

THE COMMITTEE ON STANDARDS IN PUBLIC LIFE

Hilton Cardiff Hotel,
Cardiff, Wales

25 January 2011

Review of Party Funding Morning/Afternoon Session

Members Present: Sir Christopher Kelly (Chairman)

Sir Derek Morris MP DPhil
David Prince CBE
Dr Elizabeth Vallance JP
Oliver Heald MP

Witnesses: Professor Richard Wyn Jones, Professor of Welsh
Politics and Director of Wales Governance Centre,
Cardiff University
Joanne Foster, Chief Executive, Welsh Liberal
Democrats
Chris Franks AM, Member of Finance Committee,
Plaid Cymru
Richard Grigg, Director of Finance, Plaid Cymru

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PROFESSOR RICHARD WYN JONES (CARDIFF UNIVERSITY)

1. SIR CHRISTOPHER KELLY (Chairman): Professor Wyn Jones, thank you very much for coming to talk to us this morning. It would be extremely helpful for those reading the record if you could just begin by introducing yourself.
2. PROFESSOR RICHARD WYN JONES (Professor of Welsh Politics and Director of Wales Governance Centre, Cardiff University): My name is Professor Richard Wyn Jones. I am director of the Wales Governance Centre at Cardiff University which is a research institute which spans politics and law. My main academic interest is Welsh politics broadly.
3. SIR CHRISTOPHER KELLY: Thank you very much. The Committee is coming towards the end of the public hearing part of the inquiry. There is still a long way to go. But lots of people have said lots of things to us and we are not as uninformed as we were perhaps at the beginning of this inquiry. We are here in Cardiff this morning principally to see if there is any particular Welsh perspective on the issues which we are addressing.
4. It would be helpful if I could begin with a general question which is do you think there is a problem with party funding?
5. PROFESSOR WYN JONES: At the UK level; at the Welsh level?
6. SIR CHRISTOPHER KELLY: Start with the UK level and then move on to the Welsh level.
7. PROFESSOR WYN JONES: Yes, I think there is a problem. I think there is an undercurrent of mistrust amongst the electorate as to our present arrangement. There is a feeling - whether that is correct or not - that donors do not give money to parties out of the goodness of their heart but that they are expecting some kind of pay-back, be they large individual donors or large businesses or indeed trade unions; that there is a quid pro-quo being expected for those donations. I think that does lead to a certain corrosion in terms of public trust.
8. On the other hand I am afraid that the public do not follow these thoughts through to their logical conclusion which would be State funding so there is this distrust without willing the means which might lead to a change. That is very crude; very broad. I am telling you nothing that you have not heard before.
9. SIR CHRISTOPHER KELLY: That is helpful. We have been left in no doubt that there is a problem with perception. Do you think there is an underlying problem of substance which justifies that public perception? If there is the evidence of it, it is quite hard to come by. Most examples quoted are usually from some years ago.

10. PROFESSOR WYN JONES: Perceptions shape their own reality in politics.
11. SIR CHRISTOPHER KELLY: I understand that and if there is a problem of perception it is a problem in its own right.
12. PROFESSOR WYN JONES: Absolutely.
13. SIR CHRISTOPHER KELLY: I am just trying to get your view as to whether you think there is any underlying substance.
14. PROFESSOR WYN JONES: Sorry, I am going to repeat what you already know. My suspicion would be, as a member of the electorate, that people do not give large sums of money to political parties simply out of the goodness of their heart and that they would expect in some way to favourably shape the political terrain as a result, and that might be okay as well. You might argue that that is part of the democratic process; that you actually support a particular cause. For example, if you are a trade union then you might say, "It is sensible and proper that we, as a trade union, try to support a political party or political parties that shape the political terrain in ways which may be favourable to our members". That may well be regarded as an entirely legitimate part of the democratic process. The problem is do the public perceive it in that way.
15. SIR CHRISTOPHER KELLY: Leaving trade unions aside for the time being is there anything wrong, in your view, with an individual giving £1 million - not in expectation of a seat in the House of Lords; not in expectation of a favourable planning decision on something of specific interest to them - but simply because they are in favour of a party's view on more devolution or Europe or one of the big political questions?
16. PROFESSOR WYN JONES: I actually favour State funding. I am sure we will come back to this.
17. SIR CHRISTOPHER KELLY: We will.
18. PROFESSOR WYN JONES: I do so because I think there is a problem in terms of particular high net worth individuals or companies or whatever organisation having an undue influence as compared to the rest of the electorate. I think this is a question of balance. I think it is very difficult to be black or white about this but I plunk, in the end, on that side of the argument.
19. SIR CHRISTOPHER KELLY: Can you focus more on Wales in particular? Are there any special factors about the financing of different parties in Wales that we ought to be aware of?
20. PROFESSOR WYN JONES: I think I need to start by underlining how little use I am going to be this morning because our evidential base is pretty limited, as you will be aware, in terms of how the parties register. It is only really two of our big four parties who have an identifiable Welsh structure in

terms of funding, et cetera. The Conservatives and Labour operate essentially as branch offices - maybe influential branch offices but branch offices - of the London operation. It is more transparent in those cases as to how they are organised in Wales. So that is one problem in terms of information.

21. The second difficulty that I have is there is very little academic literature on the Welsh parties. There is some literature on Plaid Cymru which focuses largely on the party's ideas. There is a recent very good book by David Melding who is a Conservative Assembly member which has interesting things to say about the Conservative Party in Wales but very little about organisation. The literature on the Labour Party is surprisingly small given its influence in Welsh life, and the literature on the Welsh Liberal Democrats is very small. So there is very little academic work out there which I can draw on to give you concrete information. In terms of hard evidence, which is what you are after, the sources of information on specific Welsh dimensions are fairly scarce.
22. SIR CHRISTOPHER KELLY: We do of course try to be firmly evidence-based but anecdotal subjective views are also of interest, particularly when they come from a highly experienced person such as yourself.
23. PROFESSOR WYN JONES: Okay, but I do give that general health warning at the start. Okay, in terms of are there any special factors, I would say yes, and I would point to four factors in particular which have an impact in terms of the state of the parties in general and perhaps the financial aspects in Wales. First of all it is obviously the case that we have in Wales what political scientists call a party dominant system or subsystem. That is sometimes called one party. We have one party which dominates the political landscape and has done so since the late 1920s, early 1930s partly due to the workings of the first past the post electoral system. There are various factors which underpin that and to give an indication of how this works in the last UK general election the Conservatives got 36% of the vote across the UK and 47% of the seats in Westminster. In Wales Labour got exactly the same percentage - 36% - but 65% of the seats. So first past the post in Wales gives you particularly skewed outcomes and there is a lot of political science literature which says and demonstrates that when you have a party dominant system that has particular impact not only on the dominant party but also on the other parties. They tend to be weak.
24. So I think in general I think that party dominance has an impact which means that party organisation in Wales is pretty weak. When you've had seats which have been held by the same party for literally generations it's not surprising that that has an impact on all the parties operating in that constituency for example. So I think Wales is not entirely unique across the UK but this is a particular feature of Welsh politics which I think means the party organisation is relatively weak here.
25. SIR CHRISTOPHER KELLY: And the impact of that on the funding issue?

