the future, there is no point in educating young people, equipping them with skills that will not be required. The Welsh Assembly Government is addressing these issues in its 14–19 strategy.

7. **What is the role of Trade Union—in up-skilling the workforce?**

   We have a big role to play in encouraging our members back into learning, assisting them in whatever way we can to be able to acquire the skills needed in the Welsh economy.

   The Wales Union Learning Fund has assisted this greatly with nearly 100 work based learning centres, in excess of 1,400 work place learning agreements and nearly 1,000 learning reps established throughout Wales. Employers and our members have seen real benefits.

8. **What are the barriers that prevent the economically inactive participating in the workforce?**

   Making returning to work easier, not fraught with the possibility of a loss of financial stability. Make the transition a staged one, maybe part-time at first and giving plenty of support to people who have been economically inactive for a long time. There are a number of initiatives in Wales currently assisting in finding employment and helping people remain in employment.
Memorandum submitted by Burberry

INTRODUCTION

1.1 Established in 1856, Burberry is an international luxury brand. Through its operations, the Group designs, sources, markets, licences and distributes apparel, accessories and other lifestyle products for women, men and children. Burberry products are sold worldwide through a network of 260 directly operated stores and concessions, 71 third-party operated retail locations and a network of wholesale customers, which include leading prestige retailers in each market.

1.2 The brand has a rich heritage associated with Britain—including outfitting military officers during the early twentieth century. The global headquarters of Burberry are based in London together with all design, marketing, advertising, retail, purchasing, and supply chain management activities. Burberry employs around 2,000 people in the UK, of which some 600 are engaged in manufacturing activities in our own factories in Castleford, West Yorkshire and Rotherham, South Yorkshire, where the iconic Burberry trench coats and other luxury outerwear products are made.

1.3 At the time of writing in February 2007, Burberry also operates a factory in Treorchy, South Wales, which it has owned since 1988. This plant currently produces polo shirts. In September 2006—following a year long review of Burberry’s supply chain and manufacturing process—the unfortunate conclusion was reached to end operations at Treorchy. The conclusion of the review found that Treorchy was not commercially viable and that as a number of other clothing retailers have also found, it is now possible to source certain products of greater quality overseas at a significantly lower cost, from suppliers who will nearly always take on the complete management, purchase, production and distribution requirements. The review also looked at how we could improve and streamline what is currently a very complex supply chain. As a public company we have to justify any item of capital expenditure to our shareholders—within this context there was found to be no case for re-equipping Treorchy to make different items when capacity exists elsewhere in the UK and Europe. It is expected that the Treorchy site will close on 30 March 2007 with the production shifting to other existing and more competitive sources of supply in the European Union and Asia.

1.4 We are pleased to have the opportunity to provide a formal statement of our views as part of this inquiry, although we will restrict them to the areas which we are most able to offer an informed view; namely the employment aspect and the four associated issues of relocation of jobs; the implications of EU enlargement for employment prospects in Wales; the impact of Asia and elsewhere on manufacturing and service industries in Wales; and skills shortage and how it can be addressed, internally and externally.

THE RELOCATION OF JOBS

2.1 Globalisation has meant that to remain internationally competitive, it is important to operate at the most appropriate and efficient locations. Our experience of the luxury branded goods sector shows that this calculation is a function of unit cost, skill levels, and brand value. For “iconic” and high price-point garments such as Burberry trench coats and our other luxury outerwear products it is important to maintain British manufacture. For goods such as polo shirts, unit cost is more important than place of manufacture, which appears to have limited relevance to the consumer given that at present only 25% of our polo shirt output is made in Treorchy, with rest being made in Portugal, Turkey and Asia.

2.2 For the record, we would like to outline our position with regard to the relocation of jobs within the context of our policy on Corporate Social Responsibility:

1. Burberry does not own factories in China, Hong Kong or any other Asian countries. Burberry uses third party suppliers which, after implementation of the proposed changes in sourcing, will supply less than 10% of Group production. Burberry will ensure high standards of corporate and social responsibility from these suppliers, with regular expert third party audits to ensure continued compliance. Burberry also collaborates with other international brands to underpin adherence from third party suppliers to its Corporate Social Responsibility compliance standards.

2. Suppliers to Burberry pay a wage at or above the minimum wage in the relevant country. This wage will vary depending on the cost of living in the country concerned. Management has taken a decision not to source products from Bangladesh and the Philippines where it has concerns over the level of minimum wage.

3. Suppliers to Burberry do not employ persons under the age of 16.

THE IMPLICATIONS OF EU ENLARGEMENT FOR EMPLOYMENT PROSPECTS IN WALES

3.1 Burberry manufactures around two-thirds of our total production in four EU member states: the UK, Italy, Spain, and Portugal and has no current plans to manufacture garments in the newer member states—although there is already present a clothing industry in countries such as Poland and Romania. We have no specific perspective on enlargement of the EU and its effect on Wales, other than noting that a combination of relatively high standards of education and lower wage levels present in central and Eastern Europe will
pose a challenge to lower value manufacturing operations in Wales and the rest of the UK. Burberry notes that Turkey—currently negotiating accession to the EU—already has a number of high quality clothing manufacturers.

**THE IMPACT OF EASTERN AND SOUTHERN ASIA ON MANUFACTURING AND SERVICE INDUSTRIES IN WALES**

4.1 As with any area of the UK in which labour-intensive, low value-added manufacturing industries are present, Wales has found it very challenging to compete against the economies of Asia and Eastern and Southern Europe in such sectors. For instance, it is indicative to note that employment in Welsh textile manufacturing industry declined from around 13,000 in 1991 to less than 4,000 in 2005. This economic restructuring will understandably prove to be uncomfortable for those who find their jobs caught up in this global shift, something readily acknowledged by Secretary of State for Trade and Industry, the Rt Hon Alistair Darling MP:

“It is understandable that some in developed countries are apprehensive. Globalisation means change. It means our industries must develop, and with them our workforce. People need to learn new skills. Adapt to new jobs. That change can bring insecurity, and nostalgia for the old perceived certainties. That is why politicians and global business leaders need to take a lead in showing the benefits of globalisation.”

And by Chancellor Gordon Brown:

“Because advanced industrial nations like ours can no longer rely—as we used to do in a sheltered world—on mainly low cost manufacturing, we have to find other high value added and new sources of wealth and employment—by focusing on our comparative strengths.”

**SKILLS SHORTAGE AND HOW IT CAN BE ADDRESSED, INTERNALLY AND EXTERNALLY**

5.1 Burberry have no comment to offer as (see 1.2) the design, marketing, advertising, retail, purchasing, and supply chain management functions are all located in London, rather than Wales.

5.2 Burberry concurs with the former Secretary of State for Trade and Industry (and now Secretary of State for Education and Skills) Rt Hon Alan Johnson MP:

“Our response must instead be to help Britain move up the value chain towards a high wage, high skill, high value economy. We are racing to the top, not to the bottom.”

**CONCLUSIONS**

6.1 Burberry can only speak authoritatively about its own experiences, but as the only globally competitive luxury goods manufacturer of any scale remaining in Britain we do hope that our perspective is useful. The Treorchy experience is an obvious example where Wales has found it very challenging to compete against some other economies in manufacturing operations. Our own experience demonstrates that whilst globalisation can significantly impact upon lower valued-added production in the UK, it has allowed global companies such as Burberry to grow our business around the world and has resulted in higher-skill, higher value-added jobs in the UK in design and marketing of our higher value garments. Whilst we are a global business with less than 10% of our sales in the UK, our ability to compete successfully globally in our key markets generates value in the UK. Therefore, the answer, recognised by politicians of all parties, is to seek to attract higher value-added operations and employment, whilst also focusing on up-skilling the workforce.

*February 2007*

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2 Speech at Renmin University, Beijing, 28 November 2006, http://www.dti.gov.uk/about/dti-ministerial-team/page35799.html

3 Speech at CBI Presidents Dinner, 5 June 2006.

4 Speech by The Rt Hon Alan Johnson MP, (then) Secretary of State for Trade and Industry Engineering Employers Federation (EEF), London, Wednesday 1 February 2006.
Memorandum submitted by GMB

DEFINITION OF GLOBALISATION

UK Government’s view

Globalisation—the process of growing interdependence between the economies and businesses of different countries—is a major force in the world today. It can be a force for good, raising standards of living at home and abroad and, crucially, enabling hundreds of millions of people in the developing world to escape from poverty.

Trade Union view

TUC: Globalisation refers to the rapid increase in the share of economic activity taking place across national boundaries. This goes beyond the international trade in goods and includes the way those goods are produced, the delivery and sale of services, and the movement of capital.

The TUC in their submission “Globalisation and the Comprehensive Spending Review” to the Treasury took the view “that overall the UK gained from globalisation, but the gains were not spread evenly and some workers jobs were at risk”.

The TUC says that “Government action must help ensure that the benefits of globalisation are spread more evenly if they are to maintain support for open markets. Priorities for funding should include support for workers vulnerable to the negative effects of globalisation and for British companies who need to compete more on the global market to safeguard quality UK jobs”. The TUC report also expresses concern that UK employees are more vulnerable than their European colleagues.

The TUC also believes that UK companies should ensure that where manufacturing is transferred, or work off-shored to low wage economies, that the workers should be protected by ILO standards and have at least a fair wage, the right to join a free and independent trade union, and child labour should not be used.

The GMB concurs with these views, but believes that this under estimates the effect on jobs and the local economies in those areas where jobs are lost, especially when those jobs are lost in the more remote parts of the UK.

The GMB believes that Globalisation at workplace level also includes the effects of and is affected by:

— company ownership,
— outsourcing of company non-core activities,
— transferring of manufacturing to low wage economies, and
— off shoring of goods and services to low wage economies.

Company ownership

The move to globalisation and large multinational companies has resulted in a large number of UK companies either being taken over or merging with foreign companies and becoming part of a multinational company.

The GMB is not opposed to foreign ownership per se, in fact we are pleased that a number of foreign companies have chose to locate and invest in manufacturing plant in the UK and Wales in particular. These companies have frequently invested more in their UK workforce than their previous owners or UK counter parts. These include companies such as Fords, Revlon, Panasonic and Sony.

However, we have a number of concerns, including:

— Loss of intellectual property which moves to the new owner.
— Loss of jobs from company headquarters when they move overseas.
— Transfer of production to other plants and countries.
— Control and decision making moves outside the UK.
— Other countries national interest take precedence over UK interests.

6 TUC 2006: www.tuc.org.uk
7 Globalisation and the Comprehensive Spending Review TUC 2006: www.tuc.org.uk
**Takeovers and Mergers**

It is often argued that takeovers and mergers lead to new stronger companies better able to compete in the global economy. This may be true but is often of only benefit to the UK where the company remains in UK ownership.

Experience has shown the main beneficiaries of mergers and takeovers are the shareholders and directors. In nearly all takeovers and mergers the main casualties are the workforce. As the new company invariably reorganise their administration and production which leads to job losses. The new ownership of intellectual property enables the transfer of production to other plant in the UK or overseas much more easily.

The GMB is concerned over the recent trend of highly leveraged takeover based on large debt both by foreign companies and private equity companies. This often leads to the requirement to reduce costs or sell of parts of the business sooner than necessary to service the debt.

In particular the trade unions are concerned that the high price of £6.7bn paid by Tata Steel for Corus when the company was only valued at £4.5bn in October, will lead to the transfer of production and new investment outside the UK to pay for the inflated price of the takeover. The decisions on investment and production will now be made in India not the UK.

The GMB is also concerned that a number of foreign takeovers are just to obtain intellectual property rights. Foreign ownership of intellectual property rights makes it easier to transfer production out of the UK.

**Outsourcing of Company Non-Core Activities**

Since the 1980 this has happened in both the private and public sector where companies have outsourced non-core activities such as cleaning, catering, security, transport to specialist contractors. A number of these are part of multinational companies such as DHL (German) Veolia (French). This tends to have less effect on the number of jobs, but more on terms and conditions.

**Transferring of manufacturing to low wage economies**

This happens both with multinational and UK companies who look to lower wage costs or to reduce trade union bargaining power. Labour costs in countries like China can be anything between 20% and 80% lower than UK labour costs depending on the country or the type of product. The trend at present has been to transfer large goods such as furniture and car production to Eastern Europe and electrical and clothing to China and SE Asia.

However, this requires finished goods to be transport additional distances, back to western markets. Transport costs for bulk delivery by container ship can be remarkably cheap. The transport cost on a mans £20.00 shirt would equate to only 20 pence on the price.

**Employment Rights**

Multinational companies tend to transfer production as part of global restructuring and rationalisation of products. This often means reducing the number of plants and sites within Europe.

The UK frequently loses out with the relocation of European plant as employment rights legislation is much stronger in counties such as France, Spain and Germany and as a result it is often harder and more difficult to shut down plants in other European states. Examples of this are the Peugeot closure of Ryton (even though it was one the most efficient plants in the group), Nestlés and Suchards move of production from York and General Motors (Vauxhall) move from Luton.

**Who benefits?**

Other companies have also made this move to reduce production costs; this includes companies such as Christie Tyler and Burberry. It is often said that this benefits the consumer in keeping down the price of products on the shelf. However, these cost reductions do not necessarily turn into cheaper products on the shelves of the UK.

Frequently they turn into higher profits and directors pay. In the case of Burberry who still make a profit on UK production, predict they can reduce the production cost of a tee shirt from £11 to £4 by moving to China. There is no indication that they will reduce the end price to the consumer.

Will Hutton in his new book “The Writing on the Wall” argues it is not globalisation that is the problem but the attitude of Western nations and western company management, with the need to satisfy shareholders and the pay directors higher pay which has trebled in the UK in the last 10 years are causes the problems.

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8 *The Writing on the Wall*, Will Hutton, Little Brown 2007
Off-shoring of goods and services to low wage economies

This happens both with multinational and UK companies in the service sector who look to lower wage costs or to reduce trade union bargaining power. This includes the transfer of IT services and call centres to countries such as India.

Britain is second only to the US in value of off-shoring.

<table>
<thead>
<tr>
<th>Offshoring 2004</th>
<th>Country</th>
<th>Percentage</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Australia</td>
<td>3.0%</td>
<td>€1.23bn</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>42.3%</td>
<td>€24bn</td>
</tr>
<tr>
<td></td>
<td>Europe</td>
<td>49%</td>
<td>€28bn</td>
</tr>
<tr>
<td></td>
<td>UK</td>
<td>19.5%</td>
<td>€10.34bn</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>12.5%</td>
<td>€6.63bn</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>3.2%</td>
<td>€1.69bn</td>
</tr>
</tbody>
</table>

Source: Guardian/TPI 15 January 2005 : www.guardian.co.uk/

What can Governments do in the face of Globalisation?

Most governments, including the UK government, have taken the view that globalisation is inevitable in today’s technological world. The best way forward is to try and negotiate trade agreements through the World Trade Organisation (WTO) that opens markets to free competition and introduces penalties on those nations that do not comply with WTO directives and decision. The UK government following this line often portrays globalisation as an opportunity for UK manufactures to widen their markets.

Unfortunately these WTO directives frequently unfairly penalise developing countries and the poorest nations, examples of this are the US complaint to the WTO over EU quotas for the smaller Caribbean banana producers who find it hard to compete with the US owned multinational banana producers.

Other countries rely on forms of protectionism. Even the USA which is the biggest proponent of the free market and world trade resorts to this, as it did when US steel manufactures were being undercut by South American steel makers. It imposed restriction on all steel imports including those from the EU. Although it relaxed the ban after the EU took them to the WTO and won, the ban was in place long enough to cause problems to both EU and South American steel makers and offer protection to US steel makers.

The French Government has taken a different approach it has decided that a number of industries are of strategic importance to the French nation and will be protected this has been named “Economic Patriotism”. The British Government took a similar decision in the early 1970 when they nationalised Rolls Royce.

Economic patriotism was first used in 2006 when the French company Suez was under threat of a foreign takeover. The French Government decided to prevent this by merging the company with the state owned Gaz de France and reform it into a French owned European company.

The French Government surprisingly took the same view when Danone the Yoghurt producer was subject to a takeover bid by PepsiCo. The French again threatened to nationalise the company surprising the financial world that yoghurt was deemed strategic. However, this was sufficient to deter PepsiCo from the takeover.

In South America President Hugo Chavez has already successfully re-nationalised the Venezuelan oil firm PDVSA in 2003 and threatening to do more and spread this philosophy to the rest of South America.

While in Russia President Putin has already reduced foreign company ownership in the energy sector by forcing Shell and 2 Japanese companies to transfer their assets to Gazprom in December 2006 through political pressure.

RISING ECONOMIES OF CHINA AND INDIA

The rise in these two economies are fueling world growth in manufacturing and services. China’s share of the global economy is forecast to reach 20% by 2020.

They both have large populations and huge workforces able to work at low costs: frequently this can be a low as 5 pence per hour. Often workers have to work for 80hrs per week to make a living wage. Contrary to ILO standards child labour is common place.

War on Want expressed concern in December 2006 that some of Britain’s largest retail companies such as Asda, Primark and Tesco were purchasing textile products from Bangladesh from companies that paid less than 5 pence per hour, that refused to allow trade union recognition and did not comply with basic ILO standards.

9 Daily Telegraph 12.12.06 : www.daily.telegraph.co.uk
10 www.waronwant.org/Fashion + Victims + 13593.rwl
Health and safety standards are far below British Standards and European standards. There are too many examples of workers dying locked in factories with no means of escape in the case of fires.

In February 2006 the *China People’s Daily*\(^{11}\) stated “At least 65 people were killed and more than 100 hurt when a fire swept through a locked textile factory crowded with night-shift workers in southern city of Chittagong Bangladesh”. The average death rate in Chinese coal mining sector is 6 people per week.

China is different to India in that nearly all Chinese production from the west is subcontract. It has no leading companies in the top 100 international companies. This was similar to the position of Japan in the 1960s. They now have many world leading companies such as Honda, Toyota, Panasonic and Sharp.

However, China it is now moving up market by purchasing companies such as Rover, and its intellectual property. It is also now making components for Airbus enabling it to move up the technology chain. China is also now producing 80% of all photocopiers and 60% of all cameras.

India is different in that it has a number of global companies and these are best illustrated by the recent takeover of Corus by Tata Steel Corporation and the takeover of Arselor by Mittal Steel Corporation in 2006. It also has a large well educated workforce that speaks English and as a result it has become an attractive location for IT work and call centres.

*16 February 2007*

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**Supplementary memorandum submitted by GMB**

**GMB in Europe**

— GMB is currently the only British trade union with an office in Brussels (since 1993). The office has a multilingual staff, and facilities for meetings.

— The office is located at the heart of the major decision making centre in Brussels, and regularly hosts meetings of trade unionists from GMB and unions across Europe, with government officials and politicians, and with NGO organisations.

— GMB also has a well established branch in Brussels, representing members who work for EU institutions, local government, representative offices and NGO organisations. It is tied to GMB Southern Region.

**Why Are We Active in Europe?**

— GMB is a campaigning organisation. Our members are increasingly affected by globalisation, and European and International level decision-making. To fully promote and protect the rights and opportunities of our members, we need to actively represent them at national, European and International level.

— Over the years, workers in Britain and across Europe have benefited from a raft of social and employment rights from Europe on Health and Safety, Equal Pay and Equal Treatment, Part-Time and Fixed-Term Workers rights, TUPE (transfer of undertakings protection of employees), protection in Collective redundancies, and Information and consultation rights at European and national level.

— GMB has worked to shape these laws and policies, to provide the maximum benefits and protection possible for our members and their families.

— Currently the European Social Model is under threat, as governments see labour market flexibility as the only way for Europe to be competitive.

— As a result, the flow of social and employment rights and protections appears to be drying up, with positive proposals such as Temporary agency work under risk of being withdrawn, and some member states (including Britain) attempting to water down vital protections under Working time rules.

— At the same time, a wave of liberalising, deregulatory proposals such as the Services Directive, and the Port Services Directive appear to be the flavour of the month for many governments and elements of the Commission.

— Our role as trade unionists in Europe is equally as important in defending our members against liberalisation and deregulation policies, as it is in securing positive workplace rights and priorities.

GMB is at the forefront of the European trade union campaign to balance the social and economic dimensions of Europe, and ensure a future for our European Social Model, which remains Europe’s proudest and most popular achievement.

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11 *China People’s Daily* 25.02.06, english.peopledaily.com
UsIng our Influence in Europe

— GMB has an active European Parliamentary group (currently Stephen Hughes (Convenor), Richard Corbett (Chair), Glensy Kinnock, Robert Evans, David Martin, Gary Tilty and Glenis Willmott). The group meets on average bi-monthly.

— Our GMB MEP group holds Convenor and Chair link meetings with their GMB Westminster group counterparts to strengthen our ability to influence European legislation at both EU and national level.

— As a general trade union, GMB is affiliated to 8 European/ International industry federations, through which we work together with EU and global unions to protect our members across all of our sectors and join in solidarity to respond to increasingly ruthless globalisation. These federations are also affiliated to the European TUC.

— Through its affiliation to the TUC, GMB is also affiliated to the ETUC and has held a TUC seat on its’ Executive.

— GMB has approximately 165 members on the European Works Councils (EWC) of some 90 multinational companies.

Supporting GMB Members in Europe

— Using all of the above channels, GMB has been very successful in influencing European legislation and campaigning for better rights and protection for our members.

— GMB has been successful in gaining European funding for several transnational projects involving unions in Denmark, Finland, Germany, Spain and Sweden, and Poland covering issues such as skills development, flexible work organisation, systems of quality management in the workplace, and combating domestic violence.

— The European office researches and influences European laws and initiatives to protect and benefit our members and their families, providing them with greater rights protections and opportunities in their work and lives.

— The office provides support and assistance to our members and officers across all regions and sectors. We also help support an increasing number of EWC representatives in their important work.

— Increasingly, the European office supports comparative work with our trade union brothers and sisters across Europe in key companies we are targeting for recognition, or where we are seeking to improve collective agreements and conditions. Often we will find that a company that is resisting recognition in Britain has strong trade union structures in Germany or elsewhere in Europe. We use this as a lever to support our claim for recognition, and often receive solidarity action from our trade union comrades in this process by raising the issue on their national works councils.

March 2007

Memorandum submitted by Andrew Davies, AM, Minister for Enterprise, Innovation and Networks, Welsh Assembly Government (GLOB 23)

1. Introduction

1.1 While the world has seen various cycles of globalisation, the 21st Century sees Wales and the UK experiencing a shift in the world economy on a scale not previously experienced and one which is likely to continue to develop. The challenge for the Welsh economy is to respond to these challenges and to maximise the opportunities that arise.

1.2 The most significant new element of the current cycle of globalisation is the rapid development of the economies of India and China and of other Asian countries. It is estimated that over the next 20 years, India and China will deliver 30% of manufactured goods and Asia, as a whole, some 50%.

1.3 Against this background, Wales must take every advantage of new and developing markets, which provide opportunities for exports. At the same time, Wales must maintain and enhance its value added activities and its ability to compete.

1.4 This memorandum sets out recent employment patterns, trends in inward investment and trade and outlines the approach taken by the Welsh Assembly Government to maintain and develop Wales’ competitive position.
2. **Employment Trends in Wales**

2.1 Wales has seen remarkable growth in employment and Gross Value Added (GVA) over the last several decades, despite a significant restructuring in the economy away from manufacturing and mining to service sector employment. Employment trends are shown in Figure 1 below, which tracks the share of employment by sector for the period from 1948 to 2005.

![Figure 1: Employee jobs in Wales, industry shares](image)

**Note:** Owing to several definitional changes over this time frame, the Welsh Assembly Government’s Statistical Directorate has adjusted these data to show a continuous series.

2.2 Figure 1 shows that services, distribution, hotels and restaurants have increased significantly in importance since 1948. Combined, these sectors now account for approximately 75% of employment, compared with about 30% in 1950. This increase is equivalent to more than 500,000 jobs. In contrast, the share of manufacturing, mining, energy and water, agriculture and fishing, has declined from approximately 50% of total employment to less than 20%. Overall, employment has increased by 34% over this period.

2.3 Documentary evidence indicates that as an economy develops, employment shifts first from agriculture to manufacturing and then from manufacturing to services. The experience in Wales is following this pattern, whilst increasing net employment.

2.4 As discussed previously, improvements in value adding activities, underpinned by investment in human and physical capital, play a key role in this phenomenon. This is particularly evident in the manufacturing sector, where the share of gross value added (GVA) has declined by less than manufacturing’s employment share.
2.5 Illustrating this point, Figure 2 below shows that productivity growth in the production of iron and crude steel increased several fold between 1978 and 2003, which limited the decline in production to a much smaller proportion than the decline in employment.

Figure 2

Iron and crude steel production - Wales
(1978/1979=100)

53,000 people employed in 1978

8,100 people employed in 2003

2.6 Globalisation may reinforce the impact of technology and productivity on employment patterns, since the competitive pressures generated by globalisation encourage companies to move production of goods and tradable services to the most competitive locations quickly. For example, in 2003 China became the largest recipient of foreign direct investment, much of this manufacturing investment.

2.7 Even though the economy has undergone substantial restructuring, some of which is associated with globalisation, living standards in Wales have improved significantly as shown in Figure 3.

Figure 3

GVA per head, Wales & UK
2.8 Since 1999, the year of devolution, GVA per head in Wales has increased by 31%, virtually the same as UK growth of 32%. Moreover, over this time frame, Eurostat data show that GDP per head in the UK increased from 11% to 17% above the EU average, at purchasing power parities. Relative declines were reported in France, Germany, Italy, the USA, and Japan (see Table 1). So, growth in GDP per head in Wales has out-paced growth in some of the world’s major economies.

### Table 1

GDP PER HEAD RELATIVE TO EU 25 AVERAGE (AT PURCHASING POWER PARITIES)

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2005</th>
<th>Change 1999 to 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>113.4</td>
<td>110.0</td>
<td>-3.4</td>
</tr>
<tr>
<td>France</td>
<td>113.4</td>
<td>110.2</td>
<td>-5.2</td>
</tr>
<tr>
<td>Italy</td>
<td>113.7</td>
<td>100.4</td>
<td>-13.3</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td><strong>111.4</strong></td>
<td><strong>117.5</strong></td>
<td><strong>6.1</strong></td>
</tr>
<tr>
<td>United States</td>
<td>154.1</td>
<td>150.1</td>
<td>-4.0</td>
</tr>
<tr>
<td>Japan</td>
<td>112.6</td>
<td>110.0</td>
<td>-2.6</td>
</tr>
<tr>
<td>EU (25 countries)</td>
<td>100.0</td>
<td>100.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

2.9 Historically, services have been less tradable than manufactured goods and typically faced less competition. Increasingly though, technology is facilitating greater competition in services, allowing companies to source service activities globally. Also, emerging economies are competing for higher value added service sector activities, such as software engineering.

2.10 High levels of education and competitive skills are pre-requisites if Wales is to compete effectively for high value-add service sector and manufacturing sector jobs. The Assembly Government’s policies are aimed not just at creating more jobs, where there has been considerable success with the creation of 130,000 jobs since devolution, but also delivering better, higher paid jobs. It is encouraging that the proportion of the workforce in professional, technical, managerial and scientific occupations has remained stable since 2001, broadly following the UK trend, despite significant restructuring in the economy. It is notable that Wales has been the only part of the UK where the increase in private sector jobs has exceed growth in public sector employment since 1999.

3. **Inward Investment Trends**

3.1 Wales has achieved considerable success in the attraction of inward investment. This success, which has been achieved in key overseas markets and elsewhere in the United Kingdom, has seen Wales secure investments by Sony Corporation, Sharp, the Ford Motor Company, Toyota Motor Corporation, Airbus UK, General Electric, British Airways, Legal and General, ING Direct and many others. It has been success earned in both the manufacturing and service sectors. Since 1983, almost 2,700 inward investment projects have been recorded with associated investment of over £16 billion and the creation of over 172,000 new jobs.12

3.2 Almost 30% of the projects (770), over 22% of the investment (£3.6 billion) and almost 30% of the new jobs (49,365) have been recorded since April 1999. The position is illustrated in Table 2, below:

### Table 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Division</th>
<th>Project Type</th>
<th>Number of Projects</th>
<th>Capex (£m)</th>
<th>New Jobs</th>
<th>Safe-guarded Jobs</th>
<th>Total Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/04/1983 to 31/01/2007</td>
<td><strong>Overseas</strong> Total</td>
<td>New</td>
<td>450</td>
<td>5,163.314</td>
<td>46,571</td>
<td>2,250</td>
<td>48,821</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Joint Venture</td>
<td>31</td>
<td>379.558</td>
<td>2,582</td>
<td>829</td>
<td>3,411</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expansion</td>
<td>749</td>
<td>5,466.798</td>
<td>46,561</td>
<td>50,561</td>
<td>97,122</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Acquisition</td>
<td>183</td>
<td>2,383.264</td>
<td>2,742</td>
<td>16,415</td>
<td>19,157</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>1,413</td>
<td>13,392.934</td>
<td>98,456</td>
<td>70,055</td>
<td>168,511</td>
</tr>
<tr>
<td></td>
<td><strong>United Kingdom</strong> Total</td>
<td>New</td>
<td>719</td>
<td>1,148.594</td>
<td>41,884</td>
<td>1,975</td>
<td>43,859</td>
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<tr>
<td></td>
<td></td>
<td>Joint Venture</td>
<td>7</td>
<td>8.073</td>
<td>588</td>
<td>10</td>
<td>598</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expansion</td>
<td>455</td>
<td>1,334.543</td>
<td>28,597</td>
<td>20,725</td>
<td>49,322</td>
</tr>
</tbody>
</table>

It is important to note that these statistics represent companies’ intentions at the time of the decision to invest and that they do not take account of subsequent developments.
### Welsh Affairs Committee: Evidence

<table>
<thead>
<tr>
<th>Year Division</th>
<th>Project Type</th>
<th>Number of Projects</th>
<th>Capex (£m)</th>
<th>New Jobs</th>
<th>Safe-guarded Jobs</th>
<th>Total Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>01/04/1999 to 31/01/2007</strong></td>
<td>Acquisition</td>
<td>7</td>
<td>44.054</td>
<td>515</td>
<td>113</td>
<td>628</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Joint Venture</td>
<td>230</td>
<td>1,486.476</td>
<td>10,040</td>
<td>15,000</td>
<td>25,040</td>
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<tr>
<td><strong>Overseas Total</strong></td>
<td>Expansion</td>
<td>56</td>
<td>425.060</td>
<td>1,620</td>
<td>2,419</td>
<td>4,039</td>
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<tr>
<td><strong>Total</strong></td>
<td>Acquisition</td>
<td>431</td>
<td>2,794.834</td>
<td>27,725</td>
<td>22,313</td>
<td>50,038</td>
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<tr>
<td><strong>United Kingdom</strong></td>
<td>Joint Venture</td>
<td>179</td>
<td>337.693</td>
<td>9,537</td>
<td>13</td>
<td>9,550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Expansion</td>
<td>139</td>
<td>409.148</td>
<td>11,700</td>
<td>9,981</td>
<td>21,681</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Acquisition</td>
<td>339</td>
<td>815.599</td>
<td>21,640</td>
<td>11,425</td>
<td>33,065</td>
</tr>
</tbody>
</table>

3.3 This track record of success, which has helped Wales become a more diverse economy with a broad range of industrial sectors rather than one focused on heavy industries, has encouraged companies in Wales to prepare for global markets. Inward investors have brought to Wales new products, new technologies and complementary management practices and they have sought to source components and services locally. They have consistently chosen Wales as a platform from which to serve the European market. This process has "raised the bar" and helped companies in Wales become more familiar with the way in which overseas companies operate and prepare them for trading in global markets.

3.4 This success has been achieved against the background of a changing inward investment environment. The 1970s, 1980s and, to a degree, the early 1990s saw many mobile green-field inward investment projects, mainly in the manufacturing sector, as companies from North America, the Far East and Western Europe sought additional locations from which to serve the European market. There are now fewer green-field mobile inward investments to pursue, although Wales continues to achieve success in this arena, and a number of those that are on offer, high volume low value manufacturing operations, have options in Eastern Europe and Asia, where the cost of manufacture is lower than in Western Europe.

3.5 While inward investment is more competitive, Wales continues to succeed. This success is demonstrated in the continued attraction of new inward investment and through reinvestments by international companies, for which Wales has clearly delivered. Of the foreign direct investment results in Wales since 1983, 53% of the projects recorded, 47% of the new jobs and 41% of the capital investment have been delivered through expansions and reinvestments of companies based in Wales, a testament to the fact that Wales has the commercial environment to sustain and develop enterprise.

3.6 Wales has proven itself to be a solid platform into the European market, with significant investment in the infrastructure, increasingly close links with academia, a workforce that is skilled, adaptable and loyal, with low attrition rates. It also has significant strengths in key sectors such as aerospace, automotive, electronics, photonics, biotechnology and financial and business services. Perhaps as important has been the active and coordinated approach by those involved in economic development, an approach that is customer-focused and solution orientated.

### Trade Trends

4.1 Companies in Wales have, increasingly, shown themselves capable of operating in global markets. Some of these are inward investors that have located and embedded themselves in Wales, with strong links to universities and well developed local supply chains. Many are small to medium sized enterprises which, through the comprehensive suite of support measures provided by the Assembly Government's new International Business Wales department, have made inroads into new and sometimes complex markets, China and India being good examples. These measures include:

- **International Development Programme**: in-depth specialist support to help companies trade internationally comprising three complementary strands (New Exporters, Strategic Cluster, Global Enterprises).

- **International Business Opportunities**: offering in-market support and expertise in key locations worldwide.

- **Overseas Events**: supporting companies to explore international markets either as part of trade delegation or by participating at key international trade fairs.

- **International Trade Fund**: providing support and financial advice to carry out international trade development activities and projects.
— **In-Wales events**: a series of seminars and clinics offering Welsh companies the opportunity to meet with experts on various aspects of international trade.

— **ExportAssist**: a European funded initiative that has enabled us to introduce additional support to small to medium sized enterprises in qualifying areas under our ExportAssist programme. The programme provides for consultancy support and an expanded overseas events programme.

4.2 Growth in Welsh exports between 1999 and the latest four quarters was 44.1% compared to 41% for the United Kingdom as a whole. There has been steady growth in 2006 which is likely to exceed the £9 billion figure, following in excess of £8 billion in 2004 and 2005. This is illustrated in Table 3 below, which records manufacturing exports only:

<table>
<thead>
<tr>
<th>Year</th>
<th>EU (£ million)</th>
<th>Non-EU (£ million)</th>
<th>Total (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>4,690</td>
<td>1,704</td>
<td>6,394</td>
</tr>
<tr>
<td>2000</td>
<td>5,007</td>
<td>2,165</td>
<td>7,172</td>
</tr>
<tr>
<td>2001</td>
<td>4,944</td>
<td>2,155</td>
<td>7,099</td>
</tr>
<tr>
<td>2002</td>
<td>4,870</td>
<td>1,749</td>
<td>6,619</td>
</tr>
<tr>
<td>2003</td>
<td>4,890</td>
<td>2,307</td>
<td>7,197</td>
</tr>
<tr>
<td>2004</td>
<td>5,492</td>
<td>2,824</td>
<td>8,316</td>
</tr>
<tr>
<td>2005</td>
<td>5,385</td>
<td>3,260</td>
<td>8,645</td>
</tr>
<tr>
<td>2006 (up to qtr 3)</td>
<td>4,251</td>
<td>2,798</td>
<td>7,049</td>
</tr>
</tbody>
</table>

4.3 Key markets for Wales are the United States of America, Germany, the Republic of Ireland, Belgium and France with metals, energy, engineering, chemicals and automotive components being significant sectors.

4.4 The efforts of the Welsh Assembly Government to attract inward investment and to encourage exports have done much to enable enterprise in Wales to compete and reap the benefits that globalisation can offer. Globalisation does, though, present challenges, demonstrated by the transfer of some high volume, low value activity to countries where the cost of labour is more competitive. This is not peculiar to Wales. While some activity has relocated out of Wales, and in some cases companies have moved with that activity, we have also seen companies in Wales replace lost activity with lower volume, higher value products. Examples are Sony’s move to the manufacture of high definition professional broadcast cameras and Sharp’s move to the production of photovoltaic panels. This has been alongside the internationalisation of many indigenous companies, with excellent examples being Graig Shipping, a Welsh company doing significant business with a considerable presence in Asia and the establishment by Admiral Insurance of an operation in Spain to exploit that market.

4.5 In both inward investment and trade development activities, the Assembly Government enjoys a close working relationship with UK Trade and Investment (UKTI). The level of genuine team work has, and continues to be, a critical factor in achieving success for Wales and for the UK as a whole.

5. SUSTAINING AND BUILDING WALES’ COMPETITIVE POSITION

5.1 The Welsh economy has shown significant improvement in several respects in recent years, as outline throughout this memorandum. These achievements have provided a strong foundation to move on to a new phase, continuing to help ever more people into work, but also focusing increasingly on helping employers to improve the quality of new and existing jobs, so that earnings can rise further.

5.2 To accomplish this, the Assembly Government has taken some innovative and bold steps. It has launched a new economic framework Wales: A Vibrant Economy, developed a spatial planning approach for its actions, created a new Department bringing together the policy and delivery levers and is now introducing sweeping changes in its approach to business support. These developments are expanded upon below.

**Steered by a new economic framework**

5.3 In November 2005, a new economic framework, Wales: A Vibrant Economy (WAVE), was launched. The vision set out in WAVE is of “a vibrant Welsh economy delivering strong and sustainable economic growth, by providing opportunities for all”.

5.4 The approach to realising this vision is built around Wales’ core strengths: an increasingly skilled, innovative and entrepreneurial workforce; an advanced technology and knowledge base; strong communities; a stunning natural environment and an exceptional quality of life.
5.5 The priorities in W:AVE are to:
— increase employment still further, so that over time the Welsh employment rate matches the UK average, even as the UK employment rate itself rises; and
— raise the quality of jobs, so that average earnings increase and close the gap with the UK average.

5.6 The emphasis on employment and earnings, places the focus of the framework on the economic issues that matter most to people of Wales.

Supported by a new Department

5.7 The creation of the new Department for Enterprise, Innovation and Networks, on 1st April 2006 was not just a re-organisation, but a change in the way the Assembly Government is taking forward the economic agenda and delivering services to its citizens and businesses.

5.8 It reflects a fresh approach to enterprise and innovation, creating more and better jobs and investing through strong networks in communities, transport, energy, infrastructure and other drivers to stimulate strong and sustainable economic growth.

5.9 It is not just what the Department is doing but is also about how its operates—enterprising in its actions, innovative in approach and with effective networks, within the Department, with other Departments, partners and most of all, the citizens and businesses of Wales.

5.10 The new Department has brought together the best of the merging bodies: practices, standards, customer service and most importantly, the people, to form a single new organisation, with a clear vision. In doing so, it has brought together the range of policy levers and drivers of competitiveness, with a comprehensive range of actions. Benefits have been:
— improved strategic alignment and external advice through the establishment of a new Ministerial Advisory Group, a Tourism Advisory Panel and a Joint Advisory Group on skills, to underpin the integrated approach to skills development;
— better customer service by taking delivery close to customers through regional offices across Wales; and
— more streamlined delivery through further rationalisation of specialist business support programmes and unifying trade and investment activity within International Business Wales.

Enabled by a new operating model

5.11 The mergers are just one milestone in a process of major change, driven by the call from business customers for interventions to be tailored and flexible, with simple decision making and via a single, credible point of contact.

5.12 Two areas of further change are now being taken forward to help create more and better jobs:
— to plan better and deliver major investments in infrastructure and the environment and so improve the future competitiveness and well being of Wales and its people;
— to target customers who will benefit from support and derive value for Wales, through a new operating model.

5.13 This new operating model will comprise a strong relationship management function, a segmentation approach to targeting customers, a flexible resource of investment funding, a clear Return on Investment gateway, an Approved Scheme gateway and a capability to test effectively, develop and deliver complex solutions to meet the economic development needs to Wales.

5.14 The change means smarter ways of planning, working and delivering, requires new skills, team work and effective performance management. It is a large undertaking but will achieve the ambition for EIN to become an exemplar of public service delivery.

Assisted by new EU Funds

5.15 For the period 2007–13, Wales will benefit from a new round of European Structural Funds Programmes. The programmes will focus on interventions which support sustainable growth and jobs, in line with the Lisbon and Gothenburg strategies.

5.16 A new convergence programme will operate in West Wales and the Valleys which covers the same area as the previous Objective 1 programme. The overall value of the programme (subject to exchange rate fluctuations against the Euro), is broadly similar to the Objective 1 2000–06 programme. East Wales also qualifies for a new Regional Competitiveness and Employment Programme, which is smaller in terms of grant allocation.
5.17 The new Convergence Programmes, which have been influenced by the economic framework W:AVE, have been submitted to the European Commission. They build on the successful platform laid down by the previous EU programmes with a clear focus on skills and reducing economic inactivity and investment in strategic infrastructure, regeneration of communities, improving the environment and helping to combat climate change.

Guided by a Spatial Plan

5.18 The Assembly Government has produced the Wales Spatial Plan. The purpose of this is:

— to ensure the Assembly Government and its partners and agents develop and deliver policy in ways which take account of the diverse challenges and opportunities in the different parts of Wales; and
— to provide a basis and momentum for working together on a shared agenda locally, so that the different parts of Wales can establish their own distinctive approaches to meet the objectives set in the strategic plan Wales: A Better Country and the Assembly’s Sustainable Development Scheme.

5.19 The case for investment applies to both areas of deprivation and to areas which demonstrate the potential to attract and retain economic development. The type and scale of action depends on both the need and opportunity.

5.20 The approach to regeneration is founded on the principles of sustainable development, from small scale physical enhancement projects to large scale urban renewal programmes.

5.21 Regeneration is seen as an enabler for economic development in that it can aid the development of indigenous business, help to improve the motivation and skills of the local population and act to attract mobile investment, by encouraging companies to locate in Wales that would otherwise establish themselves elsewhere in the UK, Europe or beyond.

5.22 Two significant examples are the comprehensive approach to regenerating the Heads of the Valleys and also the Menai Programme which is responding to the challenges posed by the closure of the Wylfa power station and providing a blueprint for the future prosperity of Anglesey and Gwynedd.

Underpinned by a growing skills base

5.23 Skills availability and the support of the education and training system are critical to global competitiveness. The Assembly Government’s response, captured in the key policy document “Wales, The Learning Country: Vision to Plan” is for systemic improvements across all age levels from foundation years to older workers. The clear ambitions for education and skills improvements in Wales, contribute to international investors feeling that Wales is a good place to do business.

5.24 Wales can point to its progressive approach to the schooling of young people, the successful introduction of the Welsh Baccalaureate with its mix of academic and wider learning, new Work Focused Learning Pathways for 14-19 year olds which have gained rapid support from major international investors in Wales, and successful results in Key Skills which outstrip the rest of the UK, as well as high rates of apprenticeship training.

5.25 Investment in Further and Higher Education is also critical to Wales’ ability to deal effectively with the effects of globalisation. Examples of recent investment include centres of vocational excellence in further education, such as aerospace, and in higher education in advance technologies such as the Institute of Life Science at Swansea University.

5.26 Business development and skills support provided by the Assembly Government is unified and means that integrated solutions can be offered to complex projects.

5.27 Qualification levels in Wales have increased overall since 2001. The additional impact of spending on Higher Education has increased the number of people with NVQ Level 4 or above, increasing from 22% to 26% between 2001 and 2005, compared with a UK average of 28% in 2005. The percentage of adults with no qualifications has fallen from 21% to 16% in 2005, narrowing the gap considerably with the UK, which had a rate of 14% in 2005. Qualification levels for 16-21 year olds are the same overall rate as the UK.

Promoted by a strong international identity

5.28 Wales has been developing its international identity to provide a firm platform from which to pursue the economic objectives of increased trade, investment and tourism.

5.29 Globalisation presents both challenges and opportunities for the tourism sector in Wales. New and emerging destinations often use tourism as a first step to attracting inward investment and thus there is an increased level of competition. However, globalisation can also lead to an over standardisation of the tourism product, which provides Wales with an opportunity to develop and market its uniqueness.

5.30 Wales also aims to maximise the potential from major events such as the Ryder Cup 2010 and Wales Rally GB, as well as utilising fully its world class venues, such as the Wales Millennium Centre and Stadium.
Shaped by a sectoral perspective

5.31 Sector fora exist for a number of sectors in Wales and all are now covered by a Sector Skills Council. There has been close co-operation with some of these bodies and businesses themselves to prepare sector strategies (high technology and creative industries strategies as examples). Working with businesses in this way ensures that the sectoral needs are understood and reflected in public support.

5.32 The nature of the challenges that confront many manufacturing organisations have been such that a Manufacturing Task and Finish Group, comprising both industrialists and trade union representatives, was established in January 2004. It was charged with identifying the key issues for manufacturing businesses in Wales, such as infrastructure and work-based training, and making recommendations upon how public sector support for the sector could best be fine-tuned. The Group reported in May 2004 and its recommendations have already influenced a range of policies being developed. A Manufacturing Forum has now been formed in Wales to take forward the recommendations and to ensure that the public sector support remains both relevant and effective.

5.33 The Assembly Government provides an extensive range of support to assist Welsh manufacturers facing global pressures. Public sector support is provided in the areas of investment, skills, productivity, export assistance, research and development, innovation, sector development, as well as a range of general business support information.

6. Conclusion

6.1 To conclude, as a small country Wales has competed well in a global context. However, there are considerable challenges ahead if Wales is to maintain and develop its competitive position.

6.2 The Assembly Government is determined to push forward its agenda to match the opportunities and demands of the 21st Century. In partnership with business, the trade unions, local authorities, higher education establishments and others, Wales can be a significant beneficiary of globalisation and provide the right economic base for innovative companies, overseas investors and exporters.

6.3 Key to this endeavour is the right environment for innovation and growth and, fundamentally, the skills and ambition of the people of Wales.

February 2007

Supplementary memorandum submitted by Andrew Davies, AM, Minister for Enterprise, Innovation and Networks, Welsh Assembly Government

When I met your Committee on 13 March 2007, you asked for further information on a number of issues:

1. In respect of the new Cardiff-Valley air link, I was asked for details on the level of subsidy we would be making; what the subsidy would represent with a fully occupied service; and how many passengers the service can accommodate.

Highland Airways will operate a Jetstream 31 for the service which can accommodate 18 passengers. Based on the company’s forecast, the subsidy for each passenger would be:

   Year 1 £161.71.
   Year 2 £140.78.
   Year 3 £125.51.

However, as I said when I met the Committee, we want to see the service well used. Based on full usage, the subsidy would be:

   Year 1 £70.48.
   Year 2 £69.54.
   Year 3 £69.29.

2. You asked about our continued experience with creative industries in Wales. By way of background, the Committee will be interested to know that following the launch of the Assembly Government’s Creative Industries Strategy in 2004, support for the creative industries has been restructured and unified to form “Creative Business Wales” (CBW), a new department within International Business Wales. CBW provides focused, dedicated support to the film, television, new media and music industries in Wales. It facilitates the creation, retention and exploitation of intellectual property, encourages new investment into Wales and helps Welsh businesses to grow domestically and internationally.
We believe that support and encouragement to those Wales-based creative businesses can make a significant contribution to the economy in Wales, particularly through the retention and exploitation of intellectual property.

Furthermore the Creative IP Fund has invested close to £2.5m in seven projects, as a result of which approximately £6.5m is projected to be spent within the creative industries in Wales. Three new investments have also been sanctioned and are in the process of being legally contracted. The Fund continues to generate interest within Wales and to attract many new applicants, both within the UK and beyond, who are interested in bringing their projects to Wales.

The initial focus is on film, television, music and new media. This is a vibrant pool for us to tap. Achievements to date include: Business Support provided to twelve significant companies in film and television production in Wales, resulting in private sector investment and jobs created/safeguarded. Business value generated in 2006/7 currently stands at about £10 million. Moreover, the Wales Screen Commission has recorded over £21 million into the economy through the medium of film and television. And, as the Committee will know, the success of “Doctor Who” and “Torchwood” and the commitment of BBC Wales to create a centre of excellence for drama, are flagship developments for Wales.

3. You asked about companies and what we have won and lost in Wales. During the period 1 April 1999 to the end of February 2007, we have recorded 323 new inward investment projects, 141 from overseas, for Wales and a total of 88 acquisitions and joint ventures, 67 from overseas. Our conclusion, based on company feedback, is that new inward investment projects represent companies that have chosen to base themselves in Wales because of the vibrant commercial environment that Wales offers. Acquisitions and joint ventures, many of which have involved companies new to Wales, have taken place by virtue of opportunity allied with a vibrant and robust commercial environment.

There are significant highlights such as Britax Rumbold, Delicarta, Wockhardt, G24 Innovations, General Dynamics, Handelsbanken, ING Direct, the Quinn Group and Yell.com. They and many others, including the reinvestments that we have secured, provide very clear evidence that Wales offers a climate that can attract and sustain companies from a range of sectors including aerospace, pharmaceuticals, financial services, general manufacturing, defence, telecommunications and business services.

As to those we have lost, while we regret any job losses in Wales, these companies in the main tell us that they leave to lower their cost base, primarily by paying lower wages. The Assembly Government’s strategy is to increase the number of jobs and the quality of jobs in Wales and we have had considerable success. The number of jobs created in Wales is up 140,000—an 11.5% rise since 1999, compared to 7.1% increase for the UK. Also the quality of jobs is increasing, with an increase in the top three occupational groups of 15% in Wales compared to 11% across the UK.

4. You asked about enterprise, innovation and exports in the Welsh food industry. As I said, my colleague, the Minister for Environment, Planning and Countryside (EPC), is responsible for supporting the growth and development of the food and drink production and processing sectors within Wales. However, his officials work closely with mine in order to ensure that companies are provided with the full range of support available from the Assembly Government on enterprise, innovation and export activity.

In respect of enterprise, Farming Connect complements the services of my Department by providing primary agricultural producers with advice and guidance on farm diversification and business start ups. To encourage further enterprise, financial support is currently given to a wide range of food and drink companies through the Processing and Marketing grant scheme and the Agriculture Development Fund. On innovation, the EPC Minister funds Food Network Wales, which supports food and drink companies on the development of new products, processing techniques and, innovative packaging and branding. As regards, exports, through a Service Level Agreement, my Department delivers a fully integrated support service for the food and drink sector and works closely with officials from the EPC Department’s Food and Market Development Division to ensure that companies are effectively targeted and receive a service which meets their individual needs.

5. You asked for more information on our relationships with the Czech Republic and Poland. In this respect, we think the opening of the Czech Honorary Consulate in Cardiff in October 2006 indicates the growing co-operation between Wales and the Czech Republic. It builds on the Memorandum of Understanding that I had pleasure in signing in December 2002 when I led a trade mission to the Czech Republic; the MoU between the former WalesTrade International and CzechTrade was focused on cooperation between the two organisations in terms of economic issues relating to trade. The Welsh European Funding Office has worked closely with their counterparts in the Republic to help them make the most of European funding particularly in respect of the development of SMEs. We have also cooperated on numerous initiatives including visual arts, education and student exchange, health and brownfield regeneration. Welsh Local Authorities are also involved in a number of twinning agreements.
Wales and Poland are involved in various joint co-operation initiatives such as economic development and reform, transport, the use of European funding, education, arts and culture, technology, local government and health. In October 2002, the First Minister signed a Memorandum of Understanding with the Marshal of Silesia covering a wide range of issues including land reclamation and regeneration, social inclusion, sustainable development, tourism, trade, education, rural development, European structural funds and SME development. Recent co-operation initiatives have focused on the labour market and the economy.

I hope this additional background is helpful.

March 2007

Memorandum submitted by FSB Wales

INTRODUCTION

1. The Federation of Small Businesses (FSB) is the UK’s largest businesses organisation and exists to represent and protect the interests of all who own and/or operate their own business. The FSB has more than 200,000 members across the UK with well over 9,500 in Wales. Membership of the FSB is drawn from all sectors of the economy.

2. Small and Medium-sized Enterprises (SMEs) make up 99% of the business stock of Wales employing well over half the private sector workforce. These businesses are therefore the mainstay of the Welsh economy and given the increasingly mobile nature of larger businesses and the global economic shift, these businesses are undoubtedly the future of the Welsh economy.

3. Although the issue of globalisation may not be an issue which features on the operational agenda of most SMEs in Wales and invariably the issues surrounding globalisation are different for smaller businesses than they are for larger businesses, it is clear that the issues involved have a secondary, if not primary impact on all businesses in Wales.

4. Welsh Gross Value Added (GVA) invariably gives cause for concern. Wales has the lowest GVA of any region in the UK. While the problems posed by this underperformance are far from insurmountable, they invariably impact on the ability of Wales to punch its weight in an increasingly competitive global environment.

5. Any action undertaken in going forward must seek to address the need to assist Welsh businesses to capitalise on the opportunities of globalisation whilst encouraging them to be robust enough to ward off some of the threats or adapt to change. However, in each case, this requires a dynamic relationship between decision makers and businesses.

GLOBALISATION—CHALLENGES AND OPPORTUNITIES

6. One of the key issues for many businesses within Wales is ensuring the availability and appropriateness of the skills needed to serve the requirements of the business.

7. If Wales is to better compete within a global economy then it is imperative that where skills deficiencies are identified by employers, these are addressed as a matter of importance.

8. The FSB’s 2006 UK survey of membership Lifting the Barriers to Growth in Small Businesses paints a picture which should be of concern. One quarter of businesses reported skills shortages when trying to recruit new staff and just under one third (31.8%) reported shortages among existing staff.14

9. Key concerns in the first instance are basic skills such as literacy and numeracy and in both cases one in ten employers report skills deficiencies in these important areas. However, it should be noted that employers in Wales report a more favourable situation in Wales than in England although this difference is marginal.15

10. A higher proportion of employers in Wales report a shortage of technical skills which will invariably pose a problem as Wales seeks to increase its game in competition with emerging markets in Eastern Europe and in Asia.

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13 Office for National Statistics 30/9/2004
14 FSB—Lifting the Barriers to Growth in Small Businesses 2006
15 ibid
11. In such a competitive environment, investment by a business in up-skilling its workforce will increasingly become the most crucial investment which can be made and so businesses need to see this as an opportunity to create competitive advantage.

12. Knowing where the skills gaps lie within Wales is one of the key challenges facing us if we are to better compete. Matching supply with demand is notoriously difficult. What is clear however is that education and training at all levels needs to be better organised to respond to the demands of employers. Too often, assumptions are made about the training required within the workforces of Welsh businesses.

13. The FSB feels strongly that a system needs to be adopted, which would see training providers having a major stake in the identification of skills gaps. Providers often provide a dynamic interface with businesses and know well the skills requirements of businesses in the areas in which they operate. Too often, assumptions are made and training is offered based on what can be delivered rather than what should be delivered. In short, skills training needs to adopt a demand-led approach. Investment by employers in skills and training is only likely to increase when such training begins to properly address demand.

14. As such, the FSB is very heartened by the recommendation of the Leitch review for a simplified, demand-led system with employers having a more significant say in the structure and delivery of skills regimes.

15. One of the problems facing us in Wales in meeting the global challenges will be growing our micro and small businesses into medium-sized businesses. A number of members have indicated that concerns about employing more staff and adapting to new employment structures keep the business artificially small when otherwise it could grow. Support must be tailored to assisting these businesses.

16. It is essential that decision makers recognise the manner of training that SMEs—and more especially micro businesses—can administer. There is a generic assumption that informal training is worse than no training at all. However, in many cases, such training is all that can be afforded by micro businesses, which often do not have the time, flexibility or resource to engage with more formal or established training structures. We feel therefore, that it is imperative to look at ways that more informal approaches to training can be accredited not only to allow for better value for the employee but to recognise the development opportunities afforded by the business.

17. The globalisation agenda, aligned with the expansion of the EU for instance, provides the ability to fill skills gaps with migrant labour. Although this is often regarded (largely within the media) as wholly negative the ability to employ migrant labour allows for business growth in the first instance where without that ability, a business might be less able to develop. Employing migrant labour therefore, should not be discouraged.

18. Business operators themselves need to assess their own skills. Wales needs to create managers to help push forward the economy as the awareness of the need and adoption of such skills will ensure that Wales is better equipped to compete.

19. Effective engagement with a global economic agenda means that it is of fundamental importance that we look to growing indigenous SMEs from start-ups to businesses able to access overseas markets.

20. SMEs need to be made aware of the benefits of exporting. Just 3.4% of FSB members state that they intend to start exporting in the next two years and of those businesses which already export, under 5% state that they intend to increase their export volume.\(^16\)

21. Although the pursuit of Foreign Direct Investment in Wales has been of significant service and has played its part in developing the Welsh economy, the increased mobility of many larger companies evidenced by their relocation away from Wales (such as Burberry, for example) demonstrates the need for a refocusing of priorities. The FSB believes that the reality of increased competition demands a re-tasking of the Welsh economy focused on the growth of SMEs, an approach which is more bottom up than top down.

22. There have been notable moves towards nurturing such an approach such as the Welsh Assembly Government’s Knowledge Bank for Business and this concept is one which we very much welcome. However, there is still very much a focus on the contribution of a relatively few number of larger companies in Wales rather than the significantly larger contribution of the majority. It is this majority—the SMEs—which will and must provide the mainstay of the Welsh economy in the coming years in the face of globalisation.

23. It is well accepted that Wales’ ability to compete will depend heavily on the ability of Welsh companies to innovate and exploit that innovation. Welsh companies cannot be complacent in this area. Nurturing a culture of innovation is important as is the need to increase levels of research and development in Wales. Accepting that Welsh businesses will continue to find it increasingly difficult to compete with low-cost economies, more attention needs to be paid to product development and the need to create more effective links between business and higher education to stimulate the development and commercialisation of technology.

\(^{16}\) FSB—Lifting the Barriers to Growth in Small Businesses 2006.
24. There has previously been a focus on the need to encourage more companies to locate their headquarters in Wales. This is an issue of which the FSB is supportive. However, our ability to do that will depend on being able to deliver the calibre of management-level employees required for such operations.

25. Just 0.1% of businesses with headquarters in Wales are classed as “large” businesses.17 There must be an additional focus therefore of developing small and medium enterprises and ensuring that as they grow, headquarters remain in Wales. Welsh SMEs are by their nature less mobile and are heavily rooted within Welsh communities and they must be encouraged to remain in Wales but again, the right infrastructure and skills needed for such operations will be imperative as will a competitive taxation regime.

26. Providing the right environment for business growth and development is key to making the Welsh economy fit for competition within a global environment.

27. Properly functioning and effective transport business infrastructure is a pre-requisite if Wales is to not only grow its business base but also provide the wherewithal for those businesses to access export markets or indeed if Wales is to seek to attract foreign investors.

28. Although key East-West routes such as the A55 and M4 can be considered as well-developed, the lack of suitably reliable routes between North and South Wales remains a barrier to business growth and trade within Wales and this is one of the most frequently-cited problems.

29. A number of FSB member businesses in the North have indicated that this particular problem has a daily negative impact and some have even suggested that the problem is such that they now cannot trade with important markets within South Wales—particularly within the capital.

30. The FSB believes that this is an unsustainable situation as it plays a part in restricting the growth of indigenous businesses. A 21st century economy cannot function on 18th century infrastructure.

31. In the same way, we believe that to allow businesses in Wales to capitalise on potential markets in Ireland and to allow the growth and development of the West Wales economy, the dualling of the A40 West of St Clears should be high on the political agenda.

32. IT infrastructure too has a part to play in creating a successful business environment. Good progress has been made on rolling out broadband in Wales but businesses need to be better aware of the benefits of establishing even a basic online presence. FSB statistics show that under 20% of businesses sell online.18

33. An inevitable consequence of globalisation has been the ability of larger companies to become more globally mobile. The consequences of such mobility can be damaging for the small business economy.

34. The relocation of businesses such as Panasonic for instance not only impacts directly on the workforce employed within that operation but can also impact heavily on the supply chain. In many cases, such major companies can be sole clients of small companies within the supply chain. The loss of that business can also mean the loss of other businesses and jobs within the supply chain. Rarely is any attention paid to this impact.

35. The ability of smaller businesses to compete on a global stage will largely depend on their ambition and the right environment for growth being created.

SUPERMARKETS—THE NEW GLOBAL GIANTS

36. The opportunities posed by globalisation have been well exploited by the major supermarkets in the UK. Greater consumer demand and the ability to source products from a number of different locations around the world have led to the success and market dominance of the four major supermarkets within the UK.

37. This FSB believes that that this success has come at a great cost, however. Communities and the small businesses which operate within them have often suffered as a result of unfair competition, forced control of supply chains by supermarkets and exploitation and contravention of planning laws.

38. The FSB does not seek to undermine the ongoing work of the Competition Commission on this subject and we welcome its investigation but this is a subject which we feel should be of concern to the Committee.

39. The operation of supply chains and treatment of small suppliers has given the FSB some cause for concern.

40. The FSB feels that the Code of Conduct is largely ineffectual. We believe that the Code of Practice should serve to protect suppliers and clarify the relationship between the supermarket and the supplier.

41. Currently, the code covers the largest four supermarkets—Tesco, Asda, Morrisons and Sainsbury’s. Few suppliers have made complaints under the code fearing that they will lose future contracts. Greater protection needs to be afforded to suppliers who make complaints when the terms of the code are breached.

17 National Assembly for Wales, February 2007—Answer to WAQ49154.
18 FSB—Lifting the Barriers to Growth in Small Businesses 2006.
42. The key complaints made by suppliers are:
   — Being paid below the cost of production.
   — Suppliers being forced to pay rebates on formally agreed prices.
   — Waiting for well over thirty days for payment.
   — Being required to make packaging or transport changes without being compensated by the client for the additional cost.
   — Being forced to pay for supermarket promotions such as “buy one get one free”.

43. In short, the balance needs to be redressed and Welsh suppliers of supermarkets need the protection of an obligatory, more effective and enforceable Code of Conduct.

44. In the first case, supermarkets should be encouraged to seek locally-sourced product wherever possible ensuring that a sensible definition of “local” is applied. This would not only ensure the viability of a great many small businesses within Wales and boost the “brand value” of Welsh products but would also lead to a reduction in the amount of “food miles” accumulated in order to fill supermarket shelves. On this last point however, we recognise the need for a change in consumer mindset.

CONCLUSIONS

45. It is imperative that SMEs in Wales see globalisation as an agenda which provides challenges and opportunities rather than threats. No business can afford to be complacent. All Welsh businesses will need to be shrewd and adapt themselves if they are to compete effectively.

46. Although Wales remains a good place to do business, we can no longer assume that large-scale investment will feature heavily in developing the Welsh economy. A new focus on growing SMEs needs to be adopted to provide a stable and competitive business base.

47. Supporting businesses in this growth is not so much about government interventions as it is about creating the right environment for growth.

48. Businesses must be encouraged wherever possible and appropriate to seek opportunities in overseas markets to allow them to grow.

February 2007

Memorandum submitted by Wales Tourism Alliance

INTRODUCTION

The Wales Tourism Alliance is a pan-Wales umbrella group with 21 member organisations resting within its general membership.

This amounts to around 7,000 operators and means WTA contacts and representatives are now found in every part of Wales.

The WTA’s structure has also grown to accommodate its established role as the Voice of the Industry. A seven-person Executive now represents all regions and the key sectors of the industry and each year a well-attended annual conference debates and decides on key policy issues affecting the industry.

Since its inception in 1999, a central strategic objective of the Wales Tourism Alliance (WTA) has been to reinforce and strengthen the partnership between the private and public sector.

The merger of the Wales Tourist Board (WTB) into the Welsh Assembly Government (WAG) has placed greater responsibility on the industry to project its policies and viewpoints. It has further emphasised the need for all key stakeholders in tourism and hospitality in Wales to work in a cohesive and joined up manner.

COMMITTEE REQUESTS FOR INFORMATION

The Committee has asked for information on a wide-ranging series of issues including:
   — The impacts of globalisation pressures on structural employment changes in the Welsh economy;
   — The impacts of immigration on employment opportunities for local people;
   — Whether programmes of industry support in the region are fit for purpose in an era of increasing globalisation;
— The extent to which European Funding is being used to provide employment for immigrants as opposed to residents in the convergence areas;
— Whether trends of immigration into Wales are testimony to specific and general skills shortages; and
— The opportunities brought about by globalisation.

OUTLINE RESPONSE

1. Overview

WTA believes:

1.1 That Tourism in Wales provides a vital, reliable, long-term economic force that is locally based and locally owned;
1.2 That the Tourism Industry—unlike all other industries in Wales—is unique in its pan-Wales economic impact, its commitment to Wales, its ability to plan long-term and its ability to deliver local jobs for local people in all localities;
1.3 That Globalisation remains an unavoidable and an ever-increasing influence on the British Tourism industry;
1.4 That Globalisation provides a series of serious challenges and some threats—but also some opportunities. For instance, it offers the domestic industry a day-to-day gauge of worldwide quality of product and delivery, providing standards that must be matched and mastered if it is to compete effectively and efficiently with the wider worldwide tourism industry. It also provides well-trained, personable people who are keen to enter the service industries in all parts of Wales at a time when local people are hard to place in the same positions;
1.5 That national economic and employment strengthening, providing a near full employment backdrop, brings with it severe difficulties in attracting sufficient local labour for all service industries and for tourism in particular;
1.6 That this position continues despite pro-active recruitment and positive wages policies from operators for those providing front-line industry services;
1.7 That wherever and whenever suitable local labour— bringing a “sense of place” and cultural connection to visitors—is available it is vastly preferable than the use of in-migrant labour for our operators;
1.8 That there are a relatively low number of A8 entrants registering their first UK job (all sectors) as being in Wales: from 05/2004 to 09/2006, just 12,670 out of 486,660 (approx 2.6% and below proportion per capita with UK population). In hospitality, the figure was 2440 out of 100,025, or 2.44%;
1.9 That quality is at the heart of the argument to achieve meaningful change—and that means the quality of tourism products; the quality of tourism services; the quality of the promotion of our industry to customer and job-seekers alike and the quality of government to drive change;
1.10 That the industry in Wales needs to continue to raise its status in the eyes of both those with influence and those that it is trying to attract into employment and that a sea change of opinion is needed if we are to make service work sufficiently respected to meet as many of our full employment needs as possible from local labour;
1.11 That we need an efficient, vibrant and industry-led training scheme and a dynamic marketing drive with real resources behind it if we are to deliver both raising the status of the tourism service industries and increasing levels of recruitment from the local labour pool;
1.12 That the relationship between the industry, local authorities, the Welsh Assembly Government, Westminster and Europe must be at its best if we are to maximise the gains possible for local people that only tourism can effectively create.

2. Related Issues

WTA:

2.1 Believes that European Funding has been highly successful in raising awareness of Wales and its tourism products and in helping operators to upgrade facilities, attractions and premises to provide a much firmer foundation for the industry to move forward economically in the new century;
2.2 Believes that, in the main, the programmes of industry support in the region were, and are, fit for purpose—but if this is to continue, that it is vital that tourism in Wales receives adequate resources to fuel development and growth via industry-driven project support within the new Convergence funding that is becoming available to Wales;
2.3 Believes that wherever there are any trends of in-migration into Wales that these are testimony to specific and general skills shortages and that much more needs to be done to provide an industry-led infrastructure of genuine job opportunity and a rising of the status of the industry to attract entrants.
3. Activity

3.1 Visit Wales and Tourism Training Forum for Wales have had some preliminary discussions with ECOTEC (the consultancy charged with implementing/managing the new Leonardo EU programme) during 2006 about a potential tourism project designed to maximise the potential of overseas workers to the mutual benefit of tourism, host communities and the workers themselves.

3.2 WTA is currently awaiting responses from these discussions, which have taken into account some earlier Leonardo projects involving overseas workers (with varying relevance to tourism).

3.3 WTA is also aware of positive activity in the Visit Wales Sustainable Tourism Framework and draft action plan which was recently presented to the Welsh Assembly Government’s Tourism Advisory Panel.

3.4 WTA member organisation the Tourism Training Forum for Wales recently commissioned a report to provide a comprehensive analysis into levels of overseas workers in the Tourism Industry, providing TTFW with robust findings, best practice case studies and further recommendations into the increasing use of overseas workers. The structure of this research can be broken down into 6 main stages:

- Stage 1—Initial stakeholder Interviews.
- Stage 2—Employer Interviews.
- Stage 3—Focus Groups with Overseas Workers.
- Stage 4—Employer Web Forum.
- Stage 5—Web based Survey of Employers.
- Stage 6—Telephone Survey of 100 Employers.

3.5 This report confirmed that overseas workers are seeking employment in Wales because of both the availability of jobs and the shortage of local labour in the sector and that this raises an important issue facing the industry in terms of how it promotes careers within the tourism sector as a whole.

3.6 While in-imigrant workers are playing an important part in sections of the industry, it is an obligation of the industry to develop their skills and to encourage a further integration.

3.7 With this in mind, some actions are already under consideration, have been progressed or introduced by the industry in Wales and its training facilitators. They include:

- A best practice conference/event: This will allow employers, training providers and agencies to exchange and disseminate ideas, information and solutions and to create a users network;
- An overseas workers starter pack: This will be an accessible, user-friendly guide for overseas workers prior to or on arrival in Wales and the United Kingdom. This would be made available in a filofax style format, CD ROM and web-based;
- A Wales wide Cultural Induction/Familiarisation Course In partnership with Coleg Llandrillo, and/or through a licence agreement, this involves the roll-out of the Regional Information Training Scheme and other additional training schemes;
- A cultural Induction pack: In addition to the starter pack resources, this information could fit into the same system with fact-sheets, updates on annual events and festivals as well as links to other programmes and agencies. This would be made available in a filofax style format, CD ROM and web-based;
- A quick reference guide for Employers: This would provide a library of key documents for employers and an inventory of support information. This would be made available in a filofax style format, CD ROM and web-based;
- The development of self help network. This would be generated from the best practice conference/event and would provide a forum for employers and employees to update themselves on advice, support programmes and regulations.

4. Longer-term Programme

Developing A Skills Action Plan for Tourism

4.1 Skills have been identified by WAG as one of the key drivers to business growth in Wales- a view strongly shared by WTA. The WTA strategic vision includes addressing the Skills agenda to develop the Skills Action Plan for Tourism (SAPT). At WTA Conference 2005 it was unanimously agreed that WTA’s Executive be charged with bringing together all interested parties to help produce an action plan for a genuine, industry-led training initiative to encourage more local people to seek employment in the industry.

4.2 WTA’s view is entirely consistent with WAG’s Wales: A Vibrant Economy, WAG’s Strategic Framework for Economic Development, the Government identifies the following as one of the key elements that help businesses to grow:

“...further improving our skills base and using the opportunities created by the mergers to deliver more demand-led training tailored to the needs of business...”
The Visit Wales’ *Achieving our Potential* document states:

“Improvements in quality need to be matched by improvements in skill levels. This is one of the hardest issues to resolve...”

4.3 WTA’s member organisations moved at the Organisation’s 2005 conference to resolve the difficulties of sourcing local employment. Since 1857, when the first purpose built hotel was opened in Llandudno, tourism has been an integral part of the Welsh economy.

4.4 As other industries wax and wane, set-up and depart, transfer work halfway across the world, Tourism is fixed to location and accommodation. Tourism will always be a substantive element in the economic matrix of Wales, in job creation and job sustainability, and it is on this basis that developing industry-led partnership policies that plan for tourism is vital.

4.5 The tourism industry, through the WTA, the voice of the industry, acknowledges the lead role it now must take in developing and implementing these policies. The WTA, with Tourism Training Forum for Wales, will co-ordinate and progress actions in Wales and positively work in association with People 1st, the Sector Skills Council.

4.6 WTA considers movement towards improved skills levels can only be achieved if:

— All relevant stakeholders sign up to working as one and enthusiastically participate to achieve improvement during the lifetime of the project;

— Skills development and delivery are genuinely industry led and not skewed towards focusing on funding criteria;

— All parties make an ongoing and substantial commitment to raising the status of the industry in the eyes of potential applicants and to improving the image and substance of the industry as an employer;

— Sufficient resources are provided to introduce and run this ground-breaking proposal to change perceptions of the industry and to prepare local people to play a long and active part in Wales’ most important industry.

5. Main Conclusions

5.1 Wales Tourism Alliance believes that the in-migrant labour now used in tourism establishments in many parts of Wales is only a short term, interim solution to a pressing employment need and does not offer any longer-term answers to the industry’s recruitment needs- but nevertheless is vital to sustaining the current level of industry growth, development and economic contribution.

5.2 Long term targets for both the Industry and Government must be:

(a) The Constant improvement of Product Quality;

(b) Raising The Status of The Industry; and

(c) A fully-funded, industry-led training partnership scheme capable of attracting entrants, marketing the advantages of the industry and, in doing so, delivering local jobs for local people.

February 2007

Memorandum submitted by Mrs Ann Lloyd, Director, Health and Social Services Department, Welsh Assembly Government and NHS Wales

1. Wales and its health economy is impacted by globalisation.

2. Globalisation offers challenges and opportunities for both NHS staff and patients.

3. NHS employers in Wales demand the skills levels necessary to be able to treat and care for the population of Wales. For those individuals with higher skills, opportunities overseas are now more readily available and individuals from overseas have increased opportunities in Wales.

4. UK health departments have recruited from both overseas and the EU. In Wales we have successfully recruited doctors and dentists from the EU and overseas. Together with EU and overseas nurses and allied health professions the NHS in Wales has benefited in the past from migration of workforce. Further Wales will support UK efforts to manage migration and assist migrants from developing countries to contribute to health in their home country as recommended in “Global Health Partnerships” Lord Crisp 2007.
**Dentistry**

5. The new contractual arrangements for NHS dentistry came into force on 1 April 2006. Information provided by Local Health Boards and the NHS Business Services Authority indicate that well over 97% of those dentists providing NHS care signed up for the new contract and are continuing to provide NHS dental services. Contracts signed by these dentists account for a little over 95% of NHS dental services being provided prior to 1 April. In addition to those dentists who did not sign the new contract a small number chose to reduce the amount of NHS dentistry they provided.

6. Funding of the new contract has seen an additional £30 million invested in NHS dentistry from 2006-07 onward and this represents an increase of the net spend in dentistry of over 89% since the Assembly was established and some 35% over the forecast expenditure for 2005-06.

7. It is recognised that where dentists haven’t signed up to the new contract or have reduced their NHS commitment this can cause short-term difficulties for those patients affected. However, patients do not have to sign up for private dental services if they do not want to and if they need to find an alternative dentist who provides NHS care then they should contact their Local Health Board.

8. One of the main benefits of local commissioning for the NHS under the new arrangements is that it gives LHBs increasing influence about how NHS dental services for their area are developed to meet local needs. Historically, when a dentist has left the NHS or reduced their NHS commitment, the LHB had no power to replace the lost capacity. With local budgets now devolved to LHBs, they retain the funding for NHS dentistry which enables alternative local dental services to be commissioned. LHBs are already using their new powers under the reforms to bring in new services—something they were not able to do under the old system.

9. In May 2005, £5m was made available to take forward the Personal Dental Service (PDS) pilots schemes which allowed dentists to move to the new contract arrangements earlier and gave dentists more freedom in the way they treated patients and enabled the existing level of NHS provision to be secured. In Wales 181 PDS pilot schemes were approved. These secured NHS care for 702,387 patients, and 206,637 new patients to counter the 74,037 who lost NHS provision as a result of those dentists who did not elect to take up the new contract.

10. Currently 19 of the 22 LHBs in Wales have capacity for additional NHS patients. At the moment we have a small proportion of non UK dentists. There are dentists from most parts of the EU at this time and we are receiving an increase of Greek and Polish enquires.

**Nursing and Allied Health Professions**

11. Nurses and allied health professionals who are granted asylum in the UK are faced with an overwhelming number of agencies and barriers, which they have to negotiate when seeking professional registration. Internationally recruited staff experience similar issues. Currently there are 8 nurses that have qualified abroad and are refugees in Wales, on the Royal College of Nursing (RCN) database that could be helped to achieve registration and in so doing, be part of the Welsh nursing workforce.

12. The Welsh Assembly is funding a pilot project to facilitate and support these 8 refugee nurses, currently registered with the RCN database, who are seeking registration and employment in Wales, through the Nursing and Midwifery Council (NMC) regulatory system. This project would provide a model for helping internationally qualified healthcare professionals, by identifying pathways that could be employed towards their successful registration in Wales. The costs associated with this pilot project are justified alone on the basis of having 8 more nurses available to work in Wales, with the additional benefit of providing a model for other internationally qualified nurses and other healthcare professionals.

13. Refugee nurses participating in this pilot project were recruited from the RCN Refugee Nurses database. They were invited to undergo a programme to facilitate their entry into the NHS workforce in Wales. These refugee nurses were offered appropriate assessment procedures in order to establish their individual professional needs. The University will develop the infrastructure to support this, including the provision of trained staff and the development of documentation. Once an assessment has been made, and individual development programme will be designed and delivered.

14. Skills for Health (SiH) provide a whole health sector voice to identify sector skills needs and influence provision, although do not provide training directly. SiH goals include: driving forward and managing workforce competencies, profiling the UK workforce, identifying sector workforce needs, influencing education and training supply to meet sector needs and improving workforce skills.

15. These outcomes will be achieved by the development of national occupational standards and competency frameworks, which can be applied to all healthcare staff and the functions that they carry out. They will help with job design and the measurement of performance across the service. In addition to developing the competencies Skills for Health are also carrying out implementation projects to both test and illustrate how they can be used in the workplace.
International Medical Graduates

16. The Home Office changed the Immigration Rules for Postgraduate Doctors and Dentists in April 2006. Subsequently Department of Health published guidance stating that doctors with limited leave to remain should only be considered for training programmes if they had sufficient right to work in the UK to complete the programme. The British Association of Physicians of Indian Origin (BAPIO) lodged a Judicial Review to challenge both of these actions.

17. The table below sets out the grounds of the Judicial Review, and the outcome.

<table>
<thead>
<tr>
<th>Basis of claim</th>
<th>Substance of claim</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes to the Immigration Rules</td>
<td>The changes to the rules were unlawful because the Home Office and DH did not consult.</td>
<td>Unsuccessful challenge—no requirement to consult</td>
</tr>
<tr>
<td>DH guidance on doctors with</td>
<td>The guidance was unlawful because it misinterpreted the immigration rules.</td>
<td>Unsuccessful challenge—the rules did not misrepresent the immigration rules</td>
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<tr>
<td>limited leave to remain</td>
<td></td>
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<tr>
<td>Lack of regard to the Race</td>
<td>The Home Office failed to undertake a Race Equality Impact Assessment, as required by the Race Relations Act</td>
<td>Successful challenge—no substantive evidence that due regard had been paid to race relations</td>
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<tr>
<td>Relations Act</td>
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</tbody>
</table>

18. Three options for proceeding were proposed detailing the legal, handling, operational and potential displacement implications.

19. For the reasons set out in the following table, the favoured option is 3—hold the guidance in abeyance for Round 1 and reinstate a redrafted version for Round 2.

<table>
<thead>
<tr>
<th>Option</th>
<th>Legal Implications</th>
<th>Handling</th>
<th>Operational Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reinstate DH guidance immediately</td>
<td>No legal bar to reinstating guidance. BAPIO may apply for interim injunction—small risk.</td>
<td>Applicants who have already applied were aware that the guidance may change part way through but will feel they have been treated unfairly. Applicants may claim they would have made different choices had they known that the guidance would change.</td>
<td>Short listing must be completed by 23 February if the interview timetable is to remain unchanged. Deaneries have underestimated the amount of work involved in short listing and are already feeling pressured (this is partly due to more applicants than they anticipated, and partly due to a delay in providing some of the MTAS functionality). It is not possible to easily identify the duration of limited leave to remain held by applicants or who has applied for FTSTAs on the system. Administrators would therefore have to manually check all of their applicants to determine whether they should be included.</td>
</tr>
<tr>
<td>2. Hold guidance in abeyance until end of specialty training recruitment</td>
<td>Our defence for the ETs will use the fact that the guidance was necessary and proportionate. If we hold the guidance in abeyance, that defence will be called into question.</td>
<td>It will be difficult to sustain pressure on HMT to make changes to the HSMP if we continue to hold the guidance in abeyance. We will need to justify this position to any UK doctors who are without a run through post at the end of recruitment.</td>
<td>No operational issues because Deaneries are already working as though the guidance are in abeyance.</td>
</tr>
<tr>
<td>Option</td>
<td>Legal Implications</td>
<td>Handling</td>
<td>Operational Implications</td>
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<tr>
<td>3. Hold guidance in abeyance for Round 1 and reinstate it for Round 2</td>
<td>As above. New guidance will need legal clearance to ensure it is more tightly worded than the original.</td>
<td>BAPIO may see this as a compromise and may decide not to pursue the appeal. Applicants who applied in Round 1 will not feel disadvantaged as the round will proceed on the grounds it started.</td>
<td>No immediate operational issues for Round 1 as deaneries are already working as though the guidance is in abeyance. Changes will need to be made to the system, application form, and guidance for Round 2. This will need to be completed by the end of March.</td>
</tr>
</tbody>
</table>

**Welsh Perspective**

20. Up to 40% of the training grade places in Wales may be filled with International Medical Graduates (IMG) at present. This figure is higher than some other parts of the UK (especially Scotland and Northern Ireland).

21. Introduction of the Option 3 may have an impact on Wales, as it is possible that some UK/EEA applicants could be displaced by IMGs. However this has always been the case.

22. Previously the filling of vacant posts through the old appointment system of individual advertisements at various times throughout the year has resulted in a mix of UK/EEA nationals and IMGs being appointed.

23. The principle has always been to appoint the best candidate and the displacement of UK/EEA nationals by IMGs has been masked by the old system as the numbers have been small at each appointment.

24. MTAS amplifies the possible numbers displaced, as all of the appointments are being made at the same time, and therefore the figures may look adverse (but in fact are likely to be no different if one aggregated the data from the old system).

25. If we do not adopt Option 3 we risk having unfilled posts in Wales, since we have had a large number of IMG applicants in the current MTAS round and if they are excluded it is entirely possible that there will be a significant proportion of posts unfilled.

26. IMGs may have had a preference for Wales in MTAS based upon the historic percentage of posts which have been successfully filled by IMGs.

27. The quality of the current MTAS applications by IMGs is variable, and it is likely that a number will not make the cut for interview, and those called for interview may not be above the line.

28. If we fail to fill our posts in Round 1, it is possible that we may not fill them in Round 2. In some specialties in Wales, applications by UK/EEA nationals have been very small, and if IMGs are excluded there may not be a competitive field to fill these posts.

29. Should Wales not adopt Option 3 and is out of step with the rest of the UK there is a significant risk of many employment tribunals and an unquantifiable potential cost if those tribunals were successful.

30. Career management and matching individual’s aspiration with the needs of the service are the key issues which we are being to address in Wales. The short timetable for the introduction of MTAS has limited implementation of career management, although trainees have had access to detailed material prepared by each of the Royal Colleges about individual specialties.

31. The Unit of Application and specialty choices within MTAS has allowed those individuals who have a geographic requirement to stay in Wales to chose up to 4 different specialties all within the UoA (Wales Deanery).

32. Clearly there will be individuals who will be disappointed as a consequence of the outcome of MTAS this year. Those individuals will be UK/EEA nationals and IMGs, who have been unsuccessful in a competitive recruitment round.

**Conclusion**

33. Overall globalisation is having a positive effect on the health of people in Wales, but it is undoubtedly challenging. It will highlight and reward the individuals who are best placed to rise to the challenges, with consequences for those who do not, or cannot, adapt.

28 February 2007
Supplementary memorandum submitted by Mrs Ann Lloyd, Director, Health and Social Services
Department, Welsh Assembly Government and NHS Wales

This memorandum addresses the broad approach of the NHS to workforce issues and globalisation in relation to:

(a) participation in the WHO Regions for Health Network.

(b) Wales’ contribution to and response to “Global Health Partnerships” the Nigel Crisp report.

(c) Wales’ contribution to and response to “Health is Global; Proposals for a UK Government-wide Strategy” the Sir Liam Donaldson report.

(d) Wales’ existing links to developing countries.

Overall Wales is committed to an approach which sees itself not as a passive participant in the process of globalisation, but as actively working with other countries to manage its impact.

A. THE WHO REGIONS FOR HEALTH NETWORK

Wales has been a member since its inception of this Network which was established to bring together regions from within European countries interested in health policy development. In 1992 the original 11 members agreed to form a network linked to the World Health Organization (WHO) Regional Office based in Copenhagen; the membership has fluctuated but currently there are 29 members from 18 countries. The Network includes members from across the more than 50 countries of the WHO European region, going well beyond the European community.

The benefits of membership of such an organisation for Wales have been:

— accelerated learning—to get knowledge of and an insight into what works well (and badly) elsewhere;
— sharing local experience—the network shares good practice, up-to-date case studies and high quality materials which can be of use to other regions across Europe;
— collaboration with others on problems, and initiatives.

Joint action over the years by members has included developing policies, health reporting methods and training programmes. Wales has been involved in twinning work with regions in Hungary and close working with one in Russia. Each year there is an Annual Conference.

B. WALES’ CONTRIBUTION TO AND RESPONSE TO GLOBAL HEALTH PARTNERSHIPS THE NIGEL CRISP REPORT

The Welsh Assembly Government welcomes Sir Nigel Crisp’s report as a very helpful contribution towards identifying how the NHS in the UK as a whole can most effectively support efforts to improving global health.

The main findings of the report detail that:

— developing countries should take the lead and own the solutions, supported by international, national and local partnerships based on mutual respect;
— the UK and other developed countries should support a massive scaling up of training, education and employment of health workers in developing countries;
— there should be much more rigorous research and evaluation of what works, systematic spreading of good practice, greater use of new information and closer links with economic development.

Wales has strong links with some countries, particularly Lesotho, Ethiopia, Gambia, Uganda and Somaliland (through the Welsh Somali community). Some of these are health-related between NHS and Academic organisations with health organisations overseas. WAG has already supported some of these links with direct funding and plans to continue doing so.

The Welsh Assembly Government believes that partners in poor countries should have a voice in how UK resources are best deployed in supporting them and that the UK should make more use of needs assessment and evaluation of outcomes.

WAG supports the concept of an NHS Framework for international development and suggest this is closely linked with the UK Government-wide “Health is Global Strategy” proposed by Sir Liam Donaldson’s report in March 2007.

WAG agrees with the concept of a global health partnership centre as a “one stop shop source of information” for governments and health organisations alike. There is considerable interest and experience in this area in Welsh Universities and NHS organisations.

WAG supports the piloting of an electronic exchange. Wales has experience and skills to offer in this area, for instance the Global Healthcare Information Network, whose Co-Ordination is led by Swansea University (http://www.ghi-net.org/default.asp) See Doc 2 for further details of WAG funding.
WAG is committed to supporting individuals who wish to undertake links. WHC 2006(70) outlines how managers in NHS organisations need to support visits, secondments, exchanges and many projects as CPD entitlement. WAG has already set up a recurrent fund for NHS links, some of which are in conjunction with voluntary organisations and Universities.

**Responding to humanitarian emergencies**

WAG has stated in its Framework for Welsh Assembly Government Action on International Sustainable Development “Wales for Africa” (October 2006) that it will seek to:

— encourage international disaster preparedness in Wales and enable and support volunteering at times of disaster.

**c. Wales’ Contribution and Response to Health is Global; Proposals for a UK Government-wide Strategy Sir Liam Donaldson Report**

WAG launched the Framework for Africa in October 2006, and is committed to its duty as an international citizen to sustainable development, in particular because of its understanding of the issue of small countries, tackling inequalities in health, education and language issues and its strong civil society.

Health is determined largely by poverty and associated lack of access to education and resources. Foreign policy should be more explicitly and strongly in favor of poverty eradication as a means to achieving the Millennium Development Goals.

Wales is keen to be involved and support appropriate volunteering at times of disaster.

