House of Commons
Welsh Affairs Committee

Responsibilities of the Secretary of State for Wales

Oral and written evidence

11 December 2012

Rt Hon David Jones MP, Secretary of State for Wales

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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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Guto Bebb MP (Conservative, Aberconwy)
Geraint Davies MP (Labour, Swansea West)
Glyn Davies MP (Conservative, Montgomeryshire)
Stephen Doughty MP (Labour, Cardiff South and Penarth)
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Nia Griffith MP (Labour, Llanelli)
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Karen Lumley MP (Conservative, Redditch)
Jessica Morden MP (Labour, Newport East)
Mr Mark Williams MP (Liberal Democrat, Ceredigion)

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Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Marek Kubala (Clerk), Anwen Rees (Committee Specialist), Alison Mara (Senior Committee Assistant), Baris Tufekci (Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

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Oral evidence

Taken before the Welsh Affairs Committee
on Tuesday 11 December 2012

Members present:

David T. C. Davies (Chair)
Guto Bebb
Geraint Davies
Glyn Davies
Stephen Doughty

Jonathan Edwards
Nia Griffith
Jessica Morden

Examination of Witness

Witness: Rt Hon David Jones MP, Secretary of State for Wales, gave evidence.

Chair: Good afternoon. May I begin by offering my congratulations to the Secretary of State for Wales? I welcome him to the Thatcher Room, something that I am very pleased to do. I ask Jessica Morden to start.

Q1 Jessica Morden: Congratulations on your first visit to the Welsh Affairs Committee as Secretary of State. May I ask you to outline what your key priorities will be as Secretary of State for Wales, and how they might differ from your predecessor’s?

Mr Jones: Chairman, Ms Morden, thank you very much for your welcome. It is very good to be back. I am a former member of this Committee, and I was going to say that the same old faces are here, but they are not this afternoon.

I decided very shortly after becoming Secretary of State that the focus of the Wales Office should be somewhat broadened. Hitherto, it had been an issue of dotting the constitutional i’s and crossing the constitutional t’s. I felt very strongly—taking your own report on inward investment into Wales into account—that the Wales Office should have a broader focus, which should primarily be economic growth.

To that extent, I have put it at the top of the Wales Office’s agenda, and we are working closely with the Welsh Government—I believe that the Wales Office now has a closer relationship with the Welsh Government than previously—to that end. The consequence is that there is a considerable amount of joint working between the Wales Office and the Welsh Government, and I believe that the First Minister is just as focused as I am on the need to put economic growth at the top of the agenda.

Q2 Jessica Morden: After your first year, when you next come back to the Committee, how would you like to be judged?

Mr Jones: Perhaps I could outline what we have done already; I don’t think that we need to wait for the first 12 months. I said that my top priority was Wylfa nuclear power station. The Wales Office held receptions for three of the interested consortia in Wylfa. We worked closely with the Department of Energy and Climate Change, and I was delighted when Wylfa was announced as having been purchased by Hitachi.

We have also started some joint workings with the Welsh Government on cross-border issues. The most important one is the Deeside area. As you will probably be aware, there was a report by Elizabeth Haywood some time ago on the need to encourage city regions as economic drivers in Wales. You correctly identified that in north Wales there was not a natural city region but that Deeside was the closest we had, and that in order to develop it as a city region we needed cross-border working. I came to an agreement with the First Minister that the Wales Office and his Office would put together a team to work jointly on policy initiatives for that area. Thirdly, I have established a working group to look at the business case for the electrification of the north Wales coast line.

In terms of pursuing the objective of economic development, I think that I can already report these as achievements.

Q3 Jessica Morden: May I ask one last question on the Work Programme? When your predecessor came here in July, when we asked her to outline the progress of the Work Programme, she said that one in four of the people who had gone on to the Work Programme had come off benefits after three months, and she was pretty upbeat about how it was going. Last week, figures for the Work Programme showed that 3.25% of people on that programme after six months are now in work, which is a worse figure than the UK figure. I wonder whether you are as upbeat as your predecessor about progress, and what you think might be going wrong.

Mr Jones: We have to acknowledge that the Work Programme was always a two-year programme, and we are approximately halfway through it. The figures that were announced the week before last were disappointing, no doubt, but, if you look at the trend in employment for Wales as a whole, the last few sets of labour stats have been really quite encouraging, and I am very hopeful that that trajectory will continue.

When you talk in terms of the Work Programme, you have to remember that you are dealing with the hardest cases—those who are the most difficult to place in employment for one reason or another. I believe that the Work Programme is a good programme, and I believe that it will deliver more in
the months to come. I also believe that to have a payment-by-results policy is far more cost-effective in terms of placing people in employment. I have already visited work programmes. I went to one in Pontypidd, and I was very impressed not only with the staff but also with the attitude of those who were seeking work. It seemed to me that the support that they were getting, which was individually targeted, was very good indeed. I am not by any means pessimistic about the Work Programme; I think that there is more to come.

Q4 Jessica Morden: Would you welcome the work that the Welsh Government are doing in terms of Jobs Growth Wales, and the focus on getting young people back into work, which seems by some figures to be seven times more successful than the Work Programme?

Mr Jones: I would welcome any initiative that puts people—particularly young people—into work. I don’t think there is an issue of competition. I think that what the DWP is doing and what the Welsh Government are doing can be viewed as complementary. Any programme that puts people into work is something that has to be welcomed.

Chair: Excellent. Thank you very much. Because of the number of questions that we have and the limited time, I ask everyone to be brief with their questions and answers.

Q5 Nia Griffith: Welcome, Secretary of State.

Mr Jones: There is one old face still here.

Nia Griffith: You very kindly agreed to meet Welsh MPs on the Tata situation next week, and we thank you for that.