26. PROFESSOR WYN JONES: If party organisation is weak you would expect that the mechanisms for fundraising would be equally attenuated. Also there would be less incentive for the parties to raise money. If you have essentially got uncompetitive seats, obviously the incentive structure is going to be different from being the marginal; that is fairly obvious.
27. The second dimension of Welsh politics, which I think is germane here, is that in terms of local government we have a tradition across a large part of Wales including northwest Wales where I come from. We have a tradition of independent local councillors. That again has an impact on party organisation. As you will all be aware the backbone of the political parties is the local councillor base. In Wales that is certainly attenuated. It is very weak indeed.
28. It is true to say that some of these independents are actually party members but they do not declare themselves but it does mean the party organisation is pretty weak as a result. Again Wales is not unique in having independent councillors but I think we have, I suspect, a high proportion of independent councillors and certainly we have local authorities with no real restriction of party composition which I think is relatively unusual across the UK. That is a second dimension which I think adds to the weakness of party organisation which I think also has a knock-on effect on fundraising capacity, et cetera.
29. The third dimension is obviously devolution. The effect there is complex. On the one hand it leads to greater demands on the parties, in particular there is a demand for policy-making capacity which was not there prior to devolution and you can see and observe whereby in particular the three British parties - if I can use those terms - have had to build up their Wales focused policy making capacity. That is a premium which did not exist prior to devolution there. Even Plaid Cymru which also had to formulate policy within a Welsh context you might argue would have to do that in a slightly more rigorous way than was the case prior to 1999. There are certainly increased demands in terms of political parties.
30. On the other hand there is increased capacity. They have more members operating on the Welsh basis; they have their staff and so on. It is complex but certainly that is an added demand.
31. Then finally one might argue that the fact that Wales increasingly operates as a bilingual country, and certainly the Welsh Assembly operates as a bilingual polity, adds demands on the parties to the extent that the parties think that they need to do anything about that. Operating bilingually adds costs obviously. That would depend in terms of the impact on the individual party would vary depending on their commitments to that particular aspect of Welsh life but certainly it is something which now is having an avoidable effect on all of them. So there would be four factors which I would say make Wales not necessarily unique but there is a certain kind of Welsh difference there.

32. SIR CHRISTOPHER KELLY: You began by talking about the perception of money buying influence. If the situation in Wales is weak party organisations, with not very highly developed fund raising and no significant £1 million donors is perception of the integrity of party finances in Wales different from the rest of the UK or is it affected by the general UK view?
33. PROFESSOR WYN JONES: You cannot disassociate what is happening in Wales with what is happening at the UK level. You must always recall that in terms of media consumption our political news comes overwhelmingly from London sources so there is not an autonomous Welsh politics in that sense so it is obviously and inevitably going to be skewed by what is going on in terms of the perceptions and the discussion at the London or UK level.
34. In terms of perceptions within Wales specifically, to the best of my knowledge, and as I think I have been involved in almost all of the work on this I should know, but maybe there is something else out there; I am not aware of anybody who specifically probed attitudes on party funding amongst the Welsh electorates. What we do know however is that the Welsh electorate are mildly more trusting of devolved level institutions than of UK level institutions and of devolved level of politicians as opposed to Westminster level politicians although I should say that you are comparing with a fairly low level there. So there is evidence of more trust in the Welsh than the UK level but I would not want to over-state that; that is partly because the UK level is so low.
35. SIR CHRISTOPHER KELLY: When some years ago one of the high profile cases about funding involved a man who had a Welsh constituency and was Secretary of State for Wales, did that have any particular impact or was that just part of the general atmosphere?
36. PROFESSOR WYN JONES: I think it made for some very embarrassing headlines for Mr Hain. There are some journalists sitting behind me so they may well be able to give you a better ...
37. SIR CHRISTOPHER KELLY: But it did not cause any particular reaction in Wales?
38. PROFESSOR WYN JONES: It was not a particularly Welsh affair. Mr Hain was campaigning for the deputy leadership of the British Labour Party. There was not a particularly Welsh dimension to that. But the funding issue, as far as I am aware at least, does not seem to be a big issue in terms of devolved politics.
39. SIR CHRISTOPHER KELLY: Because the amounts of money involved are so much smaller?
40. PROFESSOR WYN JONES: Yes, and I do not think there is a perception that there is a particular problem. Of course there is the fact that we do not know much about how these things operate because of the lack of

transparency, so to speak, about how these things operate at the Welsh level.

41. DR ELIZABETH VALLANCE JP: Good morning. Can I turn to principles? PPRA, as you know, is based largely on the principle of transparency. Do you think it is realistic or just confusing to try and bring in perhaps other principles on which party funding might rightly be based or might try and achieve, if you like?
42. PROFESSOR WYN JONES: Can you give me some examples?
43. DR VALLANCE: It has been suggested to us for example that fairness, having a level playing field, taking proper account of the histories and principles and structures of the different parties, that all of these kinds of things, as well as simply transparency, might be things which one wanted to try and incorporate into any system of fair funding.
44. PROFESSOR WYN JONES: This is very much an “off the cuff” answer because that is a very, very big question. My immediate response would be that I think that once you try and factor in these are the special cases you very quickly lead to charges of politicisation because there is a historical issue between the unions and the Labour Party or between the Conservative Party and big business or whatever it is. I think if you tried to build these things into the system it is very difficult to avoid charges of politicisation of favouring one side against the other.
45. My own solution to this - as I have indicated a couple of times already - is State funding but if you are not going to go down that route I think being as transparent as possible and then allowing the electorate to make their decision. Another principle you might want to think about in the Welsh context would be that you should raise the money you spend in Welsh elections --
46. DR VALLANCE: Yes, we may come to that. Perhaps I am being confusing by being too philosophical about the issues here. If we park the different bases and histories and so on of the Conservative and Labour Parties and the union connection and just stick to the idea of encouraging a level playing field and bringing more people into politics. One of the things we are aware of is that funding is not a million miles away from the fact that the parties have very low membership and so maybe it is increasingly difficult for them to raise money in that sort of way. Should we be trying to bring in more people into politics via the funding mechanism?
47. PROFESSOR WYN JONES: Sorry, I was being obtuse in my response.
48. DR VALLANCE: No, perhaps not very clear in my question.
49. PROFESSOR WYN JONES: I hold that parties are a public good; that they are very important for the democratic process and, therefore, the health

of our political parties is actually something that we should be trying to nurture. I think that democratic politics without parties is deeply problematic so I think that having a range of parties which are in reasonable group health is actually a good that we should be seeking to encourage.

50. DR VALLANCE: And for them to be in rude health they need a certain financial capability?
51. PROFESSOR WYN JONES: Absolutely. They need a certain stability in terms of their funding. I think that is an important principle of democratic politics.
52. DR VALLANCE: Do you have any thoughts about how we might extend or increase the amount of participation in democratic politics which is after all the basis of parties?
53. PROFESSOR WYN JONES: Competitive electoral system.
54. DR VALLANCE: This is a whole other area.
55. PROFESSOR WYN JONES: Yes, I know it is but as somebody trying to look at this from the outside I would say there is a very strong correlation between party activity and the competitiveness.
56. SIR CHRISTOPHER KELLY: I am not one to put words in your mouth but is that code for a system other than first past the post?
is
57. DR VALLANCE: A system which does not provide the skews that you are --
58. PROFESSOR WYN JONES: The record of first past the post in the particular Welsh context is a hugely skewed electoral result and, therefore, an impact on party organisation. One of the results of devolution is that while we still have the first past the post components electing two-thirds of the members, we have a regional list system which has meant that all the parties are now active across Wales and I think that has been hugely beneficial in terms of the public and also in terms of the parties because that gives the parties some kind of foothold which did not exist because of the way the electoral system operates.
59. DR VALLANCE: It was a damper on people getting involved in parties because they did not see the point.
60. PROFESSOR WYN JONES: And also there was no effect to the party organisation. The Conservative organisation in Wales were Conservative clubs which had their roots in the Sunday Closing Act 1881 and the fact that you could have a drink on a Sunday in a Conservative Club but there was no real organisation beyond that. But now you have Assembly members who have an interest in offering a service to the electorate and so on. I think that having a competitive fair electoral system - showing my prejudices here - is

very important in terms of help to the parties.