Wales will support Diaspora communities in Wales to respond to disasters in their homeland.

**Health and Development**

WAG would like to include the voices of those from poor countries in the development of a UK Global Health Strategy, so that we are able to develop true partnerships in international sustainable development and listen to our partners about what they need. We believe actions should be mutually beneficial.

There should be clear mechanisms for the devolved administrations to influence the UK government in policy and implementation, particularly as some functions such as that of DFID are not devolved and hence there has been a reduced access to considerable skill and interest and commitment of those based in Scotland, Wales and NI.

There is a lack of capacity in WAG in its ability to respond to global issues. Capacity building within this area would be fruitful, especially to release the potential of existing resources in Wales in NHS and academic organisations, in NGOs and the public sector.

The issue of migration of health workers is vital and probably one of the key areas that Wales can directly act on. There should be much greater action to reduce the impact of the loss of health workers in poor countries, including better recruitment policies in the UK but more health system strengthening in affected countries to reduce the need for health workers to migrate.

**Health and the UK economy, including trade**

WAG is committed to the campaign to make Wales the first “Fair Trade” country, in recognition of the beneficial effect that fair trade has on the health of communities of trade partners. Wales would urge the inclusion of Fair Trade principles in a Global Health Strategy.

**Global threats to UK health**

Wales has many resources, particularly in terms of health intelligence and health protection who are willing and able to be involved in this strategy development.

**UK resources for global health**

WAG welcomes the Crisp Report (Global Health Partnerships; The UK contribution to health in developing countries, February 2007) and believes this should be part of the basis for a UK wide Global Health Strategy.

There should be better co-ordination between the four administrations in developing policies in this area, particularly health worker migration, supporting health system strengthening in poor countries and supporting links between NHS and academic organisations.

Wales believes that partners in poor countries should have a voice in how UK resources are best deployed in supporting them and that the UK should make more use of needs assessment and evaluation of outcomes.
Health Research

Wales has a strong record in supporting and developing links for health knowledge and would be keen to be involved in this area of the Strategy, especially through the Universities and academic institutions in Wales which have expertise in health and development. The needs should be identified with the strong involvement of partners such as the Governments and health workers in poor countries, international organisations such as WHO and NGOs.

Advocacy, technical assistance, policy dialogue and raising awareness

WAG in its Wales for Africa Framework stated that it would ensure that sustainable development is at the core of all work undertaken.

WAG believes the conclusions and recommendation of the Crisp Report (see above) should be part of the basis for a UK wide Global Health Strategy.

WAG believes that global health should have a higher profile in the education and training of healthcare staff at all levels.

WAG would be interested in involving health care workers and the wider public in developing a Global Health Strategy.

D. Wales' existing links to developing countries

In Wales, the “Wales for Africa” Sustainable Development Framework was launched by the First Minister in October 2006. The Framework recommends that the public sector in Wales should be better supported to create more formal links with counterparts in developing countries that are Millennium Development Goal focussed.

The Welsh Assembly Government has committed itself to the delivery of the UN Millennium Development Goals and decided to focus its efforts on Sub Saharan Africa.

Wales has many existing links between NHS and academic organisations and Africa, especially Lesotho, Ethiopia, Gambia and Somaliland but many others too.

WAG has supported some of these recently with specific funding.

WAG has stated in its Framework for Welsh Assembly Government Action on International Sustainable Development “Wales for Africa” (October 2006) that it will seek to:
- support Diaspora communities in Wales in their efforts to respond to international disasters in their homeland; and
- support efforts to both encourage public donations to emergency appeals and channel individual and community effort most effectively.

Wales continues to attract qualified healthcare staff from overseas despite increases in the numbers of such staff in training in Wales. The UK code of conduct on the recruitment of healthcare staff from developing countries seeks to stem the flow of staff from these countries to the UK but has proved difficult to operate in practice.

There has been concern that the recruitment of health professionals from overseas is increasing the imbalance between the countries of the North and those of the South. It was agreed that there needed to be a policy for health links between Wales and the rest of the world to demonstrate that the relationship was not one-sided.

The cost of the training of healthcare staff recruited from overseas has not fallen to Wales. In acknowledgement of this saving to Wales, this initiative will encourage the NHS in Wales to expand its work in partnership with health care providers and trainers in developing countries to improve health care in their countries.

The Welsh Assembly initiative for links with Sub-Saharan Africa and other developing health systems in the South of the World was announced in October 2006. A copy of the successful bids received can be found at Doc 2.

International experience and education for UK health workers

WAG supports international experience as part of training and also the maintenance of accreditation for qualified people who spend extended periods working overseas. WAG agrees that this should be in the context of need in the developing country partner and that such training or work should be mutually beneficial. Medical schools in Wales already make extensive use of partnerships in developing countries, particularly in Africa and WAG is committed to supporting the mainstream acceptance of appropriate international experience. WAG would like to see that the Modernising Medical Careers work or the changes in Health Professionals regulation does not undermine these recommendations.
Strengthening health systems through partnerships and learning

WAG supports partnerships with developing countries and has chosen to focus on Africa in its Framework for Welsh Assembly Action on International Sustainable Development. Wales has many links with organisations in developing countries, most of which are in Africa and tend to be one organisation/one country. Examples of strong health related links are:

— Gwent HealthCare Trust and Cardiff University with hospitals and the medical school in Southern Ethiopia.
— Pontypridd Overseas Network Trust (PONT) with Mbale, Uganda in a primary care based partnership.
— Swansea University links with Gambia, based on sharing education and e-learning.
— Dolen Cymru has long links with Lesotho which multiple stands such as education and mental health care links.

Further details of these links can be found at Doc 1.

WAG has already committed recurrent funding to support existing and new NHS links. However, it has identified a need for increased capacity within Wales to support and develop these partnerships.

It should be acknowledged that many existing links have developed within the charitable sector and with the strong support of staff, NHS organisations and universities. There is no intention of replacing support systems or damaging the generous impulses which have led to the many varied projects already in existence and planned.

We will be hosting a conference on Friday 29 June in Cardiff called NHS Wales for Africa Links Conference.

The conference will focus on examples of best practice, the mechanics of setting up a worthwhile link and how to share learning with colleagues in Africa. The conference is primarily aimed at senior managers in the NHS and universities who could enable such links to develop in their own organisations in Wales by allowing visits, secondments, exchanges and the management of projects to be recognised as one of the CPD options allowed to NHS employees.

We have been working closely with THET (Tropical Health and Education Trust) on both the Education Fund bids and the conference organisation.

Doc 1

**LINKS INVOLVING NHS ORGANISATIONS/UNIVERSITY SCHOOLS FOR HEALTH PROFESSIONALS BETWEEN WALES AND OVERSEAS AS AT OCTOBER 2006**

<table>
<thead>
<tr>
<th>Country</th>
<th>Links</th>
<th>South Wales Link</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETHIOPIA</td>
<td>Debub University</td>
<td>Referral Hospital Southern Ethiopia—Gwent Healthcare NHS Trust Link</td>
<td>Supporting training for health officers, nurses, laboratory technicians and sanitarians with skills workshops, training trainers and teaching materials. Essential equipment for hospitals plus textbooks and training for doctors and nurses. Equipment and textbooks for rural health centres. Continuing Medical Education Programme</td>
</tr>
<tr>
<td>LESOTHO</td>
<td>Autumn 1987</td>
<td>Lesotho Dolen Cymru and Welsh Health Authorities</td>
<td>Collection of surplus medical equipment from community hospitals and health centres throughout Wales begins. Visit by Dr S T Makenete, Lesotho Minister of Health (SHO in Swansea) to review equipment, prior to dispatch by container.</td>
</tr>
<tr>
<td>LESOTHO</td>
<td>April 1994</td>
<td>Powys Local Health Board</td>
<td>Visit to Powys NHS Trust by Dr Raditapole, Minister of Health; accompanied by Principal Secretary and the Chief Nursing Officer. The “extended” community hospital model in Powys had a particular attraction for the Minister. Lengthy discussions led to the proposal of linking individual service areas, commencing with mental health.</td>
</tr>
<tr>
<td>LESOTHO</td>
<td>August 1996—October 2004</td>
<td>Powys Local Health Board</td>
<td>Mental Health Project: A Powys psychologist develops a training programme after working alongside local mental health workers. A Powys psychiatrist further develops training and supports clinical work. An international lottery grant of £250,000 funds the project for three years and allows a Project Director to be appointed. Two Lesotho nurses visit Powys to prepare workshops with the support of key Welsh staff for 138 Village Health Workers. Research and an advisory visit by CAIS Drug and Alcohol Agency. The Medical Director Powys LHB makes an evaluation visit. The Nursing Lead for Mental Health in Lesotho visits Wales in preparation for counselling workshop. CAIS offers counselling workshops in Lesotho and publishes papers on Cross cultural issues arising in counselling skills training in the medical press. Further round of mental health training workshops offered.</td>
</tr>
<tr>
<td>Country</td>
<td>Links</td>
<td>South Wales Link</td>
<td>Brief Description</td>
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<tr>
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</tr>
<tr>
<td>LESOTHO</td>
<td>QEII Hospital, Maseru</td>
<td>Mid Glamorgan Health Authority</td>
<td>Announcement of contract worth £0.5m to Mid Glamorgan Health Authority to advise on management structures in QEII Hospital, Maseru. Contract lasted for a six-month period with exchanges of personnel. Includes a visit from Lesotho’s Health Minister Abel Thoalane in August 1990.</td>
</tr>
<tr>
<td>LESOTHO</td>
<td>Lesotho Dolen Cymru</td>
<td>Wales Centre for Health</td>
<td>A Board member has close links</td>
</tr>
<tr>
<td>MALTA</td>
<td>St Luke’s Hospital, Maseru</td>
<td>Cardiff and Vale NHS Trust, St Mary’s Pharmaceutical Unit, Llanishen</td>
<td>Advice on the design of new hospital pharmacy and a three week training in the UK for two Maltese pharmacists.</td>
</tr>
</tbody>
</table>

**Individual Professionals and Groups of Professionals**

<table>
<thead>
<tr>
<th>DESTINATION</th>
<th>Monde</th>
<th>Welsh Assembly and Bridgend Local Health Board</th>
<th>GP Noel Thomas has taken a Diploma in Tropical Medicine. He is waiting for a four—six month project.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESOTHO</td>
<td>Welsh Medical Association</td>
<td></td>
<td>Visit by Secretary and Treasurer of Cymdeithas Feddygol (Welsh Medical Association) to Lesotho. Society advised of needs and potential for future links.</td>
</tr>
<tr>
<td>UGANDA</td>
<td>Pontypridd Overseas Networking Trust (PONT)—a group of GPs mostly from South Wales</td>
<td>To develop the infrastructure within the Mbale community especially in the areas of medical services and education. Projects include:</td>
<td></td>
</tr>
</tbody>
</table>

**University Student Placements from Africa to Wales**

<table>
<thead>
<tr>
<th>AFRICA</th>
<th>Cardiff University School of Medicine</th>
<th>Each year an undergraduate medical student is accepted on an eight week elective in Cardiff as part of their course</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFRICA</td>
<td>UWIC, Centre for Biomedical Sciences, School of Applied Sciences</td>
<td>Enrolls a number of undergraduate and postgraduate students, many of whom work in hospital pathology laboratories.</td>
</tr>
<tr>
<td>TANZANIA</td>
<td>Department of Medical Microbiology, School of Medicine, Cardiff University</td>
<td>Each year an undergraduate medical student is accepted on an eight week elective in Cardiff as part of their course</td>
</tr>
</tbody>
</table>

**University Student Placement from Wales to Africa**

<table>
<thead>
<tr>
<th>GAMBIA</th>
<th>University of Wales Swansea, School of Medicine</th>
<th>Three second year graduate entry students worked in a remote village studying malaria and the level of nutrition in children and supporting a health education programme. Links to share e-learning with Gambian university students also made.</th>
</tr>
</thead>
<tbody>
<tr>
<td>KENYA</td>
<td>Cardiff University</td>
<td>Each year five undergraduate medical students are accepted on an eight week elective as part of their course.</td>
</tr>
<tr>
<td>LESOTHO</td>
<td>Lesotho Dolen Cymru/Cardiff University School of Medicine</td>
<td>Two undergraduate medical students accepted on a five week elective as part of their course. Plans for a future expanded placement programme</td>
</tr>
<tr>
<td>LESOTHO</td>
<td>Cardiff University School of Medicine</td>
<td>Each year two undergraduate medical students are accepted on an eight week elective as part of their course.</td>
</tr>
<tr>
<td>MADAGASCAR</td>
<td>Cardiff University School of Medicine</td>
<td>Each year two undergraduate medical students are accepted on an eight week elective as part of their course.</td>
</tr>
<tr>
<td>MALAWI</td>
<td>Cardiff University School of Medicine</td>
<td>Each year four undergraduate medical students are accepted on an eight week elective as part of their course.</td>
</tr>
<tr>
<td>NAMIBIA</td>
<td>Cardiff University School of Medicine</td>
<td>Each year five undergraduate medical students are accepted on an eight week elective as part of their course.</td>
</tr>
<tr>
<td>RWANDA</td>
<td>Cardiff University School of Medicine</td>
<td>Each year two undergraduate medical students are accepted on an eight week elective as part of their course.</td>
</tr>
</tbody>
</table>
Country | Links | South Wales Link | Brief Description
--- | --- | --- | ---
SOUTH AFRICA Ongoing | Various: Hlabisa, Cardiff University School of Medicine, Kwa Ngwanase, Cape Town, Parktown, Johannesburg and Kwa Zulu Natal | Cardiff University School of Medicine | Each year twelve undergraduate medical students are accepted on an eight week elective as part of their course.
TANZANIA Ongoing | Eab-Moshi, tyang, Lindi, Dar Es Salaam, Mbarara, Kwa Zulu Natal | Cardiff University School of Medicine | Each year twelve undergraduate medical students are accepted on an eight week elective as part of their course.
UGANDA Ongoing | Kasese and Mbarara | Cardiff University School of Medicine | Each year two undergraduate medical students are accepted on an eight week elective as part of their course.
ZAMBIA Ongoing | Lusaka | Cardiff University School of Medicine | Each year three undergraduate medical students are accepted on an eight week elective as part of their course.

University Departments

BENIN | University Teaching Hospital and Homel | Cardiff University School of Medicine | Educational Project

LESOTHO June 2004 and October 2005 | Dr Hurlow, Host Electives | Cardiff University School of Medicine and Lesotho Dolen Cymru | Visits by Dr Hurlow to Wales to support his role as host.

LESOTHO October 2003—April 2004 | Lesotho | Lesotho Dolen Cymru | Dentistry: Initial studies, followed by national dental profiling and dental equipment being donated.

UGANDA 2004 and ongoing | Department of Dentistry, Makerere University | Cardiff University Dental School | To explore the possibility of building links at every level between the two schools: curriculum development for dental students and for professions complementary to dentistry; continuing professional development; encourage postgraduate and specialist training; development of oral surgery services; support access to educational resources; explore joint research projects.

University Academics

TANZANIA 1989—1991 | School of Radiography, Muhimbili Medical Centre, University of Dar es Salaam | Cardiff University School of Healthcare Studies, Department of Radiography Education | Linda Lue Sukiwe Mutema was the External Examiner for the Diploma in Diagnostic Radiography offered in Dar es Salaam.

THAILAND 2000 and ongoing | The Royal Thai Army Nursing College, Bangkok and Chulalongkorn University, Bangkok | Cardiff University School of Nursing and Midwifery Studies | Professor Philip Burnard is a Visiting Professor. Three joint research projects on Stress, Teaching and Culture. Now completing second ethnographic study of Mental Health Care. Information available through publication in journals and presentations to international conferences.

UGANDA | National Paramedical School, Kampala School of Applied Sciences | UWIC, Centre for Biomedical Sciences, School of Applied Sciences | Robert G Williams is an external examiner and adviser.

ZIMBABWE | Medical School, Harare | UWIC, Centre for Biomedical Sciences, School of Applied Sciences | Robert G Williams has visited to establish biomedical science education links with Harare.
Country | Links | South Wales Link | Brief Description
--- | --- | --- | ---
ZIMBABWE 2004—2007 | National University of Science and Technology, Bulawayo | Cardiff University School of Healthcare Studies, Department of Radiography Education | Linda Lue Sniikiwe Mutema is the External Examiner for the BSc Hons in Radiography offered in Bulawayo.

ZIMBABWE 1998—2003 | School of Radiography, University of Zimbabwe and Parirenyatwa Hospital | Cardiff University School of Healthcare Studies, Department of Radiography Education | Linda Lue Sniikiwe Mutema was the External Examiner for the Diploma in Diagnostic and Therapeutic Radiography offered in Zimbabwe.

Work of Lesotho Dolen Cymru not included elsewhere

LESOTHO March 1985 | Lesotho | Lesotho/Lesotho Dolen Cymru | Inaugural ceremony in the Welsh Office, attended by the Chief Medical Officer. Letter of support for the initiative from the WHO.

LESOTHO February 1987 | Lesotho | Lesotho/Lesotho Dolen Cymru | Visit by Dr Carl Clowes as Chair of Dolen Cymru. Initial assessment of needs.

LESOTHO March 2001—June 2002 | Lesotho Society for Mentally Handicapped People | MENCAP Cymru | Reciprocal visits plus a health needs assessment

LESOTHO April 2005 | Central Laboratory, Maseru | Lesotho Dolen Cymru | Gift of photo-spectrometer

LESOTHO March 1995—October 2004 | Ministry of Health | Lesotho Dolen Cymru | Public Health: Dr Carl Clowes, Chair of Dolen Cymru, assessed public health needs in Semonkong. Two doctors visit Lesotho to assess health needs. A nurse spends three months in Qacha’s Nek working and training with health staff. Twelve volunteers offer work and training.

LESOTHO August 1994 and ongoing | Churches in Lesotho Ministry of Health UNAIDS Lesotho Red Cross | Lesotho Dolen Cymru | HIV/AIDS: First of 9 annual workshops on HIV/AIDS led by Welsh expert. GUM consultant and two public health consultants begin HIV/AIDS project which focuses on advocacy, counselling and testing. Specialist Registrar in Infectious Diseases works with Lesotho colleagues in Maseru. Funding application being made for a project on the introduction of anti-retroviral treatment and clinical/laboratory skill sharing in management of HIV/AIDS. Preparatory work on Economic Sustainability Programme for those affected by HIV/AIDS. Further visit pending.


<table>
<thead>
<tr>
<th>Comments</th>
<th>Fund Year 1</th>
<th>Fund Year 2</th>
<th>Benefit to Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swansea University, School of Medicine-Gambia elearning link (Dr Stephen Allen, Honorary Consultant in Paediatrics)</td>
<td>£5,500 (development of website and communication materials eg digital camera)</td>
<td>£12,000 (educational materials and to fund flights for Welsh students)</td>
<td>Exchange of ideas and experiences between junior doctors in Wales &amp; West Africa Developing effective digital learning resources in priority topics in international health Promote good practice of senior NHS Trust clinicians in teaching methods with an emphasis on eLearning Strengthen working partnerships between university and NHS Trust</td>
</tr>
<tr>
<td>Comments</td>
<td>Fund Year 1</td>
<td>Fund Year 2</td>
<td>Benefit to Wales</td>
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</tr>
<tr>
<td>Conwy &amp; Denbighshire NHS Trust—Ethiopia link Hosanna Hospital (Dr. Duncan Cameron, Consultant Paediatrician)</td>
<td>This project is in its infancy but has huge potential. Ethiopia visit in Feb to scope project further</td>
<td>£2,000 approx (Fund £5,000 flights and accommodation of February visit)</td>
<td>Links are already in place between South Wales and Ethiopia, this project would create an “All Wales” link</td>
</tr>
<tr>
<td></td>
<td>Project intends to expand on the links already in place between South Wales (Cardiff &amp; Gwent) and Ethiopia</td>
<td></td>
<td>The link would involve joint working between Conwy &amp; Denbighshire and South Wales (Cardiff &amp; Gwent)</td>
</tr>
<tr>
<td></td>
<td>Link would include the provision of teaching, materials and inviting staff from Hosanna to Conwy &amp; Denbighshire</td>
<td></td>
<td>It will form direct continuing medical/professional education for staff involved in the link</td>
</tr>
<tr>
<td></td>
<td>Strategic committed team at the Trust</td>
<td></td>
<td>It will provide a chance for NHS staff to become involved with development work whilst maintaining NHS service</td>
</tr>
<tr>
<td>Dolen Cymru—Lesotho link (Dr. Carl Clowes, Chair of Health Committee)</td>
<td>Building on successful link already established</td>
<td>£7,000 (lead consultant 3 month visit)</td>
<td>Facilitating the opportunities for health personnel to gain link experience as part of continuing professional development</td>
</tr>
<tr>
<td></td>
<td>Engaging with partner in a sustainable way</td>
<td>£15,000 (NHS Wales co-ordinator in Lesotho, flights and salary)</td>
<td>Better understanding of issues facing a low-income economy not only in the health domain but also the staffing and resource imperatives directing the service in Lesotho</td>
</tr>
<tr>
<td></td>
<td>Project would be a resource for other links and personnel</td>
<td></td>
<td>Reducing the incidence and spread of HIV worldwide. Many patients from sub-Saharan Africa, including Lesotho, migrate and are seen in cities such as Cardiff, Swansea and Newport</td>
</tr>
<tr>
<td>Southern Ethiopia—Gwent Health link (Dr. Biku Ghosh, link co-ordinator)</td>
<td>Highly regarded, well developed sustainable project</td>
<td>£14,000 (travel, teaching materials &amp; training programme)</td>
<td>Develop and improve communication, organisation, teaching and leadership skills of NHS professionals through challenging their professional and teaching skills in resource poor settings</td>
</tr>
<tr>
<td></td>
<td>Expert knowledge provided, in depth answers</td>
<td>£14,000 (travel, teaching materials &amp; training programme)</td>
<td>Greater awareness of tropical medicine and practical experience of tropical diseases that can spread rapidly to the UK and other areas by ease of access to air travel etc</td>
</tr>
<tr>
<td></td>
<td>Priorities of project: 1. Health Centres 2. Infection control 3. Training the trainers</td>
<td></td>
<td>Motivate NHS professional in understanding needs of wider community and brings together health community of primary and secondary care</td>
</tr>
<tr>
<td>RCT-Mbale link, Coalition Against Poverty (Dr. Chris Jones, Chair RCT LHB)</td>
<td>Real enthusiasm for this project shown by applicants</td>
<td>£18,000</td>
<td>Partnership approach to the project (involves NHS Trust, LHB &amp; University)</td>
</tr>
<tr>
<td></td>
<td>Partnership approach (RCT NHS Trust, Pontypridd &amp; Rhondda LHB &amp; University of Glamorgan)—benefits to Wales</td>
<td>£10,500</td>
<td>Improve morale amongst staff of all the institutions involved and increase skills—both clinical and managerial (continuing professional development)</td>
</tr>
<tr>
<td></td>
<td>Community twinning project</td>
<td></td>
<td>This scheme will hopefully help with future recruitment, retention and motivation of staff within primary and secondary care in the RCT region</td>
</tr>
<tr>
<td></td>
<td>Innovative approach to sustainable development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comments</td>
<td>Fund Year 1</td>
<td>Fund Year 2</td>
<td>Benefit to Wales</td>
</tr>
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</tr>
<tr>
<td>The Lesotho Project (Julia Williams, Radiographer, Breast Test Wales)</td>
<td>Follow up with Velindre NHS Trust regarding payment of salary during Lesotho visit (Welsh Health Circular recommendations)</td>
<td>£1,000 (for flight)</td>
<td>Continuing professional development. On Julia’s return, her experiences of healthcare delivery in Lesotho will be shared with colleagues across Wales who will be encouraged to support and develop the existing link with St. James’ Hospital and forge future links with partner institutions in Lesotho. Lesotho is already twinned with Wales—Dolen Cymru already have links established that could be of help to Julia.</td>
</tr>
<tr>
<td></td>
<td>Suggested that Julia should contact Dolen Cymru for help and advice Julia will explore possibilities of setting up a sustainable link with Lesotho and to use her experiences to encourage more to get involved in links</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cardiff Dental School-Uganda link (Prof Ivor Chesnutt/Dr Richard Oliver)</td>
<td>There is very little oral surgery service outside of the Ugandan capital, there is currently no specialist oral pathologist in Uganda The initial link between Cardiff and Makerere was facilitated by THET and well established</td>
<td>—</td>
<td>Staff who have previously visited Uganda have gained a greater appreciation of health care delivery and organisation in a developing country. These experiences have been incorporated in their teaching at undergraduate and post qualification level on their return to Wales. The continuation of the link will provide opportunities in the future for staff and students to visit Uganda and experience the delivery or oral care, under conditions that are very different to those pertaining in Wales. Welsh Dentists will have access to oral disease that is rare or not seen here. It will continue to enhance Cardiff Dental Hospital and Schools expertise in working with partners and programmes in the developing world.</td>
</tr>
<tr>
<td>Hope for Grace Kodindo, link with Chad (Angela Gorman, Senior Neonatal Sister, Cardiff &amp; Vale Trust)</td>
<td>The visit will explore the possibility of developing an exchange programme with Chad Work already undertaken has shown immense potential benefit — maternal mortality extremely high</td>
<td>£2,100 (fund costs of Feb visit)</td>
<td>Continuing Professional Development Projects to be shared with health colleagues on return Exchange of ideas and experiences between colleagues in Chad and Cardiff</td>
</tr>
<tr>
<td>GP Noel Thomas Lesotho work</td>
<td>This application was rejected Was a one-off visit to cover work in St James Hospital, Lesotho. No indication of sustainability</td>
<td>—</td>
<td>Retired GP—no organisational link No benefit to NHS Wales (Both criteria for selection)</td>
</tr>
<tr>
<td>Ethnic Development Association—Somaliland (Ahmed Hassan Abdi, Project Coordinator)</td>
<td>A letter was written requesting more information regarding this proposal and that the organisation should explore forming a formal link with Cardiff &amp; Vale NHS Trust</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Funding for Year 1 (2006/07 financial year) = £49,600**

**Total Funding for Year 2 (2007/08 financial year) = £61,500**
GLOBALISATION IN THE STEEL INDUSTRY

INTRODUCTION

The steel industry has gone through many phases of development. In the recent past, the issues for the European industry were mainly local in nature, such as elimination of state intervention and restructuring of the industry following the collapse of Communism. Today, the issues are different, with globalisation and climate change being the most significant.

European steel producers have always pursued a policy of open markets, so long as the trading conditions are free and fair. This has led to steel being one of the most internationally traded of manufactured products and Europe benefited from a significant trade surplus in steel for many years. Today, price levels in the EU are largely determined by the decisions of steel producers and traders located far away and while the trade balance is still positive in terms of value, it is now increasingly negative in terms of volume.

The 21st century has seen a reassertion of Chinese economic power, not seen since the mid 19th century, coupled with increasing economic growth in India and Brazil, as well as a resurgent Russia.

Climate change is one of the highest political priorities and the steel industry recognises it has an important role to play.

All these are having a profound impact on the steel industry.

In this paper we describe a number of significant trends as they affect steel producers around the world and draw attention to some particular points with political significance:

Industry

Steel demand is growing by more than 4% per annum.

BRIC countries will make more than 50% of all steel by 2010.

Steel industry consolidation—Regional becomes Global.

China becoming a significant net exporter of steel.

Corus Strategy

Restoring Success—over £150m invested in UK manufacturing sites.

The Corus Way—improve competitiveness through continuous improvement, improve differentiation of products and seek opportunities in high growth/low cost countries Total capital expenditure in our main UK sites in the last 3 years has exceeded £400m.

Role for Government

Uncompetitive energy costs and concerns about security of supply climate change policy—EUETS needs fundamental change Employment costs and skills are critical factors.

BACKGROUND

Steel demand is growing by more than 4% per annum

The International Iron & Steel Institute (IISI) reported global steel demand growth at 9% during 2006. Whilst demand and production are growing everywhere, China continues to underpin steel demand growth with year-on-year growth in demand at 14% during 2006.

Looking ahead to 2015, global demand is expected to grow at an average of around 4.5% per annum. China will continue to play an important role as it represent a large portion of the global market (c. 370kMt in 2006) and will continue to grow at c. 7% year-on-year to 2015. The Indian steel market, currently around 42mtpa, is also showing signs of taking off and is expected to grow at 7.4% year-on-year up to 2015.

By comparison, European demand for steel will only grow at around 2.0% per annum.
BRIC countries will make more than 50% of all steel by 2010

This inevitably means that global production will increasingly concentrate in the developing parts of the world, particularly in the so-called BRIC countries of Brazil, Russia, India and China. Not only are the economies of these countries growing very rapidly, but (China excepted) they also have access to low cost raw materials.

By 2010, more than half of global steel production is expected to be in these countries.
Steel industry consolidation—Regional becomes Global

A major feature of recent years has been an increase in consolidation. Whilst the customer and supply base for steelmakers has seen significant change throughout the last 20 years, steelmaking remained a largely national-based industry until the mid-1990s. What consolidation there was mostly took place within national boundaries. However, since 1995, the pace of consolidation has stepped up both regionally (for example with the creation of Corus in 1999 and Arcelor in 2001 in Europe and the formation of JFE in Japan in 2002) and globally, with the expansion of Mittal Steel, culminating in the creation of Arcelor-Mittal in 2006 and now, in 2007, Tata Steel taking over Corus.

This begins to offer the possibility of more equal market power throughout the steel supply chain, with the top 5 steel producers now representing some 20% of global production. However, this is still a long way from raw materials where 3 producers control over 80% of the supply and in, for example, automotive or metal packaging, here the top 5 producers also cover some 80% of demand. Taking a parallel with other metals industries, benefit for the industry was only realised once the top 5 producers counted for at least 40% global market share.

REGIONAL CONSOLIDATION HAS INCREASED SIGNIFICANTLY OVER THE LAST TEN YEARS
Regional Shares of the Top 5 Players in Each Region

Of note, in particular, has been the level of activity amongst Russian and other BRIC companies to acquire assets around the world.

BRICs producers on an acquisition path

Source: Company information, Corus
Much of this is based on a “decoupling” strategy, where there is a move away from integrated production sites, instead putting the steel making close to the raw materials and finishing lines close to the markets.

In addition, European producers are trying to secure steel making capacity in South America. Arcelor Mittal already has c.14mt of capacity in South America while TKS is planning a greenfield project for 4.4mt capacity in Brazil.

We expect this trend to continue through a combination of consolidation and growth.

**China becoming a significant net exporter of steel**

Given the size of the Chinese market and the steel making capacity installed in China, small movements in the Chinese steel trade balance can significantly impact the global as well as other regional steel markets.

Traditionally China has been a net importer of steel, soaking up large quantities of steel from exporters such as Japan and South Korea. Since 2003 China’s net steel trade balance shifted from a 35mt per annum net import position to a 33mt per annum net export position in 2006. Our expectation is that this will rise to over 40MT net exports in 2007.

The rapid increase in Chinese capacity has resulted in domestic oversupply, while Chinese steel producers are enhancing production facilities to enable production of higher grade products which traditionally were imported from Europe.

Gross Chinese exports were 52mt during 2006, comprising 12mt of strip products and 7mt of plate and tube respectively with 15mt being semis.

China’s export push impacted several regions, most significantly other Asian regions absorbing c. 30mt of Chinese exports. The EU now receives the annual equivalent of around 8 million tonnes of those exports, compared to around 1 million tonnes in 2005.
However, we are increasingly seeing Chinese steel products arriving in the UK, particularly flat products such as hot rolled coil, competing directly with those made in Corus plants in South Wales. The 2007 annualised rate for the UK is nearly 1 million tonnes, twice that of 2006.

We now see Chinese net exports as a permanent feature of the global supply scene.

**CORUS STRATEGY**

**Restoring Success**

In 2003, Corus embarked on its “Restoring Success” programme, designed to bring our financial performance closer to the EU average over a 3-year period. This was an ambitious programme bringing together investment and change management with a specific focus on safety, which included over £150m capital expenditure in three of our major UK sites, Port Talbot, Scunthorpe and Rotherham, following the UK Restructuring programme announced in February 2003.
The Corus Way
The Future for Corus

Objectives
- Safety
- Service
- Savings

Operational Performance
- Restoring Success
- The Corus Way
- Safety
- Service
- Savings

Growth
- Strengthening the balance sheet
- Divestments
- Organic growth
- Access to low cost steel making
- More differentiated products
- Continuous improvement
- More selective business portfolio

The Corus Way
This has been followed in 2005 by the “Corus Way” which seeks:
- to improve competitiveness in our European operations by engaging employees in a process of continuous improvement;
- to increase our proportion of differentiated products;
- to develop a more selective business portfolio; and
- to seek opportunities for the company in high growth, low cost countries.

and which included further capital expenditure, for example to strengthen our manufacturing capability and competitiveness in rail, structural sections and wire rod at Scunthorpe.

Total capital expenditure in our main UK sites in the last 3 years has exceeded £400m

Whilst successful in themselves and, of course, the Corus Way continues to evolve, these programmes do not address the fundamental changes in the industry outlined above. For this reason, the Corus Board decided in 2005 to seek a closer relationship with a partner in a high-growth, low-cost region, which has led to the takeover of Corus by Tata Steel which was completed on 2nd April 2007.

The ambition of the enlarged group can be summed up as:
- Becoming a global player with a balanced presence in developed European and fast growing Asian markets.
- Capitalising on strong positions in construction, automotive and packaging market sectors.
- Developing significant raw material security and greenfield/brownfield developments.
- Leading to the lowest cost position in Europe and South East Asia.

Through this we expect to double our size and profitability:
- Today No 5 with 24mt & EBITDA of 13%.
- Potential to become No 2 with 40mt & EBITDA 25% by 2012.

Role for Government

This is not an exhaustive review of policy issues that affect the competitiveness of the steel industry. In particular, environmental policy continues to evolve very rapidly. However, these are three of the more important examples where there is a role for Government.

Uncompetitive Energy Costs and concerns about security of supply

Energy prices globally have increased as a result of higher oil and thermal coal prices. Europe is potentially harder hit than other parts of the world:
- electricity supply demand balance in Europe is tight with the decline in North Sea sources;
- an increased dependency on gas imports from Russia;
— costs associated with climate change and carbon emissions:
— Up to one third of the increase in the UK wholesale price of electricity since 2004 can be explained by the inclusion of the price of carbon.

European steel producers are hence faced with higher electricity prices than those of some of their competitors, with Corus in the Netherlands and the UK particularly exposed.

<table>
<thead>
<tr>
<th>Country</th>
<th>102</th>
<th>63</th>
<th>60</th>
<th>56</th>
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<td>49</td>
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<td>Norway</td>
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<td>Russia</td>
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<td></td>
<td>34</td>
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<tr>
<td>Brazil**</td>
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<td></td>
<td>16</td>
</tr>
</tbody>
</table>

Source: IEA Energy Prices and Taxes Q4 2006

This particularly affects steel produced through the electric arc furnace route, which for Corus especially impacts on Corus Engineering Steels. This business has recently had some £90m spent on capital equipment designed to improve productivity and reduce cost. Almost all the benefits expected from this expenditure have been eliminated by the rise in electricity prices of the last 2 years.

This also applies to gas prices, where the UK has been at specific disadvantage in recent years, particularly in winter 2005/6 where the supply/demand balance was especially tight. At one stage we were threatened with having to shut down some of our UK manufacturing facilities in order to preserve gas supplies for more critical users such as hospitals and the domestic sector.

Even with the easing in supply as a result of new pipeline capacity, the UK remains more vulnerable to supply disruption due to lack of storage capacity and the nature of the planning system which leaves critical national energy infrastructure decisions to the whims of local planning authorities.

Climate Change Policy/EUETS needs fundamental change

Corus is acutely aware of its responsibilities in relation to climate change. Our track record in reducing emissions and in improving our energy efficiency is a good one.

As a company we have been closely involved in the development of the Climate Change Agreement for the UK Steel Sector and in all the discussion related to the implementation of the EU Emissions Trading Scheme through phase 1 and phase 2.

In the context of globalisation, only about 30% of the world’s steel producing countries have signed up to the obligations of the Kyoto agreement, whereas 90% of all new capacity is being developed in the 70% not covered by a Kyoto obligation, almost all of which is based on making steel from iron ore in order to meet increased demand for new steel (which implies ongoing increases in CO2 emissions).

Therefore, the steel industry needs a scheme that can be extended globally so that steel companies across the globe are encouraged to improve their manufacturing efficiency.
Global steel production (2005) split by national obligations under Kyoto agreement.

![Global steel production](image)

Sources: IISI, IPCC

Our experience of the Emissions Trading Scheme leads us to a number of conclusions:

1. It is one of the more important factors in the recent rise in the price of electricity. However, auctioning the allocation to the electricity generators is not the answer because energy intensive industry will still pay the same elevated electricity price, even if some of the money finds its way into the pockets of our various finance ministries. As a consequence, the competitive disadvantage remains.

2. It distorts competition between manufacturers in the same sector in different EU countries and between EU manufacturers and those outside the EU.

3. It distorts competition between materials—for example, steel is included whereas aluminium is not, but expansion to include currently non-included sectors is not necessarily the right answer.

4. It fails to reward innovation or to recognise the significant efforts already made over many decades to reduce the carbon intensity of the steel industry, and, worst of all.

5. It is not creating the change in behaviour that the Emissions Trading Scheme was designed to encourage. In essence, the problem is being exported.

We believe that the solution that would make emissions trading work better in both our industry and in other energy intensive manufacturers starts with a sector-based focus on efficiency in manufacturing performance.

The benefits are that:

1. It removes reliance on imperfect forecasts of output, or on auctioning which would put us at a major economic disadvantage compared to those sectors that can easily pass on the cost of carbon to their customers.

2. It allows efficient installations to grow.

3. It removes the distortions to competition within the sector and between materials.

4. It takes account of the economic and technological potential to reduce greenhouse gases within the sector.

5. It can be extended beyond the boundaries of the EU, meaning that a global industry has the potential for a global solution.

This will require some changes to the EU Emissions Trading Scheme directive in order to implement such an approach, but we firmly believe that any alternative will leave European steelmakers increasingly vulnerable to non-EU based competition.
Employment costs and skills are critical factors

It is clear that employment costs in Europe are higher than in the developing world.

![Economy wide average earnings](image)

Source: Oxford Economics

However, taking account of increased productivity derived from a stronger skill base, the EU is still well-placed to compete, so long as the rest of the playing field is reasonably level.

This means that the health of the education system and the extent to which it prepares people for work in manufacturing industry is critical to our future success.

Supplementary memorandum submitted by Corus

1. Investment

In the evidence given by Corus to Q 545, Mr Leng & Mr Varin commented on the increase in capital expenditure in recent years.

Later, in response to Q 580, Mr Leahy expressed concern about levels of capital expenditure. Making particular reference to the rebuilding of No.5 blast furnace at Port Talbot following the tragedy in November 2001 as “not really an investment... it was paid for by insurance” and “a lack of substantial investment in the steel industry in South Wales”.

Also, in answer to Q585, comment was made about the amount of investment in South Wales in absolute terms and relatively to other parts of Corus.

Whilst it is true that the need to rebuild of the No.5 blast furnace at Port Talbot resulted from the tragedy at the end of 2001, in approving the project the company made a decision to make it possible for the output from the furnace to be increased as a result of further capital expenditure forming part of the heavy end development which was completed in 2005.

As will be seen below, capital expenditure since 2002, as reported in Corus’ annual report & accounts (published on www.corusgroup.com) has been well spread amongst our various sites, with a significant emphasis on Port Talbot (£208 million), IJmuiden (£179 million), Scunthorpe (£66 million) and Rotherham (£68 million) in terms of projects already completed.

Projects currently under way focus more on IJmuiden and Scunthorpe, but the future investment programme for all Corus sites is under consideration.
Since 2002, capital expenditure for the Group has been:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>UK%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>£188m</td>
<td>57</td>
</tr>
<tr>
<td>2003</td>
<td>£163m</td>
<td>53</td>
</tr>
<tr>
<td>2004</td>
<td>£375m</td>
<td>127</td>
</tr>
<tr>
<td>2005</td>
<td>£423m</td>
<td>143</td>
</tr>
<tr>
<td>2006</td>
<td>£449m</td>
<td>173</td>
</tr>
<tr>
<td>Average</td>
<td>52</td>
<td></td>
</tr>
</tbody>
</table>

Details of completed major projects for our main steel sites are shown below.

In addition, there are a number of projects that are under way and which will be completed in 2007 or 2008, amounting to £357 million. These are also listed below.

**Major capital projects since 2002**

<table>
<thead>
<tr>
<th>Completed in the month/period shown</th>
<th>Capital cost £m</th>
<th>Completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strip Division—IJmuiden</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reline of no.7 blast furnace</td>
<td>60</td>
<td>Q4 06</td>
</tr>
<tr>
<td>Vertical bending continuous casting machine</td>
<td>22</td>
<td>Q4 06</td>
</tr>
<tr>
<td>Paul Wurth top for no.7 blast furnace</td>
<td>21</td>
<td>Q4 06</td>
</tr>
<tr>
<td>Refurbishment of pellet plant</td>
<td>14</td>
<td>Q4 06</td>
</tr>
<tr>
<td>Increase in organic coated steel capacity</td>
<td>11</td>
<td>Q1 06</td>
</tr>
<tr>
<td>Refurbish slabyard cranes and track</td>
<td>6</td>
<td>Mar 03</td>
</tr>
<tr>
<td>Reline no. 6 blast furnace</td>
<td>38</td>
<td>May 02</td>
</tr>
<tr>
<td>Relocation of double reduction mill</td>
<td>7</td>
<td>Jul 02</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>179</td>
<td></td>
</tr>
</tbody>
</table>

| **Strip Division—Port Talbot**      |                 |                |
| Granulated coal injection           | 14              | Q1 06          |
| Upgrade of reheating furnaces       | 16              | Q3 06          |
| Heavy end development (UK restructuring) | 79              | Q1 05          |
| Refurbish Morfa coke ovens and related plant | 43          | Q3 05          |
| Rebuild no. 5 blast furnace         | 65              | Jan 03         |
| Cold mill link re-motorizing stands | 6               | Aug 03         |
| **Total**                           | 208             |                |

| **Strip Division—Corus Packaging Plus** |                 |                |
| Trostre—reconfiguration of electrolytic tinning line | 9               | Jul 02         |

| **Long Products Division—Scunthorpe** |                 |                |
| Reline of Queen Victoria blast furnace | 19              | Q2 06          |
| Premium rod strategy                  | 13              | Q4 06          |
| Medium section mill distribution centre | 10              | Q4 06          |
| Installation of a third ladle furnace | 10              | Q2 05          |
| Second vacuum degasser                | 7               | Q4 05          |
| Bloom caster enhancement              | 7               | Apr 02         |
| **Total**                             | 66              |                |

| **Long Products Division—Corus Engineering Steels** |                 |                |
| Rotherham—UK restructuring plan       | 68              | Q3 05          |

| **Distribution & Building Systems—Layde (Spain)** |                 |                |
| Pickling line optimisation and service centre development | 5               | Q4 06          |

<table>
<thead>
<tr>
<th><strong>In progress at end December 2006</strong></th>
<th>Capital cost £m</th>
<th>Completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strip Division—IJmuiden</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replacement of the control system for the hot rolling mill</td>
<td>17</td>
<td>Q3 07</td>
</tr>
<tr>
<td>Galvanising and cold rolling capacity</td>
<td>153</td>
<td>Q4 08</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>170</td>
<td></td>
</tr>
</tbody>
</table>

| **Strip Division—Port Talbot**      |                 |                |
| No.4 and 5 blast furnace heat recovery | 14              | Q3 07          |

| **Long Products Division—Scunthorpe** |                 |                |
| Long products strategic developments | 130             | Q3 07          |
| Reline of Queen Bess blast furnace  | 17              | Q1 07          |
| **Total**                           | 147             |                |
2. EMPLOYMENT

At the end of 2006, of those employed directly by Corus, approximately 18% have jobs that are directly or indirectly involved in the production of iron and steel (up to and including continuous casting) on our three integrated sites of Port Talbot, Scunthorpe and Teesside.

3. EU EMISSIONS TRADING SCHEME

We, and Community, were asked a number of questions about our written comments on the EU Emissions Trading Scheme (EUETS) as it applied to the steel industry. In particular, Community made a comment about the application of the new entrant reserve (NER) to Port Talbot.

As a point of clarification, we also regard the system devised in the UK to award allocations under the NER in phase 2 of EUETS as a disincentive to investment. These were changed between phase 1 and phase 2. For UK steel companies wishing to invest in new capacity, the rules are very complex and tend to under-allocate compared to projected emissions. In addition, the rules are deliberately designed to exacerbate that under-allocation by degrading the amount given to new investment by 5%.

These points have been discussed at great length with DTI and DEFRA to no avail. In the event, for Corus, the only new investment currently planned that might potentially be affected by these rules is the slab caster enhancement at Teesside, which is referred to above. However, if it comes on stream during the latter part of 2007, as planned, the effect of the NER rule changes will be relatively small.

However, should there be further investment planned in parts of our UK sites that are under the scope of EUETS that will come on stream between 2008 and 2012, we will very carefully have to consider the financial implications of having to purchase at least 5% of the CO2 needed to cover its emissions. Of course, at present, we have no knowledge of what system will be in place beyond 2012 and this leads to even greater uncertainty in terms of investing in capital equipment that could have an operational life beyond 2030.

3 May 2007

Memorandum submitted by Community

Community is the trade union which has in membership the great majority of employees in the steel and wire industry in Wales as well as in food, electronics, textiles and clothing, and other manufacturing industries. The commitment of the union to advancing the interests of its members, their families, and their communities is reflected in the work which it undertakes to advance the case for British manufacturing in its relations with Parliament, the Government, European Union authorities, and international organisations such as the Organisation for Economic Cooperation and Development and through the employment and training services it extends through Communitas. The union is involved in charitable and other community activities in Wales which promote social cohesion and expression of a Welsh perspective on British and international affairs.

In this evidence to the Welsh Affairs Committee the union will concentrate on the employment aspects of the inquiry, examining the possible implications for the relocation of manufacturing jobs and adjustment to new employment patterns. Our knowledge and analysis of the impact of globalisation is most developed in relation to the steel industry and this evidence is mainly concerned with the outlook for this industry. The union has given considerable attention to the possible consequences of recent European Union enlargement and of the massive increase in Chinese steel production and trade as well as the increasing concentration of steel ownership through the formation of Arcelor Mittal and most recently the takeover of Corus by Tata Steel. It should be noted however that the entry of Celsa into the steel industry in Wales since 2002 and the change of ownership of Alphasteel also represent an element of globalisation and concentration.

Most of these developments have taken place against a background of a very large increase in demand for steel since mid 2003, an historically high rate of global capacity utilisation, and a substantial rise in the prices of all steel products. Views about the degree to which high prices and exceptional profitability have become embedded in the industry so that they may be sustained over a long term or that they are a temporary phenomenon associated with the upswing of the steel cycle the descent of which will soon bring them down are divided. China in a very short period has moved from being the largest importer of steel to being the largest exporter and the OECD has drawn attention to the many projects in Asia and Latin America.
particularly for building new steel-making plant. Against this, the projected rate of capacity utilisation presently is high at about 93% and industry forecasts anticipate that it will remain above 85% through to 2010 at the earliest.

The International Iron and Steel Institute forecast continuing global demand growth for steel exceeding 7% per annum through to 2015. Demand for steel in India is expected to grow at above 10% for the foreseeable future and a lesser but still significant expansion of demand is expected in Latin America, the CIS, and Central and Eastern Europe. This is likely to prevent a serious decline in steel prices.

Whether high prices persist or not, Community considers that there are strong grounds for confidence that the steel industry in Wales can be profitable throughout the cycle and can sustain roughly the same number of reasonably paid jobs and contribute to the welfare of significant communities throughout Wales. Community also considers that the British steel and wire industry is a strategic national asset on whose future depends the prospects for British manufacturing industry as a whole; the capacity of the country to restore and maintain an efficient, safe and reliable transport infrastructure; and a self-reliant defence industries sector.

**APPROACH TO GLOBALISATION**

Community has chosen to embrace globalisation as on balance a force for good for its members provided that the play of international market forces is subject to a framework of law—principally enacted through the European Union—by which companies and other agencies are held accountable to the public interest and globalisation is placed at the service of working people and is conducive to the exercise of human rights round the world. This approach is based on an understanding of market forces as by no means the only engine of globalisation and an awareness that governments and intergovernmental institutions have shown that they have a positive role to play in facilitating globalisation to the benefit of national and international social and economic development.

This understanding stands in contrast to the view that the development of a unified international economy—facilitated by new communications technology—will transcend the authority of governments in even the world’s main economic powers and regions and see their influence over the organisation and distribution of economic power and wealth decline inexorably. This approach is often advanced in the context of attempts to demonstrate that private ownership is always an economically sound course and that efforts by governments; multinational companies or trade union organisations to interfere with the free interplay of market forces are dangerous or futile. Community believes that there is a role for government which is well understood in other EU countries but which is not exercised in the UK and should be.

**THE GLOBAL STEEL INDUSTRY**

Apart from its cyclical nature the steel and wire industry is characterised internationally by a high rate of labour productivity improvement, and widespread public intervention to promote national steel enterprises through investment subsidies and through resort to protectionism. The process of globalisation and integration has been slow in the steel industry, lagging behind most other manufacturing sectors and significantly behind concentration among the suppliers of ore and other raw materials as well as customers such as those in the automotive industry. The characteristic high costs of investment in steel plant, the necessarily large scale of the investments, and the vulnerability of the sector to cyclical fluctuations all have played a part in slowing the pace of mergers and acquisitions. State ownership in addition has often been quoted as the main factor obstructing consolidation.

Despite the continuing moves to privatise steel undertakings round the world, state ownership in China and in other major producing countries outside the OECD means that approaching half of global crude steel output remains in public hands. In China the recent evidence is of production becoming less concentrated, in part as a result of the reluctance of regional layers of government to close down obsolescent steel facilities for social reasons. It is important to note in this context that despite the rapid transformation of China into an exporter of steel, producers in that country have no natural advantage from ready access to cheap ore, other raw materials, or energy which the other potential global steel giants—India, the Commonwealth of Independent States, and Brazil—enjoy.

In OECD countries, public shareholdings in steel companies have mostly been terminated by privatisation over the last two decades but governments even in the United States have asserted an interest and a concern about the national strategic significance of steel. It is clear that the shareholdings, interest and influence of governments in the future of Arcelor and in the bid by Mittal to take it over have had a powerful influence on the tactics used by Mittal and Arcelor as well as on the media handling of the bid. There was little apparent interest in the takeover by Tata Steel of Corus in the United Kingdom but Tata made much of the advantage to the economic, strategic, and prestige advantages to India in its presentations to the public. It is public policy to discourage strenuously through fiscal means the export of iron ore from India and in other ways the Indian Government is careful to foster the development of the national steel industry.
STEEL IN WALES

Wales accounts for nearly half of British steel output. Corus remains far and away the largest producer of steel and wire products in the United Kingdom but it is only one of more than one hundred steel and wire-producing or steel-processing companies in the United Kingdom. The industry as a whole suffered the consequences of a failure to invest for much of the 1990s and the early years of the present century. The top management in addition showed a reluctance to take the Government into its confidence and to talk about ways in which the interests of the British steel industry might be advanced within the framework of EU law about competition, the environment and other provisions.

Since mid 2003 there have been dramatic positive changes in the conditions under which steel is produced in Wales. The introduction of a new management team in Corus and Celsa at that time coincided with a dramatic improvement in the profitability of the international steel industry as a whole, a weakening of Sterling against the Euro, and an increase in domestic demand for steel. The most significant change however was the decision of the new managements to invest in modern plant and equipment which was the basic requirement for retaining a profitable steel industry in Wales.

Corus rebuilt the blast furnace at Port Talbot destroyed in the disaster of November 2001 and the plant is now on course to produce five million tonnes of slab a year. The rolling mills and other finishing mills have not received significant investments though a new company—Corus Living Solutions—has been established by Corus at Shotton to construct steel living accommodation. With the improvements the combined rolling capacity of Port Talbot and Llanwern is capable of producing more than six million tonnes of strip products. The crucial objective for Corus at present is achievement of the five million target for crude steel and by 2010 reducing the unit cost of slab production to a level which would make it competitive with the costs of importing slab from India or another low cost producer. The new company might find it profitable to import slab to supplement the output of Port Talbot in order to take advantage of the efficient rolling capacity of Llanwern. Arcelor Mittal which also has direct access to raw materials has said that it considers that it would not be economic to import slab for rolling in its German mills because of the efficiencies of its steel-making plants in the country.

In December, 2006 Celsa, formally inaugurated its new electric arc furnace installation at Tremorfa works in Cardiff. The £80 million investment is intended to give Celsa a market-leading position in the UK market for rebar and merchant bar and increases Celsa’s Cardiff melting capacity to over 1.2 million tonnes a year. The furnace is extremely energy efficient to help compensate for high energy prices in Britain, and it has been designed to meet current and future carbon emission control regulations. Alphasteel was reported this year to be planning investment to extend its production of crude steel and reinforcing bar over the next few years, the main part of which was reported to be the introduction of a 800,000 tonnes per annum capacity electric arc furnace. That would double steel production with the same power consumption. Both the Celsa and Alphasteel operations benefit from the relative ease of access to scrap in Wales and the United Kingdom as a whole compared with most other European Union countries.

Community is convinced that with the new plant and a continuing programme of investment in the Welsh installations there is no reason why the industry should not remain competitive and profitable and that present employment levels in Wales should be maintained. Steel production in Wales will have the substantial price advantage—about £35 per tonne—of proximity to its major customers in the British construction and manufacturing sectors and with further improvement in services to customers should also be able to respond with greater speed and flexibility to customers and make the UK price premium even more valuable. The sustained and massive increase in sea freight costs has also worked in favour of British production.

Community has been critical of the approach of Corus to UK market share in the UK, arguing that the company has consistently underestimated the scope for profitable sales in Britain. At present Corus has half of market share for its products. It is encouraging that Tata Steel appears to share the view of Community that profitable expansion of production and sales in the UK should be the target of the new company. More generally, the acquisition of Corus by Tata Steel offers great opportunities for taking advantage of synergies and doubling the present notional average earnings before interest, taxation, depreciation, and amortisation of the new company to about 25%, the Tata Steel/Corus target which would be better than the average for the global industry at present.

PUBLIC POLICY FRAMEWORK

The ISTC and Community have been critical of the approach of British governments over two decades for their lack of attention to the needs of British manufacturing and their failure to address the disadvantages which manufacturing in the United Kingdom faces in competing with producers in other European Union countries. Despite the success of the Government since 1997 in fostering steady economic growth through policies making for stability and the control of inflation, Britain has been losing jobs in manufacturing at a faster rate than any of the other large EU countries. Last year the number of manufacturing jobs fell below three million: it had been above four million in 1997.

The competitive disadvantages have stemmed from a range of public policies but in recent years trade and foreign policy, energy, and environment policies have been the most significant.
TRADE AND FOREIGN POLICY

International steel trade gives rise to more disputes than any other industry and the approach of governments to their responsibilities to guard against unfair trade makes a significant difference to steel companies. In its response to the US protectionist measures in 2002–03, the British Government appeared to make no special representations to the US Administration about measures which harmed British industry, particularly small firms dependent on exporting to the US. The Government stood out against the governments of other major steel-producing countries in the EU by voting to block anti-dumping measures against hot rolled coil imports from three countries just at a time when British steel producers were in critical situations and making heavy losses.

Representatives of the Commission have acknowledged recently that trade tensions were likely to increase as a result of present trends in Chinese exports and production and climate change measures but they have not given any indication that they had a strategy to protect the interests of the steel industry in Europe against unfair competition. It was said that the Commission was in discussion with the Chinese authorities who were aware of European concerns about unfair trading practices and climate change. The EU itself was having difficulty in reconciling its climate change measures with action to promote European economic competitiveness and would certainly not be able to resolve the problems for producers on its own. European steel producers have asserted that Chinese producers and authorities were infringing the rules of the World Trade Organisation in many ways. However, presently it appears that the British Government is the strongest supporter of the approach of the EU Commission member for trade to removing defences against dumping and other unfair trading measures.

THE ENVIRONMENT

The Welsh Affairs Committee will be aware of the strong opposition of all the steel unions to the Government’s decisions about the new entrants provision in the second phase of the EU Emissions Trading System. Community regarded the decision to switch from the integrated approach in calculating allocations as perverse and seriously damaging to British manufacturing interests. It was introduced in June 2006 at a late stage in the discussions about Phase 2 and no adequate explanation was given for changing the methodology which the trade unions, the UK Steel Association, and Corus and other companies significantly affected made clear was grossly deficient by allocating insufficient permits and, more importantly by impairing the competitiveness of British companies in the EU, and being a potent disincentive to UK investment in the industries concerned. In the event Corus acquiesced in the issues, having secured assurances about the adequacy of the allocations to the company overall. The unions criticised Corus management for that decision and remain of the view that it will deter investment. The Parliamentary Under-Secretary of State for Trade and Industry acknowledged in the House of Commons on February 20 that Corus would be worse off under the new direct approach and that the reduction in allocations would be concentrated at Port Talbot.

The direct methodology for new entrants will mean that the much-needed investment programmes introduced by nearly all of the British steel producers will be rendered less profitable and the companies concerned will all have an additional incentive to increase production in other European Union countries and will not apply the direct methodology to iron and steel operations in their countries. In the view of Community, it will have an adverse impact on all manufacturing in Britain. The loss of the investment would prevent British companies from securing higher rates of carbon efficiency and as investment was diverted to other steel producing countries, where typically carbon efficiency does not match the high standards of the UK, net global carbon dioxide emissions would almost certainly be increased.

Ministers appear to be convinced that the Emissions Trading Scheme is working well. This is not the experience of producers and trade unions in the European Union. The different methodologies applied in allocating the new entrant reserve is just one example of the inconsistencies in the ways in which the Scheme is being applied. Phase 1 demonstrated that companies in most other EU countries had greater surplus margins in their allocations than did companies in the UK. The prediction of Corus that about one quarter of the increases in the price of energy to steel companies would be attributable to the Scheme has proved to be very close to the outcome so far in a period of exceptionally steep energy price increases in contrast to the forecast of DEFRA. One indication of the unfairness of the present operation is the Mittal acknowledgement last year that it had received seven million tonnes of carbon dioxide permits more than it would need. The Government has a duty to address the application of the Scheme to close as many as possible of the many loopholes in it and achieve as far as possible a common and fair system of definitions, standards and methodologies for estimating needs and verifying outcomes which could make the ETS an acceptable instrument for curbing emissions.
UK ENERGY PRICES

The trade unions representing employees in the steel industry have made many representations to the Government on the issue of excessive prices of energy over the last two years and on their concerns about the serious decline in generating capacity over the next decade without obtaining any substantive response. This approach stands in contrast to the helpful interventions of the Welsh Assembly and particularly of the First Minister whose energy and attention have been most welcome to the trade unions. The latest information available to us indicates that electricity prices for industrial customers were about fifteen per cent higher in the UK than in Germany and France in the third quarter of 2006. The margin of disadvantage has been reduced since 2005 but the higher costs bit deeply into the profitability of the Welsh steel plants. The reduction in energy prices because of improved supply and the mild winter has not benefited steel producers proportionately because of an element of the EU Emissions Trading Scheme being incorporated in the price of electricity. Corus estimates that average prices for electricity will remain above £50 per mega watt hour compared to French and German prices at below €50 per MGH.

The Government has not taken action to redress the competitive disadvantage which affects all British manufacturing but especially heavy users of energy such as steel producers. Community has supported proposals for some part of the emissions trading permits presently awarded to the electricity generators to be awarded to the heavy users which would prevent the generating companies from passing on CO2 costs to these consumers.

CONCLUSION

In many other ways the Government has betrayed a view of the steel industry as obsolescent and in irreversible decline despite the remarkable achievement of several companies with the full support of their workforces and the trade unions of restoring profitability and investing large sums in the UK. The Government’s approach to the national steel industry stands in sharp contrast to the liberal application of EU rules in other EU countries, not least in respect of climate change measures and in public procurement. The trade unions do not ask for favours—just treatment equivalent to that extended to producers in other EU countries and a readiness to listen to representations being made on behalf of the industry even when they challenge the Government’s ideological certainties.

April 2007

Memorandum submitted by Higher Education Wales

ABOUT HIGHER EDUCATION WALES (HEW)

HEW represents the interests of Higher Education Institutions (HEIs) in Wales and is a National Council of Universities UK. HEW’s Governing Council consists of the Vice-Chancellors and Principals of all the HEIs in Wales. HEW provides an expert resource on all aspects of Welsh higher education.

Higher Education Wales is represented by its Chairman, Professor Merfyn Jones, who became the University of Wales, Bangor’s, sixth Vice Chancellor in 2004 having served previously as a Pro Vice Chancellor and Head of the School of History and Welsh History. He has served as a member of the Broadcasting Standards Commission and served a four-year term from 2003 as a member of the Board of Governors of the BBC and Chair of the Broadcasting Council of Wales.

HEW is also represented by its Director, Amanda Wilkinson. Amanda has been Director of Higher Education Wales since November 2004. Previously she held three posts with the CBI, as director for the South West of England, head of policy for Wales and as senior adviser on SME matters. During her early career she worked for the Institute of Revenues Rating and Valuation, representing local authority finance officers and property professionals. She has served on numerous advisory bodies representing local government, business and higher education.

INTRODUCTION—THE OPPORTUNITIES AND CHALLENGES OF GLOBALISATION FOR WALES

1. Higher education institutions across Wales are committed to help Wales succeed in meeting the challenges of globalisation. As the leaders of our emerging knowledge economy universities are well placed to facilitate a Wales in which declining manufacturing and clerical jobs are replaced by highly skilled jobs in growing sectors of the global economy. The HE sector is committed to this vision and is working with partners in government and the private sector to bring it to fruition. Higher education in Wales does not yet have sufficient resources to make the most for Wales of the opportunities presented by globalisation and we are working to make the case for levels of funding that are commensurate with the public value we can add. HEW therefore welcomes the opportunity to give evidence to this timely inquiry.
2. Our evidence will focus on the impacts for Wales of globalisation in terms of employment (point one of the inquiry remit) and in relation to the expanding role of the creative industries (point four of the remit). In relation to point one of the committee’s remit our evidence will focus on the projected changes in employment patterns and their effect on the Welsh economy. This will lead directly into a discussion of the important “skills agenda” and specifically the Leitch Report on “Skills in the UK” published in December 2006. The paper will conclude with some policy issues that will need to be addressed by the UK Government if higher education is to make its optimal contribution to the Welsh economy and society in the context of globalisation.

Globalisation and Employment Patterns in Wales

3. Globalisation will continue to have a considerable effect on employment patterns in Wales and throughout the UK. The Sector Skills Development Agency’s series of reports, entitled Working Futures (of which the latest was issued in January 2006), presents the most comprehensive work that is available on employment projections for the UK. The depth of their analysis also allowed specific projections to be made for Wales.19 The decline in manufacturing employment, clerical, and manual employment will continue, with the latest Working Futures report showing a gradual acceleration in this decline compared to estimates contained in their 2004 predecessor study.20

4. These projections show that there will be considerable growth in employment for managerial, professional, technical and personal service occupations (notably including health and beauty practitioners) from 2004–14. The overall trends outlined in Working Futures are generally true for the Welsh labour force according the report’s lower level spatial analysis. This analysis for Wales does show, however, that demand for replacement jobs will ensure that overall employment growth will continue across most sectors of the economy.21

5. Perhaps the key finding of the Working Futures research for the HE sector is that the clear majority of growth in net new jobs (that is, non-replacement job growth) will be in managerial, professional and technical employment22 where high level skills are the norm. This means that availability of high level skills will be the key driver of net employment growth in Wales and the UK—and certainly the dynamo for employment growth in well paid employment where graduate skills are valued. Universities will therefore play an absolutely central role in the developing skills agenda in the UK to which we now turn our attention.

The “Skills Agenda” and Globalisation—Higher Education’s Leading Role

6. The Leitch Report on Skills has successfully highlighted the pivotal role that skills will play in responding the challenges of globalisation in the period to 2020 and beyond. On the foundation of a sound evidence base the report recommended a series of policies that would raise skills levels across the board. In particular the report made a strong case for the further expansion of participation in higher education by calling for the proportion of the UK adult population with level 4 skills (higher education qualifications) to be raised from the current level of 29% to 40% by 2020.23 The report calls for a step change in employer engagement with skills and for the costs of increased skills to be shared equitably between the learner, the state and the employer.

7. The comprehensive cost benefit analysis that provided the background evidence to the Leitch Report demonstrates that the greatest net benefit to the UK economy would come from investing in level 4 higher education skills when compared to the same notional investment in intermediate or basic skills.24 This conclusion is reinforced by robust survey evidence from Welsh employers themselves which shows that the analytical and communications skills possessed by graduates are valued increasingly by employers.25

Higher Education and Wales’ Emerging Knowledge Economy

8. Higher education is leading the emergence of the knowledge economy in Wales by facilitating knowledge transfer for innovation, raising skill and productivity levels in the labour force and acting as a “hub” for creative industries. As a report for the Work Foundation states, the move towards a knowledge economy is “part of the strategic response to the threat to UK jobs of imports from low wage economies”.

21 See Working Futures—Spatial Report under the Wales section p.193.
23 Please see para. 3.61 of the final Leitch Report. Participation rates in HE have usually been expressed in the UK at the 18-30 age level at which Wales and England are at 42% with Scotland exceeding 50% participation. Leitch rightly shifts the focus to all age learning and participation.
24 Please see the Leitch Review—Interim Report (December 2005), section 4.81.
resulting from globalisation. The move toward high value services and products is at the heart of the Lisbon Agenda for Growth and Jobs which sets out that Europe should have “a strategic goal for the next decade: to become the most dynamic and competitive knowledge based economy in the world”.  

9. In Wales universities are already fulfilling this important economic mission. In 2003–04 Welsh universities created 24 new “spin out” and “staff start up” businesses earning £25m a year—proportionately outperforming most English regions. The majority of universities in Wales provide bespoke courses for business in Wales at their workplace and three quarters provide businesses with distance learning courses. Welsh universities also provide a crucial consultancy resource for private and external bodies from which they earned £24 million in 2003–04 and in the same year Welsh universities gained well over £100 million in export earnings for Wales from tourism and international student income. Overall, without taking into account the added value to the Welsh economy in higher skills and innovation, the HE sector contributed over £1.6 billion to the Welsh economy in 2004–05—4.6 times the core grant received from the Welsh Assembly Government.

10. The UK Council for Industry and Higher Education (CIHE) has published important research which concludes that higher education lies at the heart of our competitive advantage in the global economy. According to leaders and senior managers from a wide range of multinational businesses this is because:

— our universities have a culturally diverse student body (diversity is a strength and encourages innovation);
— our HE system has problem-based learning at its core (challenging received wisdom stimulates innovation);
— our multidisciplinary approaches have strengths in arts and social sciences augmenting those in natural sciences;
— our strong science base and our university system has the overall breath and quality to make our offering at least as good as any other.

11. Wales attracts over 14,000 international students from across the globe. These students contribute to the diverse student body of the university, help introduce new perspectives into research and help to broaden the cultural life of a locality. International students frequently continue their links with Wales and serve as “ambassadors” when they return home, often rising to senior commercial or official capacities. Higher education itself has become a global business.

12. The fact that Wales is taking a leading role in the development of the Bologna Process, which will establish a European Higher Education Area by 2010, will ensure that our universities are linked into significant developments which will have ramifications for higher education well beyond the continent of Europe.

GLOBALISATION, HIGHER LEARNING AND SOCIAL INCLUSION

13. Access to a university education has always been an important springboard to better living standards in Wales and beyond. For many people in Wales a degree has helped to advance their careers, broaden their horizons and raise their aspirations. HEW believes that the expansion of higher learning is one the most important ways in which social inclusion can be fostered. This will be crucial as a countervailing force against the negative effects of globalisation which can lead to unemployment or employment in low paid, low prospect jobs. This reinforces research commissioned by the Leitch Review of Skills which found that investment in higher levels skills had the potential to help reduce some of the regional inequalities within the UK economy depending on the extent that regions can retain graduates. Recent evidence from the Institute of Employment Studies demonstrates Wales retains around the same proportion of graduates as comparable English regions.

14. The Welsh HE sector outperforms England in widening participation to groups who have not traditionally benefited from higher learning. The sector has clearly prioritised widening access programmes and is pro-actively working to attract applicants from all social and geographical backgrounds in Wales.

15. Graduate skills remain an important ladder for lower income groups to improve their earnings and status. Recent research in Wales and across the UK shows that, despite the very substantial increase in participation rates since 1993, the “graduate premium” is holding up well and remains substantial.
Globalisation and creative industries—universities as creative “hubs”

16. Universities can help foster the knowledge economy by acting as “growth poles” or “hubs” around which high value creative industries cluster. These companies often recruit from the university graduate pool, commission research or consultancy services from the university and benefit from the general knowledge environment that a university can engender. When critical mass develops in a particular area a “creative hub” can emerge. Some reputable economists have recently placed great emphasis on the benefits of creative/ knowledge hubs for an economy going as far as suggesting that such hubs can become a principal driver of economic growth across a national economy.35

17. Wales is currently developing some small hubs of which visual media and animation in South Wales is an example. Five Higher Education Institutions in the area provide courses and research in the audio visual media field. Skillset Cymru, the Sector Skills Agency for Audio Visual Industries in Wales coordinates the training work of the industry. The HE sector aims to foster further growth poles in Wales in the years ahead. 

How the UK Government can assist Welsh universities meet the challenges of globalisation

18. Under the HE “dual support” system the UK Government has responsibility for funding the science base (led by the DTI) and the UK Research Councils. The Welsh Assembly Government provides funding via the Higher Education Funding Council for Wales (HEFCW) for teaching and learning and core funding for general academic research (known as “QR funding”).

19. HEW welcomes the UK Government’s continued commitment to investment in the university science base. The substantial increases in the DTI science and innovation budgets have enabled universities in Wales to improve their science infrastructure and the announcement in the 2007 Budget of an increase in the science budget from £5.4 billion this year to £6.3 billion in 2010–11 is positive news for the Welsh HE sector. However without complementary adequate funding from the Assembly Government through the Welsh funding council the benefits of this additional resource cannot be exploited fully by the sector.

20. Levels of overall public investment in HE in Wales lag well behind England, Scotland and some of our key international competitors. HEFCW estimates a £41m funding gap exists between the HE sectors of Wales and England.37 We would welcome a move from the Welsh Affairs Committee to draw the attention of opinion formers and decision makers in Wales to this increasing deficiency in core university funding.

21. The funding gap between Welsh and other British universities is compounded by international differences in levels of public investment in higher education. Despite the recent increases in university science investment the UK Government invests only 0.8% of GDP on HE compared to the OECD and EU average of 1.1%. Some of our key Anglophone competitors also invest consistently more public money in HE as a share of GDP (USA 1.2%, Canada 1.3%, Ireland 1%).38 The “small, clever countries” of the EU (Scandinavia and the Baltic states) have prioritised investment in HE to advance the development of their knowledge economies in the face of globalisation. Wales and the UK must aspire to the same goal.

22. The European Commission has highlighted the role of HE in meeting the Lisbon targets for Growth and Jobs and has proposed a specific target of total private and public investment in HE of 2% of GDP39 (public and private HE investment stood at 1.1% of GDP in the UK in 2003). Only action by the UK Government could begin a trend to raise our investment levels in HE to such levels over a period of time. The forthcoming CSR period gives the UK Government a chance to work toward this European Commission target. This target be partly met with a commitment from the UK Government and the Assembly Government to work towards the Leitch Report goal of 40% all age learning participation. Reaching this target would help the social inclusion agenda in Wales and allow us to be ahead of the curve in adapting to globalisation.

Conclusion

23. It has been said that in the medieval era traders gathered around the Abbey or Cathedral and that during the industrial revolution commerce clustered around the factory, but that in the knowledge economy of the twenty first century growth industries will cluster around universities. Higher Education in Wales is enthusiastic about this important role and we are working to ensure that the Wales can turn the tide of globalisation to our collective advantage. With the right investment levels and a partnership approach from the UK and Assembly Governments we will succeed in that task.

April 2007

35 For a concise summary of “the Florida thesis” which presents such an argument, please see “Where the Brains are”, Richard Florida, The Atlantic Monthly, October 2006, pp 34-36.
36 Please see http://www.skillset.org.uk/cymru/FE—HE/ for more information.
37 The HEFCW “Funding Gap report” can be accessed here: http://www.wales.gov.uk/documents/cms2/EducationLifelongLearningAndSkillsCommittee/AgendasPapersTranscripts/aed60343b42206c93adbe78a6b23913.pdf
Memorandum submitted by the Transport and General Workers Union (TGWU)

WULF PROJECT QUARTERLY PROGRESS REPORT

WAG reference: 177

UNION: TGWU

Project Title: Access Across Wales

Quarter: 4 January to March 2007

<table>
<thead>
<tr>
<th>Project Aims</th>
<th>Progress this quarter</th>
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<tbody>
<tr>
<td>To build on the good practise established by the Access for All project and develop new centres in Wales</td>
<td>Planning and preparation for Networking event to be held in Llandrindod Wells</td>
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<td></td>
<td>Meeting held with CRE, TGWU Officer, TUC, Project Manager and Organising Officer to discuss agency mal practice—which resulted in a number, issued which local MP has taken up and discussed with the Polish Ambassador, trade unions and members of parliament. A select committee is now being set up and the project will inform that committee.</td>
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<td></td>
<td>The project is now linking into the TGWU Migrant Workers Support Unit which provides legal support for Migrant Workers</td>
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<tr>
<td>Learning will follow the learners, with the development of on-line contact and support</td>
<td>Possibility of using site set up by the Open Door Project in Flint being explored at present</td>
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<tr>
<td>We will provide 36 courses across Wales. All courses will incorporate Citizenship skills</td>
<td>Courses continuing under a rolling programme in North Wales- Llandudno Library, Arriva Buses, Llanrwst Nursing Home</td>
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<td></td>
<td>Two monthly (six) conversation classes for approx 25 people held in Llanelli</td>
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<td></td>
<td>Drop in ESOL classes are also being held every Friday in Flint</td>
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<tr>
<td>We will have a minimum of four ESOL Teaching Champions in North West Wales, North East Wales, Mid Wales and South Wales</td>
<td>In total</td>
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<tr>
<td></td>
<td>One Expert Teaching Champion</td>
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<td>Two Teaching Champions</td>
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<td>Each centre will have a minimum of two (eight in total) Learning Champions who will help to support new learners and provide citizenship support</td>
<td>Mid Wales teaching champion has had to drop out as the company has for the time being withdrawn support</td>
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<tr>
<td>We will form links with local community groups eg Communities First; local police force equalities officers.</td>
<td>In Total</td>
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<td></td>
<td>Six recruited across Wales</td>
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<tr>
<td>We will host a residential event in Coleg Harlech after the first year of the project for Teaching/ Learning champions; ULR’s and learners to review progress and plan for year 2 of the project. There will be an opportunity for learners to put on a cultural exhibition at the event.</td>
<td>Mid Wales learning champion has dropped out as above</td>
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<td></td>
<td>Links made with Open Door Project in Flint which is a partnership initiative involving Flint CC and local police which aims to promote community cohesion and integration for migrant workers</td>
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<tr>
<td></td>
<td>Community First Officer has become a Teaching Champion</td>
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<td>Initial discussions taken place</td>
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</tbody>
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Next Steps
(what do you plan to do next quarter)

— Hold dissemination Event in Llandrindod Wells to discuss best practice
— Explore BECTU roving rep model to make contacts in South East Wales
— Further Links to be made with Brains Brewery and LANTRA SSC
— Finalise plans for Residential Event
### Project Aims

<table>
<thead>
<tr>
<th>Measurable Targets</th>
<th>Progress this quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least four ESOL centres to be established in North West Wales, North East Wales</td>
<td>— We have developed Learning Centres in Llandudno Library North Wales</td>
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<tr>
<td>and South Wales.</td>
<td>— Arriva Trains North Wales</td>
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<td></td>
<td>— Llanwrst Nursing Home North Wales</td>
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<td>— Flint Open Door Center North Wales</td>
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<td></td>
<td>— Llanelli Polish Centre West Wales</td>
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<td></td>
<td>Exploring other routes to developing the Network in South East Wales</td>
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<tr>
<td>Each centre to have a Teaching Champion in place by the end of year 1</td>
<td>Each Learning Centre has designated teaching champion. Some champions cover more than one centre</td>
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<tr>
<td>Each centre to have at least two Learning Champions by the end of the project</td>
<td>We are working towards this target</td>
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<tr>
<td>A minimum of 120 learners to have accessed learning by the end of the project</td>
<td>This quarter 42 learners in Flint accessing ESOL or drop in conversation classes</td>
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<td></td>
<td>Approx 150 attending informal conversation classes in Llanelli and students continuing the rolling programme in the other North Wales Centres</td>
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<tr>
<td>At least 40 learners to gain accreditation by the end of the project</td>
<td>Information not yet available but we are confident of meeting this target</td>
</tr>
<tr>
<td>Learners to have access to ESOL Initial Assessment as a part of each course</td>
<td>All learners undertake ESOL initial Assessments as part of the Esol Course—final figures not yet available</td>
</tr>
<tr>
<td>Individual Learning Plans to be developed for all learners</td>
<td>All ESOL learners will have learning plans. All informal learners receive advice, guidance and signposting</td>
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May 2007

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**Memorandum submitted by the TGWU**

**Access Across Wales—Summary of Aims Wales Union Learning Fund Project**

T&GWU will build on the success of the “Access for All” project and extend the good practises developed on an all Wales basis.

The highly mobile nature of the migrant European workforce means that it is particularly difficult for many individuals to access learning and sustain it. This project aims to create a network of centres across Wales so that learners can access similar provision in a variety of locations across Wales and enable them to maintain some contact with key people and colleagues who are involved in the project.

The primary aim would be to develop a national network of provision that shares the same good practice and offers provision and links with all areas to support the workforce and to help them to integrate with local communities. This aim would be supported by networking closely with local community groups such as Communities First; BEST, Mewn Cymru; local police equalities officers; Commission for Racial Equality (CRE); and NWREN. All of these groups have been contacted within the initial project.

By incorporating the use of Citizenship materials produced by NIACE Dysgu Cymru and by the Basic Skills Agency existing work will be utilised. All tutors will be already trained or will engage in training on Basic Skills ESOL courses. An internet community will be established to maintain links between tutors in each area and between learners across Wales.

We will work with companies where there are identified groups of migrant workers and with agencies who are supplying personnel to these companies with the aim of helping both types of employer to raise standards of awareness of issues relating to this group of employees. We will also try to make the provision as flexible to the needs of employers and employees as possible. We will promote the role of the Union Learning Representative as a means of liaising between the educational providers and the companies and their employees. Tutors will make use of available facilities in Union Learning Centres; College premises; factory learning centres whichever is the most appropriate.

May 2007
Memorandum submitted by Wales TUC and TGWU

1. EMPLOYMENT

The effect of EU enlargement on employment in Wales has been apparent during the course of our involvement in the TGWU project involving the employment of migrant workers in Wales. Although the numbers in Wales are lower than in some parts of the UK there are growing numbers of employees being brought in to the area by employment agencies.

Wales gains from migration. Studies show that the overall levels of employment and wages are slightly higher as a result of migration and migrant workers pay more in taxes than the value of public services they receive. The accusations of the extreme right that immigrants take workers' jobs or are a drain on the welfare state are as false as they have ever been.

Immigration is also beneficial for the home country of immigrants—the income gained from wages sent back outweighs loss of skills to the home country. Immigration is, on balance, positive for immigrant workers. However individuals can face serious risks of exploitation and social exclusion here in Wales and in the UK.

There are some key areas of concern:

- The highest level of demand for labour is to fill unskilled jobs and there is a shortfall in local supply of labour which is why companies are using the agencies.
- However, a perception exists within local communities, which in some cases has been driven by the far right, that employment for local people is undermined. It is believed that employers are more likely to rely on filling labour gaps with agency workers at lower cost. This has implications for community cohesion—the perception of local people is that their jobs are being undermined by agency workers who come from Europe.
- Where lower paid, lower-skilled migrant labour is used, it can impact on the overall skill levels of the workforce and potentially undermine provision of quality employment.
- The Gangmasters Licensing Authority is currently working in the food processing industry to enforce standards within the agencies supplying labour to the sector. This is a positive force, but agencies seem to be flouting the efforts of the GLA by working in partnership with European agencies who are not regulated from within the UK.
- Agency workers are exploited:
  (i) Hot bedding eg eight people to a room working on different shifts and sharing beds.
  (ii) Deductions from wages for accommodation and travel leaving little money from wages. Pay is also sometimes incorrect and employees have little or no power to contest this with employers.
  (iii) Lack of employment contracts. Limited or no information supplied on terms and conditions.
  (iv) No information supplied on working hours ie people often don’t know when their shift will end.
  (v) 0 hours contracts—agencies may bring people here and then leave them with no employment and no income for a period of time.
  (vi) Intimidation and threats to both self and family so that challenges to terms and conditions of employment are useless.
  (vii) Health and safety issues. The agency standards are often different from those of the employer. There are examples of inadequate safety boots being used etc; language issues—employers should have a duty to ensure that H&S information is fully understood.
  (viii) High charges made by European agencies and misleading information on employment supplied.
  (ix) The Workers registration scheme is abused by some agencies who charge £120.00 to send unnecessary applications for residency and then mislead employees with the Home Office reply into believing they are now registered. In fact the legal status of the employees is self employed (as per their contracts) and they do not actually need to register at all.
- Companies are considering the relocation of their production across Europe to reduce labour costs.

2. POPULATION AND POPULATION MOVEMENT

- Migration Flows—it is difficult to track movements of EU citizens within Wales due to the activities of the agencies who meet demands by using a mobile work force. Some are given contracts of employment within the core workforce but many are moved on a regular basis.
- Impact on IAG services—CAB report high levels of European migrants seeking IAG due to welfare/debt issues.
— Those EU workers who settle in the area send their children to Welsh schools who have to adapt to meet the needs of diverse linguistic groups.
— Care of senior citizens—many care agencies use migrant labour. Often qualified as nurses or at other professional levels within their own country, they are usually employed as carers at the lowest levels of employment in Wales. Communication issues are an issue—Welsh can be the main medium of communication for elderly care clients and quality care depends on good communications, so poor English/Welsh skills can impact on care levels.

3. Food Production and Supply
— Food production and supply is one of the main areas of work that is accessed by migrant workers via the labour supply agencies on first moving to Wales.

Recommendations
— support for the local workforce in skills improvements (as identified by Leitch Report);
— support for the migrant community (including ESOL) and help them to utilise the high level of skills many bring with them;
— legislation and policing to impose quality agencies and to prevent them from using European agencies who do not meet those standards;
— liaison with European unions to publicise reputable agencies and employment rights to prospective UK workers; and
— community cohesion initiatives to integrate EU workers with the local community and introduce local culture/language etc.

We believe that the organisation of migrant labour into trade unions is the key lever by which many of the issues surrounding immigration can best be addressed. Collectively bargained agreements ensure pay parity between workers employed by an employer and a regularisation of terms and conditions of employment.

The TGWU WULF project has done much to assess and address the learning needs of migrant workers who are trade union members and has thus sought to impact positively on social cohesion.

May 2007

Memorandum submitted by the Wrexham County Borough Council

1. Purpose of the Report
1.1 To provide an update on the implementation of the Migrant Worker Action Plan produced by the Joint Member/Officer Task Group on Migrant Workers.

2. Information
(a) Background

2.1 Since the enlargement of the European Union in 2004, Wrexham like many other towns and cities in the UK and indeed across Europe have seen an increase in economic migration. It is difficult to be precise about the numbers of economic migrants in Wrexham, but estimates put numbers at several thousand.

2.2 In June 2005 (AMR 13/05) Members approved a detailed action plan on issues associated with economic migrants coming to Wrexham to seek employment. This action plan was a product of the Joint member/Officer Task Group on Migrant Workers established in February 2005. It considered the implications for the Council and other public sector agencies arising from the increase of economic migrants coming to Wrexham. A number of update reports have been brought to Scrutiny and to the Executive Board.
(b) Impact

2.3 The implementation and ongoing review of the Action Plan confirms that Wrexham has and is experiencing significant changes in its demographic composition as a result of economic migration. There has been a significant impact on two Council services in particular—Education and Public Protection. Both services have responded positively to these challenges and, with increased investment from internal and external sources, have met them. The work of these and other departments has ensured that there has been no adverse impact on services to other vulnerable groups.

2.4 Translation and interpretation services have been provided where appropriate and work is ongoing to provide more co-ordinated, cost effective support.

(c) Issues

2.5 It is recognised that there is a significant lack of accurate data in relation to economic migrants from the A8 Accession States. Allocations of National Insurance numbers to overseas nationals have provided only a general indication of the number of economic migrants in Wrexham County Borough. Partner organisations share our difficulty in obtaining accurate data in relation to the number of economic migrants and their social and cultural needs. This lack of detailed information is being addressed by the Council and partners in a number of ways:

— Research and consultation planned by the Community Cohesion Co-ordination Group during 2007/8 will identify the diversity of our community and will clarify their needs in respect of services.
— The development of a multi agency Community Cohesion strategy will enable us to develop clear baseline data about our diverse communities based on information and consultation, commitment and engagement.
— A shared responsibility across all public sector organisations to implement the requirements of the Race Relations Amendment Act, including ethnicity monitoring.

2.6 Collectively this information will assist all partners in planning and developing appropriate services that more effectively meet our customers’ needs.

(d) Community Based Support

2.7 In 2005 both the Caia Park Partnership [CPP] and the Wrexham Citizens Advice Bureau [CAB] experienced increasing service pressures in relation to their support for economic migrants. Members of the Executive Board therefore approved six months pilot funding to enable each organisation to develop community based support for economic migrants. Following further reports to the Executive Board in May [AMR/07/06] and October [AMR/14/06] the funding was extended to September 2006 [Caia Park Partnership] and March 2007 [CAB]. Monitoring of the CAB contract is taken forward through the Community Cohesion Co-ordination Group. Both organisations have secured 3-year National Lottery Fair Share funding to take this work forward.

2.8 The Caia Park Partnership now co-ordinates a bi-monthly practitioner group in relation to migrant worker issues. This provides a multi agency forum for sharing information and developing a joint approach to operational issues. In addition the group provides feedback to the Community Cohesion Co-ordination Group to support the development of County Borough-wide initiatives in relation to migrant workers.

(e) The Way Forward

2.9 The majority of actions contained within the Migrant Worker Action Plan have now either been completed or subsumed within the mainstream work of departments. Where appropriate on-going monitoring of migrant worker issues are now part of each department’s service plan.

2.10 Continued monitoring in relation to migrant worker issues will be taken forward by the Community Cohesion Co-ordination Group. All future issues identified for action will be subsumed within the Community Cohesion Strategy which will be developed during 2007/8. As requested by the Co-Chairs the draft Community Cohesion Strategy will be presented to the Corporate Governance and Scrutiny Committee for consideration in autumn 2007.

(f) Corporate Governance and Policy Scrutiny Committee

2.11 The updated action plan was presented to the Corporate Governance and Policy Scrutiny Committee on 4 April 2007. While Members were broadly pleased with the progress made in implementing the action plan concern was expressed regarding the future role of the Committee in monitoring and reviewing issues of social inclusion and economic migrants. The Chief Economic Development Officer confirmed that a draft Community Cohesion Strategy would be submitted to the Committee in the Autumn 2007, for Members consideration, prior to its submission to the Executive Board.
3 Recommendation

3.1 The Executive Board is recommended to note the progress made in implementing the Migrant Worker Action Plan.

Memorandum submitted by Association of Voluntary Organisations in Wrexham

Introduction

1. AVOW as the County Voluntary Council for the County Borough of Wrexham has an overview of the work of the third sector in the area. AVOW is encouraged that an infrastructure organisation has been asked to give evidence to this committee. AVOW welcomes this opportunity to attempt to report on the impact of Globalisation on Wales as it affects the third sector.