Obviously, it is up to any company how it goes about restructuring, and we accept that that is an internal affair. However, it is very worrying, when we speak to Karl Köhler, the head of Tata Europe, and when we visit Port Talbot plant, to find that the real worry is the feeling that there is not a clear strategy in the UK for manufacturing—that there is not a clear home market for the steel. If we are going to see that blast furnace lit, which we all want obviously, and if we are going to see the industry flourish, what do you think you could do to bridge what is going on in Wales and what is going on in the broader UK, in terms of increasing the demand for steel?

One of the obvious issues is the whole question of off-shore wind turbines, for example. The companies, because they are German and French, often look back to their own countries for the supply chain, and we do not seem to be able to break into the UK market.

Are there ways that we could encourage the uptake of steel and therefore keep our steel industry?

Mr Jones: I have had two conversations already with Mr Ferriman of Tata, one on the phone shortly after the announcement of the redundancies and one last week in person in Cardiff; and I have arranged to visit Port Talbot shortly. As you rightly say, I am shortly to meet the all-party steel group in order to discuss its concerns.

Tata has made it very clear to me that the principal problem, as you rightly say, is the decline in world demand for steel. I am more hopeful than you, by the way. You say that you hope that blast furnace No. 4 will be refired. My understanding from the discussions that I have had with Tata is that blast furnace No. 4 will be relit in the first quarter of next year. In terms of procurement, of course there are always issues of what is allowed under EU rules. The issue of the turbines was one specific point that was mentioned to me by Mr Ferriman, and he probably mentioned the same issue to you when you spoke to him.

Yes, of course we would encourage all suppliers of whatever products, steel included, to look at the home market, and we would encourage people who are specifying steel for whatever construction project to look very much at the case for British steel. I understand that Tata has made a decision to refocus the output of the Port Talbot plant on high-quality steel because, frankly, the bulk of the steel being produced in this world is Chinese steel, and not all of it is high-quality steel of the sort that may be needed for highly specialist projects.

That is what Tata is doing. I have undertaken to speak to Mr Ferriman again in Cardiff very shortly, and we will be looking at whatever ways we can to help, but essentially this is a commercial process and these are very difficult times for the steel industry. What I am particularly grateful for is the commitment that Tata has shown to the steel industry in this country, which is very commendable. It could have walked away, but it has not done so.

Q6 Nia Griffith: Indeed, I think that we would all commend Tata’s commitment. The worry is whether we can respond with clear strategies on energy prices, on a proper energy incentive package and on Government projects that actually use the steel.

Mr Jones: Let us be clear that energy is a factor, but the principal factor is the downturn in demand for steel. So far as energy-intensive users are concerned, the Chancellor has announced a £250 million package to help support energy intensive-users. There is also a consultation that will be continuing until 21 December, which Tata has already played into.

Q7 Stephen Doughty: Secretary of State, to follow on from those comments of my colleague on the steel industry, I paid a visit to the Celsa steel facility in Splott and Treharris in my constituency last week, and I had discussions there with the managing director Luis Sanz. Similarly, a lot of concerns there were about the future of the industry in Wales and the UK, and obviously a lot more jobs rely on their facilities, conversations with the Celsa plant in Cardiff, and with your colleagues the Secretary of State for Business, Innovation and Skills and Lord Green, who I understand has been in discussions, particularly about the package that you mentioned for energy-intensive users. There does not seem to have been quick
progress on that, although I appreciate that there is a consultation going on.

Mr Jones: The quick answer is no. I have not spoken to Celsa, and I do not believe that Celsa has asked to speak to me, but if it wishes to do so, it is always welcome. I am always happy to speak to anybody who is concerned about the economy of Wales.

Q8 Stephen Doughty: Have you spoken to the Secretary of State for Business?
Mr Jones: Yes, I have.

Q9 Stephen Doughty: They have been in correspondence with Celsa, so I was wondering if they had raised it with you.
Mr Jones: No, but certainly I speak regularly to the Secretary of State for Business and also to Stephen Green, who takes a huge interest in Wales and who has paid many visits to Wales since he became Minister. If Celsa wishes to speak to me, then Celsa is very welcome to do so.

Q10 Geraint Davies: Moving on to the autumn statement, the Chancellor announced that another 12 cities would have super-connectivity. Will you give us an undertaking that you are pressing for super-connectivity for Swansea? Swansea and Port Talbot have more than 400,000 people, bigger than the open footprint of Cardiff. It is obviously on the west side, so is less close to London, and super-connectivity would be a major step forward in terms of inward investment. Are you fighting for super-connectivity for Swansea?
Mr Jones: I think that super-connectivity is an excellent thing for everywhere. Newport, of course, was granted super-connectivity status, and it will share in a pot of £50 million. It is a question of making a business case, as we well know from your experience with rail electrification. If Swansea needs any assistance from the Wales Office in connection with any business case, and we feel that we can properly help, then we will help.

Q11 Geraint Davies: Would you be able to meet me and a couple of stakeholders from Swansea to talk about that and move it forward?
Mr Jones: Mr Davies, you know that my door is always open to you.

Q12 Geraint Davies: That is very kind. I shall move on to another issue relating to the autumn statement, if I may. My understanding is that the top 10% of earners in Britain in the last two years have seen 11% growth in their income, or 5.5% a year. The autumn statement cut their income by about 0.5%, so they are still at well over 10.5%.

In contrast, we see the bottom 30% being cut by about three times that level, and the bottom 10% has about one tenth of that to start with. Would you not agree that, if our focus is on economic growth, the fact is that poor people spend more of their income because they do not have it to save and that it would be better to have a more even approach and not keep hitting the poor and letting millionaires get away with it, as in the autumn statement?

Mr Jones: I realise, of course, that you have a party flag to fly, and fair do’s to you for flying it. In response, I would say that since the general election the full-time earner on the minimum wage has seen his or her tax bill halved. That is a significant achievement on the part of this Government for the less-well-off. You can talk in percentages, but, when talking of pounds in pockets, that particular statistic shows that we have tried to do our best since we came into power for the low earners that you and I are both concerned about.