61. DR VALLANCE: Thank you. Can I turn to donations and ask what your position here is? We have heard in Edinburgh and other parts of the UK that the Labour and Conservative Party - in that case in Scotland - relied on income, not just raised in Scotland but from London. Is this the case in Wales?
62. PROFESSOR WYN JONES: Absolutely. I would strongly suspect - here I am switching to anecdotal mode - that the Conservative Party has more fund raising capacity in Scotland than it does in Wales even though it performs better electorally here in Wales. So I think we - "we" being Welsh politics - is more dependent on cross-border transfers.
63. DR VALLANCE: But your view would be that is not an entirely good thing?
64. PROFESSOR WYN JONES: That is complicated. As somebody who would like to see a more vigorous party culture in Wales part of me would say that it is a shame they are not forced to rely more on their own resources and, therefore, pursue this more seriously. On the other hand I would say if you are a unionist party then it is absolutely logical that you think that it is fine to transfer money. To try to stop that would be deeply problematic.
65. On the other hand I think it would be good to encourage parties to try to develop this aspect of their work.
66. DR VALLANCE: Can I ask you the specific question about where you would stand on a cap on donations? Would you approve of a cap on donations?
67. PROFESSOR WYN JONES: As I said I think the solution to these problems is to bite the bullet and be brave and go for what would initially be very unpopular which is State funding.
68. DR VALLANCE: But with a cap and then State funding to make up the loss?
69. PROFESSOR WYN JONES: I think there is a lot to be said for a cap because of this deeply corrosive process which we are witness to of an increasing distrust in politicians and the political process.
70. DR VALLANCE: Any thought about the level of a cap then?
71. PROFESSOR WYN JONES: No.
72. DR VALLANCE: Okay, thank you very much.
73. DAVID PRINCE CBE: Good morning. I want to ask you about the expenditure side and then come onto State funding. You told us about the

weaknesses in party machinery and you also told us about some of the drivers for spending: policy funding, bilingual work and so on. Is there any evidence of an arms race at all in Welsh politics?

74. PROFESSOR WYN JONES: Not that I am aware of.

75. DAVID PRINCE: What then is the driver for fundraising?

76. PROFESSOR WYN JONES: I simply do not know. In terms of the policy dimension there are some funds made available to the parties in terms of policy development. At the UK level in particular how much of that capacity is then spent in Wales or Scotland? I simply do not know. But obviously there is some funding available and certainly that would have an effect on one of the political parties in Wales: Plaid Cymru very obviously. There is also indirectly support through the National Assembly. Certainly the parties have more staff employed in Wales than was previously the case. So there is some, if you like, State support for the policy making dimension and I think this is something we will see coming to the fore even more prominently over the next few years. One must always recall that the devolved institutions are still very young; in relative political history terms ten years is nothing. I think we can see a process whereby the parties are engaging with policy making more seriously and there are going to be resource issues for the Labour and Conservative Parties.

77. DAVID PRINCE: That is helpful. I was going ask if you had any thoughts about its adequacy or the basis of its distribution or any changes you would like to see?

78. PROFESSOR WYN JONES: For me this is one of the key issues because what we have in Wales also, which I did not say much about earlier, is a relatively weak civil society capacity. Since devolution there has been a move to establishing shams of various charities, organisations, campaigning groups, lobbying organisations, but there is a classic quip in political science circles that I think we need to get out more. But they would say that an organisation would have 50 people in London, 2 in Scotland and somebody working half a week in Wales so there is a real gap in terms of the level of capacity and because of the present crisis in terms of funding, there are indications that Welsh capacity is being cut. Now that obviously has implications for policymaking because the political parties do depend heavily on these organisations for ideas and inputs of all kinds. For me, this dimension is really key. The key challenge that I expect ahead of devolution is to really grab the policymaking capacity of the civil service, which did not have much of a tradition of doing it in Wales before devolution of the political parties in particular, trying to do what we can to support the general civil society influence as well. So I think this is really important and one of the key element in all of this discussion.

79. DAVID PRINCE: Do you have any sense of the public view on that? Do you think the public support that extension of support in Welsh policy

development?

80. PROFESSOR WYN JONES: I have no direct evidence either way but my suspicion would be that this is the kind of thing which would generate easy populace jibe. We are in the midst of something of a damp squib referendum campaign at the moment and the anti-political rhetoric is featuring quite heavily on one side of that argument. I think it would be difficult. Whenever people talk about special advisers for example, so I think these are issues on which the public has not reflected in any great depth and you tend to get these kind of knee-jerk populace responses.
81. DAVID PRINCE: Moving on from that you said at the outset that you favoured an extension of State funding. What would your preferred method be of injecting that funding?
82. PROFESSOR WYN JONES: I have not given any particular thought to models. That is for other wiser heads than I.
83. DAVID PRINCE: Any thoughts around the public perception and how the argument might be made to the public?
84. PROFESSOR WYN JONES: This may well appear to be a classic ivory tower position but my own view is that you need to treat the public as intelligent people and explain the logic to them; explain that the parties matter and are important and we, as citizens, really require parties to be in rude health or else the democratic process is going to be in deep crisis. Given the corrosive impact of the current culture of distrust I think this radical step is the only way you deal with it because everything else is just moving the deckchairs as the ship slides under.
85. SIR DEREK MORRIS MP DPhil: You made it clear that you favour State funding but we all recognise that is very difficult, if not impossible, certainly at the present time. You were very clear that if that cannot be done you would favour greater transparency. In the light of the present regime are there particular ways in which you would want the current degree of transparency improved?
86. PROFESSOR WYN JONES: Again I am going to take an unfashionable position and say the present system I think is reasonably transparent. One has to balance various concerns, one of which is the administrative burden on the political parties themselves and all that goes with that. I would like to have more information about how much money is raised and spent in Wales but that is a minority interest I have no doubt. If you have an internet connection you can glean a great deal of information at the click of a few buttons which is a roundabout way of saying I cannot put my finger on anything and say, "This could be more transparent and that would make a major difference". On balance I think we have a reasonably transparent system; certainly far more than was the case in the past.

87. SIR DEREK MORRIS: One issue that has arisen elsewhere is the question of third party organisations. Are you aware that that is an issue in Wales?
88. PROFESSOR WYN JONES: It is not a particular issue. The only other third party that springs to mind playing any kind of a role would be UNISON, our trade union. UNISON is the only one that springs to mind as playing a third party role which has any impact at all. It certainly played the role in the recent election campaign and I understand is playing a role in the current referendum campaign. But beyond that I do not think there is a particularly prominent part of the Welsh political scene.
89. SIR DEREK MORRIS: Has there been much public concern about that one example?
90. PROFESSOR WYN JONES: Not that I am aware of. I think people would expect it. I think it goes with the territory really.
91. SIR DEREK MORRIS: The other issue was about enforcement of current regime. Are there any concerns that you are aware of about the way the current regime - good or bad - is enforced?
92. PROFESSOR WYN JONES: No. If you had asked me about the referendum review I could give you chapter and verse but in terms of the political parties I am not aware of any particular concern. The parties themselves may have something to say on that score but in terms of the public debate I am not aware of any concerns.
93. SIR DEREK MORRIS: I think we got the view in Belfast and Edinburgh that perhaps the regime designed with the bigger parties in mind was over-bureaucratic and over-burdensome for the smaller parties. Presumably if that is right that is something that could affect parties in Wales.
94. PROFESSOR WYN JONES: It could do. I have not come across any particular complaints about that or concern. Perhaps we have organisations over a certain capacity so this is not an issue but I think that is something you have to explore with the parties but I am certainly not aware of any particular issues.
95. SIR DEREK MORRIS: And, giving you one minute, what about referendum?
96. PROFESSOR WYN JONES: The current regime is proving to be a complete disaster. We are going to have a very low turnout referendum in five weeks. That is partly the fault of the roles under which the whole thing has been organised. The No Campaign's decision not to accept sectors of the main designated organisation not only has an impact on the No Campaign but means the Yes Campaign has actually sent the leaflet to every house in Wales because the spending limit is so low. The referendum is in great danger of descending into farce. We should not be having a referendum at all;

it is a non-issue so therefore one should not be surprised there is not a great deal of public interest. But the rules under which this referendum is being fought are such that it is having a deeply problematic impact on the campaign and the Welsh electorate simply will not be informed of the various arguments. That is a direct result of the rules.