2. It is most appropriate for the third sector submission to limit itself to consideration of the first two points, these being:

   — Employment.
   — Population and population movement.

3. There are obviously areas within this that come within the remit of the third sector more completely than others.

4. AVOW has consulted with as many third sector organisations as possible given the tight deadline and this report is a combination of the views and evidence of all those organisations.

5. Two points came up again and again in our discussions.

6. Firstly, the lack of hard data about numbers of migrant workers, and the over-reliance on the 2001 census as a source of population data.

7. Secondly, the lack of data makes planning statutory sector services difficult. This leads to gaps in provision which are often filled by the third sector, often out of already stretched budgets. Organisations agreed that they are well placed to provide services at short notice in a flexible and accommodating manner, however, third sector organisations also want to be able to allocate their resources to their core work which is generally over and above that provided by statutory services. Organisations reported that time, effort and resources are being put into emergency, short term solutions rather than a longer term strategic approach. This is not the most effective and efficient use of scarce resources.

A. Employment

8. The Wrexham area has a significant number of people from various countries within the EU and further afield. As a dispersal area for Asylum Seekers over the past five years a number of foreign nationals came to the area from a variety of countries of origin. If refugee status is achieved many move on to other areas in the UK.

9. In the last two years there has been a major influx of migrant workers from the EU counties—in particular Portugal and Poland.

10. Of the areas the committee has asked for evidence on, the two which come most completely within the remit of the third sector are:

    — The implications of EU enlargement for employment prospects in Wales.
    — Skills shortage and how it can be addressed.

11. The implications of EU enlargement for employment prospects in Wales

12. Economy:

13. There are no official figures of how many migrants live in the County Borough but estimates vary from 8–15,000 depending on which agency is asked.

14. The present healthy economic situation has led to an increase in the availability of jobs within the retail sector. Rates of pay within that sector are comparable to the rates for staff working in the fields of social and home care, this has led to a concern about recruitment to the care sector. The Wrexham County Borough Council Workforce Strategy recognises the ever more difficult social care employment market, and this will have implications for the voluntary and independent care sectors. Under the Direct Payments system, Personal Assistants are employed on generally better rates and terms and conditions and there is no currently no recruitment problems, apart from in rural locations.
15. Concern has been expressed from some voluntary organisations that there is a language barrier, particularly for the elderly and those with communication difficulties, where the carer is unable to speak the service users first language. This can result in frustration and service users not receiving appropriate services.

16. With a major influx of workers to fill vacancies there might not be any incentive to try and take people out of the benefits trap or off incapacity benefits by introducing training or supported employment opportunities, or supported volunteering.

17. There is a concern if there is an economic downturn, migrant workers could be in a very vulnerable position and the third sector will be left to provide appropriate support.

18. Skills shortage and how it can be addressed

19. Education and Training:

20. There is an impact in the school system with additional support needs not only for children but staff as well being required. This is not only language but also cultural awareness. Additional language support is available for the children on a very limited scale but nothing is formally in place for the parents to learn English in a complementary manner within school settings. This has resource implications for playgroups, after school clubs and other third sector childcare and community organisations.

21. Language:

22. Large numbers are attending FE College and community based language learning at Caia Park. Approximately 800 a week study at Yale FE with a long waiting list for ESOL—English for speakers of other languages. Caia Park train 72 a week. Language support is also being offered at break time in a number of local factory units. Demand for language courses continues to outstrip supply.

B. Population and population movement

23. It is appropriate for the third sector to comment on three of the four areas under this aspect of the inquiry:

— Demographic Change in Wales.

— Implications for the personal care of senior citizens.

— The balance between urban and rural communities.

24. Demographic Change in Wales

25. Housing:

26. Asylum Seekers accommodation has all been provided through the private sector with no Local Authority Social Housing being allocated.

27. House prices in the borough, along with national trends have risen sharply and steeply in recent years. The average cost of a basic two bedroom terrace house in Wrexham is now well over 100k with a new single bedroomed apartment property in the region of 140k and larger, family properties double this price. This is making it almost impossible for young people to get on the housing ladder. First time buyers are also restricted to a small number of locations within the borough.

28. With regard to Social Housing this is provided both by the Local Authority (although they are not able to build any new housing) and by Housing Associations. It is understood that Wrexham County Borough Council has about 11,500 properties and there are currently 10 applicants for every property available for letting. The housing growth in the area has been fuelled by the demand from migrant workers and the large HE student population of NEWI. The number of apartment developments around the town has been used for student accommodation.

29. Although there are roofless people in Wrexham there is not a visible presence on the streets of homeless migrants although they are bound to exist along with other roofless people in Wrexham. A night shelter for homeless people has been run for the first time in Wrexham this year. It has now closed for the summer but intends to open again in the autumn. This indicates that the homeless issue is predicted to be on-going.

30. Mental Health organisations have expressed concern that there is currently a lack of availability of low cost rented accommodation for people with mental health needs to move on from hospital or residential settings. This situation could be improved by the provision of specialised supported accommodation.

31. Asylum Seekers and Refugees
32. The voluntary sector organisations that specialise in this area would be best placed to give evidence on this matter. We recommend that the Committee invite appropriate representatives to a future meeting. Wrexham is a dispersal area, and asylum seekers arrive from one of the main UK detention centres. Asylum seekers are faced with many difficulties; the legal system is complex, cultural and language issues, poverty, accommodation problems and trauma from past experiences. Wrexham has two voluntary organisations working to provide support to asylum seekers and refugees—the Wrexham Refugee and Asylum Seeker Support Group and the Welsh Refugee Council; indeed support is exclusively through these voluntary agencies. They provide information and advice, friendship, relief from financial hardship and support and transport to attend hearings. Wrexham Mind has identified that there is a need for additional trauma counselling.

33. Concern has been expressed over the UK Government Policy on Asylum, and its implications for human rights, and the resulting pressure for services from the voluntary sector.

34. Domestic Violence in Women of BME origin

35. There is a particular need to tackle the issue of women who enter the UK on their husbands’ visa, and suffer domestic abuse. These women have “no right to recourse to public funds”, so any support or services have to be provided from charitable sources. These women are particularly vulnerable and are extremely difficult to reach, partially due to cultural issues and partly due to fear of what will happen if they seek help in terms of their right to remain in the UK or for custody of any children. A specialist voluntary agency (BAWSO—Black Association of Women Stepping Out) provides support for women in North Wales, but their service is under pressure as the referrals far outweigh capacity. There is a need for UK Government to urgently review the legal status of these women, as their husbands do have rights as UK citizens but these are not extended to the women once the relationship has broken down.

36. Faith and Voluntary Groups

37. There is a Mosque (place of worship) at NEWI in Wrexham, but this is in fact a portacabin located at the rear of the campus and does not have adequate facilities. The Muslim community are raising money with a view to purchasing a building that would be suitable to meet their needs. At present there is no suitable accommodation for the Imam, and he has to travel from Liverpool. Consequently he is only available in Wrexham on Fridays. A further concern is the lack of opportunity for younger Muslims to be given religious instruction; this is in part due to the lack of accommodation and partly due to the lack of availability of a tutor. Having an appropriate Mosque coupled with accommodation for the Imam could solve both these problems. This situation is not exclusive to Wrexham, however there are parts of Wales that are well-served by such community facilities.

38. The influx of Polish who are predominantly Catholic are now able to attend a special Polish Masses on Sunday afternoon. The numbers attending according to the Parish Priest are approx. 180 each Sunday rising to 250 on Feast days. The Mass is conducted in Polish by a Priest who travels from Crewe.

39. Implications for the personal care of senior citizens

40. The WAG policy document Fulfilled Lives, Supportive Communities (page 11 paragraph 2.30) sets out the expected population projections for the next decade. It is necessary to look in detail at different areas of Wales, the North Wales Coastal resorts have traditionally hosted larger retirement communities, whereas the influx of migrant workers in the North Eastern and Western areas may result in a lower percentage of elderly population than predicted. In addition sparse rural populations will have implications for service provision. This lack of accurate data and predictions means that planning of associated public services will be difficult.

41. Lack of accurate data coupled with pressures to budgets for social care and support, has led to changes in the manner in which eligibility criteria are applied. Those clients with a need for lower levels of support don’t always qualify for public services, and are referred to or contact voluntary agencies. The voluntary sector provide a wide range of support services to the elderly, including advocacy, advice, befriending, social clubs, support, home care, aids and adaptations, financial support, fitness and falls prevention, home handyman repair service, respite and carer’s services and transport. The future viability and success of these services will depend on adequate resources being made available, in a climate where prevention and well-being services are not prioritised by local health boards and social services departments. Workforce and volunteer recruitment and retention are also potential risks to these services.

42. Lunch Clubs are a successful voluntary sector initiative. Often living alone, older people sometimes do not eat adequately to maintain their health; it is more difficult to prepare a nutritious meal for one. On occasions they may even skip meals. Attending a local lunch club allows the older person to have a freshly prepared hot nutritious meal, and enjoy the companionship and socials interaction with others. This social contact is of great value in combating isolation and is vital in ensuring the long-term health and well being of older people. Where local authorities plan to introduce a frozen meals service to replace the hot meals services, the role of lunch clubs will need to be strengthened to prevent increases in social isolation and loneliness.
43. The advent of Unified Assessment should make the delivery of services more efficient and improve outcomes for the elderly service user, however the voluntary and independent sectors will not be able to access information through the Unified Assessment process. This will lead to difficulties where more than one sector is involved in delivering a care package.

44. New developments in information technology and the introduction of Telecare will have implications for the manner in which social care services for the elderly are delivered in the future. The voluntary sector has embraced the concept but has expressed concern that the issue of isolation and the need for personal contact remains a priority for services to the elderly. With respect to the method used to provide a control centre and response service, the sector could have a role in providing a local response service. Concern has been expressed about providing a control centre for an area greater than county, due to similarity of place names in Wales and the need for local knowledge.

45. If there is an increase in the proportion of older people within the population, there will be an impact on the number of people who become carers. The voluntary sector has a considerable support in providing support and services to carers. It is vital that the role of the sector is recognised during commissioning and planning cycles.

46. County Over 50’s Forum’s provide an effective method of engagement with older people, and their support and assistance should be sought when designing or changing services for older people. There is sometimes difficulty in applying an actual age range to the definition of “older people”. Some younger people can be offended by being considered old at 50, and there could be confusion with services where people are not considered old until they reach 65. The National Service Framework standard “Rooting out Age Discrimination” will enable all agencies to work together to address this issue.

47. Legislation Conflicts:

48. AVOW provides the Third Party Support for Service for Direct Payments in the County Borough. This is a success initiative and enables and empowers vulnerable people to take control of their care and their lives. Unfortunate, this service has been hit by the impact of different laws not being aligned and conflicting with each other.

49. In 2005 however Wrexham LA had an audit conducted by the Criminal Records Bureau who deemed the way in which checks were being carried out breached the regulations. Since 2005 it has proved impossible for Direct Payment Recipients to access checks on the staff they wished to employ.

50. This has resulted in a backlog of people waiting to set up their own care provision and caused considerable stress to those involved.

51. A solution is now being developed with the LA creating a “vetting agency” which should be operational by the middle of the year.

52. Due to the non alignment of the Westminster Legislation on Care, Direct Payments and Criminal Records Bureau some of the most vulnerable people in our society have had a detrimental life style for the past couple of years.

53. The balance between urban and rural communities

54. The demography of rural communities has changed considerably in recent years. There has been a movement into rural communities by commuters seeking a pleasant environment in which to live, whilst working sometimes considerable distances away in towns and cities. The rising house prices in desirable locations means that people working in the agricultural sector, with lower incomes cannot afford to live in the areas that they work. The increase in use of car transport raises questions of sustainability. The commuter households tend to use the facilities in and around their area of work, rather than in their area of residence. This leads to a decline in the viability of local facilities, both for the voluntary and business sectors. This issue needs to be addressed through planning policies, and through the proportionate allocation of resources for rural initiatives.

CONCLUSION

55. The third sector has much to give in terms of making globalisation a positive rather than negative experience for Wales. However, how effective the sector is able to be will depend on several factors which are beyond our immediate control. As stated earlier, good data, which is not currently available, should result in better planning, in turn, this will enable statutory partners to provide appropriate services using the best mechanism (public, private or third sector)to get the service to the people. This work should be appropriately funded which will then enable the third sector to continue to provide a flexible, cost effective, value adding service in addition to statutory provision.

56. The third sector also has a role to play on ensuring that citizens are consulted and engaged with the process of globalisation. With the low voter turnout evident in local, assembly and Westminster elections politicians may need to look to the third sector to engage with non-voting citizens.
57. The sector continues to require capacity building to be able to respond to the challenges a changing demography brings. But, we are able to offer a quick and responsive service to people who need it most in a cost effective, flexible and sensitive manner.

58. MPs alongside their Welsh Assembly colleagues need to ensure that resources are available to enable these services to continue to meet the needs of a changing Wales.

59. Voluntary sector organisations that specialise in various areas would be best placed to give evidence on these matters. We recommend that the Committee invite appropriate representatives to a future meeting.

60. Finally, differences in policy and legislation across the border can throw up issues which Wrexham as a border town can find it difficult to deal with.

14 May 2007

Memorandum submitted by Professor David Reynolds

With a more internationalised economy in which capital is increasingly free to follow any route to obtaining optimum returns, the “human capital” that societies can bring to match the “resource capital” becomes of considerable importance to their welfare.

Historically, societies such as the United Kingdom, and Wales within it, were able to operate with less than optimum efficiency and with considerable unreliability, confident that any original productive ideas would stay within their boundaries. Valid ideas interacted with unreliable productive systems.

Now, the speed of global communications and the arrival of an internationalised economy means that ideas and productive processes can be tagged to any society with the human capital to work productively on them.

The “first wave” of competitive human capital development came from the societies of the Pacific Rim, like Taiwan, who used their educational systems to develop high levels of academic achievement in core or traditional subjects, particularly mathematics, which generated a workforce that could “add value” to the capital that they had access to. Japan, South Korea, and perhaps Hong Kong and Singapore, were also a part of this tradition.

Yet the educational systems of the Pacific Rim have been notably “conventional” in that they have been loathe to teach direct work-related skills or indeed attempt to tie their very conventional educational systems to the needs of their economies. There are no “vocational” schools or “work related streams” within their systems and a constant refrain from within the societies is their need to make considerable further efforts to develop the social outcomes that employers need, an emphasis upon creativity that a knowledge economy needs and the entire emphasis upon “education as wealth generation” that they aspire to. The lack of this tagging of education to the needs of the economy is argued to be restricting of their societies ability to differentiate themselves from the “mass production” economies, or the “pile it high and sell it cheap” low end of the production chain in evidence in the Chinese, Malaysian, Indonesian and Indian industrialisations.

The “second wave” of competition for the United Kingdom is likely to come from the “new” entrants to the EEC in Eastern and Central Europe, and there is already evidence of a relocation of some productive facilities from Wales to them.

Poland and the Czech Republic are potentially awesome competitors in the “human capital” stakes. They spend per pupil roughly half what we do in Wales, yet their results in science and mathematics (which reflect the quality of their educational systems directly—since these subjects are usually only obtainable in school) are close to those of Australia and Canada, both high performing societies. Crucially, they score similarly to the United Kingdom.

If allowance is made for national income per head (wealthier societies tend to do better) and for the proportion of the adult population that have education at more than a basic, compulsory schooling level (societies that are more educated tend to do better), the sheer value added of the Polish and Czech systems puts them up with those of the Pacific Rim in their effectiveness.

Interestingly, also, these two societies appear to be on a very rapid rise in their achievements over time, which is likely to intensify as they spend more on education as their national wealth increases.

There are crucial differences between the two societies. Poland has a substantially differentiated secondary system in which all children go to comprehensive or common schools until age 15, when some go into work related schools. The Czech Republic, by contrast, selects at age 11 into a variety of schools. Whilst the population of pupils in vocationally orientated schools in both societies is only a minority (16.9% in the Czech Republic for example), it is possible that these differentiated systems permit the planning, development and deployment of a specific skilled workforce that Wales, with its learning pathways available in patches within schools and the absence of “critical mass” in skills development in individual schools, cannot compete with.
Questions to ask of the two countries include:

— Their rapid rise up the international league tables may be due to the removal of the shackles of state control, but are there any other things responsible, that could be emulated in Wales?
— What are the advantages/disadvantages of their vocational schooling, for Wales?
— Is recruitment of higher parts of the ability range to teaching in these societies an explanation for their success, or their training, or their subsequent professional development?
— Is it assessment practices, or teaching methods, or the organisation of schools that may be responsible for their effectiveness?

April 2007

Memorandum submitted by Sir Digby Jones, UK Skills Envoy

I look forward to giving oral evidence to the Committee on Tuesday 22 May on Globalisation and its impact on Wales.

The developed world is having to move away from making goods and providing services which sell only on price—commodities—and instead move their economies up the value-added scale where innovation, quality and brand enable sales to be made around the world and at home on the basis of more than cost. ... Added value.

This change is a constant dynamic since the India’s and China’s of this world commodotise value-added ceaselessly. If the developed world is to win in a 21st century that belongs to Asia, it must innovate (products and systems) constantly.

Wales has risen to this challenge better than most countries in Europe as well as many parts of the UK but it will fail if it is not able to tap into a reservoir of skilled people, to have a transport infrastructure that effectively and efficiently gets goods to market and people to work, and delivers a public sector that delivers more for less.

I look forward to exploring these and other linked issues when we meet.

May 2007

Memorandum submitted by Sir Adrian Webb

Sir Adrian Webb has had a long and successful experience of leading at executive management level in public, not for profit and education sectors. Currently he is a Non-Executive Director on the National Assembly for Wales Executive Board. Most recently he has been a Council Member of the National Council for Education and Learning Wales (ELWA), a Member of HM Treasury Public Service Productivity Panel, and an Associate of the Prime Minister’s Delivery Unit.

He has recently retired as Vice-Chancellor of the University of Glamorgan.

Academically, he specialised in social and public policy, government, and public sector management and has authored or joint authored nine books, seventeen monographs and occasional papers and in excess of 70 chapters, journal articles, conference papers and reports.

He was also a member of the Beecham Review of Public Services in Wales and contributed to the final report of that Review: “Beyond Boundaries”.


BACKGROUND

Much of the skills agenda is a devolved matter, but it is intimately related to non-devolved issues which influence the performance of Wales as an economic entity and to areas of social policy and service delivery (eg the role of Department for Work and Pensions (DWP) in Wales). Moreover, the Leitch report on skills has created a UK agenda to which Wales must respond and a set of structural proposals—a Skills Commission and the changed role of SSCs—which impact on Wales.

Skills, Economic Growth and International Competitiveness
It may seem obvious that, to compete in a globalised economy, we need to invest heavily in our skills base. Leitch asserted this relationship but added the warning that, despite increased public investment, the UK lags behind its competitors on skills. In relation to the 30 OECD countries the UK is:

- 17th on low skills;
- 20th on intermediate skills; and
- 11th in high level skills.

He therefore argued for new and demanding education and training targets.

Leitch’s view is supported by research (Coulombe, S., Tremblay J-F. and Marchand S. 2004 p9) that suggests investment in human capital is three times as important to economic growth over the long run as investment in physical capital. This is true, but the relationship between skills and economic performance is far from straight-forward. There is a powerful contrary argument which has been developed over a number of studies: cause and effect work the other way—individuals, and nations, invest in education because they are prosperous and can afford to do so (Wolf A 2004). Wolf goes on to criticise government for “...its infatuation with education for growth” (Wolf, A 2007). She claims that the policy of “...ratcheting up the numbers of highly educated workers...” to deliver economic growth is ineffective: “The Kremlin under Leonid Brezhnev ordered and got plenty of tractors. They just didn’t work”. (Wolf, A 2007).

What may seem to be an arcane academic debate highlights fundamental policy issues:

- should government invest more heavily in education and training;
- in what circumstances;
- and can devolved and non-devolved policies and processes mesh effectively to enable Wales to proper in a sharply competitive global economy?

**SHOULD WALES INVEST MORE HEAVILY IN SKILLS?**

In light of the academic work on the determinants of economic growth, perhaps it is best to base policy on an insurance principle: it cannot be wrong to back investment which may yield good results if it fail to do so could lead to major lost opportunities. For Wales, investment in education and skills may prove to be absolutely essential in the face of rapid global economic change, and it may be the key to making us attractive to inward and home grown enterprise investment.

More specifically, it is manifestly right to invest where employers face skills shortages that will not be resolved without government intervention—whether these are generic and long-standing or they arise from specific investment and growth opportunities.

The most fundamental issue raised by employers related to basic skills. Their concern is backed up by research evidence that demonstrate a correlation between the improvement in basic skills—literacy and numeracy—and increasing GDP (Columbe *et al* 2004 p41). Certainly, in a rapidly changing economic climate inculcating relevant generic skills such as adaptability for independent and self motivated learning will prepare learners for economically valuable futures. In this context the Opening Minds projects of the RSA are important.

More advanced numeric skills are another case in point. What many employers seem to want is quantitative analytical skills which are now, and will increasingly be, the bedrock of high value added economic growth—in the service sector as much as in manufacturing and science. These skills have been dubbed “Techno-mathematical Literacies (TmL)”: “we are using the term as a way of characterising mathematics as it exists in modern, increasingly IT-based workplaces ... the mathematics involved is much more than basic arithmetic ... we are convinced that the idea of literacy is really helpful. Individuals need to be able to understand and use mathematics as a language which will increasingly pervade the workplace through IT-based systems as much as conventional literacy pervaded working life in the last century. This language exists in the form of computer inputs and outputs that have to be composed and interpreted.” (Hoyles,*et al*,2002). The importance of such skills may not mean, however, that we should simply push Maths harder at GCSE—that may be counter-productive. The authors conclude in respect of 14-19 education that it is vital for these skills to be inculcated in learners through other parts of the curriculum— and for the existing in-work population.

There are also profound social reasons for increased investment. One concerns social justice and the need to counteract “market failure” as it affects the least powerful people in society. Government investment should be used to even out inequalities in opportunity—and plenty of those remain to be addressed. Another arises from the more intangible outcomes of education and training. Additional years of education and training are positively related to healthier life styles, lower levels of criminal behaviour and greater social cohesion. Importantly, this is especially true of “leisure learning” in the case of the least well educated adults—adult and community learning is not a luxury, especially if it is well targeted. A third, which is easily overlooked, is that social skills are a key element in employability, social adaptability and stability in their own right—witness the argument that skills for multi-cultural living are becoming increasingly important to personal and national success in a country such as ours.( Feinstein, L., Hammond C, Woods, L., Preston, J and Bynner J 2003)
THE CONTEXT FOR SUCCESSFUL INVESTMENT

Unfocused investment is inappropriate. Leitch argues that the essential means of providing focus is greatly to strengthen the employer voice. That must be right in terms of present and medium term skills needs and given the present nature of the economy. The caveats are that there must be mechanisms for anticipating, in so far as this is possible, the future skills needs of the economy as it changes—and if it is to become more competitive. The second arises from this: skills are not a free floating, autonomous, feature of an economy; they only come into play in so far as employers and the economy are geared to use them. The demand for skills is “derived”: it cannot be considered separately from other aspects of employers’ strategies, with respect to product markets, work organisation and job design. This is why investment in skills is not necessarily a route to growth in and of itself. To increase the supply of skills will not necessarily bring about increases in productivity and economic growth, unless we also ensure that employers are able actually to utilise the skills available. Moreover, some attention needs to be paid to ensuring that there is a reasonable “fit” between the levels and types of skills supplied and those utilised. These arguments are especially important in an economy such as that of Wales, where activity is substantially below even the UK average. But the Welsh economy shows signs of “low skill equilibrium”. It will only need and be driven forward by better intermediate and high level skills in so far as it moves decisively beyond this plateau.

Wales needs a successful coming together of different areas of policy and of delivery. The distinctive Welsh vision outlined in Making the Connections (Welsh Assembly Government, 2004) and endorsed in the Beecham Report, Beyond Boundaries (Beecham, 2006) emphasises collaborative approaches and “managed networks” of providers. Not all of this agenda can be achieved through better collaboration across devolved activities—non devolved agencies are also key (see below).

SKILLS NEEDS AND VOCATIONAL PROGRAMMES

Vocational routes are often still seen as more appropriate for the less academically able. While the piloting of the Special Diplomas within the Welsh Baccalaureate may go some way to rectifying this, consideration also needs to be given to the possible need for redefining, re-branding and restructuring the vocational routes available in Wales for learners from 14 onwards to provide high quality, robust and prestigious vocational programmes offering seamless progression with relevant and appropriate exit points at Level 3, Level 4/sub-degree, and degree level.

Giving a vocational route a high value “brand image” also demands close planning and joint provision between schools, colleges and universities and close engagement of employers and employer groups. Successful vocational programmes inculcate a sense of worth, purpose and status for young people.

Effective delivery of such a vocational route would be dependent upon the managed network within which it operates. Key interrelated components within that system could be:

- genuine cross-institutional delivery through collaboration between post 14 providers;
- effective partnerships between providers and employers and employer bodies;
- funding mechanisms that facilitated cross-provider, collaborative learning delivery; and
- impartial, learner focused, non-institutionally biased careers and progression advice and support for learners.

Managed Networks would also support the concept of economic clusters: linked industries, providers and government agencies achieving critical mass, cost efficiency and “competitive success”. (“Clusters and the New Economics of Competition” Porter, Harvard Business Review Dec 1998). More recently, this concept has been cited as one of the factors for the success of Israel’s high-tech sector. (“Business as Usual” Devi, Financial Times Magazine, April 2007.)

POLICIES AND PROCESSES: DEVOLVED AND NON-DEVOLVED

Much, but not all, of this terrain is under the direction of the Welsh Assembly Government. Higher Education policy is one example of how, in practice, apparently independent powers can be shaped from without. The vocational education agenda might seem to argue for an HE system that is heavily committed to higher level skills, often delivered through collaborative effort. But the competitive nature of HE, and the power of the research agenda in defining prestige, complicates matters. By extension, the very notion of a Citizen/Collaborative approach to policy-making and delivery is directly challenged by the emphasis on competition driven by consumer choice that prevails in England.

More immediately and directly, the Welsh approach to skills and the engagement of employers must operate within the machinery commended by Leitch. The ability of Sector Skills Councils to articulate and champion the particular needs of the Welsh economy—nationally and by region—will rest in substantial measure on the resources they are given. Consideration needs to be given to how adequate these resources are.
To take a different example, one possible alternative to the English emphasis on “raising the school age”, might be to offer a clear entitlement, rather than to think in terms of a compulsory minimum age. An entitlement could theoretically take the form of a guarantee of education/training or work-based training—to a defined minimum age. This would make most sense if there were to be close interaction between such policies and those of the Department for Work and Pensions (DWP). Such areas of interaction between devolved and non-devolved systems will continue to pose challenges—possibly limitations—to how Wales seeks to position itself in a globalised economy.

10 May 2007

REFERENCES


Welsh Assembly Government, 2004 Making the Connections


Memorandum submitted by Cardiff University

ABOUT CARDIFF UNIVERSITY

Cardiff University is a major international university. With its research-led mission, membership of the Russell Group, breadth and depth in learning and teaching, and capacity for wealth creation, it occupies a unique place within the diverse provision of higher education in Wales.

Its vision is to be a world-leading university and its mission is to pursue research, learning and teaching of international distinction and impact. All of the University’s activities are directed to achieving the highest international standards in research, learning and teaching, pursued in a rich and varied research-led environment where all staff and students can achieve their full potential to the benefit of the wider community and society as a whole. The University aims to demonstrate the tangible benefits that an internationally recognised, research-intensive university brings to Wales and beyond and to make a significant and sustainable contribution to health, economy, education and culture for the needs and good of societies throughout the world.

INTRODUCTION

Cardiff University is committed to helping Wales succeed in meeting the challenges of globalisation and, given its breadth and depth in learning and teaching (including a considerable amount of continuing professional development), feels well placed to contribute to increasing the numbers of highly skilled jobs in the growing sectors of the global economy.

Our evidence will focus on the impacts for Wales of globalisation in terms of employment (point one of the inquiry remit) and, to a lesser extent, in relation to the expanding role of the creative industries (point four of the remit).

EMPLOYMENT, EMPLOYABILITY AND SKILLS

Higher education is a global business. Staff and students are increasingly mobile and discerning and will follow quality and excellence wherever it is to be found. For Welsh higher education institutions (HEIs) to be successful players in this global market they must be aware of and responsive to the challenges it presents and guard against becoming an insular sector looking only at challenges within Wales.

Cardiff University employs in the region of 350 staff from over 50 countries outside of the EU (approximately 7% of total staff numbers). These staff members add to the diversity of the academic community and bring different experiences to the learning environment for all students.
In addition, Cardiff University recruits approximately 2,500 international students from over 80 countries outside the EU. Many of these are from eastern and southern Asia with significant numbers from China, India and Malaysia. Not only do these students bring financial benefits to the Welsh economy in terms of international student fees and local expenditure, but they also build cultural understanding and awareness to home students. These friendships and networks can bear fruit in future years for the local economy in business partnerships and alumni suggesting or locating businesses in Wales or choosing to trade with Welsh partners.

Cardiff University has extensive research links with high quality institutions across the globe, building expertise and knowledge in collaborative initiatives and allowing students and staff access to exchange programmes. For example, a Confucius Institute is being established which will allow for the training of students and the local community in Chinese language and culture. Cardiff also operates one of the largest Socrates-Erasmus exchange programmes for EU students in the UK. These year long exchanges at undergraduate level allow students an international experience that assists their employment prospects as well as enhancing understanding of other cultures and building linguistic ability. The University is also building a wider portfolio of exchange opportunities for home students to expand the international aspects for all students. Arrangements are in place with institutions in the US, Canada and Hong Kong.

The University also provides a range of continuing education and professional development opportunities, and in particular, plays a leading role in the provision of continuing professional development for health and social care professionals to meet the medical, social and economic needs of Wales, the UK and beyond.

All of the above help to improve the employability of students—the importance of which was highlighted by the Leitch Report on skills—and emphasises that universities will play a central role in developing the skills agenda. However, whilst employability skills are undoubtedly important, it should also be remembered that education for the pursuit of knowledge, increased understanding and personal development is also important for the development of good citizens. The development of an informed and responsible citizenship goes beyond the skills attached to employability. There is benefit to learning for the sake of increasing knowledge, furthering understanding and developing a more informed public who are aware of global issues. Learners need to be encouraged to aspire to reach their full potential and, in this time of increased mobility, they also need broader horizons.

**Knowledge Economy**

As a research-led institution, Cardiff University contributes to the development of a Knowledge Economy through proactively protecting intellectual property arising from its research programmes. The resulting intellectual property rights (IPR) are commercialised either through licensing to existing companies globally or through the creation of new, technology-based, spin-out companies in the South East Wales region. The commercialisation route chosen will depend on a number of factors, such as the maturity of the opportunity, the existence of an identifiable market and, in the case of spin-out companies, the availability of a commercially experienced management team to drive forward the business opportunity.

Licensing is a global activity. During the past five years, Cardiff University has consistently ranked among the top 7 UK universities (usually between 3rd and 5th) for the revenues generated from licensing intellectual property. During this period the University has received a total of £7.5 million in royalties based on sales of patented products and from software licences. By year the data are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Royalties £ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>1.1</td>
</tr>
<tr>
<td>2002/03</td>
<td>1.4</td>
</tr>
<tr>
<td>2003/04</td>
<td>1.8</td>
</tr>
<tr>
<td>2004/05</td>
<td>1.8</td>
</tr>
<tr>
<td>2005/06</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>7.5</td>
</tr>
</tbody>
</table>

As royalties on sales generally equate to a low percentage of the net selling price of a product (usually in the range of 0.5–2.5% depending on the type of product) or software package (ca. 15–25%), it is conservatively estimated that the royalties arising to Cardiff University in this 5-year period have resulted from sales of products by the licensee companies of at least £300 million.

In addition to generating royalties from licenses, the University has invested in supporting spin-out companies through its own seed venture fund, the Cardiff Partnership Fund (“CPF”), formed in 2000 as one of the original 15 University Challenge Seed Funds in UK universities.

The establishment and growth of such knowledge-based enterprises and their international trade will be critically important to Wales in terms of economic development and in countering the effects of globalisation. Since 2001, the CPF has made 41 investments (including small pathfinder projects) in
28 opportunities totalling more than £3.6 million of which nearly £1.9 million was invested in 11 knowledge-based, spin-out companies. CPF investments (predominantly in spin-outs) were able to raise an additional £3.2 million from a combination of co-investment from venture capital and private sources. SMARTCymru awards and loans and have benefited in aggregate from over £137,000 of support from the Finance Wales/Welsh Assembly Government Wales Spinout Programme. These investments have facilitated *inter alia* the recruitment of high quality management teams to develop the respective businesses and the funding of research and development programmes within the University.

In order to extend its investment in existing spin-out companies and to create new enterprises, in November 2006, the University concluded a 10-year agreement with the AIM-listed company, Biofusion plc, which has created a dedicated £8.2 million fund for the commercialisation of Cardiff University intellectual property and technologies.

**Creative Industries**

Universities can help foster the knowledge economy by acting as “hubs” around which high value creative industries cluster. There is a great deal of benefit to this approach as such companies often recruit from the graduate pool, commission research or consultancy services and they benefit from the general knowledge environment that a university can engender.

Wales is currently developing some small hubs and Cardiff University is involved in Skillset Cymru, the Sector Skills Agency for Audio Visual Industries in Wales which co-ordinates the training work of the industry. Also, Cardiff University’s School of Journalism, Media and Cultural Studies has an enviable reputation internationally and offers high quality undergraduate and postgraduate programmes that attract students from all continents. The School undertakes research in many aspects of international developments in the broadcast and print media and has links with highly regarded institutions overseas, for example, the China Communications University and the Asian School of Journalism in Chennai, India. These international connections not only build the reputation of the University but also of Wales, encouraging further collaboration and other overseas projects.

**Social Inclusion**

In order for Wales to benefit fully from the emerging knowledge economy, investment in higher learning and social inclusion will be essential to counter the potential negative effects of globalisation such as unemployment or low-paid and low-prospect employment. Access to a university education is an important springboard to better living standards in Wales and beyond and graduate skills remain an important ladder for lower income groups to improve their earnings and status. The “graduate premium” remains substantial and recent evidence indicated that Wales retains around the same proportion of graduates as comparable English regions.

The Welsh HE sector consistently outperforms England in widening participation to groups who have not traditionally benefited from higher education. Cardiff University aims to ensure that all those able to benefit have access to the opportunities of higher education regardless of social background and also aims to raise the aspirations and attainment of those wishing to gain access to higher education. This will produce more graduates who are able to contribute to and benefit from the knowledge economy.

**Recognising the Key Role of the HE Sector in Achieving the Benefits of Globalisation for Wales**

As already noted above, HEIs have an important role to play in leading the emergence of the knowledge economy in Wales and in making the most of the opportunities of globalisation for Wales. It is therefore important that the contribution of the HE sector is acknowledged and that the implications of funding below the levels seen in the rest of the UK are understood.

The UK government invests only 0.8% of GDP on HE compared to the OECD and EU average of 1.1%. Some EU countries have prioritised investment in HE to advance the development of their knowledge economies in the face of globalisation and Wales and the UK should aspire to the same goal. The European Commission has highlighted the role of HE in meeting the Lisbon targets for growth and jobs and has proposed a specific target of total private and public investment in HE of 2% of GDP.

The Welsh Assembly Government provides funding via the Higher Education Funding Council for Wales (HEFCW) for core funding to cover learning, teaching and research. However, levels of overall public investment in HE in Wales currently lags well behind England and Scotland, not to mention key international competitors. The latest analysis by HEFCW estimated a £41 million funding gap between the HE sectors of Wales and England with an even larger gap between Wales and Scotland. The funding gap between Welsh and other British universities is therefore compounded by international differences in levels of public investment in higher education.

HEIs in Wales are committed to helping Wales succeed in meeting the challenges of globalisation but, without a level playing field with England and Scotland, Welsh HEIs will lag behind their counterparts in the rest of the UK in contributing to the opportunities presented by globalisation.
The Assembly sets out ambitious goals and targets for the HE sector and it is questionable whether these can be met within current resources. In order to secure the sustainable growth and development essential to support Wales’ needs, appropriate and sufficient resources must be made available to secure a vibrant and competitive HE sector able to compete with the very best in Europe and beyond.

The sector in Wales is working with Higher Education Wales (HEW) to make a case for levels of funding that are commensurate with the public value that can be added by the sector. However, any efforts by the Committee to draw key decision makers’ attention to this increasing deficiency in core university funding in Wales would be most welcome.

CONCLUSION

Cardiff University is both committed to and enthusiastic about its role in helping Wales succeed in meeting the challenges of globalisation and feels well-placed to make a significant contribution. With appropriate investment levels and a partnership approach from both the UK and Assembly Governments the University is confident that it can successfully meet the challenges of globalisation to the benefit of Wales.

Dr David Grant
Vice Chancellor
Cardiff University

October 2007

Memorandum submitted by the Department for Work and Pensions

EMPLOYMENT AND UNEMPLOYMENT IN WALES

1. The recent DWP report “Wales—Towards Full Employment” highlighted that Wales has a high employment rate and a low unemployment rate. Although it has an employment rate slightly below the United Kingdom rate (for January–March 2007 the rates were 71.7% and 74.3% respectively), it is higher than most other countries in the world—including Japan, Germany, France and Italy. The increase in the employment rate has also been faster in Wales than in the UK as a whole, rising by 3.5 percentage points in Wales since 1997 relative to 1.6 percentage points nationally.

2. The ILO unemployment rate is now 5.5% in Wales—the same as in the UK as a whole—at a level of 79 thousand. Claimant unemployment is also at its lowest for thirty years—the number of claimant unemployed in Wales is now 41 thousand, down 40 thousand (50%) since 1997.

VACANCIES AND RECRUITMENT

3. The labour market is buoyant with employment opportunities and vacancies arising all the time. In the last year there were more vacancies notified to Jobcentre Plus per head of the population in Wales than there was for Great Britain. These vacancies were across all occupation groups. Vacancies were even more numerous in the two major cities in Wales—Cardiff and Swansea.

4. There is also a lot of movement in the labour market, with lots of people starting and leaving jobs all the time. Over the last year 172 thousand people moved into employment, 169 thousand moved out of employment, and 125 thousand changed jobs. Of those who left their jobs 63% did so voluntarily.

JOBS BY INDUSTRY

5. Although the number of manufacturing jobs in Wales has declined by 45 thousand since 1997, total employment has increased by 138 thousand over the same period, to reach its highest ever level at 1,347,000.

6. In December 2006 78.3% of all employee jobs in Wales were in Services; 13.4% were in Manufacturing, 6.5% in Construction, with the rest in agriculture, fishing, energy and water.

7. Since 1997 the number of employee jobs has increased in almost all sectors, most notably by 85 thousand in the Public admin, Health and Education sector, by 58 thousand in Distribution, Hotels and Restaurants, by 48 thousand in Banking and Finance, and by 40 thousand in the Construction sector.

40 Labour Force Survey.
41 Nomis—claimant count data.
8. The Future Skills Wales 2005 Sector Skills Survey found that 10% of establishments in Wales reported hard-to-fill vacancies, and within this 4% reported skill shortage vacancies. Both measures are down from 2003. Recruitment problems were greatest in micro establishments (1–9 employees), and in terms of industry were greatest in the Hotel and Catering sector.

EMPLOYMENT BY AGE, GENDER AND QUALIFICATIONS

9. Most groups in Wales have high employment rates. Employment rates are high for young and prime age workers—as high as the UK as a whole—but at 47.8% Wales has a low employment rate for older people (those aged 50 and over)—9 percentage points below the UK and below the OECD.

10. Female employment rates are also as high in Wales as with the rest of the United Kingdom. Male employment rates are lower in Wales however44.

11. Employment rates are high for individuals if they have any qualifications. For those with no qualifications however employment rates are low both in relative and absolute terms, and in Wales the rate for this group is slightly lower than in the UK as a whole, at 44.7% (January–March 2007).

12. Furthermore the employment rate for those with no qualifications has also fallen slightly, although this problem is not unique to Wales, and has been observed across Great Britain.

DISADVANTAGED GROUPS

13. Those who started off with the worst employment rates in 1997 have tended to see the greatest improvements. Excluding those with no qualifications, those groups who are disadvantaged in the labour market—disabled people, lone parents, ethnic minorities, and older workers—have seen significant increases in their employment rates, and the rise in the employment rate for disabled people, older workers and lone parents has been faster than for the overall rate. The rise in the employment rate for these groups has been 4.8 percentage points for disabled people, 7.8 percentage points for older workers and 15.8 percentage points for lone parents compared with 3.5 percentage points for the labour market as a whole.

14. The employment rate for lone parents in Wales (61.2%) is now amongst the highest for any constituent part of Great Britain; the overall lone parent employment rate is 56.5%. The growth in Wales of 15.8 percentage points has been faster than for Great Britain at 11.8 percentage points.

15. In addition, since 1997, the areas in Wales which started off in the worst position have also seen the greatest increases in employment rates. This is true for a number of the valley local authorities. Blaenau Gwent’s employment rate is up by 5.5 percentage points, Caerphilly by 4.6 percentage points, Rhondda Cynon Taf by 2.7 points.

16. However there is still much to do. Employment rates remain lower in these areas and amongst the disadvantaged groups compared to the UK and Welsh average45.

MIGRATION

17. The total population of migrants (ie those who are born overseas) in Wales is around 120 thousand, compared to 2.8 million people living in Wales who were born in the UK. This translates into 4.0% of the population of Wales. The proportion for the UK as a whole is 10.1%. The largest population of migrants in Wales are those from the EU15 (36 thousand) and the A8 (15 thousand).

18. According to the latest Home Office Accession Monitoring Report around 15 thousand A8 migrants had registered to work in Wales between May 2004 and December 2006, compared to 555 thousand in the UK as a whole. The employment rate of migrants in Wales is 70.5%, compared to an employment rate of 68.1% for all migrants in the UK. The employment rate of A8 migrants in Wales is 81.5%, compared to an employment rate of 80.7% for the UK.

19. Migration has long made a small, but nevertheless important, contribution to the employment needs of the UK labour market. However, there has been no discernible effect of A8 migration on claimant unemployment or the employment outcomes of non-migrants in the UK. The primary impact appears to have been to increase total employment.

44 Annual Population Survey.
45 “Wales—Towards Full Employment”
**Inactivity**

20. The lower employment rate amongst some groups and areas in Wales is mainly due to higher inactivity rates (24.0%) than the UK average (21.2%); the reason why employers are not taking on these disadvantaged groups is that these potential workers are not applying for jobs.

21. The unemployment rate for older workers in Wales is the same as the UK average at 2.1%, and for men it is only slightly higher at 4.9% compared to 4.6% nationally (January–March 2007). For those with no qualifications unemployment rates are actually lower in Wales than in the UK as a whole—4.9% versus 6.5% (January–March 2007).

**Long-term Claimant Unemployment and Incapacity Benefits**

22. Many people have also been trapped on non-employment benefits for long durations. Claimant unemployment is at its lowest for thirty years, and long-term claimant unemployment is down to 6 thousand. As lone parent employment rates have risen the proportion of people on lone parent benefits has also fallen in Wales quicker than the rest of the country.

23. However, the proportion of the population on Incapacity Benefits in Wales is substantially higher than in Great Britain as a whole, with the highest rates of Incapacity Benefits claimants concentrated in the same areas where resident employment rates are lowest. The rate currently stands at 10.6%. This is despite falling by 1.6 percentage points since 2001.

24. Furthermore, the duration structure for Incapacity Benefits in Wales is heavily concentrated amongst those with long durations, with 90% on the benefit for a year or more, and 80% for two years or more.

**Welfare Reform**

25. While there has been progress in terms of employment growth—with those in the worst position seeing the largest rises—more needs to be done to help disadvantaged individuals and those on inactive benefits look for and move into the employment opportunities that exist, and ease any skill shortages employers are encountering.

26. The first stage of welfare reform has delivered the lowest claimant unemployment for 30 years, and the New Deals have helped to virtually eradicate claimant long-term unemployment. Now through the next stages of welfare reform and the Welfare Reform Act we have begun to engage with and support those on non-unemployment benefits.

27. John Hutton, Secretary of State for Work and Pensions, also asked David Freud to look at how we can tackle these problems. A report was published on 5 March 2007 which made some important recommendations—including extending the support we offer to help people move off Incapacity Benefits and into work and, as importantly, expecting more from people in return.

28. He has recognised the success of Jobcentre Plus, and says we can build on this through greater use of private and voluntary sector expertise, based on payment by results. It is a challenging (and substantial) paper and we are considering his recommendations carefully.

*May 2007*

**Supplementary memorandum submitted by Department for Work and Pensions**

*Provide figures relating to the proportion of the working age population registered under the Workers Registration Scheme within the main Welsh cities, with comparative data for average UK figures.*

The table below provides the requested data.

<table>
<thead>
<tr>
<th>Local Authority District</th>
<th>% of working age population</th>
</tr>
</thead>
<tbody>
<tr>
<td>All UK</td>
<td>0.8%</td>
</tr>
<tr>
<td>All Wales</td>
<td>0.5%</td>
</tr>
<tr>
<td>Anglesey</td>
<td>0.3%</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

46 DWP Tabulation Tool, Work and Pensions Longitudinal Study (WPLS).
<table>
<thead>
<tr>
<th>Local Authority District</th>
<th>% of working age population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridgend</td>
<td>0.5%</td>
</tr>
<tr>
<td>Caerphilly</td>
<td>0.1%</td>
</tr>
<tr>
<td>Cardiff</td>
<td>0.6%</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>1.2%</td>
</tr>
<tr>
<td>Ceredigion</td>
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<tr>
<td>Conwy</td>
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<tr>
<td>Denbighshire</td>
<td>0.4%</td>
</tr>
<tr>
<td>Flintshire</td>
<td>0.8%</td>
</tr>
<tr>
<td>Gwynedd</td>
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<tr>
<td>Merthyr Tydfil</td>
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<td>Monmouthshire</td>
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<tr>
<td>Neath Port Talbot</td>
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<tr>
<td>Newport</td>
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<tr>
<td>Pembrokeshire</td>
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<td>Powys</td>
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<td>Rhondda, Cynon, Taff</td>
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</tr>
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<td>Swansea</td>
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</tr>
<tr>
<td>Torfaen</td>
<td>0.0%</td>
</tr>
<tr>
<td>Vale of Glamorgan</td>
<td>0.2%</td>
</tr>
<tr>
<td>Wrexham</td>
<td>1.3%</td>
</tr>
</tbody>
</table>


To give a further idea of the spread of migrants in Wales we have also attached a table with the number of new National Insurance Number (NINO) registrations in Wales as a percentage of working age population.

<table>
<thead>
<tr>
<th>Local Authority District</th>
<th>A8</th>
<th>A2</th>
<th>EU-15</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>All UK</td>
<td>0.7%</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.8%</td>
</tr>
<tr>
<td>All Wales</td>
<td>0.5%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Anglesey</td>
<td>0.3%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
<tr>
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</tr>
</tbody>
</table>

Q858 David Davies: *When an asylum seeker receives indefinite right to remain they were able to backdate a claim with the DWP for the full amount of benefits to which they would have been entitled from the day they first arrived. What is the situation with that now?*

1. From 3rd April 2000 asylum seekers who received notification that they had been recorded as a refugee by the Home Office/Border and Immigration Agency (BIA) were eligible to apply for a retrospective payment of Income Support under the Refugee Backpayment Scheme for the period they were an asylum seeker. Provided they made a claim for a retrospective payment within 28 days of receiving notification of having been recorded as a refugee, they were able to claim a lump sum equal to their Income Support entitlement throughout the asylum seeking period less the amount of any financial support paid to the customer from other sources.

2. The Refugee Backpayment Scheme was abolished on the 14th June 2007. Only those asylum seekers who have received notification that they have been recorded as a refugee by the Home Office/Border and Immigration Agency (BIA) by 14th June are eligible to apply for a retrospective payment of Income Support under the Refugee Backpayment Scheme for the period they were an asylum seeker. As before, asylum seekers must make a claim for a retrospective payment within 28 days of receiving notification of having been recorded as a refugee, and all financial support paid to the customer from other sources within the asylum seeking period is taken into account when calculating a retrospective payment.

3. The Home Office has introduced the Integration Loan Scheme for those granted refugee status and humanitarian protection from 12th June 2007. The Integration Loan Scheme is a new initiative to provide interest-free loans of £100 to £1,000 to refugees to help facilitate their integration into UK society. The Home Office/BIA will decide whether a loan offer should be made and how much the loan offer will be and DWP will handle payment and recovery of the loan.

Q859 David Davies: *The benefits system currently recognises polygamous marriages that have been carried out legally in a country outside of the United Kingdom and allows all those who are part of a polygamous marriage to be entitled to claim benefits. Is that still the case?*

1. In Great Britain, polygamy is recognised only where the marriages have been performed in accordance with all necessary requirements of the law of the country where the marriage ceremony was celebrated, and the parties to it are domiciled in that country. It is not possible for a person domiciled in Great Britain to enter into a polygamous marriage that will be recognised in British law. The Home Office does not recognise polygamous marriages for immigration purposes.

2. Regulations to address benefit claimants who are in a polygamous marriage have been in force for some time. For instance, in relation to income support, current regulations were introduced in 1987.

3. For contributory benefits, no dependants’ increases are payable for any wives where a polygamous household exists, and British law recognises those marriages. Where we recognise one of the marriages, any dependants’ increases in contributory benefits would be paid only in respect of that one marriage.

4. Income-related benefits can be paid for more than one wife in a polygamous marriage where British law recognises the marriage and where the general conditions of entitlement for those benefits are met. The amount of benefit payable includes personal allowances for the male spouse and one partner at the appropriate couple rate. For each other partner, benefit is payable at the difference between the couple rate and the higher rate for a single person. In general, therefore, there is no financial advantage to claiming for those in polygamous marriages. Increases in income-related benefits are not payable for wives who do not reside in Great Britain.

5. Any member of a polygamous marriage can claim a contributory or non-contributory social security benefit in his or her own right where he or she satisfies the relevant conditions of entitlement.

6. It is estimated there are fewer than 1000 polygamous marriages which have legal recognition in Great Britain, and only a very small number of these will be claiming a social security benefit.

7. In November 2006 the DWP issued the following statement:

   “The benefit rules for people in polygamous marriages have evolved over decades. Ministers have asked officials to work across Government to urgently examine whether the current position is the best possible”

8. The review of the treatment of polygamous marriages within the benefits system is ongoing.

Q864 Mrs James: *Do you think there are sufficient private and voluntary sector providers in Wales willing to undertake work within the Government’s welfare to work programme?*

1. The DWP currently has few difficulties in attracting interested organisations from the public, private or voluntary sectors to tender and deliver DWP contracted employment programmes in Wales such as New Deal, Programme Centre and Workstep. Current providers are a mix of local, Welsh and national organisations who have a base in Wales.
2. There tends to be less interest from organisations in delivering in the more rural areas, particularly Powys, due to the relatively low volume of clients there as well as the associated problems of delivering across large geographical areas with poor transport links. The Department has overcome this, however, by packaging provision with more densely populated neighbouring areas. This has proved successful in attracting sufficient interest and we have to date not had to deal with the issue of market failure.

June 2007

Memorandum submitted by the Border and Immigration Agency

1. The Border and Immigration Agency welcomes the opportunity provided by the Welsh Affairs Committee to give evidence for the current stage of its inquiry relating to the demographic impact for Wales arising from migration.

2. In July 2006, the Home Office published the IND Review, “Fair, effective, transparent and trusted—Rebuilding Confidence in our immigration system” (http://www.ind.homeoffice.gov.uk/aboutus/reports/indreview). As part of the programme for fundamental change set out in the Review, the former Immigration and Nationality Directorate was succeeded by the new Border and Immigration Agency on 1 April 2007. The Agency has responsibility for securing our border and managing immigration for the benefit of the United Kingdom.

3. The Border and Immigration Agency is currently operating in “shadow” form as an Executive Agency of the Home Office under a Framework Agreement published in April. Our moving to Agency Status forms part of an overall programme that will ensure more accountability and trust through a clear framework for the delivery of our strategic objectives. We will operate in shadow status for the first year. This means getting much of the technical architecture, such as the Agency’s delegated freedoms and its responsibilities towards the rest of the Home Office in place early to smooth the transition to full agency status.

The Agency’s strategic objectives are:

— Strengthen our borders, use tougher checks abroad so that only those with permission can travel to the UK; and ensure that we know who leaves so that we can take action against those who break the rules
— Fast track asylum decisions, remove those who claims fail and integrate those who need our protection
— Ensure and enforce compliance with our immigration laws, removing the most harmful people first and denying the privileges of Britain to those here illegally
— Boost Britain’s economy through managed migration, by bringing the right skills here from around the world, and ensuring that this country is easy to visit legally.

4. The Border and Immigration Agency has offices throughout the country reporting to a Director for:
   — Scotland and Northern Ireland
   — North East, Yorkshire and the Humberside
   — North West
   — Wales and South West
   — Midlands and East of England
   — London and South East

This administrative structure is part of our overall programme to create a strong framework for delivery and accountability, particularly local accountability, and providing more joined-up immigration services.

5. The Border and Immigration Agency has appointed Jane Farleigh as the Director for Wales & the South West. She takes up post on 2nd July 2007 and will be based in Cardiff.

6. There are approximately 200 Border and Immigration Agency staff in Wales and the South West, with 120 being in Wales. The latest addition in Wales consists of a team of six responsible for liaising with stakeholders, including employers and educational institutions, to ensure closer working with the Managed Migration area of our business. Work on revising internal structures is already underway and the Agency is keen to further develop relationships with key external stakeholders. Having a senior figurehead dedicated to a geographical area demonstrates the commitment of the Border & Immigration Agency to further improved relations with customers and stakeholders alike.

7. The Director will act as a conduit for those issues that were previously dealt with at the centre. This will lead to a more responsive and accountable service being delivered by the agency in each administrative district.

8. The main body of the Border and Immigration Agency’s written evidence to the Committee focuses on the second, third and fourth strategic objectives outlined above as these most directly relate to the Committee’s remit for this inquiry. Specific topics of interest are highlighted within the evidence, together with internet links for published documents referred to which the committee may find helpful background.
In addition the committee may wish to be aware that Control of Immigration Statistics for the United Kingdom as a whole can be viewed at: www.homeoffice.gov.uk/rds/—however, as the United Kingdom operates a national border control, these statistics are produced on a UK-wide basis and are not broken down by district.

**Fast track asylum decisions, remove those who claims fail and integrate those who need our protection**

*Background to Dispersals of Asylum Seekers*

9. Under section 95 of the Immigration and Asylum Act 1999, support may be provided to asylum seekers who appear to be destitute or are likely to become destitute. Support may be provided in the form of accommodation and subsistence support to meet essential living needs.

10. Under the provisions of section 97 of the 1999 Act, the Secretary of State must have regard to the desirability, in general, of providing accommodation in areas where there is a ready supply of accommodation. This means that, as a general rule, accommodation is provided in areas outside of London and the South East.

11. The volume of asylum seekers dispersed to each Border and Immigration Agency administrative district is driven by capacity within that district to process non-detained asylum claims. The number of teams that have been located in each district reflects the current asylum population in that area. Not all non-detained claims however will require accommodation—indeed only half of claimants require accommodation and subsistence support.

12. In Wales and the South West there are 2 Asylum Teams taking 8% of the case intake.

13. Asylum claimants in Wales and the South West who require support and accommodation are placed in Initial Accommodation in Cardiff. This is now provided by Clearsprings—although a number of cases are still accommodated by the Welsh Refugee Council. This support is provided under section 98 of the 1999 Act until the Secretary of State is able to determine whether support may be provided under section 95. Of the cases requiring section 95 accommodation in the Wales and South West region, 66% are dispersed in Wales and 34% in the South-West.

**Section 95 Accommodation Providers in Wales**

14. The Border and Immigration Agency has entered into contracts until 2011 with four private and public sector providers to provide accommodation to asylum seekers. Contracts were awarded on a district basis with each district allocated a percentage share of the accommodated intake and each provider in a district contracted to accommodate a specific percentage of that share. In Wales the accommodation providers are:

<table>
<thead>
<tr>
<th>Accommodation Provider</th>
<th>Contracted volume of asylum seekers accommodated in Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swansea City Council</td>
<td>22%</td>
</tr>
<tr>
<td>Cardiff City Council</td>
<td>38%</td>
</tr>
<tr>
<td>Clearsprings</td>
<td>20%</td>
</tr>
<tr>
<td>Astonbrook</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Numbers Accommodated**

15. Based on Border and Immigration Agency management information, the numbers accommodated in Wales as at 7th May 2007 were as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Number accommodated under s95</th>
<th>Number accommodated under s4</th>
<th>Total accommodated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridgend</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
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<td>1228</td>
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<td>426</td>
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<td>Swansea</td>
<td>880</td>
<td>67</td>
<td>947</td>
</tr>
<tr>
<td>Wrexham</td>
<td>41</td>
<td>8</td>
<td>49</td>
</tr>
</tbody>
</table>
Refugee Integration

16. Refugee integration is a devolved issue in Wales whilst the budget for refugee integration is administered on a UK wide basis by the Home Office.

17. The now superceded strategy document Integration Matters applied to England only and when this was published in 2005 work was being undertaken in Wales to develop a Welsh integration strategy. Integration Matters has now been replaced by plans to develop a standardised model of integration services for new refugees. The Welsh Assembly has been consulted on these changes and the Assembly’s preferred way forward is for the Home Office to accept responsibility for administering the same system in Wales.

18. Delivery of these services will be secured through a competitive tendering process on a geographical basis. The detail has yet to be worked up but it is likely that delivery of refugee integration services in Wales will be via a separate contract and Welsh Assembly officials will be closely involved in this process.

Managing the Impact of Dispersals and Refugee Integration on Social Cohesion

19. In each Border and Immigration Agency area, the strategic responsibility for the location of dispersed asylum seekers and supervision of refugee integration is managed through a Regional Strategic Co-ordination (RSC) Group. Each RSC is made up of senior officers from a cross-section of local stakeholders including members of the regional assembly, local authority, police, health, the voluntary sector, accommodation providers, Government Office and the Border and Immigration Agency. The functions of the RSC include monitoring the dispersal of asylum seekers into the region, including the impact on community cohesion, housing, education and health services; and making recommendations relating to the overall numbers of dispersed asylum seekers and dispersal cluster areas.

20. Section 95 accommodation providers have contractual obligations to maintain effective on-going consultation and liaison with relevant district stakeholders and Local Authorities with regard to the location of accommodation to ensure that social cohesion issues are taken into account. In addition, there are well-established procedures for temporarily suspending or restricting dispersal to a particular cluster or area when community cohesion issues arise.

Support once claims have been refused and appeal rights are exhausted

SECTION 4 SUPPORT

21. Section 4 support is intended as a limited and temporary form of support for people who are expected to leave the UK. Once their claim for asylum has been refused and all appeal rights are exhausted, individuals are required to leave immediately due to circumstances beyond their control. In these cases they can request the provision of support under section 4 of the Immigration and Asylum Act 1999 if they would otherwise be destitute.

22. Someone who has exhausted all legal channels in pursuit of their asylum claim may be granted section 4 support if he appears to the Secretary of State to be destitute and meets one or more of the conditions set out in the Immigration and Asylum (Provision of Accommodation to Failed Asylum-Seekers) Regulations 2005, namely:

(a) he is taking all reasonable steps to leave the UK or place himself in a position in which he is able to leave the UK;
(b) he is unable to leave the UK by reason of a physical impediment to travel or some other medical reason;
(c) he is unable to leave the UK because in the opinion of the Secretary of State there is currently no viable route of return;
(d) he has made an application for judicial review of a decision in relation to his asylum claim;
(e) the provision of accommodation is necessary for the purpose of avoiding a breach of a person’s Convention rights within the meaning of the Human Rights Act 1998.

23. Section 4 support is intended as a limited, temporary form of support, since those in receipt are expected to leave the UK as soon as they are able to do so. It is normally provided in the form of self-catering accommodation, although full-board accommodation may be used where available. Service users and any dependants in self-catering accommodation each receive £35 per week in vouchers to meet food and essential living needs connected with accommodation. The legislation does not allow the Government to provide cash.

24. Accommodation provided under section 4 is monitored to ensure acceptable standards are maintained, as set out in the Statement of Requirements accessible on the Home Office website.

25. Claimants are normally accommodated under section 4 in the same area where they were accommodated while their asylum application was being considered. This means that the Border and Immigration Agency does not seek to add to the number of people in an area on asylum support when an asylum claim is rejected, but to continue to support, where appropriate, under the section 4 provision.
26. Our management information shows that just under 3,000 asylum seekers are supported in Wales within agreed cluster guidelines, of which around 13% are supported under section 4.

27. Section 4 accommodation providers are required to consult and liaise with local authorities and other district stakeholders, both in respect of procurement of section 4 accommodation and ongoing use. The regionally based Target Provider contracts, set up early in 2006 for the provision of accommodation to asylum seekers, are now to be used for accommodating those supported under section 4. These contracts offer better monitoring of accommodation standards and improved value for money. They also place obligations on accommodation providers to contribute towards social cohesion. During transition of section 4 accommodation to Target Contracts, accommodation providers are liaising with, and taking into account the views of, key stakeholders such as the Police, Primary Care Trusts, One Stop Services/Citizens Advice Bureau and Local Authorities. We are providing briefing to, and consulting with, key stakeholders as part of this transition process.

28. Arrangements are in place to review cases where support is being provided under section 4 to ensure that the eligibility criteria continue to be met. The continued provision of accommodation is also dependent upon the individual complying with reporting conditions and specified steps to facilitate his departure from the UK, as well as specific standards of behaviour, and continued residence at the authorised address.

29. The Agency informs all those who are refused asylum of the availability of section 4 support when their appeal rights are exhausted. They are also signposted to the International Organization for Migration (IOM) and to their local One Stop Service for assistance in making a voluntary return. An enhanced package of reintegration assistance is available to returnees.

Healthcare

30. Those in the UK illegally following refusal of their asylum claim may receive health treatment which is immediately necessary, free of charge within primary care. Under secondary care, they can receive a number of services free of charge, including:

   — treatment in a hospital Accident and Emergency department unless and until accepted as an in-patient;
   — treatment at a walk-in centre in respect of services similar to those at an Accident and Emergency department of a hospital; and
   — the treatment of certain specific diseases eg TB and Malaria.

31. In what is known as an “easement clause”, the National Health Service (Charges to Overseas Visitors) Regulations 1989 state that anyone who has begun a course of treatment free of charge, will continue to receive it free of charge until the course finishes or they leave the country, whichever comes first. Therefore, an asylum seeker undergoing treatment (including maternity treatment) will not have that treatment withdrawn if their application for asylum is unsuccessful. The receipt of medical treatment in the UK will not normally confer any right on someone whose asylum claim has failed and is in the country illegally to remain in the UK to continue such treatment, even if it is not available to the same standard in their home country.

Ensure and enforce compliance with our immigration laws, removing the most harmful people first and denying the privileges of Britain to those here illegally

32. The Border and Immigration Agency is determined to ensure that those that visit the UK play by the rules. This means that each district has its own enforcement capability, which has the responsibility for enforcing the rules, including the removal of immigration offenders.

33. The publication on the 7 March of the Enforcement strategy document, “Enforcing the rules” sets out how the Border and Immigration Agency intends to make it increasingly difficult for individuals to continue to reside in the UK who have no lawful basis to do so, focussing on those who cause the most harm first. This document is available via the internet at:
   http://www.ind.homeoffice.gov.uk/6353/aboutus/enforcementstrategy.pdf;

Contact Management

34. Dedicated Border & Immigration Agency Reporting Centres have been established so that we are able to keep in contact with individuals in immigration cases. Identified applicants who are within reasonable travelling distance of a reporting centre (currently set at 25 miles) are made subject to regular reporting conditions. Outside the 25 miles, reporting is to a local police station. Currently individuals in Wales are reporting at 2 main police stations in Newport and Roath and several outline stations. A new reporting centre initially for new asylum cases is due to open next month at 31–33 Newport Road, Cardiff. The long term aim is to use the reporting centre for all cases.
35. Electronic monitoring is seen as an important element of the Enforcement and Removals contact management strategy. The Immigration and Asylum Act 2004 allows for the electronic monitoring of those of at least 18 years of age, who are liable to be detained under the Immigration Act. This includes: asylum seekers, illegal entrants, those found working in breach, overstayers, people subject to further examination at a port of entry and those refused leave to enter.

**Illegal Working**

36. We are raising the public profile of the issues surrounding illegal working, building on our current employers campaign, “If you hire illegal migrant workers you’re as illegal as they are”. New rules will see rogue employers face a prison sentence and/or an unlimited fine if found knowingly employing illegal workers. Civil penalties will also be levied on companies that have been negligent in carrying out checks on workers. The level at which these fines will be set and how they will be imposed is now the subject of a consultation, published on 15 May 2007. This consultation document, *Prevention of Illegal Working*, is available to view at: www.BIA.homeoffice.gov.uk/6353/6356/17715/prevention of illegal working1.pdf.

The new measures, which will take effect early next year, are part of the Home Office’s Illegal Working Action Plan.

**Removing the illegal population—national removal figures (asylum and non asylum)**

— In 2006 we removed 18,235 people who had sought asylum including their dependants; the highest number of removals ever recorded. We removed more principal asylum applicants (excluding dependants) in 2006 than we did from 1993 to 1996 (12,020). Since 1997 the removal of principal asylum applicants has risen by 127%.

— In 2006 asylum applications hit their lowest level since 1993, whilst the number of removals and deportations hit an all-time high.

  Asylum figures for the year show that applications, excluding dependants, were down by 9% compared to 2005 to 23,520

— In 2006, we removed an individual who had sought asylum at some stage approximately every half an hour, 24 hrs a day, 365 days of the year.

— In 2006, the number of illegal working operations hit an all time high.

— In 2005, 12,305 non-asylum immigration offenders were removed or departed voluntarily as a result of (in country) enforcement action, 247% more than in 1997 (3,550).

**Maximising returns (voluntary and enforced)**

37. For several years we have successfully run detained fast-track routes designed in part to ensure quick removal of unfounded claims—including the Non-Suspensive Appeal process (NSA), where claimants from certain countries are only allowed to appeal after removal; and Harmondsworth, which processes claims in a month.

38. Preventing applicants concealing their identity by rolling out biometrics and e-Borders, continuing to prosecute those who arrive without documents, requiring carriers to photocopy passenger’s documents on more high risk routes, and fingerprinting high-risk nationalities on arrival.

39. As mentioned above, all new asylum applicants are now processed by asylum teams in each area. Under this new system each asylum applicant is allocated their own case worker who manages their case from beginning to end. This ensures that each case is tightly managed throughout the process.

40. We are working in partnership with foreign governments around the world to ensure swift return of failed asylum seekers to their countries of origin. We will support source countries in their efforts to reintegrate failed asylum seekers, to strengthen their own immigration controls and to allow their nationals to access legal routes to the UK. But we will make it clear that failure to accept the return of their own nationals will have repercussions eg restricting access to some migration schemes such as the working holidaymakers’ scheme and other low skill work schemes.

41. We are prepared to adopt flexible solutions such as using charter flights where there are significant numbers of removals and logistical problems with using scheduled transport. (We have regular charter flights to Kosovo, and have used charters to Afghanistan and other countries.)

42. We are adopting an innovative approach to encouraging voluntary returns—partnering with organisations like the International Organisation for Migration, offering assistance with travel and, in the country of origin, transitional assistance with housing and employment. All parts of the Agency are encouraged to promote the benefits of voluntary return instead of enforced departure as often as possible during contact events. Voluntary returns count towards Border & Immigration Agency’s removal targets and delivers approx 30% of all removals of those who had sought asylum, significantly contributing to the
Prime Minister's Tipping Target. Provisional Management Information shows over 6000 people were returned home through voluntary return in 2006 (this information is subject to change and is not a national statistic).

**BOOST BRITAIN’S ECONOMY THROUGH MANAGED MIGRATION, BY BRINGING THE RIGHT SKILLS HERE FROM AROUND THE WORLD, AND ENSURING THAT THIS COUNTRY IS EASY TO VISIT LEGALLY.**

43. The Points Based System is a key part of ensuring this strategic objective is achieved.

*Points Based System for Managed Migration*

44. A new points-based system is being phased in from 2008 and will enable the British Government to control migration to the United Kingdom (UK) more effectively, tackle abuse and attract the most talented workers into the UK economy.

45. This is the most significant change to managing migration in the past 40 years. The UK benefits greatly from the skills and energy of migrants. Tourists, students and foreign workers all make a huge contribution to the UK economy. But we must also ensure the system is secure, prevents abuse and ensures that those coming here are not a burden on our society.

46. The new system will be focused primarily on bringing in migrants who are highly skilled or to do key jobs that cannot be filled from the domestic labour force or from the EU. It should also help facilitate the entry of international students who rightly see the UK as a world leader in the provision of higher and further education, and in the teaching of English.

The key outcomes of the new system will be:

— Better identifying and attracting of migrants who have most to contribute to the UK.
— A more efficient, transparent and objective application process.
— Improved compliance and reduced scope for abuse.

The new system will allow migrants to come to the UK under one of five tiers, replacing more than eighty existing routes of entry.

— Tier 1: Highly skilled individuals to contribute to growth and productivity
— Tier 2: Skilled workers with a job offer to fill gaps in UK labour force
— Tier 3: Limited numbers of low skilled workers needed to fill temporary labour shortages
— Tier 4: Students
— Tier 5: Youth mobility and temporary workers; people allowed to work in the UK for a limited period of time to satisfy primarily non-economic objectives.

*The Migration Advisory Committee and Migration Impacts Forum*

47. The Migration Advisory Committee (MAC) will provide independent and evidence-based advice to Government on specific sectors and occupations in the labour market where shortages exist which can sensibly be filled by migration. The Government may ask it to look at more general migration questions from time to time.

48. The Migration Impacts Forum (MIF) will provide stakeholder input to Government about the wider impacts of migration. We will be looking for information from forum members about the social benefits of migration and any transitional impacts, for example on local education or health services, which derive from migration.

49. The MAC will inform Government on labour market data around immigration, and the MIF will apprise Government on the wider impacts of immigration. The MAC are the labour market experts and will not be taking account of wider impacts in their advice. The Government will consider the information coming from the MIF about the wider impacts of immigration when considering recommendations from the MAC.

*The Worker Registration Scheme*

50. On 1 May 2004, ten countries—Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia—joined the European Union (EU). From that date, nationals of Malta and Cyprus have had full free movement rights and rights to work, throughout the EU. Prior to enlargement, existing EU member states had the right to regulate access to their labour markets by nationals of the other eight countries—the “Accession 8” or “A8”. The UK Government put in place transitional measures to regulate A8 nationals’ access to the labour market (via the Worker Registration Scheme) and to restrict access to benefits.
51. The data shown below are based on Management Information, are provisional and may be subject to change. The data are not National Statistics. Once an individual has been working legally in the UK for 12 months without a break they are given full rights of free movement and will no longer need to register on the Worker Registration scheme.

![Chart 8 Top 5 occupation groups - geographical distribution of employers of registered workers. Cumulative total, May 2004 - December 2006](image)

**Gang master licensing**

52. As from 6 April 2006 organisations or individuals who supply or sub-contract labour to the agriculture, horticulture, food processing and packaging sectors (labour providers) are required to apply for a licence from the Gang master Licensing Authority (GLA). There are twelve licensed gang masters in Wales; they hold licenses for labour management in the agricultural or food processing industries. There are currently two licenses pending, one related to agriculture and the other connected to the shellfish industry.

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**Supplementary memorandum submitted by the Border & Immigration Agency**

Q803 Mr David Jones: *Does your Agency have a permanent presence in Holyhead?*

All ferry services into Holyhead are from within the Common Travel Area. Under section 1(3) of the Immigration Act 1971 a person arriving from within the Common Travel Area is not, as a general rule, subject to control. For this reason, immigration officers do not operate static controls at Holyhead on a permanent basis, but intelligence-led exercises are undertaken there.

Q811–813 David Davies: *Are accommodation standards for asylum seekers available on the internet?*

The relevant link to the Border and Immigration Agency’s website is [http://www.ind.homeoffice.gov.uk/6353/11464/statementofrequirements](http://www.ind.homeoffice.gov.uk/6353/11464/statementofrequirements).

Q815 Mrs Sian C James: *Have there been any instances of community cohesion issues that have led to the suspension of the dispersal of asylum seekers in Wales?*

I have checked on the position going back to March 2006 and confirm that there were no suspensions of Dispersals to any part of Wales for any reason.
Q824 David Davies: *Do you think that the specific needs of Welsh language speakers in rural communities where they may number 80% of the population will be taken into account by the Migration Impacts Forum or will they look at more general issues that might affect the whole of Wales in a more general sense?*

I said I would like to write to you with further views about the question of how the Migration Impacts Forum would cover the concerns of predominantly Welsh-speaking communities. The joint chairs of the Forum, Liam Byrne, the Minister for Immigration, and Parmjit Dhanda, Parliamentary under Secretary at the Department for Communities & Local Government, have recently written to the First Minister to invite his support for the work of the forum and specifically to nominate a member who will be able to report to it with first-hand knowledge of developments in Wales. While most of the information we currently have on the impact of overseas migration in Wales relates to urban communities like Cardiff, Swansea, and Wrexham, much of the value of the approach embodied in the Migration Impacts Forum will stem from its firm base in all parts of the United Kingdom, which gives us confidence that we will indeed be able to pick up any issues of specific concern to Welsh-speaking communities.

Q826 Mr David Jones: *How effective is the (Worker Registration) scheme as a means to regulate A8 nationals' access to the UK labour market?*


Q830 Nia Griffith: *What safeguards do you have to ensure that benefits do not continue to be paid to the bank accounts (of persons registered on the Workers Registration Scheme who leave the country)?*

EU nationals, like UK and third country nationals, are required to tell us if their circumstances change eg if they go abroad (claimants generally have to be present in the UK in order to continue to receive income-benefits). Whilst there is always a risk that claimants do not report these changes, this is unlikely to be a significant problem for EU nationals; this is because they can only normally claim Jobseeker’s Allowance and so have to regularly attend the Jobcentre to sign a declaration. If they fail to sign such a declaration their claim is closed.

Q832/833 Mr David Jones: *Do you have an all Wales figure (for A8 immigrants) available?*

From May 2004—March 2007, the Worker Registration Scheme recorded 16,215 approved applications from A8 employees whose employers are based in Wales.

Q835 Mr David Jones: *I understood the Government was proposing a limit on migration (from Bulgaria and Romania).*

To be more concise about the position, as members of the EU, nationals of Bulgaria and Romania have rights of free movement across all other member states. Restrictions are in place for the two countries in respect of what work its nationals can take in the UK. These are set out in the Accession (Immigration and Worker Authorisation) Regulations 2006. Skilled workers are able to work in the UK—as before accession—if they obtain a work permit or qualify under the Highly Skilled Migrants’ programme. Low skilled workers from these countries are restricted to existing quota schemes to fill vacancies in the agricultural and food processing sectors (Seasonal Agricultural Workers Scheme and Sector Based Schemes).

Q836 Mr David Jones: *What criminal record checks are carried out on immigrants from Bulgaria and Romania?*

Like other EEA nationals, Romanians and Bulgarians arriving in the UK are required to produce a valid passport or national identity card issued by an EEA state. Immigration Officers at the port of entry examine all EEA travel documents and, where appropriate according to risk assessment, they will check them against immigration database records.

Where details are known of previous UK based criminal conduct relating to Romanians and Bulgarians their personal information has been retained on the immigration database. Immigration Officers refer to this database every time they encounter a Romanian or Bulgarian national at the border. The database is regularly updated with entries from Immigration Officers, Police Officers and officers from HM Customs and Excise.

In addition, the Bulgarian and Romanian authorities have already stated that they will inform the Home Office should they become aware that individuals previously involved in serious criminal activity intend to travel to the United Kingdom. In these circumstances the individual’s personal details will be entered on to the immigration database to ensure that Immigration Officers at the border do not grant them entry to the United Kingdom.
Q838 Nia Griffith: *(In respect of the arrangements for licensing gangmasters), what sort of regime do you have for inspection and what sort of percentage of companies you manage to inspect?*

Having consulted with the Gangmasters Licensing Authority (GLA) there are 13 Licenses issued to companies with their main office in Wales with a further three applications currently being processed. The GLA have conducted 13 inspections within Wales, including a compliance inspection to investigate allegations received from Polish workers. The GLA conducted a warn and inform operation in North Wales and will be shortly allocating resources to the opening of the three rivers cockle bed in South Wales.

*March 2008*

**Memorandum submitted by the Reverend Aled Edwards OBE, Wales Commissioner for the Commission for Racial Equality**

In this response to the Welsh Affairs Committee’s inquiry into globalisation and its impact on Wales, CRE Wales offers the following comments regarding:

— employment  
— population and population movement  
— food production and supply  
— broadcasting and the creative industries.

My comments are confined to issues that are within our remit and competence as regulators in the area of race equality and especially the duty to promote good relations. This reflects our role as set out by Parliament.

**The Welsh Context**

I begin with a positive concerning migration and its consequences. I am of the view that in the context of a sometimes heated and high profile debate around multiculturalism within the UK’s public arena, Wales finds itself well positioned to cast a discerning light on how to address some of the challenges of “integration” as profiled by the political hegemonies of Whitehall and of “inclusion” as underlined by the political hegemonies of Cardiff Bay.

The difference between “integration” and “inclusion” is markedly more significant than a mere question of semantics and goes beyond the difference of roles between devolved and non-devolved functions. In terms of the tenor of debate and policy outcome around migration, there seems to be a greater emphasis from the Welsh Assembly Government than from their Whitehall counterparts on including migrants as they are, with their own distinctive contributions, rather than on integrating them into the perceived “British” norms of host communities. I say perceived, since some aspects of the debate around Britishness and identity frequently fail to pay sufficient regard to Wales’ own distinctiveness within the UK and the emerging global environment.

The Welsh language offers a case in point. Significantly, the growing emphasis on the acquiring and the use of English, while entirely understandable and justified as a means of communication, becomes highly problematic in a bilingual setting when it is used as a measuring stick for integration and identity. The emphasis on one language as a means of identity rather than as an essential means of communication does not rest well with Wales’ bilingualism or, of greater importance, with the growing modern global experience of multilingualism. Nearly half of New Yorkers, who come from over 180 different countries, speak a language other than English at home.

This difference of emphasis between “integration” and “inclusion” may flow from Wales’ distinctive experience of having to embrace change. From the time a native of north Africa called Macrinus left his name on a piece of Roman pottery in Holt near Wrexham, Wales has encountered and handled cultural diversity in its own way by frequently reinventing itself and adapting to new realities. At times, that process of change has been overwhelming in proportion. The human experience known as the “Valleys” took shape during a time when Wales’ population almost quintupled over four generations. At one stage before the First World War, Wales had an immigration rate of 45 per 10,000 and ranked second, by rate, only to the USA as a world centre of immigration.

This level of migration led to a certain national and developing plurality: if the piercingly perceptive description of Wales as a singular noun but a plural experience, as articulated by Dai Smith in his *Wales/Wales*? (1984), was true in the mid eighties, it is even more so now. Wales, once again, finds itself in the context of change—global change—where almost one in thirty five of us is now a migrant—most of whom will be economic migrants.

Significantly, it also led to a distinctive approach. A small nation with two formal linguistic communities, formidable traditional barriers of geography and only a recent and still limited expression of national governance cannot turn to increasingly frayed badges of national identity for a sense of security. Increasingly, uniformity cannot be enforced by a single language, common ethnicity, shared faith or sovereign statehood.
with concrete borders. Wales, unlike larger nations, has always had to turn to more creative emblems of national identity: specifically, around how different peoples recognise each other and get on with each other within communities.

Wales, as the anti Semitic Gwent riots of 1911 also show, has a darker history. Wales cannot rest on a sense of welcoming that is more romantic than real. In our current context welcoming has to be tested by robust monitoring and a healthy emphasis on impact assessment in the context of policy formation. This emphasis has been pivotal in CRE Wales’ plans for its final months of activity before the introduction of the CEHR in October.

1. Employment

Direct contact between CRE Wales staff and young Welsh workers seeking certain sorts of posts towards the lower end of the job market has indicated a strong perception that recent immigration has lowered wages and made some jobs more difficult to acquire. This perception has been observed in places around the south Wales Valleys and Wrexham in particular. Politically, such perceptions may have contributed towards the comparative success of the BNP in the recent National Assembly for Wales’ elections especially in the north Wales regional count.

However, business leaders and employers report that recent migrants from the new accession countries have filled gaps in the job market and brought other economic benefits. Recent research analysed by Philippe Legrain in his discerning Immigrants Your Country Needs Them (2006) highlights the benefits of global migration. There is no evidence to suggest that the global benefits of migration haven’t also been experienced in Wales. Anecdotal evidence suggests that Wales has indeed encountered some economic benefits from the latest wave of migration.

Legrain argues that freer international migration brings economic benefit to the world as a whole because it redeploy workers to where they are most productive. It also introduces a younger and more creative dynamic into the economy without the cost of schooling and higher education. Between 2004–2006 over four fifth of the Eastern Europeans who had applied to work in Britain were aged 18–34. Again, anecdotal evidence suggests that Wales’ experience of the latest wave of migration reflects this particular demographic. Economic change has also led to social benefit. Interestingly, after years of decline and ageing, churches in Wales are beginning to encounter and measure an injection of new worshippers—especially young Poles.

Wales has also developed strategically significant schemes that offer models of good practice to the rest of the UK in the context of the public sector professions. The distinctive Welsh Assembly Government’s refugee doctors’ training scheme is undoubtedly the best scheme of its kind in the UK. It was recently recorded that the scheme, initiated by Displaced People in Action in 2003 in partnership with the Welsh Assembly Government, had 65 members in training and had already produced 29 working doctors for the NHS in Wales. Refugee doctors in Wales have a far greater chance of being trained and eventually employed in the NHS than in any other part of the UK.

2. Population and Population Movement

Wales now stands where it has always stood: largely defined by the migration of diverse peoples. Wales’ modern experience of demographic change also conforms to global patterns. There are three discernable trends.

(1) Conforming very much to a global pattern of the movement of people, the issue of the moving in and out of Wales continues to be defined overwhelmingly by Wales’ relationship with its nearest geographic neighbour.

(2) Also conforming very much to a global pattern of the movement of people, the issue of moving from one part of Wales to another is defined overwhelmingly by a demographic shift from rural to urban centres. In Wales, conforming with such a global trend has linguistic consequences. Young people are moving from largely Welsh speaking Wales to an increasingly Welsh speaking Cardiff geographic urban hegemony.

(3) Of least numeric significance but of greater profile in terms of public debate, Wales has recently welcomed peoples from countries such as Zimbabwe, Iraq and Somalia through the asylum and refugee route. While Wales’ population remains overwhelmingly British and white it has under the Home Office’s dispersal scheme, welcomed a steady and now constant figure of some 2,500 asylum seekers. Wales, as a consequence, now has a well settled refugee community supported by an increasingly vibrant and self sustaining refugee community network that increasingly perceives itself to be Welsh within the emerging devolved context. More recently, Wales has welcomed thousands of migrants from the new accession countries. Although this migration has demanded a high profile in areas such as Wrexham, every part of Wales has encountered both the privileges and the challenges of this latest wave of migration into Wales. Accurate figures concerning overall numbers cannot be produced.
The process of marrying older and newer cultures in Wales, set to the complicated background of internal migration, can sometimes produce interesting results. The process of adapting to change and creating new identities is ongoing. Today, a Welsh medium school such as Plas Mawr in Cardiff can record that 9% of its students come from black and ethnic minority homes. That would have been inconceivable thirty years ago. At this point, without really recognising or identifying such a development as being significant in a global setting, Wales is actually handling a cutting edge theme in a pioneering way that again offers a model of good practice.

The theme relates to the question of marrying older cultures with the new. As young Welsh speakers move to Cardiff and other urban areas—not just because they have to but because they wish to—there has been an almost insatiable appetite for new Welsh medium schools. Cultural and economic vibrancy attracts vibrancy, industry and creativity. If one observes global patterns of the coming together of those who have moved to seek a better life—not especially the young—it is not at all surprising that young Welsh speakers will marry their aspirations with those who share their vibrancy and creativity from markedly different cultural backgrounds. This dynamic has inevitably led to a new sense of diversity and complexity in social interaction. That has economic consequences. Legrain argues, on the basis of similar global dynamics among migrants, that diversity actually boosts group performance in complex situations.

CRE Wales has been able to observe such a dynamic at work through one of its more innovative projects. The CRE’s Croeso project, by the time it ends, will have worked in every secondary school in Wales drawing together conversations about what unites us now in a shared sense of humanity. Wales is being recreated as we speak.

3. Food Production and Supply

Beyond the issues of regulating the employment environment and offering advice on the slaughter of animals according to various religious practices CRE Wales has no competences regarding food production.

4. Broadcasting and Creative Industries

Given the concentration of UK wide press and media industry around the M25 basin, it has been difficult for Wales to profile its own distinctive approach to global change even when it has achieved significant outcomes.

The way in which Wales has approached the welcoming of asylum seekers and refugees offers a case in point as a significant indication of a new political culture at work. In 2005, IPPR discovered that Cardiff had the most positive attitude towards asylum seekers of all the cities in the UK it questioned. This was attributed at the time to the political lead given in terms of setting the tone by the Welsh Assembly Government and Welsh MPs, Cardiff’s experience of multiculturalism, and the distinctive role and capacity of the Welsh media.

During the build up to the publication of IPPR’s report a civic society led refugee media group had worked hard with a high degree of professionalism to profile positive narratives concerning asylum seekers and refugees. The Welsh press and media’s coverage of asylum and refugee issues was heavily influenced by this group’s activity. The group achieved many of its goals despite the corrosive coverage of the issue by the London based tabloids. It has proved almost impossible to bring good stories concerning migration through London based media conduits.

Conclusion

Public bodies now have a duty to make sure that they are working for race equality and the CRE has the job of chasing those who do not fulfil this requirement properly. Over the next few months, the CRE in Wales will be reporting on how Welsh public bodies are doing and setting out clearly what still needs to be done. This work is crucial in the context of a small nation with such a large public sector. The CRE will be offering advice and encouragement but also retains the option of using its enforcement powers as given by Parliament.

Perhaps the greatest challenge of all for the CRE in Wales as it approaches its last few months before the introduction of the CEHR is to help create a society where not too many conversations begin with the prefix: “I’m not a racist but...”. Thirty years on, the CRE still has work to do. Racism still exists.

June 2007
Memorandum submitted by North Wales Police

THE IMPACT OF MIGRATION WITHIN NORTH WALES

GENERAL POINTS

— The majority of the migration within North Wales is economic migration with individuals seeking a better life for themselves and their families. The largest groups of migrants are Polish but there are also significant numbers of people from Lithuania, Portugal, Czech Republic, and also Bulgaria and Romania.

— The number of Asylum Seeker dispersals within communities is very small. In Wrexham for example it is less than 10.

— The numbers of migrants are estimated to be some 15,000 but no-one actually has a definitive figure. There are various means utilised in attempting to measure this; for example examining issuing of National Insurance numbers, attendance of children at schools. None of this however, gives a totally accurate picture.

— The majority of the migrant workers would seem to be generally regarded as hard working within the community as a whole and undertake low paid and hard to fill jobs, such as those within the food industry.

— The significant growth of Polish migrant workers has led to the establishment of a small but growing service sector to support this community. So for example there are Polish shops which stock specialty foods which are consumed by the local Polish community. These premises attract few, if any, problems above the norm and there is no suggestion that they are causing any concerns within the community.