Q13 Geraint Davies: May I ask you specifically about the empty bedroom tax? For a couple with two children, if one goes off to university and the other goes off on his or her bike to get a job, if the parents were on low pay and therefore on housing benefit, they would end up having to pay £15 a week extra in housing costs. That might make them try to dissuade the children from earning and learning. If they do go, they could end up homeless. Are you not concerned about the impact of some of these changes on people’s ability to work?

Mr Jones: Housing is a huge issue. Frankly, housing is an issue that has defeated Governments of both political hues for quite a long time. Like you, however, I frequently see constituents coming to my surgery who are desperately looking for housing, including young couples with small children who have inadequate accommodation. These are tough choices that Governments have to make, but we have to ensure that people who have accommodation that is surplus to requirements are, if you like, encouraged to make way for those who have more demands for accommodation.

Q14 Geraint Davies: If you were evicted from family-sized housing—a two or three-bedroom house—because the children had left home, local authorities do not have one-bedroom flats or housing to put you in because they have built two and three-bedroom housing for families. Would there not be a lot of empty family housing alongside overcrowding or having to use the private sector, using more public money from housing benefit? It does not seem to add up, does it?

Mr Jones: The housing stock is the housing stock that we have, and one of the challenges for the Government is to increase the housing stock. That, of course, is something that is being looked at on both sides of the border. I reiterate that a lot of young families are unable to find accommodation and a lot of older people, frankly, have surplus accommodation, and it is necessary for these adjustments to be made.

Q15 Chair: Thank you very much indeed. Minister, could you tell me what the Government make of the Silk Commission recommendations?

Mr Jones: The Silk Commission recommendations are now under consideration by the Wales Office, the Welsh Government and HM Treasury. I do not know whether you want me to run through the specifics.

Q16 Chair: The one that I am particularly interested in is the income tax one.
Mr Jones: The proposal in respect of income tax is that 10p of each band should go to the Welsh Government for them to dispose of. In fact, that 10p band can be varied by the Welsh Government even above that level. You are aware of all this.

Q17 Chair: I am aware of this, yes; I wondered what you thought of it.

Mr Jones: It is an issue that is currently under discussion with the Treasury. I have to say, in all frankness, Mr Davies, that it is probably the Treasury’s fiat that will run so far as this is concerned. Clearly, there are multiple issues that have to be considered. The difference between the proposal for Wales and that for Scotland is that there should be tax-varying powers for each band as opposed to a general tax-varying power. That, of course, could provide an incentive for the tax to be used for a type of social engineering, and it is for the Treasury to consider whether that is an important factor in deciding whether or not to accept the recommendation.

Q18 Chair: Obviously, we decided not bring in the lock that is there on the Scottish Government, which means that the higher rate band could be varied enormously with no changes to the other bands. Would it not therefore be useful for us to have accurate information from the Treasury as to how many people are paying tax at the respective levels throughout Wales? Is that Wales-only tax information available?

Mr Jones: That is highly desirable, and I am sure that it is something that the Treasury will be looking at.

Q19 Chair: Is it something that you would lobby for, Minister?

Mr Jones: I shall be having all sorts of discussions with the Treasury.

Q20 Chair: The Silk report kept using as an argument the fact that Wales has a “mature democracy”. It is only 13 years old; it would not even have the vote if it was a child. Would you say that the Assembly is a mature institution?

Mr Jones: It certainly comprises politicians, and politicians make political decisions. The interesting question is how those politicians would make political decisions if that competence were to be devolved. You are quite right: this is a consideration that will have to be borne in mind. Plus, of course, Wales is very different from Scotland. In Scotland you have a large area around the border that is relatively unpopulated, whereas in Wales you have a border that is almost indiscernible on the ground, and it is quite easy for people to move across the border. That is another issue that will undoubtedly have to be dealt with.

Chair: Lots of Members want to ask questions. We will start with Nia.

Q21 Nia Griffith: This is a very technical question. You mention that it is the Treasury that will be doing the modelling on this. Can you give us some idea of the range, the scale and the time scale of the modelling, and when it might be available in the public domain? Clearly, we need that sort of information.

Mr Jones: Indeed. We are hoping to conclude our consideration of the Silk recommendations by the spring of next year. As to the technical information, I have not seen it yet but we will be discussing these issues with the Treasury. Whether or not they come into the public domain is something that I cannot report at this stage, but I certainly think that people should be able to make an informed decision as to whether the proposals and the response to the proposals are something that they regard as acceptable.

Q22 Jonathan Edwards: One of the remarkable things about Silk is that he delivered a unanimous report. Clearly, that took compromise by all the parties involved, although it does not go as far as my party would want, and not as fast either. I am sure that you would agree that we want to maintain that all-party support as we move forward with implementing Silk’s recommendations. Would you therefore commit to implementing the recommendations proposed by Silk and the timetable that he has set, with no cherry-picking of the report?

Mr Jones: Compromise is an extremely good thing. That is the only way that politics is done in a democracy. In terms of time scale, the most that I can report to the Committee at the moment is that, immediately Silk reported, the Government began their consideration of the recommendations. We are continuing that work now, and we will be reporting by the spring of next year. Further than that, I cannot give a commitment because we have to give it proper consideration.

Q23 Jonathan Edwards: The position of the Welsh Government seems slightly strange to me. They are in favour of fully devolving minor taxation, yet they are opposed to a tax-sharing arrangement when it comes to income tax. Do you agree that that is a very strange position for a unionist party to hold?

Mr Jones: That is a matter for the Welsh Government.

Q24 Jonathan Edwards: The Welsh Government recently commissioned Professor Brian Morgan to write a comprehensive report in relation to non-domestic rates, which argued for the full devolution of them, as is the case in Scotland and Northern Ireland, primarily to incentivise local authorities. What progress can you envisage happening in relation to that report?