97. You may be aware No Campaign decided not to accept main designated campaigning organisation status which means that the Electoral Commission is not therefore allowed to recognise the Yes Campaign as the main designated lead so Yes For Wales only then has a permitted participant status and is only allowed to spend £100,000. You cannot fund the leaflets to every home in Wales on that basis.
98. SIR DEREK MORRIS: This is a tactical decision by the No vote that they could play the rules?
99. PROFESSOR WYN JONES: Absolutely and that has an impact on the Yes Campaign which means that apart from an Electoral Commission leaflet which says, "The Yes Campaigns and the No Campaigns will give you their arguments" they do not actually discuss the arguments for and against in their leaflets. But there will not now be a leaflet unless it is delivered by hand. The fact the No Campaign has been able to play the system means the Yes Campaign cannot even circulate leaflets to every home. That seems to me to be perverse and the turnout is going to be awful.
100. SIR CHRISTOPHER KELLY: And to be clear this is a point about expenditure limits; not about State funding.
101. PROFESSOR WYN JONES: Yes. You can play the system if you want.
102. SIR CHRISTOPHER KELLY: And the alternative?
103. PROFESSOR WYN JONES: I can tell you what a bad regime is. I have not given much thought to what a good one is.
104. SIR CHRISTOPHER KELLY: I only ask it because as I understand it the present regime was introduced because the last referendum in Wales was also a bit of a disaster. Or is that an over-statement?
105. PROFESSOR WYN JONES: I think that is an over-statement. There were concerns about the 1997 referendum. Certainly compared to the present one that appears to have been the days of milk and honey frankly. The present regime is a real problem.
106. OLIVER HEALD MP: Just a couple of points on expenditure caps more generally. What exactly could be capped in addition to what we do at the moment or are we talking about a reduction in the cap for the general election campaign expenditure? Is there any need to change the current caps or to

reduce them?

107. PROFESSOR WYN JONES: In the context of devolved elections I am not aware of any particular concern or debate on this.
108. OLIVER HEALD: In terms of the UK general election do they need to change that?
109. PROFESSOR WYN JONES: From a Welsh perspective the real problem is lack of competitive electoral systems. Sorry, I am repeating myself here. I have read the Electoral Commission's submission. That makes some good points about the difficulties of doing this practically, et cetera. I do not have any particularly enlightening thoughts on that.
110. OLIVER HEALD: Just to quote the Obama example to you, Obama raised far more money than previously and he spent it all and a lot of that was great enthusiasm for people to try and put this man into power and kick out the previous regime. Is there anything wrong with that?
111. PROFESSOR WYN JONES: It is very difficult to argue against a case whereby lots of individuals are giving small donations. That is the sign of a democratic, vibrant political culture. If however you have got a few individuals putting large amounts of money into supporting a particular campaign then that becomes more problematic so that is a case for capping the size of donations but as the Electoral Commission makes clear there are some real issues about the practicalities of that and the burden of administering that can also become quite prohibitive. I have no simple solutions to offer for these kinds of dilemmas I am sorry.
112. SIR CHRISTOPHER KELLY: One point of clarification: you said the existence of the Assembly indirectly meant more resource for the policy making function. Did you mean the fact that Assembly members have the resources to employ staff?
113. PROFESSOR WYN JONES: Yes, absolutely.
114. SIR CHRISTOPHER KELLY: Is there anything else you want to say to us that you think would be helpful?
115. PROFESSOR WYN JONES: No, I think I have been very kindly allowed to rant about the referendum so I think I have said all that I have to say. In a sense I am sorry that so many of my answers have been rather uninformative.
116. SIR CHRISTOPHER KELLY: It has been extremely interesting and very helpful. We are very grateful to you for getting us off to such a good start.
117. PROFESSOR WYN JONES: My great pleasure. Thank you.
118. SIR CHRISTOPHER KELLY: Thank you very much.

JOANNE FOSTER (WELSH LIBERAL DEMOCRATS)

119. JOANNE FOSTER (Chief Executive, Welsh Liberal Democrats): Good morning.
120. SIR CHRISTOPHER KELLY: Good morning. Our next witness is Joanne Foster, the Chief Executive of the Welsh Liberal Democrats. You are extremely welcome.
121. JOANNE FOSTER: Thank you for having me.
122. SIR CHRISTOPHER KELLY: You heard the last part of the [previous discussion. We will not start with referenda although no doubt you have your own view on that. On the whole we do not encourage long opening statements but is there anything in particular you wanted to say by way of introduction?
123. JOANNE FOSTER: No, I have no long opening statement.
124. SIR CHRISTOPHER KELLY: Thank you. This Committee is left in no doubt that there is a perceived problem of a large donor culture, if not in Wales then in the UK as a whole. Whether there is a problem of substance underlying that is something which is quite difficult to get at. Do you think the perception is justified by the underlying reality that large donations can buy influence or position?
125. JOANNE FOSTER: I think it is very hard to argue that a very large or sizable donation would not buy influence in some way. Thinking about this prior to today looking through some of the paperwork if the rules are meant to guarantee transparency and confidence in reporting and the operation of political parties. I think very large donations are a problem. They are not a problem for the Welsh Liberal Democrats but, yes, I think there is definitely a point there.
126. SIR CHRISTOPHER KELLY: Most examples that are quoted to us are either from some years ago or are examples of people who have donated large amounts because they have approved of a particular party's stance on Europe or whatever. But that does not mean that donations buy you influence. It could just be the normal feeling that you want to support with your money a party which pursues policies that you are in favour of. Is there anything wrong with that?
127. JOANNE FOSTER: No, I do not think there is anything wrong with giving money to a party with which you are in agreement or you have supported. I would like in my lifetime to perhaps go on and do better and I will continue to support the Liberal Democrats in any way I can, financially and with my time. I do not think there is anything wrong with that but the Federal submission from the Liberal Democrats supported a cap on political donations and I would be in agreement with that.