— Language is a significant barrier to integration for any community and undoubtedly holds back the development of some migrants. Fluency, particularly in English, is a key determinant of social inclusion and integration within the wider community.

— Many of the migrants live in private rented accommodation rather than within council owned properties.

— There is some feeling that Wales, as a nation, is not yet fully ready to deal with the challenges, and opportunities, offered by inward migration. Wales is still striving to be a fully effective bilingual country and yet in some areas this is being overtaken by the creation of multi-lingual communities. For example within Eastern Division, (Wrexham and Flintshire), the Divisional Commander now believes that in communicating with the public, he needs to be producing material in Welsh, English and Polish as a minimum.

— Within the community as a whole language diversity is growing. One headteacher reported that there are 29 languages spoken in her school. In one school there are 30% of pupils whose first language is not English or Welsh.

— Other significant minority communities also exist who are not economic migrants. There are large temporary overseas student populations within Bangor and Wrexham and positive and successful marketing of academic opportunity means that these student populations seem to be more diverse than ever.

POLICE SPECIFIC ISSUES

In January 2007 a report produced within North Wales Police came to conclusions which included the following.

Key Findings

1. The overall assessment of the information contained within this report suggests that the vast majority of migrant workers in North Wales have become an accepted part of the community, with no significant problems concerning hate crime or community tensions. The contact by Community Beat Managers (CBMs) with migrant workers has not evidenced any exploitation by employment agencies, although this potential does exist.

2. Data collected by CBM’s regarding migrant workers within North Wales has indicated approximately 15,000 living or working in the Force area, an increase on previous reports. In 2005–06 there were 3,910 applications in North Wales for National Insurance numbers by non UK nationals, an increase of +69% over 2004–05. Increases were particularly evident in Gwynedd, Denbighshire and Flintshire.

3. The main migrant communities in North Wales are Wrexham town, the Deeside industrial estate and surrounding area, North Flintshire, Llandudno, Bangor, and factories in Llangefni and Gaerwen on Anglesey.
4. A large number of the migrant workers are employed in factory work on the Wrexham and Deeside Industrial estates, as well as other factory premises across the North Wales area. Migrant workers have become essential for the hotel and tourism trade in many of the resort areas, in particular Llandudno, but also Pwllheli, Porthmadog and Rhyl. Other large migrant communities surround all three major hospitals, as well as the smaller hospitals and care homes in North Wales.

5. The largest migrant communities are from Poland, followed by Portugal, Lithuania and Slovakia. There are also small Filipino and Indian communities working mainly in nursing and care. A significant Iraqi Kurdish community remains in the Wrexham area. In the restaurant and fast food industry there are small communities of Chinese, Indian, Bangladeshi and Turkish migrant workers in most of the main towns of North Wales. North Wales has not yet seen any influx of Bulgarian and Romanian migrant workers, as anticipated in the national media, although small numbers have been reported.

6. The majority of workers are housed close to the main employment areas in local rented accommodation, arranged by the employment agency. There is an emerging trend in Wrexham where migrant workers are applying for local authority run housing, which has the potential to cause tensions within the community.

7. Reported hate crime 2006–07 has reduced by -2.7% up to week 45 Financial Year to Date (YTD) when compared to the same period 2005–06, although levels remain much higher than 2004–05 (+56%). This increase compared to 2004–05 has to be taken in context with a significant drive by North Wales Police to encourage the reporting of all hate related crime.

— In terms of operational policing there are some challenges posed in dealing with the new communities. The attitude of some migrants towards the police is one such issue. Some migrant countries have experienced policing structures that, until fairly recently, were seen as either corrupt, or worse were seen as an arm of state political control and consequently little trusted. The history and perhaps personal experience of a corrupt police force less responsive to the needs of people is not easily removed. This may be exacerbated by the fact that language difficulties can mean that building trust is a long term issue for the service.

— The reality of our migrant communities is that they are both the victims of crime and some also commit crime. Were it to be any different then this would be astonishing. In terms of the committing of crime migrants do not commit disproportionate amounts of crime to their numbers. Getting communities to report crime is important and any significant non-reporting or under reporting could have negative impacts.

— There is a culture of drinking within some migrant communities and this can lead to problems with younger males. However this is by no means confined exclusively to migrant communities. There are also associated issues around drink driving and the use of vehicles.

— In order to ensure that the police are sensitive and responsive to the feelings within the community as a whole, specific monitoring is undertaken. For example weekly tension indicators are produced within Eastern Division, in order to ensure that any real or perceived problems within our communities are addressed as early as possible. This does not mean that there are signs of real tensions within our communities. What it does mean is that active monitoring and policing activity is routinely taking place to ensure that issues are not allowed to develop to any point where they can become significantly problematic. Pro-active and professional management is vital to maintain an accurate picture of life within our communities.

— Additionally close working relationships with councils and other partners is essential. The police are only one element in supporting effective integration. Wrexham County Council has created booklets aimed at welcoming and providing information and guidance to those who have secured Refugee Status and another booklet aimed at migrant workers. North Wales Police have been able to provide advice, personal safety information and relevant contact details of the Diversity Officer and the general North Wales Police contact number. Additionally Flintshire County Council is currently working upon their own version for migrant workers. Once again, North Wales Police have been able to provide advice and relevant contact details for inclusion within this document.

— The creation of “Drop in Centres”, is one way of building and fostering trust within communities towards the police. This is having good success but is only a partial step towards embracing the trust and confidence of the minority communities.

— The police have undertaken numerous other initiatives to respond. For example all counter staff within Wrexham have been given training language in basic Polish, for the purposes of meeting and greeting.

— The appointment of a Community Beat Manager for Minority Communities has been a good success, with much of that success being due to the fact that the officer concerned is a formidable linguist who has made real strides in connecting with many parts of the Polish and Portuguese Communities in Eastern Division, due to his ability to speak their languages.
— Within North Wales Police, encouraging the reporting of and investigating racially motivated crime and incidents continue to remain a focused priority. In order to ensure that victims get the best possible service, we seek to make certain that close liaison is maintained with the variety of support groups covering North Wales and our local areas. Organisations such as the North Wales Race Equality Network, Victim Support, Black Association of Women Step Out (BAWSO), the Welsh Refugee Council and the Wrexham Asylum Seeker and Refugee Support Group are but a few.

— There have been some marginal, but not insignificant incidental impacts on policing. For example in the financial year 2001–02, Eastern Division of North Wales Police, (Wrexham and Flintshire) spent £5,300 during the course of the year on interpreters’ fees. In the financial year 2005–06 the cost was £80,300. This is a significant and almost hidden cost on policing budgets.

Chief Superintendent S Curtis
North Wales Police
May 2007

Memorandum submitted by Robert Rowthorn, University of Cambridge

The first part of these notes presents and explores the implications of some projections of Welsh population and age structure over the period 2004–2074. The second part contains some general observations on these issues.

Part 1: Projections

Population

The evolution of population through time depends on a variety of factors. Chart 1 shows four different projections of the population of Wales over the period 2004–2074. These projections differ with regard to their assumptions about fertility and migration, but are otherwise identical. Fertility is measured by the Total Fertility Rate (TFR), which in this context indicates the number of children the average woman will have over her lifetime. Migration is measured by the annual flow of persons into and out of the country. Details of the four projections are as follows. Three of these projections were made by the Government Actuary’s Department (GAD) and the fourth was derived by extrapolation using information on the GAD website.

Natural Change (Zero Migration):

This projection assumes there is no inward or outward migration so that births and deaths account for all changes in population. During most of the period the TFR is 1.75 which is similar to the present fertility rate and to the fertility rate which GAD projects for the UK as a whole. This rate of fertility is not high enough to replace the existing population, so that after a time the population declines. Between 2004 and 2074 it falls by 400 thousand—from 2.95 million to 2.52 million. By the end of the period the population of Wales is slightly smaller than it was in 1951 (2.60 million).

Principal Projection:

This projection represents what GAD considers to be the most likely outcome. It differs from the previous projection in assuming that there is an annual net inflow of 11,500 migrants. Because of immigration the population rises by around 400 thousand and then stabilises at around 3.3 million.

High Migration:

Under this projection, there is an annual net inflow of 16,000 migrants. Population continues rising throughout the period to approach 3.8 million in 2074.

High Migration, High Fertility:

Under this projection, there is an annual net inflow of 16,000 migrants, as in the previous projection. The total fertility rate is also higher at 1.95. Under this projection population grows rapidly to reach 4.2 million in 2074. This is 1.3 million more than in 2004.
AGE STRUCTURE

The above changes in population are accompanied by changes in the age structure of the population. There are many ways of measuring age structure. Here I use a simple measure which is defined as follows:

\[
\text{Potential support ratio} = \frac{\text{Working—Age Population}}{\text{Pension—Age Population}}
\]

This is a mixed measure which is mainly affected by changes in the age-structure of the population. It is also influenced by projected changes in the age at which men and women become eligible for a state pension. The potential support ratio (PSR) indicates how many individuals there are of official “working-age” who are potentially available to support each person of official pension-age.

Chart 2 shows what happens to the PSR under each projection. In all cases, this ratio falls steeply through the course of time. Under the Natural Change projection the PSR declines from 2.95 in 2004 to 1.74. The smallest decline is observed under the High Migration, High Fertility projection for which the PSR is 2.12 in 2074. Comparing these two projections, it is clear that immigration and higher fertility can slow-down the process of ageing. However, the effect is modest in comparison to the huge difference in final population between these projections. Under the High Migration, High Fertility projection the population of Wales in 2074 is 67% higher than under the Natural Change projection.

It is interesting to compare the Natural Change and Principal projections. These two differ only with regard to their assumptions about migration. Under the former projection there is no migration and under the latter there is an annual net inflow of 11.5 thousand. As can be seen from Chart 2, this inflow of migrants has virtually no impact on the age-structure of Wales. It does not help to rejuvenate the country significantly. The explanation for this surprising result is as follows. In most high-income economies immigration has a rejuvenating effect because the immigrants are mostly of child-bearing-age or younger. However, Wales is unusual because many of its immigrants are comparatively old and hence their entry is not a significant rejuvenating factor. In its Principal projection GAD assumes that this will continue to be the case in future. This assumption is modified under the High Migration projections where the average age of immigrants is lower than under the Principal projection, and hence immigration does have some rejuvenating effect.

EMPLOYMENT

Concentration on the potential support ratio, as customarily defined to include only the older population, can be misleading. It ignores the fact that ageing countries will have fewer children to support because of their lower birth rates. More importantly, it ignores the fact that a large number of people of “working-age” are not actually working and could be mobilised to augment the existing workforce. To provide a more rounded picture I shall therefore use an alternative measure which I call the “real support ratio” or RSR for short. This ratio is defined as follows:

\[
\text{Real support ratio} = \frac{\text{number of persons employed}}{\text{number of persons not employed}}
\]

In calculating this ratio I assume, as is conventional, that each child counts as one-third of an adult in terms of dependency costs. The RSR depends on the proportion of the population in each age group that has a job and on the age structure of the population. The changes in age structure that are now occurring will tend to reduce this ratio, whereas higher age-specific employment rates would have the opposite effect. 47

Chart 3 shows the evolution of the RSR under various projections. Two of these projections assume that the proportion of the working-age population with a job remains constant through time at 71.9%. There is also what I call the “High Employment” projection. Under this projection there is no migration and the total fertility rate is equal to 1.75. In this respect, it is the same as the Natural Change projection. However, the new projection assumes that the proportion of the working-age population with a job rises from its initial level of 71.9% to reach 78.7% after 25 years48. The reason for choosing 78.7% is that this is the employment rate currently observed in the South East of England which has the highest regional employment rate in the UK.

A striking feature of Chart 3 is the low initial value of the RSR. At the present time, expressed in adult equivalents, the number of people in Wales with a job is slightly smaller than the number of people without job. Only half of the population is working! This is partly explained by the low employment rate of the working-age population. If the employment rate in Wales could be increased to the level currently observed in the South East of England, this would mean 120,000 extra people in work and an equal reduction in the number without work. Under the High Employment projection the “missing 120,000” are brought into work over a 25 year period. This is more than enough to offset the effects of ageing during this period with the result that the RSR actually increases during the initial decades. Eventually, the RSR starts to fall as ageing begins to take over. However, throughout the entire 70 years covered by the projections, the real

48 The figures cited here are averages for 2003–2005 as given in table 5.1 of Regional Trends, ONS
support ratio under the High Employment projection remains higher than under the High Migration, High Fertility projection. This indicates that in terms of dependency there is more to be gained by mobilising the existing population effectively than seeking to rejuvenate the population through immigration or raising the birth rate.

PART 2: GENERAL OBSERVATIONS

Does population decline matter?

From the point of view of national self-confidence and political influence the answer may be yes. From an economic point of view, however, the answer is less clear. There is no clear statistical evidence that population growth makes the typical nation more prosperous. It certainly raises national production (GDP) because there are more people employed in a large country than in a small one. The GDP of Indonesia is much larger than that of Denmark, but which of these two countries is the most prosperous? The old idea that a country needs a large home market to exploit economies of scale has lost most of its relevance in modern Europe. The growth of international (and intra-UK) trade means that Wales now exports much of what it produces and the size of the home market is no longer of central importance. Indeed, this has been true for a very long time.

All long range population projections should be treated with caution. For example, in the 1930s, there was a panic in many countries about collapsing birth rates, and demographers totally failed to predict the post-war baby boom. It could be that Wales and other European countries will experience an unexpected resurgence in the birth rate within the medium-term future. If present trends were to continue forever then, in the absence of immigration, as a matter of arithmetic the population of Wales would eventually dwindle to nothing. But such a process would take a long time to work itself out. Over the next seventy years the predicted fall in population due to natural change is around 15%. This is a significant decline but it is not catastrophic. It would leave Wales with a population only slightly smaller than in 1951. Such a decline could even be an advantage. South Wales is heavily populated and, if the decline were properly managed a modest reduction in population would have environmental benefits.

Does Ageing Matter?

“There will not be enough young people to pay for our pensions or to look after us when we are old”. Is this the case of Wales? Will there really be a shortage of workers able to perform the mental and physical tasks of caring for the elderly? This seems very unlikely. There are many of thousands of potential workers of all ages who are currently without a job and could be usefully employed in caring roles. If these could be mobilized this would outweigh any loss of staff arising from population decline. There is not nor is there likely to be a scarcity of people able to care for the elderly. What about finance? If the number of taxpayers in Wales shrinks because of population decline, who will pay for Welsh pensions and the wages of those who care for the elderly? The answer is simple. It will be taxpayers in southern England where employment and tax revenues are booming. Wales is part of a fiscal union with the rest of the UK. Tax revenue is pooled in a single pot and then doled out according to “need”, augmented in the case of Wales by the Barnett formula. If the Welsh labour force shrinks, there may be fewer taxpayers and hence the total amount of taxes paid by the Welsh people may fall. However, most of the shortfall will be made up by taxpayers elsewhere in the UK. The fact that Wales is in a fiscal union with a much larger entity means that tax rates in Wales are largely insulated from local demographic variations.

Does Wales need immigration?

To make a large and permanent dent in the age structure requires large-scale immigration or a high birth rate, both of which would lead to massive and unsustainable growth in population. Ageing is here to stay and Wales like other countries must come to terms with it. However, this does not mean that immigration is pointless. Wales does not need to import unskilled workers on a large scale. It already has a surplus of them. But the economy would certainly benefit from an injection of skilled migrants.

To the extent that Wales needs a migration policy, its focus should not be the absolute size or age structure of the population, but on the performance of the Welsh economy. The primary economic purpose of migration should be to promote internationally competitive manufacturing and service activities so as to provide employment for the existing population of Wales and their descendants. Skilled and talented immigrants can play a valuable role in this context. Likewise, there are economic benefits to be had from keeping the most skilled and talented Welsh people at home and encouraging the return of those who have left.
Assumptions Underlying the Projections

<table>
<thead>
<tr>
<th></th>
<th>Total Fertility Rate (TFR)</th>
<th>Annual Net Migration</th>
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<tbody>
<tr>
<td>Natural Change</td>
<td>1.75</td>
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<td>Principal Projection</td>
<td>1.75</td>
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<td>High Migration</td>
<td>1.75</td>
<td>16,000</td>
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<tr>
<td>High Migration, High Fertility</td>
<td>1.95</td>
<td>16,000</td>
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</table>
Definition:

Potential support ratio = \[ \frac{\text{Working—Age Population}}{\text{Pension—Age Population}} \]

Assumptions Underlying the Projections

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<td>1.95</td>
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</tbody>
</table>
Definition:

\[
\text{Real support ratio} = \frac{\text{number of persons employed}}{\text{number of persons not employed}}
\]

Calculation uses adult equivalents (1 child = 1/3 adult).

**Assumptions Underlying the Projections**

<table>
<thead>
<tr>
<th>Total Fertility Rate (TFR)</th>
<th>Annual Net Migration</th>
<th>Employment Rate (%)</th>
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14 May 2007

**Memorandum submitted by Dr Surhan Cam**

**IMPACT OF MIGRANT WORKERS ON THE WELSH LABOUR MARKET**

I am grateful for the opportunity to be able to make this submission to the Welsh Affairs Committee’s inquiry into globalisation.

The contribution of migrant workers to economic growth in the UK has been well established (0.7% currently). This is expected to grow together with the number of migrant workers (estimated up to 150 thousand per year over the next two decades). Despite otherwise claims, migrant workers create jobs whilst having little impact on wages—aggregated differential is below 13% between “indigenous” workers and those who came to Britain and in the last decade (which is the threshold used in this presentation in order to cover the Labour government from the beginning).

Even so, certain sections of workers have faced replacement or more pressure on wages, causing concerns over political backlashes and the rise of electoral support for the BNP, not least in Wrexham, Wales; almost 10%.

In Wales, the proportion of migrant workers to total labour force is limited compared to the rest of the UK (less than 3% and over 5% respectively).
A large proportion of those who came to Wales in the last decade are EU migrants (35%, compared to their 26% share among the rest of migrant workers in Britain). And most of them are Polish. However, as opposed to media images, most of the migrant workers are not plumbers or pickers in Wales. Construction in general accounts for less than 3%, and the proportion of migrant workers in agriculture is residual.

As in the streets of London, migrant workers are featuring small shops in the Cowbridge or City roads of Cardiff, yet it would be wrong to over generalise this. Only 16% of migrant workers in Wales work for establishments with less than 20 employees, compared to over 30% for the rest of the workforce in Wales. Likewise, only 2% of migrant workers are self-employed in Wales (as opposed to more than 10% for the rest of migrant workers in Britain).

So, where are they? Well, over 40% of them work in public services (such as health and community services) which is considerably higher than a 27% for the rest of migrant workers in Britain. Further differences come up when the private and public sectors are considered separately. A larger proportion of migrant workers in Wales tend to work in public sector, 28%, compared to 15% for the rest of migrant workers in Britain. In the private sector, the large areas of employment for them are manufacturing with 24%, and hospitality with 17% (these figures are typically half less for the rest of migrant workers in Britain).

Circa 20% union density among the migrant workers in Wales, in particular, is also twice more than the “local” workforce in Wales (It is also higher than the overall average for the rest of the workforce in Britain). An important implication of this distribution is related to unionisation. Over 35% of migrant workers in Wales work at the workplaces where there are recognised unions. This is equal to the proportion for the “local” workforce in Wales (It is also higher than the overall average for the rest of the workforce in Britain). Circa 20% union density among the migrant workers in Wales, in particular, is also twice more than the density among the rest of migrant workers in Britain. Further, over 30% of migrant workers in Wales work in public services, compared to 15% for the rest of migrant workers in Britain. In the private sector, the large areas of employment for them are manufacturing with 24%, and hospitality with 17% (these figures are typically half less for the rest of migrant workers in Britain).

Against this background, however, migrant workers in Wales are subjected to more uneven work rewards compared to the rest in Britain. About 36% of them, for example, were offered training by employers, compared to 43% for the rest of migrant workers in Britain. Another telling story is about pay inequality. Their weekly earnings on average are nearly 18% less than other workers in Wales, whereas this gap is down to 7% for the rest in Britain. One may think that this could be related to part-time employment, but less than 10% of migrant workers in Wales work in part-time jobs, compared to 20% for the rest of migrant workers in Britain.

In Wales, there is a considerable bifurcation among the migrant workers. Over one quarter of migrant workers earn above the average pay in Wales. This is more or less the same for the rest of migrant workers in Britain. However, another one quarter of migrant workers in Wales earn below minimum wage, whereas the proportion for their counterparts in other parts of Britain is down to 15%. To explain the bifurcation in Wales, it is necessary to refer to a number of issues.

Compared to the rest in Britain, migrant workers in Wales tend to be younger to certain degree; over 30% of them are below 25 years old whereas this proportion is less than 20% for other migrant workers around the country (As elsewhere, younger workers are paid lower on average—especially for less experience/skills and tendency toward union membership).

Skills and qualifications/occupations as such are an important issue in terms of bifurcation. Over 35% of migrant workers in Wales work in elementary occupations or processing plants (especially food processing), whereas this proportion is no more than 20% for the rest of the workforce in Wales. This is line with the conventional idea that migrant workers have little or no skills. Yet it is also necessary to underline that migrant workers are no less represented in higher-rank occupations than other workers in Wales. If anything, it is the other way around to certain degree. Over 40% of migrant workers are in higher-rank occupations compared to 36% for the rest of the workforce in Wales.

Another important element of the bifurcation is temporary jobs. In Wales, over 21% of migrant workers work on short-term contracts which should be compared to circa 13% overall average for the rest of migrant workers in Britain. This makes the developments regarding the implementation of the EU directive on temporary work particularly important for Wales. Policy practices in general are crucial in terms of addressing the gap between migrant workers at the lower end of the labour market and the rest in Wales. Notably, a revitalised public-private partnership may have beneficial potentials for trade unions in their effort to organise the disadvantaged sections of migrant workers—membership premium is over 10%.

It is also important to boost training opportunities for those at the lower end of the labour market since they are twice less likely to able to gain access to such opportunities provided by employers. Life-long learning schemes have proven useful for many, but considering the progressive implications of training for both economic and political ends, it appears to be a sensible exercise to explore various possibilities in order to attract foreign investment into training businesses.

June 2007
Memorandum submitted by CSA Service Group

1. CSA Service Group (CSA) is a specialist resource provider with a proven track record of supplying effective managed workforce solutions to businesses and industry in Wales.

2. At CSA we specialise in providing workforce solutions. We are an ethically and socially responsible employer evidenced through our Gangmasters Licensing Authority (GLA) License. We were the first company in Wales to be so licensed and registered. We also work closely with the Association of Labour Providers (ALP) and the Temporary Labour Working Group (TLWG) ensuring that the required standards are met and exceeded where possible.

3. CSA was established in 1992 and prior to May 2004 was experiencing the difficulty of supplying a quality service to its clients which in turn made our clients experience instability etc. We then looked to resource from Eastern Europe which was predominantly and continues to be from Poland.

ACCOMMODATION AND RELOCATION

4. As there are difficulties in relocating from an Eastern European economy to a Western one, CSA offers accommodation for all of its managed workforce if required. Accommodation is provided in strict accordance with guidelines as set down in GLA regulations.

5. Accommodation charges are applied to a maximum of £29.05 per week, excluding bills. We at CSA are in a minority of workforce providers who accommodate their employees.

6. It should be noted by the Committee that private sector landlords may charge migrant worker tenants at any rate and are not required to adhere to the regulations outlined in para 5.

7. The weekly accommodation offset (see para 5), which in our case is just sufficient to cover the basic cost, could be better served by being set by each local authority who have the knowledge of their local market rents and category elements. At present standards are not taken into account.

8. In terms of Workers Registration Scheme (WRS) Registration problems in administration have arisen by the raising of costs from £50 to £70 and now £90 without notice and consultation. We are aware that the Association of Labour Providers (ALP) have raised this issue with the Home Office but further representation is essential. There continues to be no facility within the WRS Regulatory Department to keep track of the change in employer.

9. Opening of bank accounts, doctor registration and translation per se continue to be issues but due to local negotiation, the good offices of organisations such as the Welsh Polish Association and good will we are able to overcome these difficulties.

TRANSPORT

10. As with accommodation transport is an essential element in the initial stages of employment. This is provided as the local services are not available at the times or to the locations that people are required. All transport adheres to national legal standards both in terms of vehicles and drivers. (20% require transport, 80% under own means). However, where employees do purchase we try and monitor this and maintain liaison with local police.

11. At CSA employees are provided with transport in order that:
   (a) Efficiency in time keeping is maintained.
   (b) There is a reduction in carbon footprint.49
   (c) Employees are not compelled to purchase cheap and possibly unroadworthy vehicles.
   (d) Local public transport services are not provided at convenient times and in areas where needed.

12. It is important to note that as with accommodation transport is available to to any employee of whatever nationality.

LANGUAGE

13. Language continues to be an issue although it should be noted that the skill and ability in the use of the English language is becoming increasingly prevalent within the younger Polish immigrant community. We ensure that 70% of our management and administration staff in Wales and Poland are bilingual to ensure that communication is good.

14. At CSA every effort is made to translate all key documentation in the employee’s native tongue. Translation services are also provided to client companies.

49 We would be greatly interested in further reducing our carbon footprint by providing additional centralised transport on a subsidised basis.
15. It is company policy that employees should only sign documentation written in their native language.

16. Although as a company CSA does not provide language training employees are encouraged to take every opportunity to increase their knowledge of English and are directed to suitable training facilities.

**ECONOMIC IMPACT**

17. At CSA we believe that we are strong supporters of the local economy. Situations that we are asked to fill are open to local candidates, under the same terms and conditions, as well as those from Poland and a number of our employees are local. However, a more fundamental point is as follows: it is clear that a number of client companies are unable to find enough local candidates in possession of the right skills and competence. At CSA we are in a position to augment these workforces with personnel and are thereby safeguarding the businesses in question and their continued presence in South Wales.

**CONCLUSION**

18. At the two and half year point it now appears, in our own experience, that the local authority, in its various forms, is now accepting of the general situation of immigrant labour. However, we feel that there is a negative impact caused by unwelcome intrusion, in the form of disinformation. This greatly increases the general difficulties encountered by businesses operating in this area.

19. In general authority continues to promote awareness along with encouraging co-operation at all levels. This has required a considerable amount of effort by all parties and, even though there continues to be opposition in certain quarters, most now recognise the benefits to be gained by the presence of quality immigrant labour.

*June 2007*

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**Supplementary memorandum submitted by CSA Service Group**

Our staff have the option to use accommodation that is arranged by us or to source their own accommodation.

**Q 1152 Mrs. James** *What proportion of your workers live in CSA accommodation?*

Currently, 33.5% of staff are accommodated in our accommodation.

**Q1181 Mr David Jones** *So there may be more than two people sharing a bedroom?*

The maximum number sharing a bedroom is 2.

*J Samuel*

Operations Manager

*December 2007*

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**Memorandum submitted by the Welsh Consumer Council**

**POPULATION AND POPULATION MOVEMENT**

Between May 2004 and March 2007, over 16,000 EU workers registered with the Worker Registration Scheme in Wales (WRS).

It is a recognised problem that the data on the numbers of migrant workers residing in Wales does not reflect the true picture.

The current estimates are based on two data sets: registrations on the Worker Registration Scheme and the number of National Insurance Numbers issued.

However, it is possible to register for a National Insurance number and then move to another part of the country, some workers simply may not register with WRS.

Currently, the Office for National Statistics is undertaking a project to improve data collection, for example through the use of household surveys and the International Passenger Survey.

Another aspect of this in-migration for consideration is that of geography. In-migration in the UK has been traditionally focussed on the urban centres and there is a natural tendency to assume the same of migration from the A8 member states.

However, due to the patterns of work and employment, this is no longer the case. Many seasonal workers come to the UK to work in agriculture, meaning a short, sometimes long term, influx into rural areas.
The impact of this gap in knowledge is that many public service providers do not know the impact this will have on service demand and have difficulty in planning for unknown numbers.

In addition, it is difficult to plan for long-term impacts on services if it is unknown whether or not migrant workers intend to settle in an area, for example there may be an impact on school capacity if that person has a family, or the housing entitlement rights of an A8 citizen changes after they have been settled in the UK for over a year.

However, as the report *Migrant Workers and Access to Public Services* advocates, there should be enough flexibility in local service delivery to plan for ebbs and flows in local populations.50

We believe there is not only a need for improved methods of data collection but also for greater sharing of information between employers, agencies and public service providers to build a more accurate picture for Wales.

30 August 2007

Memorandum submitted by Dawn Meats Group

**Introduction**

1. Dawn Meats (UK) Limited is a UK registered company, its principal place of business being Crosshands, Carmarthenshire. The business in Crosshands is engaged in the processing and packaging of fresh meat, principally beef, consumer packs for the UK market. The business was originally established in Crosshands in 1992. Following a major fire in 2002 construction of the current plant on a greenfield site in Crosshands Food Park commenced in 2003. This facility was officially opened by Mr Andrew Davies, Welsh Economic Minister, in March 2005.

**History in Wales**

2. The original rationale for establishing in West Wales was proximity to the Ireland/UK sea transport links. In 1992 there was significant unemployment in the area, therefore labour availability was a major consideration. Local motorway access for onward distribution of finished product to UK customers was also a factor. The business was assisted by the WDA and Welsh Office to establish in Wales.

3. Following the fire in 2002 Dawn took the opportunity to consolidate its production from four then existing UK sites on to one larger site. This coupled with the agreement of a new customer supply contract led to the development of the new site in Crosshands. Dawn worked closely with the WDA, Carmarthenshire County Council and the National Assembly Government in developing this new facility.

**Regulation of the Business**

4. Dawn operate to the highest standards in relation to product quality and integrity, operations and ethical trading. The business is licensed by the FSA/MHS and as such is subject to on-going monitoring by the nominated Official Veterinary Surgeon and Meat Hygiene Inspectors. In addition the business is accredited by a number of organizations.

5. The business is subject to regular audits by numerous authorities to ensure that standards are being maintained on a continuous basis. Audits take place on both a planned and unannounced basis so it is vital that the highest standards are applied and maintained. Retail customers also visit the plant on a regular basis to ensure that their particular standards and controls are being applied. Examples of external agencies and authorities who visit include:

<table>
<thead>
<tr>
<th>Discipline</th>
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<tbody>
<tr>
<td>Operations</td>
<td>EFIS (British Retail Consortium Standards)</td>
</tr>
<tr>
<td>Labour</td>
<td>SEDEX (Ethical Trade Initiative)</td>
</tr>
<tr>
<td>Traceability</td>
<td>EFIS (eg Assured British Meat, HCC, Soil Association)</td>
</tr>
<tr>
<td>Technical</td>
<td>CLAS (Laboratory Accreditation)</td>
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<tr>
<td>Health &amp; Safety</td>
<td>HSE and Insurance providers</td>
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50 *Migrant Workers and Access to Public Services*, Welsh Consumer Council 2007
Business Environment

6. Dawn has successfully operated in Crosshands for fifteen years. The business environment has changed dramatically during that period as Dawn has expanded its operations.

7. It is proving increasingly difficult to source all categories of staff including unskilled and skilled operators, engineering and management personnel. The business works closely with all of the local authorities and agencies and it is fair to say that a good working relationship exists between all parties. We find the agencies are generally pro-active and there is a mutual understanding of one another’s requirements. There is on-going dialogue with local education authorities regarding current and future requirements. Our staff members are engaged in a number of training and education initiatives including occupational and management/supervisory training. We also facilitate employees wishing to attend language classes.

8. Migrant workers are a necessary and valuable addition to our business and Dawn is delighted with their on-going contribution. The nature of our product and ever reducing order lead times mean that we need to be located close to our customer distribution centres. If these workers were not available it would seriously curtail the scale of operations and the viability of the business.

9. Consumer demands placed on our customers means that we in turn are facing increasing demands in terms of quality, cost competitiveness and compliance with welfare and legislative requirements. We are increasingly competing in a global, rather than a purely local or national environment. Developments in computer and communication technologies mean that the world is getting smaller and response timescales to demands are getting shorter.

10. Notwithstanding the above points fresh meat consumer packs will continue to be packed in the UK regardless of the origin of the meat due to timescales and economics of shelf-life, distribution and order fulfillment.

Current Activity

11. The business currently processes approximately 50,000,000 retail consumer packs per annum. Whilst the business has invested significant sums in automation the production process is still very labour intensive. The factory produces fresh product to order. Order lead times are typically less than 12 hours. We do not know what the order will be until it is confirmed by the customer. Orders fluctuate hugely on a day to day basis and production needs to be managed appropriately to cater for these fluctuations. The factory operates continuously seven days a week, fifty two weeks of the year with varying staff levels.

12. There are approximately 600 people directly employed by the business. The business also indirectly employs agency workers. Agency workers are necessarily employed to cater for seasonal production spikes and to augment core staffing levels due to the on-going lack of availability of local workers. These workers also allow us to manage the huge volume variations in daily, weekly and seasonal orders.

13. We work principally with one agency, namely CSA. We have worked with CSA for a number of years. It is a professional, well managed business which operates to the highest standards. CSA are subject to regular independent audits to ensure compliance with all relevant legislation including national and European standards. As part of our due diligence protocols we also regularly review the business and we work in partnership to ensure systems are continuously improved.

Globalisation

UK Industry Structure

Beef Production

14. UK and European Beef Production is currently declining. Recent CAP Reforms including decoupling of farm subsidies are accelerating this trend. Farmer numbers throughout Europe are decreasing, average farm incomes are low and EU/UK import requirements are growing. Long-term Europe will have difficulty competing on price with South American grass based beef production.

15. On the positive side there has been some development and growth of niche sectors ie locally sourced, organic etc. This avenue will continue to provide some opportunities for EU producers but logically will always be small in volume terms relative to the mass market.

16. The primary processing sector within the EU has excess production capacity. Low average plant throughputs (relative to other world producers), with a high fixed cost base result in high average unit costs versus other non-EU countries. These high costs, coupled with a higher cattle cost means that European beef prices are considerably higher than non-EU beef prices.


**Market**

17. The market is very price sensitive and also seasonally demand led. The UK has a net import requirement of approx. 450,000 tonnes per annum (approx 40% of total consumption).

18. Competition from other proteins, lack of export markets for forequarter cuts and cheaper non-EU imports has a significant impact on beef prices. Competition within the retail market and low retail margins on beef exerts further downward price pressure.

19. Consumption of beef in the UK is currently stable. The fresh & frozen retail market accounts for approximately 50% of the total market, food service 15% and retail manufacturing 35%. Supermarkets now account for 79% of the total retail market, independent butchers represent 12% and all other retailers 9%.

**Key Issues Facing the UK Processing Sector**

20. Consolidation—Structural rationalization is required to lower overall cost base.

21. Labour Availability—Lack of suitably qualified local staff and increasing reliance on migrant (new EU accession countries) labour.

22. Energy Costs—High usage/high cost

23. Packaging—Value of the product and its short shelf-life require high levels of packaging relative to weight of the product. Development is required in this area in light of environmental concerns.

24. EU Environmental & Food Safety Legislation—Non-EU competitors are not subject to all of the same degree of regulation.

25. Costs & Standards versus imported product—Costs are generally lower in non-EU countries (lower living standards and economic activity levels). In the EU stringent standards across the supply chain are closely and necessarily regulated. Such controls may not be as stringent and not as strictly policed in some non-EU producing countries.

26. Declining UK and EU production—An increasing dependence on non-EU product.

27. Low Profitability—Low levels of profitability leading to low levels of investment in the industry not beneficial in the long term.

28. All of the above issues point to increased pressure on UK and EU producers and processors from non-EU processors and global markets. There is an increasing reliance on non-EU markets to fulfill EU consumption requirements.

*July 2007*

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**Labour Market Background**

1. Wales has an employment rate slightly below the rate for the entire United Kingdom, with the most recent data showing that the employment rates were 71.7% and 74.3% respectively\(^{51}\). The gap has been closing in recent years, however, with the employment rate rising faster in Wales than in the UK as a whole—since 1997 the employment rate has risen by 3.5 percentage points in Wales compared to a 1.6 percentage point rise nationally. Using internationally comparable definitions\(^{52}\) the employment rate in Wales is higher than most other countries in the world—including the UK’s G7 partners Japan, Germany, France and Italy.

2. The labour market in Wales is also buoyant, with employment opportunities and vacancies arising all the time. In the past year there were more vacancies per head of the population notified to Jobcentre Plus in Wales than for Great Britain as a whole,\(^ {53}\) with vacancies more numerous in Cardiff and Swansea and occurring across all occupational groups. Such labour market performance is contributing to a dramatic fall in unemployment.

3. The first stage of welfare reform has delivered the lowest claimant unemployment for 30 years; at 40,600 it is down 92,400 from the last peak in December 1992. International Labour Organisation (ILO) unemployment, at 5.6%, is just above the national rate of 5.5%. The New Deals have also helped to virtually eradicate claimant long-term unemployment.

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\(^{52}\) The Organisation for Economic Cooperation and Development (OECD) defines the working age population as all aged 16–64, in contrast to the UK definition of 16 to state pension age (65 for men, 60 for women). Under the OECD definition Wales’s employment rate is 69.5%, compared to a rate of 72.6% for the UK.

4. In its evidence to the Committee the Department for Trade and Industry has already noted that Wales is seizing the opportunities from globalisation and that over the past 10 years it has outperformed the UK as a whole in its ability to attract inward investment and diversify into new areas and markets. Wales has a positive international reputation as a place to invest and it needs to build on this if it is going to continue to progress.

5. Wales may not be able to compete with emerging economies in terms of wages but it can through the quality and job-readiness of its workforce. As a key part of this more needs to be done to help disadvantaged individuals and those on inactive benefits look for and move into the numerous employment opportunities that exist. The main issue, for our perspective, is not migration or competition from elsewhere; rather it is people who are out of the labour market not looking for work, many of them lacking the necessary skills to make them job-ready. Now, following measures announced in the Welfare Reform Green Paper, we have begun to engage with and support those on non-unemployment benefits.

MIGRATION AND ITS IMPACT

6. Migration has long made a small, but nevertheless important, contribution to the employment needs of the UK, including Wales, with the primary impact apparently of increasing total employment. The total foreign-born population in Wales is around 120 thousand, or 4.0% of the population, compared with a national proportion of 10.1%. Recent migrants have also moved to Wales in smaller numbers, with the inflow of migrants registered under the Worker Registration Scheme (WRS) accounting for 0.5% of Wales’ population being migrants. Recent registrations of all migrants’ national insurance numbers account for 1.1% of the working age population; this compares with 0.8 and 0.7% respectively, for the UK as a whole. These figures confirm that there generally tends to be less migration into Wales than into the rest of the UK.

7. There is no evidence that recent migrant workers, particularly those from recent EU accession (A8) countries, are substituting indigenous workers and there has not been a negative impact on claimant unemployment levels. In addition, DWP research on the impact of migration from the expanded European Union has found no discernible statistical evidence that it has caused a negative effect on the labour market outcomes of non-migrants or other migrant groups in the UK.56

8. The inflow of A8 migrants numbered only 15 thousand from May 2004 to December 2006. While the employment rate of A8 migrants is high (81.5%) this is a small fraction of, say, the 170,000+ moves into work in Wales in the past year alone.

9. Migrants are often highly qualified, broadening the pool of talent available. 22% of migrants in Wales report that they are degree-level educated compared to 15% of the UK born. Only 13% of migrants report qualifications compared to 17% of the UK born in Wales. 32% of migrants report qualifications as “other” as they find it difficult to equate their own qualifications to UK standards.

10. The high level of qualifications of migrants is reflected in the occupational distribution, with the vast majority (53%) of migrants in Wales working in the top three occupational groups while just 15% work in the elementary occupations. The largest proportion of migrants work in the public administration, education and health sector (36%) followed by distribution and restaurants (20%) and manufacturing (15%).

11. There is a clear consensus—from commentators, business, and from our own research—that the primary impact of migration in the UK has been to boost employment, and that this has helped the economy to grow. Nearly all the applicants to the Worker Registration Scheme, for example, are in full-time employment and virtually none are claiming benefits. The DWP continues to be proactive in monitoring the effect of migration on the labour market and works closely with the Migration Advisory Council in developing policy.

SKILLS AND READINESS TO WORK

12. Employment rates in Wales are high for individuals if they have any qualifications. The population of those with no qualifications, however, is falling, and employment rate for this group is low both in relative and absolute terms. In Wales the rate for this group is slightly lower than in the UK as a whole, at 44.7% (January–March 2007). This problem is not unique to Wales, and has been observed across Great Britain.

13. The Future Skills Wales 2005 Sector Skills Survey found that 10% of establishments in Wales reported hard-to-fill vacancies; within this 4% reported skill shortage vacancies. Both measures, though, are down from 2003. Recruitment problems were greatest in micro establishments (those with 1–9 employees) and were greatest in the Hotel and Catering sector.

54 Worker Registration Scheme data April 2005 to March 2006; Annual Population Survey April 2005 to March 2006.
56 Nicola Gilpin, Matthew Henty, Sara Lemos, Jonathan Portes and Chris Bullen. (2006) The impact of free movement of Union has found no discernible statistical evidence that it has caused a negative effect on the labour market outcomes of non-migrants or other migrant groups in the UK. http://www.dwp.gov.uk/asd/asd5/wp29.pdf
57 The top three occupational groups are managers and senior officials, professional occupations and asocial professional and technical occupations.
14. The skills agenda set out by Lord Leitch concentrates on help for people to gain the skills they need to enter and progress in the work place, free from welfare and free from poverty. Having the right skills means more than just qualifications, however. Employers increasingly require people to be “job-ready”—they expect to employ people who are literate, numerate, turn up on time, work well in a team and communicate well. It is important to ensure that those leaving full-time learning or re-entering the labour market have the skills needed to enable them to obtain sustainable employment.

THE FUTURE

15. Despite the progress that has been made in Wales over the past decade, significant challenges remain. Not all areas in Wales or groups within society have benefited equally from the improvements to date, and some still face barriers to securing sustainable employment, remaining hard to reach and/or to help. Wales still continues behind the United Kingdom in terms of household income, GVA per head and the employment rate.

16. In terms of employment the key issue is one of inactivity, with a large number of people not engaged with the labour market. Wales has a higher inactivity rate—23.9%—than the UK average (21.2%); these people are not moving into work because they are not actively looking for it. In addition, the proportion of the population on Incapacity Benefit in Wales is substantially higher than in Great Britain as a whole, with claimants concentrated in the areas where resident employment rates are lowest. IB claimants make up 11.3% of the Welsh working age population compared to 7.3% nationally, though this has fallen by 1.3 percentage points since 2001. IB in Wales is heavily concentrated amongst those with long durations, with 90% on the benefit for a year or more and 80% on for 2 years or more.

17. Helping harder to reach and severely disadvantaged groups, who must often overcome multiple barriers, back into employment, requires longer term, more intensive support and a flexible approach that can address their full range of needs. The Welsh Assembly and the DWP both acknowledge the challenge of ensuring that effective employability services are delivered in Wales.

18. John Hutton, Secretary of State for Work and Pensions, asked David Freud to look at the future of the welfare state. His report which was published on 5 March made some important recommendations—including extending the support we offer to help people move off Incapacity Benefits and into work and, as importantly, expecting more from people in return. He has recognised the success of Jobcentre Plus in getting people into work and says we can build on this through greater use of private and voluntary sector expertise, based on payment by results. It is a challenging (and substantial) paper and we are considering his recommendations carefully.

19. There is currently no shortage of public, private and voluntary providers to deliver welfare to work programmes in Wales but more must be done to ensure that they are co-ordinated, joined-up and share a focus on outcomes for clients, particularly in rural districts where there are relatively low volumes of clients as well as the associated problems of delivering across a large geographical territory with often poor transport links. One-to-one key worker support has emerged as a particularly effective model in providing holistic interventions to help those in need.

20. Wales can achieve an employment rate in excess of 80%, putting it on par with our aspiration for all of the United Kingdom. This will mean bringing into employment a larger share of older workers, lone parents and Incapacity Benefits claimants. It would be the equivalent of supporting 155,000 people from these groups into employment in Wales. Welfare continues to move towards supporting people into work while providing security for those for whom work currently is not a viable option.

Supplementary Memorandum by Caroline Flint MP, Minister of State for Employment and Welfare Reform, Department for Work and Pensions

At my recent appearance before the Committee on 17 July, I promised to send the Committee further information on the following four areas:

Q1231 David Davies: How many people are actually involved in Wales in investigating Incapacity Benefit fraud?

Benefit Fraud Investigators in the Department for Work and Pensions deal with allegations of benefit fraud relating to all aspects of benefits and services administered by this department. We do not employ a specific number of staff to investigate Incapacity Benefit fraud.

As at March 2007 there were 142. 19 FTE staff employed in Wales in Fraud Investigation Services and 12 staff employed to investigate Organised Fraud who are based in Cardiff.
Q1249 David Davies: (Does the department) centrally collate information on the numbers of people who have made claims under the refugee back payments scheme?

Q1251 David Davies: Would you have figures on the amounts of money paid out under the refugee back payment scheme?

This information is not collected centrally. Arrears of benefit are calculated clerically and it is not possible to identify those payments paid to refugees separately from those clerical payments paid to other claimants.

Q1252 David Davies: When the integrated loans scheme is set up will the repayments be deducted automatically from any benefits claims, or will it be up to the individual to make voluntary repayments?

DWP’s Debt Management will act as paying agent making the loan payments to individuals as well as recovering the loan for customers both on and off benefit.

When recovering the loan, if the customer is in receipt of one of the eligible benefits (Income Support, Jobseekers Allowance or State Pension Credit), then a deduction is automatically applied to that benefit. The current rate of deduction is £3.00 per week. There may be instances where it is not possible to implement the deduction, for example if there are higher priority deductions being made from the benefit. In these cases, recovery is put on hold until such a deduction can be made.

If the customer is not in receipt of a benefit, then the repayment rate and method of repayment will be discussed with the customer, and will be determined by their income and expenditure.

July 2007

Memorandum submitted by the Gangmaster’s Licensing Authority

1. Introduction

1.1 This paper provides information on the role and remit of the Gangmasters Licensing Authority (GLA), emphasising particularly issues relating to Wales.

1.2 The Gangmasters (Licensing) Act 2004 paved the way for creating the GLA. Sponsored by the Department of Environment, Food and Rural Affairs, the GLA is a non-departmental public body and was set up in April 2005 to address worker exploitation in agriculture, shellfish gathering and food processing and packaging in the UK.

1.3 The regulatory means for achieving this is through licensing those who supply or use workers to provide a service in agriculture, shellfish gathering and food processing and packaging. For shellfish industry, anyone who uses workers to gather shellfish also needs to be licensed.

1.4 “Gangmasters”, more commonly referred to as labour providers, range from recognisable high street employment agencies and businesses supplying large processing plants to small scale operators with a few workers providing agricultural services to local farmers.

1.5 The GLA finances its activities through licence fee income and enforcement monies from Defra. The Secretary of State has delegated his enforcement function to the GLA.

1.6 The Authority is directed by an independent Board (see annex A for a list of the Board’s members).

2. The Licensing Process

2.1 To obtain and retain a licence, labour providers need to comply with the Authority’s licensing standards. These conditions cover:

— Paying national minimum wage, tax, National Insurance and VAT
— No debt bondage, harsh treatment or intimidation of workers
— Proper accommodation (where provided)
— Employment rights (including no excessive hours, recruitment and contractual arrangements)
— Health and safety
— Using only licensed sub-contractors
— No illegal working
2.2 These conditions are a reasonable range of measures that should be in place in any well-run business complying with the law. A licence will be refused or revoked if critical non-compliances are identified and/or total non-compliances exceed a pass score. Licences can also be issued with additional licence conditions, which have to be put right within a stipulated time period.

2.3 The Authority started accepting licence applications from 6 April 2006 (1 October 2006 for the shellfish gathering industry). The table at annex B provides statistics on the licensing scheme.

3. Penalties

3.1 It is an offence to:
   — Act as gangmaster without a licence
   — Use an unlicensed labour provider

3.2 The maximum penalty for operating without a licence is 10 years in prison and a fine. The penalty for using workers or services provided by an unlicensed gangmaster is up to 6 months in prison and a fine.

3.3 If licence holders do not comply with the Authority’s licensing standards, the Authority has the power to revoke licences or add additional conditions to a licence which will need to be resolved by a fixed date. The GLA also exchanges information and intelligence with other enforcement agencies. The Authority will notify the relevant enforcement body of any identified non-compliances.

4. Key Challenges and Solutions

Effective use of resources

4.1 The GLA is a relatively small organisation (approximately 50 strong) tasked with safeguarding an estimated 600,000 workers and ensuring over 1,000 labour providers and 7,300 labour users operate legally. In addition, the Authority is charged with identifying and taking enforcement action against an unknown number—but at least several hundred—unlicensed gangmasters.

4.2 Faced with this challenge, it is essential the GLA’s activities are tightly focussed and applied in an highly selective way to have an impact. Good intelligence is vital—enforcement activity and compliance inspections are targeted against the perceived highest risk cases. So far, the GLA has over 2,300 intelligence reports. These reports are from a variety of sources, including other enforcement agencies, the industry and workers and worker groups (such as trade unions and voluntarily organisations). For intelligence to be most effective, the Authority needs to receive the information as quickly as possible. The value of intelligence diminishes over time. Anybody or any organisation with allegations of worker mistreatment should contact the GLA immediately.

4.3 Operational projects are also designed to disrupt illegality and to cause a “ripple” effect in the industry. A by-product of high profile GLA action is to generate heightened awareness in the industry for the need to comply.

4.4 The GLA also works collaboratively with other enforcement agencies on joint operations.

Labour providers based outside the UK

4.5 The Gangmasters (Licensing) Act 2004 relates to all labour providers who supply labour for agriculture, shellfish gathering and food processing and packaging in the UK, even if the labour provider is not based in the UK.

4.6 Overseas labour providers (often referred to as “agents”) provide a valuable service by recruiting workers for many UK based labour providers and users. The challenge is to make sure overseas operators are licensed by the GLA. So far, only 29 licence holders are based outside the UK. The Authority is working with authorities in other Member States to raise awareness of the licensing scheme’s obligations. Practically, it is very difficult to pursue enforcement action against overseas labour providers. However, the GLA is able to target the UK based operators—this approach has already led to one licence being revoked.

Shellfish and forestry

4.7 Both the shellfish gathering and forestry industries have a relatively low number of licence holders. For shellfish, this may be partly explained by many of the shellfish beds being closed for harvesting. Nevertheless, given the GLA was created following the Morecambe Bay tragedy, it is vitally important that licensing is effective in the sector. Recent operational efforts in North and South Wales should increase take up.
4.8 Similarly, for the forestry industry take up of licensing has been poor. The Authority is working with the Forestry Commission, the Forest Service in Northern Ireland and representative organisations to address this matter.

Raising awareness with workers

4.9 Increasing knowledge of employment rights with workers is crucial, particularly with migrants. Recent research by the Joseph Rowntree Foundation found less than half of migrants had received practical information on arrival.59

4.10 To try and reach as many workers as possible the GLA has held surgeries in local CAB offices and is building up strong links with other organisations that support indigenous and migrant workers. The GLA now has links with voluntary organisations and overseas community websites to the GLA website. Small, easily carried workers leaflets have been printed in English, Bengali, Gujarati, Hindi, Latvian, Lithuanian, Polish, Portuguese, Punjabi, Slovak, Urdu, and Welsh explaining workers’ rights. The GLA has also placed articles in migrant and local community newspapers as well as the TGWU newspaper Landworker.

4.11 During August 2006 the GLA’s innovative approach was a series of adverts broadcast on local commercial radio in English, Welsh, Polish and Portuguese to explain ways in which instances of possible exploitation can be reported and the need for labour providers to get a GLA licence. It was a collaborative initiative using the Crimestoppers telephone number as well as our own. In Wales, the stations used were in West Wales and the Wrexham area, where the GLA believed food processing activity was prevalent.

4.12 The Authority has been working with the A8 embassies as a means to disseminate information and also receiving intelligence that may be reported to consular services.

5. Licensing in Wales

5.1 There are 13 licence holders with their head offices based in Wales. A further 3 applications are being processed for businesses in Wales. Given the country is well known for its agricultural industry and has some food processing activity, the low number of licence holders is surprising. The licensable activities may indeed be small scale, but there is a paucity of information at present. There needs to be more analysis on where any temporary labour originates. It may be, for instance, that labour is exchanged on a more informal and in-kind basis (between farms/villages) rather than large scale “flouting” of the GLA regulations.

5.2 There are 1040 Workers Registration Scheme registrations for the agricultural and food processing sectors in Wales. This represents 1% of the total WRS registrations in the sectors regulated by the Authority. Overall there are 15,915 WRS registrations for all sectors in Wales (3% of the WRS total). The WRS statistics indicate migrant workers are more likely to work in office services, hospitality and catering and manufacturing—sectors outside the GLA’s remit.

5.3 The GLA have conducted 13 inspections within Wales, including a compliance inspection to investigate allegations received from Polish workers.

5.4 There is also shellfish gathering activity in both North and South Wales. The GLA met the industry in North Wales and has conducted operations in the Three Rivers cockle bed in South Wales—when the beds opened on 26 June 2007, the only gang gathering shellfish was controlled by a GLA licence holder.

6. The role of GLA and wider issues of worker exploitation

6.1 The GLA has commissioned the University of Sheffield to review the impact of the licensing scheme (a baseline report will be published shortly followed by a review in the Autumn). As part of this research, the University of Sheffield has reviewed cases dealt by the Citizens Advice Bureau (CAB). Analysis of the CAB database will provide a measure of worker exploitation—the CAB dealt with almost half a million such cases in 2005. The emerging findings indicate worker exploitation is evident in a number of low-status sectors (particularly hospitality, cleaning and social care). The CAB has also witnessed a growing case load from migrant workers, with issues concerning employment, housing and transport.

6.2 It is important, therefore, not to view GLA activity in isolation. Worker exploitation is a broader issue affecting particular sectors of the UK economy more than others and increasingly focused on migrant workers. Exploitation is multi-faceted, ranging from the physical, mental and financial mistreatment of vulnerable people to tax related abuses by the business itself.

6.3 Licensing may address this issue in agriculture, horticulture, shellfish gathering, and associated secondary processing, but the case load of the CAB suggests that the issue does not respect legislative boundaries.

59 Migrants’ lives beyond the workplace: The experiences of Central and East Europeans in the UK, Spencer, S. et al. (2007), Report for the Joseph Rowntree Foundation
Annex A

Organisations and Government Departments represented on the Gangmasters Licensing Authority

The Association of Labour Providers
The Recruitment and Employment Confederation
National Farmers Union
National Farmers Union Scotland
Trades Union Congress
Transport and General Workers’ Union
Britain’s General Union
Union of Shop, Distribution and Allied Workers
British Retail Consortium
Fresh Produce Consortium
Food and Drink Federation
Sea Fish Industry Authority
Shellfish Association of Great Britain
Association of Chief Police Officers
Police Superintendents’ Association of England and Wales
Local Authority Coordinators of Regulatory Services
National Association of Citizens Advice Bureaux
Secretary of State for Home Affairs
Secretary of State for Work and Pensions
Secretary of State for Environment, Food and Rural Affairs
The Commissioners of Inland Revenue and the Commissioners of Customs and Excise jointly
Secretary of State for Trade and Industry
The Director General of the Health and Safety Executive
The Scottish Ministers
The National Assembly for Wales
The Minister for Agriculture and Rural Development for Northern Ireland
Ethical Trading Initiative (official observer)

Annex B

Licensing statistics as of 29 June 2007

<table>
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<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licences issued</td>
<td>1048</td>
</tr>
<tr>
<td>with additional conditions</td>
<td>263</td>
</tr>
<tr>
<td>without additional conditions</td>
<td>785</td>
</tr>
<tr>
<td>Refused applications</td>
<td>30 (1 in Wales)</td>
</tr>
<tr>
<td>Licences revoked without immediate effect</td>
<td>21</td>
</tr>
<tr>
<td>Licences revoked with immediate effect</td>
<td>1</td>
</tr>
</tbody>
</table>

Paul Whitehouse
Chairman
Gangmaster Licensing Authority

June 2007
Supplementary Memorandum submitted by the Gangmasters Licensing Authority

During my evidence session on 24 July, I promised to provide further details on the licence holders and applicants based in Wales. For your information:

— The GLA has issued 9 full licences to businesses based in Wales. 8 of these licence holders are authorised to operate in the agriculture and food processing and packaging sectors and 1 licence holder is authorised to operate in the shellfish gathering sector.

— A further 4 licences have been issued with additional conditions. The additional conditions issued relate to GLA licensing standards concerning health and safety matters and contractual arrangements. All 4 of these are authorised to operate in the agriculture and food processing and packaging sectors (not including shellfish gathering).

— 6 licence applications are currently in progress. This includes 1 application to operate in the shellfish gathering sector. In addition, 1 licence application has been refused for critical non-compliances against the GLA licensing standards—this business subsequently reapplied and was issued with a licence.

— In terms of the size of these 19 businesses, 2 have a turnover between £5 million and £10 million a year and 3 have a turnover between £1 million and £5 million a year. The remaining 14 have a turnover of less than £1 million a year. 16 of the businesses are registered companies, 2 are sole traders and there is 1 partnership.

— 5 businesses are based in Glamorgan; 3 in Gwent; 2 each in Flintshire, Llanelli, Monmouthshire and Wrexham; and 1 each in Gwynedd, Pembrokeshire and Powys.

David Jones MP also enquired as to why none of our publications were available in Chinese. I promised to consider the matter. In deciding which languages to publish our guidance in, taking account of the available resources, we concentrated on the nationalities most prevalent in the agriculture and food processing and packaging sectors. Given the availability of workers from the Accession states, there are not a great number of Chinese nationals working in the GLA regulated sectors—only 2% of licence holders declared on their application that they used Chinese workers. However, given the context in which the Authority was created, I appreciate Mr Jones surprise at the lack of Chinese language publications. I will ask my officials to review the decision not to publish in Chinese to assess whether it is viable and worthwhile to do so.

I hope this supplementary information will be useful to your inquiry.

Paul Whitehouse
Chairman
Gangmasters Licensing Authority
8 August 2007

Memorandum submitted by Citizens Advice Cymru

1. BACKGROUND

1.1 The CAB service is the largest independent network of free advice centres in Europe, giving face-to-face advice from over 2,000 outlets across England, Wales and Northern Ireland. The network in Wales consists of 53 main offices and 147 secondary advice outlets. Each CAB offers access to services by telephone, which is available 670 hours per week and the CAB service have arrangements in place to provide home visiting where necessary in every county. The local CAB service is delivered by the efforts of a variety of people. There are 1,605 people involved in the CAB service in Wales, of these, 75% are volunteers

1.2 Citizens Advice Bureaux in Wales are supported by Citizens Advice Cymru, who form part of the England and Wales membership organisation—Citizens Advice, which provides organisational regulation in terms of service delivery and supports the development of Bureaux as community organisations.

1.3 A key role of the Citizens Advice Service is to influence change locally and nationally to the way services are delivered via our direct experiences with clients, in order to improve the lives of all individuals.

1.4 Citizens Advice Bureaux across England and Wales help people with almost 600,000 employment problems a year. In the year 2006–2007 Citizens Advice Bureaux in Wales dealt with 19,501 enquiries relating to employment; 15,536 housing enquiries; 12,481 legal enquiries; 95,674 enquiries related to benefits and 91,368 related to tax credits. The total number of enquiries to Bureaux in Wales was 281,219
2. SUPPORTING MIGRANT WORKERS

2.1 Migrant workers seek help from Citizens Advice Bureaux because:

— They have not been fairly treated at work, often their minimum legal rights to paid holidays, sick leave and maximum working hours are being flouted (sometimes exceedingly long)
— Poor working conditions, sometimes raising concerns about safety
— Unreasonable deductions from their pay for food, refreshments, uniforms and transport leaving them with virtually no money to live on
— Where accommodation is provided, charges for it can be extremely high, way above local market rates; it can be poor or unfit eg people living in converted lorry container fitted with bunks or people sharing rooms or even beds with complete strangers
— They have been dismissed, perhaps for being sick, and at that point evicted from their accommodation
— They have been not paid at all

2.2 Citizens Advice Bureaux have reported many such cases where the workers involved are migrants, often from other EU member states, working in care homes, cleaning jobs, hotels and restaurants as well as in agriculture and food processing.

2.3 These migrant workers are the most vulnerable to exploitation. Brought to the UK in the expectation of fair pay and working conditions, their dreams become nightmares. They fear to complain in case of dismissal and simply have nowhere to turn for protection and are the most unlikely to resort to the Employment Tribunal system to enforce their rights. As the Government itself recognises, this amounts to “a modern-day slave trade, exploiting migrant workers and undercutting UK employees”.

3. CASE STUDIES

3.1 A young Spanish man who sought advice from Carmarthen CAB in Wales had been brought to the UK by an employment agency to work on local farms and provided with accommodation. He had never received any pay slips, and after querying deductions made from his wages had been summarily dismissed and told to leave his accommodation immediately.

3.2 An Indian man who approached Bridgend CAB in Wales had entered the UK on a work permit to work as a manager in a local food processing plant. Although too nervous about jeopardising his work permit to talk about his personal situation, the client described to the CAB how Indian workers are recruited to come to the UK, with the promise of good working conditions and housing, but are then required to work many more hours, and for less pay, than promised. The client further stated that such workers are “too frightened to stand up for themselves”

3.3 Carmarthen CAB advised a Slovakian client who was employed via an agency. He had been with his company for 2 months and contracted to work for set hours. He had then been told that he need not come in on days they do not have any work for him and will not be paid for those days. The client was concerned that even though company is in breach of contract he may lose his job if he complains, but if he remained at work he will not have enough money to live on.

3.4 A client who sought advice from a South East Wales CAB was an A8 national, Lithuanian, with full EEA access rights to the UK. She had been working in the UK for 3 years with different employers. Only the first, which was found through an agency, was a registered employer, the contract ended unexpectedly after 7 months and she found other work in the area. Although she can find records of her employment through her tax and NI records, she can gain no access to benefits at present as she has not had 12 months of continuous employment in the last 3 years with a registered employer or paid enough national insurance in the last 12 months to qualify for Incapacity Benefit. A subsequent request for reconsideration was refused and it was passed on for appeal. Her only income at the time was her overdraft and the generosity of her friends and she wished to remain in the UK and could not afford to return to her country of origin if she wanted.

3.5 A North East Wales CAB advised a white female, Polish national, who was married with one child who had come to the UK as a worker. She was “employed” (through a local agency) to work for another local company (principal) in a job which required heavy lifting. The work was described as “temporary” but involved full-time hours (37.5 per week) over a ten month period. The client became pregnant and informed her “employers” of this in February 2007. Her hours of work were gradually reduced over the proceeding weeks to one day per week. The client was eventually dismissed on grounds of her pregnancy (she could no longer do any heavy lifting). She has suffered a detriment in terms of loss of income through regular employment. Her low level of English language skills may have an impact upon her future employment prospects.
4. CHALLENGES FOR THE CITIZENS ADVICE BUREAUX SERVICE

4.1 Citizens Advice Bureaux face many challenges in face of increased demand of our services from the migrant workers populations, particularly when balanced against other workloads and is particularly acute in rural areas.

These include:

4.2 *Communications*—cost of translation; protracted advice sessions; understanding and acting on advice. Many Bureaux have been able to overcome language barriers and capacity by employing or recruiting individuals to the service from a migrant workers population eg Carmarthen and Ynys Mon CAB.

4.3 *Availability of Advice*—increased complexity of advice needed in relation to immigration and relation to other rights and entitlements; additional cost of acquiring information and advice from professional sources; access to specialist information.

4.4 *Management of Bureaux issues*—increased volume affects waiting times and overcrowding; tension with other/indigenous clients; need for appointments outside working hours

4.5 *Challenges for staff*—increased pressure and stress associated with increasing number and diversity of client base. Development of advice skills of advisers is a challenge and needs proper resources and support.

4.6 *Changing Nature of Problem*—Nature of issues brought by clients changing and number of inter-related issues rising sharply including housing, benefits and immigration.

4.7 *Perception of CAB advice services*—Some Bureaux have found it hard engaging with some migrant worker groups because they perceive the service to be a part of government and also they do not see themselves as “citizens” and thus believe that the “Citizens” Advice Bureau cannot help them.

4.8 *Accessing our services*—most migrant workers are working at the times that the CAB service is open to them. This presents a further challenge to operate services out of working hours.

4.9 *Community Cohesion*—Working with migrant workers raises challenges in trying to promote community cohesion and having to balance the need of migrant workers with those of the indigenous population. There is a need to work through, for example, Community Safety Partnerships to promote positive messages about migrant workers and share information on rights and responsibilities to the wider community.

5. EXAMPLES OF GOOD PRACTICE IN WALES

5.1 *Carmarthen CAB*

With large numbers of Portuguese migrant workers in the local area, Carmarthen CAB has recruited a Portuguese worker to act as a translator. The bureau is now taking this further, training a Portuguese worker to be an adviser. The worker is giving staff the opportunity to learn basic Spanish and Portuguese which will mean that the bureaux staff will be able to greet many of the local migrant workers in their own language, informing them when the Portuguese speaking adviser is available, and making an appointment with them. This advisor is now a member of the Trustee Board and is helping with developing strategic partnerships to help migrant workers networks.

They were also finding that many migrant workers were struggling to get the information they required in a way they could understand. The bureau had discussions with the local JobCentre Plus, who gave them access to Language Line, and the Pension Service. A protocol was subsequently introduced to ensure that between the three agencies, a translator was always available in working hours. As a result any migrant worker can get information in their own language from the three agencies who work closely together on issues affecting migrant workers in their area.

5.2 *Ynys Mon CAB*

In Anglesey, Ynys Mon CAB works within *Communities First* areas, running advice surgeries in many of the wards covered by this Welsh Assembly Programme. Many of the voluntary agencies, in these areas, work together to actively engage with minority groups, including migrant workers. This has resulted in the organisation of local training for the voluntary and statutory agencies, as well as joint working to identify ways of improving services to minority groups in the areas.

5.3 *Wrexham CAB*

Wrexham CBC have recognised the need to deal with migrant workers caseload at Wrexham CAB (particularly Polish and Portuguese workers) and have provided funding for a part time caseworker to deal exclusively with migrant workers enquiries. This funding came to an end in April 2007 but was continued through funding from *Sefydliad: The Community Foundation in Wales*. 
5.4 Portuguese Government

Citizens Advice (England and Wales) helped the former DTI in producing information leaflets on rights and entitlements to be distributed by the Portuguese authorities to workers planning on working in the UK. The DTI (now BERR) also used the leaflet in conjunction with the Catholic Church movement where many migrant workers were recruited by agencies.

6. UK Government Policies

6.1 Enforcement

Currently, the combined remits of the four existing statutory enforcement bodies (National Minimum Wage (NMW) Enforcement Agency, the Gangmaster Licensing Authority (GLA), the Health and Safety Executive (HSE) and the Employment Agency Standards Inspectorate (EASI) are far from comprehensive. Each of the four bodies has a narrow and closely defined remit, either in terms of the statutory rights it seeks to enforce (NMW and HSE), or in terms of the targets of its enforcement activity (EASI and GLA). This means that, if the worker is not employed through an employment agency (the remit of the EASI), or through a “labour provider” in the agriculture, horticulture, forestry, shellfish gathering and associated processing and packaging industries (the remit of the GLA), and if his or her complaint is not about the National Minimum Wage or a health and safety matter, then there is simply no statutory enforcement body to which he or she can make a complaint. In such circumstances, the only way for the worker to try and enforce his or her rights is to raise a formal grievance with the employer and, if that does not resolve the matter, to lodge and pursue an Employment Tribunal claim.

6.2 The Gangmaster Licensing Authority

The Gangmaster Licensing Authority (GLA) was established on 1 April 2005 to curb the exploitation of workers in the Agriculture, Horticulture, Shellfish Gathering and Associated Processing and Packaging Industries. We are yet to see how effective this Authority will be. It could clean up the regulated industries but may be limited in the amount of inspections of applications for licenses and fail to inspect many unscrupulous employers. We also have concerns about the resources available to the GLA to carry out its work effectively and about the perceived independence of its enforcement function.

We have further concerns about the non regulated sectors eg hospitality, cleaning. Workers in these sectors seem to be very vulnerable and can be exploited when they are not aware of their rights due to eg language barriers and not fully understanding that they can work legally if they come from an EEA state.

6.3 National Minimum Wage (NMW) Enforcement Agency

The introduction of the NMW in 1999 was accompanied by the establishment of an enforcement agency within the Inland Revenue. The agency operates a national NMW Helpline, investigates complaints (including anonymous complaints) from both individual workers and third parties, and conducts unannounced, on-site inspections of selected employers “about whom no complaints have been made to check that they are meeting their obligations under the minimum wage”. A key feature of such a pro-active approach to the enforcement of workplace rights is that it can tackle non-compliance that affects more than one individual.

6.4 Employment Tribunals

There is widespread consensus that Employment Tribunals are unduly complex, legalistic and adversarial. For low paid workers, such as migrant workers the cost of legal representation at a tribunal hearing can be prohibitive—there is no “legal aid”, and the resources of Citizens Advice Bureaux and other providers of free legal representation (such as community law centres) are extremely limited. This makes the pursuing of an Employment Tribunal claim an especially daunting prospect to pregnant women, new and lone parents, carers, migrant workers, those with mental health problems, and other vulnerable individuals lacking the necessary time, energy and other resources to prepare and present their case. Every year, about one-third of all Employment Tribunal claims are withdrawn by the claimant, and Government research has found that in half of such cases this is because the claimant considers there to be too much stress, difficulty, fuss and/or expense involved in continuing.60

60 Findings from the 2003 Survey of ET Applicants, DTI (now DBERR), August 2004
We have repeatedly suggested that there needs to be an alternative way of tackling the exploitation of vulnerable workers by unscrupulous or “rogue” employers—one that does not rely on individual vulnerable workers entering into a stressful, costly and potentially damaging legal confrontation with their employer (or former employer, where they have already left or been dismissed). In particular, we have argued that the more proactive enforcement regime associated with the National Minimum Wage—one based on carefully targeted inspections of suspect employers by HMRC, as well as on the investigation of individual, anonymous and third party complaints—should be extended to cover all basic statutory workplace rights.61

6.5 Wales Migrant Workers Sub group

The All Wales Refugee Integration Forum has established a Migrant Workers Sub Group to look into issues around migrant workers in Wales. Although not a devolved issue, there are huge implications for service providers in Wales as the recent influx of migrant workers puts an added strain on already oversubscribed services in Wales, such as housing, health and education and English language courses. This is an opportunity for the Welsh Assembly Government to recognise the pressures on statutory bodies and working in partnership with relevant agencies and organisations propose solutions to relieve pressure on statutory bodies and other organisations. Examples of work done in this area so far by the WAG are:

— A scoping exercise to gather evidence about migrant workers in Wales, which will give an indication of numbers and also a better idea of their skill levels.
— The production of a Code of Conduct for the Employment of Migrant Workers.
— The production of the Welcome to Wales pack for Migrant Workers in 20 languages, which aims to make migrant workers fully aware of their rights and responsibilities and help them settle into their local communities. Although this is a useful document in terms of the general information contained, there is a need for constant updating on facts and figures related to employment and benefits, which presents an information deficit.

7. POLICY RECOMMENDATIONS

7.1 Citizens Advice believes that all workers in the UK, including migrant workers, now need better protection from employers who break the law. A proper enforcement regime is needed—the UK is the only EU member state without an independent body for workers to turn to for protection. The Government should extend the more accessible and pro-active compliance regime already associated with the National Minimum Wage to a range of basic employment rights, through the establishment of a Fair Employment Commission. Such a Commission would work alongside the Employment Tribunal system (including ACAS) and in partnership with the Small Business Service, the Health and Safety Executive, the Gangmaster Licensing Authority, the forthcoming Commission for Equality and Human Rights and other governmental agencies. A Fair Employment Commission could ensure a more joined-up system of advice, guidance and practical business support for small employers, as well as a more pro-active (but educational rather than punitive) approach to compliance and, where necessary, enforcement.

7.2 Citizens Advice believes that more resources need to be allocated to agencies such as CAB working with migrant work communities, to help them not only meet current demands, but to ensure issues are dealt with now, rather than left, aggravating problems in the future.

7.3 All agencies should be encouraged to take responsibility for issues relating to migrant workers, rather than constantly seeking to refer the issue and individual to another organisation.

7.4 Action to support migrant workers must encompass action to tackle discrimination and racism which these workers face, whilst enabling them to have access to information and advice, access to health and other public services, access to housing, and access to help and support to set up in business.

7.5 The Government needs to set an example and create positive messages about migrant workers such as the unacknowledged skills that can be transferred to eg NHS and the contribution made to local economies. In some parts of the UK, business and the local economy absolutely rely on them and would close down without them.

7.6 More action needs to be taken on improving social cohesion and tackling race crime. Indigenous people can often be a part of the problem for migrant workers, for example, local landlords working with agencies providing tied accommodation that is unfit to live in and also provide limited transport which is tied into agency contract.

61 See, in particular, our briefings Fairness & Enterprise: the CAB Service’s case for a Fair Employment Commission (October 2001) and Somewhere to turn: the case for a Fair Employment Commission (October 2004), as well as our reports Wish you were here (September 2000), Birth rights (March 2001), Nowhere to turn: CAB evidence on the exploitation of migrant workers (March 2004), Still wish you were here (December 2004), and Hard labour (November 2005)
7.7 The Welsh Assembly Government should help fund the development of an adequate and sustainable employment advice network across Wales. It should also consider the provision of advice services for discrimination cases as part of the strategy to address social exclusion in order to ensure the provision of advice and support services to those people who are ineligible for publicly funded legal assistance. Furthermore, it should give consideration to funding a high level co-ordinating body responsible for the strategic development of Employment Advice in Wales and tackling the level of discrimination at the workplace.

October 2007

Memorandum submitted by Community Housing Cymru

WRITTEN EVIDENCE

Community Housing Cymru (CHC) is the representative body for the voluntary housing movement in Wales including Housing Associations and Community Housing Mutuals which are all not-for-profit organisations and will be, by the end of 2007, providing around 95,000 homes and housing services across Wales. They employ 4,000 people and spend over £200 million in the Welsh economy annually. They are also active in community regeneration in some of Wales’s most deprived communities. CHC aims to enable members to work effectively and flourish in Wales by:

— Positively promoting housing associations as non-statutory, non-profit, ethical providers of affordable housing, support and community regeneration services
— Seeking to develop a political, regulatory and financial framework that supports housing association activities
— Developing, supporting and disseminating good practice
— Encouraging and enabling members to provide accessible homes in sustainable communities throughout Wales
— Working in partnership with key bodies in Wales

This evidence paper relates to Globalisation and its impact on Wales with particular reference to Housing and related issues of regeneration, community cohesion and demographic change.

1.0 HOUSING DEMAND

A more interconnected global economy and the increased movement of people across the globe has led to more people arriving in Wales and subsequent increases in demand for services, housing being a major one. Providing a sufficient supply of good quality housing is a major issue for most, if not all countries. In Wales, where the pressure on housing is acute—high homelessness levels, fewer affordable homes, long waiting lists—the challenge of meeting this demand is one that Registered Social Landlords (RSLs), working in partnership with local authorities and the Welsh Assembly Government, are working hard to meet. CHC believes that further increases in Social Housing Grant will be necessary to allow registered social landlords to improve the supply of affordable housing. At present SHG stands at £98 million with £450 million pledged over this 4 year Assembly term and a commitment to build 6,500 homes during that period. Though this represents an increased investment, to cope with the demand, funding increases will need to continue substantially if current waiting lists are to be met—Shelter Cymru has said that 81,000 people are on social housing waiting lists in Wales. If Wales is to compete to its full potential in a global economy then the housing shortage must be addressed and people given sufficient support.

1.1 Repossessions

The high number of mortgage repossessions (22,700 properties taken into possession in 2006(62)) has increased demand and therefore pressure on existing social housing stock. The impact of the instability created by the US sub-prime market has also been felt across the UK housing market exacerbating existing problems associated with unsecured borrowing. CHC members are actively working to improve the situation for tenants by providing advice and debt recovery by working with Credit Unions, running money advice projects and financial literacy projects, that in turn assist with basic skills development.

1.2 Improved Regulation

CHC believes that an improved regulatory environment for Housing Associations is essential if the potential of the sector is to be fully realised and if Housing Associations are to deliver on improving the supply of homes. Subsequently CHC welcomes the announcement from the Deputy Minister with special responsibility for Housing on 10 October 2007, stating that a review of the Regulatory Environment for Housing Associations will take place. CHC believes that by removing the restrictions on the borrowing capacity of Housing Associations members will be able to invest an additional £112 million in communities across Wales over the next 4 years. Such extra investment could allow Associations to continue and improve the services they provide, thus changing tenants’ lives for the better, increasing the quality and value of housing stock and enhancing Wales’ economic position within the UK and the World.

CHC would also welcome further developments that could improve the cooperation across the housing sector in delivering affordable housing solutions for the people of Wales.

2.0 Future Housing Demand

CHC believes that demand for housing will continue to be strong. Improving supply is the key way to deal with waiting lists and the increasing need for homes. The fact that more people are living alone and the population is ageing means that demand will remain high until it is met. Supply is the major issue and funding plays a direct role in what is delivered—In 1992–93 Housing Associations were producing 5,274 homes with £174 million SHG. In 2004–05 only 1,113 were completed.

Since 1996 over 34,000 homes have been sold under the Right-to-Buy scheme which has left a shortfall that has not yet been fully addressed. Plans to suspend the Right-to-Buy in areas of housing pressure have been outlined by the Labour-Plaid Cymru government in Cardiff and CHC welcomes such an initiative but maintains the position that this is no “silver bullet” and that supplying new homes is vital in complimenting such strategies.

2.1 Future Economic Growth

Significant levels of investment in the housing stock through refurbishment will make Wales and the Welsh economy a more attractive and fashionable place to live and work. Through the renewal and the development of new homes, housing associations are also able to address key regeneration priorities in learning, skills, employment & enterprise; physical improvement of communities; developing community property assets; and, eradicating fuel poverty and reducing the carbon footprint of existing and new buildings.

CHC is therefore working to double the impact the sector can make through facilitating an unified approach to access funding from the EU Convergence programmes to meet these key regeneration priorities.

2.2 Rural Housing

In rural areas demand is often highest and CHC and its members have identified this as a major area of concern. In rural areas where the average house price is £180,28363—17% higher than urban areas—local people often cannot afford to buy or rent which is detrimental to local communities and in some cases, is of detriment to the strength of the Welsh language.

In rural areas where the level of social housing is generally low—14% according to recent figures64—people are facing huge difficulties in gaining access to affordable housing. Average property prices in rural areas are 6.4 times the average annual earnings—this compares with a ratio of 5.5 in urban areas.

2.3 Second Homes

The proportion of second homes in rural Wales is 1.5 times that for rural areas across Britain as a whole, further contributing to the pressure on rural localities and worsening affordability in such areas of Wales, due to increased demand.

2.4 Rural Housing Enablers

To help the situation in rural Wales, CHC members have supported the Rural Housing Enablers network. These Enablers act as independent brokers and work with Housing Associations, Local Authorities, Community Councils and interest groups and National Parks to investigate the feasibility of developing in rural areas and helping to increase the supply of rural housing, eg a 10 home development in Dyffryn

63 Halifax Welsh Rural Housing Review 25 August 2007
64 ibid
Ardudwy, Gwynedd completed September 2007. A CHC/Welsh Assembly Government commissioned independent report recommended the network be expanded across Wales, complete with funding plans and an organisational network comprising support unit, Chair and Board.

2.5 Housing Needs

CHC members are housing migrant workers and refugees and as members’ properties are being upgraded to meet the Welsh Housing Quality Standard, such groups will be housed in quality, affordable accommodation. With the demand increasing for housing, and political prioritisation given to housing by the Welsh Assembly and UK governments, Housing Associations are key players in delivering the pledges in the “One Wales” document and the Green paper outlined by the Prime Minister—these include the implementation of the Refugee Inclusion Strategy for Wales and exploring new ways of engaging citizens through participation within local communities. CHC has been cooperating with WAG on the Strategy and contributed to the consultation process.

The CHC 2007 Assembly Election Manifesto called for the creation of an organisation for helping to meet the urgent housing needs (and others) of asylum seekers and refugees. CHC is also concerned about quality of accommodation migrant workers find themselves in—overcrowding issues, bed hopping, tied in with wider hidden homelessness issue which the Shelter Cymru Commission has highlighted.

2.6 Reflecting needs of minority groups

Associations already support a number of Black and Minority Ethnic (BME) projects and have developed schemes to meet particular cultural needs of minority ethnic groups—eg Incorporating prayer rooms into developments. In Cardiff the Somali Community in Butetown has long established links to Cardiff Community Housing Association through the Red Sea House accommodation for Somali Elder’s, in addition to traditional housing developments.

2.7 Housing and Health

As it becomes increasingly evident that poor housing is detrimental to the health and well-being of the population, the importance of a good standard of homes in Wales will increase further and remain high on the political agenda. CHC believes that by investing in housing, in terms of supply but most importantly, quality, the government will be investing long term in the people of Wales and this will have benefits in combating the poor health that blights some communities in Wales.

3.0 Employment Changes

CHC and members believe that employment is an essential component in providing purpose, income, social support and structure to life as well as offering a means of participating in society. Globalisation has increased the number of migrant workers in Wales and this has created new challenges as well as adding to long established issues.

3.1 Improving access to Employment

Housing Associations are involved in projects designed to improve access to employment for tenants and work to ensure that all tenants have access to not only housing, but broader support that can assist them in making the step into employment should they wish to do so.

Housing Associations are offering trainee posts to tenants, mentoring services, volunteering opportunities, work placements with associations and drop in job sessions.

eg. Gwalia—provision of trade and life skills training to young unemployed.

3.2 The Welsh Refugee Council has found “disturbing” levels of unemployment among refugees despite the fact many are highly qualified. Research says that 60% of refugees have a further or higher education qualification but 64% are unemployed. WRC estimates that there are currently 10,000 refugees in Wales. CHC members are working to increase the number of ethnic minorities working in the Housing Sector E.g. Hafod Housing—Ethnic Diversity in Housing Group.

4.0 Movement of Companies

CHC is wary that the Committee will be hearing evidence from other organisations on business issues but it is clear that the increase in large, multinational companies locating offices/distributions centres/factories in Wales will effect housing demand in an area, especially when such amenities are built in areas already facing high demand for housing and infrastructure eg South Wales M4 corridor. North Wales. Such developments can boost local economies and can result in relocation of workers to an area which in turn creates pressure on housing.
4.1 Inward Investment

Examples of this are the “Amazon” distribution centre in Swansea; Sword—the Lyon-based IT product and services group—opening an information technology centre in Cwmbran that will provide research and development posts within the French company; ConvaTec healthcare company—£20 million investment announced on 26 September 2007. Such developments are likely to contribute to regeneration of areas and CHC members have invested over £100 million in regeneration schemes across Wales in recent years. However with reduced inward investment in the future, it is imperative that the Welsh economy is allowed to grow and prosper and RSLs are supporting this (See section 7.0).

In some instances companies have withdrawn factories/offices from Wales and this has had a negative impact on local people and the economy of an area. This is a consequence of a globalised economy, as companies can often make savings by outsourcing their output facilities to countries where costs are lower. It is also in these circumstances that Housing Associations can assist in reducing the negative impact such changes may have on people’s lives by providing training or financial advice.

4.2 Impact of Stock Transfer

Following Large Scale Voluntary Transfers new members have joined CHC—Rhondda Cynon Taff, Monmouth and Torfaen. This has increased CHC membership. Through stock transfer Housing Associations have the opportunity to invest £3 billion in Wales plus the £112 m potentially released through regulatory reform—this represents a significant indigenous investment for Wales. An emphasis on sustainable housing options, with which CHC members are working closely, can ensure communities benefit from extra investment in the short and long-term and become more attractive to new investment opportunities.

4.3 Training

Housing Associations are currently providing training for local residents in a variety of fields, assisting with the skills development of the local workforce and subsequently making a contribution to communities in Wales, making them more attractive to international companies who are relocating to the UK. Housing Associations are supporting a wide range of social enterprises from recycling ventures to sports and community groups.

Some members are also helping to carry out feasibility studies to assist those wishing to set up local enterprises within a community e.g V2C—Feasibility study into the suitability of a site for a Social Enterprise Centre which was built in 2007.

4.4 Improving Workforce

Housing Associations in Wales are encouraging tenants to return to work following long-term sick leave/ out of work periods. This is contributing to strengthening local economies thus making such economic areas more attractive to local and international companies and investor’s, eg Cardiff Community Housing Association (CCHA)—working with Cardiff Central Enterprise Centre—CCHA allow the Business Centre to use a tenant resource centre as an outreach facility and thus are involving businesses in the Community and providing a link between the two.

There are challenges associated with an expanding workforce—demand will increase for many services and housing is certainly one area that will have to adapt and find more innovative ways of increasing supply of affordable homes. (See section 1.2) CHC would welcome the opportunity to work with local and global companies to increase regeneration opportunities in an area.

Valleys 2 Coast—All large contracts employ 75% through local labour.

4.5 Wages

The comparatively lower wages on average in Wales has also led to some people residing in Wales but commuting to England for employment. As transport links have improved, it is likely that increasing numbers of people are looking at this option as a lifestyle choice.

65 CHC Member Survey.
5.0 Skills Supply

Housing Associations are supporting skills development in communities across Wales and are involved in a number of projects. Member-supported activities include Community Creche’s, Communities First Bid Projects and NVQ Programmes. Members are involved in projects that use on-site training as part of Development and Building Programmes to provide trainees with NVQ qualifications in site-based trades e.g. United Welsh HA.

Some Members are also running Young Builder’s Schemes designed to provide accommodation and training.

Other activities include decoration of communal areas in sheltered schemes by young people participating in NVQ’s, providing IT training for tenants e.g Cadwyn at Nightingale House.

Rhondda HA run lifelong learning courses, providing varied types of training including basic skills, first aid, self defence.

Seren—Intergenerational learning project—work in partnership with Wales Refugee Council on several schemes.

6.0 Demographic Change / Community Relations

It is clear that Wales is continuing to change due to the impact of globalisation. However, the increased immigration to Britain has partly contributed to the rise of extremist parties such as the British National Party and this must be closely monitored and the reasons for such increases in support must be understood, acknowledged and addressed—the BNP came within 2,580 votes of winning a regional seat in the 2007 Assembly Elections. They came fifth on the list in many cases behind Labour, Plaid, Conservatives and Liberal Democrats. CHC believes that Housing Associations have a role to play at local level and provide examples of how housing can unite communities of all backgrounds and facilitate interaction, harmony and education.

Housing Associations have a key role to play as educators as they are key community enterprises that can reach people in their localities. Housing and immigration is often a flash point in the media with anti-immigration arguments often citing the supposed domination of housing lists by migrant families—a misconception that Housing Associations in Wales are working to overcome by following fair and structured allocation of homes.

CHC members run events designed to unite communities eg. Cultural days, “Cookery from around the world” classes, raising awareness of diversity and celebration of various ethnic groups within an area.

6.1 Community Cohesion

There is increased pressure on local communities as local populations expand. As a result schools, housing and hospitals along with all other services require further investment. CHC believes that communities must deal with challenges together and therefore encourages the whole population of a community to interact and CHC members assist with creches, language courses.

6.2 Partnership Working

Housing Associations are working to improve race relations within communities in Wales, and have numerous inclusion initiatives established. CHC and members work with Tai Pawb, who campaign for racial equality and social justice in housing in Wales, to ensure that BME strategies are implemented to facilitate the inclusion of ethnic minority groups by encouraging training, employment and skill acquisition amongst these groups.

Ethnic Minority Inclusion projects undertaken by Housing Associations include computer training, cultural celebration events, and supporting careers in social housing for BME groups. Strategy groups also developed to design and implement regional BME housing strategies eg. Line Cymru—Encouraging communication through sport.