Mr Jones: That again is one of the Silk recommendations and one of the matters currently under discussion with the Treasury.

Q25 Jonathan Edwards: I have one quick question on the census figures that we had today. Clearly, the language figures are very disappointing, and the figures for Carmarthenshire especially are tragic—a loss of nearly 7% of Welsh speakers. For the first time, Welsh speakers are now in a minority in my county: it is a deep tragedy. While appreciating that responsibility for the language is now devolved, will you give assurances that the Wales Office will do
everything that it can to ensure that the presence of the Welsh language on UK Government sites is maintained?

Mr Jones: Yes. In fact, general competence is not devolved; it is devolved in the devolved areas. You have identified an issue in that, in the undevolved areas, which are extremely large, there is no devolved competence to the Assembly. The Wales Office is leading on the Welsh language so far as the non-devolved areas are concerned. I am highly committed, personally, to the Welsh language, and to its being used as widely as possible. I can give you every assurance that we will seek to do as much as we can to promote the Welsh language in the undevolved areas, to the extent that we have agreed with the Welsh Language Commissioner that one of her officials will be embedded—not literally—in the Wales Office. We are very anxious to do what we can to ensure that the interests of the Welsh language are reflected in the non-devolved areas.

Q26 Glyn Davies: The Silk Commission and its ramifications are one of the most important issues that we face. I am sure the Wales Office agrees about that. The purpose of the Silk Commission, certainly of part 1, is to give fiscal accountability to the National Assembly for Wales. The key recommendation, it seems to me—I do not know whether you agree—is the devolution of part of income tax. It is a big deal. It interests me that you have said that you see the Silk Commission—I think that “tweaking” was the word that you used—as making fairly minor modifications. There is no way in which devolving income tax could be seen as tweaking or a minor modification. It is very considerable. That makes me ask whether you have ruled out that major recommendation already.

Mr Jones: No. I think that you are misquoting me. I did not say that in connection with part 1 of the Silk Commission’s work. The point that I was seeking to make—I was certainly using a shorthand expression—was that the terms of reference for part 2, not part 1, were to make recommendations on any modifications to the settlement likely to have a wide degree of support. Frankly, the word “tweak” was shorthand for modification, and that was in the context of part 2, not part 1. The important issue so far as part 2 is concerned is whether the modifications are likely to command a degree of wide support. Mr Silk will no doubt be taking that into account when he commences his work on part 2.

Q27 Glyn Davies: I clarify my question. Clearly the possibility of devolution—I mean having a major change in income tax—is still very much on the table. You certainly are not ruling it out.

Mr Jones: It is under active consideration at the moment.

Q28 Glyn Davies: The timetable is also quite interesting. Clearly, with part 1, although I personally do not agree, the general view is that there may well be a referendum on the devolution of tax-raising powers—

Mr Jones: Income tax-raising powers.

Glyn Davies: Yes, the devolution of income tax-raising powers, because of the variation, to the National Assembly. Are you going to be able to move on part 1 before you look at part 2? You would not have a referendum on part 1 and then another referendum on part 2. What is the exact timetable for looking at the two parts of Silk, and looking at it completely?

Mr Jones: As I said earlier, consideration of the part 1 recommendations was commenced immediately the report was delivered. That is work that is continuing at the moment. The timetable for part 2 is that, at the moment, Silk has issued a call for evidence. That will close on 1 March next year. There will then be a process of consideration, and Silk hopes to report in the spring of the following year. That is the timetable. These are two discrete processes. Part 1 is certainly not dependent upon part 2, and that is continuing as we speak.

Q29 Glyn Davies: It is entirely feasible that there might be a referendum on part 1, as a lot of people are calling for it. If it was clearly in the manifestos of the party or parties that would form the Government after the next election, it would be discussed in the campaign and it would clearly be their view, so there would not be a need for a referendum. If there was a need for a referendum, do you envisage there being two referendums on both parts?

Mr Jones: No. The Silk report itself recommends that there should be a referendum. The reason for that, of course, is that tax-varying powers were never part of the original referendum back in 1997, which they were in Scotland. Silk felt, as a consequence, that in the interests of democracy and the constitution there should be a further referendum on the issue of tax-varying powers. That again is a matter that is being considered in the wider context of the part 1 consideration.

Chair: Does anyone else want to come in on this?

Q30 Geraint Davies: Do you share the concern that tax-varying powers for Wales, particularly for income tax, could potentially undermine inward investment, because it would generate uncertainty about the future?

Mr Jones: On the whole, no. I would be far more concerned if Silk had recommended the devolution of corporation tax. That would have been an impossible tax to devolve, and it would have been far too destabilising not only for Wales but for those areas of England that are close to the border. We have to bear in mind that 90% of the Welsh population lives within 50 miles of the border, so it is a wholly different scenario from other parts of the UK.

Q31 Stephen Doughty: Secretary of State, could you tell me the exact cost to the public purse of referring the Local Government By-Laws Bill to the Supreme Court and pursuing the case there?

Mr Jones: No, I could not, but in due course the cost will be announced. You have to remember also, in terms of cost, that a lot of the lawyers involved in the process are already on the Government payroll, so there is no cost involved.
Q32 Stephen Doughty: When do you plan to do so?
Mr Jones: That is a matter for the Attorney-General.

Q33 Stephen Doughty: Will you write to the Committee and provide us with the information?
Mr Jones: I can undertake to write to the Committee when we are aware of that figure.

Q34 Stephen Doughty: Would you ask him to get us a date? One would think that you would be able to find out the information, as taking a case of that nature to the Supreme Court without knowing the likely cost of doing so seems slightly odd.
Mr Jones: You have to bear in mind that it is not an issue of cost so much as an issue of what are the boundaries of the constitutional settlement. The Attorney-General routinely reviews any piece of legislation that comes through the Assembly. In this particular case, he felt, and the Wales Office agreed, that it was an appropriate case to refer to the Supreme Court. What the Supreme Court decision provided was a great deal more clarity about the boundaries of the constitutional settlement, the devolution settlement, than we had previously. To that extent, it was a valuable exercise. Certainly, once the Wales Office is aware of the cost, by all means we will write to the Committee.