128. SIR CHRISTOPHER KELLY: Thank you. We are in Cardiff to find out if there are any Welsh perspectives on these issues that we need to understand. You are the Chief Executive of a Federal party so you are a small party but part of a larger party. Is there anything about the Welsh position that you want to draw to our attention?
129. JOANNE FOSTER: I think rules of donation for Welsh parties are to recognise the Federal structure. For example, if somebody were to donate to Plaid Cymru in Wales my understanding is they could donate up to £7,500 without declaring. For the Welsh Liberal Democrats that is £1,500. If your structure is quite centralised that I think is fine but in a Federal structure we do our own fundraising in Wales, we are a Welsh party and we are answerable to a Welsh National Executive Committee, Welsh members and a Welsh leader. Perhaps that is slightly anomalous.
130. SIR CHRISTOPHER KELLY: I understand the point because it has been made to us before and I understand why you make it too. If the limit on declaration of donations for the Welsh Liberal Democrats was raised from £1,500 to £7,500 do you think it would make any difference to the amount of funds that you raise and, if so, what evidence would you have for that belief?
131. JOANNE FOSTER: In all honesty I cannot give you a definitive as to whether it would make a significant difference to the amount of funds we raise because I would not put any less effort into fundraising. I know there are definite supporters of all parties in Wales that do not feel able to be public supporters so it is definitely an area that if were opened up could allow more fundraising and be more empowering.
132. SIR CHRISTOPHER KELLY: Do you have many donations at the level of £1,499?
133. JOANNE FOSTER: Generally the donations fluctuate on what is going on in the year but we have donations around that mark - not an excessive number - but, speaking frankly, perhaps you could pitch for a little bit more if you were able to.
134. DR VALLANCE: Good morning. Could I ask about the principles behind PPRA and how effective you think the major principle - which is transparency - is? Do you think it works?
135. JOANNE FOSTER: Yes, I think it does. The requirements in reporting are quite right and proper and I think having everything there and being able to find it on their website in black and white is very transparent and open. Perhaps there could be a bit more confidence in the system and I think that is the job of all the parties as much as any piece of legislation.
136. DR VALLANCE: Is it your impression that the legislation which, as I say, is transparency has been effective?

137. JOANNE FOSTER: Yes.
138. DR VALLANCE: Okay, thank you. Do you think there are other principles, apart from transparency, might also be open of the principles behind a funding system? Do you think they are important or just confusing?
139. JOANNE FOSTER: I do not think they are confusing. I do think a level playing field is quite important. I think political parties do have a role to play in ensuring people participate in democracy; get involved; get out to vote. Most people get involved in politics on issues and the parties have a role to play in that. I do think a level playing field is definitely important but I do not think any of them are as important as a system that is transparent enough to give people confidence that we are doing what we should be.
140. DR VALLANCE: If we pursue the level playing field one, what is the kind of funding structure that you think would most encourage that?
141. JOANNE FOSTER: I think a lot of these things are settled at a UK level and referring to what the Federal Party have said I think an element of state funding for political parties has been advocated by the Democrats in the past, but I think it has to be in line with the cap on donations. I do not think necessarily one without the other. I also do not think there is a huge amount of appetite for state funding of political parties at the moment either.
142. DR VALLANCE: Thank you. Can I turn now to donations. You have already talked a bit about donations as they are generated in Wales. You presumably get quite a lot of your financial support from the party nationally?
143. JOANNE FOSTER: No.
144. DR VALLANCE: You do not?
145. JOANNE FOSTER: You mean UK?
146. DR VALLANCE: Yes.
147. JOANNE FOSTER: No, the majority of our money comes from membership subscriptions. We work very hard to ensure that our Welsh Party conferences turn a profit and have a big turnout in membership and people from the private and food sector want to come and take part. The money that we get from the Federal Party, which we can guarantee year in and year out is the policy development money but we do not get any block grant year in year out from London. We have arrangements where we buy services from them and they help with our membership administration but the majority of our money comes from our own members, our own hard work fundraising and conferences.
148. DR VALLANCE: Do you feel that that is right? That somehow that has a political spin-off as well, that you need to get people involved and that

therefore you should not be somehow dependent on the Federal Party?

149. JOANNE FOSTER: Well, I do. I think in my job as Chief Executive of the Welsh Party I have responsibility for the solvency of the party, keeping it going month to month and while that is a responsibility it is also very empowering. It is my job and it is my responsibility and it represents the federal structure that we operate in.
150. I suppose the other side of that is in an election year if you want to donate to the Federal Party in some way you may well help the Welsh campaign, or the Scottish campaign. If you donate to the Welsh Party it may be helping the Federal Party. We do not have a set agreement where we get money from them every year, but we do work together in elections. We are in a position to help each other.
151. DR VALLANCE: You say most of your funding comes from your members, do you have either large individual donors, corporate donors, trade union donations?
152. JOANNE FOSTER: No, we do not have any trade union donations. We do not have any corporate donors. We have organisations that we have good relationships with who would come to conference and exhibit or do events, but that is largely commercial relationships. We have one or two members obviously, like other parties, who are able to give a bit more but --
153. DR VALLANCE: But they are still party members?
154. JOANNE FOSTER: But they are members and supporters who have identified themselves as supporters who might not want to be members. So, no, year in year out we do not have a large base that we can rely on. Very occasionally there are legacies but that is public record. That has not happened in my time as Chief Executive; I know it happened about five years ago but that is generally how we get our income. Each year we try to do obviously better with our external events and conferences and that sort of thing to increase it.
155. DR VALLANCE: Thank you. We have already talked to you about donations and the way in which donations are defined in terms of the accounting rules and that because you are an accounting unit then you have to declare at a lower level than if you were perceived as a party on its own, as it were. I was not clear whether you were saying that it would be easier in accounting terms, just easier for you to deal with the technicalities of declaring money if there were a clear accounting level of £7,500 rather than £15,000 or whatever, or whether you thought that either of these just works as a kind of cap: it was a practical thing you were talking about here.
156. JOANNE FOSTER: Well, I was not making reference to accounting terms. I was not making reference to making it easier to account for.

157. DR VALLANCE: But it is sometimes a point that has been made to us that it is quite complex and that very often the people who are doing this are doing it on a voluntary basis and so on.
158. JOANNE FOSTER: Yes, well, on that note, yes, I think it is. It is a very difficult job that is hard to recruit people to do but I was not making the point for those purposes actually, although it is a point; I was making the point on the basis that we in a federal structure are not dissimilar to a party that is just registered in Wales. We work to a Welsh executive, a Welsh leadership, and we are not centralised; perhaps it would be easier for us if the rules reflected that. In terms of reporting and that sort of thing we do our best to constantly educate our treasurers and work with the commission at a UK and Welsh level to make sure that that job, onerous as it is, is supported. It is a job for everybody.
159. DR VALLANCE: Absolutely. Just to go back to the idea of donations, or this level of reporting for donations as being a kind of de facto cap, do you think that if the cap were, and you may feel that you have already dealt with this, the higher level that there would be people who would be willing to give that level to the party or just under that level so that they did not have to publicly declare, rather than the lower level? Do you think in other words that you are disadvantaged by that?
160. JOANNE FOSTER: I do think we are disadvantaged because I think there would be people who may be more inclined to give a little bit more and be able to come under that rule and I do not necessarily think it would be any worse for transparency when we say that a UK party can have this rule but a Welsh party cannot. Is it based on size? I do not know what the reason for that is but I do definitely think there may be some people who ...
161. DR VALLANCE: Thank you.
162. SIR CHRISTOPHER KELLY: Just before we move on, going back to this point about money raised in Wales being spent in Wales. Presumably as a separate organisation you have your own set of accounts.
163. JOANNE FOSTER: Yes, we have.
164. SIR CHRISTOPHER KELLY: Forgive me for not knowing the answer to this question, if I looked at them, would it be easy for me to see how much of the money you have spent was raised in Wales and how much came from the Federal Party?
165. JOANNE FOSTER: Well, yes, because the money we get directly from the Federal Party would be reflected in our returns obviously. The thing that immediately came to mind then when you asked that question is, during a general election national UK mailings from the Federal Party count against UK expenditure but, yes, in our accounts you would be able to see money that comes from the Federal Party, yes.