CHC members also providing literature in a variety of languages reflecting local need.
6.3 Migration Trends

Estimates from the Office of National Statistics (September 2007 figures) say that the number of people migrating to UK will increase by 45,000 a year but the number coming to Wales is expected to reduce by 2,000 to a total of 9,500 a year. The total for the UK is expected to be 190,000 a year. In some cases it is possible that a reduction in migration to Wales will leave labour shortages in some sectors and Housing Associations, as previously mentioned, are working with others to improve the skills of local people who if they so wish, can work in such sectors.

It is worth noting however that the increased numbers of migrants up to now still have an impact on delivering housing and this impact is likely to still be felt in the near future.

6.4 Building

Despite the fact that large minority communities have been established in Wales for centuries, building regulations and plans too often do not reflect and incorporate the needs of each group. Are houses tailored to what people think of as traditional British designs or do they reflect wishes of communities who live in areas, not reflecting diversity of populations? Housing Associations are working to reflect needs of tenants for example, by incorporating prayer rooms.

E.g. Red Sea House, Butetown Cardiff housing Somali Elders. Successful partnership between CCHA and local community. CHC/housing associations hosting political showcase events at the House to showcase the facilities to politicians and candidates.

6.5 International Good Practice

... There is a similar point with the design of communities/houses- do our estates reflect an American suburbs idea? Is the increase in “gated” communities desirable as a solution to anti-social behaviour issues?

Housing Associations have utilised good practice in other countries and incorporated into policy in Wales to improve services eg. The Netherlands—use of choice-based lettings and eco-homes.

6.6 Globalisation has challenged more and more people in Wales to embrace an international view. Cardiff, Swansea and other ports or traditional economic areas have long-established minority communities such as the Somali community in Cardiff. More communities today, and increasingly more rural areas such as Mid Wales, are changing in terms of demography, from 10 or 15 years ago. Certainly the inward migration of workers from the EU has contributed to this situation and this does have an effect on migrant and host communities. Housing can help assist in the transition that does take place in some areas, but only through consultation with tenants and communities. Housing Associations are undertaking work in this area, as described previously, but without sufficient funding and freedom, the good work will suffer. The need for Associations to do more than “bricks and mortar” needs to be further recognised at Wales and UK level.

6.7 Mixed Communities

... CHC and members support the recommendations of Professor John Hills’ review of Social Housing, in particular the emphasis on the need for a better income mix in areas dominated by social housing. This could also help address the polarisation evident in parts of Britain, as described in recent Joseph Rowntree Foundation research.

7.0 Social Entrepreneurs

Housing Associations in Wales support projects aimed at social enterprise and business development. Work includes setting up social enterprise centres, support and advice for community projects, access to learning and training, funding of community nurseries, furniture recycling, supporting care and repair agencies, signposting for careers advice.

Members are providing direct employment and supporting many more jobs in local areas within the private sector by investing in new and existing homes.

CHC members are supporting the idea that local economies and communities can work to get themselves out of poverty—in Wales the issue of poverty is a very real one as JRF poverty figures for Wales below suggest:

- 350,000 working-age adults in poverty
- 180,000 children in poverty
- 110,000 pensioners in poverty

66 Ref: sociologist J. Bodnar.
67 Poverty, Wealth and Place in Britain 1968–2005
However, young adult unemployment is now 10% compared with 14% in the late 1990s and child poverty levels have improved—they are now at UK average—but progress has stalled in recent years. CHC believes that the links between housing, health and wellbeing, educational achievement and future prospects are vital and therefore sees Housing Associations as vital in strengthening local economies and allowing tenants to gain access to training and business experience.

CHC believes that the sector has much to offer and that with the right support, investment and freedom, CHC members can deliver quality affordable housing, training, advice and support for people and communities throughout Wales helping Wales adapt, thrive and meet the challenges and opportunities in the globalised world.

16 October 2007

Supplementary Memorandum submitted by Community Housing Cymru Migration Patterns to Wales

Website: http://new.wales.gov.uk/topics/statistics/?lang=en

— Of the Welsh regions, North Wales attracts the most number of net migrants from England.
— There is a net outflow of migrants to England among the regions in the 16–24 age group, with the exception of South East Wales.
— Most migrants leave Wales to go to the South West of England while most migrants from England come from the North West.
— Within Wales the South West region attracts the most number of migrants from the other regions combined.
— Of people aged 16–24, migration within Wales is predominantly to the South East region from the other four regions.
— There is a net inflow of migrants to the Valley region from the South East of Wales, while at the same time there is a large net outflow from the Valleys to the South West region.


Mid 1999–Mid 2004

— Across all 5 regions of Wales there was a net-flow of in-migrants over the period.
— North Wales—Conwy experienced the largest number of net in-migrants—27.7%. Anglesey had the least (7.5%). Conwy and Denbighshire had the highest inflow rates.
— Mid Wales—68.3% of net in-migration was to Powys. Ceredigion had the greatest influence on the high in-flow and out-flow rates in Mid Wales. On average 47 people per thousand moved in and 39 per thousand moved out. Largely due to student population.
— South West Wales—Carmarthenshire (41.2%) contributed the most to the net migration to the region, with Swansea the least. Pembrokeshire had the highest inflow rate.
— Valleys—Bridgend and Caerphilly contributed the most to the relatively small amount of net migration to the valleys. The in-flow and out-flow rates are relatively low for each of the valleys authorities.
— South East Wales—Migration to Cardiff (43.8%) and Monmouthshire (40.8) contributed to the majority of the increase to the South East Wales population. Monmouthshire had the highest inflow rate.

Migration from other parts of the UK to Wales (2006)

England—53,866 inflow, 46,979 outflow
Scotland—1,589 inflow, 1,774 outflow
Northern Ireland—inflow 388, outflow 396

Peter Evans
Community Housing Cymru

March 2008

68 Joseph Rowntree Figures
Letter from Julian Walker-Palin, Corporate Affairs Manager for Wales, Tesco Stores Ltd, to Dr Hywel Francis MP, Chairman

I am writing to you to update you on the new measures Tesco are undertaking which will support Welsh dairy farmers. As I am often told when speaking to people in Wales, Welsh milk producers have had a very difficult time for a number of years for a variety of reasons. Tesco have therefore been working with stakeholders for some time to try and improve the situation. This work has enabled to Tesco to be able to announce a number of changes.

Under a new scheme unveiled in April, Tesco will offer direct contracts to named farmers, which will raise the price farmers receive to around 22 pence per litre—the best price currently being paid by any supermarket. Additionally, to make sure they reflect the farmers' costs of production, the new contract prices will be reviewed every six months and will be determined using key variables such as feed, fertilizer, energy and labour. While working to achieve fairer prices for dairy farmers, under our new scheme Tesco shoppers will not have to pay more for milk than they do now.

In further recognition that many smaller, often family run farms can struggle to balance their costs against the market price, Tesco have also launched “Localchoice” milk, which will be sourced from local farms and sold at Tesco stores in or close to their county. It will sell for slightly more per litre than standard milk meaning these smaller producers can make returns more in line with the proportionately higher costs of their business. This will offer those producers a return more in line with their unique costs and increases choice for our customers. Our customers have said to us that they want to support smaller, local producers and are willing to pay a premium for these products, we have recognised this and Localchoice is just one of the results.

These schemes will provide a twenty five million pound investment in the UK Dairy Industry, while ensuring Tesco can enjoy closer relationships with their milk producers. Dairy farmers also tell us that they would value a more direct relationship with Tesco. We recognise that our success depends on the success of our suppliers and by forging long-term partnerships with our milk suppliers, we will work to achieve our dual goals of offering customers the best value and giving our suppliers a fair price for their produce.

While we have worked to find solutions to ensuring that the milk market is locally sourced, we are also committed to increasing the number of locally produced products that we stock in our stores across our ranges, and making it easier for regional suppliers to access and work with Tesco. As part of our on-going commitment to working with more local suppliers, Tesco recently hosted a Welsh suppliers event, with the help of the Food and Market Division of the Welsh Assembly Government, on the 8th March 2007. This event took place at the National Botanic Garden in Carmarthenshire and over 110 suppliers attended. This opportunity provided a valuable forum for suppliers to showcase their products to Tesco, provided the chance for suppliers to meet members of Tesco’s newly created Welsh sourcing team and created an opportunity to celebrate the richness and diversity of the Welsh supply base.

Our new milk pricing scheme and “Localchoice” initiative are just a couple of examples of Tesco’s support for suppliers and our drive towards improved local sourcing. These measures are a continuation of our work in this area. While we currently stock over 400 lines of Welsh products in our 61 stores throughout Wales, we know that we can do much more to develop our range of Welsh produce and improve our relationships with local suppliers, existing and new.

Please also do not hesitate to contact me in the future, should you have any questions with regard to our milk pricing initiatives, local sourcing or any other issues associated with Tesco in Wales.

23 April 2007

Memorandum submitted by Tesco Stores Ltd

1. INTRODUCTION

1.1. We are grateful for this opportunity to submit written evidence to the Welsh Affairs Select Committee’s inquiry into globalisation and its impact on Wales.

1.2. Globalisation means many things to many people. For us, it is the shrinking of the world, the empowerment of consumers and the opening up of new markets.

1.3. In response to this inquiry, we set out below what we see as the four key issues most relevant to us in Wales in regard to globalisation. Firstly, we provide by way of introduction a background on Tesco in Wales.
2. Tesco in Wales

2.1. Tesco has 67 stores in a variety of formats in Wales and is proud to be part of local Welsh communities. For many communities in Wales we provide access to affordable, good quality products from both the local region and across the world.

2.2. We aim to employ as many people as possible in Wales. We currently employ 17,500 people in our stores, distribution centres and offices, offering our employees job security and an opportunity to get on.

2.3. We also recognise and support Welsh culture. We have been sponsoring the twice-daily free performances on the Tesco stage at the Wales Millennium Centre for two years. In its first year the stage had 600,000 visitors, and recently won an award at the 14th Arts and Business Cymru Awards. The Wales Millennium Centre was the first arts venue in Wales and the South West to be included in our Clubcard Deals scheme.

2.4. We work closely with the Welsh Language Board to promote the Welsh language and have developed bilingual signage for our stores. All our superstores, as well as the larger format Extra stores in Wales have bilingual signage and we work with the Welsh Language Board to build best practice on bilingual signage in stores. We are also rolling out a bilingual element to our signage across our new and refitted Express stores (our local convenience stores).

2.5. Next year Tesco is proud to sponsor the World Sheepdog Trials in Wales, an event which only takes place in Wales once every four years.

2.6. Finally, we aim to stock as many Welsh lines as possible. We currently stock about 400 Welsh products in our Welsh stores, and are opening a local buying office to enable us to increase our Welsh offer further.

3. Opportunities and Challenges of Globalisation

3.1. Tesco has stores in thirteen countries across the world. Globalisation has opened up new markets to us and we have learned to be flexible and to recognise that customers and cultures are different. We aim to be the best local business in each market and offer local customers what they want.

3.2. We believe that there are four key policy areas where Government and business in Wales can respond to globalisation: enterprise and innovation, skills, localisation and climate change.

Enterprise and innovation: responding to customers

3.3. Our Welsh suppliers play a key role in our business both locally and nationally and we are proud to support Welsh agriculture and manufacturing. As well as stocking well known bigger Welsh brands, we also source from many smaller producers and manufacturers. In order to offer our customers the strongest offer of Welsh lines, we are keen to see as many enterprising Welsh suppliers as possible.

3.4. In the global economy, businesses need to understand and respond to customer’s needs; companies that identify a need and cater for it can thrive in the new global economy. That is how Welsh businesses can gain competitive advantage.

3.5. The huge growth in the sales of organic food is an example of a growing, value-added market with opportunities for enterprising companies. Our organics business is growing twice as fast as our main food business and by expanding our range and promoting organic products through green Clubcard points and point of sale information, buying organic has become much more mainstream.

3.6. Rachel’s Organic dairy, a family run business based near Aberystwyth, has responded to this growing customer demand and is the fastest growing organic dairy brand. Today they continue to use their traditional organic methods. We have been working with Rachel’s Organic since 2000; since then their range has expanded to cover yoghurts, desserts, milk, butter and a range specifically designed for children. We sell Rachel’s Organic products in stores in both Wales and across the UK. The resulting growth to the company has resulted in the creation of new jobs in Aberystwyth where Rachel’s now employs over 100 people. This growth also has wider economic benefits for rural Wales.

3.7. The Welsh Whisky Company is another example of an enterprising Welsh company that is embedded in its local community, relying upon local geography, heritage, culture and skills. This business is able to use its 11,000 bottle order with Tesco to provide the stability needed to grow internationally. Using its strong local identity to take advantage of the global market, it is currently exporting to a new country each month and has doubled its staff. Their award-winning Penderyn Single Malt Whisky is distilled in the village of Penderyn in the Brecon National Park. The process is reliant upon Brecon water, and their distiller is the only qualified distiller in Wales.
Skills

3.8. Skills are essential to business. We require people with a variety of skills; at the most basic level, we need people who can read, write and add up. We also need soft skills such as team-working and leadership. And we need more home-grown specialist technical skills—such as low carbon engineers and technicians. We are committed to giving our 17,500 staff in Wales both the skills to do their jobs and opportunities to develop their careers at Tesco. Many of our managers began their careers at Tesco working on the shop floor.

3.9. The scale and commitment to education in emerging markets such as China and India pose a threat to economies such as Wales. To compete in a global economy it is essential that we maximise social capital. Without skills, we reduce peoples’ opportunities and social mobility.

3.10. Developing skills in your workforce is important in order to be competitive. We run a series of training programmes for everyone from general assistants to senior directors. Our Options scheme is a development programme for those identified with the potential to do a bigger or different job. Our apprenticeship scheme gives 16–24 year olds staff experience of working in different parts of our business. We aim to train our own staff to become trainers and it is Tesco managers who coach and assess our apprentices.

3.11. The benefits of staff training often extends to the local community. Our Llansamlet, Swansea store runs a Retail Academy with local schools for 13–14 year olds. The programme was set up by the store workers, many of whom are local residents with children in the nearby schools. The six week course is run by staff on our Options programme, and involves six three hour sessions on Saturday mornings to gain an insight into how retail works. Students receive training on a range of subjects including food safety and work on the shop floor, performing tasks such as taking in a delivery. Initiatives such as this provide vital experience and focus for teenagers, giving them the skills they will need in their future careers.

3.12. We also seek to offer the long term unemployed an interesting job and an opportunity to get on. We have recently signed up to a Local Employment Partnership in Maesteg to develop a regeneration store. Long term unemployed residents of the local community will be guaranteed a job on completing a course to get them back to work. Partnerships like this do not just provide jobs to people who have been out of work for years, but also raise aspirations and regenerate failing local economies.

Localisation

3.13. As globalisation increases, so too does the importance to consumers of supporting the local economy and buying local produce.

3.14. As noted above, we currently stock about 400 Welsh products in our Welsh stores, and are opening a local buying office to enable us to increase our Welsh offer further. All our Welsh products are clearly labelled “Produce of Wales” and many of our lines such as our Pembrokeshire potatoes are also labelled with the county they are produced in. In our Welsh stores, we use point of sale information to promote Welsh produce, showing the Welsh dragon. All our milk sold in Welsh stores is Welsh, and 1,361 Welsh farmers supply us with beef and lamb.

Climate Change

3.15. Clearly climate change is a global challenge to which we must all respond. Our climate change strategy has three parts. Firstly we are setting an example by measuring and cutting our green house gas emissions. Our Llansamlet store in Swansea is helping us meet the targets we have set.

3.16. Llansamlet was the second environmental store we built in the UK. It is used to test environmental technologies to investigate what should be used across the business, for example the store has three different types of solar panel, with 444 solar panels in total, to establish which are the most energy efficient. The store recycles rainwater to flush toilets etc (and can store enough rain water to fill an Olympic swimming pool) and uses solar panels, CHP and a range of energy saving devices on its ovens and refrigeration systems to use 35% less energy than other stores of its size.

3.17. Secondly we are working with others to develop new low carbon technologies throughout the supply chain. For example we are working with our suppliers to reduce packaging on products by 25% by 2010.

3.18. Finally we are helping our customers by making green choices easier and more affordable. Our green Clubcard points give customers an incentive to make greener choices. These individual choices make a big difference and this year our customers have saved 1 billion carrier bags.

October 2007
1. **LOCAL SOURCING**

1.1 We currently stock about 400 Welsh products in our Welsh stores. Our new Welsh Buying Manager Mark Grant begins work on 14 January in our Welsh Buying Office, with a clear objective to increase our Welsh offer further.

1.2 Since Tesco gave evidence to the Committee we have continued to improve our range of local products sold in our Welsh stores. For example, all free range eggs (excluding some specialty eggs such as Columbus—Omega 3) available in all our stores in Wales are now produced in Wales.

1.3 As mentioned to the Committee we now have direct contracts with dedicated farmers who supply our standard liquid milk. In Wales we have a total of 121 contracted farmers supplying our milk; 74 core farmers and a further 47 with seasonal contracts.

1.4 Our local choice milk contracts are designed specifically for smaller family run farms that may not otherwise be able to secure a contract. We collect the milk locally and sell it locally, which helps shoppers support their local economy and helps the environment by reducing food miles. Currently our Local choice farmers are based in the Carmarthen area but we are looking to introduce a North Wales Local choice milk in the New Year as well as a South Wales one, following the success of our Welsh Local choice milk.

1.5 We are currently planning in-store promotions around St David’s Day to promote Welsh products. We will also be holding cookery demonstrations of Welsh recipes in stores across the country.

2. **CULTURAL DIVERSITY**

2.1 As mentioned to the Committee at the oral hearing we recognise and support Welsh culture. We work closely with the Welsh Language Board to promote the Welsh language and have developed bilingual signage for our stores. In addition to the work we do in Wales to promote cultural diversity, we have a number of initiatives across the United Kingdom, which the Committee expressed an interest in learning more about.

2.2 We aim to employ people in our stores who reflect the diverse nature of their local community; our Diversity Council, which is comprised of directors from around the business, meets quarterly to support all of our work around diversity.

2.3 To help welcome staff and customers of different faiths and cultures we provide staff with a Religions and Cultural Toolkit, which enables them to learn more about different cultures and faiths with information on history, ethics, diet, prayer, dress and suggestions on how to support staff during festivals.

2.4 We recognise a range of religious and cultural festivals such as Christmas, Easter, Halloween, Eid and Diwali, through a programme of table talkers, posters, activities, competitions and decorations for staff and customers. We call these events Share a Smile. Our staff tell us they experience increased morale, find learning about different cultures and religions interesting, gain a better understanding of the people they work with and feel part of a more inclusive team.

2.5 As well as improving training and raising awareness of diversity, we are working to make our jobs more attractive to people with different cultures and religions. During Ramadan for example we change the time of store activities to allow staff to pray in a quiet space such as the staff training room. We also have a flexible uniform policy that provides people with a choice to suit their different “dress” needs.

2.6 There are over one million Poles living in the UK and many of them want to be able to buy Polish products as part of their weekly shop. In July this year we doubled the size of our Polish range to 150 lines which are now available in 370 stores across the UK.

2.7 During the recent Polish elections Donald Tusk, leader of the Civic Platform Party, campaigned in our Hammersmith store which serves the large local Polish population. He went on to win the election and is now Prime Minister of Poland.

2.8 Our new business in the USA, Fresh & Easy, has bilingual signage in stores in areas where there is a large Hispanic population.

3. **EVERYONE WELCOME AT TESCO**

3.1 In 2006 all of our line managers in stores attended our Everyone Welcome at Tesco workshop. This provides an introduction to diversity at Tesco. In 2007 year we launched a further two specialist diversity workshops, Managing Age with Confidence and Managing Disability with Confidence.

3.2 In September 2007 we launched our Women’s Network which aims to help the progression of more women into senior positions within Tesco.
3.3 We are Remploy’s key retail partner in providing job opportunities for their candidates in our stores.

3.4 We are also the Shaw Trust’s largest employment partner and in 2006 we had around 250 Shaw Trust clients working in our stores across the country. We work with the Shaw Trust to provide short work placements offering people an opportunity to experience working at Tesco. A successful work placement often leads to a job offer where a vacancy exists.

3.5 All of our larger stores can offer customers assisted shops, where a member of staff accompanies them around the store helping them to get the products they require. We also offer home delivery service through Tesco.com and this gives customers the freedom to have their shopping delivered at a time convenient for them.

3.6 Over 20,000 of our managers have attended our Everyone Welcome at Tesco workshop. This provides an introduction to diversity at Tesco. This year we will be rolling out our second diversity workshop, Managing Age with Confidence.

3.7 To help people who might not otherwise be able to work we allow flexible working hours whenever possible. For example, we offer family-friendly shifts, maternity leave for all, paid paternity leave, equal training and development opportunities for part-time workers, childcare vouchers for most types of childcare and a career break scheme. We also encourage job-share, flexi-time or compressed hours, shift swap, working from home and part-time work when practical.

3.8 Tesco staff who want to become foster parents are given a one-off allowance of up to five days paid leave. This leave can be used to undertake the detailed application process, attend foster care related meetings or complete specialised training to become foster parents.

January 2008

Memorandum submitted by Dr Shyam Patiar

Dr Shyam Patiar has been in the Further and Higher Education sector specialising in the Hospitality and Tourism Industry as the Director of Hospitality Skills Academy, Coleg Llandrillo Cymru—A Network of Excellence (Equivalent to the Centre of Vocational Excellence in England). Dr Shyam Patiar also represents the United Kingdom on the Board of Director of the Association of the Leading Hotel Schools in Europe (EURHODIP) and the World Association for Hospitality and Tourism Education and Training (AMFORHT—Association Mondiale pour la Formation Hôtelière et Touristique).

1. Abstract

This major inquiry into Globalisation and its impact on Wales with the main emphasis on the Tourism Industry has a focus principally on four main themes:

1. Population
2. Technological Changes
3. Industry and Occupation Changes
4. Skills Development

The implications of the above themes have been discussed in relation to the importance placed on the tourism industry as a key economic contribution activity in the context of the Wales Spatial Plan.

The study is concluded by reviewing the current profile of the tourism industry in Wales, its contribution, structure and the issues of skills shortages.

Finally, the summary of strategy for action.

2. Introduction

The term globalisation is used both in a descriptive and normative sense. It describes a process of internationalisation and growing interdependencies whose national boundaries become less and less important in decisions to be taken by economic agents. The normative perspective assumes that the full liberalisation of market forces through open trade and foreign investment regimes will stimulate sustained growth and greater convergence of income per capita throughout the world.

Source: http://www.un.org
3. **Population**

*Theory of Population*

Plato (De república, V) and Aristotle (De república, 11, V1) maintained that marriage and the birth of children should be regulated and restricted by law to keep the means of support balance for all the citizens. In some city-states of ancient Greece, abortion and unnatural love were recommended for this region.

Fredrick the Great (famed for his military success, and the most famous German ruler of all time) once said that the number of the population constitutes the wealth of the state. Of course, he was absolutely right as during his time over-population had not occurred in any civilised country, or it was prevented by disease, wars and various forms of economic hardship.

Eight years later Thomas Malthus (1766–1834), a political economist came up with a theory, now it is widely known as Malthus Theory. In his theory he explained that the population would eventually reach a resource limit. Any further increase would result in population crash, caused by famine, disease or war. He suggested that only birth control could prevent crisis. He also mentioned that, by marrying improvidently, the poor are the makers of their own poverty.

A few optimists economists such as Bastiat in France, List (1789–1846) in Germany, and Henry C. Carey in America have rejected the Malthusian theory. Spencer’s theory of population suggests that population becomes automatically adjusted to subsistence at that level which is consonant with the highest progress.

The biggest threat to the developed nations is the demographic time bomb. The influx of immigrants coming to Wales and other parts of the UK has already been experienced. There are pros and cons to the relaxed policy on immigration in the UK. As has already been stated by politicians and well experienced by the local population, some of the public services such as education, health and housing are not able to cope with the additional demands placed upon the local councils, unless there is an increase in the public expenditure budget by the Chancellor.

It is vital to gather the real evidence of trends in the population of Wales, the UK, major European countries, the USA and the fast developing BRIC (Brazil, Russia, India and China) countries. The analysis will also be made of the rate of population growth, population density, GDP growth and the rate of unemployment. Table number 1 illustrates the statistics as at the latest census, of each country.
Table Number 1

<table>
<thead>
<tr>
<th></th>
<th>Wales</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
<th>USA</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 000's (as at the latest census)</td>
<td>2,966</td>
<td>56,467</td>
<td>58,518</td>
<td>77,718</td>
<td>13,046</td>
<td>281,422</td>
<td>169,799</td>
<td>147,400</td>
<td>1,027,015</td>
<td>265,830</td>
</tr>
<tr>
<td>Population growth</td>
<td>1.2%</td>
<td>0.2%</td>
<td>0.9%</td>
<td>0.5%</td>
<td>0.7%</td>
<td>0.9%</td>
<td>2.1%</td>
<td>-0.02%</td>
<td>2.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Population density</td>
<td>143/sq km</td>
<td>247/sq km</td>
<td>107/sq km</td>
<td>230/sq km</td>
<td>430/sq km</td>
<td>30/sq km</td>
<td>20/sq km</td>
<td>8/sq km</td>
<td>324/sq km</td>
<td>134/sq km</td>
</tr>
<tr>
<td>GDP growth</td>
<td>2.3%</td>
<td>2.7%</td>
<td>1.4%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>1.5%</td>
<td>-4.6%</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Annual inflation rate</td>
<td>2%</td>
<td>2%</td>
<td>1.5%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>208%</td>
<td>162%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>5.5%</td>
<td>5.5%</td>
<td>10%</td>
<td>10%</td>
<td>3%</td>
<td>4%</td>
<td>11%</td>
<td>13%</td>
<td>9%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: http://www.popul.stat.info (2nd November; 2007)
It is fairly obvious from the analysis of the figures in table number 1 that the population growth in Wales, the UK, Europe and the USA has been fairly low as compared to the BRIC countries especially India, Brazil and China. As regards to the population density the Netherlands, India, UK and Germany are the most thickly populated countries per square kilometre.

The other important fact to consider is the growth in GDP. China and India are taking the lead, followed by Wales, the UK, Netherlands and the USA. France, Germany, Brazil and Russia have a serious challenge to compete globally in terms of their GDP. This is also reflected in the unemployment rate of these countries ranging from 10% to 13%. The annual inflation rate is fairly static across Europe and the USA ranging from 1.5% to 2.0% whereas China and India are at 6% to 8%. The situation in Russia and Brazil is absolutely out of control.

The next step is to analyse the future trends in population growth from 2000 to 2050 and compare with the world population figures as shown in table number 2.

The analysis of figures highlights that there will be over 50% growth in the world population rising from 6.0 billion to 9.5 billion. However, this trend is not followed across the countries being compared. There is a downward trend in population amongst European countries, such as Wales, the UK, France, Germany, Netherlands and Russia. But the population will increase in India, China and Brazil at a faster rate especially in India. This scenario depicts serious concerns for European countries in the next 40 years unless some well thought out plan of action is formulated now.
Table Number 2
Future Trends of Population Growth (000’s) 2000 to 2050

<table>
<thead>
<tr>
<th></th>
<th>Wales*</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
<th>USA</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2,910</td>
<td>59,512</td>
<td>59,330</td>
<td>182,797</td>
<td>15,364</td>
<td>281,422</td>
<td>172,360</td>
<td>146,001</td>
<td>1,014,004</td>
<td>1,265,830</td>
<td>6.00 billion</td>
</tr>
<tr>
<td>2010</td>
<td>3038</td>
<td>59,568</td>
<td>60,993</td>
<td>187,867</td>
<td>16,611</td>
<td>297,205</td>
<td>194,966</td>
<td>137,014</td>
<td>1,170,014</td>
<td>1,347,514</td>
<td>6.80 billion</td>
</tr>
<tr>
<td>2020</td>
<td>3186</td>
<td>60,315</td>
<td>62,121</td>
<td>192,393</td>
<td>16,069</td>
<td>315,268</td>
<td>214,951</td>
<td>130,423</td>
<td>1,304,263</td>
<td>1,434,383</td>
<td>7.50 billion</td>
</tr>
<tr>
<td>2030</td>
<td>3286</td>
<td>60,570</td>
<td>62,661</td>
<td>196,495</td>
<td>14,389</td>
<td>327,987</td>
<td>231,453</td>
<td>123,281</td>
<td>1,432,181</td>
<td>1,500,611</td>
<td>8.25 billion</td>
</tr>
<tr>
<td>2050</td>
<td>3010</td>
<td>54,116</td>
<td>58,219</td>
<td>197,429</td>
<td>12,974</td>
<td>394,241</td>
<td>—</td>
<td>121,777</td>
<td>1,706,951</td>
<td>1,322,435</td>
<td>9.50 billion</td>
</tr>
</tbody>
</table>

Source: http://www.populstat.info (2nd November; 2007)
* 2006—Based national population projections
Office for National Statistics
The comparison of the total population figures of each country does not offer much scope for analysis to take an appropriate action for the future human resource planning. Hence, these figures are further analysed according to the age band in table number 3. It is evident that the European countries have the higher percentage of 60 plus and the lower percentage of 0–14 as based on 2007 statistics. Countries like India, Brazil and China have the lower percentage of 60 plus and the higher percentage of 0–14. The impact of this age profile in Wales and the UK along with the decrease in population by 2050 indicates that there would be even fewer working age population as compared to the present situation. This is when the world population would be growing faster.

There is also a challenge, however it could be viewed as an opportunity or both in 2020 when the forecast is of a potential surplus of 47 million working age population. This is especially so in countries such as India, compared to negative population in the UK, Europe and the USA. The details of potential surplus or deficit of working age population in 2020 are displayed in figure number 1.
Table Number 3

<table>
<thead>
<tr>
<th></th>
<th>Wales*</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
<th>USA</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14 years</td>
<td>19.4%</td>
<td>19%</td>
<td>20%</td>
<td>16%</td>
<td>18%</td>
<td>21%</td>
<td>35%</td>
<td>23%</td>
<td>37%</td>
<td>27%</td>
</tr>
<tr>
<td>15–59 years</td>
<td>60.2%</td>
<td>61%</td>
<td>61%</td>
<td>79%</td>
<td>65%</td>
<td>62%</td>
<td>58%</td>
<td>61.5%</td>
<td>56%</td>
<td>65%</td>
</tr>
<tr>
<td>60+ years</td>
<td>20.4%</td>
<td>21%</td>
<td>19%</td>
<td>6%</td>
<td>17%</td>
<td>17%</td>
<td>7%</td>
<td>15.5%</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: http://www.populstat.info (2nd November, 2007)

* Source: 2007—Based population statistics

Office for National Statistics
4. Technological Changes

There are threats and opportunities posed by new technology. It impacts differently on different countries, for instance, India and China adopted mobile phone technology on a large scale, as they did not have an existing communication infrastructure in place.

Technology is altering business processes, increases in innovation, product lifecycles are being shortened and the skills required at the work place have accelerated both in level and complexity. The total impact of technological innovation over the past 20 years has basically altered the balance between the industry and occupations that make up the economic landscape of developed countries. Unfortunately, there has been the opinion that the manufacturing and engineering industry is declining with the extensive growth in the service economy.

5. Industry and Occupational Changes

The figure number 2 below highlights the patterns of actual and forecast change in occupations during the period 1982–2012. It demonstrates that employment in occupations such as traditional crafts and low-skilled work are in decline with growth experienced in professional and service occupations. The balance of occupations is undoubtedly changing over time.


The Institute for Employment Research (IER), 2004 forecasts suggest that 1.35 million new jobs will be created between 2002 and 2012 but the number of young people, 15–24 year olds entering the workforce over that period will only grow by 500,000. There is already a shortfall of staff for 850,000 new jobs. Some of these jobs may be filled up by immigrants but the rest may come from adults working longer or by some of the people who are registered as unemployed or non-employed.
The problem does not vanish at this juncture, as the number of young people entering the labour market during the next decade, 2010 to 2020, actually falls by 600,000. The consequences are very serious as UK aspiration is to ensure that the economy grows during the next decade at least at the same rate as experienced presently. This would create another 1.5 million jobs over the period 2010 to 2020. There would be a need for at least 2,100,000 new adults to enter the workforce to achieve a similar growth rate.

This is a seriously challenging target and can only be met by increasing the number of adults in the workforce, a huge increase in the number of unemployed and non-employed adults to enter the workforce and immigration. The other issue would be whether they have the necessary skills appropriate for the jobs in the 2010–2020 decade, where as in the developing countries the young population is still increasing rapidly and they are also improving the quality of their education system, so that they can build their economies on the increasing number of better educated and motivated young people.

The biggest challenge for the UK is to operate high skill and high value-added economies. This will have to be built upon the skills already held by the existing workforce and many of the currently unemployed and non-employed adults. It is also essential that the UK operates a world class education system. Most importantly, schools need to produce well motivated individuals, who are enthusiastic to exploit their full potential. This is an absolute must if the UK has to compete with new emerging countries such as India and China.

6. Skills Development

The policy on skills has to be at the centre of the economic policy in response to globalisation. There are still issues to be resolved about the best way forward for this policy. In Wales, there are challenges being faced as regards to the skills shortages and an ageing population which is very similar to the situation in the UK. The answer to resolve these challenges might be the relaxing of rules to allow inwards immigration which would improve the skills base of Wales. Although there has been a caution raised in the news story “Globalisation threat to UK jobs” that globalisation is posing an increasing threat to highly skilled jobs in the UK. MPs say that the impact of globalisation will be felt by high skilled, as well as low skilled workers. The emerging economic countries like India and China are investing heavily in research and development to boost their own skills bases. This may have a threat to the highly skilled jobs in the UK. It would be an excellent idea for the Welsh Assembly Government to publish an annual review on a regular basis to assess the impact of globalisation on the Welsh economy.

The shortage of skilled labour force can only be resolved by increasing the participation rate of young people in education and training to be followed on with full-time employment. The situation is not very encouraging, as in Wales the Annual Population Survey (APS) 2005 released by Office of National Statistics (ONS) has indicated that in Wales 12.7% of 16–18 year olds and 19.8% of 19–24 years were economically inactive. The figures for the UK indicate that 13.1% of 16–18 year olds and 16.8% of 19–24 years are economically inactive. It appears that in Wales the situation is worse amongst 19–24 year olds. The figures for the last five years in Wales are given in table number 4. These indicate that the situation has not much changed during this period.

### Table Number 4

<table>
<thead>
<tr>
<th></th>
<th>16 to 18 year olds</th>
<th>19–24 year olds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>12.7</td>
<td>20.4</td>
</tr>
<tr>
<td>2002</td>
<td>11.7</td>
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<td>2003</td>
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<tr>
<td>2005</td>
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<td>19.8</td>
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</table>


The comparison is also being drawn between each of the UK country latest figures for the year 2005 in table number 5 which indicate that in Scotland 15.2%, the highest rate for 16 to 18 year olds and 16.0%, the lowest rate for 19 to 24 year olds, are economically inactive. Otherwise, the situation is very similar across the UK except for 19 to 24 year olds, Wales ranks the highest as there are 19.8% economically inactive youngsters.
Table Number 5

Estimates of the proportion of young people not in education nor in employment by age and UK country, 2005.

<table>
<thead>
<tr>
<th></th>
<th>16 to 18 year olds</th>
<th>19–24 year olds</th>
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<tr>
<td>Wales</td>
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<tr>
<td>England</td>
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<td>Northern Ireland</td>
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<tr>
<td>UK</td>
<td>13.1</td>
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</table>


7. The Wales Spatial Plan

In the early 21st century, Wales in common with other nations, states and regions, faces many challenges in the management of resources. These include the issues of globalisation, implications of technology and, coupled with this, are demographic change, higher personal expectations and the ease of mobility. The key challenges are balancing communities and managing future population decline.

The vision of the Wales Spatial Plan is to tackle the challenges presented by population and economic change, whilst maintaining distinctive identity and increasing Welsh competitiveness globally. In September; 2007 each area of Wales has produced an interim statement. There are two areas of main focus for this paper, which are the vision for tourism and the labour market issues.

The Wales Spatial Plan consists of six areas and it is interesting to note that the potential for tourism appears as a major economic challenge in all of six areas mentioned below:

1. North East Wales
2. North West Wales
3. Central Wales
4. Swansea Bay—Waterfront and Valleys
5. South East Wales
6. Pembrokeshire—The Haven

1. North East Wales—Tourism is the key driver for the social, economic and environmental development of the region.

Labour market issues: The learning infrastructure to meet the current and future needs of the tourism and hospitality industry.

2. North West Wales—The tourism industry is a key employment sector to reduce economic inactivity. Improve standards with regard to tourism facilities, accommodation and transportation.

Labour market issues: The provision of learning to meet current and future needs of businesses involved in tourism and hospitality sectors.

3. Central Wales—The development of Coastal and Inland Tourism Strategy. Developing the tourism infrastructure, workforce and employment opportunities.

Labour Market issues: The adequacy of trained personnel for the Tourism, Food, Leisure and Hospitality sectors.

4. Swansea Bay—Tourism has a potential to improve health and quality of life, raise economic activity and enhance regeneration.

Labour Market Issues: A key priority is to ensure that the area has a sufficiently strong and innovative network of vocational skills providers tackling the economically inactive people which is the major challenge.

5. South East Wales: The promotion of Cardiff as the capital city of Wales and the coastal attractions.

Labour market issues: Tackling the challenges of economically inactive people especially in the deprived areas. The development of more vocational opportunities through the development of 14–19 curriculum.

6. Pembrokeshire—The Haven: Further develop tourism and leisure to make this area a premier all-year round destination.

Labour market issues: Strengthen the supply of skills to support tourism, catering and food processing industries.
There is conclusive evidence from the interim statement produced by the Lead Spatial Plan Minister for each area, that tourism and hospitality is the key industry in the Welsh economy. In addition, the labour market issues have highlighted the need for education and training for this industry, both within the development of 14–19 curriculum and training of adults, including the economically inactive group of people in Wales.

Source: People, Places, Futures—The Wales Spatial Plan, WAG, 17th November; 2004

8. Tourism Industry in Wales

At this stage, it is important to highlight that there are inherent problems in defining the tourism sector. The range of different industries which constitute the tourism sector all contain features that are regarded as being characteristics of service industries, such as production and consumption takes place under one roof. The commodity is perishable and intangible in many cases.

Definition

“Tourism comprises the activities of persons travelling to and staying places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”.—Eurostat (1998) Community methodology on tourism statistics, European Commission, Luxembourg.

Tourism including Hospitality Industry—Principal Economic Contributor in Wales

— £ 3.0 billion visitor spending in tourism industry in Wales.
— In direct terms tourism contributes 3.7% of whole economy value added in Wales. It is important to note that this figure does not include indirect value added that occurs.
— International visitors made 1.135 million overseas visits bringing in £358 million spend in 2006 which is an increase of 40% from the spend of £248 million in 2001.—(Visit Wales 2006)
— 100,000 jobs or 1 in 10 jobs in the Welsh economy, 11,000 in self employment.
— 20% of the hospitality, leisure, travel and tourism workforce in Wales are aged between 16 and 19.

Source: People 1st The Hospitality, Leisure, Travel and Tourism Sector in Wales, October, 2007

The hospitality industry is a large and diverse industrial sector that plays an enormous part in the Welsh economy. In all, there are 16,112 establishments in Wales, according to the total industry establishments across the United Kingdom. The restaurant sector is the largest sector, representing nearly 31% of the industry, followed by pubs, 38%, hotels, 9%, contract catering, 7% and other sectors such as travel and tourism services—gambling and self catering account for 15%.

Breakdown of Hospitality Establishments in Wales

Source: The Hospitality, Leisure, Travel and Tourism Sector in Wales—Regional Profile, October 2007
There is a large regional variance. The number of hotels and contract catering companies is greater in North Wales; this in part may be due to the number of traditional seaside resorts on the North Wales coast.

In the hospitality industry 100,000 jobs, or around 1 in 10 jobs contribute to the Welsh economy. Nearly three quarters (72%) of all personnel in the tourism industry in Wales are employed in the hospitality sector. Restaurants represent 45% of the industry’s workforce in Wales. Interestingly, the hotel sector employs over 27% of the workforce emphasising its importance as a major employer, while at the same time having a proportionately small number of establishments. Sporting and recreational activities account for a further 22% of employees. The industry is also categorised by micro-businesses, with 84% of restaurants, 82% of pubs and 59% of hotels employing less than 10 employees. The dominance of micro-businesses has a large impact on the recruitment, retention and skills issues facing the industry.

Recruitment

The major issue facing hospitality in Wales, as in the rest of the UK is an acute recruitment problem. Across all sectors 10% of employers reported they had hard-to-fill vacancies. In the hospitality, leisure, travel and tourism establishments however, this rises to 17%. The sub-sector reporting the highest proportion of hard to fill vacancies is Hotels (36%), then Restaurants (18%), followed by Pubs, Bars and Nightclubs (15%). The main occupations being recruited were chefs, waiting on staff and catering assistants. The reason given by employers for these difficulties is a lack of suitably skilled applicants.—(Future Skills Wales, 2005).

Retention

The occupations suffering the highest turnover of staff in the UK last year were chefs, waiting on staff, and catering assistants.

Skill shortage

Chefs and waiting on staff were highlighted as having skills gaps (that is, where existing staff were lacking the necessary skills to fulfil their jobs). This may indicate that employers are recruiting staff who may not have the necessary skills in order to overcome their recruitment problems.

Strategy for Action

An overreaching strategy for action over the next 5 years is indicated in the Hospitality Industry’s Workforce Development Plan produced by the Sector Skills Council—People 1st. The strategy comprises of 5 priority areas which are:

1. Improve the image of the industry as an employer.
2. Increase employer engagement in relevant learning and development programmes.
3. Ensure greater uptake of industry recognized qualifications.
4. Promote career opportunities into and within the industry.
5. Ensure up-to-date skills and labour market intelligence is available to support future strategic development.

Conclusion

The hospitality industry is certainly going to achieve economic growth in the next decade as evidenced by the increase of 40% tourism earnings from international visitors in 2006 as compared to 2001. But in order to sustain this, there needs to be a positive attempt to complement the growth with social and cultural change amongst people in Wales. To be competitive, Wales must offer facilities, services and value of world class standards. This requires a well co-coordinated approach to best practice, education and training through the work in co-operation with the Tourism Training Forum for Wales.

The government must ensure that the benefits of a strong economy are passed on to the population as a whole. The gap between “Haves” and “Have nots” should not actually widen but reduce. The economic development and social cohesion are essentially intertwined. A nation with a strong economy should create a lot more opportunities in order for each and everyone to exploit their full potential. There should also be systems in place to support the individuals who are unable to achieve their full potential because of personal or social circumstances. “The best form of social inclusion is a job” quoted by Tony Blair, the UK Prime Minister. In fact, the economic competitiveness and social inclusion should go hand in hand for a sound economic future.
The government intention is to further improve the UK Productivity and Competitiveness, by raising workforce skills, widening participation, increasing the employment rate to 80%, securing a fairer society and being World Class Leader by 2020.

Dr Shyam Patiar
November 2007

Memorandum submitted by the Polish-Welsh Mutual Association

We are pleased to receive the invitation to submit evidence to The Welsh Affairs Committee on Globalisation and its impact on Wales inquiry.

Firstly we would advise that the Polish-Welsh Association was established in Llanelli on 2nd April 2006, as a result of “Saveeasy” Llanelli & District Credit Union responding to the influx of enquiries from Polish migrant workers. Due to a happy coincidence for the workers, they found under one roof in Llanelli access to the then local MP Rt. Hon. Denzil Davies, his PA, a Polish speaker, trade unions, local authority councillors and a caring community. Advice and assistance was offered voluntarily from May 2004, when a large number of workers approached senior officers of the credit union with problems relating to their work and social conditions. Two years later, following the formation of the Association, and the credit union providing premises, the Welsh Assembly Government granted, and still does, financial support to employ staff, a manager/project leader and three advice counsellors.

We would unquestionably state that our activities are resultant from devolution. The Welsh Assembly Government quickly identifying the need and responding with a government grant of £120,000 covering 2006–09 fiscal years, has enabled the Association through its partnership with the Credit Union, local government, trade unions and business to provide what we believe to be a quality value for money service.

The fundamental problem faced by our specific group of Polish workers is their 99% inability to communicate in English. Evidence of the numbers helped over the period of 12 months is at Appendix 1.

Llanelli and District has a population of approx. 75,000, when instantly adding a few thousand newcomers (reliable statistics are not available) has understandably caused concern. In the course of the last three years we have seen and helped, in every aspect of their lives, many thousands of migrant workers.

Following are the problems we have encountered and where necessary suggestions for the improvement in services etc.

LANGUAGE

We find this is the biggest barrier of all, which drives the migrants to form their own ghettos, leads to exploitation, very often by their own countrymen. It makes integration and cohesion all the more difficult.

1. Inability to communicate
2. Inability to cope with various procedures, especially written
3. Inability to communicate by telephone
4. Lack of information in their own language eg guides, welcome packs, etc.
5. Inadequate provision of learning facilities tailored to their needs.

EMPLOYMENT

Employment Agencies:

1. Work insecurity, “0 hours contracts”
2. Lack of information about workers rights and the employment law
3. Low pay, driving wages down nationally, increasing taxpayer’s bill for WTC (Working Tax Credit)
4. Agency’s provided accommodation and transport conditional to receiving work.
5. Indiscriminate deduction from wages
6. 16 hour shifts without workers consent
7. Intimidation at the workplace
8. Dismissal practice contrary to employment law
9. Discrepancies in holiday payments and hours earned (workers often give up on trying to recover money owed to them)
10. Standby practice; workers are informed by text message whether they are going to work, or not, even on their days off
11. Charges for safety equipment, keys, ID cards, etc.
12. Total control by the Gang-masters re: housing, transport, dependency on the employer for WRS (Home Office Workers Registration Scheme) often leads to loss of benefits and loss of ID documents.

**Work search:**
1. Difficulties in applying for jobs due to language barrier and lack of assistance at Job Centres
2. Gaining/ translating/ updating of existing qualifications

**Construction Industry:**
1. CSCS cards sold on the “black market”
2. Self employed, or an employee? Confusion.

**Smaller Employers, "One man band":**
1. “Double Whammy” Practice of pocketing NI and Income Tax contributions by the employer leaving the employee legally liable to the Inland Revenue for payment of the NI and income tax again.
2. No holiday pay
3. No payslips, no WRS, no rights after one year of continuous employment

**Housing**

Landlords never had it so good. Since the arrival of migrant workers rents have gone up between 50–75%. A number of bad practices have developed with many landlords operating on a cash basis, not registering their properties and evading national and local taxation. Income from some terraced properties can reach £900–£1,200 per month. Often we suspect that money-laundering regulations are evaded by cash leaving the country.

1. Exploitation by landlords
2. Lack of information about tenant rights
3. No tenancy agreements
4. No receipts given for rent paid
5. Rent deducted directly from wages without leaving a necessary threshold as prescribed by law
6. Unregistered with LA multi-occupation properties are often overcrowded and not inspected
7. Unlawful evictions
8. Dwelling not complying with safety regulations
9. Lack of affordable, small furnished units suitable for rent by couples, or families
10. Prohibitive costs of private rental also bond/deposit and estate agent’s fees.

The role of social landlords is difficult to ascertain, but it appears that responses vary according to where you live. Many low paid Polish workers find it difficult to comprehend why many social housing units can remain empty for long periods, when they have little chance of escaping from the high cost private sector.

**Financial Exclusion**

Exclusion due to inability to provide:
1. Credit checks, credit history
2. 3 years residence required by banks
3. Financial agreements signed without understanding commitments and responsibilities
4. Workers are often driven to seek finance from high interest lenders eg Shopacheck, Provident currently charging 183% APR

This is the area where credit unions are able to help and indeed many of them have taken the challenge.
HEALTH

Language barrier
1. Lack of information about entitlement to services under the NHS
2. Inability to communicate symptoms
3. No availability of medical histories
4. Lack of understanding re medicines treatment, future appointments, etc.
5. Lack of understanding of Statutory Sick Pay (SSP) procedure
6. Unwillingness of surgeries to sign up foreign patients

Maternity issues
1. Extreme difficulty in collecting information by midwives from expectant mothers
2. Extreme difficulty in communicating instructions, procedures, future appointments, tests, choices etc

Dentistry
1. No access to dental treatment when needed, private or NHS
2. Patients are directed to A&E in acute cases
3. Some patients in desperation choose to go back to Poland for dental treatment

Psychological pressures
1. Detrimental effect on health caused by working and living conditions
2. Isolation, alienation and separation from the loved ones
3. Pressures at work and financial worries
4. Percentage of people arrive in UK with underlined mental or dependency problems, only to find that there is no help available

Access to medical help.
In North Wales three migrant workers have died, because they did not know where and how to seek medical help.
These experiences have led us to some positive outcomes with the development of partnership working with the Local Health Board, GP Surgeries, Local Authority, Prof Joy Morell of Swansea University.
Again we have to stress that the majority of Polish migrant workers have difficulty in accessing the health service without the English speaking assistance.

EDUCATION

From our inception we have focused on encouraging workers to learn English at their earliest opportunity. We cannot pretend to have the means, or the ability to teach English. However, in partnership with the Unite TU, we provide IT access at our centre. Also we have developed a Conversation Club, using English speaking volunteers encouraging learning of “survival English”.

Regrettably the Local Authority ESOL (English as a second language) classes, one of which we have sponsored for the third year running, have failed to produce the necessary outcomes and attendance. Discussions have taken place on designing a bespoke course of “survival English” for the workers and their families.

As regards the education of children, a large percentage gravitated towards the Roman Catholic education, where most of them are making excellent academic progress. This is also true for other schools where Polish children are being educated. We only wish it were as easy with their parents.

At the commencement of the new term this year, a number of families encountered admission problems in some LEA areas due to staff being completely unaware of the status of migrant worker families, who are being confused with asylum seekers and illegal immigrants.

During August 06 and 07, we sponsored specific courses for pre school entry into education for non-English speaking children starting in UK schools for the first time. The purpose of the course was to reassure and build confidence for children entering a linguistically hostile environment. The courses have proved to be successful and have provided an easier assimilation of the children into the British education system.
Benefits and Government Agencies

It is often perplexing to try to help solve personal problems of the migrant worker, when all too often government departments would not share the information between each other and when we pursue matters, departmental personnel too easily hide behind data protection and close down the line of enquiry.

There is no understanding that the majority of advice seekers are monoglot Polish and are unable to even confirm their own name and address by telephone.

It must be understood that the majority of migrant workers are in employment and not claiming benefits, with the exception of Child Benefit (where applicable) which is a universal benefit and conditional on NI contributions. However, there is a serious question surrounding a termination of CHB payments once the entitlement stops. That is when NI contributions cease, or the beneficiary leaves the country and is no longer in employment. There does not seem to be a mechanism in the benefit system to check periodically whether the beneficiary is still entitled to CHB.

Problems occur for those who work and become long term ill, or need non-work related benefits. There is a popular misconception that one year’s continuous employment entitles them to all social security benefits. Very often matters have to be taken as far as Tribunal for a decision, and even than outside legal opinion indicates that there may be transgressions of human rights legislation.

Crisis

There is no provision for migrant workers in crisis.

One obvious thing, which was forgotten, that is the provision of some sort of safety net for the unfortunate victims of our economic prosperity. People through no fault of their own fall victims of homelessness, serious illness, mental illness, break-up of relationships, etc. Individuals often get thrown out onto the street by their employers, or landlords, and yet there is nothing anyone can do to help them.

For the first year of their employment, migrant workers can’t claim any non-work related benefits at all. There is nothing for them; even their basic human rights to food and shelter are ignored.

Situations are continuously arising where migrant workers find themselves needing emergency assistance and have no recourse to public funds. In those circumstances the only option are charities, churches and voluntary organisations.

According to the advice we have received from the European Commission it is the responsibility of the host country to address the problems.

As an example, a worker suffering from mental illness, having exhausted SSP and being thrown out by the gangmaster onto the street. Following our intervention this person was eventually sectioned after a month of living rough on the streets of Llanelli.

Crime

A very worrying aspect is an ability of the convicted criminals to enter Britain whilst police forces are impotent to act effectively, because there is no co-operation with the police forces in Europe.

Since the arrival of migrant workers we have been concerned with the issue of cross border criminality. As early as 2004 representations were made to Dyfed-Powys Police concerning information received on the use of cars stolen in Poland and being driven around West Wales. The response was such, that the Police could not pursue the matters. Since that time and the establishment of our Association closer and friendly links have been established with the Dyfed-Powys Police. Regrettably we have to say that there is reluctance to record crime and as a result known criminals perpetrate the serious crimes within the Polish community. The victims of the crime rather leave Britain than make a statement to the police; such is their fear.

One more comment to answer a recent statement by the Chief of Police in Cambridgeshire. She complained on national television that it takes three times longer to process a foreign suspect, than the British one and that impinges on her resources. Well, if the Police need more resources, then they should be made available to them. After all the migrant workers are paying for them through their taxes.

Integration

We are now beginning to see the start of a real integration process. Many workers are settling down to live in Wales and are pleased with the welcoming nature of our society. Our aim as an Association is to facilitate integration and to minimise the impact of the newcomers on the indigenous community. We are raising awareness and understanding of the differences in culture by organising, or taking part in multi-cultural events. During Bank Holidays, which it takes three times longer to process a foreign suspect, than the British one and that impinges on her resources. Well, if the Police need more resources, then they should be made available to them. After all the migrant workers are paying for them through their taxes.
Mrs Anne Jones provided splendid hospitality. We also visited the Festival Park Shopping Centre in Ebbw Vale and rounded off the day with a trip by barge on the Brecon Canal. Other social events take place throughout the year, for which Llanelli Society for the Blind is most helpful by lending their premises.

**Visible changes.**

1. Catholic churches increased congregations
2. Polish delicatessen opening throughout the country

**General Comments**

It is fairly understood that the many of the problems faced by migrant workers are as a result of the “free movement of labour and capital” within the European Union. The UK Government at the time of the opening of the borders with Poland has failed to properly understand the social implications of the market place movement. Perhaps it may even have been a local failure to understand the labour requirements of an expanding food industry in a semi-rural community. The results, we believe, are becoming more positive as time moves on. Migrant workers are often over qualified for the jobs they perform. Gradually there is a realisation within the local economy that a new resource is sleeping within its midst. Employers are continually seeking our help and assistance to fill vacancies.

**Shortages of skills.**

Migrants are underpinning small businesses with a range of skills otherwise not available in the local labour market.

Business is gradually awakening to the fact that there is a reservoir of skilled labour, which with a little effort can be accessed to expand their business eg IT, medical, construction and metal industries, apart from recycling, food production, farming, hospitality, and environmental.

**They are not here to take local jobs**

Contrary to some propaganda, migrant workers are not here to take any jobs from the local population. They are sought after by employers because of their skills, work ethic and because they are prepared to work in very difficult and often cold conditions which food production requires. If there were a competition for those jobs, wouldn’t the employers choose English/Welsh speaking natives every time?

The very reason the employers are putting up with the difficulties of a language barrier is because they can’t fill the vacancies with the local people.

**Conclusion**

Solutions are in the hands of the politicians. Here are some policy changes which we feel, and strongly recommend, will help cure current problems.

1. Proper recruitment and screening of candidates, contracts with a cooling off period and time for consultation in the country of origin will stop people being cheated and lured here to empty promises of employment.
2. “0-hours” contracts to be abolished and agency workers to have identical rights as regular employees.
3. International co-operation between police forces across the EU to be established.
4. Enforcement. What is the use of having all the laws in place, when there is no effective enforcement?
5. GLA (Gangmasters Licensing Authority) need to be given enhanced powers to police and control the activities of the employment agencies.

We must be careful not to turn the clock back and turn this labour opportunity into modern day slavery. We must not turn a “blind eye” to rogue employment agencies. We must empower the GLA to enforce the laws already in existence.
### Appendix 1

#### The Polish-Welsh Mutual Association Activity Report

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<th>CHB</th>
<th>Car/Medical insurance</th>
<th>Home Office</th>
<th>CV employment</th>
<th>Advice</th>
<th>Translation</th>
<th>Internet users</th>
<th>Assisted Visits</th>
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15 October 2007
Memorandum submitted by Bill Goldsworthy, Chair Wales Agri-Food Partnership

1. I look forward to giving oral evidence to the Committee on Tuesday 27 November 2007 on Globalisation and its impact on Wales.

2. The Agri-Food Partnership was established in 1999 to provide focus and a more “joined-up” approach for the development of the agri-food industry in Wales. Membership of the Partnership consists of public and private sector individuals and reflects the whole of the supply chain. The Agri-Food Partnership plays a strategic advisory role to the Welsh Assembly Government. The following memorandum covers some of the areas which may be of interest to the Committee.

3. The value of the global food and drink market is measured in trillions as opposed to millions of dollars. Countries in the developed world have mature markets but are characterised by changing consumer trends, whilst the populations in developing markets such as China and India are demanding more variety in terms of food and drink as their incomes increase and they become exposed to products from around the world. The export performance of Welsh food and drink companies is relatively low, but there are significant market opportunities within Europe and wider afield, particularly in those countries which have a significant ex-patriot community such as Dubai and Hong Kong.

4. Wales has a vibrant quality food and drink industry which represents a significant direct contribution to the economic life of the country. Food is a key element in the modern consumer economy and there is an opportunity for Wales to build on the success of the past and capitalise on the opportunities which exist in what is a large market, in Wales, in the UK and globally.

5. Wales is rapidly gaining a credible, national and international reputation for its innovative, quality food and drink and its hospitality sector. This is due to the country’s geography, climate and farming practices, which provide the ideal ingredients for the production of quality food and drink. When coupled with the enthusiasm and commitment of those working in the wider food and drink sector, Welsh producers, manufacturers and hospitality providers are evidently well placed to gain greater shares of the premium markets within Wales, the United Kingdom and internationally.

6. The growing multicultural spread within the population of Wales and throughout the UK not only provides crucial labour for the primary and processing sectors, but also generates demand for a wider variety of food & drink products, therefore opening up new domestic market opportunities for the food and drink processing sector.

7. In Wales the production of food and drink is a serious business. The value of the industry has grown steadily since 2001. In 2004 the total output of the food and drink manufacturing industry was £2.7 billion, accounting for 3.7% of the total turnover in Wales. Added to this is the burgeoning hospitality sector which the same year contributed a further £2.1 billion to Welsh GDP. The sector is substantial, employing 57,100 people in primary production, 30,000 in food and drink manufacturing, and 81,000 in the hospitality sector. The food and drink industry as a whole makes a significant contribution to the Welsh economy.

8. There are numerous examples of companies who have and will continue to achieve success by adding value including, Trioni, which makes organic dairy cow milk based products; Kid Me Knot, which makes goat milk based fudges and cheese; and the Knobby Carrot company whose products are based on fresh locally sourced organic ingredients; to name but a few. These companies are exemplars in terms of diversification and innovation. We need more businesses to follow their example if the sector is going to thrive in the future.

9. One of the problems facing us in Wales in meeting the global challenges will be growing our micro and small businesses in a sustainable way into medium-sized businesses. A number of small food companies in Wales, some of which are still based on farm, have pointed to concerns about employing more staff and adapting to new employment structures as reasons which keep the business artificially small when otherwise it could grow. Support must therefore be tailored to assisting these businesses to meet their potential and grow their contribution to the economy of Wales.

10. Top of the list of challenges faced by food sector employers is the shortage of new food technology graduates and post-graduates joining the food sector and the shortage of technicians. Additionally, there is concern over what is perceived as a mounting dependency on overseas workers, particularly from Eastern Europe. The image of the industry needs to be improved to encourage new entrants and this should be linked to improving the value of jobs within the industry.

11. The shortage of appropriately skilled labour is a key limiting factor to industry investment and development and also threatens the future viability of both existing processing activities as well as its future growth potential. A significant proportion of manual positions within the processing sector are currently filled by migrant labour. This has in many cases allowed businesses to continue trading where otherwise the unavailability of labour would have resulted in relocation or even closure.

12. Wales has a high proportion of economic inactivity and the food and drink sector needs to be integrated into wider policies to reduce the number of people not employed. At the same time, food businesses need to be encouraged to adopt more flexible work practices in order to be more economically inclusive.
13. In recent years, consumers have an improving nutritional understanding mainly through better communication and clearer labelling and more information due to buyer requirements and key concerns about issues such as allergies. Various food scares have resulted in the multiple retailers requiring assurance of food safety throughout the food chain. Consumers have demonstrated a demand for freshness and the food sector has provided improved traceability from field to fork. There has also been an increasing demand for healthier foods, for example leaner red meat.

14. There is clear opportunity to improve the health of the population of the Wales through better food and nutrition as the country has some of the highest levels of diet related ill health in the European Community, with resulting economic and social impacts. Achieving the health dividend presents an opportunity for the food sector in Wales. More specifically this will involve improving access to healthier foods produced locally, for schools and hospitals and for disadvantaged and vulnerable groups, through improved education and awareness of nutritional values, improving food safety and in particular traceability. Community food projects have a role to play in ensuring the supply of foods for a healthy diet, particularly to disadvantaged areas and communities.

15. Continual changes to market trends can be traced back to several factors such as changes in family lifestyles leading to less formal meals/more snacking, an increase in individual meals and less knowledge of food preparation; leading to more eating outside the home. Consumers are also better informed about the health aspects of food, including nutrition and safety. There has been growth in the market share of the food service sector as eating is seen as an experience and indulgence rather than a necessity. Competition between the multiples is fierce and increased choice has led to greater polarisation between value products and premium food. The multiple retailers have begun to recognise consumer demand for regional and local foods alongside increasing demand for organic and seasonal foods. In certain areas of Wales, there are multiculturial societies with multiculturial tastes and there is increasing demands for specialised convenience foods. Increased awareness of the environmental impacts of food production and consumption has grown whilst retail store shelves are stocked with all kinds of food from across the world as more people have engaged in greater travel and have developed a greater interest in ethnic foods.

16. A survey commissioned by the Welsh Assembly Government in 2005 showed that public sector procurement expenditure in Wales totalled in excess of £4.5 billion per year of which some £66 million is on food, up from £55 million in 2003. The Welsh food industry’s share of this market grew significantly, from £9.9 million in 2003 to £14.6 million in 2005, an increase of 46% or £4.6 million of extra annual sales, as a result of Welsh Assembly Government activity to increase the amount of local food and drink purchased by the private sector. The food areas where key increases occurred were milk, up from 89% in 2003 to 91% in 2005 and meat, which rose from 57% to 76%. Sales of water represent an opportunity area for Welsh suppliers as currently only 17% of purchases are obtained from Welsh suppliers despite Wales having a significant number of high volume suppliers. The value of the market however is less than £1 million. A Local Sourcing action plan is being developed by the Welsh Assembly Government. Climate Change is likely to mean longer, warmer growing seasons. This may make horticulture and cereals more competitive in the lowlands compared to dairy and other livestock. Climate change will spell an increased emphasis on local sourcing and renewable sources of energy. As well as providing scope for diversification into energy supply, there is also the prospect for land being used to produce a range of bio-fuel crops. Climate change will impact food and drink production globally by increasing the risks both of flooding and of drought in Wales and in countries which supply products to Wales. Methane and nitrous oxide emissions from agriculture remain a significant source of Wales’s greenhouse gas emissions and are likely to be scrutinised as part of strategies to reduce the UK’s contribution to climate change internationally. A commitment to sustainable development in Wales means that from climate change and world poverty to bio-diversity and globalisation, there is a role for Wales to play in influencing change both at home and on the international stage.

17. Globalisation is affecting the development of the Welsh food and drink processing and manufacturing industry. The industry recognises that competing on price alone is challenging and innovative approaches in developing new products, processes and technologies as well as increasing quality and added value are key development areas, together with support for marketing and branding. Support schemes under the rural Development Plan for Wales 2007–2013 have been developed by the Welsh Assembly Government including support for new, innovative, added value food processing companies which need support for market development if they are to grow and make a significant contribution to the country’s economy, and provide further opportunities to add value to the agricultural outputs of Wales. These schemes have been specifically tailored and targeted at the needs of the micro and small businesses that represent the potential for growth in new developing markets. One of the significant challenges is to fund effective mechanisms to support co-operation and collaboration along the different supply chains but this is seen as one route to offer increased economic sustainability to what are diverse agricultural products from Wales.

18. The period covered by the current Agri-Food Partnership’s “Strategy in Action: towards 2007” has come to an end and it is time to consider what is needed to take the industry forward over the next five years. Changes in EU funding programmes and a new Rural Development Plan for 2007–2013 have also provided the opportunity to take stock, reflect on past achievements and develop a new Food and Drink Strategy for Wales.

November 2007
Memorandum submitted by Age Concern Cymru

Paper to support oral evidence from Age Concern Cymru on the Committee’s inquiry into Globalisation and its impact on Wales.

BACKGROUND

Age Concern Cymru

Age Concern Cymru is the leading all-Wales charity working with and for older people.

For the past 60 years we have been working to improve the lives of all older people in Wales. Age Concern in Wales is made up of Age Concern Cymru and 27 locally based independent Age Concern organisations. Our activities include campaigning, research, advocacy, information, help at home, support for forums of older people and befriending. Age Concern organisations in Wales assist around 76,000 older people every year. Through the combination of an all-Wales presence, local community based organisations and our network of over 200 older people Age Concern in Wales is well positioned to be in touch with the issues affecting older people. This paper has been formulated based upon our experience as both a campaigning organisation for older people’s issues and as a significant provider of services through locally based organisations.

1. Employment

Facts

— Around 78,000 people over 50 in Wales are not in work and want to find jobs. If they were all in work this would add over £2,000 million to the economy69.

— Two thirds of people out of work in the UK aged between 55 and state pension age rely on state benefits70.

— 380,000 employees over 65 in the UK are at risk of being forced to retire by their employers70.

Figures reveal a steeper decline in employment rates for the over 55s in Wales compared to other parts of the UK; For instance, male employment rates show that the percentage of men employed in Wales aged 55 and over is the lowest in the UK; 71% of men aged 50–54 are employed in Wales, but this falls to 46% of 55–59 year olds, compared to 70% in the South West of England. Only 5% of 65–69 year olds are employed in Wales70.

Age Concern Cymru believes the Government should provide work and learning opportunities for older people by removing arbitrary age limits and increasing funding for lifelong learning, this could address the skills shortage issue in Wales. There also needs to be recognition of the economic contribution that older people are already making to society, for example, grandparents provide £259,000,000 of childcare per year in Wales.69

The estimated value of care provided by people aged 50 or over (equivalent to both residential and non-residential care) is £1,123 million69.

Age Concern calculates that to achieve the Government’s overall aim of an 80% employment rate, by 2015–2020, an extra three million people in the UK would need to be in work, of whom more than half could be over 5070.

State pensions and spending

Traditionally the employment rate has been defined as a percentage of adults aged below State Pension Age. However in future, the number of people in work used in the calculation could include people above State Pension Age. Our preference is to include this group, and it appears likely that the Department of Work and Pensions will begin to report employment statistics on this basis, along lines recommended by Organisation for Economic Co-operation and Development (OECD).

Indeed, state spending on pensions and benefits will actually decline per head of pensioner population over the next few decades, remaining a low 6% of our national wealth. The ageing of our workforce would be offset simply through a 0.25% annual increase in the number of older workers, at a time when many older people are keen to work.69

69 The economic contribution of older people, Pamela Meadows, Age Concern England, 2004

70 The economy and older people, Age Concern England, 2004
Positive benefits of working in later life

Research by Age Concern has shown that older people in paid employment have higher incomes and better health and general wellbeing than those who are not working.\footnote{The economic contribution of older people, Pamela Meadows, Age Concern England, 2004}

Further education and learning in later life has been shown to positively contribute to quality of life by enhancing self-confidence, well-being, coping and promoting social inclusion.\footnote{Looking to the Future: Ageing in Rural Communities, V. Burholt, G. Windle, D. Naylor, B. Jones, B. Riley, J. Oades, R. Oades, C. Humphries, D. Kennedy, and J. Clifford-Jones, 2007} Education for older adults can also contribute to social change. The United Nations’ \textit{Principles for Older People} recommend that older people should actively participate in the formulation and implementation of policies that directly affect their well-being, however, in order to effectively engage in this process some older people will need to develop their skills.

Age discrimination

Age Concern believes the Government should outlaw Mandatory Retirement Ages, as part of the Equality Act. One option is a sunset clause that would bring retirement ages to an end in 2011.

There is strong support in Wales for ending age discrimination. An ICM Poll commissioned by Age Concern Cymru found that 89\% of people of all ages in Wales believe that we should all be able to continue working for as long as we want to.\footnote{ICM Poll, Age Concern Cymru, 2006} There is also widespread agreement that older people should be encouraged to work longer, or indeed re-enter the workplace, 80\% of people in Wales think that employers should help and encourage older workers.\footnote{ICM Poll, Age Concern Cymru, 2004}

What more should be done?

- Mandatory Retirement Ages should be illegal
- Age discrimination legislation should be robustly enforced and free from loop-holes
- The Department for Education and Skills should review age discrimination in learning
- Policies are needed to help older people with health needs remain in work
- Older people should have the ability to retire flexibly
- Carers should have equivalent employment rights to those of parents
- Carers should have improved access to pensions
- Enhanced Welfare to Work support should be available to all former carers
- Support for grandparent care should be considered as part of the Treasury’s Childcare Review

2. Population and population movement

Facts

The 2001 Census revealed there are more people in the UK over 60 than under 16 and with the projection of one in four people aged 65 or over in 2051.\footnote{Fresh policy approaches to ageing in Wales, Jackie Dix, 2004}

The actual growth in the proportion of older people in the population over the last thirty years has been small. However there has been a rapid growth in the proportion aged 85 and over with 2\% now 85 and over in Wales. It is predicted that by 2021 there will be an increase of over 40\% in the 85 and over age range in Wales. This is due to advances in healthcare and living standards.\footnote{Fresh policy approaches to ageing in Wales, Jackie Dix, 2004}

Over the next 10 years the post war baby boomers will be approaching retirement. Data from the 2001 Census in Wales reveals the 50–54 years to be the largest age band. It is predicted by 2021 there will be an 11\% increase in the number of people of retirement age meaning that 22\% of the population will be of retirement age. The proportion of the population aged 60 plus is set to increase more in Wales than in England\footnote{Fresh policy approaches to ageing in Wales, Jackie Dix, 2004}.

(See Appendix 2 for further demographic information)

We make a fundamental mistake if we look at our ageing population as a burden rather than an opportunity. There is no demographic time bomb facing Wales. By worrying about a mythical burden we miss the enormous contribution that older people make as citizens, as consumers, as individuals.
Older carers

Older people in Wales provide an estimated £1.1 billion worth of care per year to elderly, sick or disabled people.\textsuperscript{76} Public policy must recognise the contribution made by older carers to society, and the need to support them in sustaining this contribution. This support should include financial assistance and services. Inconsistencies in benefits that put carers at a disadvantage should be removed. Tensions also need to be resolved across policy areas such as labour market policies aimed at increasing employment among older people and a social care policy that relies on older carers. Research by Carers Wales found that unpaid carers provide around 70\% of care in the community. This in itself is compelling evidence that carers should be regarded as part of the solution to addressing people’s care needs.

Many older carers retire early in order to commit themselves to full-time caring—indeed caring responsibilities are a significant cause of early retirement. Within the UK, there is very little information regarding the needs of older carers. Service developments have been based on the needs of a younger cohort, which may not match the needs of older carers.

The UK Government needs to tackle the lack of recognition and discrimination faced by carers by introducing positive duties on public bodies to promote equality between carers and non-carers, and also anti-discrimination legislation in employment and the provision of goods, facilities and services. This is to provide a sound economic and cultural basis on which to build the future.

Charging for care is a key issue for the Government to tackle. The current system is too complex, inequitable and penalises savers and people with even modest assets.

Prevention agenda

The Wanless report\textsuperscript{77} found that a strategic adjustment of services is needed in Wales to focus them on prevention and early intervention. It recommends a much greater emphasis on preventing ill health and early intervention in order to raise public awareness of its importance for the ability of health and social care services in Wales to meet future demand.

Public services still focus on the most vulnerable older people at times of crisis (some 15\% of the older population) rather than adopting an approach which enables the wider older population (the other 85\%) to remain independent for as long as possible and live their lives to the full.\textsuperscript{78}

Rural communities

Age Concern Cymru believes it is extremely important that the Wales Spatial Plan meets its aim of taking account of the different challenges and opportunities in different parts of Wales.

Facts

Figures show that North West Wales (Anglesey, Gwynedd and Conwy) has the highest proportion of older residents with 40.3\% over 50 and 26.4\% over 60 years old.\textsuperscript{79}

More of the population in rural Wales are beyond retirement age compared to those living elsewhere (National Assembly for Wales 2002). Additionally a higher proportion of people over 60 are living in the unitary authorities that are largely rural with coastal areas, as opposed to the more urbanised unitary authorities.\textsuperscript{79}

54.4\% of people over 60 living in Wales report themselves as having a limiting long-term illness compared to 45.4\% in England. The figure is even higher in the Valleys: 63.8\% of over 60s have a limiting long-term illness.\textsuperscript{79}

RuralWIDe research

The Centre for Social Policy Research and Development at the University of Wales Bangor, worked collaboratively with Age Concern Gwynedd a Môn on Rural North Wales Initiative for the Development of Support for Older People (RuralWIDe).\textsuperscript{80} RuralWIDe was a participatory research project, with volunteer older co-researchers actively involved in conducting this research. Some of the key messages from the report include:

\begin{itemize}
  \item Identified gaps in service provision (e.g low-level preventative services, dentistry, chiropody, respite care and rehabilitation)
\end{itemize}

\textsuperscript{76} Valuing Carers—calculating the value of unpaid care, Dr Lisa Buckner and Professor Sue Yeandle, University of Leeds, Carers UK, 2007
\textsuperscript{77} Review of Health and Social Care in Wales, Derek Wanless, 2003
\textsuperscript{78} From welfare to well-being—planning for an ageing society, Joseph Rowntree Foundation, 2004
\textsuperscript{79} Fresh policy approaches to ageing in Wales, Jackie Dix, 2004
— The identification of information needs on formal support (from social services); low level preventative services; community & hospital transport; pensions and benefits

— A need to monitor the progress of programmes that attempt to redress material inequalities in Wales

Rural ageing in Wales

Although demographic, epidemiological, economic, and political changes are reshaping the population of the world’s rural areas, most countries have not addressed these transitions in policy. Delay can cause the lives of millions of rural older people to be more difficult, and allow societies to squander scarce resources while pursuing untested or ineffectual programs.81

A number of rural areas in Wales are substantially deprived in comparison to the rest of the country. The associated problems of unemployment, ill health and social disadvantage can be exacerbated by a lack of access to services, and a poor quality of service provision. Aspects of village life such as local shops, post offices and doctors have often either closed or moved into larger towns, rendering rural dwellers increasingly dependent on public or private transport. Community transport can offer a valuable alternative to public transport.

A substantial proportion of older people living in remote rural areas (over two fifths of those aged 75 and over) are not adequately provided for by either private or public means and are experiencing multiple disadvantages.81 Therefore, policies and programmes need to tackle poverty and social exclusion amongst older people from a variety of angles. This of course entails identifying the weaknesses in current rural health and social care service delivery, rural public health promotion, rural transport policy and rural strategies to reduce poverty. In particular, there is a need for low level preventative services and activities. In addition to policy changes, local initiatives could focus on raising awareness of the availability of services currently available in the areas of the study, and increasing social contact and participation.

Post offices

Post offices provide a lifeline to isolated older people, especially in remote areas, and we believe they should be part of a coherent and sustainable strategy for providing public services in rural areas. Age Concern Cymru is urging the government to do everything within its powers to safeguard the future of the post office network and to recognise that they are a vital resource for thousands of older people in Wales.

Research by Age Concern shows that many pensioners use their post office as a one-stop shop for a whole range of vital services such as accessing their pension and benefits, paying their bills, getting advice and information, and meeting and socialising with other members of their community. A recent ICM Research Poll commissioned by Age Concern Cymru shows that 76% of people aged over 65 in Wales use their local post office at least once a week, while in a rural area such as Gwynedd the equivalent figure rose to 81%.82

The post office is particularly vital in areas where there is difficulty in accessing banks and other financial services, and also food supplies. In effect the post office is often the key service that helps both rural and urban communities to remain viable.

3. Food production and supply

Malnutrition is becoming an increasing problem amongst older people and can leave people lacking in energy and prone to illness and depression. Research by the Wales Consumer Council has shown that food poverty could be a very real problem for many older people in Wales. With an ageing population it is likely that unless action is taken the situation could become more prevalent and acute.

Overall, the most commonly mentioned problem in Wales Consumer Council research83 centred on mobility problems—difficulties carrying heavy shopping from the shop to home and difficulties preparing and cooking meals in the home. The changing face of food retailing means that most people now have to travel further to shop for food. For those with access to a car this poses less of a problem however for those reliant on public transport it can make life difficult. Improving transport, more home delivery services/mobile shops and assisted shopping have all been specified as potential solutions. The research recommends that all Community Care staff and home carers should be trained to spot malnutrition and provide dietary advice if needed.

82 ICM Poll, Age Concern Cymru, 2006
83 Food Poverty and Older People, Wales Consumer Council, 2006
Hospital nutrition

In terms of the public sector, Age Concern Cymru and the Royal College of Nursing recently joined forces to improve hospital care for older people. Both organisations have commissioned surveys revealing that the standard of care on some of our wards is simply not acceptable. An RCN survey showed that almost half of their members were concerned that patients’ nutritional needs were not being met because of insufficient time and staff shortages on the wards.

A survey released during the start of Age Concern’s Hungry to be Heard campaign, found that six out of ten older patients are at risk of becoming malnourished or their situation getting worse while in hospital.

Patients who are malnourished stay in hospital for a longer time, require more medications, and are more likely to suffer from infections. The toll of malnutrition on health and health care costs is estimated to exceed £7.3 billion per year (much more than obesity) in the UK. Over half of this cost is expended on people aged 65 years and above.

Research by Age Concern revealed that nine out of ten nurses do not always have time to help patients who need assistance with eating, despite shocking levels of malnutrition in older patients. The lack of nursing time and the failure by hospitals to introduce simple safeguards has hit the most vulnerable. It means older patients, who occupy two thirds of general hospital beds, are at risk of malnutrition while in hospital.

A new report from Age Concern spells out the steps that hospitals must implement to eradicate avoidable malnutrition and ensure that older patients get the food they need and help with eating:

1. Hospital staff must listen to older people, and their relatives and carers
2. All ward staff must become “food aware”
3. Hospital staff must follow their own professional codes and guidance from other bodies
4. Older people must be assessed for the signs or danger of malnourishment on admission and at regular intervals during their stay
5. Introduce “protected mealtimes”
6. Implement a “red tray system” and ensure that it works in practice
7. Use volunteers where appropriate
8. Educate hospital staff to prioritise helping patients with eating and drinking, and on conditions such as dementia

4. Broadcasting and the creative industries

The changing nature of public service and independent broadcasting in Wales has implications for older people, for example a key issue is the end of analogue TV with the digital switchover. The switch from analogue to digital TV could also leave many older people isolated if they are not supported through this change.

Digital Switchover

Older people watch more TV than any other age group but a straw poll of Age Concern’s service users locally found that many older people are not yet ready for the change. Age Concern welcome the Targeted Help Scheme, but the experience of Whitehaven residents signals that such support needs to be given earlier if it is to reach those for whom the help is intended to benefit. Age Concern has, and will continue, to work closely with Digital UK during the switchover at a national and local level.

Age Concern Northwest Cumbria’s experience indicates that fitting the box is only the beginning. Ideally Age Concern would like to be able to help people become confident in using their new digital equipment and get used to having access to more than four channels, listening to the radio via the TV and using interactive services.

The Rural North Wales Initiative for the Development of Support for Older People (RuralWIDE) report also showed that there is a large proportion of the older population who watch TV. In general, ownership of digital TV for people aged 65 and over is 20% below the UK average (Ofcom 2006). Although many people are aware of the forthcoming switchover, the timing and implications of it are not always clear to older people.

84 Hungry to be Heard: The Scandal of Malnourished older people in hospital, Age Concern England, 2006
RuralWIDe suggests that the medium of TV could be harnessed in order to help provide services, goods and information to older people. This method has already been adopted by Wrexham Council, who provide a local authority digital TV service for residents in the county to access local information, advice and services (Wrexham Council 2006). The service is available to Sky subscribers. If a similar scheme were to be adopted in Gwynedd, the data from RuralWIDe suggests that over half (54%) of those aged over 75 would be able to access the service through satellite, digital or cable services.\(^{85}\)

**Technological advances**

An expanding number of services and information can be accessed electronically through a range of new technologies, such as the internet. Many older people could benefit from accessing services through new technologies but there are significant barriers including accessibility, service design, trust, awareness, skills and confidence. An ICM Poll commissioned for Age Concern Cymru found that only 15% of people over 65 have access to the internet.\(^{86}\)

Such digital exclusion impacts upon the quality of later life and those without ICT access and skills risk becoming increasingly excluded from services and opportunities. With the Government continuing to make a major investment in the delivery of electronic services, older people using new technologies will also have better access to information, enabling them to make more informed choices than those without access to new technologies.

**Government commitments**

The Government has accepted the impact of digital exclusion. In 2006 it signed the European Union’s Riga Ministerial Declaration to promote an inclusive information society which fosters social and economic inclusion. The Riga Ministerial Declaration commits signing countries to a number of specific targets including halving the gap in internet usage by 2010 for groups at risk of exclusion including older people and people with disabilities. The Government has also committed to reviewing its Digital Strategy in advance of the scheduled date of 2008. This earlier review date will allow Government to coordinate policy between departments and identify policy initiatives that will be required to bridge the digital gap.

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**Appendix 1**

**Regional strategies and demographic ageing: Age Proofing Toolkit**

To help regional authorities across Europe to manage their response to increasingly rapid and profound demographic ageing, a new toolkit has been launched by Age Concern England and the European Union’s Committee of the Regions.

The toolkit is designed to assist policy makers at a regional level to recognise the cross-cutting impact of ageing and to consider the impact it will have on them and their territories. It also plans to bring more consistency to the response to ageism by authorities from across the UK and Europe.

The toolkit focuses on the main areas of responsibility of regional authorities and based around five themes:

- general trends
- themes and indicators
- regional economies
- regional development
- regional infrastructure
- regional governance

It has been designed as a generic mechanism to prompt analysis of the different challenges posed by population ageing in the regions and to help regional authorities to shape their responses, recognising their strengths, responsibilities and powers.

For more information go to:
http://www.eurolinkage.org/AgeConcern/274128411CAE48D8A6A948DE07229BE1.asp

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\(^{86}\) ICM Poll, Age Concern Cymru, 2004
Appendix 2

POPULATION

A statistical bulletin published on 23 October looks at the Office for National Statistics’ 2006 based principal national population projections for Wales, and its main focus is on the period to 2031.\(^{87}\) Longer-term projections are available; however, projections become increasingly uncertain the further they are carried forward.

**KEY RESULTS**

By 2031:
- the population is projected to increase by 11% to 3.3 million (projected to cross the 3 million mark between mid-2008 and mid-2009).
- children are expected to represent around 17% of the population, and pensioners over 24%. Currently, children under 16 account for just under 19% of the population and pensioners account for nearly 21% of the population.
- the number of children is projected to increase by under 1% (4,000), the number of pensioners is projected to increase by around 31% (188,000) and the number of people of working age is projected to increase by 8% (138,000).
- the population of Wales will become gradually older with the median age of the population rising from 40.6 years in 2006 to 44.3 years in 2031.

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<th>Table 1: Projected population by age, 2006 to 2031 (selected years)</th>
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Note: Children under 16, Working age and pensionable age populations based on state pension age for given year. Between 2010 and 2020, state pension age will change from 65 years for men and 60 years for women, to 65 years for both sexes. Between 2024 and 2046, state pension age will increase in three stages from 65 years to 68 years for both sexes.

DEMOGRAPHIC TRENDS: OLDER PEOPLE IN WALES

Wales: Demographic Scenarios

This paper is based on demographic data produced by the Government Actuary’s Department and Office for National Statistics. The projections should be regarded as illustrating trends and plausible scenarios rather than as prediction.

\(^{87}\) *Wales Population—A Demographic Overview 2008*, Welsh Assembly Government
**Fertility and life expectancy**

**Graph 1: Total fertility rate and average complete family size, 1961–2031**

![Graph 1: Total fertility rate and average complete family size, 1961–2031](image)

**Graph 2: Period expectation of life at birth, Wales 1981—2044**

![Graph 2: Period expectation of life at birth, Wales 1981—2044](image)

Source: Government Actuary’s Department.

— In Wales, life expectancy at birth is assumed to rise from 76.4 years in 2004 to 80.9 years in 2029 for males, and from 80.7 years to 84.6 years for females.

— The number of people of pension age will rise from 602 thousand in mid-2004 to around 803 thousand in mid-2029, taking into account the change of pension age for women.
Migration

Migration is a substantial factor in Welsh demographic trends. The picture for net migration between England and Wales over the period mid-2001 to mid-2005 is as follows:

Table 1—Annual migration movements with England by age group, per year, based on estimates between mid-2001 to mid-2005 (thousands).

<table>
<thead>
<tr>
<th>Age Group</th>
<th>England to Wales (net flow in thousands)</th>
<th>45 to 64</th>
<th>65 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid 01—mid 02</td>
<td>4.8</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Mid 02—mid 03</td>
<td>5.4</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Mid 03—mid 04</td>
<td>5.2</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Mid 04—mid 05</td>
<td>3.3</td>
<td>0.6</td>
<td></td>
</tr>
</tbody>
</table>

Based on data from the National Health Service Central Register. Only includes movements between Wales and England.

Geographical Patterns within Wales

Whilst the data for Wales provides a wealth of information, it hides variations within the regions of Wales. If we consider the sub-national population projections for Wales which were published in June 2005:

— An increase in the number of people aged 45 and above in all four regions, with the largest increase in the oldest age group—75 and over, reflecting improvements to life expectancy.

<table>
<thead>
<tr>
<th></th>
<th>North Wales</th>
<th>Mid Wales</th>
<th>South West Wales</th>
<th>South East Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>45–64</td>
<td>mid-2003</td>
<td>175.9</td>
<td>56.8</td>
<td>170.4</td>
</tr>
<tr>
<td></td>
<td>mid-2028</td>
<td>181.7</td>
<td>55.4</td>
<td>172.1</td>
</tr>
<tr>
<td>% change</td>
<td>3.3</td>
<td>–2.6</td>
<td>1.0</td>
<td>7.4</td>
</tr>
<tr>
<td>65–74</td>
<td>mid-2003</td>
<td>64.5</td>
<td>20.8</td>
<td>64.1</td>
</tr>
<tr>
<td></td>
<td>mid-2028</td>
<td>90.5</td>
<td>31.3</td>
<td>87.7</td>
</tr>
<tr>
<td>% change</td>
<td>40.2</td>
<td>50.0</td>
<td>36.8</td>
<td>36.3</td>
</tr>
<tr>
<td>75 and over</td>
<td>mid-2003</td>
<td>59.9</td>
<td>19.6</td>
<td>59.1</td>
</tr>
<tr>
<td></td>
<td>mid-2028</td>
<td>101.2</td>
<td>36.6</td>
<td>94.8</td>
</tr>
<tr>
<td>% change</td>
<td>69.0</td>
<td>86.3</td>
<td>60.4</td>
<td>55.7</td>
</tr>
</tbody>
</table>

— North Wales contains the following local authorities: Isle of Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire & Wrexham
— Mid Wales contains the following local authorities: Powys & Ceredigion
— South West Wales contains the following local authorities: Pembrokeshire, Carmarthenshire, Swansea & Neath Port Talbot
— South East Wales contains the following local authorities: Bridgend, The Vale of Glamorgan, Cardiff, Rhondda, Cynon, Taff, Merthyr Tydfil, Caerphilly, Blaenau Gwent, Torfaen, Monmouthshire & Newport.