Q35 Stephen Doughty: Moving on from the financial cost, can you give us an estimate of the amount of your time and the time of officials spent on the case, advising on it and discussing it?
Mr Jones: In terms of hours?
Stephen Doughty: Yes, in terms of hours, compared to the other issues in your portfolio.
Mr Jones: No, I could not, but certainly we spent a considerable amount of time considering it.

Q36 Stephen Doughty: Do you regret doing that, given the result?
Mr Jones: Certainly not. You have to understand that the Supreme Court procedure is prescribed in the Government of Wales Act for the resolution of any constitutional issues that may arise. In this particular case, there was genuine doubt as to the boundaries of the devolution settlement in so far as it related to the incidental consequences provisions of the Act. We have now got a far clearer indication, to the extent that those are to be applied narrowly rather than widely. To that extent, it was an important exercise. Because it was the first reference—ironically, it was on the first piece of legislation that came through the Assembly—it was regarded as some sort of hostile act, but it was nothing of the sort. It may well be that there will be future occasions when we will have to invoke the Supreme Court procedure again, but it is a useful procedure.

Q37 Stephen Doughty: I have a couple more questions. Did you receive any advice not to proceed with the case internally, within the Department?
Mr Jones: We would not have proceeded with the reference to the Supreme Court if the advice had been adverse? Of course we would not.

Stephen Doughty: Forgive me, but that was not exactly my question. Did you receive any advice not to proceed with the case?
Mr Jones: No. I do not want to go too deeply into it, because as a matter of convention you will know that we never say what the advice is, but the advice was obviously positive, otherwise we would not have instituted the proceedings. By the way, it was the Attorney-General’s reference, not the Wales Office’s reference.

Q38 Stephen Doughty: Obviously, you made a joint decision. You said that it was ironically the first piece of legislation, but is there a risk that it has sent out a very concerning signal about your views on the devolution settlement?
Mr Jones: No, not at all. By the way, bear in mind that I was not Secretary of State when that decision was made.

Q39 Stephen Doughty: No, but obviously the decision has been pursued.
Mr Jones: Well, yes. As I say, it may well be that there will be future references, but to regard them as hostile acts is rather a naive interpretation. It is simply a question of clarification. The devolution settlement is not always clear. The fact that it is not always clear is attested to by the fact that we took those proceedings. It may well be that they will be necessary in the future as, both in the Assembly and in Parliament, clarity over the devolution settlement is essential and desirable.

Q40 Glyn Davies: I want to come to this because I have a particular interest in a future Act that may come forward in the Assembly, relating to organ donation, which I think is a significant issue. Clearly you know how the process works, and references to the Supreme Court are the right and proper way to deal with these issues. We all know that it is part of the constitution. What reasons exactly might you have for referring something like the organ donation issue?
First of all, there may be a question on the competency of the Assembly, or indeed it may have a negative impact on the organ donation system in the rest of the United Kingdom, for which the Government have responsibility. What sort of reasons can you have for making a reference?
Mr Jones: The only reason can be whether or not the proposed Act—by that time, it will be an Act of the Assembly—is within competence. The issue of policy, unless it is an issue that is prescribed within the Act as an appropriate consideration, is frankly not relevant. I know that you have concerns about the impact of this proposed legislation upon the supply of organs generally, and that is a concern that I think a lot of people share. Nevertheless, if the proposed piece of legislation is within the competence of the Assembly, as set out in the Government of Wales Act, then it would not be appropriate for this Government to interfere.

Q41 Glyn Davies: Would that be your judgment, or would it be something that you would discuss with the Attorney-General?
Mr Jones: The Attorney-General, as I said a moment ago, reviews every piece of legislation coming through the Assembly for competence. That is the right and proper thing to do, and he would be failing in his duty if he did not do so. You have to distinguish between the strictly legal assessment that he will make and the policy assessment that concerns you. Given that we have a devolved settlement, it would be quite wrong for this Government to seek to interfere, even though in some cases we may not necessarily share the same policy objectives as the Assembly Government.

Q42 Guto Bebb: First, may I say that I welcome very warmly the emphasis that you placed on the economy when you were promoted to your new position? If you look at the Silk report, there are some very disturbing figures in terms of the performance of the Welsh economy, inasmuch as we have 1.35 million taxpayers out of a population of 3 million; we have only 89,000 who pay the higher rate of tax and only 4,000 who pay the top rate of tax. It is an example of an underperforming economy in many ways, so I welcome your involvement with the potential nuclear development in Anglesey. In view of the fact that the issue is very much something that falls to the Department of Energy and Climate Change, and also comes under the Welsh Assembly’s responsibilities in terms of economic development, what do you see as the role for the Wales Office in ensuring those developments, especially the nuclear station in Wylfa? What is your role in ensuring that they happen?

Mr Jones: The Wales Office has a hugely important role in this regard, because we amount to a bridge between Cardiff and London. That is why I decided, when I was appointed Secretary of State, that I would make it the main focus of the Office. I have already indicated the discussions that we had with Hitachi prior to its purchase of Horizon. That is a project that is squarely undeveloped, apart from minor infrastructure considerations. The view that I take is that, although economic development is normally devolved to the Assembly under the terms of the Government of Wales Act, there is a whole load of other levers that are not devolved, most importantly macro-economic policy, and also a load of undeveloped areas within Wales. You have identified large-scale energy generation, and you also have rail infrastructure, ports and airports, so there can only be real economic development and economic growth if the Government at Westminster are working as closely as possible with that in Cardiff. I am glad to say that I have a pretty good relationship with the First Minister in Cardiff, and I think that we both understand this particular issue. I am very happy to assist in any way that I can in pushing the Welsh case in London—and, in fact, further than that. I am going to Japan, I hope next month, to speak to the Hitachi board, at their invitation, and we are very hopeful that an official from the Welsh Government will be accompanying us. A joined-up approach is absolutely essential. It is starting to manifest itself and, irrespective of political hue, that is something that politicians at both ends of the M4—a hackneyed phrase that I promised myself I would never use, but I have used it anyway—are working as closely as possible.