166. DAVID PRINCE: Yes, I would like to move onto the expenditure side. Some people have suggested to us that perhaps reducing the expenditure limits would be a very effective way of bringing greater stability to the political parties and we would not have to go out and raise so much money and the public would probably approve seeing less money spent there and therefore sharper tougher caps on spending, perhaps on campaign spending and on total spending by parties would be a very useful move forward. What are your views on that?
167. JOANNE FOSTER: Well, I am very practical in the way that I look at this and I think the Welsh Party limit for an Assembly election is £600,000. We would never meet that limit. We very rarely meet the expenditure limits. I think in the last Assembly election, which was before my time, but I think the party spent just over £250,000 on the Assembly election, the national return. I could be out there but I think that is the figure it was. So, that is nowhere near the limit.
168. DAVID PRINCE: So, it is not an issue really.
169. JOANNE FOSTER: No, it is not. I would love to be able to get near.
170. DAVID PRINCE: Can I ask you a question related to that. Can you give us your definition of what it costs to run a party? Because some people have suggested to us that parties go out and get money and then spend what comes in. To you running the party here, what is the irreducible minimum of expenditure? What are the sort of things you have to cover?
171. JOANNE FOSTER: Well, do you want figures, or do you want me to talk about our core costs?
172. DAVID PRINCE: Yes, exactly, the broad core costs. If you were a business, what are the core things that you would have to have in place to run a successful party?
173. JOANNE FOSTER: Well, speaking from my experience, our core costs contain an office base, a small staff contingent, the services that we buy from the Federal Party in terms of membership and administration, the outlay we make for conferences which is a cash flow more than anything else, and the costed part in some years more than others and obviously in the years where we do not have elections we save and prepare for the years that we do, to allow seats to campaign and engage people in the democratic process. So, it is the staff, the office and the campaigning.
174. DAVID PRINCE: And the marketing and --
175. JOANNE FOSTER: Yes.
176. DAVID PRINCE: That is helpful. You talk about the years you did not have elections. Some of our witnesses in Scotland were concerned about really living in an era of constant electioneering, as they put it. They were

saying that there was always some election coming up and it would be very difficult if not impossible to think, for example, of a cap over a five-year Westminster Parliament for total spending. We had been exploring with them whether we should just say, "There is a sum of money over the five years and get on with it". Have you any thoughts about that? Pressures of constant electioneering and whether it could be coped with in a total cap?

177. JOANNE FOSTER: I raised this question in the office with the staff this morning, other parties living in an era of constant electioneering, and a unanimous yes. I have been doing this job a few years now and when we get to May, providing the AV referendum happens, I will have done eight national elections in three years. So, yes, I think we are living in a period of constant electioneering. I think providing a cap over a five-year parliament was enough. I think it has to take account of the devolved aspect though because we have an election here in March that nobody else has. I do not think it is any harder to plan because you know it is coming. Sorry, I do not think that answers your question.
178. DAVID PRINCE: No, that is helpful. Let us move on now to the statement which you touched on earlier. Can you just give us a broad figure of what percentage of your current party income comes from state funding, either nationally or from the National Assembly?
179. JOANNE FOSTER: Well, we get policy development money every year and that is the one chunk of state funding that the Welsh Liberal Democrats receive in monetary terms. We do not get any funding from the National Assembly of Wales. Obviously our elected politicians contribute to their local parties and to the state party but we do not get anything from the National Assembly.
180. DAVID PRINCE: Do you think there should be support from the National Assembly for policy development, for example, as a concept? Is it a concept you would like to see extended?
181. JOANNE FOSTER: If I can make the point perhaps about clarity of the Welsh parties that are working in a federal or UK system and Plaid Cymru, the policy development money we currently get is divided up at UK level; you have representation at Westminster and comes through the federal structure it might be a bit clearer and easier for us if it came to Welsh parties at a Welsh level, particularly as we are a Welsh party, answerable to a Welsh leadership and executive; that would make life perhaps a little bit easier. But, no, is the answer, I think.
182. DAVID PRINCE: Then going back, if I may, to what you said about state funding. I think you said you were broadly in favour of state funding but you thought the public appetite was difficult at the moment. Do you want to say a bit more about that? Do you see the public appetite as something that could change over time, or could be persuaded if other things were in place such as donation caps and some of the public concerns were being addressed

in those areas?

183. JOANNE FOSTER: Yes, I think that is all I will say on it though; I think it could change over time. Not just with caps on donations and significant work to make sure that was known but I think the parties have a job to do as well and I think the last few years while expenses might be a separate issue, funding of political parties to the ordinary person in the street it is not different, is it? It is all the same. So, that is my view.
184. DAVID PRINCE: Some people have suggested to us that a way of providing state funding could be through tax relief, for example, or match funding. Do you have views around that from a practical fundraising view, if there was tax relief on donations to your party? Would that help in terms of raising money, or is it something that only comes to people when they have already made the decision to support your party and it does not influence the decision?
185. JOANNE FOSTER: I do not know, is the short answer to that. I do not know whether tax relief would push more people to donate.
186. DAVID PRINCE: Thank you.
187. SIR DEREK MORRIS: Good morning. I really have just one follow-up question. In the course of the questioning this morning you have mentioned certainly at least two problems that you think you face. One is to do with the £1,500 versus £7,500 limit and I think we understand that, and you touched briefly I think in an answer to Dr Vallance's question about the bureaucracy problems of small parties. Are there any other particular problems that you see facing a party such as your own either because of the devolved nature or the federal nature, or because of its size and scale, that you would want to see changed if there were reforms in this area?
188. JOANNE FOSTER: I think those are the two things I have come with today. Each party's internal structures are for each party to work out but I think those are the main ones.
189. SIR DEREK MORRIS: Are there any other issues relating to how the Electoral Commission operates, how it implements the current regime, or does that seem reasonably satisfactory to you?
190. JOANNE FOSTER: I have nothing to say on that.
191. SIR DEREK MORRIS: Thank you.
192. OLIVER HEALD: Just on the costs of the Welsh Liberal Democrats, there is obviously your office for Wales which you described and your costs on that. Is that the only unit of the Welsh Liberal Democrats, the national Welsh organisation, or do you actually have branches or other local parties in constituencies? Do they have offices at all? Do they spend money? What is

the picture for Wales?

193. JOANNE FOSTER: We have somewhere between 25 and 30 local parties. Some of them are constituencies, some of them cross local authority boundaries. It changes with some regularity. We obviously have local parties that do their own accounts and their own returns and we have regional committees that run the regional elections over the cycle of an Assembly election. Our elected representatives have offices and some of our seats where we are looking to win, particularly around this time of year, a few months out from an election we will take on office premises or have had it for a couple of years, so we are not the only unit. We have a vast number of local parties and operations on the ground; some more developed than others obviously.
194. OLIVER HEALD: Of course you are spending money on campaigning, both at the Welsh national level and also the local elections I suppose in some places and European elections and there your 25 other units will be spending money. What exactly are the campaigns that you have to be involved in? There is the UK general election, there is the Welsh national election, do you do local elections as a party or are you leaving that to the independents, as they often do in Wales?
195. JOANNE FOSTER: Yes, we do. While I think it is fair to say on a practical level as a national Welsh team we are involved differently in local elections it is still something that we dominate. The last local elections we produced a national manifesto that had been passed through our local teams whilst they produced their own local manifestos for their area as well, so we have involvement in all the elections.
196. OLIVER HEALD: So, you are spending on all that sort of campaigning. Do you actually spend money to raise money? For example, do you have fundraising events in these 25 units where they will put on a hog roast and then get people in and hope to make a profit?
197. JOANNE FOSTER: Well, those local events almost 100% of the time are planned by the local organisation and, yes, that is quite common. They will have an evening meal or some sort of fundraiser with a speaker and a raffle; there is always a raffle.
198. OLIVER HEALD: Then I suppose there is some administrative costs which occur both at your level and the lower level.
199. JOANNE FOSTER: Well, we would incur administrative costs, I suppose, for a national fundraising event but we would not incur anything for a local event. It is something that they do completely independent of us.
200. OLIVER HEALD: Are you the only paid person in Wales, or do you have some regional organisers?