Migration

Of the migration in recent years from England to Wales, the region with the highest net migration in the 45–64 age group is to North Wales, followed by South West Wales. These two regions also attract the highest number of migrants of people aged 65 and over.

November 2007
Memorandum submitted by Dr. David Hughes, Emeritus Professor of Food Marketing, Imperial College London

BACKGROUND OF DAVID HUGHES

I am self-employed. I speak around the world at international conferences and seminars, and to senior corporate directors and managers and government policymakers on the generic topic “global food and drink industry developments: what do they mean for YOU?” YOU could be: McDonald’s Inc. at its Chicago HQ; retailers in the U.K. (e.g. J Sainsbury, Waitrose), Norway, Australasia or North America, and their international trade association; large scale food manufacturers (e.g. Kraft, Heinz, Nestlé) and small-scale; farmer organisations; ingredient and farm input companies (e.g. seed companies such as Syngenta); and government policy makers interested in the international food markets (e.g. Canada, New Zealand, Australia). I sit on commercial and R&D Boards which are associated with the food industry—e.g. Rabobank UK (the Dutch farmer-owned world’s largest specialist agribusiness and food financial institution) and KGG (a U.K. farmer co-operative which is Europe’s market leader in fresh berries).

Some Thoughts on Globalisation and Its Impact on the Welsh Food Industry

There is enough material on this area for a book! In the interests of brevity, however, I shall pick a couple of areas for discussion. In my talks, I discuss the clear threats that globalisation of the food supply brings to the food industries of minor players yet, concomitantly, there are polar localising trends that serve to protect the interests of higher cost producers (e.g. Wales) who cannot survive in the world of international commodity trading (see table below).

<table>
<thead>
<tr>
<th>Migration to the Poles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
</tr>
<tr>
<td>High Tech</td>
</tr>
<tr>
<td>New and Improved</td>
</tr>
<tr>
<td>Ready-to-Eat</td>
</tr>
<tr>
<td>Fast Food</td>
</tr>
<tr>
<td>Fuel Food</td>
</tr>
<tr>
<td>Just Me</td>
</tr>
<tr>
<td>Low Price</td>
</tr>
<tr>
<td>Good For You</td>
</tr>
<tr>
<td>All year</td>
</tr>
<tr>
<td>Large-Scale</td>
</tr>
<tr>
<td>Open Supply Chain</td>
</tr>
</tbody>
</table>

Is it all about global lowest cost supply? At one level, the answer is clearly yes as is exemplified by the decreasing self-sufficiency of U.K. pork (imports from Holland, Denmark, Brazil), chicken (cooked chicken from Thailand and frozen breast meat from Brazil), and apples (Fuji variety from China, let alone European imports). But, at another level, there are clear consumer trends favouring local food—not for every occasion, or for every family—and the initiatives that major supermarkets are making in this area underlines the size of the perceived market opportunity.

“High tech versus high touch”—the food industry globally is a relatively low spender on R&D (less than 1% of turnover, whereas the pharmaceutical industry is 10%+), but it is adept at applying technology developed in other industries to meet its own purposes. Labour-saving technology is a good case in point—the Danish Crown principal pork processing plant in Denmark has adapted automobile manufacturing robotics superbly to the disassembly of pig carcasses (ironically as, of course, the business of car-making revolves around assembly). The point is that the costs of doing business at peak technical efficiency are rising inexorably and this may disadvantage smaller firms (characteristic of the Welsh food industry). Conversely, however, the artisan’s touch is much in vogue and will remain so. For example, at retail, for “high involvement” products, shoppers often prefer to purchase from a credible human being—someone who, with confidence and authority, can explain why one should “pay more, for more”! This is not an area of supermarket competence. If a retail assistant can be found, s/he is usually noticeably lacking on product knowledge. This is a boon for the independent specialty shopkeeper with strong traditional retail skills.

88 There is an interesting policy point, here. Government has exhorted the major supermarkets to offer local food products on their shelves to encourage the local food industry. In doing so, this has served to reduce one of the few remaining points of difference for local independent shops and restaurants—as ever, you are damned if you do and damned if you don’t!
We have embraced “new and improved” products as one measure of human progress. Yet, intriguingly, in many high stress, high income countries, we like to fall back on traditional fare when it comes to special occasion meals (“didn’t that farm-cured bacon/special dessert taste so much better?”). IGD consumer research shows that local and traditional are key attributes in premium food products for many consumers.

Fast food is fuel food and, often, characteristic of the meal eaten alone. Yet, there is another side to the coin—the slow food meal has its place (note the success of the Italian originated Slow Food Movement [launched the same month that the first McDonald’s outlet opened in Italy], with its many international chapters), where the food ingredients are the heroes and heroines and we want to celebrate them, and relish the stories associated with them, amongst our friends and families.

Around the globe, if one listens to the competitive shrieks of supermarket retailers, it is invariably about prices and the fact that they are being “rolled back” (to paraphrase ASDA/Wal*Mart). Clearly, low prices and an overall affordable food basket are vitally important to many households. However, in high and growing income economies, the relative importance of price diminishes as shoppers seek other non-price attributes in the food and drink products they buy—attributes such as the tastiest one, the authentic one, the local one, the traditional one, the organic one, etc. In most developed country markets in which I work, there are two areas of clear growth in an otherwise lackluster industry, the “value” end (retail code for cheap), and the “best” end (retail code for premium). Indeed, led by Britain’s Tesco, the good (cheap), better (regular), best (premium) approach to retail tiering is being embraced by international retailers. There are clear opportunities for Welsh food and drink products at the top end of the market in Wales, although extending these opportunities outside The Principality is more challenging (see later).

The single most significant consumer mega-trend for food around the world relates to health and well-being. In parallel, the market for indulgent food and drink products is growing! This is good news for the Welsh food industry. Red meat and dairy products are high on my list of great Welsh food products and both these categories are targeted by nutritionists as being ones for most consumers to reduce. Luckily, their recommendations are blithely ignored and, anyway, a little bit of what you fancy does you good! The opportunity, here, for Wales is to satisfy consumers desire for indulgence with a corresponding portion of consumer guilt removal through providing food products that are “good for the well-being of the Welsh countryside and the world” (eg environmentally-/animal welfare-friendly produced products).

Supermarkets require 52 weeks per year supply for virtually all products. Those consumers under the age of 35 or so have little or no understanding of the concept of seasonal supply—Spring cabbage equates to cabbage that has intrinsic bounciness!). But, seasonal food offers are returning with a bang as inquisitive shoppers ask “when is this product at its very best?”. There are clear opportunities, here, for agricultural locations with clear micro-climate advantages and, of course, South West Wales comes immediately to mind for fresh produce.

Reviewing the table above, large-scale companies (eg the Unilever’s of this world) find it very difficult to execute product initiatives on the right hand side—this is the bailiwick of the astute, often smaller-scale company that understands the importance of “Story Food”. In my experience, the very best commercial examples in this area come from medium-scale companies that (a) can communicate stories brilliantly to their target consumers, and (b) are sufficiently large to gain economies of scale in production and marketing so that they can be much more than just cottage industry “one horse” micro-businesses.

These companies understand that—story, provenance, tradition, location, etc.—are key to their product offer and this should be reflected in their “closed” supply chain, whereby the provenance of all ingredients are known and trusted.

Your Committee’s brief is to explore the impact of globalisation on Wales. My short statement relates to the impact of globalisation of the food industry on the food industry of Wales. The food and drink industry has long been global. From a U.K. perspective, we are substantially more self-sufficient in food now than we were in the 1930’s. Perhaps the main point of the Common Agricultural Policy was to increase the food self-sufficiency of Europe such as to remove the spectre of starvation which had been a genuine threat during and immediate post-WWII. In this regard, the CAP has been massively successful.

Across the globe, there has been substantial structural rationalisation in the food and drink industry—there are fewer retailers, manufacturers, farmers, farm input companies, finance providers—and, for those that remain, their natural commercial home has not been in the U.K., let alone in a small geographical space which is Wales challenged both to provide raw materials and, perhaps, the infrastructure that a modern food industry demands. The food industry can be brutally competitive. One indication is that Unilever—a global behemoth—sold most of its European frozen food businesses in 2007 because it simply could not make the margin targets that were integral to the company’s “Path to Growth”.

89 Although food self-sufficiency in the UK has slipped from its early-2000 peak reflecting all manner of factors such as currency strength, animal disease disasters, emerging global food power exporters (eg Brazil), changes to the CAP (eg move to the SFP), rationalisation of food manufacturing within a EU environment.
For the Welsh food and drink industry, my view is that there are clear opportunities to capitalise on its intrinsic strengths (history, culture, indigenous loyalty and tourist inquisitiveness, environment, etc.) particularly with regard to maximising the within-Wales market for food and drink (local and tourist). To reiterate, there are many living in Wales and those visiting Wales who want to “pay more, for more” and we shouldn’t disappoint them! There are substantial challenges in penetrating the market outside Wales, and the further from the borders one goes, the greater the challenge becomes. Why? Where and what is Wales?

If heard of, what do you produce that is of interest to me? This is not something over which to develop a complex—consumer research I was analysing on American views on food from Canada and Australia revealed that the average respondents thought Canadian and Australian food would be excellent, but they had not a clue about what they produced or were famous for (apart from beer, in both cases). So, why should there be any awareness of great traditional Welsh food products in Shrewsbury, let alone outside the U.K.? The counterpoint, and illustrating the great culinary heritage, is the example of non-Italians’ perception of Italy as a food producer. When asked “what famous Italian food products are you aware of?”, the responses are endless (eg pasta, olive oil, prosciutto, wine, mozzarella) and underpin the great strength of high value Italian food and drink exports.

One final point of warning for the medium-term. I believe over the next 4–5 years, we shall see substantial instability in world food markets, reflecting, *inter alia*:

- historically very low global grain and oilseed stocks;
- “green” fuel policies and market opportunities competing for food and feed markets;
- continued strong demand for meats, dairy and other food commodities from emerging markets such as China, India;
- a global supply response to current high grain prices which will be unpredictable, not least because of unstable climatic conditions and an expansion of agricultural production into marginal areas which are inherently susceptible to yield variation;
- oil market instability, reflecting both supply shortages and political instability in major producing countries;
- all translating into periodic sharp increases in food prices and escalating interest rates.

In an unstable economic environment, and one characterised by periods of high food price inflation, consumers will be more pernickety in their food purchases—controlling the cost of the household food budget will rise in relative importance. They will question the value of individual food products and this will be particularly challenging for producers of premium food products—the principal target for Welsh food producers. Premium food producers must be confident that the non-price attributes that are wrapped up in their products are seen as good value by consumers counting their pennies. Further, all food and drink business will have to improve their skills in managing their businesses under increasing uncertainty of input cost levels. One cannot pull the wool over the eyes of consumers more than once or twice—they will only pay more if the product delivers more, and it needs to deliver more every time if it is to deliver the brand promise for the manufacturer and for Wales as a credible food-producing nation.

18 November 2007

Memorandum submitted by the National Farmers’ Union, Cymru

FOOD PRODUCTION AND SUPPLY

NFU Cymru are not against “big business”, and do not want to see profitable and efficient businesses penalised, but we are concerned about the abuse of power and lack of regard for the pressures on others in the supply chain. NFU Cymru would like to see a properly functioning food chain, where fairness, transparency and sustainability are rewarded.

1. Many people take the view that supermarkets compete strongly with one another, driving down prices and benefiting the consumer. The reality is that supermarkets have maintained their margins by exerting pressure on their suppliers who in turn exert pressure on the primary producer.

2. Supermarkets have been major beneficiaries of globalisation which has allowed them to increase the range of their supply base and drive down prices further. The RPI index for food has risen just 27% between 1990 and 2006, compared to an increase of around 48% for all items. Furthermore the percentage disposable income spent on food and non-alcoholic drinks has fallen from over 20% in the early 1980s to around 13% in recent years.

90 I am often amused when working in Australia and asked where I live, if I respond “Old South Wales”, most have no idea what I am talking about; ie the link has been lost!

91 Remember that the USA shares a 6,000 km. border with Canada and, yet, American consumers still had no clue as to what food products Canada produces.
3. The Supermarket Code of Practice was launched in March 2002; however we believe that the code lacks the scope and the teeth to address the issues raised in the Competition Commission’s 2000 report. It is our view that the code must be expanded so that:

- It covers the whole supply chain, and includes retailers of all sizes (the current code of practice covers only the relationship between the four largest supermarkets and their immediate suppliers)
- It includes processors and the food service sector
- It covers plants and flowers as well as grocery products

The code also needs more powers and terms of reference need to be more easily defined. Further to this the OFT needs to be able to accept evidence in a way that provides protection for suppliers who feel intimidated, this lack of protection is why the code has been largely unused in its five year existence.

4. There has been much consolidation activity amongst retailers, almost invariably this leads to a strengthening of position and the ability to demand more favourable terms from suppliers. Recent examples include the acquisition of Safeway by Morrison’s, and the takeover of T&S Stores by Tesco.

Similar attempts at consolidation and strengthening of position amongst farmer owned co-operatives or food and drink processors have been thwarted by over-zealous interpretation of competition law. Recent examples include the takeover of Scottish Milk Dairies by Robert Wiseman which was dropped less than a week after the move was referred to the competition commission, and the proposed egg industry merger of Deans Foods Ltd and Stonegate Farmers into Noble Foods Ltd has been viewed negatively by the competition commission.

6. The dominant position of retailers in the market place is such that a single retailer can determine whether a supplier (large or small) stays in business. This creates an imbalance in negotiating strength that supermarkets can and do exploit.

7. The Competition Commission should not focus exclusively on consumer interests, but should take account of issues such as producer and supplier livelihoods, and sustainability.

8. Globalisation has exposed Welsh farmers to competition from foreign producers with lower costs and production standards. For example, Brazilian beef is not produced to the same high environmental or animal health and welfare standards as Welsh beef, neither does it have the same level of traceability, yet it is sold alongside Welsh beef in our supermarkets. NFU Cymru is not against consumer choice, but it is important that consumers are fully informed about the food they are buying.

9. Farmers in Wales operate to some of the highest standards of animal health welfare and traceability in the world, yet we import produce from countries whose practices would be illegal in Wales. A recent visit by the FVO (Food and Veterinary Office) of the European Commission to Brazil in order to inspect Foot and Mouth controls as well as animal identification procedures was critical of what it found.

10. Amongst the shortcomings identified by the report is the lack of satisfactory tracing system (for example the possibility that different owners and holdings could be using the same identification cannot be excluded). Movement controls on unregistered holdings are not in general satisfactory due to shortcomings related to animal ID.

11. Concerns were also expressed over FMD vaccination as well as the absence of a special testing programme to see if the FMD virus is present in risk areas or not. As well as this measures taken to control FMD outbreaks were not considered satisfactory.

12. NFU Cymru is most concerned at the apparent lack of action in light of these findings. It is essential that the European Commission act and suspend imports of Brazilian beef until such a time as Brazilian beef production meets those standards that are demanded of our farmers.

13. Whilst farmers in Wales operate to the highest environmental and animal welfare standards, some operators are quick to exploit loopholes in the law or not to act in the spirit of the law. For example food that is processed in Wales but produced elsewhere can be labelled as Welsh. Labelling in supermarkets can be confusing for consumers, often with little or no clear distinction between domestically produced and imported produce.

15. There are clear sustainability issues surrounding the transportation of food over great distances, particularly when such food could be produced domestically. The carbon emitted as the food is transported and stored contributes to climate change, and the clearance of rainforest for the production of products such as beef and palm oil compounds the problem by eating into carbon sinks that could otherwise help lock in some of these carbon emissions. As well as this there are very legitimate questions over the welfare, pay and working conditions of those involved in these industries.

6 February 2007
Supplementary memorandum submitted by the National Farmers' Union Cymru

INTRODUCTION

NFU Cymru represents the majority of farmers in Wales and has some 15,000 members. We are pleased to be given the opportunity to submit additional written evidence for the Committee's consideration in light of the publication of the provisional findings of the Competition Commission's investigation into the UK Groceries Market, following our initial submission earlier this year.

1. NFU Cymru considers that the next “remedies” stage of the Competition Commission Provisional Findings will be crucial in devising a much tougher code of practice which is independently audited.

2. The “direct supply” stipulation in relation to the code of conduct needs to be removed. The current supermarket code of practice only applies to direct relationships between supermarkets and suppliers. Outside of the horticulture sector, the vast majority of farmers are not in a direct supply relationship with supermarkets. NFU Cymru would like to see an enforceable statutory code covering the whole supply chain and including all significant supermarkets, retail groups as well as food service providers and garden centre chains.

3. The Competition Commission concluded that there are features of the UK grocery supply chain which, either alone or in combination prevent or distort competition and that detrimental effects on consumers have resulted or could be expected. The provisional findings concluded that there are “aspects of the way retailers deal with their suppliers, which if left unchecked, could harm consumers”. Concern is also expressed about the transfer of unexpected costs and excessive risk on to suppliers, something which is thought likely to affect their ability to invest and innovate.

4. The Competition Commission has acknowledged that the existing supermarket code of practice does not entirely prevent the potential for harm. It also recognises that there could be a need for an independent monitor for the supermarket code of practice; NFU Cymru considers this to be a major step forward by the Competition Commission.

5. The Competition Commission does now appear to have recognised some of the problems within the supply chain, it is essential that these problems are now remedied.

November 2007

Memorandum submitted by the Farmers’ Union of Wales

1. The Farmers’ Union of Wales welcomes the opportunity to submit evidence to the Welsh Affairs Committee on globalisation and its impact on Wales. Globalisation has had a profound impact on agriculture, and the 1994 Uruguay round agreement on agriculture has been the chief impetus for the reform of the Common Agricultural Policy.

BACKGROUND

2. The Uruguay round was the eighth round of multi-lateral trade liberalisation talks completed under the auspices of the General Agreement on Trade and Tariffs since 1948. The round began in Punta del Este, Uruguay, in 1986, and concluded at Marakesh, Morocco, in April 1994 with the Uruguay round agreement. The Uruguay round agreement effectively brought agriculture into trade liberalisation talks for the first time. The 1994 agreement covered a series of volume and value commitments for subsidised exports, market access and domestic support for all agricultural sectors, calculated from base periods covering either 1986–1988 or 1986–1990.

3. The current agenda for negotiations on agriculture was set by World Trade Organisation members when they agreed to the “framework for establishing modalities in agriculture” in August 2004. The timetable for agreement on modalities was to have been finalised at the WTO Ministerial meeting scheduled for December 2005 in Hong Kong. The failure to reach agreement to the “Doha round” is, in large part, due to the US political process and the recent Congressional elections.

4. The FUW has consistently argued that the 2003 reform of the common agricultural policy, which effectively removed the link between food production and support, should form the parameters within which any future WTO agreement was secured. The 2003 agreement will undoubtedly have a major impact on Welsh agriculture, not least because of the fact that 80% of the Welsh land area is categorised as “less favoured area”. Given that the 2003 CAP reform agreement pre-empted future trade agreements, the Union is firmly of the view that no conclusion is preferable to an unsatisfactory conclusion to the “Doha round”.

5. Agriculture supports more than 10% of full time equivalent employees in many parts of rural Wales when the multiplier effect is taken into account. At a UK level, whilst the agricultural primary production sector is modest in size, its output is a key input to the agri-food sector. Approximately two-thirds of the output of the agricultural sector—£11 billion by value—goes into processing, accounting for 34% of total inputs by value, and the food processing sector is now the largest manufacturing sector in the UK,
accounting for 7.9% of gross value added (£77.3 billion) and 3.8 million jobs, or just under 15% of the total workforce. The economic health of the primary production sectors is therefore indirectly of much greater economic significance than its direct size would suggest.

6. Farm incomes have been under severe pressure since 1996. Whilst there has been some improvement from the trough of 2001, average per farm indicators show that net farm income for hill cattle and sheep farms was £9,626 in 2005–2006, with the comparable income for upland cattle and sheep farms and lowland cattle and sheep farms being £11,958 and £9,525 respectively. (Appendix A.) The threatened reduction in the levels of LFA support (Tir Mynydd Scheme), together with the reform of the common agricultural policy, raises serious questions over the economics of livestock production in hill and upland Wales. In the Union’s view, the loss of livestock results in the loss of people, the loss of landscape, and the loss of critical mass in terms of future marketing of Welsh produce. A truly liberalised world market for food would therefore have major negative consequences for agriculture in Wales.

7. Agriculture has created the traditional appearance of the Welsh countryside which people find so attractive, whilst socially the family farm defines the character of Welsh rural society and its sense of identity. The numbers directly and indirectly employed in farming make a crucial contribution towards sustaining rural communities. Farming is also, in much of rural Wales, one of the most important areas of life in which Welsh remains the natural, every-day means of communication.

FOOD PRODUCTION AND GLOBALISATION

8. In its widest context, globalisation raises a number of important questions with regard to food production and supply. Statistics show that the global population in 1945 was 2.3 billion, a figure which had grown to 6.3 billion by 2004. The UN median projection for 2030 is 9 billion.

9. Climate change and scarcity of water also have serious implications for future food security. Dr David King, the Government’s Chief Scientist, has already stated that global warming poses a greater threat to the stability of the world than does international terrorism.

10. Increasing food miles are aggravating global pollution. A reduction in “food travelled miles” in turn reduces emissions and the impact of associated carbon dioxide releases on climate change. Currently, food transportation accounts for around 30% of lorries on the UK’s roads and creates 3.5 million tonnes of CO2 every year.

11. Fresh food is more likely to be local. Fresh ingredients or unprocessed frozen foods are generally more nutritious than processed food which is often high in fat, sugar and salt, with unhealthy additives. (Welsh Assembly Government—“Food for Thought—A New Approach to Public Food Procurement” April 2005.)

12. Estimates suggest that in 2004, 26,000 square kilometres of rainforest were burned, the second highest on record, with much of the destruction driven by cattle ranching.

13. The Farmers’ Union of Wales fully supports rigorous animal health and welfare standards but is concerned that additional costs incurred by Welsh farmers through ever-increasing regulation are putting the industry at a competitive disadvantage compared to Third Country imports. National food security is also important when considering the increasing threat of terrorism and emerging diseases such as Avian Influenza.

SUPERMARKETS

14. The Competition Commission report published in the year 2000 identified twenty-seven practices which, when carried out by any of the major supermarkets, adversely affected the competitiveness of supplies and operated against the public interest.

15. The Farmers’ Union of Wales considers that there are two key areas which need addressing. Firstly, the climate of fear amongst suppliers means that the dispute resolution process must be made truly independent of the supermarkets so that individual suppliers cannot be identified. Secondly, the wording of the code must be strengthened. The current vagueness of the wording means that it would be very hard to prove a breach of the code, even if the supplier were to have the confidence to bring a complaint forward.

16. These changes must then be put on a statutory basis. If supermarkets are merely asked to give undertakings to a new code—as they have done with the existing code—they will have the opportunity to weaken it. We believe that the code could be put on a statutory basis, without the need for primary legislation, using the powers given to the Competition Commission by sections 138 and 161 of the Enterprise Act.
PUBLIC SECTOR PROCUREMENT AND FOOD LABELLING

17. The FUW is concerned that, for too long, the public sector focus on food has been to reduce costs, so budgets for ingredients are low and catering equipment infrastructure and skills have been reduced. The Welsh procurement initiative document published in April 2005 states that the supply base tends to see retail and hospitality as more attractive sectors of the market, and many suppliers are not in a position to deliver consistently. Furthermore, the report states that European Union procurement regulations and the fragmentation across both the public sector and the supply base in Wales have created a situation of fairly complex tendering procedures amidst quite limited communication. Despite having a large expenditure of 60 million per year, demand is fragmented into the need for quite small volumes to be delivered to over 5,000 outlets within short delivery windows.

18. Food labelling legislation is needed to give the consumer better knowledge of welfare and origin, exposing the hypocrisy of cross-border animal welfare standards.

CONCLUSION

19. Globalisation has already had a major impact on agriculture in Wales, not least because of the fact that much of the land area is disadvantaged due to climate, soil and topography. At a UK level, there has been a progressive reduction in food self-sufficiency, with little apparent concern for the long-term consequences. Ambitious new bio-fuel/bio-energy targets, coupled with global warming, population growth, international terrorism and environmental degradation, are all likely to impact on food production in the future. In the light of these considerations, the Farmers’ Union of Wales is firmly of the view that national food security should be a central consideration in the debate surrounding globalisation and its impact on Wales.

APPENDIX A

TABLE A

Average per farm indicators by farm type and size for the 2005–06 and 2004–05 Farm Business Survey (FBS) identical sample in Wales

<table>
<thead>
<tr>
<th>Number of farms</th>
<th>Management and net farm income</th>
<th>Net farm income incl BLSA</th>
<th>Net farm income excl BLSA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hill and upland dairy farms</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 100 ESU</td>
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Note: A European Size Unit (ESU) is a measure of the economic size of a farm business, Department for Environment, Food and Rural Affairs, www.defra.co.uk

29 January 2007
Memorandum submitted by Professor Noel Lloyd, Aberystwyth University

It is widely accepted that universities are drivers of economic and cultural change. They play an important part in the economic, cultural and social development of their regions. We are acutely conscious of this in an area such as mid Wales, and my own institution, Aberystwyth University, is keenly aware of its responsibilities in this regard.

Universities contribute to their local and regional economies in a number of ways. First, they are large employers in their own right. Universities in the UK provide close to 300,000 full time equivalent jobs, about 1% of the workforce, and an approximately equal number of jobs are created indirectly through the local impact of institutions. In some parts of Wales, universities and colleges are some of the largest employers in their localities—it is certainly the case for my institution, Aberystwyth. It is estimated that our input to the local economy is almost £200m per annum. Moreover the local influence is not confined to the economic: there is an equally important contribution to the cultural and social ambience.

The second contribution of HE to the economy, perhaps the most important—the education and training of people, the most valuable resource in any country. It is important that we educate our students to be able to respond creatively and flexibly to a changing environment. It is the transferable skills that are of most value, not the particular knowledge base. Universities are aware of the needs of society and of employers, and increasingly engage with employers, for example, in the design of courses and workplace provision. However we must be aware of the attractiveness of our provision to prospective students, and quality is paramount.

Universities also have a direct impact through knowledge transfer, in science and technology, but also in the social sciences and across the arts and humanities. All institutions are involved to a greater or lesser extent in consultancy and the commercialisation of their research—that through connections with established companies, large and small, in industry and commerce, through establishing spin out companies and through licensing their intellectual property. Our research activities must provide additional value to the end-users and to society generally.

At the same time as having this essential local role, universities operate on an international stage. Individual academics typically have a range of international collaborators, of course, but, importantly, our direct competitors are often universities outside the UK. Consequently we have to be in a position to be able to compete in research and in our academic provision with the best in the world.

That is why, for example, research collaborations are being established (that between Aberystwyth and Bangor being an example with which I have been intimately involved). The objective is to create an “effective mass” of researchers, with a wide range of expertise, to enhance competitiveness and straddle traditional disciplinary boundaries.

Competitiveness across the spectrum of research—from pure research, through applied and strategic research, to innovation and knowledge transfer is the driving force behind the proposal that the Institute of Grassland and Environmental Research (IGER) merge into Aberystwyth University. We feel that this is an exciting development, which is important for the science base in Wales, and I should like to say something about it. Our objective is to create a centre with the capacity to tackle some of the most important research problems in environmental and biological science. It will maintain and integrate a unique breadth of skills and capabilities to address fundamental problems in agriculture, sustainable land use, food production, bioenergy, nutrition and health, and provide research outputs which will inform sustainable economic development and policy directions in Wales, the UK and internationally. It will (i) conduct internationally recognized research into how biological and agricultural systems respond to and mediate rapid environmental change, (ii) be an internationally recognized centre of excellence for the study of biological, environmental and rural sciences, and (iii) work in close cooperation with users of research to serve their needs, and to promote technology transfer and knowledge exchange delivering economic and social benefits.

We are in a period of very rapid change, partly driven by the increasing internationalisation of education. It has always been the case that disciplinary communities are international, and all academics collaborate with colleagues in other countries. However, there is rapidly increasing transnational flow of students—for example, the number of students studying in other countries doubled in the last quarter of the twentieth century, and the trend has accelerated since. As I can attest from personal experience, the presence of students from many countries enriches the local community enormously. A further development is the provision of English language courses in universities in Europe outside the UK.

There are well over 300,000 students in higher education institutions in the UK from outside the UK; education and education related services are our fastest growing export earner. The UK is attractive to overseas students because of the quality of provision: consequently it is essential that this is maintained.

We live in a highly competitive environment, and universities in Wales must be in a position to respond to these challenges.

Noel Lloyd

November 2007
Memorandum submitted by Professor Robert Pearce, Vice Chancellor, the University of Wales, Lampeter

1. The University of Wales, Lampeter is one of the smaller universities in the UK. The University has an enrolment of around 9,000 students (approximately 2,400 as full-time equivalent students) who study through a variety of arrangements. Approximately 1,200 of the University’s students are full-time (mostly studying on the University’s campus), with the remainder being part-time (mainly studying away from the University’s campus). (Source HESA statistics for 2005–6). This high proportion of part-time students is probably third only to the Open University and Birkbeck College, London.

2. The University was established as St David’s College by Bishop Thomas Burgess in 1822 (the date on which the foundation stone was laid) and its first students were admitted on St David’s Day in 1827. The University was the first institution in Wales to receive the power to award degrees, and it currently holds the power to award degrees of any rank. The University’s degree awarding powers were held in abeyance while it was a member of the University of Wales, but they were restored as part of the changes to the structures of the University of Wales which took place earlier this year. Unlike some other institutions in Wales, the University has decided to continue using the title it adopted in 1996, namely the University of Wales, Lampeter. The University has decided to continue to award degrees of the University of Wales, notwithstanding the revival of the power to award degrees in its own name.

3. The University was originally established to provide a liberal education for young Welshmen intending to seek ordination in the Anglican Church. Despite the common perception, it was never a seminary, the professional training for the ministry being provided separately. The University’s location was deliberately chosen to be remote in order to protect the young people being educated at the College from the temptations of city life in Oxford and Cambridge, the only alternatives at the time of the College’s foundation.

4. The University continues to hold fast to its original liberal arts tradition. However, it has admitted women for over thirty years, and it no longer confines its recruitment to students from Wales. Until approximately a decade ago the overwhelming majority of the University’s students were full-time students resident on campus. The University has recognised that it can no longer rely exclusively on full-time students studying on campus, and has therefore actively sought means of taking education to places where it is needed rather than expecting students to come to where the education is offered. Drivers for this policy are the increasing provision of University places, the relatively small local catchment on which the University can draw (the population of Lampeter is approximately 3,000 and even including the hinterland, the population is unlikely to exceed 10,000), and poor transport links (most of which require students coming to Lampeter to pass by at least one other higher education institution on their route).

5. The University’s size means that it cannot offer a comprehensive range of subjects, and it concentrates its activities on subjects in the humanities and social sciences. In these areas it is not small in comparison with most other institutions in Wales.

6. The University has a good record for research which places it at about the median level for research activity compared with all institutions in the UK. It has particular strength in the areas of theology and religious studies and archaeology. In both of these areas it has a good international reputation. There is research strength in other areas, but because the number of individual researchers in these areas is relatively small, the University would be less well recognised internationally in these subjects.

7. Of the University’s 2,400 FTE students, 1,815 are domiciled in the UK. A further 235 have EU domicile, and 340 are non-EU students. EU and international students therefore make up a significant proportion of the University’s total enrolment. (Source HESA statistics for 2005–6). International student numbers have increased further since the publication of the HESA report from which these numbers are drawn.

8. Lampeter is an area in which the ethnic minority population is below the average for the UK. International students therefore make a significant contribution to the diversity of the local area.

9. International students also have a significant impact upon the local economy, both by virtue of the income which they bring directly to the town, and indirectly through the University. There are other benefits. For instance, a new restaurant in Lampeter, its first Chinese restaurant, would not have opened had it not been for the Chinese students at the University.

10. The recruitment of international students is an important strand in the University’s strategy. The cap on the recruitment of funded home and EU students imposed by the Welsh Assembly through the Higher Education Funding Council for Wales, coupled with grant increases below the levels of inflation experienced in the University sector means that the University needs to increase its total student numbers in order to gain economies of scale and remain financially viable. International students represent one of the few areas of uncapped growth. More importantly than this, however, the University sees it as being important for the future prosperity of the UK and the development of the full potential of our home students that our home students should be exposed to the most diverse possible student community and to be able to develop strong international links.
11. The University’s recruitment of international students comes from three principal sources:
   a. Direct recruitment to the University’s programmes (including distance learning programmes);
   b. Recruitment via articulation arrangements with institutions overseas (these are mainly in China);
   c. Recruitment to programmes offered by the University’s partners in the UK and overseas.

12. The University operates through approximately 40 partnerships with institutions in the UK and overseas. The majority of the University’s international students at undergraduate level are recruited by or through these partnerships.

13. The University has offered teaching in Chinese studies for over a decade, and in recognition of this became the first Confucius Institute in Wales. This has brought the University a small amount of funding from the Chinese government (US$100,000), and also the services of a Chinese lecturer. The University has articulation partnerships with four institutions in China and last year had 40 Chinese students studying on campus. It is anticipated that the partnerships will help the number of Chinese students to grow modestly.

14. India and Pakistan are two areas of increasing economic importance in which the University is not well represented by students on campus. The University may seek to establish partnerships in India and has been offered assistance in doing so by the British Council.

15. Another area in which it is believed that there is scope for development is in the recruitment of students from North America, and the University intends to develop a strategy for increasing links in this area. The University recently hosted a visit by President S Georgia Nugent, the President of Kenyon College, Ohio, one of the USA’s leading liberal arts colleges, and a college which has a shared history with Lampeter as well as many continuing similarities.

16. The experience of the University has been that international links are most readily developed where the University employs an active member of staff from the nationality concerned. The continuation of some subjects such as Chinese studies is also possible only through the appointment of foreign nationals. In addition, in areas such as theology, in order to maintain a competitive international reputation in research, the University needs to recruit academic staff internationally.

17. The remoteness of Lampeter’s location appears to be less of a disincentive to many of the University’s international students than it is to British students. The advantage of being in a tranquil and relatively safe environment more than compensates for many international students. Greater disincentives to international students have been the difficulty which many of them experience in obtaining visas (although this appears to be less of a problem this year than in the previous two years) and in the limited opportunities locally for part-time employment.

18. The University offers a web-based distance learning programme in the Welsh language which is taken by students across the world. It also offers a number of other distance learning programmes, and intends to expand the number of these, seeking as part of its strategy to integrate what in many cases are seen as discreet modes of programme delivery in order to allow students to study the same programme by a variety of modes, including through individual distance learning, through provision off-campus supported by one of the University’s partners, and on campus.

19. It is possible for students to register as non-resident students with the University for research degrees, including the degree of Doctor of Philosophy. A significant proportion of the University’s international research students fall into this category.

20. The University has a significant network of partnerships in management subjects and in theology where it franchises or validates its programmes to public or private sector bodies in the UK and overseas. Some of these partnerships recruit international students.

21. Were it not for its international reach and reputation, the University of Wales, Lampeter would not be an attractive location for either staff or students, and its economic and social contribution to the local community, to the region and to Wales would be markedly poorer.

Professor Robert Pearce
Vice-Chancellor
The University of Wales, Lampeter

25 November 2007
Memorandum submitted by Shelter Cymru

1. INTRODUCTION

1.1. Shelter Cymru is grateful for the opportunity to contribute to this inquiry into globalisation and its impact on Wales.

1.2. Shelter Cymru is the leading homelessness charity in Wales and delivers a range of services to assist people facing homelessness and living in poor housing conditions.

1.3. We help over 13,000 people each year through our national network of housing advice services and practical projects.

1.4. We lobby and campaign for new policies and legislation, investment to build more homes and provide a better future for homeless and badly housed people in Wales.

1.5. We develop practical and innovative solutions to housing problems through publishing policy papers, reports and briefings, organising conferences and events to promote good practice and we are a major provider of professional training and high quality legal services.

1.6. We provide educational resources for schools in Wales that give practical information on housing issues for young people, as well as raising awareness of the causes, extent and effects of homelessness.

1.7. In 2006, as part of our 25th anniversary, we established a Commission of Inquiry into homelessness and poor housing conditions in Wales. The Commission, chaired by the Most Revd Dr Barry Morgan, Archbishop of Wales, published its report, An unnatural disaster, in June 2007 with a number of key recommendations for action by the Welsh Assembly Government, local authorities and other statutory and voluntary agencies in Wales. An unnatural disaster can be downloaded from the Research section of the Library on our website www.sheltercymru.org.uk

1.8. This paper focuses on two issues:
— housing supply and the housing needs/problems of migrant workers
— the impact of globalisation on mortgage lending in Wales.

2. HOUSING SUPPLY AND THE HOUSING NEEDS/PROBLEMS OF MIGRANT WORKERS

2.1. The proportion of Shelter Cymru casework involving migrant workers is small, but growing. As expected it is higher in areas with significant migrant worker populations eg Wrexham (up to 10% of cases), Llanelli, Llanbydder, Merthyr Tydfil.

2.2. Our experiences of delivering advice services to migrant workers are similar to those of Citizens Advice Cymru who gave evidence in November. These include:
— accommodation of a poor quality, often overcrowded and in a very poor state of repair
— exploitation by landlords (high rents, refusal to undertake repairs, harassment etc)
— tenants afraid to complain due to the fear of losing their employment and/or home
— low awareness of rights and the availability of independent advice coupled with a lack of knowledge of systems and procedures eg housing benefit, tax credits etc leading to actions being taken that may affect their eligibility to benefits and housing
— difficulty accessing services due to language/cultural barriers, accessibility particularly in rural areas, limited opening hours etc
— balancing the impact of meeting this groups needs and those of other service users (complexity and resource implications)

2.3. It is clear that many migrant workers do not seek help with their housing problems either continuing to live in appalling conditions or losing their accommodation and often their employment and becoming street homeless, “sofa surfing” or moving on to other insecure and unsuitable accommodation.

2.4. In a number of areas the volume of migrant workers has had an effect on the availability of accommodation in the private sector. This is putting additional pressure on a situation where many people are already struggling to find or keep appropriate housing because of the shortage of social rented housing and escalating house prices.

2.5. Employment agencies for migrant workers can block book private sector accommodation, paying above current rates, and then placing 8–10 workers in three bedroom properties, with each paying rent. This pushes up local rent levels and can put it out of the reach of other tenants.

2.6. Increased pressure on the private rented sector also affects the supply available to local authorities for temporary accommodation and leasing schemes to help meet their obligations under the homelessness legislation.
2.7. In this respect the acute needs of migrant workers are a reflection of the overall pressure on housing—high levels of homelessness, shortage of social rented housing and affordable homes, poor conditions and high rents in the private rented sector—experienced by the rest of the population. The answer, as Shelter Cymru has stated for many years, is for housing to be higher on the political agenda with greater investment to meet these needs including:

— more social rented housing
— more options in the intermediate housing market
— more affordable homes to buy

2.8. The findings and recommendations of the Shelter Cymru Commission in An unnatural disaster give more detail on the extent of the problems and what action is necessary to address them. If this need is not met we are left juggling competing priorities and needs for an ever more scarce supply of suitable and affordable homes.

2.9. In addition, increased immigration in a number of areas, as we highlighted at our 2006 Conference and in our 2007 Assembly Election briefing, has partly contributed to the rise of extremist political parties who often focus on housing issues. The provision of good quality, affordable housing can clearly facilitate social inclusion and integration, reduce tension over perceived preferential treatment of migrants and other vulnerable groups and undermine these extremist views.

2.10. A further concern is the misconception that a high proportion of social housing goes to migrant workers. This is not the case and could be challenged more publicly by local authorities and elected representatives.

3. Case studies

3.1. Client 1

Single parent, aged 20, given notice by her landlord after two years at the property. The client states that the landlord had several other properties in the area and has evicted tenants from these and rented rooms to Eastern European migrant workers. It is claimed he has approximately 10 people in each house with beds occupied by night workers by day and day workers at night in a “hot bedding” system. This is estimated to produce a rental of £500 per week compared to the £350 per month that the client previously paid. She is only entitled to £87 per week (£350/month) Local Housing Allowance and cannot now find private rented accommodation at less than £600 per month.

3.2. Client 2

A family of four, issued with a notice to quit when the landlord sold the house. Previously paid £350 per month, but cannot find anything for under £600 per month due to increased demand. Have had to make a homelessness application and the family is now in Bed and Breakfast accommodation paid for by the Local Authority.

3.3. Client 3

A family in private rented accommodation. The relationship ended and after her partner moved out the woman was left in the accommodation and no longer able to afford the rent. There were difficulties with housing benefit as she was not able to prove that she had been actively looking for work and so was not eligible. As such the Local Authority will not take a homeless application from her.

3.4. Client 4

A Polish family living in one room in a shared property. The husband came over from Poland to work, was joined later by his wife and they subsequently had a baby. They shared a room with two other migrant workers from different countries. The conditions were appalling—water leaking near electricity outlets, infestation of insects etc. The situation was reported to Environmental Health but the family were concerned they would be evicted. After the intervention of a Shelter Cymru caseworker the family were accepted as homeless by the local authority and re-housed.

3.5. Client 5

A Portuguese client whose partner left her in the privately rented property with their three children. She could not afford the rent. Her application for Income Support was turned down, and although she got Job Seekers Allowance, an application for housing benefit to be backdated to cover the arrears was refused. The client and her children were evicted, but with the intervention of a Shelter Cymru caseworker accepted as homeless by the local authority and re-housed.
3.6. **Client 6**

A Portuguese client with an introductory council tenancy was in and out of work and kept applying for housing benefit, which was often turned down. As such he didn’t apply again even though he would have been entitled to receive it. A Shelter Cymru caseworker assisted him to apply for backdated housing benefit, but the client failed to provide the required information on time and as a result was evicted.

3.7. To improve the situation Shelter Cymru endorses the policy recommendations of Citizens Advice Cymru relating to the provision of services to migrant workers.

3.8. Shelter Cymru believes that more resources need to be allocated to agencies working with migrant communities to help address problems faced now and improve opportunities and understanding to avoid similar problems being faced in the future. As with many vulnerable groups people sometimes, for a variety of reasons, do not access what help is available and early intervention can help to resolve problems before they get out of hand.

3.9. For example, although not targeted specifically at migrant workers, the Shelter Cymru Rural Information Matters project in Carmarthenshire, Ceredigion and Pembrokeshire, is working with community groups and “problem noticers” eg health visitors to raise awareness of advice services covering welfare benefit, debt and housing issues.

3.10. Shelter Cymru also believes it may be useful to explore whether larger employers of migrant workers should be taking a greater responsibility for ensuring appropriate and suitable housing is provided, rather than leaving it to the public sector to resolve (and pick up the pieces when things go wrong).

4. **THE IMPACT OF GLOBALISATION ON MORTGAGE LENDING IN WALES**

4.1 Wales cannot insulate itself from the global nature of mortgage lending, the difficult current economic environment and the expected difficulties in the forthcoming period. Several sub-prime* lenders working in the UK and Wales are large multi-nationals (GE Money, GMAC, SPML, Rooftop) and the way in which some lenders borrow money on the financial markets in order to provide mortgages can leave them exposed to global downturns in those markets.

4.2. It is likely that the effects of the global credit crunch will be seen in food and fuel price increases and in mortgage repayment costs. Mervyn King has already given a stark warning that people should expect to economise and that although the Bank of England could cut interest rates that this will only soften the blow and that mortgage rates may still rise.

4.3 The crisis in the sub-prime sector of the market in the US, the slowdown of the economy in Britain and mainland Europe and the problems faced by Northern Rock and to a lesser extent others are likely to exacerbate the already increasing levels of mortgage problems and repossessions in Wales. Several other lenders have also been affected, for example Paragon (primarily a buy to let lender) has warned of problems in early 2008 because it is experiencing difficulties in accessing money on the markets to refinance mortgage deals. Bradford & Bingley has also been affected.

4.4 The promotion of home ownership during the latter 20th century and de-regulation of the financial markets in the 80’s and 90’s and the growth of sub-prime lending has made ownership accessible to more financially vulnerable households (those with poor credit, erratic incomes) and this is the sector of the market that has felt the most pressure recently in the US and it is the sector where a higher proportion of court action and repossession is seen against borrowers. (See the work done by CAB, Christine Whitehead of the LSE and Shelter Cymru’s survey of actions taken by lenders at Wrexham County Court where, within a sample of cases over 6 months, 68% were brought by sub-prime lenders.)

4.5 While sub-prime lending accounts for approximately 5–6% of the overall market it appears that it accounts for a significantly higher proportion of possession actions. Work by the CML shows that the arrears rate in the non-prime sector was four times higher while possessions were ten times those in the mainstream market.

4.6 Fear of further losses in sub-prime mortgage lending amongst other factors, such as a US recession, are also reasons for reduced house price growth and a more challenging time in 2008 in terms of arrears and possessions.

4.7 Some analysts (World Bank for example) are seeing the situation as a correction in the market—leading to more restrictive lending rather than a crash—and as the result of sloppy or irresponsible lending, primarily in the US but, as can also be seen by the disproportionate rates of sub-prime actions, in the UK and Wales.

4.8 Most analysts appear to be predicting a more difficult environment in terms of lending and borrowing in the latter part of 2007 and into 2008 with the global credit crunch and the fallout from the difficulties at Northern Rock leading to a rise in mortgage costs and a tightening of lending criteria. (See *Brokers warn of tougher times ahead as lenders raises rise*, Philip Inman, *The Guardian*, 22 November 2007.)

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92 *Raging Bull*, Howard Springett, (ROOF May/June 2007)
4.9 During the past 2 years Shelter Cymru has recorded an increase in the number of people approaching our services who have mortgage repayment problems and who are facing the loss of their homes.  

4.10 Shelter Cymru is currently completing research (funded by the Welsh Assembly) into mortgage action and repossession and the sustainability of home ownership in Wales. Inevitably this highlights the growth in the impact of sub-prime lending and—as in the UK in general—the challenges that households are facing and will face in the near future as borrowing becomes more expensive and repayments increase. Although it is impossible to insulate the Welsh economy and housing market completely from global events the research findings point towards work that both the Assembly Government and Westminster could do to improve the sustainability of ownership.

4.11 Many of the problems in terms of mortgages are occurring because lenders are lending to households with poor credit or erratic incomes and who would previously have had difficulty in accessing mortgages. The manner in which some sub-prime lenders target financially vulnerable households in a predatory manner is a feature of our casework and clearly a cause for concern. This has provided households with home ownership opportunities but also means that more financially vulnerable households are becoming homeowners. Improved regulation and improved implementation of existing regulation should be considered but the cost of housing and the limited accommodation options (other than ownership) mean that many households are driven to make essentially unaffordable decisions.

4.12 Shelter Cymru believes we need to look at:

— Developing affordable housing to both rent and buy, including a range of intermediate low cost options—through better use of the existing stock and increased building of affordable housing where needed

— Improved regulation and better advice to borrowers on the risks and implications of borrowing

— Improved protection for borrowers who default on their mortgage payments

— In the longer-term, through improved financial capability, we also need to assist people to understand the commitment being made with regard to mortgages, the additional costs and the risks and implications.

4.13 These points are expanded upon in the draft recommendations of the research project (as yet unpublished) in Appendix A.

November 2007

Appendix A

Draft Recommendations of the Shelter Cymru Mortgage Research project

Affordable housing

There are several factors that drive the policy of greater home ownership. However, buying on the open market is currently difficult for many people and more resources need to be made available for providing suitable affordable housing and developing low cost homeownership initiatives.

1. The Welsh Assembly Government and partners should invest in the supply of social rented housing.

2. The Welsh Assembly Government to improve the resources available to develop a range of low cost home ownership options.

Regulation

3. Effective regulation and better implementation

This could be particularly relevant with regard to sub-prime and self-certification mortgages.

Improving legal procedures

4. Mortgage Arrears Protocol

The Welsh Assembly Government should support the development of a protocol that would require a court to be satisfied that lenders and borrowers had taken the relevant steps before possession was awarded. This agreement would cover the steps that lenders and borrowers should take from initial contact, negotiating affordable repayment, making agreements to pay etc. and would act as record that reasonable steps had been taken in each case. This matter is currently under discussion with the Civil Justice Committee.94

94 HC Deb 10 May 2006 vol 446 c 316. It was put forward as part of the Regulation of Mortgage Repossession Bill introduced by George Mudie, MP
Financial capability

Financial deregulation has led to a major growth in the number and complexity of financial products—most of which are sold through intermediaries—and this means that mortgagors require a level of knowledge and understanding of the available choices.

The household survey highlighted that many people displayed a lack of awareness of financial products and the risks associated with a mortgage. Most households had multiple debts and this is also borne out in existing research and literature. Improved money management and awareness is crucial in preventing debt problems and this requires a greater emphasis on financial literacy and capability within schools and educational environments and the provision of better advice to inform financial decisions.

There is considerable activity in this area. The FSA has developed a UK strategy on financial capability and inclusion. It leads on the strategy and works with Governments, the financial services industry and the voluntary sector to improve knowledge and understanding of personal finance. The strategy focuses on seven areas:

- Schools: Learning Money Matters
- Young Adults: Helping Young Adults Make Sense of Money
- Workplace: Make the Most of Your Money
- Consumer communications
- Online tools
- New Parents: Money Box
- Money Advice

PRE-PURCHASE ASSISTANCE

5. Advice and risk assessment

The advice and assistance given to borrowers by lenders and intermediaries should take account of affordability, attitudes to risk and implications of changes in circumstances ie especially in relation to more vulnerable households.

FINANCIAL INCLUSION AND CAPABILITY

6. Improve the promotion of learning materials, such as Housemate, and its use with schools and further education colleges

It is important that the materials used give a clear message and, in relation to housing costs such as mortgages, improved joint working between the education establishment and housing organisations in terms of the available materials and how these should be presented is required.

7. Awareness raising and tackling over-indebtedness

Ensure that the Welsh Unit for Financial Education works with advice agencies to promote the availability of services and of educational material such as Housemate.

The safety net

The research survey found that borrowers often lack understanding about mortgage protection products, with concerns including the period of cover provided, whether products were sold as part of the mortgage or separately and the exclusion clauses within such policies. The cost of this insurance is also a crucial issue.

There is support in existing research and from organisations such as the Council of Mortgage Lenders for a reform of mortgage protection vehicles.

“Mortgage payment protection is not as effective as was hoped—take up is reducing, insurance may not be being taken out by those most in need and cover does not deal with risks such as relationship breakdown. We believe that income support mortgage interest needs urgent review as its cover is limited.” (CML representative)

95 Financial Capability in the UK: Delivering Change (FSA, 2006)
A better understanding of what is available, the circumstances in which payments can be claimed or not, would benefit borrowers. Although research has highlighted that borrowers purchase some level of insurance, it also demonstrates that there is a low level of understanding with regard to what is insured and the duration of policies. Borrowers are often confused with regard to where this can be purchased, whether it is part of their mortgage contract or can be purchased separately, and when state assistance becomes available.96 Because of cost, it is often the case that it is higher risk mortgagors who are not covered by insurance.

Safetynet and mortgage protection

Existing research has identified several possibilities for improving the mortgage insurance products available.

8. Reform ISMI so that payment is available immediately. A charge should be put on the property so that the financial assistance is recouped upon sale.

9. A system of tenure neutral housing tax credits to assist borrowers on a low income, and who are not entitled to assistance through Housing Benefit, could be considered.

   This would improve the safety net for homeowners while also making a contribution to the achievement of other government objectives such as promoting welfare to work and reducing child poverty.97, 98

10. A single scheme, which integrates the state and private assistance for borrowers, and to which borrowers, lenders and the government would contribute.99

11. Improve consumer understanding with regard to the costs and risks of mortgages and home ownership.

   Improved advice provision and, in the long-term, work through the new school curriculum and the use of learning materials could help.

12. Advice and assistance

   Improve the promotion of and access to advice and advocacy services for homeowners who experience repayment difficulties. This includes organisations re-assessing service promotion.

   Lenders should actively promote the availability of independent advice to consumers and work with advice agencies to do this.

13. Advice at court

   The development of a more extensive duty adviser schemes.

14. Communication

   Lenders, FSA and advice providers should continue to promote the importance of early communication with lenders to households in or anticipating difficulties.

15. Information to borrowers

   Ensure that customers know the policy and procedures that companies will follow for borrowers in arrears, and that this is available in a customer-orientated format.

16. Charges

   Lenders could re-consider the charges made for services, particularly debt counselling, and make more effective use of independent debt specialists.

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96 CML news & views, (Issue No.7, 27 April 2007)
97 Wilcox and Burrows report on low-income homeowners shows that Wales has a higher proportion of low-income homeowners than England and Scotland
98 Giving credit where it’s due: Home-owners and tax credits, Steve Wilcox, (University of York/Council of Mortgage Lenders, April 2003)
17. **Private sale and leaseback schemes**

Further investigation is required of the practices of companies that offer sale and leaseback schemes. FSA regulation of this practice should be considered.

18. **Lender-Local Authority Protocol**

Develop a protocol under which lenders (with the householder’s permission) would notify the relevant local authority homelessness prevention team that possession could occur.

19. **Mortgage rescue scheme**

The Welsh Assembly Government should establish a central fund to support with funding mortgage rescue cases. This fund would be available to assist in undertaking mortgage rescue and be sufficiently flexible to enable providers, following an individual assessment, to allow any level of loan that would assist the household.

*“Sub prime” refers to lending that is targeted at consumers who do not fit with the standard criteria expected by lenders eg those with little credit history, impaired or low credit ratings, county court judgements or those who are self-employed, have irregular incomes etc. and who might otherwise experience difficulty in obtaining finance from more traditional lenders.*

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**Memorandum Submitted by Hybu Cig Cymru—Meat Promotion Wales (HCC)**

Hybu Cig Cymru—Meat Promotion Wales (HCC) is the industry-led organisation responsible for the development, promotion and marketing of Welsh red meat. HCC’s stakeholder representatives implement, on behalf of all Welsh farmers and other key industry participants, a strategic plan to develop profitable and sustainable markets for Welsh red meat to derive benefit for all in the supply chain.

1. There are 217,000 beef cattle and 5,000,000 breeding ewes in Wales on over 8 thousand beef and over 14 thousand sheep holdings. 46% of beef holdings account for 83% of the beef herd, and 46% of breeding sheep holdings account for 90% of the breeding sheep flock.

2. As a result of Common Agricultural Policy (CAP) reform, agreed in 2003 and implemented from the beginning of 2005, UK livestock producers—particularly cattle and sheep producers—face a radically altered policy environment, notably through the removal of direct production-linked subsidies (which are only partially offset by receipt of the Single Payment, which is itself subject to mainly environmental “cross-compliance” conditions). Adapting to CAP reform, together with growing global competition and the prospect of further international trade competition under a yet to be concluded new World Trade Organisation agreement, represent substantial challenges to producers, even the most efficient.

3. Most livestock farmers have limited direct contact with the final consumer since their immediate customers are the main meat processors and manufacturers. Most producers are under-equipped to promote their products directly to consumers, or to develop new export market opportunities. Being comparatively weak in the marketing chain, most red meat producers are largely price-takers. In general, most producers add little direct value to the primary product.

4. The Food Standards Agency reported in October 2006 that there were 23 operational abattoirs in Wales, which are licensed to slaughter red meat for human consumption. However, of these 23 plants, 95% of throughput is from only 7 abattoirs.

5. Abattoirs now tend to have direct relationships with the retailers delivering ready-packed meat products straight to retailers’ central distribution facilities. Most abattoirs only deal with one supermarket and most supermarkets only deal with either one or two suppliers for each product category.

6. The UK sector is heavily dependent on multiple retailers for sales to consumers; around 75% of retail beef sales, 65% of retail lamb sales, 75% of retail pork sales and 85% of processed meat product sales are through multiple retailers.

7. The top four retailers account for about 60% of red meat sales in the UK.

8. There is growing consumer interest in local, organic and premium products; including Protected Geographical Indication (PGI) “Welsh Lamb” and “Welsh Beef”.

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100 *Adverse credit mortgages*, Bob Pannell, (CML Housing Finance, Issue 10, 2006), pp.1–2
9. The penetration of imported meat (beef, sheepmeat and pigmeat) continues to rise, and UK production is not sufficient to meet UK demand.

— About 70% of beef is home-produced and 30% imported.
— About 66% of lamb is home-produced and 33% imported.
— About 80% of fresh pork is home-produced and 20% imported.

Globalisation has had a fundamental impact on the food production and supply in the Welsh red meat sector. Adapting to CAP reform together with growing global competition has created substantial challenges to producers, as most livestock farmers have limited direct contact with the final consumer and are under-equipped to promote their products directly. As a result, the sector is heavily dependent on multiple retailers for sales to consumers. Furthermore, the penetration of imported meat also continues to rise.

17 January 2007

Supplementary Memorandum submitted by Hybu Cig Cymru—Meat Promotion Wales

1. Extensive lamb and beef production play an important part in the rural economy of Wales:

Finished sheep and lambs account for 19% of the annual total value of Welsh agricultural output—£160 million, whilst finished cattle account for 17%—£143 million

In 2006 there were 407 million breeding ewes in Wales and 292,000 beef breeding females

In 2006 there were 34,755 people employed on holdings with sheep in Wales and 33,827 people employed on holdings with cattle.

2. Adapting to reform and growing global competition (WTO) represent substantial challenges for producers, even the most efficient.

The livestock industry has only recently emerged from a decade of hardship brought about by animal disease and poor profitability. CAP reform has posed, and continues to pose, a huge challenge to what are essentially small and medium-sized businesses.

This is particularly the case for beef and sheep producers in adapting to the ending of production-linked subsidies and to a free market business environment.

In 2006–07, Welsh market returns on average covered only 79% of the costs of lamb production, and 57% of the costs of suckler calf production.

On 20 November 2007, the European Commission issued its communication on the CAP “Health Check”. The Health Check is presented as a review of the experience in implementing the 2003 CAP reform agreement with a view to making suitable adjustments to existing measures. A more fundamental reform of the CAP is envisaged for the post-2013 period in the context of the next review of the EU budget.

The overall aim of the Health Check exercise is to address three main questions, and the Commission intends to come forward with formal proposals in spring 2008.

1. How to make the Single Payment scheme more effective, efficient and simple?
2. How to make CAP market support instruments more relevant in a globalised world and with a much enlarged EU?
3. How to address the risks and opportunities posed by new challenges, such as climate change, the growth in biofuels and water management, and existing concerns such as biodiversity?

Global competition from lower cost producers—who are often unhindered by the level of regulation and the high labour, environmental and animal welfare standards that exist in this country—is also increasing. Such global competition will intensify with the further trade liberalisation that would follow a WTO agreement in the Doha Round were an agreement to be reached.

The Doha Development Round commenced at Doha, Qatar in November 2001 and is still continuing. Its objective is to lower trade barriers around the world, permitting free trade between countries of varying prosperity. As of 2007, talks have stalled over a divide between the developed nations led by the European Union, the United States and Japan and the major developing countries (represented by the G20 developing nations), led and represented mainly by India, Brazil, China and South Africa. In June 2007, negotiations within the Doha round broke down again, where the main disagreement was over opening up agricultural and industrial markets in various countries and also how to cut rich nation farm subsidies.
3. Most livestock farmers have limited direct contact with the final consumer since their immediate customers are the main meat processors and manufacturers. Most producers are under-equipped to promote their products directly to consumers, or to develop new export market opportunities. As a result, statutory levy has existed in the red meat sector for a number of years to fund activities to assist with the development of this sector, notably work that would not be done under normal market conditions.

4. The Welsh abattoir and processing sector has for many years faced a continuing underlying problem of fluctuating and at times low, profitability. There is structural overcapacity in the sector. The sector has also undergone substantial rationalisation, including changes in the pattern of ownership that have implications for how investment decisions are made. There are currently 25 operational abattoirs in Wales, however data from September 2007 shows that of these plants, 4 were responsible for over 80% of the Welsh sheepmeat throughput, and 2 were responsible for over 75% of the Welsh cattle throughput.

5. The sector is heavily dependent on multiple retailers for sales to consumers. Abattoirs now tend to have direct relationships with the retailers. Most abattoirs only deal with one supermarket and most supermarkets only deal with either one or two suppliers for each product category. Around 75% of retail beef sales, 65% of retail lamb sales, 75% of retail pork sales and 85% of processed meat product sales are through multiple retailers. The top four retailers account for about 60% of red meat sales in the UK. In particular, as a result of this dependency (where supermarkets now account for more than two in every three sales of Welsh Lamb), the Welsh sheep industry could be decimated to half its present size in just two years unless supermarkets increase payments to producers.

On the 31 October 2007 the Competition Commission announced its provisional findings and possible remedies with regard to whether the groceries market prevents, restricts or distorts competition. The final report is expected in March 2008. They have provisionally concluded that the UK groceries market is delivering a good deal for consumers but action is needed to improve competition in a number of local markets and to address relationships between retailers and their suppliers. They are concerned about the ability of grocery retailers to transfer excessive risk and costs to suppliers through various purchasing practices; such as retrospective changes to supply agreements and they consider that these practices could damage investment and innovation in the supply-chain to the ultimate detriment of consumers.

In a letter to the Competition Commission responding to their provisional findings, Elfin Jones—Minister for Rural Affairs—has said that having a good relationship between retailers and suppliers in the grocery market is important. She noted the benefit to all, suppliers and retailers, if there were to be an independent body to monitor and regulate the sector and supported the suggestion of the appointment of an Ombudsman figure to monitor compliance and deal with complaints. In the letter, the Minister also called for changes to the Code.

6. There is growing consumer interest in local, organic and premium products; including PGI “Welsh Lamb” and “Welsh Beef”.

In recent years, consumers have an improving nutritional understanding mainly through better communication and clearer labelling and more information due to buyer requirements and key concerns such as allergens. Various food scares have resulted in the multiples requiring assurance of food safety throughout the food chain. Consumers have demonstrated a demand for freshness and the food sector has provided improved traceability from field to fork. There has also been an increasing demand for healthier foods, for example leaner red meat.

Welsh Lamb and Welsh Beef are in a strong position within the global market as both products are recognised at a European level to have unique regional characteristics. Welsh Lamb and Welsh Beef were awarded the status of PGI in July 2003 and November 2002, respectively, in recognition of the quality of the products and their geographical and traditional links to that quality. PGI provides consumer assurances that only lambs and cattle, born and reared in Wales, which are fully traceable and have been slaughtered in an HCC approved abattoir, can be branded as Welsh.
7. The Welsh red meat sector is heavily reliant on a prosperous export market in order to underpin farmgate prices, and developing these markets is of vital importance to the industry.

   It is estimated that in 2006, 30% of UK sheepmeat exports were from Wales (just under 30 thousand tonnes of sheepmeat). This equated to the value of £70 million for the Welsh red meat industry during 2006.

   With regard to beef exports from Wales, it is estimated that in the first 12 months of the resumption of UK beef exports (May 2006 to April 2007), 15% of UK beef exports were from Wales (9 thousand tonnes of beef). This equated to the value of £18 million for the Welsh red meat industry during 2006.

   Populations in developing markets such as China and India are demanding more variety in terms of food and drink as their incomes increase and they become exposed to products from around the world. There are significant market opportunities within Europe and wider afield (including Dubai and Hong Kong).

8. The penetration of imported meat (beef, sheepmeat and pigmeat) continues to rise, and production is not sufficient to meet demand.

   About 30% of beef, 33% of lamb and 20% of fresh pork is imported.

   In 2006, 232,900 tonnes of beef and veal were imported into the UK, where beef imports from Ireland represented 61%, and beef from Brazil represented 12%.

   In 2006, 113,600 tonnes of sheepmeat were imported into the UK, where sheepmeat imports from New Zealand represented 73%, and imports from Australia represented 12%.

   In 2006, 449,900 tonnes of pigmeat were imported into the UK, where pigmeat imports from Denmark represented 45%, imports from the Netherlands represented 12%, and pigmeat from Germany represented 11%.

9. There is a growing multicultural population in Wales (and throughout the UK), which provides crucial labour for the primary and processing sectors

   This multicultural population also generates demand for a wider variety of food and drink products, therefore opening up new domestic market opportunities for the food and drink-processing sector.

   However, this dependency on overseas workers in addition to the perceived image of the industry has resulted in a shortage of new graduates and post-graduates joining the food sector. This image of the industry needs to be improved to encourage new entrants and this should be linked to improving the value of jobs within the industry.

   The shortage of appropriately skilled labour is also a limiting factor to industry investment and development and also threatens the future viability of both existing processing activities as well as its future growth potential.

   December 2007

Memorandum submitted by International Business Wales, Welsh Assembly Government

GLOBALISATION

I look forward to giving oral evidence to the Committee on Tuesday 11 December on globalisation, its impact on Wales and the role that International Business Wales (IBW) plays in recognising the threats that globalisation poses and taking advantage of the opportunities that globalisation presents.

IBW is the Welsh Assembly Government’s Department responsible for attracting new inward investment into Wales, for promoting trade from Wales and, through Creative Business Wales (CBW), a discrete team within the wider IBW, promoting the creative industries in Wales, primarily film, television and music.

The shape of inward investment has changed and continues to change. While there are fewer greenfield projects to pursue than hitherto, they still exist as we saw last financial year with Amazon’s decision to invest in Swansea with 1,200 new jobs and as we saw earlier this financial year with Quinn’s investment in Newport with 340 new jobs. We pursue such opportunities with alacrity because they help provide the breadth of employment opportunity that Wales needs. At the same time, we pursue in a very focused way high value added opportunities in new technologies as evidenced by G24Innovations last year with 300 new jobs for Cardiff and the Sword Group’s 200 new high quality high paid jobs won this year. This is a balanced approach across all of our markets and sectors and it is one which focuses on where the proposition in Wales meets the requirements of the customer. This approach saw Wales secure over 9% of all new foreign direct investment jobs promised to the United Kingdom in 2006-07.
Through the mechanisms of support to help companies in Wales trade overseas and, indeed, to help make them ready to trade, we exceeded our target output in 2006–07 by a significant margin; the target was £90 million and the output was £147 million. Nevertheless, we are in the midst of a Trade Change Programme that will provide for a more sophisticated approach to the task. As well as delivering greater job satisfaction to the staff the change will, vitally, provide a more comprehensive customer focused and customer driven service to our clients. It will help us build on the successes achieved by the likes of Crownford in Romania, Cintec in India and Dulas in Africa.

Our involvement with the creative industries is fledgling, IBW having taken on responsibility for this function in the autumn of 2006. Nevertheless, a small but dedicated team has helped deliver benefits of over £30 million to the Welsh economy in the last year through the attraction of inward investment, the development of the companies already in Wales and through the provision of a location service.

International Business Wales

IBW is a team of about 170 people with its headquarters in Cardiff, trade, inward investment and creative industries representatives throughout Wales and representation in key markets outside of Wales. Of the team, 36 people are employed overseas and they are a combination of ex-pats and individuals hired locally.

Overseas

The Americas

Our Americas operation is centred in New York but with other operations in San Francisco, Chicago, Houston and Los Angeles. The team in the Americas is focused on identifying and developing inward investment opportunities although we do have an individual dedicated to exploiting trade opportunities. We are currently reviewing the nature of our representation in the Americas which could see a refocusing of our effort on the East Coast.

The team in-market, and this is a consistent approach across all markets, identifies opportunities through research of outward looking companies with the potential to invest in Wales, attendance at events and exhibitions, marketing and through the use of lead generation consultants.

Asia Pacific

Headquartered in Hong Kong, our Asia Pacific operations cover a wide and diverse geographical area. We have representation in Shanghai, Beijing, Taipei, Singapore, Tokyo, Bangalore and Sydney; our representative in Singapore focuses on trade with all other states being focused on inward investment opportunities. As with the Americas, we are currently considering how our aspirations in-market might be better achieved.

Europe, Middle East and Africa

Headquartered in Cardiff, which is the focus of our trade activity, we have staff based in Munich, Amsterdam, Milan, Paris, Dublin and Dubai. Save for Dubai, where the focus is very much on trade activity, our representatives in-market concentrate on inward investment activities.

Wales

The team in Cardiff comprises trade specialists for each of the geographical markets, sector specialists to convert the inward investment interest that our teams overseas generate, which would be in addition to those that are generated by the sector teams, a marketing team and the appropriate support activities of finance, project support, performance management.

In addition to the Cardiff team, we have inward investment specialists in North Wales and trade advisors in the Objective One areas and elsewhere throughout Wales.

London

We also have a small team in London charged with capitalising on the relocation of Government departments from London and with identifying expansion opportunities within inward investment businesses that have located in the South East of England.
CONCLUSION

The conversion of inward investment projects is very much a team effort that IBW facilitates. The team comprises Ministers, Invest Wales, the regional teams within the Welsh Assembly Government, local authorities and private sector partners. Trade is more self-contained given that it manages funding support and trade missions overseas, which attract a subsidy.

I look forward to exploring these and other matters further with the Committee when we meet on 11 December.

Ian Williams
Director
December 2007

EXECUTIVE SUMMARY

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.

2. The Association seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.

3. The WLGA welcomes the opportunity to provide evidence to the Committee’s inquiry into globalisation and its impact on Wales and looks forward to the final Report. We feel that this is a very timely inquiry as Wales, along with many other countries across the world, responds to the impacts, opportunities and challenges faced as a result of globalisation.

4. As our economy becomes more global our success will increasingly depend on the promotion of distinctiveness. The emerging pattern of globalisation, with a key focus on innovation and creativity, moving away from reliance on inward investment by attempting to facilitate more diverse local economies, will continue at a pace. As a result there is a need for more sophisticated models in terms of understanding how local economies work in order to develop locally based solutions.

5. With the increased challenges Wales is facing as a result of globalisation, local government has a key role to play. Our evidence demonstrates a number of areas where local government is seeking to both address these challenges and take advantage of the opportunities of globalisation. Local government will continue working in partnership with the Welsh Assembly Government, the private sector and others to address the challenges of globalisation and ensure that Wales maximises the opportunities it presents to do things differently.

6. The WLGA would be happy to provide any further information to the Committee on the issues raised in our evidence.

INTRODUCTION

7. Globalisation is a phenomenon that is affecting all parts of the world today: with the movement of people to live, work and study; easier travel and faster communication; and huge economic and trade opportunities from a global market, it is likely that the changes that have already occurred as a result of globalisation will continue. The question for Wales is how the country and its institutions respond, ensuring we are maximising the opportunities and responding effectively to change and the challenges these bring. The following report provides an overview of some of the issues that globalisation has already brought to light in Wales and identifies some of the work Welsh local authorities are undertaking to ensure Wales can compete and continue to grow and benefit from the opening up of new markets and the removal of artificial barriers in the new global world economy.

EMPLOYMENT

8. Globalisation, trade liberalisation and the deregulation of capital markets have radically altered the Welsh economy in the last twenty years and will continue to shape it over the foreseeable future. Globalisation brings a number of opportunities and challenges to Wales and there is no doubt that it has led to increased opportunities for consumers and businesses and has made life better for many people in many ways.
9. However, it has led to a number of major challenges. These range from increasing damage to the natural environment to increased social exclusion and fragmentation. In terms of the economy, although we are a much materially richer and wealthier nation, Wales continues to have high levels of poverty, deprivation, ill health and economic inactivity. One only has to consider the fact that West Wales and the Valleys has again qualified for the highest regional aid in the form of the Structural Funds from the European Union for 2007–13 to realise that we have a number of challenges to address.

10. As our economy becomes more global our success will increasingly depend on the promotion of distinctiveness and the need to focus on distinct characteristics of an area is becoming more important. The key to success seems to be creating places where people want to live, work and play. This sense of place shaping approach is being increasingly backed by the publication of recent key UK Government inquiries and reviews, such as the Lyons Inquiry into local government and the Barker Review of land use planning.

11. Wales is well placed to take advantage of this emphasis on place shaping and distinctiveness due to our language, culture, natural environment and maritime infrastructure. Cultural and heritage tourism activity is an increasingly growing market where Wales needs to ensure that it takes maximum advantage. Local government welcomes the Welsh Assembly Government’s review of the Cultural Tourism Strategy for Wales and looks forward to working with WAG and other key partners in developing a new Strategy.

12. Further, as a small nation Wales is well placed to develop creative, innovative and different solutions. We welcome the vision in the Beyond Boundaries: Citizen Centred Local Services for Wales review of local service delivery to the Welsh Assembly Government published in 2006 of small country governance and the belief that Wales needs to embrace a much more ambitious vision of the future of public service delivery and governance which builds on the huge potential advantages available to a small country.

**CLIMATE CHANGE**

13. Climate change is now widely recognised as the most serious environmental problem the world faces. Whilst the focus is often on the need for international action local government has a key role to play in addressing the causes and impact of climate change both through the services it runs and the corporate lead that it can demonstrate and in April 2006 all 22 Local Authorities, the 3 National Park Authorities and the Fire and Rescue Authorities signed the Welsh Commitment to Address Climate Change, developed in conjunction with the Welsh Assembly Government. The WLGA has also commissioned a discussion paper on what carbon neutral would mean, this was broken down into three areas—for Local Authorities on their own, for Local Service Boards and for entire communities in the local area.

**ECONOMIC DEVELOPMENT AND REGENERATION**

14. Local government continues to play a key role in economic development due to the continued market failures and high levels of poverty, deprivation and economic inactivity that exist in many parts of Wales.

**STRUCTURAL FUNDS**

15. Local government has also played a central role in delivering the European Structural Funds Programmes across Wales during the 2000–06 programming period and will continue to play a key role in delivering the new programmes from 2007–13. For example, under the Objective 1 Programme for West Wales and the Valleys for 2000–07 over 1200 projects were channelled through local partnerships and over £1.6 billion of funding (public, private and EU) committed through local partnerships.

16. In terms of local government’s involvement in the new programmes it is signed up to the sustainable jobs and growth agenda, a more strategic approach and increased collaboration and joint working that will be required to deliver actions. Indeed, through the work of the Local Government Regional Partnerships Boards, local government is geared up to the new way of working required to deliver the new programmes. It is also signed up to key priorities of the new programmes for Wales, tackling economic inactivity and raising the skills levels of the workforce.

17. Local government is currently working with the Welsh Assembly Government to consider ways that we can potentially utilise one of the new financial instruments developed by the European Investment Bank for use under the Structural Fund programmes, the so called JESSICA initiative (Joint European Support for Sustainable Investment in City Areas). Utilising JESSICA would involve setting up holding funds or delivery vehicles such as Urban Development Companies or Property Regeneration Partnerships. Further consideration is needed in order to see which other financial instruments offered by the EIB Wales could potentially utilise, in particular in relation to investment in infrastructure.

18. Another element of the new Structural Fund Programmes which local government is very keen to see Wales utilising to the full are the opportunities under the transnational and inter-regional programmes. As other small nations and regions across the EU are experiencing similar challenges in the face of increased globalisation it makes sense to get involved in such initiatives in order to share experiences and learn from others in order to identify some common solutions and opportunities. Local government is looking forward to working with key partners across Wales in ensuring that we maximise these opportunities.
ASSISTANCE TO SMEs

19. Local authorities provide a wide range of services to businesses. Their grant schemes are generally focused at the bottom end of the market, falling below the levels of those offered by the Welsh Assembly Government in a complementary way. Such small grants have proved vital in encouraging new business start-ups and in supporting investment in the local economy by local Small and Medium Sized Businesses. Local authorities also provide sites and premises to businesses and assistance with their training needs. Such support contributes to the transformation of local economies and helps small businesses to take on the technological and innovative challenges they face to remain competitive in the future. This will become even more important over the next few years in order to ensure that small businesses in Wales remain competitive.

20. However, local government recognises that it needs to develop wider solutions to the challenges of market failures by developing wider regeneration approaches to addressing them. Many local authorities have developed such wider approaches. For example, Carmarthenshire County Council established a Regeneration Directorate in 2003, which subsequently expanded to include Leisure and Sport in 2005. Through recruiting it has sought to coordinate the regeneration process and to develop a holistic approach to regeneration that is effective both internally and externally.

21. Local Authorities also recognise that they need to consider and address economic regeneration issues on a wider scale than only acting within their own local authority areas. Due to the reality of travel to work patterns and the nature of the economy they recognise that they need to work on wider geographical and spatial levels. Local authorities are working with their neighbouring authorities in a number of different forms. These involve specific area based initiatives such as the Heads of the Valleys programme in the South East, the Môn a Menai initiative in the North West and the Swansea Bay Partnership in the South West. Through these area based initiatives local authorities are not only working with each other but with other key partners from the public and private sector. Local authorities are also collaborating through the Wales Spatial Plan.

THE ROLE OF LOCAL AUTHORITIES AS KEY EMPLOYERS IN WALES

22. In addition to our primary role in delivering services to communities, local government is also a major employer in Wales, employing 1 in 8 of the working population, approximately 164,000 people. As major employers in their areas, local authorities have an important role to play in providing high quality, rewarding career opportunities for local people. Offering a breadth of opportunities across a diverse range of occupations local authorities offer access to employment opportunities at all levels, from part time to full time including flexible working and from entry level through to highly skilled professional occupations. The WLGA works with the human resources profession within local authorities to support, influence and develop the local government workforce agenda.

23. Local authorities are well placed to respond to local employment and development needs. How local authorities recruit their staff can have a significant impact on the local economy. The WLGA is working with the human resources departments within local authorities to target and tailor recruitment opportunities to provide local people with opportunities of securing sustainable employment.

24. Apart from the extensive opportunities for employment in terms of the services that local authorities directly deliver, there are also opportunities in terms of the range of large scale capital work that local government commissions. This results in the creation of a wide range of traditional and non traditional employment opportunities. Many local authorities are looking at ways that local people can benefit from such opportunities. For example, consideration of how to apply and increase the use of local and community employment clauses within procurement contracts that would ask employers to use at least a percentage of employees from the local labour force in their work. There are examples of such clauses being used in procurement contracts, the most recent was in the Porth link road project in the South Wales Valleys.

25. Local authorities recognise that in seeking continuous service improvement, they need to focus on planning, developing and managing their people resources effectively. They realise that in an increasingly competitive labour market, they must attract, recruit, develop and retain high quality people with the right skills across a vast array of council services and functions. Local government has an older workforce than many other sectors which means that we are due to lose a greater percentage of our workforce through retirement and we attract less young people, with other sectors attracting twice as many 16–25 year olds.

26. Local government is experiencing acute skills shortages in areas such as social services, regeneration and a range of basic and higher level skills gaps. These factors, coupled with an ageing population, means that local government is struggling to compete within an ever decreasing pool of labour, and, as the labour market tightens, the situation is projected to get worse. As a result local authorities have to consider alternative pools of labour and different interventions to tackle deficiencies in labour supply.

27. Local authorities, and the wider public sector, struggle to recruit in areas vital to delivering effective regeneration projects. Research commissioned by the Academy of Sustainable Communities indicates that 55% of local authorities have recruitment shortages for planners, 30% for building surveyors and 22% for civil engineers. Whilst these figures are for England, the Regeneration Skills Collective has highlighted a similar skills gap for Wales. This skills gap is likely to get more pronounced as current employees retire.
28. In addition to the recruitment and retention issues for these key professional groups there is also an issue of developing the expertise and capacity needed for more integrated working that breaks down traditional professional and service boundaries—this is becoming increasingly important due to the need for a more integrated approach to delivering regeneration projects across Wales. There is a need to develop a sustainable regeneration skills base in Wales—this requires positive action to support the recruitment and retention of key professional skills (planning, engineering, project management, procurement, design etc). Joint working between local government, the Sector Skills Councils and the Welsh Assembly Government will be vital in addressing this issue.

Population and population movement

Demographic change

29. Demographic change presents a massive challenge to local government to meet the social care needs of today and future generations. Local government recognises that social services need to accelerate the improvement journey and recognises the importance of working in partnership with health and using the newly created Local Service Boards as a key mechanism for taking forward health and social care outcomes.

30. Local authorities want to provide high quality social care at the right time and in the right place. The reassertion of a whole system approach to help people stay at home through community based health and social care provision is vital. Yet funding has not kept pace with the needs of an ageing population and older people’s increasingly complex needs. The WLGA has called on the Welsh Assembly Government to undertake its commitment to conduct a review of funding for social care as in England and to lead a serious debate in Wales on how the care needs of an ageing population are funded. Further, following the Grogan judgement, agencies need the Welsh Assembly Government to resolve the issues around the funding of long term care, including agreeing a mechanism to recompense local government for the erosion of funds following changes in practice for continuing care.

31. Demographic change is not only impacting the delivery of local government services, it is also creating an impact on our workforce. Local government has an older workforce than many other sectors which means that we are due to lose a greater percentage through retirement and we attract less young people, with other sectors attracting twice as many 16–25 year olds. As a result local government is struggling to compete within an ever decreasing pool of labour and, as the labour market tightens, the situation is projected to get worse.

Wales Spatial Plan

32. Local Authorities are heavily involved in the work of the Wales Spatial Plan Area Groups across Wales. A plethora of studies and reports have been done in relation to issues such as the balance between urban and rural communities in the context of the Wales Spatial Plan, for example, a North West Wales Economic Futures report has been conducted which examines the role and function of places, both urban and rural communities, and the inter-relationship between spatial and economic change. Similar studies have been undertaken in the other Wales Spatial Plan areas.

33. Such work has also involved the identification of key settlements in each Wales Spatial Plan area which recognises that there are a variety of different settlements with different needs. Local government looks forward to working with key partners in the next stage of the Wales Spatial Plan and contributing to the refresh of the plan which is due out for consultation in January 2008. One of the key issues is the need to progress from the stage where a plethora of studies, reports, strategies and feasibility studies have been conducted to actually implementing and delivering activities that will lead to a step change in the role and functions of places throughout Wales.

Creating opportunities for young people to live and work in their communities

34. In terms of population movement within Wales one of the key challenges facing local authority areas, in particular those within rural areas, is creating opportunities for young people who wish to stay in their communities to continue to be able to live and work within them. This involves addressing issues such as the lack of affordable housing provision and enabling young people to gain employment in their local area. Some of the key issues that need addressing in relation to affordable housing are:

- creating an environment in Wales where all new developments will include units of affordable housing;
- encouraging the release of land available for affordable housing at less than full market value by public bodies and the removal of perverse incentives that can prevent such releases;
- ensuring the planning system is “fit for purpose” for the scale of this challenge and is used to deliver housing that remains affordable in perpetuity;
- establishment of a Commission on affordability, with a specific focus on issues within rural areas.
35. In terms of enabling young people and informing them about opportunities to gain employment in their local area, a number of local authorities have developed different initiatives to foster a spirit of entrepreneurship amongst local people. An example of such an initiative is the Llwyddo’n Lleol project run by Gwynedd County Council. The aims of this initiative are:
- to foster and develop young people to become enterprising within their communities;
- to enable them to contribute to the development of their area;
- to assist them to become participators, contributors and future stakeholders within the local economy and
- to give them the skills, know-how, hands-on experience and confidence to do so.

Migrant Workers and Migration Flows

36. Exact numbers of migrant workers in Wales are unknown however the Welsh Assembly Government asserts there were 17,300 NIINo (National Insurance Number Applications) applications from A8 nationals in Wales from 2004 to the first quarter of 2007 and 16,200 registrations of A8 nationals to the Worker Registration Scheme (WRS). However, WAG acknowledges that neither of the two data sources it draws from provides a fully comprehensive picture of the migrant worker population in Wales.¹⁰¹

37. Just four local authorities account for over half of the applications to the WRS in Wales; Carmarthenshire, Newport, Wrexham and Cardiff though the WLGA has found that all local authorities in Wales have experience of A8 economic migration. Some areas have experienced economic migration on a relatively small scale with minimal impact on service delivery, whilst others have experienced profound demographic change as a result primarily of A8 economic migration.

38. The lack of accurate figures and profiles of the migrant worker population severely inhibit measures that local authorities need to develop to respond to the diverse needs of new economic migrant workers. Some local authorities are experiencing a lack of resources to deal with the numbers of migrant workers (and in some instances their families) arriving which in most cases are far higher than the NIINo and WRS statistics suggest. In addition, little is known about the intentions of migrant workers; if they will stay in Wales for a short period of time, or settle in Wales indefinitely. Identifying the migrant population trends are difficult and local authorities are generally responding reactively to service demand due to the inadequate measurement of the A8 economic migrant population.

39. In February 2007 the WLGA conducted a telephone survey amongst Wales’ 22 local authorities. Lack of English language skills amongst migrant workers and overstretched English for speakers of other language (ESOL) provision were cited as a critical issue for public service providers. Demand for ESOL classes far outweighs provision in many areas of Wales; in Cardiff there are approximately 600 people currently on the waiting list for ESOL classes.¹⁰² ESOL classes are funded based upon the number of course completers and this arrangement is not suitable for securing funding to meet the needs of migrant workers who are generally a transient population. Anecdotal evidence also indicates that there are difficulties with accessing appropriate interpretation services and the use of Language Line is expensive and not always the best method of communication.

40. Efforts have been made by local authorities to improve ESOL provision, for example, in Flintshire the local authority partnership and the TGWU are working together to deliver a 20 week English language course. The course will take place in the local police station. Delivering this course in the local police station will help to alleviate the mistrust that some of the migrant worker population have shown towards the police and it is hoped will help build closer community relations between the migrant worker population and the police service.

41. There has also been an increase in the number of migrant worker children enrolling in schools and this has put significant pressure on education services in some areas. Conwy and Flintshire report a significant shortage of translators to meet the specialist language needs of migrant worker children in schools. The Welsh Assembly Government have responded to language education provision through the Minority Ethnic Achievement Grant that can be used to address local priorities linked to education opportunities for all minority ethnic groups but the level of funding is not keeping pace with demand.

42. Housing is another issue of concern and related services in Wales have come under considerable strain. Some local authorities report overwhelming resource pressures in responding to the seemingly common practice of placing economic migrants into overcrowded inhabitable accommodation, and as described by the TUC Wales at previous committee evidence sessions¹⁰³ the Gang Masters Licensing Authority has not been able to enforce reasonable accommodation standards. In addition, the potential negative effects that housing allocation has on community cohesion have been reported by one local authority who described how relations between economic migrants and the indigenous community were volatile because previous council owned housing had been bought by private landlords and rented to the migrant worker communities. There was an assumption amongst the indigenous community that the

¹⁰¹ Statistics on Migrant Workers, Welsh Assembly Government, June 2007
¹⁰² Race equality first, Alicja Zalesinska, October 2007
¹⁰³ Heard on 14 May 2007
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housing was still council owned and that the migrant communities were being given special access to social housing and “jumping the queue”. This example highlights how the provision of services to new economic migrants must be anchored within a community cohesion context. It demonstrates the difficult role that local authorities play in balancing the need to deliver specialist services (such as ESOL classes) and aligning mainstream services to meet the needs of all members of the community including migrant workers that they have very little or inaccurate information about. Overarching this delicate balancing act performed by local authorities is the need to construct positive community relations and promote the benefits that economic migration brings to the community.

43. Despite the problems and issues outlined above, there are examples of imaginative and positive responses by local government. Several local authority run multi agency forums for migrant workers exist throughout Wales (for example, Flintshire, Wrexham, Rhondda Cynon Taf, and Merthyr Tydfil). The forums provide strategic management at the local level and involve cross agency stakeholders. These forums are characterised by good leadership and effective local partnerships, for example, in Merthyr Tydfil, the need for English language classes that catered specifically for migrant workers was highlighted in the forum. In partnership with other service providers such as local colleges, ESOL classes are running twice a week in the evening. Funding for initiatives that result from the partnerships is generally relatively small and short term. In Flintshire the “Open Door” project that provides a drop in centre for A8 economic migrants and functions on £3200 a year. In 6 months the project has had more than 350 visitors.