Q43 Guto Bebb: In terms of the nuclear development in Anglesey, if it happens, it will be a catalyst for many other aspects of energy production in north Wales, in my view. Obviously, the work being done by local authorities and further educational facilities is to be commended. Do you have any view as to the potential timetable, in terms of the fact that Hitachi was successful, because the systems that they will be using are not as yet, in my understanding, acceptable?

Mr Jones: No; they will have to undergo what they call a generic design assessment. That is a process that I understand will take between three or four years. Having said that, they are not standing idly by; they are already getting involved with trying to establish supply chains and to moving forward with the procurement process. You are absolutely right in terms of acting as a catalyst—an appropriate expression, given that we are talking about energy—for the Energy Island concept. So far, Anglesey Energy Island has principally been a slogan, but now it is a reality. We have an extremely good and proactive college in the shape of Coleg Menai, which I have visited a few times. We have proposals for tidal power installations around The Skerries, and we have the potential of biomass on the old Anglesey aluminium site. The cluster effect that will develop as a consequence of Wylfa is something that is commendable, and it could kick-start the economy of Anglesey.

Q44 Guto Bebb: Moving on to the electrification of the north Wales main line, which is an issue that has been discussed in numerous questions that I have asked, I am very pleased to see that you have put together a working group. We have indicated discussions that we had with Hitachi prior to its purchase of Horizon. That is a project that is squarely undeveloped, apart from minor infrastructure considerations. The view that I take is that, although economic development is normally devolved to the Assembly under the terms of the Government of Wales Act, there is a whole load of other levers that are not devolved, most importantly macro-economic policy, and also a load of undeveloped areas within Wales. You have identified large-scale energy generation, and you also have rail infrastructure, ports and airports, so there can only be real economic development and economic growth if the Government at Westminster are working as closely as possible with that in Cardiff. I am glad to say that I have a pretty good relationship with the First Minister in Cardiff, and I think that we both understand this particular issue. I am very happy to assist in any way that I can in pushing the Welsh case in London—and, in fact, further than that. I am going to Japan, I hope next month, to speak to the Hitachi board, at their invitation, and we are very hopeful that an official from the Welsh Government will be accompanying us. A joined-up approach is absolutely essential. It is starting to manifest itself and, irrespective of political hue, that is something that politicians at both ends of the M4—a hackneyed phrase that I promised myself I would never use, but I have used it anyway—are working as closely as possible.
with the CBI recently, and it wants to become involved.
If we can emulate in north Wales what happened in
Swansea, we have an extremely good chance of
making a business case that will stand up for the next
HLOS period, but that of course is some way off yet.

Q45 Guto Bebb: Just to clarify, in terms of the
working group, are any representatives of the tourism
sector involved? The argument is that a quick link
from London to north Wales would be very beneficial
to the tourism sector in many parts of north Wales.
Mr Jones: I can tell you that the chairman of
Llandudno hoteliers was at the first meeting. He has
always been very supportive of all these efforts for
 electrification, and I hope that he will be part of the
working group. I am sure that he will be consulted.

Q46 Guto Bebb: I move on to another issue. We
have had the very distressing news about the child
abuse inquiries in north Wales being reinvestigated.
Could you give us an update on the review currently
being undertaken on the original Waterhouse inquiry?
Mr Jones: Yes. This is a matter that has caused a
considerable amount of distress to an awful lot of
people in north Wales for a long time. I have lived in
north Wales nearly all my life, so I know the impact
that it has had on the area.

Two processes have been put in place. One is an
investigation that is going to be conducted by North
Wales police, but they have asked for the input of
Keith Bristow, director of the National Crime Agency,
and he will be overseeing the process. They will be
considering not only the police investigation at the
time of the original complaints but any fresh
allegations of abuse that have come forward since, in
relation to children’s homes in north Wales. We are
hoping to get Mr Bristow’s initial report by the spring
of next year. The Home Secretary has asked for it by
April of next year.

At the same time, there is another separate process,
under which a High Court judge, Mrs Justice Macur,
has been appointed to review the terms of reference
of the original Waterhouse inquiry and whether any
allegations of abuse were not reflected in the work
of the Waterhouse inquiry. Mrs Justice Macur will be
reporting jointly to me and to the Secretary of State
for Justice.

Q47 Chair: Thank you very much, but I am afraid
that I shall have to move things on at this point. It
transpired a few months ago, during an evidence
session, that the Government hope to recover an extra
£112 million from the Severn crossings. That is in
addition to the amount that was agreed when the
concession was given to SRC. We were not made
aware of that during the report that we undertook, to
which you gave evidence. When did you become
aware of that £112 million figure? This is money that
the Government are looking to recoup on top.
Mr Jones: You have had an evidence session with the
Transport Minister.
Chair: We did, and that was the first I knew of it.
Mr Jones: That is probably the first time that I
became aware of it as well.

Q48 Chair: I hate to sound conspiratorial, but some
people might think that the Government had thought
to themselves that, if the concession was going to end
in 2018 or thereabouts, they could think of a few sums
of money that they could add to the amount that they
were trying to recoup. Do you think that it might be
fair for us to find out when the Government decided
that they were going to recoup this money, so that we
can assure people that this is not the case?
Mr Jones: I am sure that that was a question that you
put to the Transport Minister when he gave evidence.
Chair: I didn’t, actually.
Mr Jones: Did you not?
Chair: I was so amazed. I was trying to work out
where this figure had come from, but in fact he quoted
several hundred million pounds.
Mr Jones: I am not seeking to duck the question; it
is simply that I do not know the answer. Probably, it
is a question that you may want to put to the
Department for Transport.