201. JOANNE FOSTER: We have a few members of the national team and then we have organisers that are paid by the regions or the locality.
202. OLIVER HEALD: Traditionally, of course, what has been limited is how much you can spend in a general election at local level, how much you can spend at a national level. The same is true for the Welsh campaign and you have told us about the overall limits as well and so there are those campaign expenditure limits, but how do you feel about the idea of trying to limit general administrative expenditure of a political party to include not only that but the local elections, the policy making, fundraising, expenditure, administration and so on, the whole structure?
203. JOANNE FOSTER: Well, having said very rarely do we meet our limits and our size as a Welsh party has meant that we do not come very near the limits very often. I think as long as it is not something that is prohibitive in engaging people and allowing us to make policy and do it in a way that is open and allows us to go out and get people involved in the process then it is not something I feel particularly strong about.
204. OLIVER HEALD: But there you are talking about campaign expenditure. Do you really want a limit on how much you can spend on putting on a hog roast, or how much you can spend on policy making, or administration just running your organisation?
205. JOANNE FOSTER: Is there any merit in limiting an administrative cost for fundraising? I am not sure there is.
206. OLIVER HEALD: Well, that is the question I am asking you.
207. JOANNE FOSTER: I guess I do have a view on it then. I do not necessarily think it would improve transparency to put a limit on administrative tasks of that nature but I also feel quite relaxed about overall expenditure limits, given my experience. It is a practical point of view.
208. OLIVER HEALD: Yes, thank you.
209. SIR CHRISTOPHER KELLY: Ms Foster, is there anything else you would like to say to us that we have not given you the chance to say?
210. JOANNE FOSTER: No. I hope I have been answer your questions.
211. SIR CHRISTOPHER KELLY: You have indeed. Thank you very much indeed for coming to talk to us this morning.
212. We now break for lunch. We are resuming at 1.15pm to hear evidence from Plaid Cymru.

RICHARD GRIGG AND CHRIS FRANKS AM (PLAID CYMRU)

213. SIR CHRISTOPHER KELLY: Thank you very much indeed for coming. For the benefit of those reading the transcript it would be very helpful if you could introduce yourselves.
214. RICHARD GRIGG (Director of Finance, Plaid Cymru): My name is Richard Grigg. I am the Director of Finance at Plaid Cymru - the Party of Wales.
215. CHRIS FRANKS AM (Member of Finance Committee, Plaid Cymru): I am Chris Franks and I am a member of the finance committee of Plaid Cymru.
216. SIR CHRISTOPHER KELLY: Thank you very much. On the whole we discourage long opening statements and we have had the advantage of written evidence from you, for which many thanks, but is there anything you wanted to say?
217. RICHARD GRIGG: Yes, but I will keep it brief. It is a long argued principle of Plaid Cymru there should be a form of public funding of political parties. The starting point for us is that it is important for democracy that political parties are adequately funded. What we need to look at as far as we are concerned is where that money comes from and whether there should be limits on the spending, which is what we are looking into today. We think that is not only important that large donations do not buy influence or honours; it is important that they are not seen to buy influence or honours, even if they do not, and we think the only way to stop that is to stop large donations, which is why we put forward the proposal that the maximum donation should be £5,000 in a calendar year. We accept that is going to cause a shortfall for some political parties and we are going to explain why we think that and it can be covered over later. We also accept the difficult position that possibly Labour could be within union donations and our proposal of the union donations is that each should be seen as an individual donation so that each member can tick a form to say, "Yes, we agree to make the political donation" but then under that they should have the choice of which of the major parties they want to make that political donation to.
218. We are generally supportive of public funding of political parties on the basis of how many votes they get. If there is to be public funding we accept it is difficult times now but we think in the long-term that is the correct way of doing it but we also feel strongly that if it is going to be done on that basis that the votes in Welsh Assembly and Scottish Parliament should carry the same weight as Westminster votes. In saying that we appreciate that it is not exactly going to be overly popular to say that we are going to be publically funding political parties at this time and it may not be that now is the time to do it, but that is how we see that it should be done in the future.
219. We basically also support the current policy development grants that are paid to political parties and we also think that it is unfair that it is based on

the number of MPs that a party has but it does not take into account the amount of Assembly Members or Members of the Scottish Parliament.

220. SIR CHRISTOPHER KELLY: Thank you very much. To begin at the beginning, you said that there was a problem because there was a perception of large donations buying influence or position and that was important in its own right whether or not there was underlying substance. I am paraphrasing, but that is effectively what you said.
221. RICHARD GRIGG: That is correct.
222. SIR CHRISTOPHER KELLY: I understand that point very well and I do not discount it at all, but do you have any reason to believe that there is an underlying problem of substance that in the political system large donations do buy you influence or position?
223. RICHARD GRIGG: There seems to be a clear correlation with the amount of money that you give to a political party and whether you get a peerage. That is certainly how it is perceived.
224. SIR CHRISTOPHER KELLY: We have heard that said before. In the Welsh system though, do you have any reason to believe, subjectively or objectively, that there are donations being made which are being made for reasons other than simple support of a party's platform?
225. RICHARD GRIGG: The difficulty seems to be when people pay money to a political party in such large sums that we are talking about that it is generally paid to that political party, whether that money is then used in Wales, Scotland or nationally and then it has that kind of ripple-down effect in Wales.
226. CHRIS FRANKS: If I could make a small point. We generally find that from the larger parties the money is sent to the headquarters and then sent to Welsh constituencies to influence the election campaign there, rather than the other way round. So money that is spent in a constituency has been given, in effect, by people who have no contact with Wales and no relationship with the country and no relationship with the constituency at all. So I do not think it is an issue of large amounts of money within Wales being spent within Wales. It is money from without being spent in specific Wales constituencies.
227. SIR CHRISTOPHER KELLY: Thank you very much. That is a combination of two points, not just about large donations, but also money not raised in Wales being spent in Wales.
228. CHRIS FRANKS: That is the reality.
229. SIR CHRISTOPHER KELLY: Yes. Why is it? Just take me through why that is a bad thing. If, unlike Plaid, you are a federal party, should you not be able to use your funds to target particular seats?

230. CHRIS FRANKS: I was answering your question, "Are there large donations from Wales?" and I am saying no, I am not aware of it. In fact, the situation is the other way around.
231. SIR CHRISTOPHER KELLY: In your introductory remarks, you drew attention to several mentions in your evidence about changes you would like to see. You obviously look at things in a particular way because you are a wholly Welsh-based party with representation in Westminster as well as in Cardiff. Are there other ways, other than those you have identified, in which being a small party by UK standards you are disadvantaged by the system?
232. RICHARD GRIGG: I think we are disadvantaged in the limit on spending, the limits that have been set in Wales, that the party centrally I believe is allowed to spend £400,000 in an election period. We have never reached close to that. It is a figure that I think is far too high.
233. SIR CHRISTOPHER KELLY: This is the level playing field argument: because you cannot raise funds, everybody else ought to be held back to the same level?
234. RICHARD GRIGG: We think that it is important that there should be sensible spending at elections. The limit, as far as we are concerned, is too high anyway. I accept that our party gets less large donations, nothing compared to the large donations obviously that some of the London-based parties get, and that does affect how you can run an election campaign. But the reality, I think probably in most elections in Wales, none of the parties get to the actual limit, so it seems pointless to have a limit that does not make any effect on spending whatsoever.
235. SIR CHRISTOPHER KELLY: How much ought it to cost you to do your job properly, not from the point of view of maximising everything you can do, but from the point of view of doing that part of a political party's function, which is offering a platform for people to choose between?
236. RICHARD GRIGG: I think the limits are set too low and I think that all the political parties could work successfully on limits even down to about half of what it is at present. We accept we spend more than that, but I think if there were limitations of about £200,000, I think we could survive on that. I think every party could - or not survive, could do their job properly.
237. SIR CHRISTOPHER KELLY: Do they do their job properly from the point of view of the way that the democratic system needs to function?
238. RICHARD GRIGG: That is correct.
239. SIR CHRISTOPHER KELLY: Thank you.
240. DR VALLANCE: Thank you. Good afternoon. Can I just turn to the principles behind PPRA, which obviously the major one is transparency. From your point of view, does that seem to have been successful in either

maintaining or increasing public confidence in political funding?