44. The Welsh Assembly Government has recently commissioned research to understand the social impact of migration in 3 local authority areas in Wales: Wrexham, Carmarthenshire and Newport. The research will be available at the end of 2007. To support and facilitate the development of policy relating to the impact of migration at local and national levels across Wales, the WLGA and the Assembly Government are jointly funding a policy officer within the WLGA whose role includes disseminating research and sharing good practice and information to stakeholders.

45. Wales' unique status as a small devolved nation has enabled it to begin to develop a flexible approach that is crucial to addressing the new and emerging issues relating to A8 economic migration. In some areas of Wales good practice has flourished in short periods of time and with limited funding and expertise. However the situation is fluid and must be effectively monitored and measured to ensure that local authorities and other public services in Wales can develop evidence based policy and respond appropriately as local circumstances require.

46. There is however still room for far greater coordinated activity between the UK Government, the Welsh Assembly Government and local government in Wales. As the major provider of public services for economic migrants local government must be consulted and their experience drawn upon when developing policy relating to economic migrants in Wales. An appropriately funded strategy and programme of delivery should be considered by the UK Government to address the short to medium term English language needs of current economic migrants.

47. For some areas in Wales the issue of migration is a relatively new one and a funded programme of support should be considered to enable the sharing of good practice, and encourage the cross fertilisation of ideas so that all local authorities are appropriately equipped to respond to the needs of Wales' new communities.

**FOOD PRODUCTION AND SUPPLY**

48. A key challenge in an increasingly globalised world is how to re-localise the economy. One of the key opportunities to do this is by ensuring that we utilise the power of the public pound to benefit local communities. Public agencies in Wales spend up to £4 billion annually as part of their procurement processes. £1.7 billion of this expenditure is by local government. Much effort has rightly gone into trying to realise greater savings and value for money from this sum and a lot of work has already gone into sustainable procurement. However, much more needs to be done to ensure that the multiplier effect of public money for local economies is maximised and that the significant opportunities that procuring locally can bring in terms of regenerating communities is recognised.

49. There is clear evidence that procurement activity within local communities can have a disproportionate beneficial effect for the local economy. Utilising tools such as the Local Multiplier 3 it is possible to understand the magnitude of that impact and come to informed and rational evidenced based decisions about procurement activity that are framed beyond purely cost issues. The procurement process must be accessible, transparent and accountable in legal terms however much can be done in terms of quality and in terms of what is being procured.

50. In a globalised marketplace public sector procurers have to work smarter in order to support local food producers. Local authorities are increasingly realising that as they have a vested interest in the prosperity of their locality, there are a number of values that can be factored into their food procurement decisions that can have positive benefits for their local economy and local communities. All local authorities have signed up to the Opening Doors SME Charter by which they give an undertaking to enable local SMEs to bid for appropriate local contracts in a way that continues to ensure quality and cost effectiveness but allows them to compete.
51. Working with the Welsh Assembly Government the WLGA has supported the Welsh Procurement Initiative. We very much welcomed the publication of the first piece of major procurement guidance produced by this initiative in 2004, the Food for Thought guidance which outlined a new approach to public sector food procurement in Wales. This guidance raised awareness across the public sector about considering factors other than cost in buying food. It was the first time that many within the public sector in Wales considered how the food they purchased could have an impact on the local economy, the environment and the potential impact on people’s health. Since its publication there have been numerous examples within local authorities of local innovative approaches to public sector food procurement across Wales, such as Caerphilly County Borough Council’s “Local Food for Local People” project and Carmarthenshire County Council’s Local Food Strategy for nutritious school meals.

52. Other local government initiatives include the integral part played by Ceredigion County Council in setting up and managing Food Centre Wales, which assists local farmers and food businesses in exploring new ideas and business ventures in the food sector. Similarly, Powys County Council has supported Powys Food Links—a series of initiatives comprising farmers markets, advice to food producers and the development of local supply chains.

**Broadcasting and the Creative Industries**

53. The creative industries in Wales are increasingly being seen as important both in economic terms and as a way of engaging young people in art and cultural experiences. Recent research by the Creative and Cultural Skills Council in Wales shows that creative and cultural employers already contribute around £400 million to the Welsh economy annually. Creative industries in Wales are also growing at twice the rate of the economy as a whole with the main sectors being:

- Film
- Television
- New media
- Music

54. The Welsh Assembly Government Strategy for the Creative Industries, “Creative Success”, states its commitment to sustainably developing the economy and the creative industries in Wales through sophisticated business support services for those looking to source investment. However the strategy mainly considers economic development and focuses on high-end business development opportunities in the sector which have the best potential to generate wealth. Whilst this is certainly a very welcome development there is a lack of provision and policy around developing on-the-ground opportunities for young people to develop skills and increase interest in the creative industries sector.

55. Much remains to be done if the sector is to deliver more high quality jobs and become a major factor in the creation of a more prosperous Wales. In the short-term specific skills shortages need to be addressed, for example, trained theatre technicians. For Wales to develop its cultural industries fully it needs to ensure creativity and culture is highly profiled in all sectors of the Welsh economy by:

- Investing in the raw materials of culture, the R&D elements, to stimulate creativity as well as jobs
- Looking differently at the resource of the arts and culture itself. Creators or “creative people” are vital for future economic success.

56. The main role of local authorities in Wales is to work with the creative industries to:

- Maintain and create quality jobs
- Create suitable training opportunities, particularly with young people

57. Within some local authorities, there are examples of creative industry opportunities being developed, taking as much advantage as possible with very limited funding through projects aimed at young people. For example, nearly 7% of Gwynedd’s workforce is involved in the culture and media industry and according to one survey this makes Gwynedd third amongst all Welsh councils for the number of people employed in the creative industries. More support is needed to develop the opportunities in this “creative cluster” and also stronger linkages. Local authorities have a clear role through the development of necessary skills in our education sector and business development provision to promote and sustain the creative industries sector in their area.
CONCLUSION

58. As is highlighted in this report, there are many opportunities from globalisation that could benefit Wales, particularly in relation to the economy. Local government looks forward to continue working in partnership with a variety of partners in the public, private and third sectors across Wales, the UK and across the world to address the challenges of globalisation and ensure that Wales maximises the benefits, taking full advantage of the opportunities it presents to do things differently.

7 November 2008

Memorandum submitted by the Competition Commission

INTRODUCTION

1. The Competition Commission (CC) is an independent public body which conducts in-depth inquiries into mergers, markets and the regulation of the major regulated industries. It is currently carrying out a wide-ranging market investigation into the supply of groceries by retailers in the UK (the Groceries Inquiry). The CC understands that the Committee is considering, amongst other things, the role of the major supermarkets, their supply chains, the operation of the Supermarket Code of Practice (SCOP), and local sourcing. The CC accordingly hopes that this note, and subsequent oral evidence, will be found helpful by the Committee.

2. The groceries market was referred to the CC by the Office of Fair Trading on 9 May 2006. The legislative authority for this investigation is the Enterprise Act 2002 which requires the CC to consider whether any features of this market or markets prevent, restrict or distort competition. (Unlike its predecessor body, the Monopolies and Mergers Commission, the CC no longer has any power to make wider public interest findings.) If the CC identifies such features, it goes on to consider “remedies”—in other words whether action should be taken to prevent those features resulting in any adverse effects on customers in the form of higher prices, lower quality, less choice of goods and services, or reduced innovation.

3. The CC published its provisional findings on 31 October 2007. Over the previous 18 months the CC had received over 550 submissions; held 65 hearings with main and third parties; undertaken three separate surveys as well as analysed existing data and research covering the whole industry; collected a dataset of 14,000 grocery stores, and published 26 working papers. The evidence included a number of submissions from individuals and organisations from Wales, including the Farmers’ Union of Wales. The CC also held hearings in Wales in December 2006.

4. The CC is now considering comments on its provisional findings, and also taking evidence on possible remedies. The CC is required to reach its conclusions and publish its final report by 8 May 2008.

5. A summary of the CC’s provisional findings is set out below.

PROVISIONAL FINDINGS

6. The CC has provisionally found that the UK groceries market is delivering a good deal for consumers but action is needed:

a. to improve competition in a number of local markets, and

b. to address relationships between retailers and their suppliers.

7. On “a”: a lack of competition in certain local markets not only disadvantages consumers in those areas but also allows retailers to weaken their offer to consumers nationally. Further, some retailer land holdings and other practices, such as restrictive covenants, mean that competition is not as effective as it could be in a number of areas.

8. On “b”: the CC is concerned about the ability of grocery retailers to transfer excessive risk and costs to suppliers through various purchasing practices, such as retrospective changes to supply agreements. The CC considers that these practices could damage investment and innovation in the supply chain to the ultimate detriment of consumers.

9. The CC is now considering a range of measures to address these concerns before deciding on its final remedies. Options under consideration include the lifting of restrictive covenants and exclusivity arrangements, sales of land holdings, and recommending changes to the planning system to place greater weight on competition and choice. The CC is also considering changes to the SCOP, which regulates retailer-supplier relationships.

10. The CC did not identify any concerns which affected Welsh customers, suppliers or competitors significantly more (or less) than their counterparts in the rest of the UK.

11. The following notes go into more detail concerning subjects likely to be of particular interest to the Committee.
Local Concentration

12. A significant number of local markets (ie towns etc.) have high levels of concentration (a high proportion of shops being owned by the same company) which have persisted over a number of years. Weak competition in local markets lets grocery retailers weaken their retail offer across the UK, as well as in those individual local markets where competition is weak.

Barriers to entry

13. The problems mentioned in the previous paragraph (increased prices etc.) would not occur if the supermarkets were concerned about competition arising from new entry into the local markets, for instance as a result of new store openings. However, there seem to be a number of barriers which limit the possibility of such entry. These barriers are summarised in the following paragraphs.

14. The four largest grocery retailers own a significant number of landbank sites, as well as controlling further sites through leases to third parties, restrictive covenants and exclusivity arrangements. In many cases, these landbank sites represent a pipeline of future development activity that does not raise competition concerns. However, approximately 10% of all larger grocery stores in highly-concentrated local markets have a nearby landsite which is controlled by the retailer and is likely to be constraining entry by competitors. In addition, there are instances of local markets where controlled land holdings, particularly the use of restrictive covenants, may be constraining entry by convenience stores.

15. The planning regime aims to promote a series of public interest objectives such as orderly growth and development of existing town centres and the provision of a wide range of services in a pleasant and widely accessible environment. Nevertheless, the planning system for retail development and the manner in which it is applied by local planning authorities also acts as a barrier to entry or expansion, by limiting construction of new stores on out-of-centre or edge-of-centre sites, and by imposing costs and risks on smaller retailers and potential entrants.

16. The economies of scale resulting from the distribution systems of the national grocery retailers, as well as the significant purchasing cost advantages held by larger retailers, are also likely to act as a barrier to entry or expansion by smaller retailers and new entrants. However, the presence of the grocery wholesaling sector mitigates the detrimental effects of this barrier on smaller retailers and new entrants.

17. Many of those submitting views to the CC expressed concern about the size and market power of Tesco. However, the CC does not believe that Tesco is in such a strong position that other retailers cannot compete. Expansion by other grocery retailers continues, which suggests that Tesco’s purchasing cost advantage, share of national grocery sales or expansion into convenience store retailing is not acting as a barrier to expansion by other companies.

Supply chain

18. Trends in supplier investment and product innovation in the UK are generally positive, but the CC has concerns about the effect of practices carried out by grocery retailers that transfer risks and increase costs to suppliers on future levels of investment and innovation. This is despite the fact that the SCOP does appear, at least to some extent, to be constraining the exercise of buyer power by the retailers to which it applies.

19. Although only a very small proportion of farm output is sold direct to supermarkets, the problems summarised in the previous paragraph do appear to be transmitted up through the supply chain and impacting on certain farmers.

20. There are no systemic problems with the financial viability of UK food and drink manufacturers, nor are there significant barriers to entry or expansion for small grocery suppliers

21. There is no evidence to suggest that the sale of own-label products by grocery retailers is giving rise to material competition concerns.

Effects on convenience stores and smaller retailers

22. Many submitting views and evidence also expressed concern about below-cost selling by national retailers. However, the CC found no evidence that this is part of a predatory strategy aimed at convenience stores or specialist stores, nor does it appear to be having significant unintended effects on smaller stores. There is also insufficient evidence to conclude that local vouchering is being used by larger grocery retailers with any intention beyond that of normal competitive behaviour.

23. The CC did not observe any significant distortion of competition between large and small retailers. For instance, large retailers do not always get the best price from suppliers. In addition, convenience and specialist store numbers are not in such a state of decline to suggest that they are suffering from distorted competition. A significant proportion of smaller shops are, however, choosing to join symbol groups.
24. There is no evidence to suggest that the financial viability of the wholesaler sector is seriously under threat. In addition, consolidation at the wholesale level is unlikely to damage the competitiveness of the convenience store sector.

19 December 2007

Memorandum submitted by ITV Wales

Overview

Independent Television in Wales celebrates its fiftieth anniversary in January, 2008. Since its launch ITV has been an important part of the broadcasting landscape in Wales offering viewers an alternative, in the English language, to the BBC, particularly in news and current affairs. This plurality of voice has been important throughout the last 50 years but has become even more so since the 1997 Referendum and the development of the National Assembly.

ITV in Wales has been through many transformations since it started in January 1958. Wales, was then and still is part of the ITV franchise which encompasses Wales and the West of England. The licence was originally held by TWW, then from 1969 onwards by Harlech which later became HTV. HTV was taken over by United News and Media in 1997 who subsequently became part of Carlton in 2000. ITV Wales is now part of a merged ITV, which owns all the ITV franchises in England and Wales. In Scotland, Scottish Television and Grampian are owned by the Scottish Media Group. In Northern Ireland Ulster owns the Franchise. Channel TV owns the Channel Islands franchise.

ITV Wales in the community

Off screen ITV Wales makes a substantial contribution to communities in Wales and the Welsh economy. ITV employs about 180 staff in Wales and the main office and studios are at Culverhouse Cross in Cardiff. There are district offices at Colwyn Bay and Wrexham in North Wales, Newtown in Mid Wales and Carmarthen in the west. There is also an office at the National Assembly in Cardiff.

A report published by the Welsh Economic Research Unit in 2002 estimated that ITV Wales contributed more than £12 million of disposable income into the local economy and supported the equivalent of more than 670 full-time jobs through its direct activities.

The Culverhouse Cross studio also houses 17 other companies apart from ITV Wales. They range from television and film facility companies, independent producers and new media. The 57 acres at Culverhouse Cross is owned by ITV and we have applied for planning permission from the Vale of Glamorgan Council to redevelop the site, building a new state-of-the-art Media Park for Wales. This will include ITV Wales and other media companies. Mixed housing is also part of the plans.

The economic benefits of the proposed Wales Media Park go far beyond the activities of ITV Wales alone with the level of overall investment estimated at £14 million, and an additional £75 million per annum being added to the GDP of the area as a result of that investment. A fully let Wales Media Park would support somewhere in the region of 2,000 jobs.

ITV Wales on air

ITV Wales provides a valuable service to viewers in the nation. Within ITV1’s popular network schedule ITV Wales provides regional news and some non-news programming. Regional news in particular provides a special bond with our viewers which we know they value.

ITV Wales broadcasts 5½ hours of news programming about Wales every week. This is in common with the other ITV regions in line with licence obligations set out by the media regulator Ofcom (which has a dedicated office in Wales with which ITV Wales has regular dialogue). News output includes the flagship Wales Tonight, which is broadcast at 6.00 pm on weekdays. There are also news bulletins during the week at mid morning, lunchtime and, a newly extended, late night. At weekends there are two bulletins on Saturday and two on Sunday. ITV Wales also supplies three early morning Welsh news bulletins to GMTV during the week. The ITV Wales news last year received a £2.30 million investment to build a state-of-the-art new digital newsroom with editing facilities in all the district offices. There are two satellite news trucks, one based in the north and one in the south. These enable the news to include live reports at major stories and events throughout Wales. We also have offices at the National Assembly and a base at the Millbank complex in Westminster.

Licence commitments also include four hours of non-news programming a week in Wales. This is the same for Scotland and North Ireland. In the English regions the commitment is one and a half hours a week. There are more hours in the nations because Ofcom viewed that they have different public service broadcasting demands.
Included in the four hours a week of non-news programming for ITV Wales are current affairs and political programmes, like *Waterfront* and *Wales this Week*. *Waterfront* is a weekly political programme with reports from the National Assembly, Westminster and across Wales. *Wales this Week* is a weekly investigative current affairs programme, which in Wales displaces the network current affairs offering, at 8.00 pm on Monday nights. This displacement follows an Ofcom recommendation during the last Ofcom review of hours of non-news programming hours for the nations and regions.

The other non-news hours are made up of documentaries, sport, consumer programmes, entertainment and drama. ITV Wales also covers various other events, such as the Rugby World Cup, the National Assembly elections and Welsh national events, like the Royal Welsh Show, the National Eisteddfod and the Welsh Political Awards.

The time slots for non-news programmes are generally at 7.30 pm on Tuesdays and Thursdays, Mondays and Thursdays at 11.00 pm and 11.30 pm and some Sunday slots.

Since the launch of S4C in 1982, ITV Wales has supplied the channel with programmes. We currently produce the current affairs series, *Y Byd ar Bedwar* and *Hacio*, the rural series, *Cefn Gwlad* and some documentaries and drama. ITV Wales also recently won the contract to produce all S4C’s weather bulletins for the next three years.

**ITV Wales: Future Challenges**

The next few years will see a period of great change for the broadcasting sector as we move towards the switch off of the old analogue signal and the roll out of digital switchover. Digital switchover will take place in Wales from autumn 2009 to spring 2010. Full digital switchover is planned to be completed in 2012 and the first region—Border—will switch in 2008.

Before the multi-channel television world, ITV’s regional licences were very valuable. There was much less competition for audiences and revenue. As a result, the requirement to make news and non-news programming in the nations and regions were seen as an acceptable obligation in exchange for access to limited and valuable spectrum. However, as we approach digital switchover the value of the ITV licence has decreased because of the increase in competition for advertising from more and more digital television channels and the growth of the internet, with some internet companies now outstripping the advertising revenue of established broadcasters. This means that the obligations to make news and non-news programming in the nations and regions has already become less commercially sustainable, and will continue to be so as competition intensifies.

Ofcom recognised in the last Public Service Television Broadcasting Review in 2004–2005 that because of the changes in the number of channels and audience tastes that elements of Public Service Broadcasting on ITV faces an uncertain future. It stated: “This established model is already breaking down. Commercial PSBs (such as ITV) are increasingly affected by competition for advertising revenues, which in turn affects their ability to produce some elements of PSB output. In parallel, the scarcity value of their analogue spectrum—which has been allocated to them in return for meeting costly PSB obligations—is declining. At some stage, their existing licences will not be worth retaining, given the other transmission options available to them. Beyond switchover, we will no longer be able to ensure the delivery by commercial PSBs of the wide range of obligations—such as regional programming—we have secured in the past.” (Ofcom Review of Public Service Television Broadcasting Phase 3—Competition for Quality 1.4)

However, Ofcom also acknowledged that there were different needs in the nations, saying: “We believe that the needs of the devolved Nations of the UK are distinct from those of the English regions, for several reasons.” (Ofcom Review of Public Service Television Broadcasting Phase 3—Competition for Quality 3.4.8)

In addition to the 5½ hours of news in the Nations, Ofcom also recommended that the national licences supplied 4 hours a week of non-news programming. This will continue until the first UK region achieves digital switchover and then Ofcom proposed that they would reduce to 3 hours a week. However, this would be subject to review.

Ofcom have already decided that in 2009, when digital switch over has started, the English regions will reduce to half an hour a week of non-news programming. Over the next three months, Ofcom is conducting its review on non-news programmes in the nations—Wales, Scotland and Northern Ireland. This will decide what the number of hours will be in the nations from 2009 onwards. ITV will play an active role in those discussions, examining the sustainability of non-news programming in the nations in an all-digital landscape.

Over the next eighteen months Ofcom will also be conducting a separate and important review. This is the next full Public Service Television Broadcasting Review which will be looking at the whole of Public Service broadcasting across the UK. As indicated in Ofcom’s terms of reference for the review (published on 11 September) this will include discussions around the future of regional news on ITV.
In advance of the review, ITV’s Executive Chairman Michael Grade set out ITV’s 5-Year Strategy Plan. In this he outlined proposals to reduce the ITV regional map which could guarantee the future for ITV regional news to 2014 and beyond. These proposals will form part of ITV’s submissions to Ofcom’s PSTB Review. In a recent letter to Welsh MP’s and Assembly Members Michael Grade outlined his plans for news in the nations and regions.

“One of the key components of our strategy that I particularly wanted to keep you informed about is a proposed new approach to news in the Nations and Regions. I absolutely recognise and value the special relationship that regional news gives ITV with our viewers. ITV is the only broadcaster outside the BBC to provide any regional news programming, and we are committed to continuing to perform that role up to and hopefully beyond digital switchover. However, if we are also to continue our commitment to invest in original UK content on the scale we do we need to think again about the best and most sustainable way of delivering regional news.”

“ITV currently spends around £120 million a year on regional services, providing 17 different flagship programmes across 10 licence regions, four more than the BBC. The pattern of regional services owes much to the accident of transmitter patterns and does not best reflect communities on the ground or the structure of other National and Regional bodies, such as the National Assembly, Government and Regional Development Agencies. Moreover, the current arrangements result in very significant differences in regional cost per viewer with just 4 out of the current 17 programmes serving around 50% of the population but with little correlation between the size of the area served by the programme and viewing figures or critical success. In essence, the regional news map is an analogue hangover in a digital world.”

“Rather than confront the challenges of sustaining regional news by simply giving up on it—as some commentators and other operators have predicted is the inevitable course of action—we are seeking to find a model to ensure that a well-resourced and effective regional news service remains at the heart of the ITV1 schedule up to and hopefully beyond digital switchover in 2012, providing effective local competition to the BBC. The commercial realities mean that the status quo is not an option, but I believe that what we are proposing is a solution that will secure the future of a comprehensive, relevant and high quality regional news service on ITV1 in the years to come.”

“To achieve this, we will be putting forward proposals to Ofcom in the context of the upcoming public service television review to streamline the number of individual news services we provide from 17 to nine whilst sustaining sub-regional provision for a period in some areas. This would entail combining services across a couple of the smallest regions, with the objective of ensuring that we are able to continue to offer well resourced and impactful journalism of a quality that viewers expect.”

“For viewers to ITV Wales there will be no substantive change to the pattern of the news service with Wales Tonight continuing to provide unrivalled coverage of the nation. ITV will—as always—ensure that the ITV Wales news service is properly resourced with the necessary journalists, crews and the latest technology to cover issues of interest to viewers in Wales, including about Westminster and the Welsh Assembly.”

The UK broadcasting market stands at a crossroads. Digital switchover begins in a matter of weeks and there is increasing competition for audiences and revenue from more and more new market entrants. This has an impact on the future sustainability of certain areas of public service broadcasting, including news in the Nations and Regions. ITV is keen to find a sustainable solution that keeps regional news at the heart of the ITV1 schedule and we look forward to a constructive debate during the course of the forthcoming Ofcom reviews.

Throughout, we will consult with the relevant stakeholders, including MPs, National Assembly Members and other interested parties, including the public. The decisions made during the next eighteen months will decide ITV’s place in the Welsh broadcasting landscape for the first part of the 21st century.

Elis Owen

October 2007

Memorandum submitted by the National Union of Journalists

INTRODUCTION

1. The National Union of Journalists represents over a thousand media workers in Wales. We are the leading voice for editorial staff on local and regional newspapers, radio and television. We also represent a significant number of people working in public relations and the freelance sector.

2. In recognition of ongoing devolution, the NUJ has established a Wales Council. This body is the voice of the union in Wales, liaising with the Welsh Assembly Government, Assembly Members and MPs and all-Wales political, social and economic bodies. It co-ordinates its work with the NUJ at a UK level drawing on the expertise of specialist full-time officials where necessary.
3. The core work of the Wales Council in its first year has been to lobby and campaign to maintain and protect the existing jobs and editorial services provided to the public by our members. We are also working towards the development of those services in the digital age.

4. In doing so, we recognise the existing constraints facing the media in Wales. We acknowledge the considerable “democratic deficit” in seeking to inform and educate citizens and consumers about Welsh public affairs. We believe that, with the right leadership, public policy can utilise new technologies to address that deficit. This work would be in the interests of citizens and consumers. It would also benefit the media industry as employers, entrepreneurs and as the public face of Wales on the world stage.

5. We note that the committee’s prime interest, as expressed in item 4 on its press notice of 17 November 2006 is in the impact of globalisation on the “broadcasting and creative industries”. We believe that such a review should also consider the impact on the regional newspaper industry because of the widely predicted trend towards the convergence of traditionally separate business models across the mass media.

6. The process of media convergence and the increasing trend towards the globalisation of media ownership and delivery platforms offer particular threats and opportunities to Wales and other small nations. We believe that convergence and globalisation should be considered together for the purposes of this inquiry. They can only be properly addressed by cross party, and cross industry leadership.

7. The growth of multi-channel television, satellite, Freeview and broadband services have resulted in a massive increase in television channels and other video provision. But this process has reduced the audiences available for distinctive Welsh programming.

8. Wales has the highest number of multi-channel homes in the UK—as well as audiences who show some of the highest levels of interest in programming serving their nation. It is ironic that, on current trends, they will have less, not more distinctly Welsh programming provision in the future.

9. The NUJ welcomes the proliferation of new online outlets for individual contributors. “You Tube”, “My Space” and other Internet-based businesses offer a new avenue of democratisation and the exchange of ideas and opinions. But we urge members of the committee to examine how far these new media sites can replace properly funded, properly trained journalism that supplies fair, accurate and impartial news and other information that is a cornerstone of an informed democracy.

10. Welsh policy makers can make a difference. The investigation into globalisation by the Welsh Affairs committee indicates the concern of Members. Colleagues in all political parties in the National Assembly for Wales have also repeatedly voiced their fears for the future of the Welsh media. It is now time to develop a policy framework that allows the growth of a vibrant Welsh media.

Overview

11. It is our belief that in order to protect the interests of citizens and consumers in our devolved democracy, a Media Policy for Wales is essential. The lead in this matter must be given by elected representatives of the public, in consultation with stake-holders across the public and private sector. It should adopt a flexible and pragmatic approach, seeking to address market failure where necessary while promoting existing good practice and acknowledged concentrations of expertise. This is essential if the citizens/consumers of Wales are to be properly guided into the digital age and supported in their need for quality information amid the expected fragmentation of markets.

12. Without such a policy, Wales is in danger of having a poorer, less diverse professional media, despite the opportunities offered by the Internet. Without proper policy and planning, this decline would take place despite the widespread acknowledgement across public life of the existing difficulties facing many sectors of the media in Wales.

13. The problems and opportunities facing each sector will be addressed later in this paper. But there are general issues that apply across broadcasting and the creative industries.

Industry Wide Issues

14. The citizens and consumers of Wales are currently poorly served by existing media structures (see below). This is despite the best efforts of journalists working within the industry in Wales.

15. Wales has little direct control of its main media outlets. The main policy and budgetary decisions for BBC Wales, ITV Wales, and the majority of the Welsh newspaper sector are made in London.

16. The commercial news sectors (ITV, commercial radio, newspapers) are subject to stock market and economic pressures that often dictate short-term solutions to long-term problems. This can be seen in cost cutting and job losses in newspapers and the ongoing discussion about whether ITV will continue to have a regional presence in the medium to long term. Such processes are often driven by battles for ownership that have or are likely to affect ITV and the regional newspaper groups in particular. Globalisation further intensifies this process. It can bring in larger, less locally accountable players into the Welsh market place.
17. The BBC and S4C are not immune from the difficulties of the commercial sector. The withdrawal of ITV from many areas of current affairs journalism (World in Action, First Tuesday, etc) was followed by a reduction in the visibility of BBC network programming in the same field (Panorama). The Committee should consider how BBC Wales will continue to justify current spending within the overall BBC budget if ITV abandons its regional commitments and concentrates its competition for viewers on UK wide programming.

18. The broadcasting regulator Ofcom has adopted a market led approach to public service broadcasting in the commercial sector. This has facilitated an ever-shrinking commitment to public service broadcasting at a regional level, despite the obligation to “maintain and strengthen” PSB obligations.

19. Ofcom has sought to develop a “Public Service Publisher” [PSP] to counter market failure. Unfortunately, this plan is still at an early stage and, at the time of writing, there is little clarity about its funding, or how/whether it would address the democratic deficit within our devolved nation. Despite this, Committee members may wish to consider how the PSP model can be adapted to ensure the ongoing provision of choice and plurality of broadcast programming services to all the people of Wales.

20. With a future owner of ITV seeking to maximise revenues and minimise audience losses, Wales could conceivably end up with a single TV news operation (the BBC serving BBC Wales and S4C) and a single publisher of morning newspapers (Trinity Mirror, publishing the Daily Post and Western Mail).

21. While the Internet facilitates the growth of new media models, it is notable that all the main web-based sources of news from Wales rely on existing “old-technology” newsrooms for their content.

22. Where existing news operations are considering developing new services, they have centred on very localised audiences (BBC Local, ITV Local). They are less likely to serve the interests and information needs of an all-Wales audience.

23. Ofcom has not, so far, suggested that its Public Service Publisher model would address this lack of diversity at an all-Wales level. Instead, it has so far outlined a two-stage model covering UK wide content and very local content. This would represent a lost opportunity to create a distinctive all-Wales content platform. It would also further fragment the Welsh media scene. The NUJ Wales Council would welcome the involvement of MPs and AMs in ensuring that regulators address the need for an all-Wales approach to any PSP as a matter of priority.

24. Much good work has been carried out by the Welsh Assembly Government, working with the support of MPs and other bodies in promoting the growth of the independent TV production sector. This has allowed Wales to hit above its weight in certain areas (see the purchase of The Television Corporation by the Welsh independent Tinopolis or the international work of S4C). The NUJ welcomes this work as a contribution to the viability and diversity of the Welsh media industry. But the Committee will know that such activity is likely to have little direct impact on the citizens and consumers of Wales as they seek to be informed, educated and entertained about Wales in a more fragmented media world.

The Welsh Media Industry

ITV Wales

25. In many ways, ITV Wales represents the clearest example of the challenges of globalisation and threat to the plurality that has existed in Welsh broadcasting for half a century.

26. Following a series of mergers, the former HTV is now owned by ITV plc. The company has recently spent £2.65 million on refurbishing its headquarters at Culverhouse Cross, Cardiff and has acquired a second satellite uplink truck to cover news stories in North Wales. It has also launched a far-sighted plan to re-develop its Cardiff base as a media centre for the whole of Wales.

27. This capital expenditure is acknowledged and welcomed by the NUJ as a significant investment in the future of choice and plurality for Welsh audiences. But Committee members will be aware of many of the threats to these positive developments.

28. Stock market activity in recent months has seen takeover speculation generated by private equity interests, by the debt-burdened NTL and by the purchase of a 17.9% stake holding by the Rupert Murdoch-dominated BskyB. Any debt-funded purchase of ITV plc might further increase pressure for the network to pull out of non-network broadcasting to concentrate on more profitable UK-wide services.

29. In addition, Ofcom and the company itself have indicated that the future of its services in the nations and regions is no longer viable under past business models.

30. Regional news programmes on ITV Wales would remain for the foreseeable future. But the amount of non-news programmes would steadily reduce.

31. The timetable for such change has been set by legislation, focused on the speed of digital switchover. The next round of cuts is expected in 2009–2010. But a future owner of ITV may well seek to have the agreed changes brought forward/increased despite the current licence constraints because of stock market and/or other pressures.
32. Under current legislation and public policy, Welsh political representatives will have little direct say in such processes. A Media Policy for Wales would allow consideration of the best framework to offer the right balance of opportunities and responsibilities to maintain the programming services of ITV Wales. Such a consideration should include how such a service can be maintained within Wales, beyond any withdrawal from such services in the English regions.

BBC Wales

33. The key development in BBC Wales’ English language television provision in recent years has been the creation of BBC 2W. This has been viewed by many as a proto–channel, mirroring S4C for audiences in Wales. However, this experiment has faced a number of problems during the course of its short history.

34. The period of its existence has seen a series of cuts in the programme budgets at BBC Wales as a whole. The scope of this nascent channel has been severely limited as a result. Also, a large amount of the output has been allocated to Welsh independent companies as part of the BBC’s commitment to that sector.

35. There are signs that scheduling policy for BBC2W is following similar lines to that at ITV Wales with specifically Welsh viewing to be shifted ever later in the day.

36. Recently there have been worrying signs that the BBC is placing considerably less interest in the role of the nations and regions of the UK in its overall strategy. As media managers place increasing importance on a simplistic analysis of audience figures in judging the success of programmes, the nations, regions and minority groups of the UK are, inevitably, losing out in the scramble for resources in the ever-expanding remits of the BBC.

BBC Radio

37. The profusion of new commercial radio stations has sadly mostly offered a wider choice of mid Atlantic culture to Welsh audiences. In addition, audience competition has appeared to force Radio Cymru and BBC Wales in a similar direction. It should be appreciated that budget cuts to poorly funded radio stations have been even more painful in their impact.

BBC Online

38. The new area of expansion for the BBC has seen a policy of growth and retraction in its short life. New developments in this field mean that its role is constantly changing. What can be stated is that the Welsh language provision in this sector is very much smaller than its English counterpart. There is, for example, no “Where I Live” (journalists working on local daily news) provision in Welsh language News Online even though BBC News Online aims at “encouraging interactivity with communities.”

BBC Local

39. Currently, the new BBC mantra for reaching the audiences in the nations and regions is the development of local TV. However, realistically it will not be possible to produce quality, serious programming for every community in the Britain.

40. We remain worried that, without a co-ordinated approach, the concentration on ultra local services (from the BBC and elsewhere) in the new digital age will disenfranchise large areas of Wales. It must not undermine the ability of the citizen and consumer to get a clear all-Wales picture of events in their nation.

S4C

41. This channel has offered a generally successful example to us in terms of a public sector broadcaster. Its autonomy and accountability offers the way forward for English language broadcasting in Wales to follow.

42. S4C’s clear cultural voice has secured success at an international level but without speaking parochially. Its future success must be ensured by secure funding related to the new agreement with the BBC. This in turn means a defence of budgets for Welsh language programming produced by the BBC for S4C.

43. Sadly, as outlined above, the centralist policy direction of the BBC management and the fading interest of ITV in its historic roots in the nations and regions suggest that a model similar to S4C may have to be considered to protect the future for English language broadcasting in Wales.
Independent TV production sector

44. The Welsh Assembly Government has clearly identified the independent production sector as a source of growth for the future. The sector offers an entrepreneurial model that, at its best, can take on competition on a UK-wide and global scale. This is welcomed by the NUJ. But Committee members should not allow success stories in this field to obscure the reality of businesses that, because of the short term funding that they rely upon, have a greater reliance on short term staffing with all that this means in job security, training and long term economic benefit for workers within the industry.

45. Committee members will also want to consider whether such businesses can redress the democratic deficit of information supply within Wales, if the underlying structures of competitive TV services and a diverse range of newspaper sources do not survive into the age of broadband media delivery.

Commercial radio

46. The NUJ acknowledges the hard work and dedication shown by journalists working in often very difficult circumstances in local commercial radio. Many of the Welsh-based stations make a determined effort to reflect the views and diversity of their communities. This is to be welcomed. But their news operations are mostly run on very tight budgets, allowing only a limited amount of original story development.

47. The committee will also note the ownership patterns of many of the major stations. These follow the same patterns as ITV and the major newspaper groups with London headquarters and little devolution of decision-making on key topics such as editorial budgets. As components of major broadcasting concerns, these stations are obviously open to overseas control and an increased impact from globalisation.

Regional Daily newspapers

48. The NUJ has very serious concerns about the future of the newspaper industry in Wales. At a time when the National Assembly is about to acquire more powers, and in a context where policy divergence from England is increasing, there is an enormous opportunity for Welsh newspapers to capitalise on the changes. Yet instead of investing in their editorial staffs, the larger newspaper groups, which predominate in Wales have adopted a policy of repeatedly cutting back, reducing the number of journalists they employ and seeking to maximise their profits.

49. The largest newspaper group operating in Wales is Trinity Mirror Plc, which owns Western Mail & Echo Ltd, publishers of the Western Mail, the South Wales Echo, Wales on Sunday and the Celtic group of weekly papers; and the Liverpool Daily Post and Echo Ltd, which publishes the Daily Post and a series of weekly papers in North Wales. On 14 December 2006 Trinity Mirror announced to the City the outcome of a Business Review, as a result of which a number of its titles will be put up for sale, though none in Wales.

50. The NUJ fears that the papers in Wales will continue to be regarded by Trinity Mirror as a means of making exceptionally high profits, and that further staffing cuts will be imposed. In 2003 and again in 2005 there were rounds of redundancies at the Cardiff centre. In addition, the company often decides not to replace journalists who leave, or delays replacing them until the following financial year to save money. These savings are made under pressure from accountants in London and have little to do with local managers.

51. When the Western Mail was re-launched as a compact title in October 2004, it initially increased its sales. Subsequently, however, a number of management decisions have combined to effect a reduction in copies sold: an increase in cover price, a reduction in pagination, the launch of a free Metro newspaper in the Cardiff area based on agency copy with little Welsh news, together with the virtual eradication of the marketing budget as well as significant job cuts in the circulation department.

52. In 2005 the Western Mail & Echo Ltd’s profit return on turnover figure rose to 38.2%, one of the highest obtained by any company in Wales.

53. There are also serious concerns in Swansea, where South West Wales Publications Ltd publishes the South Wales Evening Post, the Llanelli Star and associated weekly papers. The company is part of Northcliffe Newspapers, which in turn is a subsidiary of Daily Mail and General Trust Plc. It has also been engaged in a cuts-centred strategy called “Aim Higher.” This strategy is purely about higher profits, not higher standards.

54. In 2005 the company closed its printing press in Swansea with the loss of around 70 jobs. The papers are now printed overnight in Gloucester. The editors of the Llanelli Star and Carmarthen Journal were made redundant. The two jobs are now performed by one individual who used to be a deputy editor at the Post. His position has not been replaced. The Post’s political correspondent has not been replaced and there is no longer as much news content relating to the rest of Wales.

55. Newspaper companies operating in Wales say they recognise the challenge to their advertising revenues posed by the internet, but we have serious doubts about their willingness to invest the resources necessary to offer readers high quality journalism in the future.
Regional weekly newspapers

56. The Committee could usefully look at the place of local and regional weekly newspapers. These are the prime source of news gathering and dissemination in our communities. They are key antidotes to the excesses of globalisation. Yet the loss of jobs and skills here parallel the pattern seen in Welsh manufacturing and other services.

57. These newspapers are at the heart of the creative industries. They publicise, encourage and offer artistic criticism of professional and amateur creative events in all fields of the arts. Without their endorsement and profiling, people would know little of what goes on locally.

58. The print industry is also one of the major influences on the Welsh language. It provides not only news and features in Welsh, but also facilitates debate on the history and the usefulness of Welsh in today’s world.

59. The circulation of individual newspapers, especially large regional or national newspapers, is falling. But the spread of free newspapers and the ongoing interest in local Welsh language newspapers seems to show a continuing interest among the readership.

60. Although there are many positives about regional weekly titles, these too have been adversely affected by a more global approach. Companies feel able to close district/weekly offices, share editors across titles and centralise their operations. This obviously has an impact on their “localness”, as they become increasingly removed from the communities they write about.

61. The most recent example of this approach was the closure by North Wales Newspapers of their Denbigh office, and its removal to Rhyl. The new staff of the Rhyl Journal have been moved to the Pioneer office in Colwyn Bay. This move coincided with the 125th anniversary of the papers founding in Denbigh, although now it is no longer based at the heart of the community it serves.

62. A vibrant local news media needs to be first of all recognised for its benefit to the community and helped in its information and publicity roles. It should be praised for its quality where this exists and helped to improve where necessary.

Freelance journalism

63. A significant proportion of journalists in Wales are freelances. This includes, on one estimate, a quarter of the 400 members of the NUJ’s Cardiff branch.

64. When staff members are made redundant or choose to leave they often become freelances, so the proportion of freelances is likely to increase. Of course, some freelances have never been staff members. Their perspectives of globalisation may be very different from staff members.

65. Freelances are in effect running their own businesses. If they cannot cover their personal living expenses and support their business costs they will not survive. In the past, they depended on media owners and publishers either to hire them or buy their work. It’s still very much like that. But the Internet has changed this for some, enabling them to become their own publishers. This is something that globalisation will encourage. Policy makers may wish to consider how improved training and support can help this process.

66. Freelances are often advised to specialize and create their own niche. For many, this approach works. However, because of increased casualisation in the industry, many freelances are effectively doing staff jobs. This can be seen with photographers for a specific area covering a series of weekly titles. This is, on current trends, likely to become increasingly common.

67. Freelances do not routinely have the resources of media companies to help maintain standards through continuous professional development. Pressure to reduce costs and increase profits means hiring freelances when staff members have been made redundant. This puts further pressure on the editors monitoring the output of less well-trained and less experienced casual employees while their remaining staff journalists are being forced to learn new filming and craft editing skills.

68. This increase in multi-skilling across journalism means that freelances also need increased training. Often they carry the cost of this themselves. Skillset, Cyfle, the Skills Wales Fund and other organisations offer some support, but again there is room for a better, more transparent approach to training.

Conclusion

69. The NUJ welcomes the foresight of the Committee in considering the threats of globalisation to the Welsh broadcasting and creative industries sector.

70. We believe there are considerable opportunities as well as threats to be addressed.

71. This should be done via a Media Policy for Wales. The policy should identify a coherent, integrated approach to ensuring that the citizens and consumers of Wales, as well as the media professionals take advantage of the interlinked processes of globalisation, convergence and the possibilities offered by new technology.
72. This policy should have the following aims:

- maintain and improve the plurality of broadcasting services at an all-Wales level;
- protect and promote existing jobs and skill centres;
- develop focused training programmes for media workers that allow Welsh media businesses to become international centres of excellence;
- review and, where possible, strive to adopt best practice in other small nations;
- develop existing programming onto new platforms to increase choice and diversity for viewers while increasing the international visibility of Welsh enterprise and innovation;
- identify and seek to address market failure;
- support and develop indigenous media products that inform, educate and entertain viewers in Wales.
- offer integrated policies for Welsh media businesses (public and private) selling programming outside Wales;
- identify the best elements of what we currently have and using them to take Wales towards a digital future;
- acknowledge that without positive action, market fragmentation will undermine the maintenance of a distinct national identity; and
- recognise the existing fragile state of many parts of the Welsh media, the dangers inherent in increased globalisation and the lack of a thought out coherent approach to guiding our future.

And finally . . .

73. Strategic planning is needed for the voices of Wales to be heard in the new globalised media world. Left to compete in the global marketplace they would be drowned out by those of the larger nations. Such a policy can only be achieved by autonomous Welsh media outlets that are properly served by like-minded managers, governors and regulators. These organisations must be supported by politicians who are fully committed to a vibrant, strong and independent Welsh media.

74. At present, broadcasting policy, in particular, tends to place more emphasis on the economic role of the media rather than its importance in the political and cultural life of society. While understandable in wealth creation terms, this is a potentially dangerous strategy to pursue. The prime reason for the existence of the Welsh media must be to serve the people of Wales by representing their lives on the screen, in print and on the airwaves.

75. “Globalisation” is too often taken as short hand for the global marketplace. For the nations and regions of Britain to realistically compete in a worldwide cultural exchange, they must receive public backing. Failure to support such a policy would spell disaster for diversity and accountability in our devolved society.

February 2007

Memorandum submitted by S4C

1. EXECUTIVE SUMMARY

1.1 The way people in Wales, as in the rest of the world, consume entertainment and information is changing. Technologies are converging and people demand and are being supplied with content whenever and wherever they choose to use it.

1.2 S4C has and is meeting the challenges and opportunities thrown up by the digital revolution. It has engaged with new platforms as they have come on stream and is continually reviewing the nature of its provision.

1.3 S4C’s Creative Excellence Strategy and the rebranding of services have turned it into a distinctive brand which stands out among the several hundred television channels available. These changes have been well received by the audience.

1.4 The changes in global communications have implications for the creative industries in Wales. We are seeing content producers consolidating with increased investment in this key growth area for the Welsh economy. S4C has played a major part in promoting this economic agenda.

1.5 S4C and the independent production sector have together had great success in international markets. Through our partnership with the independent sector in Wales we are making the most of S4C’s public capital in priming further investment in the burgeoning creative industries sector.
1.6 Public service broadcasting is likely to come under pressure in the digital-only age and children’s services particularly so. S4C is taking steps to address this issue with the proposed launch of a new children’s and young people’s service.

1.7 S4C offers its services on all digital platforms in Wales and on satellite across the UK. This is a significant benefit to viewers, Welsh speaking or otherwise. S4C on digital terrestrial television (DTT) and cable is limited to Wales and we have asked the BBC and DCMS to consider post switchover, carriage of our public services throughout the UK on DTT.

2. INTRODUCTION

2.1 S4C is a public service broadcaster (PSB) that provides a range of high quality Welsh language programmes on many platforms, including broadband.104

2.2 We view our responsibilities as a PSB in the context of a global broadcasting and communications ecology. Whilst operating primarily at a Wales level we are facing competition which respects no geographical boundaries in terms of content and delivery technologies.

2.3 S4C’s core language of communication is Welsh, while the language of global competition is English. Our output, irrespective of language, will quite rightly be judged by viewers against global standards of broadcasting.

2.4 S4C is but one of several hundred television channels potentially available to viewers. It is not simply a PSB service in Welsh about Wales. Rather, we are a broadcaster that responds to tastes and expectations which are influenced by global agendas and technologies.

2.5 Welsh speakers have every right to expect their public service television and content to be as contemporary in terms of image and presentation as the next channel. S4C is a key determinant of the image of the Welsh language in the 21st century. Ours is a forward looking image in an ever changing age.

3. S4C MEETING THE CHALLENGE

3.1 Twenty five years since it first went on air S4C is as susceptible to global broadcasting influences as any other channel. We have adapted and responded to the changes and challenges in the industry as they have arisen.

   — S4C joined the digital revolution in 1998 when S4C digidol, a twelve hours a day Welsh language channel, went on air.
   — When the National Assembly was created in 1999 S4C2 went on air offering full coverage of the plenary sessions and committees.
   — As take up of the internet gathered pace we responded with a wealth of websites and additional services. We now have a large catalogue of programmes available on-demand through broadband and are available through analogue and digital terrestrial television, satellite, cable, live streaming as well as through internet protocol television (IPTV).

A full list of our present services can be found at Appendix 2.

4. THE changing nature of public service broadcasting

4.1 We are seeing the convergence of technologies and the transition of people’s viewing habits and entertainment consumption patterns. This means a significant change in the way education, entertainment and information is now created and consumed in the digital world. S4C views these changes as an opportunity rather than a threat and is committed to ensuring Wales, its people and businesses, are not left behind.

4.2 85% of homes in the UK now receive digital television.105 (The corresponding figure for Wales is not yet available but previous reports have consistently shown Wales as having a higher percentage of homes receiving digital television.) Among individuals the figure for Wales is 91%, and 87% for the UK.106 Internet and broadband take-up among individuals in Wales is on a par with the UK. 59% have an internet connection at home in Wales and 42% have broadband.107

4.3 It is against this background that S4C is seeking to evolve the way it operates in our globalised, converging, multi-channel and multi-platform future.

104 Details of S4C’s Remit, Funding and Regulation can be found at Appendix 1
105 Ofcom Digital Progress Report 19 December 2007
106 BARB figures
107 Ibid
5. CREATIVE EXCELLENCE

5.1 We set out to address the challenge of globalisation with the publication of our 2004 Creative Excellence Strategy, which has positioned our services as leading providers of high quality content—including live events, children’s, drama, culture, news, entertainment, rural and lifestyle programmes.

5.1 Quality and distinctiveness will be the gold standards of the multi-channel, multi-platform future. In January 2007 we relaunched our services with a new brand. The re-brand presents a contemporary image and attitude. It aims to intrigue and entertain, creating a distinctive and memorable look for S4C to ensure that we stand out in the digital age.

5.3 The quality of S4C programmes has been recognised on the international stage. The drama “Con Passionate” won one of the world’s most prestigious television awards, the Rose d’Or, beating off competition from the likes of “The Bill”. S4C also won the top design award for its rebranding package at last year’s European Broadcasting Union Connect conference in Lucerne.

5.4 S4C has won BAFTA, Celtic Film and Television and Promax awards and has been nominated for Royal Television Society awards as well as having received four Oscar nominations. Such international recognition is important to S4C and to producers in Wales as testament to their ability to compete and succeed in global, creative markets.

5.5 Plurality of provision, particularly in the field of news and current affairs in Wales, especially when regional programming across the UK is under threat, is also a key consideration. S4C sources its current affairs programmes from both the BBC and ITV Wales. The coverage of the National Assembly on S4C means that S4C plays an important part in maintaining access to and understanding of the democratic process.

5.6 Concern has been expressed as to the possible threat to editorial independence to a broadcaster in receipt of direct public funding. S4C does not share this concern and told the House of Commons Culture, Media and Sport Select Committee inquiry into Public Service Content that it is optimistic about the prospects for public service content in Wales. The Committee Report concluded: “We are encouraged by S4C’s optimism about its ability to provide public service content in the future. S4C demonstrates that a broadcaster with direct public funding and a tightly defined remit can deliver public service content without having its editorial independence compromised.”

6. NEW PLATFORMS, NEW AUDIENCES

6.1 The way we consume entertainment, information and other content are all changing profoundly. We are moving from a multi-channel to a multi-platform and soon to an on-demand world. Language is no barrier to the consumer-citizens’ expectations and S4C’s audience has every right to have its expectations met. For if they are not met then the audience will simply go elsewhere.

6.2 To meet the challenge S4C has a multi-platform strategy which aims to build our presence on every major digital platform across the UK. Last year S4C started live streaming of its digital service, S4C digidol, on broadband. The move means that viewers across the UK can tune in to the Channel, free-to-view, on their PCs. Our websites are increasingly popular and we have an extensive library of recorded programmes available.

6.3 There are an estimated 158,000 Welsh speakers living outside Wales in the rest of the UK and it is important that S4C content is freely available to those people, as well as others with an interest in high quality original content. Similarly, dependent on international rights, S4C is now available worldwide through the web.

6.4 S4C has an agreement with Inuk Networks, a supplier of triple-play services to consumers, to include S4C digidol within its IPTV Freewire TV service. S4C digidol is available to students living in some university residences around the UK directly from their own campus accommodation using PC equipment via the high speed JANET network.

6.5 Our aim is not limited to sustaining the Welsh language and culture exclusively in Wales. S4C services should be available everywhere to those with an interest in high quality original content. There is inevitably a tension between the delivery of a service which is broad in terms of range, but must also be high quality within a finite budget. The key to S4C’s success will always lie in getting the balance right.

6.6 Many of our programmes have very wide appeal like live rugby and the nightly soap opera, “Pobol y Cwm”. However, there is space for programmes which reach out to new audiences. We have an agreement with Welsh National Opera to screen four of their productions and have also shown contemporary dance on S4C. We continue to show our flagship arts magazine “Sioe Gelf” during peak hours and have a track record of showing serious documentaries.

108 See www.s4c.co.uk/production/downloads/guidelines/strat-rhag.pdf
109 CMS Committee Report ‘Public service content’ 15 November 2007
110 See s4c.co.uk/watch
111 RSMB 2006
6.7 Statutory provision exists for the carriage of S4C on all platforms in Wales. The continuation and extension of these obligations coupled with a requirement for due prominence for our services are crucial to the future success of S4C. With a 25 year history as the fourth channel in Wales it is vital that we retain that position post switchover.

7. **Employment and the Creative Industries**

7.1 A healthy broadcasting industry is beneficial to the Welsh economy. Broadcasting contributes to the employment of creative and technical people, the viability of services which support the industry and to the communication of ideas and issues. Inter-related “creative industries” can spark economic success and the work of broadcasters, government, independent producers and other agencies are all significant factors in nurturing such success.

7.2 S4C believes that sustained and sustainable growth is vital for production companies to achieve prosperity. That in turn stimulates creativity and innovation. We believe that a production sector which serves Wales alone is not feasible and we are seeing the sector itself changing from one which has traditionally served only local markets to a stronger and more confident sector which can and does compete across the UK and internationally.

7.3 S4C has changed its development funding policy. Rather than offer small amounts of money on a piecemeal basis, production companies were invited through open tender to apply for significant funding to cover development costs over a longer time period. This has leveraged further investment and has allowed for longer term business and talent planning by the companies themselves.

7.4 The animation industry in Wales has similarly benefited. In 2005 three companies, as part of a competitive tendering process, were awarded a total of £500,000 from an S4C animation development and production fund. The companies will develop and deliver a number of multi-platform animation projects, from short films to promotional material.

7.5 These measures, coupled with the reassignment of programme rights on current and future work, have boosted the value of the independent sector and have allowed companies to put into place more sustainable business frameworks. This means that they will be better placed to exploit global markets for audio visual content while retaining their base here in Wales. S4C and viewers reap the benefits of higher quality programmes and on screen excellence.

7.6 Independent production companies and S4C have had considerable success in exploiting international markets. S4C programmes have been sold to more than 100 different territories. Recent successes include “China Rises,” made by Tinopolis and co-produced with a number of companies including New York Times Television; the pre-school animation “Hana’s Helpline”, a co-production between S4C, Calon, Five and ZDF, with funding from the EU’s Media + Programme and the Wales Creative IP Fund; and children’s favourites “Mees” and “Sali Mali” which have been sold to Al Jazeera.

7.7 The S4C International catalogue was established in 1982 with SuperTed, the first British animation series to be broadcast by Disney in the USA. The catalogue has grown to over 50 hours, winning two Oscar nominations (“Famous Fred” and “The Canterbury Tales”) and a collection of Emmy awards.

7.8 Through our partnership with the independent sector in Wales we are making the most of S4C’s public capital in priming further investment in the burgeoning creative industries sector. However, we are not complacent and are currently conducting a full review of our supply chain.

8. **S4C’s Economic Impact**

8.1 An independent report published in October 2007 showed that S4C’s activities generate more than 2,250 full time jobs in Wales and the equivalent of £87 million of value-added in 2006. Directly employing 177 staff, S4C, as a commissioning broadcaster, also supports a significant number of jobs across Wales. The majority of these are in the high-skill, technology-intensive independent production sector—a key growth area for the National Assembly.

8.2 The report, undertaken by DTZ with the assistance of Cardiff University’s Welsh Economy Research Unit describes S4C as “an extremely lean organisation” and shows how S4C’s policies and purchasing decisions impact on the Welsh creative industries, helping reduce the performance gap between the Welsh and UK economies.

8.3 It states that, “S4C’s role in Wales is not primarily driven by its need to positively impact the economy of Wales but to fulfil its public service remit of providing Welsh language audio visual services. Notwithstanding this, S4C, through its activity, does impact the economy. Over 80% of its total spending in Wales is in the independent production sector.”

112 The full report can be found at s4c.co.uk/abouts4c/corporate/e_econrep.shtml
8.4 Indeed, what is good for S4C is good for the creative industries and the Welsh economy. We have seen consolidation in the industry with bigger independent producers emerging. Consolidation gives the sector economies of scale, enhanced market experience and a greater portfolio of work. This assists growth and we have seen Welsh independent production companies expand either organically or through merger or acquisition.

9. **VIEWING AND LISTENING PATTERNS**

9.1 Our Creative Excellence Strategy is bearing fruit. In contrast to the trend for most other terrestrial broadcasters we have seen increases in our viewing during the all important Peak Hours (ie the hours in which the substantial proportion of programmes is in Welsh). During 2006 S4C succeeded in increasing viewers watching during Peak, with an increase of 3% year on year. This is the second successive year that we have seen an increase in the Peak Hours. Over a two year period there has been an increase of 15% in the '000's viewing.

9.2 S4C's regular image tracking service shows a high appreciation of the channel among both Welsh speakers and non-Welsh speakers. It is regarded as becoming more modern with a particular strength seen in “representing Wales” in many programme genres.

9.3 We have an increasing audience outside of Wales. In 2007 121,000 people outside of Wales tuned in to S4C in an average week, with some 100,000 of those tuning in to Welsh language hours. This compares with the figures for 2006 which show S4C’s all hours weekly reach within Wales was 865,000 with an additional 107,000 viewers from outside Wales.

9.4 Our services are certainly not exclusive to Welsh speakers. S4C believes that making our services accessible to as many people as possible is central to our public service remit. We currently provide English subtitles on at least 80% of all Welsh hours on analogue television. On S4C digidol we provide English subtitles on more than 70% of the service. During weeks 1-49 of 2007, 33% of S4C’s audience in peak hours were Non-Welsh speakers.

9.5 S4C is committed to helping people to learn and improve their Welsh. Our partnership with the language teaching agency ACEN is based around a learners’ website. learnons4c.co.uk gives background information on some of the Channel’s programmes and provides language exercises via quizzes and programme clips. Many of our programmes, live rugby for example, offer a gateway for non-Welsh speakers into S4C and Welsh language content.

9.6 As globalisation continues apace we have seen an increasing emphasis on the local. S4C has to try to cater for a range of tastes and demands, all on one channel. As a result of the already competing demands for finite resources, S4C does not believe that regionalising or localising Welsh language services would be a prudent path.

10. **CHILDREN’S SERVICES**

10.1 There is one genre in which we believe we can and must respond directly to specific changes in consumption patterns. Children’s programmes and services are particularly vulnerable in a multi channel world. Ofcom has stated that, “With an increasing range of media available to many children and a growing number of dedicated children’s channels, children are changing the ways in which they consume media. As a result, traditional commercial public service broadcasters are facing significant pressures on their ability to fund original programming for children.”

10.2 S4C is already a major investor in children’s programming. We budgeted to spend a total of £10.9 million on original programming for children during 2007 and have continued with our extended programming provision during school holidays. It is estimated that our spend on programming for children during 2007 makes us the second biggest purchaser of original programming for children in the United Kingdom.

10.3 Research conducted on behalf of S4C, and by Ofcom and other organisations, has indicated that the way in which children and young people consume audio visual media has dramatically changed. Most viewing is migrating to dedicated channels for children and young people.

10.4 In order to compete with other channels and media aimed at this audience S4C has concluded that a dedicated Welsh language service for children and young people is required. Such a service will ultimately be available for 15 hours a day between 0600 and 2100 hours when fully developed. It is intended that the new service will be transmitted free to view on all appropriate platforms. No additional, initial funding will be required. S4C will fund the channel through existing funding methods.

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113 BARB figures: Weeks 1-50, 2007

114 The future of children’s television programming, Ofcom, 3 October 2007 (Discussion paper)
10.5 S4C published a consultation paper on its proposals in May 2007\(^{115}\) and received some 500 responses, the vast majority of which were highly supportive. Children and young people saw the proposals as reinforcing their pride in the Welsh language. Parents expressed a desire for their children to hear more Welsh in the home, especially so in the case of pre-school children. Many organisations said that S4C should be commended for its commitment to providing this service at a time when many UK broadcasters seem to be bucking away from provision for children and young people.

10.6 The S4C Authority is committed to resolving any issues relating to coverage of the proceedings of the National Assembly as part of its planning for the establishment of a dedicated children’s service.

11. COVERAGE

11.1 In just over two years the analogue TV services in Wales will have been switched off. This will place S4C in the totally multi-platform multimedia world. S4C digidol will be the main service and will be wholly in the Welsh language.

11.2 As a PSB we need to make our content available to as many viewers as possible. In the old analogue world the broadcasters’ systems in Wales were predominantly about regional services delivered on limited capacity. For S4C this meant coverage in Wales, and also that “external” content was not competing for our viewers’ time.

11.3 Digital systems are the exact opposite; many platforms are available and they respect no geographic boundaries. As a result, the decision was made to offer our services on digital satellite across the UK. This is a significant benefit to viewers, Welsh speaking or otherwise, all over the UK.

11.4 The availability and uptake of broadband has created further opportunities for our content to be seen UK and potentially world-wide. It is also a medium that appeals to a predominantly younger demographic than traditional broadcasting platforms. This is a very important audience strategically for S4C to engage with.

11.5 However, there is still a significant number of viewers in Wales that will continue to receive the majority of its services via the DTT platform after digital switchover. There is a limited number of channels on this platform (approximately 40 or so) and S4C is able to collect a significantly better share of the audience among these homes.

11.6 At present availability of S4C on DTT and cable is limited to Wales. We believe that we should be available to the public across all the major platforms throughout the UK and have requested the BBC and DCMS to consider post switchover, carriage of our public services on DTT throughout the UK.

Appendix 1

**S4C REMIT, FUNDING AND REGULATION**

The public service remit for S4C on analogue is: a broad range of high quality and diverse programming, in which a substantial proportion of the programmes consist of programmes in Welsh; and, programmes broadcast for viewing between 18.30 and 22:00 every day of the week consist mainly of programmes in Welsh; and, the programmes that are not in Welsh are normally programmes which are being have been or are to be broadcast on Channel 4 [CA03 sch12 p2].

The public service remit for S4C digidol is: a broad range of high quality and diverse programming in a service in which a substantial proportion of programmes consist of programmes in Welsh [CA03 sch12, p 2].

Following switchover we understand that the remit for S4C digidol will be our main public service remit. This means that the main public service channel will, like S4C digidol, remain a mainly Welsh language Channel.

S4C is funded by the Department for Culture, Media and Sport on the basis of a statutory formula. Additional commercial revenue is raised through programme sales and advertising. S4C commissions the independent production sector to produce most of its programmes. Over 10 hours a week are provided by the BBC. ITV Wales is also commissioned to produce programmes for S4C. S4C is regulated by the S4C Authority, an independent broadcasting authority. The Chair and the Members of the S4C Authority are appointed by the Secretary of State for Culture, Media and Sport.

<table>
<thead>
<tr>
<th>Name of service</th>
<th>Nature of Service</th>
<th>Platform</th>
<th>Access and Footprint</th>
</tr>
</thead>
<tbody>
<tr>
<td>S4C</td>
<td>At least 37 hours of Welsh-language programming per week. Mostly Welsh programmes during peak hours. Channel 4 programmes at other times.</td>
<td>Analogue</td>
<td>4 in Wales</td>
</tr>
</tbody>
</table>

\(^{115}\) Our proposals and a summary of the responses to the consultation can be found at: s4c.co.uk/plan
Ev 612  Welsh Affairs Committee: Evidence

<table>
<thead>
<tr>
<th>Name of service</th>
<th>Nature of Service</th>
<th>Platform</th>
<th>Access and Footprint</th>
</tr>
</thead>
<tbody>
<tr>
<td>S4C digidol</td>
<td>At least 80 hours of Welsh language programming per week. Up to 12 hours of broadcasting per day.</td>
<td>Digital terrestrial (Freeview)</td>
<td>4 in Wales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Digital Satellite (including red button and interactive services)</td>
<td>104 in Wales and 134 in the remainder of the UK</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Digital Cable</td>
<td>194 in Wales</td>
</tr>
<tr>
<td><a href="http://www.s4c.co.uk/watch">www.s4c.co.uk/watch</a></td>
<td>Welsh language programming has been available to watch since January 2006.</td>
<td>Broadband</td>
<td>UK (apart from where restricted by rights).</td>
</tr>
<tr>
<td></td>
<td>Live streaming of major Welsh events.</td>
<td></td>
<td>Worldwide (apart from where restricted by rights).</td>
</tr>
<tr>
<td></td>
<td>During 2007 we increased the number of hours of live streaming of S4C digidol.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><a href="http://www.learnons4c.co.uk">www.learnons4c.co.uk</a></td>
<td>Dedicated service for Welsh learners using S4C programmes as a learning tool.</td>
<td>Broadband</td>
<td>Available worldwide</td>
</tr>
<tr>
<td>Freewire</td>
<td>Streaming of S4C digidol through agreement with INUK.</td>
<td>IPTV</td>
<td>Available on the Freewire portfolio for University campuses.</td>
</tr>
<tr>
<td>S4C2</td>
<td>Welsh Assembly Coverage 09:00–18:00 Tuesday–Thursday. Additional coverage of national events.</td>
<td>DSat</td>
<td>507 throughout UK</td>
</tr>
<tr>
<td></td>
<td>S4C2 is funded from S4C Commercial revenues and is a partnership with the BBC.</td>
<td>DTT</td>
<td>86 in Wales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D Cable</td>
<td>195 in Wales</td>
</tr>
</tbody>
</table>

4 January 2008

Supplementary memorandum submitted by S4C

1. INTRODUCTION

1.1 During the oral evidence session to the Committee on the 22nd of January, the Committee Chair, Dr Hywel Francis MP, asked S4C to provide “more information about the way in which you are actually reaching out to that Welsh Diaspora” in a supplementary memorandum.

1.2 Dr Francis quoted John Davies’s view in “Hanes Cymru” that the battle for the survival of the Welsh language was lost towards the end of the nineteenth century because even though the number of Welsh speakers was rising, within the territory of Wales the proportion was actually declining. He said that the way S4C was working through globalisation in broadcasting and linking to the diaspora was recreating that lost link with the Welsh Diaspora.

1.3 S4C’s remit is the provision of high quality television programme services “...for reception wholly or mainly by members of the public in Wales.”116 There is no requirement to offer those services elsewhere in the UK or beyond. However, S4C recognises the importance of audiences outside Wales and is keen to make its services available to the widest possible audience and to ensure the best use of the public capital it receives.

1.4 Work commissioned by S4C in 2006 from RSMB estimated that there are 158,000 Welsh speakers living outside Wales in the UK. The Welsh Language Board in 2007117 estimated 110,000 Welsh speakers lived in England alone. There will be many more people across the world who would also want to be able to access S4C content.

1.5 S4C therefore believes that its role as a public service broadcaster and its contribution to promoting the Welsh language and culture is not limited to Wales. Our output should be available to the Welsh Diaspora and indeed everyone with an interest in our content wherever technology and rights allow and enable S4C to be broadcast.

1.6 This memorandum lists the actions being taken to engage with those people living outside Wales who are interested in content and services provided by S4C.

116 s.204(2) Communications Act 2003
2. **Carriage**

2.1 When S4C was established as the fourth channel in Wales in 1982 it could only be accessed by viewers in Wales and in so called “overlap” viewing areas along the Welsh borders. With the dawn of digital television in 1998 opportunities became available which allowed S4C for the first time to reach audiences outside Wales.

2.2 S4C pays for a slot on the Sky satellite platform and is available across the UK on channel 134. S4C2 is also available on satellite.\(^{118}\) We have also set up a research project to more accurately measure our audiences on Sky outside Wales.

2.3 At present availability of S4C on digital terrestrial television (DTT) is limited to Wales and on cable is limited to Swansea and Cardiff. We believe that we should be available to the public across all the major platforms throughout the UK and have requested the BBC and DCMS to provide, post switchover, carriage of our public services on DTT throughout the UK.

2.4 Last year S4C started live streaming of its digital service, S4C digidol, on broadband. The move means that viewers across the UK and, where rights allow, worldwide, can tune in to the Channel, free-to-view, on their PCs. Our websites are increasingly popular and we also have an extensive library of recorded programmes available to view.\(^{119}\)

3. **Internet Protocol Television (IPTV)**

3.1 As we stated in our initial memorandum, S4C has an agreement with Inuk Networks, a supplier of “ triple-play” services to consumers, to include S4C digidol within its IPTV Freewire TV service. S4C digidol is available to students living in university residences around the UK directly from their own campus accommodation using PC equipment via the high speed JANET network.

4. **Extending Reach**

4.1 Our sports and music coverage is already enjoyed by non-Welsh speaking music and sports lovers throughout Wales and we carry English subtitling on almost all of our content. We are making our services accessible to as many people as possible and currently provide English subtitles on at least 80% of all Welsh hours on analogue television.

4.2 On S4C digidol we provide English subtitles on more than 70% of the service and also Welsh language subtitles on many programmes. These subtitles are also available on our video on demand service. We provide programmes with BSL signing and audio description for those with hearing difficulties.

4.3 S4C digidol, which broadcasts Welsh language programmes for approximately twelve hours every day, is the core digital provision. Extended programming for children and young people and the proposed new children’s services will also be available on the Sky platform. Anecdotal evidence suggests that these services are particularly helpful to parents living outside of Wales who are trying to raise their children as Welsh speakers.

4.4 During 2007, S4C attracted 122,000 viewers outside the UK each week on average. 98,000 of those were tuning into Welsh language content, with figures as high as 181,000 in the Christmas week.

4.5 Last year, our website, featuring coverage of the Llangollen International Eisteddfod, received 2.5 million hits from 83 countries around the world, with 250,000 video clips viewed. Our services from the Royal Welsh Show are also streamed worldwide.

4.6 Tracked press coverage of our call to the Jones’ of the world to come to Cardiff to break a world record enabled us to reach over 27 million North Americans. It also saw participants from the US, Australia and beyond visiting Wales for the first time, moved to do so by the publicity given to one S4C programme.

4.7 “Sgrin,” our quarterly viewers’ magazine is posted to 37,000 addresses. Other direct mail informing viewers of events and programmes on S4C is also sent using a database of 92,000 households. 17,000 of these addresses are outside of Wales but within the UK. We have a further 400 addresses overseas which also receive such information.

4.8 We can and do buy into UK-wide databases in order to alert people outside Wales to specific programmes. This was done for example for the 2007 music season on S4C as well as for our current “Gwyrdd” (Green) environmental campaign.

4.9 In 2007 our Viewers’ Hotline received approximately 10,000 comments or requests for information over the telephone, by e-mail or by post. 14% of these enquiries came from outside of Wales but within the UK. A further 6% came from people living outside the UK. Most of the worldwide comments praise the streaming and video on demand facility, with many enquiring as to which programmes are available on these platforms.

\(^{118}\) A full list of S4C services and how to access them can be found at Ev 609–610

\(^{119}\) See s4c.co.uk/watch
4.10 Calls from the rest of the UK often concern the difference between S4C analogue, (Welsh and English programmes,) and S4C digidol, (Welsh language only.) Programmes like “Pobol y Cwm” and “Y Pris” have recently been praised by viewers across the UK.

4.11 There are pockets of Welsh speaking diaspora in many cities but these groups are particularly active in Liverpool and London. Later this year the S4C Authority will hold one of its quarterly public meetings in Liverpool.

4.12 Many programmes have been made about the activities of the Welsh communities in these cities and a special edition of the congregational hymn singing programme “Dechrau Canu, Dechrau Canmol” will be recorded in Liverpool this year as part of the City of Culture celebrations together with a programme from London.

4.13 The Welsh language question time, “Pawb a’i Farn,” has visited London and Liverpool giving viewers in those cities a chance to have their say. Many other S4C programmes (and not simply news and current affairs programmes), produce items and whole programmes from locations across the UK. “Wedi 3” and “Wedi 7” for example regularly include items, both live and recorded which have been produced from locations across the UK and beyond.

4.14 S4C is also encouraging the diaspora to participate in its programmes. A new travel quiz show will be produced shortly in which Welsh people from around the globe will be given an opportunity to compete via a satellite link. The prize for the winner will be a trip back to Wales.

5. Serving Welsh Learners

5.1 Welsh learners are an important segment of the S4C audience and we are particularly keen to build this group’s loyalty—wherever they may live. Whilst we still provide some programmes for learners at lunchtimes, we have changed our strategy so that we give learners what they want when they want it—with S4C output as the anchor. In partnership with the ACEN120 language company we concentrate our efforts on providing an online suite of resources so that people can learn Welsh at their own pace through watching our programmes.121 There are five different entry levels—Entry, Foundation, Intermediate, Higher or Proficiency, thus ensuring that every level of need is catered for.

5.2 The format of these Welsh learner services has been adopted in countries across Europe as a model for the teaching of other languages and some materials have been translated into nine languages.

6. Programmes about Wales

6.1 Certain S4C programmes are particularly popular with the Welsh diaspora including those which present the best of Wales. Extended coverage of the National Eisteddfod and the Royal Welsh Show is available through alternative video streams via the red button on Sky.

6.2 All these programmes can be viewed, subject to rights, live online as well as through traditional television and are also available as a video “catch up” on demand for 35 days on the website.

25 February 2008

Memorandum submitted by the Department of Theatre, Film and Television Studies, Aberystwyth University

1. Background

1.1. Globalisation has been defined as a process in which “economic, political and cultural activities across the world have become interconnected and individuals and nations find themselves influenced from a distance.”122

1.2. In the context of increasing international mobility of capital, convergence of technology and consolidation of economic entities, globalisation can be defined to represent the movement of capital away from legal structures within nations with a parallel reduction in national political power of corporations.123

120 See www.acen.co.uk
121 See www.learnons4c.co.uk
122 Globalization or re-colonization: Higher education reforms in Hong Kong, Mok, K.-h. & Lee, H.-h. 2000, Higher Education Policy, vol 13, no 4, p 362
1.3. This aim of this paper is to outline some areas where the process of globalisation can be seen to be at work in the creative industries at the points of production, distribution and consumption in the Welsh context.

1.4. It is recognised that sustaining and developing creative industries has an important bearing on social cohesion, cultural identity, democratic communication and economic activity.

1.5. There is a complex inter-relationship between specific areas of the creative industries (radio, television, press, music etc) which is further intensified in the process of convergence.

1.6. Welsh language broadcasting has a particularly important role to play in the economic and cultural life of Wales. Content produced in the Welsh-language cannot be inferior products and accessibility—on all platforms—must be as easily available as their English counterparts. However, specific conditions must be met in order for minority language media and culture to develop—and the Welsh language is no exception to this.

1.7. The production, distribution and consumption of English language content that is made in Wales is at risk of being weakened in the post-analogue era.

1.8. There is evidence that Wales will experience a digital deficit in radio and television in the post-analogue age in terms of coverage/access as well as content.

2. BIOPGRAPHICAL INFORMATION

2.1. Elin Haf Gruffydd Jones is lecturer in broadcasting and communications policy at the Department of Theatre, Film and Television Studies at Aberystwyth University. She is Director of the Mercator Centre and Director of the Broadcasting Compliance Unit and member of the Wales Institute of Cultural, Communication and Creative Industries at the same department.

2.2. The Department of Theatre, Film and Television Studies at Aberystwyth University was rated 5 (international standing) in the last Research Assessment Exercise. The Department is one of the largest of its kind in the UK and is the leading provider of Welsh-medium education in its discipline areas.

2.3. The Mercator Centre was established in 1988 as a research centre specialising in European minority language media.

3. THE CHANGING NATURE OF PUBLIC SERVICE AND INDEPENDENT BROADCASTING IN WALES AND THE END OF ANALOGUE

3.1. Over the past decade there has been a significant change in broadcasting at the level of production, distribution and consumption. Digital technology, introduced in the UK following the Broadcasting Act 1996, has accelerated the process of creating the multi-channel, multi-platform environment that exists today.

3.2. The overall Welsh profile is indicated by the following elements

— Wales still leads the UK’s nations in digital television (DTV) take-up with at least 82%\(^{124}\) of individuals with access to it. (More recent figures from broadcasters suggest that the percentage for Wales is now at 90%).

— Yet, Wales has the lowest levels of Digital Terrestrial Television coverage and Digital Cable Television coverage among the nations of the UK\(^{125}\).

— Welsh viewers are more likely to pay for DTV than in other nations or in the English regions\(^{126}\).

— The all day share of public service broadcasting (the five channels) viewing in Wales is lower than in any other region (equal to Borders at 59%) and its decline since 2002 is the most significant (at 19%). The same trend was seen in peak-time viewing.

— Digital-only channels have a larger share in Wales than generally in the UK and in other nations and regions. See Figure 3.67.

— Welsh viewers are more dependent on television than other sources (such as newspapers and radio etc) for their news provision than their counterparts in Scotland and other areas of the UK.

(See Appendix 1 for figures—Ofcom’s second report of the Nations and Regions Communications Market, published in May 2007.)


\(^{125}\) Ibid page 101

\(^{126}\) Ibid page 103
3.3. Ofcom research has also indicated that viewers who live in Wales but whose television sets are tuned
in to transmitters based in England are (a) less likely to (a) know the name of their Assembly Member (b)
know the name of their MP and (c) less likely to vote in National Assembly elections.127

3.4. There is an indication that the process of digitization of television and its effect on public service
broadcasting could have a detrimental effect on democratic communication for people living in Wales.

3.5. Public service broadcasting continues to be a key element of public debate on broadcasting, yet
producing a precise and comprehensive definition of public service broadcasting has often been considered
a problematic task for researchers and politicians alike (eg Davies Panel Review 1999, Peacock Committee
1985 etc). However, most definitions make reference to both programmes and programming (or “content”)
and to universality of access (or “delivery”).

3.6. Addressing the issue of public service broadcasting (or public service content and delivery) is more
complicated in the converged world of digital technologies. Content is delivered over several platforms and
the issue of universality of access becomes all the more relevant.

3.7. In this context it is important to be aware that equalities in today’s environment—through the
availability of broadcasting and telecommunications—do not evolve to become inequalities in the digital,
converged communications landscape.

**Radio**

3.8. The coverage and access to DAB Radio in Wales is particularly problematic. Ofcom is in the process
of issuing commercial multiplexes in various parts of the UK. BBC Radio Cymru and BBC Radio Wales
are not carried on the BBC multiplex and must be carried on the commercial multiplexes in each area.
However there are two specific problems that need to be solved in order for the whole of Wales to be able
to have access to these services on DAB Radio.

3.9. Market failure has already taken place in Wales. No commercial interest was shown in the Heads of
the Valleys local multiplex128.

3.10. However, the most serious issue lies in North Wales with Gwynedd, Ynys Mon/Anglesey, Conwy
and Sir Ddinbych/Denbighshire unable to receive BBC Radio Cymru and BBC Radio Wales on DAB until
June 2015 due to the terms of international spectrum agreements129.

**Digital switch-over and English-language production from Wales**

3.11. The non-news output of ITV licence holders in the nations is to be reduced from 4 hours per week
to 3 hours per week once digital switchover takes place.

3.12. In October 2007, along with the announcement of possibly 150 redundancies over five years, it was
stated that BBC 2W would cease in the run-up to digital switchover in 2009130.

**New platforms and universal access**

3.13. “Universal access” of public service broadcasting and USO (universal service obligations) in the
field of telecommunications have been compared to access to new platforms of delivery and consumption
of telecommunications. New platforms are being developed and used by public service broadcasters and
others alike. Broadcasting has become “content distribution” via terrestrial, cable, satellite and DSL
(IPTV), internet, 3G telephony and viewed on TV sets, computers, mobile phones and other media players
(eg PSP, ipods etc). It is important that Welsh content (in Welsh or in English) is excluded from any platform
of delivery.

127 However, while 32% of Wales-only viewers could correctly name their local AM, only 23% of England-only viewers could
do so. Likewise, when asked about Members of Parliament, just over half the Wales-only viewers (55%) could name their
local MP, compared with 36% of England-only viewers. Ofcom report p 35

128 http://www.bbc.co.uk/foi/docs/bbc_trust/audience_councils/audience_council_for_wales/
Audience_Council_Wales_May_2007.pdf page 7

129 See http://www.ofcom.org.uk/rdio/rt/bl/dec/digital_timetable/ “The achievable coverage of this licence may be significantly
constrained until June 2015 at the latest under the terms of international spectrum agreements

4. **Welsh Language and Other Minority Language Provision;**

4.1. Welsh language broadcasting has been generally well served compared to many of its European counterparts. Of the sixty or so territorially based minority language communities, only eight have specific television channels operating solely or primarily in the minority language.

4.2. There is a clear correlation between (minority) language sustainability and the existence of strong cultural industries. This is evidenced in the social, economic, cultural and linguistic impact of the cultural industries.

4.3. It is important to note that in order to create and sustain such sectors, specific conditions have to be met. The general linguistic infrastructure needs to be in place such as the education system, the legal framework etc. In addition, sufficient financial resources must be allocated or identified in order to create goods and services that match (and can compete with) those available in the majority language.

4.4. Minority language speakers are no more of a homogenous group than majority language speakers in relation to their range of interests and tastes. As bilinguals, they are influenced by the context of living in the majority language as well as in the minority language.

4.5. During the past three decades, many minority language communities have sought to increase their presence in the media by means of establishing television channels, radio stations and daily newspapers. Of the minority language communities that have strong media, Wales is an anomaly in that it has yet to succeed in setting up a daily newspaper in the language.

4.6. Catalan television is the only minority language at present to have niche television channels: a children’s channel, a 24 hour news channel, a second television channel, a drama/fiction channel and an international channel.

4.7. The aim of the S4C Authority to establish a Children’s channel is timely when considering the actual and potential growth in younger speakers of Welsh and the change in children’s viewing patterns through digital and niche services.

4.8. There may be some concern, however, that S4C-2 will not be able to accommodate the needs of the proposed channel after Digital Switchover in 2009–10 as it will be migrated to Mux B. See BBC’s submission to the S4C Authority’s consultation document.

5. **Employment in the Creative Industries in Wales and Lessons from Other Parts of the World**

5.1. In the context of web-based media, Catalan journalist and director of VilaWeb, Vicent Partal who has been operating on-line media in Catalan since 1995, states, “If the language of communication in our country [Catalonia] is Spanish or French, the profits will end up in Los Angeles, Paris or Miami. The survival of a culture is not the only issue at stake. It’s the thousands of jobs that will be created because of the Catalan language, or the jobs that won’t be created at all in our country.”

5.2. “Home-grown” media, and language specific cultural products are not easily imported, and thus the jobs involved in their production are not easily exportable to countries where labour costs are cheaper. Television production companies, like small businesses in other sectors, also spend proportionately more of their turnover locally than larger businesses therefore a television industry which has a large proportion of small businesses can contribute greatly to the economic well-being of the language in the area.

5.3. Recently reported changes made by the Performing Right Society (PRS) that classify BBC Radio Cymru and BBC Radio Wales as regional/local radio stations instead of national radio stations will lead to Welsh language music composers being adversely affected, earning 90% lower than one year ago. Unlike the broadcasting sector, popular music has not been in receipt of direct public funding. Yet its existence is vital to a vibrant radio culture—as well as to other forms of culture.

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131 In addition to Welsh, these are Catalan, Basque, Galician, German (Italy), Frisian (NL), Swedish (Finland) and Irish. Scottish Gaelic is soon to be added to the list.
132 For further details see Mercator’s submission to the S4C Authority’s consultation on a Children’s Channel.
133 http://s4c.co.uk/plant/pdf/bbc.pdf
134 Si l’idioma de la comunicació al nostre país és l’espanyol o el francès els beneficis aniran a parar a Los Angeles, París o Miami. No està en joc només la supervivència d’una cultura. Estan en joc milers de llocs de treball que es crearan gràcies al català o que no es crearan en el nostre país.
136 The impact of S4C on small businesses in Wales, Fuller-Love, Nerys, Jones, Aled G. and Dennis, Cheryl (1997). Study funded by the Economic and Social Science Research Council ESRC Ref No. R00022166
137 http://news.bbc.co.uk/welsh/low/newsid_7090000/newsid_7090200/7090243.stm
Appendix One


Figure 3.46: Digital terrestrial television and digital cable television coverage, 2006

<table>
<thead>
<tr>
<th>Country</th>
<th>Cable</th>
<th>DTT</th>
</tr>
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<tbody>
<tr>
<td>UK</td>
<td>45%</td>
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<td>Scotland</td>
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<td>23%</td>
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<tr>
<td>N Ireland</td>
<td>30%</td>
<td>58%</td>
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</table>

Source: Ofcom

Figure 3.49: Proportion of individuals with free TV and pay TV, 2006

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<tr>
<th>Region</th>
<th>Pay</th>
<th>Free</th>
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<td>NE</td>
<td>48%</td>
<td>53%</td>
</tr>
<tr>
<td>NW</td>
<td>51%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: Ofcom research
Figure 3.61: PSB all-day share in 2006 and reduction from 2002, all homes

Source: BARB

Figure 3.66: Peak time PSB share loss in all homes, 2000–06 (%)

Source: BARB
Figure 3.67: Top ten digital-only channels’ share in multi-channel homes, 2006

<table>
<thead>
<tr>
<th>Audience share (%)</th>
<th>More4</th>
<th>BBC3</th>
<th>Living</th>
<th>Cbeebies</th>
<th>ITV3</th>
<th>UKTV Gold</th>
<th>Sky Sports 1</th>
<th>Sky One</th>
<th>E4</th>
<th>ITV</th>
<th>ITV Wales</th>
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<tr>
<td>18%</td>
<td>0.7%</td>
<td>1.0%</td>
<td>1.5%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>1.0%</td>
<td>0.5%</td>
<td>0.7%</td>
<td>0.7%</td>
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<td>15%</td>
<td>0.6%</td>
<td>0.9%</td>
<td>1.3%</td>
<td>0.7%</td>
<td>1.2%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.8%</td>
<td>0.5%</td>
<td>0.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>12%</td>
<td>1.1%</td>
<td>0.8%</td>
<td>1.3%</td>
<td>1.9%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.7%</td>
<td>1.3%</td>
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<tr>
<td>9%</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.5%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>0.5%</td>
<td>1.0%</td>
<td>1.2%</td>
<td>1.5%</td>
<td>1.3%</td>
<td>1.5%</td>
</tr>
<tr>
<td>6%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.7%</td>
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<tr>
<td>3%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>0.8%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.7%</td>
<td>1.3%</td>
<td>1.5%</td>
<td>0.7%</td>
<td>0.7%</td>
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<tr>
<td>0%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>0.8%</td>
<td>1.9%</td>
<td>1.4%</td>
<td>1.7%</td>
<td>1.3%</td>
<td>0.7%</td>
<td>1.5%</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Source: BARB

January 2008
Memorandum submitted by Skillset Screen Academy Wales (SSAW)

INTRODUCTION:
— Skillset Screen Academy Wales (SSAW) would like you to consider our evidence in relation to Broadcasting and the Creative Industries (employment in the creative industries in Wales)
— Representatives of SSAW would be happy to provide further information/oral evidence on request

SUMMARY OF MAIN POINTS:
— The overall aim of the Skillset Screen Academy Wales is to enhance the quality of film education (which impacts on all other creative industries through the transferable skills gained), and therefore increase employability within the creative industries and retain creative talent.
— SSAW has been formed to enhance courses offered to future filmmakers in Wales and the enhancement takes the form of film industry participation on courses as guest lecturers and mentors.
— The film industry also impacts on the development and improvement of courses through an advisory panel, which includes members of all areas of production in film and numbers Oscar nominees and Bafta winners.
— SSAW offers students and graduates a unique placement service, working closely with production companies in Wales. Placements invariably lead to those taking part securing future employment in their chosen field of creative industry production.
— SSAW also offers students bursaries to improve their final productions which in turn increases their employability; bursaries to attend international film festivals to compare work with that of their peers.
— SSAW is currently arranging international student exchanges with film schools in Beijing, Toronto to share working practices between student bodies and we are a member of the world wide organisation CILECT.
— SSAW currently sends a group of students on the European MEDIA funded EKRAN scheme in Warsaw where they interact with award-winning filmmakers and peers from other European film schools.
— SSAW works alongside partner Academies in Scotland and England to share best practice and collaborate on scheme with a UK-wide or international scope.

A BRIEF INTRODUCTION ABOUT SKILLSET SCREEN ACADEMY WALES:
— The Skillset Screen Academy Wales (SSAW) is a new organisation set up by Skillset (the sector skills council for the audiovisual industries) and HEFCW in July 2005.
— SSAW brings together film related courses from The University of Wales, Newport; The University of Glamorgan; Swansea Institute of Higher Education; Royal Welsh College of Music and Drama; Cardiff Business School and the Glamorgan Centre for Art and Design Technology.
— SSAW is part of a UK network of Academies (7 in total), considered to be centres of excellence following an intensive selection process by Skillset.

FACTUAL INFORMATION:
— SSAW produces approximately 300 graduates a year covering Producing, Directing, Screenwriting, Animation, Set Design, Acting.
— More than two thirds of media professionals are graduates, according to new research by Skillset. 69% of people working in the media have a degree, compared to 16% of the UK workforce as a whole. Forty-four percent are media graduates while 56% have a degree in other subjects.