Q49 Chair: I put it to you that both you and I and
probably everyone on this Committee would like to
know a lot more about this. We have all been looking
forward to the concession ending in 2018, and looking
forward to the Government being able to reduce the
fees quite considerably, if they wished to, yet just as
the final goal comes into sight if feels as if the
goalposts have been moved. Do you not think that we
all have a right to some transparency on this?
Mr Jones: What I would say about the Severn
crossings is that we would all notice if they were not
there. To that extent, they are a hugely important piece
of national infrastructure. It is fairly obviously the
case, too, that they have to be maintained and that
financial arrangements have to be put in place to
maintain them. The future of the Severn crossings is
something that is obviously very much under
consideration by the Department for Transport. Again,
I have to say in all frankness that this is an issue on
which I cannot assist you further, save to say that, if
you have further concerns about this that you have
not pursued with the Transport Minister, you might
possibly want to recall him.

Q50 Chair: We may well do so. As a Minister
representing Wales, and being interested in economic
development, as you told us earlier, although I fully
accept that it is very expensive to maintain and
although it might be fair to charge to the level of the
maintenance costs, would you agree that it would be
very unfair to use the Severn crossings as a cash-cow
to bolster Treasury funds—a tax that would effectively
fall on the people of south Wales and south-west
England?
Mr Jones: I would be very concerned to ensure that
the tolls that were imposed in respect of the Severn
crossings reflected the cost of maintenance of
important assets. At the same time, I can fully
understand the points that you make. They are
extremely important in terms of the south Wales
economy, and I would want the Government to ensure
that they were assessed at a fair rate.
Q51 Jessica Morden: That is a point that I was going to make, so I entirely agree with the Chair. Speaking on behalf of my constituents, as the tussling for the bridges goes on between the Welsh Government and the Department for Transport, there is the suspicion out there that it is being seen as a useful revenue stream in the future. With a constituency next to the Chair’s, businesses and commuters in my part of the world want to see the fees substantially reduced, and want reassurance from yourself that you would like to see them substantially reduced.

Mr Jones: The issue is hugely important for south Wales and the south Wales economy. I have had several meetings with hauliers and so on, who are concerned about the levels of toll. I agree that they should be set at a fair rate. By the same token, it is important that those two very important pieces of national infrastructure are maintained in a good and acceptable condition, so a balance has to be struck. Certainly, from a Welsh perspective, I would want to make sure that it is a fair balance.

Q52 Jonathan Edwards: I am sure that you will agree with me that, if the Barnett formula is to be applied correctly, England-only projects must result in a Barnett consequential for Wales. Whichever way you look at it, the railway between London and the north of England is an England-only project. Vast sums of money have already been spent on HS2. In answer to a parliamentary question, I was told that £500 million has been spent on preparatory work, with total estimated costs of at least £32 billion. That should equate to a Barnett consequential of around £1.9 billion. What discussions are you having with your colleagues in the Cabinet to ensure that Wales gets its fair share of the consequentials resulting from HS2?

Mr Jones: Do you know, when I turned up here today I laid a little bet with myself that you would ask that question? I have to say that I disagree with you. I do not think it is the case that HS2 would be of no benefit to Wales. In fact, as you know, Professor Stuart Cole said that it could be of tremendous benefit to Wales, notwithstanding that it runs entirely within England. Again, I have to point out that railway infrastructure is not a devolved area. HS2 would be of tremendous significance from a UK perspective. I have to take issue with you further, as I do not believe that this should be reflected in a Barnett consequential. I think that I have told you that before on the Floor of the House, so it will come as no surprise.

Q53 Geraint Davies: Going back to the Severn bridge, I asked the Chief Secretary to the Treasury, Danny Alexander, on the Floor of the House whether he would be prepared to commission a report to see whether, if the Government paid for the tolls now, they would recover the money in higher income tax and lower benefits through generating more jobs. He undertook to move forward with that report. May I ask whether you would be prepared to press him to get on with it, as it were, before we come to the end of the Silk discussions? Obviously it would be useful to know how much money it would make for the Treasury, creating more jobs and growth in Wales, by reducing this tax on trade and commerce that is the toll.

Mr Jones: If you have asked him to do it, and he has undertaken to do so, I can certainly undertake for my own part to send him a gentle reminder.

Geraint Davies: That is very kind. Thank you.

Q54 Nia Griffith: I turn to the devastating floods in north Wales, Secretary of State, with which you will obviously be very familiar, having visited yourself. Many of the issues are devolved, but there is the issue of insurance, when people cannot get flood insurance for their homes because their homes have been flooded previously. What progress are the Government making in terms of getting better provision for people?

Mr Jones: I agree with you entirely that it is a hugely important issue, not least for residents of my constituency who were flooded; as you rightly say, I visited them shortly after the floods. The Government regard this as a matter of priority. It is a matter that has been delegated to Oliver Letwin, the Cabinet Office Minister, who is conducting negotiations with the insurance industry. We are determined to ensure that, by the time that the present agreement runs out, another agreement will be put in its place that is affordable and fair to all house insurance payers.

Q55 Nia Griffith: On the issue of additional funding, when a tragedy of this sort occurs, what do you see as the UK Government’s role in providing additional assistance to areas like this in Wales? How do you see that linking in with the sort of additional help that might be provided to areas in England?

Mr Jones: Shortly after the floods, the Chief Secretary to the Treasury announced support for improved flood defences. That was reflected in a Barnett consequential of about £7 million—there or thereabouts—so the Government have recognised that they have a responsibility. It is not simply an issue for the devolved Administration, no matter what the cost. They have shown willing by making that commitment very shortly after the flooding a couple of weeks ago.