RECOMMENDATIONS FOR REPORT:
— To consider the recent Leitch report—“Prosperity for all in the global economy—world class skills” December 2006—into the development of future skills and the key recommendations of the report which stress the need for industry and higher education to co-operate.
— To consider Skillset Screen Academy Network and the SSAW in particular as a case study for the area of increasing employability of those working in the creative industries in Wales.

8 January 2007
Memorandum submitted by TAC (Welsh Independent Producers)

TAC—Teledwyr Annibynnol Cymru

TAC is the trade association that represents the interests of television, film, and new media producers in Wales. Formed in 1982 as a response to the advent of S4C it provides its members with business affairs, industrial relations, and representative and lobbying services. TAC currently has over 30 members who have a combined turnover of over £100 million.

Impact of Globalisation on Broadcasting in Wales—Overview

In general terms broadcasting in the UK is an activity that has traditionally been sheltered from globalising forces due to lack of spectrum space, close government regulation of content and commercial activity of broadcasters, and the traditional hegemony of the broadcaster as the producer of content. With the advent in 1982 of Channel 4 and S4C the market in broadcasting content opened up to independent suppliers.

In the past 20 years the broadcasting and content markets have been revolutionised by several globalising forces. The long term impact of these forces on broadcasting in Wales have yet to be fully quantified and understood by broadcasters, regulators and government and the process of formulating appropriate regulatory responses.

Specifically TAC would wish to note the following long term trends which impact on broadcasting in Wales.

- Evolving technology opening up new broadcast windows for content and personalized service devices (e.g. 3G mobile telephony and VOD and IPTV services). Budgetary pressure as broadcasters seek to offer new services in response to demand for new content services. Would particularly wish to note the migration to personalised services among younger age groups and the resulting downward trend among viewing figures.

- Analogue switch off in next two years. Implications for some viewers as take-up of digital services has not permeated to all levels of society.

- Fragmentation of advertising revenue as result of proliferation of digital channels. Pressure on both ITV and C4 funding models as a result.

- Traditional notions of Public Service Broadcasting (PSB) evolving as new technology opens new content service possibilities and the migration to the non-analogue channels. See current OFCOM review of PSB.

- Pressures on programme financing threatening supply of Wales generated content on some broadcast channels eg ITV Wales. Part of broader trend across non-network broadcasting in Wales. Would particularly wish to note the difficulty in financing some types of programming eg Children’s and animation.

- Changing nature of broadcaster/supplier relationship in terms of the content supply market. The Communications Act 2003 proved a watershed point in the independent programme sector as all programming rights are now vested in the producer rather than the broadcaster as previous commissioning contracts stipulated. This has led to a hitherto unprecedented interest in the independent sector by banks and financial institutions. The UK Government in terms of the regulation of content markets is to be commended as this development recognises the commercial value of content and allows producers the freedom to exploit rights in broadcast content. This regulatory development will be a significant driver of the economic growth of the content industries.

Impact of Globalisation on Broadcasting in Wales—Policy Considerations

- TAC would wish to note the importance of regional broadcast and news services to Wales and that the current OFCOM PSB review is an opportunity to strengthen the services as currently provided.

- We would ask the Committee to note the current situation regarding analogue switchoff and potential effects.

- TAC would assert the importance of a plurality of voices in the delivery of PSB services to Wales.

- The evolution of content services to multi-platform and personalised content delivery will put further pressure on broadcasters in both audience numbers and programming budgets. This is both a threat and an opportunity to broadcasters in Wales and we would ask the Committee to note that this will be a long-term trend going forward.

- TAC would note the importance of the role of S4C as a driver of cultural and economic growth in the creative industries and would wish to note the results of the recent S4C Economic Impact Report. We would ask that the Committee note the particular economic impact S4C has had at regional levels in Wales.
— TAC would ask the Committee to note the role of the independent sector in driving economic growth in Wales and the importance of the new broadcaster Terms of Trade in driving this growth. However we believe that a number of policy interventions are required to fully realise the potential of the sector to deliver further growth.

— TAC would note that the level of UK network penetration by content originated in Wales is low—currently around 1.7%. The Welsh Assembly Government has set a target of 3% network penetration. If the content industry in Wales is to develop and compete globally further network penetration is essential.

Gwion Owain
Chief Executive, TAC
January 2008

Memorandum submitted by BBC Wales

INTRODUCTION

1. BBC Wales is the only broadcaster producing television, online and radio services for Welsh and English-language audiences in Wales. Its network programmes also reach significant audiences across the UK and beyond.

2. BBC Wales employs more than 1,200 staff at centres in Cardiff, Bangor, Wrexham, Aberystwyth, Carmarthen and Swansea. In addition, a substantial number of freelance contractors are engaged across a range of BBC Wales projects, including both inhouse and independent productions.

3. BBC Wales’ mission is to support the corporation’s public purposes in Wales by building:
   — Social and community value: BBC Wales has this purpose at its heart and is dedicated to bringing audiences together across Wales to debate, explore and celebrate. This is the raison d’être of BBC Wales—a unique national broadcaster offering content and services in both Welsh and English, and helping to connect diverse communities and build social value by providing universal access to the best of Welsh life.
   — Democratic value: BBC Wales supports civic life and national debate in Wales by providing trusted and impartial news and information in both languages and an independent platform for national discussion across television, online and its two national radio stations, BBC Radio Cymru and BBC Radio Wales.
   — Cultural and creative value: As well as celebrating and reflecting our unique cultural, sporting and social heritage, BBC Wales plays a major role in building creative value across the UK through its distinctive and successful contribution to the BBC’s networks.
   — Educational value: BBC Wales offers audiences of every age access to a world of formal and informal learning, and plays a central role in serving Wales’ growing Welsh language audience.
   — Global value: BBC Wales reflects the global/international agenda from a Welsh perspective across all its services. Its growing online presence also enables Welsh communities living across the world to stay connected with issues back home.

KEY POINTS ON BBC WALES AND THE IMPACTS OF GLOBALISATION

4. Alongside growing global influences, there has been a clear trend for some time towards a society where people increasingly value localness. Across virtually all demographic groups, our audiences’ interest in locality has grown significantly over the last two decades, with particularly significant rises among audiences aged 16–44138.

5. We believe this trend demands a two-pronged response from BBC Wales. First, a continued commitment to reflect and report the changing national picture in Wales across our television, radio and online services. Second, and in parallel, to extend our coverage of regional/local issues across Wales. We have recently announced plans to strengthen this coverage online and are awaiting BBC Trust approval (see 24).

138 Source: Redefining Regions, The Future Foundation, 2004
6. The social and economic impacts of globalisation can often be best understood when they are placed in a local/national context. Both our national radio stations, BBC Radio Wales and BBC Radio Cymru, are committed to reporting world and UK affairs, alongside their extensive coverage of national issues in Wales. In addition, our Welsh language television news programme, Newyddion, regularly reports on world affairs.

7. BBC Wales’ network television successes (see 40) are placing Wales—and its creative talent—on the global stage. Doctor Who, which is produced by BBC Wales at studios near Pontypridd, has been sold in 37 countries, including the US, China, Germany and France. Its sister show, Torchwood—which is centred on Cardiff—has also been an international hit, with sales to 17 countries.

8. The successful commercial exploitation of these brands by BBC Worldwide feeds back into BBC Wales—and the local creative economy—through an enhanced contribution to the production costs of future series.

9. BBC Wales’ global contribution extends beyond drama. The biennial BBC Cardiff Singer of the World, for example, has been acclaimed as the world’s leading singing competition, and is regularly enjoyed by audiences in some 15 countries.

MARKET CONTEXT IN WALES

10. With just over a year until the start of digital switchover, 87% of people in Wales now have digital TV. This is easily the highest of any of the UK’s four nations (it’s 83% in both England and Scotland and 71% in Northern Ireland) and it’s also higher than any region of England.139

11. Wales is the only nation or region in the UK where over half the population has a digital satellite receiver at home (55% in Wales).

12. In Wales, 22% of people have DTT (Freeview) as their primary means of digital TV reception, with a further 15% having DTT for second sets in the home.

13. BBC One is still the most watched channel in Wales, with 77% of adults viewing each week. Along with BBC Two and the BBC’s digital channels, BBC television channels reach 84% of people in Wales each week.

14. Even though Wales leads the way with digital TV, take-up of DAB (digital radio) lags the rest of the UK due to incomplete DAB coverage (see 61). 16% of the population in Wales has a DAB set at home, compared to 21% across the UK.140

15. The BBC’s total share of radio listening in Wales is 61%, higher than in England (56%), Northern Ireland (47%) and Scotland (42%).141 There are a number of contributing factors, including the strong performance of our national stations and the BBC’s UK portfolio (particularly Radio 1 and Radio 2), and a historically weaker and less diverse commercial radio sector.

16. Although 60% of adults in Wales now have access to the internet (almost all of them at home), this is still five points lower than the UK average.142 Internet usage is skewed towards the young, ABC1s and those living in south Wales (Cardiff in particular). Usage is lowest in north-west Wales.

17. Over 80% of home internet users in Wales now have a broadband connection at home, with take-up lowest among older internet users and in north Wales.

18. Outline of BBC Wales output and services

   — BBC One Wales and BBC Two Wales
     BBC Wales produces and broadcasts over 16 hours a week of English language programmes for audiences in Wales.

   — BBC Cymru on S4C
     Since 1982, BBC Wales has produced more than ten hours of Welsh language television programmes each week for broadcast on S4C, funded entirely from the licence fee. We also provide coverage of Assembly proceedings on S4C2.

   — BBC Radio Wales
     19 hours a day throughout the week in English.

   — BBC Radio Cymru
     20 hours a day of Welsh language programmes.

139 BARB Establishment Survey 2007
140 RAJAR
141 RAJAR Q3 2007
142 BBC data, 2007
News

19. News is the backbone of BBC Wales’ national services, in both the Welsh and English languages.

20. The news service across all three platforms includes our flagship television news programmes Wales Today and Newyddion (broadcast on S4C), up to ten hours a day of bulletins and news programming on the two national stations BBC Radio Wales and BBC Radio Cymru, and an on-demand online news service available in both Welsh and English.

21. Wales Today bulletins are seen by 1.2 million adult viewers in Wales each week, with 240,000 viewers watching on average each weekday evening.143

22. BBC Wales also produces a range of political and current affairs programming, including Dragon’s Eye, Week In Week Out and am.pm (on BBC One and BBC Two), Eye on Wales (on BBC Radio Wales) and CF99 and Taro Naw (on S4C).

23. Since 1999, BBC Wales has also funded and produced live coverage of National Assembly proceedings. This service is broadcast on S4C2.

24. BBC Wales recently announced plans to launch up to ten local online news services over the next four years (five in each language), subject to approval from the BBC Trust. This will enable the BBC to complement its national services for Wales with a greater analysis and reporting of local issues in the Welsh regions.

25. The reporting of Wales on the BBC’s network news services is currently being reviewed by the BBC Trust. The review is considering whether the nations’ differing policies—with regard to both devolved policies and other matters—are properly reflected in the BBC’s network output and whether the BBC provides appropriate coverage of the actions and policies of the devolved administrations and reaction to them.

English-language television services for audiences in Wales

26. BBC Wales produces a wide range of “opt-out” programmes for BBC One Wales, BBC Two Wales and BBC 2W, including Wales Today, Week In Week Out, X-Ray (consumer), Dragon’s Eye (politics), Coal House (history), Belonging (drama), Iolo (nature), High Hopes (comedy) and Scrum V (club rugby).

27. Almost a million adult viewers in Wales watch BBC Wales opt-out programming each week, with news, sport, factual and major landmark series drawing the highest audiences.

28. Our ambition over the next five years—as part of the BBC’s Creative Future strategy—is to develop content which can be accessed across a range of media platforms in order to deliver maximum impact and value for audiences.

29. BBC Wales’ recent Coal House series is an excellent example of this so-called “multi-platform future.” Broadcast in the Autumn, Coal House took three families back to experience the realities of mining life in 1927. Alongside the series, the entire portfolio of BBC Wales services—radio, television, online—helped provide the vital historical context through radio discussions, innovative websites, community events and additional television programming.

30. The result was memorable: an overwhelmingly positive audience response evidenced by hundreds of letters, call and emails; record viewing and appreciation figures for BBC Wales across all age groups; and, most importantly, a project that succeeded in bringing history to life for hundreds of thousands of viewers. In all, more than 60% of the population of Wales experienced Coal House during its three-week run.144

31. Over recent years and in the run-up to digital switchover, BBC Wales has been able to broadcast two separate BBC Two services—BBC Two Wales on analogue and BBC 2W on digital.

32. BBC2W has provided viewers in Wales with a range of local opt-out programmes, primarily repeats, during peak viewing hours. Although popular with many viewers, the service has also attracted criticism from viewers who felt they were being deprived of major network programmes being shown at the same time on BBC Two elsewhere in the UK.

143 BARB, April-October 2007
144 Beaufort Research for BBC Wales
33. Once analogue services are withdrawn in 2009, this split provision will no longer be possible. As a result, BBC Wales plans to begin to merge these two BBC Two services later this year. BBC Wales will continue to broadcast a wide range of original opt-out programming across both BBC One Wales and BBC Two Wales after switchover.

34. In 2006–07, BBC Wales broadcast just over 800 hours of original “opt-out” programming\(^{145}\). Total programming costs totalled £24.6m.

**Welsh language television service**

35. Under the requirements of the 1996 Broadcasting Act, BBC Wales provides at least 10 hours of distinctive programming to S4C each week, funded by the licence fee.

36. The BBC’s contribution includes the daily news service *Newyddion, Pobol y Cwm* (drama), *CF99* (politics), *Pawb a’r Farn* (debate), *Taro Naw* (current affairs), Welsh international and club rugby, and children’s programming. BBC Wales is also the official broadcast partner of the National Eisteddfod, and provides continuous coverage of the festival on S4C during August.

37. The BBC Trust and S4C Authority entered a 3-year Strategic Partnership in 2006 that has helped to clarify editorial, financial and programme planning arrangements between the two broadcasters.

38. BBC Wales programming continues to play a vital role within S4C’s schedule. Over 220,000 viewers in Wales watch BBC Wales’ Welsh language programming on S4C each week\(^{146}\), and last year the BBC produced more than half the channel’s top 20 programmes\(^{147}\).

39. In 2006–07, the financial value of the BBC’s programming contribution to S4C was £20.6 million. This will increase in real terms over the next two years as part of the commitments set out in the Strategic Partnership.

**BBC Wales network production**

40. The last four years have seen rapid growth in BBC Wales’ contribution to the corporation’s network radio, television and online/interactive services, and significant audience success. For example, network TV production through BBC Wales has grown from £5 million in 2000, to around £43 million in 2007–8.

41. Our most recent network successes, across a range of genres, have included *Doctor Who* (tv and online production), *Torchwood* (tv and online), *BBC Cardiff Singer of the World, Tribe, China’s Terracotta Army, Legends and The Sarah Jane Adventures*.

42. The successful development of our network production “slate” has produced a significant economic and talent development dividend, and is helping to redefine both the capability and ambitions of the Welsh creative sector. The continued development of BBC network production in the UK nations is a key strategic priority for the whole corporation.

43. BBC Wales’ contribution to network has been focused on three key genres: drama, music and factual.

44. Our drama offer has been centred on the development of *Doctor Who, Torchwood, and The Sarah Jane Adventures*—all of which are produced inhouse and overseen by Head of BBC Wales drama Julie Gardner and executive producer/lead writer Russell T Davies. The inhouse drama department also makes a range of drama for BBC Radio 4 and Radio 3.

45. Our music contribution has included coverage of major events and competitions including *BBC Cardiff Singer of the World* and, in future, the *BBC Young Musician of the Year* competition (to be held at the Wales Millennium Centre). BBC Wales—uniquely in the BBC—operates a bimedia music department (ie tv and radio combined) which delivers regular strands for BBC Radio 1, Radio 2, Radio 3 and Radio 4.

46. Our factual department was responsible for the ground-breaking BBC Two documentary series *Tribe* presented by Bruce Parry (the third series went out in the autumn). The department’s range extends from consumer films for BBC One’s *The One Show*, to successful observational series such as *A Year At Kew* (three series were commissioned), *The Museum* (about the British Museum) and *The Trees That Made Britain* (a second series has just been just completed).

47. The contribution of the independent sector in Wales to the BBC’s networks has focussed primarily on the arts and factual output. Key commissions have included *Private Life of A Masterpiece* for BBC Two and BBC Four from Fulmar, and *What Do You Do All Day?* (presented by Adrian Chiles), from Aspect. Another Welsh company Indus is in production with a new series presented by Bruce Parry for BBC Two.

48. In 2006–07, BBC Wales produced and delivered 154 hours of network television programming, and 477 hours of network radio commissions.

\(^{145}\) A further 291 hours of repeats were broadcast over the same period, primarily in the digital-only zone, BBC 2W

\(^{146}\) Source: BBC Wales/BARB

\(^{147}\) S4C Authority Annual Report 2006
NETWORK PRODUCTION, TALENT AND DEVELOPMENT AND THE CREATIVE ECONOMY

49. The media magazine, Broadcast, recently hailed Doctor Who as the “reawakening of the Welsh dragon”. It is the biggest network project ever to come out of BBC Wales, and its creative and popular success has demonstrated both the maturity and potential of the media sector in Wales.

50. At the peak of production, BBC Wales’ drama studio complex, near Pontypridd, is home to more than 400 artists, writers, editors, technicians, designers and producers.

51. The complexity and scale of the endeavour has had a significant impact on the local creative economy. In just three years, BBC Wales has doubled its income from network production: money that is now being invested with a wide range of local businesses, from costumiers and set builders, to prop suppliers and stage electricians.

52. Alongside these immediate economic benefits, the success of BBC Wales’ network production has enabled more long-term talent planning. From the outset, BBC Wales was determined to showcase and develop the brightest and most creative Welsh talent, rather than importing experienced production staff from elsewhere.

53. As a result, BBC Wales has partnered with the Welsh industry training body Cyfle to create a production training scheme, enabling young people with little previous production experience to develop specialist skills by working on both Doctor Who and Torchwood.

54. The Welsh Assembly Government’s creative industries strategy has also grasped the opportunities provided by the “halo” effect from Doctor Who, leveraging the series’ profile and success to stimulate growth in the wider TV and film production sector in Wales.

55. A further critical element in BBC Wales’ approach to talent and skill development has been the integration of network and local TV production departments. This is not just more efficient; it has also enabled us to develop people with real potential—but less experience—and to retain key talent.

56. For example, BBC Wales’ recent network commissions for BBC One’s The One Show came as a direct result of the inhouse expertise developed over six years producing the opt-out consumer strand, X-Ray.

NATIONAL RADIO SERVICES

57. BBC Radio Cymru and BBC Radio Wales are the only indigenous radio services that broadcast to the whole of Wales. As such, they are vital stations of record. They connect audiences from across Wales’ diverse regions, celebrate national culture and identity and nurture national talent.

58. Both stations play a crucial role in reporting and scrutinising political life, as well as providing a shared space where issues can be tackled and deliberated in an open, free forum. They foster debate and discussion, and use features and documentaries to explore the life, heritage and contemporary identity of Wales.

59. Both stations offer high-quality news and information services, with all-speech breakfast and evening programmes.

60. BBC Radio Wales attracts approx 450,000 listeners each week, and is the third most popular station in Wales after Radio 2 and Radio 1. BBC Radio Cymru attracts over 150,000 listeners each week, and a 17% share of listening among Welsh speakers.

DAB (DIGITAL RADIO) COVERAGE

61. The non-availability of both BBC Radio Wales and Radio Cymru on DAB digital radio across large parts of Wales continues to be a cause of concern and inconvenience for many listeners.

62. As a result of UK Government legislation, the BBC is reliant on the local commercial marketplace to provide the digital radio infrastructure for the carriage of both BBC Radio Wales and BBC Radio Cymru. Whereas the BBC’s UK radio networks are broadcast on a BBC-owned “multiplex”, BBC Wales’ two national stations can only be broadcast in areas where a local commercial multiplex has been licensed by Ofcom.

63. Given Wales’ topography and population density, this poses significant issues. We do not believe that there is any commercial interest in the Heads of the Valleys licence area, and it is unclear what coverage will be provided for the West and Mid Wales area once the local licence is awarded later this year.

64. The situation in north-west Wales is compounded by frequency issues that prevent any full licence being offered to the market place until the Republic of Ireland withdraws its analogue TV signal (although Ofcom has recently announced it will licence a smaller area along the north Wales coast).

65. The impact on audiences is significant. Currently, around half of households in Wales are unable to receive either of the national stations via DAB.148 Even where licences are being advertised, there is no guarantee that the successful applicant will choose to provide DAB coverage for the entire area.

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148 Source: Ofcom
66. The BBC is doing everything within its power to resolve these distribution issues (including extensive discussions with Ofcom). In addition, the BBC has ensured both stations are provided to listeners on alternative digital platforms in Wales, including online, satellite TV, Freeview and digital cable.

NEW MEDIA AND ONLINE

67. BBC Wales has a comprehensive—and still expanding—internet service in English, offering comprehensive news and sport coverage. Alongside these core information services, the site also provides a rich mix of factual, history and educational content.

68. BBC Wales has also established five local online sites covering regional areas of Wales, known as Where I Live sites. We have recently announced plans to relaunch these services with greater investment in local video gathering (see 24).

69. The BBC’s Welsh language online service, bbc.co.uk/cymru, has a full domestic news and sport service and—in its magazine section—a discussion forum, feature articles, columnist, games and interactive features, plus live streaming of Radio Cymru. A partnership with Welsh language community newspapers has enabled us to provide local online content from around Wales in Lleol i Mi.

70. The BBC Wales new media team also produces a wide range of online services and websites for BBC network productions, including the popular Doctor Who, Tribe and Sarah Jane sites. In 2007–08, BBC Wales secured online network commissions worth in excess of £1 million—the highest ever.

BBC NATIONAL ORCHESTRA OF WALES

71. BBC Wales runs the nation’s only professional symphony orchestra, the BBC National Orchestra of Wales.

72. Last year, the orchestra gave 80 concerts, 59 of which were in Wales. It also completed an 11 concert tour of the eastern USA under its new Swiss conductor Thierry Fischer.

73. The orchestra has recently finalised an agreement to move to a new home at the Wales Millennium centre. The new centre—to be known as BBC Hoddinott Hall—will be a custom built broadcast, recording and performance facility capable of holding a large orchestra, chorus and an audience of up to 350.

PARTNERSHIPS AND COMMUNITY

74. Partnership has become a cornerstone of some of BBC Wales’ most exciting creative work, and we are actively developing and strengthening our links with organisations and communities throughout Wales.

75. Collaborative working arrangements range from informal links established with local groups as part of BBC Wales’ Community Strategy, to formal contractual relationships with a variety of organisations.

76. BBC Wales’ Community Strategy campaign continues to work closely with communities across Wales, creating tailored outreach programmes that aid media literacy.

77. Over recent months, programme makers from across our services have worked with local people in Colwyn Bay, Maesteg, Lampeter and Newtown to create interactive media roadshows that provide an opportunity for the BBC to get closer to its audiences, and for communities to create original and compelling content of their own.

78. Elsewhere, the Coal House project would not have been possible without the partnership and collaboration of CADW (the Welsh heritage agency), who worked side-by-side with the programme’s producers at Blaenafon to recreate a colliery terrace of 1927.

79. BBC Wales has also recently established a partnership with the University of Glamorgan to explore areas of possible collaboration in the field of participatory media.

EDUCATION AND LEARNING

80. The Education and Learning team at BBC Wales produces multi-platform content for adults—including parents and teachers—and children in both English and Welsh.

81. Formal learning support for children and teenagers is offered on television and online with a wide range of programmes and websites. Most recently Coal Stories, aimed at 9–13 year olds, was a four part television series that looked at the impact of the coal industry on children and communities across two centuries, and also played into the wider Coal House multi platform season on BBC Wales.

82. BBC Wales provides curriculum-based revision resources for GCSE students, via the TGAU Bitesize website.

83. Over the past few years, BBC Wales has developed a range of ground-breaking projects for Welsh language learners, ranging from multi-platform projects including the Big Welsh Language, to our innovative online translation tool Vocab, and the learnwelsh website.
84. We have also recently extended our educational programming for young Welsh speakers with the launch of *Mosgito*, a major multi platform project for 12–15 year olds. The audience helps to drive the content of this twice-weekly live magazine programme (shown on S4C) through the contributions of the “web gang”, and the interactive nature of the website, which allows teenagers to offer opinions, ideas and content.

85. The BBC Wales Education and Learning team also produce Social Action programming, often in partnership with relevant agencies. Recent awareness campaigns have included binge drinking and sexual health.

*January 2008*

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**Supplementary memorandum submitted by BBC Wales**

1. In October 2007, Mark Thompson, Director General BBC, announced the corporation’s strategic plan for the next five years, Creative Future.

2. As part of this plan, the BBC is committed to a substantial increase in network production from the nations. In addition, we have also confirmed our intention to launch up to ten local broadband services across Wales—both in English and Welsh—providing a rich mix of news and sport. Subject to BBC Trust approval, this will see new jobs being created across Wales, and will underline BBC Wales’ commitment to fully reflect local and regional issues in every part of Wales.

3. The Director General also stated that the BBC would focus on producing fewer programmes that deliver a greater impact with audiences. Audience impact, he said, should be the primary measure of future success, not broadcast hours.

4. While this new strategy brings the promise of new investment in Wales, BBC Wales is also required to deliver efficiency savings of approximately 3% per annum over the next five years.

5. Last October, BBC Wales forecast having to close around 100 posts over the first 2 years of this plan. However, careful planning has now reduced this estimate to around 70, and BBC Wales expects to create around 40 new posts over the same period through investment in new programmes and services.

6. Taking into account both the post closures and these new jobs, we anticipate around 27 redundancies in all over the first two years—the lower end of our original forecast last year.

*30 January 2008*

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**Supplementary memorandum submitted by BBC Wales**

**THE BBC’S PARTNERSHIPS WITH HIGHER AND FURTHER EDUCATION INSTITUTIONS IN WALES**

1. **BBC Wales** currently has partnerships with the majority of higher education institutions in Wales. As noted in our previous submission, BBC Wales is constantly developing new and existing strategic partnerships with education institutions throughout Wales in order to promote and support creative excellence.

2. The development of strategic partnerships is important in order to meet the future skills needs of BBC Wales in all aspects of broadcasting. These partnerships also provide a valuable insight for education institutions into how a leading broadcaster operates, and for their students to gain practical experience of working in the broadcast industry. These arrangements also allow for the sharing of best practice, direct access to industry leaders and the sharing of ideas that mutually benefit all parties.

3. **BBC Wales** is currently reviewing the skills it will need in the future and what partnerships can be forged in order to deliver these needs and keep BBC Wales at the forefront of the Welsh broadcast industry.

*Current and future partnerships*

4. Partnerships exist between **BBC Wales** and the Royal Welsh College of Music and Drama, Bangor University, Cardiff University, North East Wales Institute, University of Glamorgan, Newport Film School, Lampeter University, the University of Wales Institute Cardiff (UWIC) and Aberystwyth University.

5. **BBC Wales** also has a partnership with Yale College for its *Capturing Wales* project recording “digital stories” from around Wales.

6. The partnerships between **BBC Wales** and these institutions vary between sponsorship and bursaries for certain courses, to work experience opportunities at **BBC Wales** and the delivery of Welsh lessons for **BBC Wales** staff.
7. We have also collaborated with Welsh medium colleges such as Coleg Meirion Dwyfor on BBC RaW workshops. BBC RaW is a campaign to help adults across the UK to improve their reading and writing.

8. BBC Wales will be working with all FE colleges in Wales on a new Active Citizenship and Political Literacy project. Working in partnership with the Office of the Presiding Officer of the National Assembly for Wales and the Welsh Assembly Government, BBC Wales Education and Learning is developing a brand new project to develop the Political Literacy skills of 14–19 year olds.

9. BBC Wales also works regularly with higher and further education institutions through the Here for You/Yma I Chi communities initiative.

Sponsorship of courses, bursaries and work experience

10. BBC Wales currently provides sponsorship for the Geraint Evans Singing Scholarship at the Royal College of Music and Drama; a journalism bursary at the School of Journalism at Cardiff University; two bursaries in Radio Production (MA—one in Welsh, one in English) at Aberystwyth University; as well as attaching two posts to the George Ewart Evans Centre at the University of Glamorgan which is hoped will establish a centre of excellence in digital storytelling and participatory media.

11. Over the past four years, 32 students from the Royal College of Music and Drama and the University of Glamorgan have had work experience placements with the BBC Wales Art Department working on such projects as Doctor Who, Torchwood and the Sarah Jane Adventures. The placements allow the students a unique opportunity to learn some of the skills necessary for a successful career within a busy art department.

12. The BBC Wales bursary at the School of Journalism at Cardiff University is currently targeted at students from Wales studying the postgraduate broadcast journalism course. In addition, a number of students each year gain work experience in the Newsroom for three weeks during their studies.

13. Students also secure ad hoc placements in departments throughout BBC Wales.

14. Numerous BBC Wales presenters, reporters and production staff have been appointed following such placements.

Partnerships with other education and skills organisations

15. As noted in BBC Wales’ previous submission, we have partnered with the Welsh industry training body Cyfle to create a production training scheme. During the last two years, BBC Wales and Cyfle have funded traineeships in the art department, construction, rigging and locations. Pobol Y Cwm currently has three trainee script editors on a scheme co-funded by BBC and Cyfle. We also have three trainees working in Post Production on six month placements, to address gender imbalance in this area. We are currently investigating expanding such opportunities within the new media sector in order to address any future skills shortages.

16. BBC Wales is also a principal funder at the student moving image festival, Ffresh, providing financial support as well as participating in master classes and providing guest speakers.

17. BBC Wales collaborated with Yale College for students to create their own digital stories that were added to the BBC Wales north east Wales Where I Live website. All content was based on real-life experiences made by the storytellers themselves, using their own photos, video, words and voice.

18. BBC Wales also has links with student radio stations at North East Wales Institute of Higher Education (NEWI) and Bangor. BBC Wales technical staff also advised NEWI on their new studio facilities.

19. Some BBC Wales staff are also part time lecturers and members of the University Councils at the institutions named above.

20. Students at the University of Glamorgan are currently working with BBC Wales to develop online games for the Welsh language interactive magazine series Mosgito.

National Orchestra for Wales

21. The Education and Community Outreach Department of the BBC National Orchestra of Wales has a close working relationship with the music departments of higher education establishments across Wales, including Bangor and Cardiff Universities as well as the Royal Welsh College of Music and Drama.

22. Events which take place during the year include specialist projects for student composers and conductors with Principal Guest Conductor, Jac van Steen and Composer in Association, Michael Berkeley.

23. Additional activities with the Royal Welsh College of Music and Drama include the annual Brass and String Scheme allowing students the opportunity to join the BBC National Orchestra of Wales for a series of rehearsals in our orchestra studio.

24. In addition to the above, we also have a close working relationship with First Campus—a collaborative project consisting of all the Higher and Further education institutions in South East Wales. The project has been launched by the Welsh Assembly Government to raise educational aspirations within
specified target groups of Wales. Annual projects for secondary school students organised in collaboration with First Campus help to develop secondary school students’ performance and compositions skills, supported by musicians from the BBC National Orchestra of Wales.

**Partnerships in other nations and regions**

25. The BBC has a wide variety of partnerships with institutions throughout the UK. Below are some examples of these partnerships.

**BBC Scotland**

26. BBC Scotland is currently working on a co-production with the Open University, *A History of Scotland*. The series will be broadcast in two batches of five programmes in Autumn 08 and Autumn 09.

27. In collaboration with Edinburgh University, Sabhal Mor Ostaig, and The National Trust for Scotland BBC Alba is a partner in Tobar an Dualchais, an archive project which is digitising, cataloguing and making available on-line approximately 12,000 hours of Gaelic and Scoots language audio archive material.

28. A biannual competition for composers from all over the world culminating in a weekend of activities hosted by Aberdeen University. The Prize attracts several hundred entrants, five of whom are selected to take part in an intensive weekend with two internationally renowned composers and a string quartet from the BBC Scottish Symphony Orchestra. The prize is a commission from Aberdeen University to write a work for full orchestra which is performed by the BBC SSO in its Aberdeen Concert Season and broadcast on Radio 3.

**BBC Northern Ireland**

29. BBC Northern Ireland has a long-established relationship with Queen’s University Belfast (QUB) and provides extensive coverage of its annual arts festival. In addition, we have recently established a Writer in Residence at QUB as a means of developing links between the BBC and the creative writing community. Proms in the Park will take place on the QUB campus as part of its 100 year celebrations.

**English Regions**

30. BBC English Regions now has a truly blossoming relationship with the Open University. Past partnership ventures have included the co-funding of the ten minute opt-out programmes for two major Alan Titchmarsh nature series, “*A Nature of Britain*” and “*British Isles—A Natural History*”.

31. The partnership also delivered the interactive element around series one of “*Coast*” including online coastal walks. For the future, we’re in active discussion across a range of ideas, from climate change to archaeology.

**BBC Cymru Wales**

March 2008

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Memorandum submitted by Ron Jones, Executive Chairman Tinopolis PLC

I have been asked to give evidence on the 4th of the key areas under inquiry, namely the impact of globalisation on broadcasting and the creative industries. In practice these industries fit into a wider social, economic and political context. I have repeated the Committee’s first two other terms of reference below and italicised the areas that are the most relevant as a background or as contributing factors to the future of broadcasting and the creative industries

**Employment:**

The relocation of jobs; the implications of EU enlargement for employment prospects in Wales; the impact of eastern and southern Asia on manufacturing and service industries in Wales; skills shortage and how it can be addressed, internally and externally.
Population and population movement:

Demographic change in Wales and its implications for the personal care of senior citizens: the balance between urban and rural communities in the context of the Wales Spatial Plan; migration flows.

I do not intend to offer specific views on these matters but I will doubtless stray into them as part of my oral evidence.

The issues surrounding broadcasting and the creative industries and their future are driven by global changes. Globalisation is with us and the global economy is fast developing a global culture. This cultural revolution has been with us for a generation but now the pace of change is such that monthly we see new developments that affect all of us in our daily lives, even if we don’t always realise it. The big issues for Wales are ensuring that our people have available to them the public service broadcasting they need and ensuring that we compete in these global markets where we can.

Public service broadcasting

The BBC in its most recent Charter sets out what its public services should be. These, amended to reflect what Wales might aspire to, are:

- Sustaining citizenship and civil society;
- Promoting education and learning;
- Stimulating creativity and cultural excellence;
- Representing Wales, its regions and communities;
- Bringing Wales to the world and the world to Wales;
- Helping to deliver to the public the benefit of emerging communications technologies and services.

These are a good starting point for evaluating what we have in Wales today and what we need to do to ensure that they are provided. Global communications, global services and global culture are going to be a major part of our people’s lives but we should consider whether they will be enough.

Wales is not a significant player in broadcasting. We depend on public service broadcasters because we are too small and too weak economically for any other solution. However, the BBC and ITV have not met all of the aspirations listed. S4C of necessity is in the same position. It was created to meet the needs of Welsh-speakers and cannot be expected to provide a full range of these services to its viewers. We should now consider whether our broadcast institutions are properly configured to meet the needs of Wales. We need to consider what the people need and the extent to which they can be provided at a cost that is itself acceptably socially and politically.

This will necessarily move us into sensitive areas. We are a bilingual nation and it is perhaps an anomaly that Welsh-speakers are better provided for than our native English-speakers. This is probably unsustainable in the long term. However, disturbing the present arrangements should only be considered when we are able to provide a satisfactory solution for our monoglot English-speaking majority. Devolution has demonstrated just how British the BBC is and it is probably unreasonable to expect that it can evolve into an organisation that can truly service the nations of the UK.

The instinctive British tendency for centralisation does have dangers for Wales as well. Devolution has led to a compounding of this error. The obsession with Cardiff and what is good for Cardiff continues as a consequence of so much that we now do in Wales. This is not going to work as an economic plan and it will damage our country permanently. A new settlement for public service broadcasting in Wales needs to provide for the whole of Wales.

The creative industries

There have been a number of initiatives by WAG intended to promote the creative industries. The Welsh Assembly Government’s Creative Industries Strategy demonstrates a failure to think clearly about what these industries are and target those sectors where there is commercial merit and potential.

Film

One of the more publicised areas of the sector is the film industry. Finding a role for Wales in the film industry needs a touch of humility. We are not big in the film world; we do not have the money to invest; we do not have control of the distribution channels. Those are in the hands of major studios and they are the ones that determine what films get marketed which, in turn, gives them a decent chance of being profitable. We are never going to be big in films.
Television

Television production in Wales is largely about servicing the needs of Welsh people and giving them entertainment. S4C broadcasts programmes for Welsh speakers. The BBC makes programmes for the people of Wales. The fact that, on occasions we have work such as Torchwood and Dr Who sub-contracted from London to a Welsh location doesn’t alter the fact that it will not become a major UK or international television producer. That is not its role inside the BBC. HTV, as it was, used to make programmes for the international market. ITV Wales, as described by Michael Grade, is about providing news and some regional programming so its horizons are limited by that requirement.

The existence of these broadcasters results in television produced in Wales bringing economic and business merits. It requires a large number of people and service organisations to support them. This has led to the BBC in Cardiff becoming a major employer. S4C has done the same in North and West Wales and in Cardiff and these are important parts of the Welsh economy.

This is not however a springboard to building up companies that have a UK national, European or global reach. The creative industry strategy was partly designed for companies who had the potential to reach outside the borders of Wales and be larger then they presently are. However, those companies which operate successfully in the Welsh market place were designed to serve that market and do find it difficult to operate outside their home territory. They make the occasional programme for channels outside Wales but these are at the margin of their operations.

Even those companies that have been significantly funded by WAG, allowing them to develop their business model and become players outside Wales have, in the main, failed to achieve those initial objectives. Growing the company inside Wales is only possible by cannibalising the work of other companies. All we are really doing is using public money to give one indigenous company the financial muscle to bully another out of the way. This is state aid at its most extreme and its most objectionable. Any company that wants to be an economic multiplier for Wales has to find a way that breaks outside their present business model.

At Tinopolis, our decision to find a different business model by actively seeking the purchase of a major operator outside Wales was recognition of how difficult it was to grow organically from Wales into other markets. We identified the problem within Wales and recognised that if we were to be serious players outside Wales this was the direction we would have to take.

With Welsh broadcasting facing a prolonged period of financial constraints television production for Welsh consumption is most unlikely to provide economic growth for Wales. There is no single solution that works for all companies but if they are to achieve economic benefit for Wales, our production companies have to find different roads to heaven to the ones they are now following.

New Media

At present we are seeing the inevitable transition of people’s viewing habits—from TV and films to a new mode of entertainment, education and information that will, increasingly, be broadband led.

The local cinema won’t disappear and neither will our favourite channels but the balance between old and new distribution channels is changing and this will have a profound effect on the content people want and how they access it. That tipping point described in the States as the iPod moment when video, TV and film also become part of the download culture is approaching.

When it arrives those companies and countries that are attuned to providing content for this new environment are likely to prosper. As we have seen with some major record labels this new consumer behaviour brings market opportunities. Those countries and companies that can exploit this have a chance to be very successful and Wales can play a part.

Some companies in Wales began to invest seriously in new media several years ago. Now we have a decent number at the sharp end of building new distribution channels, creating the content and building entirely new business models as a result. Even better, we have, for the first time, an element of the creative industries where location is not a barrier. Llanelli or London, Cardiff or Bangor, they can all prosper in this new environment.

Welsh success hinges on whether we have the creative talent and financial muscle to present those products and services to people wherever they are.

All this has one significant and dangerous disadvantage—it is high risk.

The upside is that it is an area of the creative industries where growth can be exponential and the economic multiplier to Wales can be very valuable.

If Wales is to have a meaningful presence in the creative industries of tomorrow it has to be by looking at those areas where achievement is genuinely possible. WAG needs to reconsider its priorities for the creative industries with new media as its priority. The future has been determined by others. Does Wales want to be part of it?

January 2008
Memorandum submitted by North East Wales Institute of Higher Education

“WALES, THE CREATIVE DRAGON”

EXECUTIVE SUMMARY

The aim of this paper is to explore the impact of global trends on the economy in Wales. It explores the role of the creative industries, and how this sector must adapt itself to respond to the emerging challenges, particularly from the point of view of how its relationship with HEI’s should develop. It also considers contextual issues, in particular how HEI’s in Wales can work together with other agencies in a “joined up” way to form partnerships which support future wealth creation through the retention of graduates and the harnessing of talent.

KEY MESSAGES

— We need to develop more interdisciplinary approaches to education and move away from the “silo” approaches currently used.
— In Wales we cannot afford to be complacent in the face of intense global competition and complexity.
— We need to move away from traditional “Business School Models” of entrepreneurship education towards a curriculum embedded “capacity building” approach which develops entrepreneurial awareness that is directly linked to creative practice.
— We need to develop outward facing, global orientated, entrepreneurial and interdisciplinary mindsets and behaviours rather than simply “skills.”
— Creativity is not an inherent feature of the Welsh economy. It must be sustained by investment in the knowledge infrastructure of education and commerce.
— HEI’s need to be encouraged, with incentives provided to develop more effective relationships with each other, the creative industries, RDA’s and local authorities. HEI’s need to understand how the creative industries work, develop a better understanding of their needs, constraints and pressures to be able to work collaboratively and mutually beneficially.
— There should be incentives provided to provide alternatives to Cardiff as the locus for the creative industries in Wales.
— The emphasis for the design and production of creative industries output in Wales should be orientated towards international markets rather than those which are “local” and Welsh language based.
— Better networks, opportunities and support structures need to be developed to encourage talented Welsh graduates to pursue their careers in Wales.

INTRODUCTION

The importance of innovation, creative thinking and problem solving to the economy in Wales is no longer just a means of business maintaining a competitive advantage. It can make the difference between survival and extinction. The demands of a changing world, increased globalisation, environmental pressures and the changing base of economic power, drive businesses to constantly innovate. India and China in particular alongside other developing economies are seeing enormous growth and are also investing heavily in education and training. This, coupled with their low cost base means that we cannot expect to hold on to all the higher level skills roles in this country that we might have anticipated. This is a problem for the UK and the Western European economies as a whole, not just Wales.

Despite this, the world is eight times richer than it was 80 years ago, and in Wales we have strengths in creativity and innovation that will enable us take advantage of this increased economy, provided we develop more effective means and skills in commercialising our creativity and talent. Something we are not very good at.

It is expected that by 2050 the Chinese economy will be the largest in the world, followed by upcoming growth areas such as Brazil, India, Russia, Thailand, Vietnam and Turkey. There are some astonishing statistics from these developing economies. There are estimated to be around 200 million affluent under 30 year olds in China, and whilst the Silicon Valley employs around 130,000 IT workers, there are 150,000 in Bangalore alone. China currently has 400 Design Schools and 200,000 design students. This number is also increasing rapidly. These nations recognise design as core to long term plans to diversify their economies.

In a survey of the British design sector commissioned by the DTI in 2003, the need for industry to make more effective use of UK’s design talent was identified. However issues relating to access to funding for designers and their ability to develop and structure businesses caused difficulties. Whilst it was accepted that in the UK, while art and design graduates had unique creative ability, there were criticisms from industry that HEI’s were out of touch with what was going on in industry and society in general, and questions raised
as to whether design schools were teaching subjects for their own sake, rather than as preparation for survival within a modern 21st century knowledge economy. Our own experience at NEWI bears out that there is a desperate need for design graduates to have a better understanding of business, in particular global business and “the world” as a market place.

What skills do designers and graduates entering the Creative Industries lack most?
(Source. Design Skills Consultation. Online Questionnaire 2006. Design Council)
72% Business management
60% Understanding clients business
44% Visual communication of ideas
24% Team working
19% Drawing Skills
18% Creativity
17% Problem solving
11% Software skills

Educat ing the graduates we need

Almost one fifth of graduates in the UK are from creative disciplines, and there is a perception that there is a special 2 way relationship between higher education and the creative industries, although the statistics supporting this can be misleading. It is a highly entrepreneurial sector characterised by large numbers of small and micro enterprises and small traders, as well as a graduate sector with around 43% having degree level qualifications compared with just 16% of the workforce as a whole and in some sub sectors the percentage is even higher. Graduates from creative disciplines are also more likely than their peers to become self employed or set up businesses.

In considering how creative industries graduates can be supported to become more prominent within UK PLC, there is considerable evidence to show that graduates are not being effectively provided for in terms of the availability of tailored entrepreneurial learning opportunities and industrial placements leave them unprepared for the realities of developing careers in the sector. A number of barriers exist that prevent development. Existing models of entrepreneurial education based on “business school” approaches are not working for these graduates, and whilst there is a growing body of innovative approaches and good practice examples, these are being developed in a fragmented and piecemeal way, plagued by short termism and rarely sustainable beyond the period of initial funding. There is also a distinct lack of evidence of which approaches work and and in what contexts. There is also a lack of scale and scope in available opportunities.

The science and engineering sector has a 10 year framework and government investment strategy yet the same advantage is not enjoyed by the creative industries. This is despite the acknowledgement at Government level of this sector’s importance to the UK economy. Creativity is core in the new economy and enlightened countries are already investing in them.

University Sector Art and Design Schools in Wales.

If we accept the notion that well supported flourishing art and design schools are crucial to providing the creative industries with the talent it needs then Wales has a small but successful HE sector, representing a reasonably broad subject base and some major strengths. Cardiff is represented by Cardiff School of Art and Design/UWIC, which has strengths in Fine Art and Product Design, together with the University of Glamorgan which has recently invested 11 million pounds in its “state of the art” Atrium, which provides high quality facilities for broadcast media, interactive multimedia and fashion. The University of Newport was rated 5 for art and design in the last RaE (the highest rating), principally on the strengths of its documentary photography department. It also has the International Film School, Swansea Institute (now Swansea Metropolitan University) specialises in Computer Animation and Architectural Stained Glass, and my own institution NEWI in Wrexham has The North Wales School of Art and Design which has a high reputation for Animation, Design for Computer Games and Illustration. The Performing Arts are well served in Wales by the Royal Welsh College of Music and Drama and Aberystwyth University. Broader aspect of Media training and Communications studies are offered at the universities of Cardiff, Swansea, Aberystwyth and Bangor. Cardiff is the only HEI in Wales to offer Architecture.

Although there are outstanding features and examples of excellent provision within the sector in Wales, it is true to say that its design schools operate in isolation. There is no strategic overview or many, if any productive collaborative relationships between HEI’s. Relationships with industry, business and the broadcast media sector in general are underdeveloped, and although there is a lively cluster of activity and commensurate employment opportunities centred around television production in Cardiff (particularly for Welsh speakers), most young graduates tend to haemorrhage out to Bristol and London (from South Wales), Liverpool, Manchester and Leeds from NE Wales. Increasingly our art, design and media graduates are finding employment opportunities overseas.
THE OPPORTUNITY FOR WALES TO EMERGE AS A “KEY PLAYER” IN THE CREATIVE INDUSTRIES

During the last 10 years I have worked extensively overseas. Initially this was for the University of Wales, advising universities overseas how to set up degree level and postgraduate programmes in art, design and media. It is not widely known that the University of Wales has a highly developed and specialist international validation function. The University has 15,000 students enrolled on its programmes, making it the second largest operator of this type in the UK, second only to the University of London. The fastest growing area of demand in the past 5 years has been for programmes which develop Creative Industries graduates, particularly in the areas of Animation, Computer Games, Broadcast/Narrowcast Media and TV, Interactive Multimedia Design, Film, Fashion and Accessories, Interior/Retail/Exhibition Design, Automotive, Transport and Urban Design.

There are enormous opportunities for both Welsh universities and Welsh media companies particularly in China, India, SE Asia and Japan. These countries have a voracious appetite for animated films, games, particularly genres of TV formats, special effects, digital gambling and other related areas.

Whilst these countries are very strong in the technical areas, hardware design and production, programming etc, they have great difficulty generating and producing new content. Their material is repetitive and naive. This is a multi million pounds market.

This is an area we in the UK and Wales in particular are particularly strong. Our Celtic roots, our indigenous strengths in art, music and performance, our location between the US and Europe, the increasingly multi cultural profile of our society supported by the biggest (proportionally) and most highly developed art and design sector in the world should be giving us a huge market advantage. Yet the creative industries sector in Wales is massively underdeveloped in terms of its wealth creating potential.

From a personal and professional point of view I have recently been involved on a consultancy basis for a number of major projects overseas. These concepts could be transplanted to Wales.

In Poland my involvement has been with a project to provide a different focus for a very traditional animation industry in the large town of Bielsko Biala in Southern Poland. This project is also being transplanted to Katowice. It involves transplanting University of Wales Foundation Degrees into converted industrial premises through arrangements with local colleges and media companies in that area.

My faculty is also currently developing a similar project with a company called “Animaster” in Bangalore, India through a partnership with the well respected Indian institution, Dyan Sagar Institute. We are also involved with a project with a large college in Chennai to do with giving aspects of the Tamil film industry a more international profile. I am on the Board of a development group in the city of Shenzhen in Southern China, which includes representatives from Shenzhen Media Group, Shenzhen Culture Bureau and Shenzhen University. This project is developing the concept of establishing an “Animation University” in the rapidly expanding digital industries quarter of that city. Further work of this nature is currently being developed through curriculum articulation and validation arrangements at GPNU (Guangzhou) and WHUT (Wuhan).

There is no reason why these models could not be transplanted to Wrexham, Bangor, Aberystwyth or Newport. However there has to be a more joined up, strategic, long term approach involving HEI’s, the Creative Industries sector, Assembly Government and local authorities with commensurate investment in technology, estates and facilities.

CONCLUSION

In Wales we are not sustaining the foundations of the creativity on which we depend and investing in its development. The ability to constantly produce new, innovative and creative content is something which is a particular strength of our make up but it is underdeveloped as an economic driver, and the global market is huge. If we are to see a continued growth within the Creative Industries, we need to develop more creative and innovative, partnership orientated approaches to education and post qualification support. Art and design and related subjects need to be moved to a more central position in HE as as the subject disciplines become increasingly economically relevant. We need to be more rigorous in integrating this at policy level.

Sion Hughes
Director of Art, Design and Humanities
North East Wales Institute of Higher Education

13 January 2008
Memorandum submitted by The Language Technologies Unit, Bangor University.

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1. Background
2. Knowledge Transfer from the LTU to Welsh Industry
3. Fragility of the Academic Knowledge base
4. IPR issues and models for Academia and Industry
5. Recommendations

1. BACKGROUND

1.1 The Language Technologies Unit (LTU) is a self-funded research unit within Canolfan Bedwyr (a dedicated centre to support the Welsh language) at Bangor University. Its mission is:
— To standardize Welsh terminology and promote the science of lexicography and terminology, especially in the context of Welsh and other Celtic languages
— To develop language engineering and language technology tools to serve the needs of Welsh and the wider multilingual community.

1.2 The Unit has seen its activities steadily expand during recent years from terminology standardization to developing language tools such as spellcheckers and other office tools for Microsoft, OpenOffice and its own product Cysgliad, to developing Welsh language speech technology such as synthetic voices for websites and screen readers. It is now expanding its activities to work with languages other than English and Welsh and to develop generic language tools that are readily adaptable to multilingual environments. The Unit comprises a mixed team of language experts, software specialists, and speech technologists. We believe that this unique mix of crossdisciplinary skills is part of the reason for its success.

1.3 The Unit has strong international links especially in standardization activities. One member of staff is a member of COCOSDA, the International Committee for Co-ordination and Standardization of Speech Databases. Two others are members of BSI TS/001 Terminology Committee and through it take part in International Standards Organisation ISO/TC 37 standardization activities. TC (Technical Committee) 37 develops International Standards concerning terminology and other language and content resources in the contexts of multilingual communication and cultural diversity. The extension of its remit from terminology activities to include other language related resources mirrors the process that the LTU has also gone through.

1.4 The advent of electronic means of storing and retrieving information, the networking capabilities of the world-wide web and new multimodal technologies have placed multilingual language resources and the need for international standards for them at the heart of the knowledge economy. They are therefore essential tools in the process of globalization. In this the LTU undertakes a dual role. It ensures that Wales and the Welsh language are not left behind in any new emerging standards, and also contributes its own unique perspective of a re-energized minority language to the global community.

2. KNOWLEDGE TRANSFER FROM THE LTU TO WELSH INDUSTRY

2.1 The LTU has had strong links with Welsh industry from its early days. It has participated in a number of Knowledge Transfer Partnership (KTP) programmes, and most recently has been awarded a KTP, sponsored by the Welsh Assembly Government, with Testun, a small independent Welsh company based in Cardiff. Testun’s main business activity is the provision and editing of subtitles for the Welsh 4th television channel, S4C. The processes developed have also allowed them to create revenue through consultancy work with other European minority language media companies. Testun is also responsible for S4C’s teletext service Sbectel (an interactive service) that contains a wide range of information about programming. They provide a comprehensive translation service from English into Welsh and vice versa, a copywriting service and the preparation of press releases and bespoke articles for a range of public, private and voluntary sector clients. The proposed KTP project will utilize opportunities in speech and language technology for developing and deploying an innovative bespoke all-in-one subtitling system for Welsh language television programmes, creating new capabilities, improving performance and capturing new multi-lingual markets.

2.2 The LTU believe that the KTP programme is an excellent conduit for transferring knowledge from academic partners to industry, in particular SMEs, in Wales. Bangor University pioneered the extension of the KTP concept from its original focus on science and engineering to include other sectors such as broadcasting and the creative industries. The first KTP to break the traditional mould was one awarded to the Department of Music at Bangor University to work with Sain record company, based in Gwynedd, to digitally remaster old music recordings. The second non-traditional KTP was awarded to the LTU to work with Cymen, a translation company also based in Gwynedd, to introduce electronic language and
translation technology aids to its workflow. The LTU and Bangor University, aided by its University Innovation Bangor specialist unit, are actively seeking further opportunities to engage with Welsh SMEs, including those in the creative industry sector, through the KTP programme.

2.3 The LTU is also a founder member of CMC (Cymdeithas Meddalwedd Cymraeg), the Association of Welsh Language Software, which brings together SMEs and those in the voluntary and public sectors who are interested in Welsh and multilingual software, either as users or developers. This has given it an insight into the needs of businesses and organisations for Welsh language and multilingual support in a digital environment and the potential to provide digital language resources for further development and use by SMEs to incorporate into their own products. This is especially true of micro SMEs (those employing six or fewer people in their company) who can not support the costs of research and development and who may be too small to qualify for KTP aid.

2.4 In October 2007, the LTU was awarded a Knowledge Enterprise Fund (KEF) funded project to form a Speech and Language Technologies specialist interest group (SALT Cymru) that will partner expert researchers from Welsh HEI’s with SMEs in Wales. An opportunity exists to build on the research base developed in SALT at Bangor University, identify other relevant expertise, key players, interested parties and potential markets and will aim to bring them together to develop coherent initiatives. The project will capitalize on the bilingual and multilingual nature of Wales as a living laboratory for the identification and exploitation of new opportunities. SMEs from the ICT and the media sectors in Wales will be able to benefit in a global market from as yet an under-exploited field of R&D activity in Wales. SALT Cymru will publish a report at the end of March 2008 detailing recommendations and terms of references for future work of the SALT Cymru special interest group, to contain a prioritised work programme and timetable for delivery. This we believe will be a significant contribution to the understanding of the needs and opportunities presented by this emergent new technology sector, and its potential impact on the Welsh economy.

3. Fragility of the Academic Knowledge Base

3.1 Despite the opportunities presented to Welsh industry by the emergent SALT sector, the academic knowledge base which should sustain and nurture it is itself perilously fragile. Quoting from the forthcoming SALT Cymru report:

“The investigations of SALT Cymru concluded that the SALT research base in Wales is sparse and fragile. Following a survey of all relevant departments in higher education institutions in Wales and a business directory search, only three organisations in Wales were found to undertake SALT development.

The organisations were:

— Swansea University, where one full-time academic, supervising six PhD students, conducts work on speaker recognition, biometrics and related fields
— University of Wales, Lampeter, where a small team maintain an on-line Welsh-English dictionary
— Bangor University, where a team of eight researchers [ie the LTU] (five full-time and three part-time) develop technology including speech synthesis, spelling/grammar checkers and electronic dictionary and terminology resources

It is estimated, therefore, that the equivalent of fewer than ten full-time employees work within Wales on SALT. Of these, only about half are permanently contracted to do so.

This relatively small number of organisations and fragile research base is surprising given the global importance of speech and language technology. In 2005, the automotive speech technology sector alone, comprising one specific application of a sub-section of SALT, was estimated to be a $4.4 billion industry by digital technology consultants Strategy Analytics.

3.2 The LTU itself is currently endeavouring to address the issues of the fragile research base by finding means of improving job security and financial stability for its research team. Research in HE institutions in Wales is currently inadequately funded, and we wholly agree with the memorandum submitted by CBI Wales to the Welsh Affairs Committee where it states (section 11: “The funding gap for Welsh universities (compared to those in England), currently c. £40m pa, needs to be addressed. The HE base should be the source of both knowledge transfer to companies and also a skilled workforce.”)

3.3 In the past another barrier to the funding of Welsh and other minority language SALT activities has been the perception that anything to do with Welsh belongs to the field of culture and the arts, rather than science and technology. It has therefore been difficult to access the large, well-endowed funds available for innovative technology research. For example, in 2006, the LTU applied to the EPSRC for funding in the region of £426,000 to research and develop text-to-speech components for the Manx and Cornish languages. This bid was unsuccessful, and amongst the comments received was the statement that working with these languages was “of no commercial or industrial value”. This comment in itself is far from true, as there are niche markets even for very small languages. Feedback on this bid also noted that this research would not

149 SALT Cymru, Language Technologies Unit, Bangor University, April 2008, www.saltcymru.org
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be “cutting edge” since it was merely replicating for other languages what had already been done for English. If this is a common opinion, it is a bias against all languages other than English, and will be detrimental to efforts to gain Research Council funding for SALT projects dealing with languages such as Welsh.

4. IPR ISSUES AND MODELS FOR ACADEMIA AND INDUSTRY

4.1 Academia and industry are both constrained by issues of ownership of intellectual property and there are conflicting tensions between the desire for all research carried out by public money to be freely available and the needs of industry to be commercially viable. For small languages and SMEs the problem is compounded where large markets are not anticipated, and where individual companies lack sufficient resources for investment.

4.2 The LTU has found that BSD-style licences are a useful model for developing pre-competitive research and sharing results equally amongst the private sector, without falling foul of State Aid regulations. A BSC-style licence, for computer software, enables any researcher, commercial organisations and other parties to use and develop the code further in their own products, without having to reveal their additional developments to the general community. This was done in its 2003–2005 Interreg-funded WISPR (Welsh and Irish Speech Processing Resources) project (see http://www.e-gymraeg.org/wispr/index_en.htm). The synthetic voices and computer code created as part of this project were posted on the web with a BSD-style licence. These refinements may be commercially confidential, meaning that such licences are not favoured by industry, and may preclude a large corporate, for example, from including resources created for minor languages in its multilingual provision. Many other ‘flavours’ of licensing agreements for software components are available, and we do not pretend that any one of them is the definitive answer to all situations. Our point is that funding authorities should ensure that no undue restrictions are placed on the further commercial exploitation of pre-competitive resources developed by public money, provided that those resources are equally available to all.

4.3 Non-restrictive licences also help developing countries and other language communities who have limited access to funding for research and development of their own language resources. One unexpected outcome of the WISPR project was that other language communities in Africa and the Indian sub-continent were able to take advantage of some components of the speech technology work initially developed for Welsh. Asanka Wasala, based at the Language Technology Research Laboratory at the University of Colombo, Sri Lanka, was able to adapt our WISPR outputs for Sinhala, spoken by about 16 million people in Sri Lanka. This represented the first commercial quality text-to-speech synthesiser for Sinhala. He commented: “I am so thankful to you and your team for creating and sharing such a useful, brilliant piece of software . . . Please accept the thanking of the blind community of Sri Lanka.” Other language communities helped include Dholuo speakers (spoken in Kenya, Africa) and blind people in rural India, in Hindi and in a local language, Marathi. This gives a new perspective on globalization issues, and an insight on how Wales can become part of a global supportive network of SALT developers for less-resourced languages.

5. RECOMMENDATIONS

Guidance for the formulation of Welsh Assembly Government policy towards the emergent SALT sector in Wales will be included in the final SALT Cymru report at the end of March 2008. In the meantime, and in the wider context of UK government policy, we stress the need for investment in multi-disciplinary technologies in the HE sector in Wales. Applied research for Welsh and other less-resourced languages need to be named as priorities. This will ensure a solid foundation where Welsh and other languages can flourish in a digital, multimodal environment. This will also have a positive impact on industry and businesses in Wales, both as users and developers of SALT technologies, including those in the creative industries sector. With the right licensing environment and support, it will also help other language communities worldwide, and therefore enable Wales to play its part in the wider international community.

February 2008

Memorandum submitted by The National Library of Wales

1. BACKGROUND

The National Library of Wales (NLW) is Wales’s only legal deposit library, founded by Royal Charter in 1907. It is an Assembly Government Public Body and is the guardian of much of Wales’s creative heritage. Its collections are much broader in range than those found in most national libraries. It receives most of the printed output of UK and Irish publishers. It holds important manuscripts, and acts as Wales’s de facto national archive. It contains large quantities of graphic material, including 5,000 paintings, and acts as the national photographic archive. In short, it collects in all documentary media, with a special emphasis on Wales and the other Celtic countries.
NLW has a special role in collecting, making available and interpreting Wales’s film, broadcast and recordings heritage by housing the National Screen and Sound Archive of Wales, established as a partnership in 2001 but now owned and administered by the Library alone.

The Library is both a collector and a producer of digital information, and is one of the UK’s leading digitisation centres.

2. The Worldwide Environment

Thanks to the international reach of the web, information is already a global commodity, placed on and discovered via a common global platform. Coupled with changes in methods of education and research this has led to a fundamental shift in traditional library and information models. NLW sees globalisation in the information sector as an opportunity to increase its relevance and reach, both within Wales and globally.

To fulfill its role as a national institution NLW must respond to global trends and ensure that information from and about its collections is available both locally and globally. These are the main ways in which it attempts to do this:

— it has developed an integrated information management system to allow easy online access to information about all its collections, irrespective of medium (a goal, we believe, that few if any similar institutions have achieved);
— it undertakes numerous digitisation projects to deliver some of its collections free over the web, and offers its readers free online access from their homes to a range of commercial electronic resources;
— it is developing systems to ensure the long term preservation and availability of its digital material;
— it is developing funding strategies and partnerships to try to fill the gap between its current capacity and its aspirations; and
— it works with international partners around the world and is drawing up an international strategy.

3. The Local Environment

While acting within this global, largely digital environment, NLW has not abandoned its traditional, localised services. These include the building and its contents and services at Aberystwyth, as well as outreach and people-to-people activities: taking the collections and services to people wherever they may be in Wales.

We are beginning to notice what may be a long-term shift in the pattern of physical use of the Library. While the uptake of outreach services has been outstanding, the number of users of the reading rooms is falling, as more and more knowledge becomes easily available through the internet. On the other hand, this fall is counterbalanced by increased use of the building by visitors, tourists and those attending conferences and other events.

As this trend continues, NLW is aware that it will need to develop new, more cohesive strategies to maintain a reasonable balance between the different requirements of its worldwide and more local publics.

Recent global economic changes, such as large rises in energy costs, if they become a long-term trend, may have an adverse impact on the local economy, and may affect the sustainability of NLW as a cultural tourism venue.

4. NLW and Broadcasting

Issues surrounding globalisation in regard to broadcasting have already been well covered by authoritative submissions from the BBC, S4C, ITV Wales, the Mercator Centre and Ofcom.

Some of the challenges facing the broadcast bodies are not dissimilar to those facing NLW. To maintain a cultural footprint in the globalised environment massive investment is needed to enable the transfer of existing assets from a closed domain into a more open, multi-platform digital environment.

To sustain broadcasting relevant to Wales, new funding models and different forms of regulation are required. So too in the library and archive sector, where new models, including changes to the legislative framework regarding public access, need to be developed if the public is to benefit fully from past and present investment. Otherwise our broadcast assets will lie unvisited in our vaults, instead of being widely used and exploited in a digital, online environment.

There have been several partnerships made in recent years with a view to making the Welsh broadcast heritage more easily available to the public. It is clear from the piecemeal activity to date, though, that a much more strategic approach is required if this mainly publicly funded material is to find its own place within the global sphere.
The cost and complexity of digitising the Welsh broadcast heritage cannot be overestimated. But solutions, funding models and new partnerships are required if major advances are to be accomplished. Models exist or are being developed by governments in other countries, which create new business models and allow broadcast content to be used as a cultural and educational resource. These strategic models do not exist in Wales or the United Kingdom.

5. A Partnership Approach

NLW exists not only in Wales, but also as a recognisable entity on the web. It also exists as part of an international community of information providers and bodies that preserve and celebrate their national heritage.

It works to foster relationships and partnerships between relevant organisations within Wales, the UK and internationally, and has a role to play on the international stage.

Digitisation has allowed the Library to undertake partnerships that were impossible before. For example, it is currently part of a partnership bid for European funding for digitisation involving 19 European institutions.

Culturenet Cymru, a not-for-profit organisation owned by NLW, is a hub for community digitisation and provides over 130 smaller partner archives, libraries and museums with an opportunity to provide access to the best of their collections via the web. It also works with community groups and local history societies, training them in digitisation technologies and allowing them to deliver their own archives and memorabilia via the web. Culturenet’s content is freely available to a global audience, and is heavily used as a research and educational resource.

The Library is working on three interlinked projects on behalf of CyMAL, all of which take advantage of the web to integrate library services in Wales. The most far-reaching is a scheme that gives members of local libraries free online access from home to a wide range of commercial electronic information resources (newspapers, reference sources, etc) from around the world: Wales is ahead of most countries in offering this kind of service to all its citizens.

Another important and long-term NLW partnership is with the other legal deposit libraries of the UK. The Legal Deposit Libraries Act 2003 extended the scope of legal deposit from print to non-print (mainly electronic) publications. Since 2003 the libraries and the statutory Legal Deposit Advisory Panel have been planning the Act’s implementation. It is likely that the first two categories to be dealt with will be offline publications (microforms, CD-ROMs etc) and websites (those freely available without barriers such as subscription or authentication). When fully in place this new legal deposit regime will enable the libraries, through a combination of legal regulation and voluntary schemes, to collect, preserve and give public access (within the libraries) to a substantial proportion of the electronic publications of the UK. Similar arrangements are in place or being planned in other countries. NLW and the British Library are partners in a programme to provide an effective technical infrastructure to support electronic legal deposit.

6. All of Wales online

NLW houses 5,000,000 printed items, 25,000 manuscripts, 15km of archives, 50,000 works of art, 800,000 photographs, 1,500,000 maps 200,000 hours of sound recordings 300,000 hours of moving image, 5.5 million feet of film, and more. NLW would wish to digitise about 18% of its collections, namely those elements that are unique or more closely related to Wales. About 2% of the collections has been digitised since the Library began digitising some 10 years ago. However, the rate of digitisation has increased dramatically as technologies have improved and ambitions increased. It is anticipated that if funding is forthcoming the remainder of the work could be accomplished much quicker.

What does digitisation offer? Briefly:

— free online access, any time and anywhere, to a vast range of knowledge in digital form;
— bringing together material that is split between different locations in its physical form (eg NLW’s OHIO and Culturenet’s “Glaniad” projects, both transatlantic ventures);
— the ability to do things impossible or very difficult with the original: for example, to search for a word or phrase in a digital newspaper archive within a few seconds, a task that might take years of work for someone looking through the papers in their original form.

Two large-scale archive digitisation projects are nearing completion, on historic wills and the complete parish registers of Wales. These will transform access to information of interest to historians, especially family and local historians, and including those based in the United States and other countries.

NLW is currently pursuing funding and partnerships for a high-impact, large-scale digitisation programme, which will help Wales achieve a very significant global footprint. The goal of “The Theatre of Memory” is to digitise and make available free over multiple platforms (in principle) the entire printed heritage of Wales. Wales would become the first nation on earth to achieve this aim. The “Theatre” would
include 300,000 books, 2,000,000 pages of journals, 25,000,000 pages of newspapers and 8,000 ballads. The current estimated cost of the scheme is about £20 million. We believe the Theatre of Memory has the capacity to:

— transform teaching and learning resources available to schools, colleges and universities;
— place the equivalent of a vast library within every home in Wales; and
— create an online footprint for Wales in the global online world that is much larger than its geographical or population size might suggest, with substantial benefits for tourism, investment and international profile.

7. Conclusion

NLW’s strapline is “one of the great libraries of the world”, a phrase first used of it decades ago. It will only remain “great” if it adapts to the massive changes taking place in the way people gain and use knowledge. This means reassessing traditional ways of fulfilling our basic functions, and adopting new ways, very often using digital and online modes, that fit in with the preferences of users today and tomorrow.

We believe we are not the only institution in Wales that will find itself in a similar position over the coming years.

Andrew MW Green
Librarian
National Library of Wales
20 June 2008

Memorandum submitted by Wales Co-operative Centre

The Wales Co-operative Centre’s approach to food production would be focussed on ethical supply and ethical sales which should combine local production with fair trade production. Food miles, being a topical issue with regard to concerns on the effects on the environment, must be reduced and the Centre has supported many farmers in Wales in helping increase their opportunities to reach new, and local, markets.

Through its previous agri-food project, the Centre helped enable a number of farmers to form co-operatives in such produce as milk, lamb, beef, and vegetables. In bringing farmers together, larger contracts can be won with the major outlets (supermarkets) and a closer link with local communities (through farmers markets).

In addition to this the public sector has an important role to play. It is the Centre’s policy to promote local sourcing and ethical sourcing with all of its co-operative clients and we believe all public sector food procurement should be socially sourced. This would mean local authorities, health trusts and boards and other public sector buyers, begin to take into account the social and environmental impact of their decisions with equal importance to contract cost. Where individual suppliers are not large enough to supply against public sector contracts either the contracts are broken down into smaller parts or co-operatives and consortia are developed to allow suppliers to win bigger contracts.

I attach a proposal produced in 2006 that outlines what the Centre would like to be able to offer and shows a number of case studies.

I hope this information is of some interest to the inquiry.

Rural Development Through Co-operation
Wales Co-operative Centre Proposal

INTRODUCTION

This paper will summarise the achievements of the Wales Co-operative Centre’s Agri Food project from 2003—2006. It will also consider opportunities for the Centre to develop services that will provide some solutions to priorities and objectives identified by the Welsh Assembly Government in documents such as “Wales: A Vibrant Economy”, “Achieving our Potential, Tourism Strategy”, and the “Rural Development Plan for Wales”.
THE WALES CO-OPERATIVE CENTRE

The Wales Co-operative Centre is the largest co-operative development agency in the UK, supporting the establishment and growth of a diverse range of co-operatives and social enterprises throughout Wales.

The Centre was established in 1982 by the Wales TUC as an Industrial and Provident Society, a democratic not for profit organisation with open membership. Since 1982 the Centre has helped set up over 1,000 businesses across Wales and continues to support existing businesses through a range of business support and training services.

The Centre employs 60 staff situated throughout Wales and is accountable to a voluntary management board.

THE AGRI FOOD PROJECT

The Project was developed by the Wales Co-operative Centre in 2002 to support the increasing number of enquiries that the Centre was receiving from the farming community. The project aimed to encourage farmers to work together to brand and market their products more effectively. This joint working enabled farmers to meet the requirements of larger contracts that would not have been possible as individual smaller farm businesses. The project promoted co-operation to help improve the production and marketing of a wide range of products including, meat and poultry, dairy, vegetable and organic products.

In more recent years the project has also assisted farm businesses to come together to supply support services such as shared incinerators, as well as supporting farm businesses to diversify and work collaboratively in areas such as tourism, bio diesel and renewable energy.

Since the start of the project in January 2003 the Centre has supported the establishment of 13 new co-operative businesses and provided advice and information to a wide range of organisations who were interested in forming a co-operative to support their continuing growth and development.

Some case study examples of clients supported through the Agri-Food project can be found in Appendix 1.

THE CHALLENGE

The Wales Co-operative Centre would welcome the opportunity to work with farming families and the wider rural community to develop co-operative solutions, which will contribute to rural economic development and help to meet some of the challenges faced by our rural communities. The project would expand and build on the achievements of the current project, working with farmers, producers and other rural businesses to establish co-operative consortia and other businesses within rural Wales.

Co-operative Consortia

A co-operative consortium is a co-operative that is owned and controlled by the people or organisations that use its services. There are great advantages to individuals and small businesses in forming a consortium, not least the increase in capacity to bid for larger supply contracts, the sharing of experiences and risk, increased buying power, the opportunity for wider distribution and local brand development and ultimately reducing costs. The project would support producers to set up co-operatives to jointly market their products or to share services such as incinerators and machinery.

It is becoming more widely recognised that farming in Wales has to change to face up to the challenges of the future and greater working together is a central theme of this change. The Minister for Environment, Planning and Countryside, at a recent conference entitled Sustainability, Farming and Environment: Action Towards 2020, stated “Farming in the main... has a serious structural problem. Small individual producers cannot sell to supermarkets and expect to receive an equitable price. It doesn’t work that way”. He quoted the Dolaucothi group of sheep farmers working together as small co-operatives and Pontbren Project. The Minister also went on to explain “... either farms get bigger and bigger and we have ranch farms, signalling the end of the traditional family farms, or farmers must learn to work together. We have to make sure we provide support for change because whilst the problem exists farming will remain unattractive to the younger generation.”

Diversification

The Centre would also work with individual farm businesses to promote collaborative diversification in areas such as tourism and renewable energy. There are great opportunities for farm businesses coming together to offer accommodation and other facilities, such as day visitor attractions, for tourists.

By working together, farmers have the potential to deliver a range of renewable energy projects including wind farms and bio-energy. Bio-energy projects can include the growing of energy crops such as willow and miscanthus or biogas production. Co-operative membership can help reduce the risk of diversification, as well as delivering wider benefits to the community.
Working with partners such as Land for People and the DTA Wales, the Wales Co-operative Centre is keen to promote the use of Community Land Trusts as a way of producing affordable housing for first time buyers within rural communities and as means of providing land, perhaps farmers land, for community use.

Farmers Markets

Co-operatives of market traders are becoming increasingly important in rural areas. Individual stall holders jointly lease property, develop central services or engage in joint purchasing. They are able to address issues and problems facing farmers in marketing their products outside of the dominant supermarkets. They also address the need for healthy eating, promoting the ethos of local production and local consumption, reducing food miles and strengthening community spirit. Increasingly farmers’ markets are looking to the co-operative option.

Local Services

When local services such as the village shop, petrol station, pub and post office are threatened with closure the Wales Co-operative Centre would want to support the local community to set up a community owned co-operative to provide these essential services for rural communities. There exist many examples of this being successfully achieved within rural communities throughout Wales and the UK. We aim to promote and support these forms of community-owned co-operatives across the country.

THE SERVICE

Business Support

The service the Centre will offer would include specialist advice and support in the following areas:

— Guidance on legal structures and a legal registration service
— Organisational structures and issues
— Business and financial planning
— Marketing and promotion
— Raising finance
— Employment of staff

The project would also bring additional benefits and value through links with other projects the Centre delivers, such as supporting the development of co-operative social enterprises, including Community Interest Companies (CIC’s), and supporting communities to access new technologies and enhance their ICT skills.

Promotion of Co-operatives

The project would work with new and existing co-operatives to promote and develop their business. This would be achieved in a number of ways:

— Linking in with major retailers such as the Co-operative Group to inform the buying teams of the range of produce that is available to retailers from Welsh agri-food co-operatives.
— Building links with Public Sector Procurement Officers, to encourage local supply and purchasing.
— Supporting the co-operatives in tendering and procurement processes.
— Linking agri-food co-operatives to new and emerging food co-operatives in Wales so that it is possible for them to buy direct from the producer.
— Linking Welsh co-operative consortia into the UK support network through Co-operatives UK and disseminate Welsh case studies and best practice through this network.
— Providing advice and support in developing marketing strategies to enable the consortia to gain a larger share of the quality food market.

August 2006
Appendix 1

Agri Food Project Clients—Case Studies

GOWER SALT MARSH LAMBS

Farmer Rowland Pritchard teamed up with neighbours Colin and Vicky Williams in 2004 to market their lambs as Gower Salt Marsh Lamb.

“We had been talking about marketing our lamb for a good many years because we graze our sheep on the Gower salt marsh, which gives the meat a distinctive, sweeter flavour,” explained Mr Pritchard. “The grasses, samphire, sorrel, sea lavender and thrift of the salt marshes give the meat a distinctive flavour sought after by connoisseurs and top chefs. It’s not a salty flavour. It’s much richer. It’s the only lamb we ever eat and we think it’s the best.”

The majority of the lambs are sold through Black Mountain Foods, which sells to butchers right through South Wales and into London. The co-operative also has a thriving mail order business and sells direct to the public at Weobley Castle. All together, 1500 lambs are sold annually.

Fans of Gower Salt Marsh Lamb include Graham Hurren, owner of Hurrens Inn. “We regularly buy shanks, chops, and boned and rolled shoulders and the meat is fantastic. It’s important for us to buy quality and to buy locally.”

Hurrens’ chef Tim Cornelius is also enthusiastic. “We use Gower Salt Marsh Lamb in many recipes. Customers often ask about the flavour and how it is different. We tell them the quality of the meat is very good, it’s a grainier texture and more like game. The taste is unique.”

The lamb is killed locally and is sold boxed as a half or whole lamb, pre-packed and labelled, ready for the freezer by local butcher John Jones, who also helps on the farm. The boxes include a sprig of samphire and a recipe card.

Future plans include selling smaller cuts of meat such as chops and steaks in presentation boxes for special occasions, as well as gourmet sausages and burgers flavoured with redcurrant and rosemary or North African spices. The group are also visiting butchers in France to learn new ways of butchering and present the lamb.

“A year on, I’m really glad we established Gower Salt Marsh Lamb,” says co-operative member Vicky Williams. “As small farmers, it’s given us much more control over how our lamb is butchered and sold. It’s also made our business more sustainable as we have direct contact with the consumers rather than relying on big supermarket contracts.”

LAMPETER FOOD FESTIVAL

Ceredigion has long been renowned for a diverse and mouth-watering array of fine food production that draws from both the sea and the land.

The irresistible combination of stunning landscape and an abundance of fertile farming land put Ceredigion at the heart of the organic farming movement which developed during the 1970s. Lampeter quickly became the centre of this movement and it was from this that the Lampeter Food Festival first came into being in 1998.

In 2005, the Festival found itself in a situation whereby although it was receiving substantial funding from the WDA, its constitution precluded access to further grants to enable expansion.

The group met with Julie Harries at the Wales Co-operative Centre, who suggested becoming a co-operative company limited by guarantee in order to open the door to further funding opportunities. Other benefits included getting more businesses and individuals in the community involved and enabling the event to achieve charitable status. With WDA grants unlikely to last indefinitely, the more people that play a part in promoting the Festival, the better it will be for the town.

Held on the university campus, the 2005 Festival attracted seventy stallholders from far and wide and had 8,000 visitors. The Festival also included cookery demonstrations with celebrity chefs, entertainment and competitions for both adults and children.

DYFI VALLEY SEED SAVERS

Dyfi Valley Seed Savers was established at the end of 2004 following the disbanding of an earlier environmental arts charity. Four people with a passion for environmental issues decided that what they really wanted was a seed swap scheme.

The group successfully won a grant from Communities First to hold their first event, which was a huge success attracting over 150 people. Since then it has gone on to hold another nine events including plant swaps, garden visits and workshops which have altogether attracted more than 250 people.
The founder members of Dyfi Valley Seed Savers are motivated by their worries over genetic erosion caused by mass production of hybrid plant varieties sold by garden centres. Choosing local and heritage varieties gives gardeners a chance to try something new and keeps heritage vegetables from extinction. It builds up local varieties as seeds acclimatise to local conditions and bolsters the gene pool.

The group has plans in the future to run a co-operative stall at local markets so that anyone wishing to sell their plants or seeds can do so. It also intends to start a scrumping project which would bring small teams of fruit pickers to local residents who are unable to pick or make use of all the fruit on their trees. The project would collect unwanted fruit from trees and distribute surplus locally through food and nutrition clubs and community market stalls. Ultimately, the co-operative wants to become fully self reliant and dispense with the need for grants.

21 January 2008

Memorandum submitted by Oxfam Cymru

EXECUTIVE SUMMARY

1.1 Globalisation offers significant cost savings to public procurement bodies in Wales. The Welsh Assembly Government has a legal duty to promote sustainable development and in doing so, should ensure that public sector food procurement practices promote fairly traded food products.

1.2 Wales should build on the growth of the fair trade market and its progress towards becoming the world first fair trade country through promoting fair trade activities throughout the public and private sectors.

1.3 Substituting food imports from the developing world for local food products does not necessarily contribute to carbon emissions reductions and reduces the ability of poor countries to trade their way out of poverty.

OXFAM CYMRU

1.4 Oxfam Cymru is an integral part of Oxfam GB. We work to end poverty and suffering, locally and globally, and make this central to public and political life in Wales. We believe that in a world rich in resources, poverty is not a fact of life but an injustice that we must overcome. We believe that everyone is entitled to a life of dignity and opportunity, where they are secure, healthy, skilled, safe, heard and equal. For over 60 years we have worked with poor communities, local partner organisations, volunteers and supporters to make this a reality. We currently work with partners in over 70 countries.

1.5 Oxfam Cymru campaigns to Make Trade Fair through maximising Welsh support for trade reform whilst ensuring key policy changes occur at home. We are committed to maximising Wales' global contribution to the United Nations' Millennium Development Goals (MDGs). Oxfam Cymru contributes to this through campaigning, raising money and awareness, working with Welsh communities and supporting teachers to bring global citizenship alive in the classroom.

GLOBALISATION AND PUBLIC SECTOR FOOD PROCUREMENT

1.6 Globalisation presents Wales with significant new trading markets. Whilst the competition this creates is a challenge for the Welsh economy, the increased availability of low cost centres of production in—and low-cost sourcing of goods and services from—the developing world presents valuable opportunities for the Welsh private and public sectors.

1.7 Equally, globalisation presents the world’s poorest countries with the potential to overcome poverty through economic development. However, the unfair balance in world trade means workers and producers across the global south are being systematically exploited and oppressed by the rigged rules and double standards of the global trading system.

1.8 Globalisation has drawn millions of people in the developing world into the labour market. Companies demand faster, more flexible labour and cheaper production costs in their supply chains. Many workers, particularly women, in developing countries are denied basic employment rights—like decent pay and safe conditions, in order to keep costs down. Complex world trade rules are rigged in favour of rich nations, meaning that many farmers and producers in the developing world are priced out of business and pushed further into deep poverty.

1.9 Oxfam Cymru believes Wales can change the way it does business with the world and ensure that taxpayers’ money is not spent on goods or services produced through unsustainable environmental practices or the exploitation and oppression of workers in poor countries.
1.10 Wales can ensure equity in our trading relationships and that the future economic development of Wales is not realised at the expense of the poor, through the promotion of fair trade and Wales as a fair trade country, corporate citizenship and the adoption of ethical criteria within public procurement practices.

1.11 Collectively the public sector in Wales spends £4.5 billion and stands to benefit from significant savings through the procurement of cheaper goods and services, including food. Wales spends £66 million each year on public food procurement (of which £20 million is spent on fresh food and £119,000 on water). The education, health and social services sectors are the main recipients of this food.

**Fair Trade**

1.12 Fair trade practices promote sustainable livelihoods by ensuring workers enjoy better prices and decent working conditions and thus a better standard of living, enabling them to buy essential goods and services, such as medicines for their families and communities. It is also good for the environment, generally using less intensive farming methods.

1.13 The Welsh Assembly Government has a statutory duty to promote sustainable development. Oxfam Cymru believes that fair trade is an important component of sustainable development and should be a key component of Wales’ global trading relations and public procurement policy.

1.14 Wales is progressing towards becoming the first fair trade country in the world, building on Cardiff’s achievement as the first fair trade capital city in the world. There are 25 fair trade towns in Wales and there is a fair trade forum in each local authority in Wales. Whilst we welcome these developments, Oxfam Cymru believes a more meaningful commitment to international development is needed.

**Fairly Traded Procurement**

1.15 Oxfam Cymru welcomes the political momentum given by the First Minister Rhodri Morgan to making Wales the world’s first fair trade nation.

1.16 Oxfam Cymru was a founding member of the Wales Fair Trade Forum in 2000 to promote Fairtrade to the Welsh public, business and government. A fair trade development officer, funded by the Assembly Government is supporting the work of the Forum.

1.17 The Assembly Government should set targets on increasing the proportion of public procurement money spent on fair trade and ethically traded goods and services.

1.18 The Assembly Government should provide guidance to all public procurement authorities on how and why they should procure more fair trade and ethically traded goods and services. This will involve investing in appropriate ethical audit practices that focus on supply chain analysis.

1.19 With regards to supply chains within Wales, the Welsh Assembly Government and UK Government should combat poverty-pay and exploitative conditions in the public sector by ensuring vulnerable workers employed casually, or working for an agency or sub-contractor, have their labour rights upheld.

1.20 Wales should be a much more vocal voice in Europe. Wales can both learn from and lead other regional governments on how to procure more fair and ethically traded goods and services.

**Fair Trade and Private Sector Procurement**

1.21 A bold and imaginative public procurement agenda in the Welsh public sector would encourage the Welsh private sector to engage in fair trade activities. Combined, public and private sector support for fair trade would strengthen Wales’ reputation as a country committed to sustainable development (brand Wales).

1.22 Oxfam Cymru recommends that the Assembly Government provides more support for SMEs within the fair trade and ethically trading sector in Wales and raise the profile for corporate social responsibility.

1.23 According to Fairtrade Labelling Organisations International, global consumer spending on fair trade products topped £1 billion in 2006 and benefited more than seven million people in developing countries.

1.24 Increasing numbers of shoppers understand that fair trade means producers get a fair price for their goods. In the UK, the fair trade market was worth more than £500 million in the UK, growing by more than 40% year on year.

1.25 More than 3,000 fair trade accredited products are available in UK supermarkets. Fair trade products have already been identified by supermarkets as “non-price sensitive products”. Welsh businesses would clearly benefit from fair trade activities, provided the start up support was available and information was accessible.
1.26 Resources should be provided by the Assembly Government and other agencies to support Welsh importers to gain fair trade status for their products and to ensure suppliers and retailers could easily access fair trade products.

1.27 The Assembly Government should set targets for the number of Welsh businesses conducting social audits and criteria for accessing business grants could contain ethical considerations.

LOCAL SOURCING AND FOOD MILES

1.28 Both public procurement bodies and retailers in Wales are increasingly looking to source food products locally arguing that reducing “food miles” in turn reduces carbon emissions.

1.29 Oxfam Cymru is concerned that the food miles concept may mislead consumers and public procurement bodies as it not a reliable basis upon which to make pro-environment and pro-development choices.

1.30 Substituting food imports from the developing world in favour of local products reduces the ability of poor people in poor countries to trade their way out of poverty. 70% of people living in poor countries depend on agriculture to make a living. 1.5 million people in Africa depend on agricultural exports to the UK for a living.

1.31 Moreover food miles are only a measure of the amount of carbon emitted through transportation and crucially does not measure the amount of carbon emitted in producing food. Substituting tropical food with local growing of similar products to reduce food miles may result in a greater volume of emissions because of the energy requirements needed to maintain the artificial conditions necessary.

CONCLUSION

1.32 Of the numerous opportunities and challenges presented by globalisation to Wales, the potential impact for Wales to promote an alternative form of globalisation—that based on pro-poor, pro-sustainable development policies—provides us with both the greatest opportunity and challenge of our generation.