Q56 Nia Griffith: Is there therefore a case for looking at trying to pre-empt situations of flooding and putting in additional flooding defence where it is needed?

Mr Jones: Yes, although I have to say that the funding that has been made available has resulted in thousands of extra homes being protected. I went to St Asaph to view the damage there, and it was quite plain that immensely impressive flood defence works had already been carried out there. Sadly, because of the nature of the rainfall, which was half a month’s rain in one day, they could not cope. The sad fact, as everyone recognises, is that the forces of nature will always overwhelm the defences of man. The most that man can do is to put those in place.

Q57 Chair: We are being overwhelmed by the forces of time, I am afraid, but I shall try to squeeze in one last minute after this.
First, may I ask whether you feel that the setting-up of police commissioners is going to have an impact on the ability of the boards to reflect the communities that they represent? It was put to me in a separate inquiry recently that commissioners could have a negative effect on community representation in that, previously, the police authorities had to look like the communities that they represented, yet now you are going to have one person doing that job. Will it have an impact, for example, on complaints of racism in the police force?

Mr Jones: I would hope not. It is early days in the process, but the fact is that, for the first time, having directly elected police and crime commissioners introduces a much-needed element of democracy into policing. As you know, there have been suggestions that it politicises policing, but the fact is that policing was already politicised to the extent that most members of the police authority were councillors of one political hue or another.

Chair: We have time for a quick question from Jessica.

Q58 Jessica Morden: Are you happy for police commissioners immediately to appoint deputies?

Mr Jones: I believe that they should be very careful as to the public perception of the decisions that they make.

Chair: I believe that we have time for another very quick question.

Q59 Guto Bebb: It is a quick question on flooding. You rightly said that it is not a devolved issue. Has the Wales Office been in communication with the Welsh Government and the local authorities that have given planning permission for 13,000 new houses, many of which are scheduled to be built on flood plains?

Mr Jones: I share your concern entirely. We have not had any official communication over this, but as a constituency Member of Parliament I can see exactly what you are driving at. It is a huge source of concern to me on a constituency basis.

Chair: The last, very brief word goes to Geraint Davies.

Q60 Geraint Davies: Briefly on the issue of Remploy, and specifically Swansea, the situation is that there are discussions between Swansea council and the Welsh Assembly Government on the Swansea factory, and the UK Government have provided some land and assets.

In discussions, the Minister responsible, Esther McVey, made the point that in the event that a loss of, say, £2,000 per person closed the plant, George Osborne would pick up a cost of, say, £10,000 a year in lost income tax and benefits. Could there be some level of subsidy transferred to particular cases by the Government? Esther McVey said that that was part of the negotiations. Given that, would you be prepared again to have a word with the Minister responsible, and get engaged to do what you can do to keep the factory on the road?

Mr Jones: The Wales Office has been engaged with the Department for Work and Pensions throughout this process, and I had several meetings with Esther McVey’s predecessor on this. We could rehearse the arguments for and against the closure of Remploy, but the fact is that, if a proper business case can be made for taking over any particular Remploy factory, I know that the Department for Work and Pensions will listen. At the end of the day, it is a commercial decision for Remploy itself, but the fact is that many of these factories are not sustainable in their present form. The cost of sustaining each Remploy job is £25,000—

Geraint Davies: That is the average cost, isn’t it? It varies.

Mr Jones: That is the average cost, indeed. We have to bear in mind also that the current review and the current procedure was the consequence of recommendations made in the Sayce report. Of course, Liz Sayce and her charity, and other disability charities, have said that we should be moving away from a segregated employment environment to one of mainstream employment. If a business case can be made for it, then it will be listened to. We certainly will continue to work closely with the Department for Work and Pensions.

Chair: Thank you very much indeed, Secretary of State.
Written evidence

Written evidence from Stephen Hammond MP, Under-Secretary of State, Department for Transport (RSS 01)

I understand that at the Welsh Affairs Committee on 11 December 2012, the Committee asked about the Severn Crossings and in particular the arrangements beyond the current concession. I thought it might be helpful for me to write to explain the position.

As I noted in my evidence to the Committee on 16 October 2012, when the current concession period ends the crossings will revert back to public ownership. While no decisions have been taken on the future of the crossings, the Government has always been clear that it needs to recover debts incurred by UK taxpayers following the end of the concession period. This should not be a surprise to anybody. The ability of the Government to continue tolling after the end of the concession is a key part of the Severn Bridges Act 1992 and was made clear during the passage of the legislation. The Department’s evidence to the Committee’s Inquiry on Severn Crossings tolls in 2010 also noted that there would be debts that would need to be recovered after the end of the concession.

In the Department’s letter to the Committee on 1 November 2012, we noted that the current concession period is predicted to end in 2018. After the end of the concession, there will still be some Government debts relating to the crossings which will need to be repaid, for example for latent defects such as the main cable corrosion on the Severn Bridge and professional engineering advice. These costs are likely to amount to well over £100 million, although this estimate is expected to be refined over time. Based on a continuation of the current system and current financial performance, we would expect these debts to be repaid by the early 2020s, although this would depend on future traffic flows on the crossings and any additional costs that fall outside of the concession agreement.

My officials have regular discussions with colleagues in the Welsh Government about a range of Welsh issues including the crossings. My officials are currently doing some work to provide a more detailed breakdown of the Government debts relating to the crossings for Welsh Government colleagues, which we would be happy to share with the Committee when completed.

I can assure you that the Government is committed to the continued successful operation of these vital crossings.

December 2012

Supplementary evidence from Rt Hon David Jones MP Parliamentary Under-Secretary of State for Transport (RSS 02)

At my appearance before the Welsh Affairs Select Committee last month I undertook to write to the Committee regarding the costs of the referral of the Local Government Byelaws (Wales) Bill to the Supreme Court.

The cost of the referral was £55,811.98. Lord Hope said in his judgment that that it was entirely proper to refer this case to the Supreme Court for scrutiny.

January 2013