241. CHRIS FRANKS: I am not clear.

242. DR VALLANCE: Well, the basis of PPRA, of the legal structure, is transparency and I just wonder if you think that that has been successful. It was brought in as the major principle, because it was believed that if everything was transparent, everything would follow from that.

243. CHRIS FRANKS: I think I know what you are asking me. If someone makes a certain donation above a threshold, it is recorded in the election expenses or something like that; I am not sure. If it goes to an individual candidate or an individual constituency, there is a direct link. But if someone gives £5 million to the Conservative Party, and the Conservative Party then disburses that to its 100 key constituencies throughout the UK, I do not think it would say, "This £5,000 is a share of Lord X's contribution" would it? It is just the way that central office has allocated its resources. So when it comes down to the individual constituency, not really.

244. DR VALLANCE: So if transparency does not work, or at least is not enough, what principles would you suggest putting in place that would give a more satisfactory outcome?

245. RICHARD GRIGG: Well, I think we have alluded to that already, in that we do not think that there should be a place for large donations of that amount to political parties. There should be a limit, but it cannot buy influence or anything.

246. DR VALLANCE: It is limits, it is technical limits you would be after. Just to continue with this kind of principles thing, do you think that a funding structure, a funding system should try to involve other principles like, for example, a level playing field, fairness between parties - which you have alluded to - or even increasing participation in politics?

247. RICHARD GRIGG: Firstly, I am in favour of public funding of political parties to take out influence, outside influence on those parties.

248. DR VALLANCE: State funding?

249. RICHARD GRIGG: Yes, state funding, and that the fair way of doing that is a certain amount of pence for every vote you get, say in an Assembly election, in the Westminster election.

250. CHRIS FRANKS: There is of course existing state funding. There is a big pretence that it does not happen, but there is a huge element of state funding already, although there is a fog about that, which is dishonest. But I would like to go a little bit further: I think we should be trying to encourage a system where political parties are funded by a lot of people in terms of small amounts, so you can go through the internet, £10 and the like.

251. DR VALLANCE: So the Obama approach?
252. CHRIS FRANKS: Absolutely, yes, absolutely. But I would like to go a step further again - and I have not pursued this argument far enough and tested it, really - but there is a very, very effective fund-raising system for charities, Gift Aid. I am sure everyone here in the room has signed these forms, to get 20%, 30% from the Treasury to our favourite charities. That does not happen for a political party, so if I give £5, that is taxed income, and although political parties are not charities, I understand that, but I think a way of avoiding over-dependence on the rich and powerful, it would be very good for the democratic system if tax could be reallocated to the organisation of the party having received the donation. My weakness is I have not gone through that enough, and perhaps you have considered this before, so I would be interested in future to learn a bit more. But it does seem ironic that a lot of these very large donations, have they been taxed? I think a lot of them have not been taxed - though I could not give you examples - yet smaller donations almost certainly have been taxed, and it seems a nonsense.
253. DR VALLANCE: Thank you. Yes, indeed, the idea of a Gift Aid equivalent is something we have had suggested to us from a number of sources, and obviously it might also have the added advantage of encouraging people to participate in politics, which is another element of course in which we are interested.
254. Can I turn to donations specifically, and in your evidence, you say, "Plaid depends on its members and supporters to sustain the party in financial terms". Is that realistic? Can you really run your party on the basis simply of your member support?
255. CHRIS FRANKS: As I mentioned, I am a member of the Finance Committee and we have monthly meetings and we go through our accounts line by line. Some years ago we were in financial difficulties, we reorganised ourselves and we have put in a whole range of practices to maximise income, minimise cost, but also to control costs. So what we have is not adequate for our electoral purposes, it certainly is not, and it certainly is not compared to the other parties. Nevertheless, we now have an effective budgetary control system that by and large works, but in all organisations, sometimes there are stresses and strains. But that is how we survive. We survive by receiving money from membership, from donations and issues like that, and then we spend according to our needs. The electoral system is not a straight line, it is cyclical, so sometimes you will save for the hard days and you go into debt in the election period. If only the UK Treasury had that attitude, they would be a lot better off.
256. DR VALLANCE: In the past, you are probably right. Can you give us an idea of the level of your membership? What size is your leadership role, as it were?

257. RICHARD GRIGG: Well, it depends on the time of the year. I think we are looking roughly between 7,000 and 10,000.
258. DR VALLANCE: Thank you. Do you have a sense of what is the average size of the donations you receive? You have said in your evidence to us that you do not have what you call high-value sources, but have you an idea of the kind of average level of donation?
259. RICHARD GRIGG: I think it is impossible to say. There is such a wide range in the people who make direct debits of £1 or £2 a month.
260. CHRIS FRANKS: If you look at the scale of things, less than £300. No, that would be the maximum, would you say?
261. RICHARD GRIGG: That would be very high, if we had £300 off an individual throughout the year.
262. DR VALLANCE: So you are looking at your membership times your average take, as it were?
263. RICHARD GRIGG: Yes.
264. DR VALLANCE: What about fundraising?
265. CHRIS FRANKS: Can I just go back? When I say £300, that would be the upper limit. That is not the average, it is a lot less.
266. DR VALLANCE: No, I understand.
267. RICHARD GRIGG: There are a lot of people paying, say, £10 a year membership. But the fundraising, yes, every now and again of course the fundraising appeals, it is to our members and supporters. Again, it is asking for small sums, like £10, £20 each to be paid.
268. DR VALLANCE: Thank you. You argue for a low donation cap in your evidence. How low?
269. RICHARD GRIGG: The figure we would like is £5,000.
270. DR VALLANCE: That is what you said.
271. RICHARD GRIGG: Per calendar year.
272. DR VALLANCE: Do you have donors at the moment giving you £5,000 or more?
273. RICHARD GRIGG: I am not aware of any recently. There are none in the last year. Bequests we look at as a different issue altogether. Obviously we do get bequests, but that is obviously from someone who has passed away and could not be seen as trying to buy influence. So we do have some

large figures come in from bequests.

274. DR VALLANCE: Of course, but the impact on you of a £5,000 donation cap would not be vast?

275. RICHARD GRIGG: No, but that is not the only reason we support it. It would be great if people were offering us £1 million, but I would still be saying the same thing, that there should be a cap on it.

276. DR VALLANCE: In principle?

277. RICHARD GRIGG: In principle, yes.

278. DR VALLANCE: Just finally, can I ask you about your support in your report for the Phillips Review's view on the funding of the Labour Party by the trade unions and how exactly you would see your suggestion working out in practice?

279. RICHARD GRIGG: In practice, every member of a trade union would need to fill out a form with a box in it saying, "I wish to make a political donation". At present, if they do that, it only goes to one party, whereas there may well be a lot more members of trade unions who would be happy for their money to go forwards if they could choose the political party they actually support. So we think that would increase the amount of money that trade union members would put forward for political parties, so simply by giving them the choice. If I personally was a member of a trade union, if there was a box saying would I give a donation, I would say no, because it is not going to the party that I want it to, but if it was to go to my party, I would tick yes, and then therefore there would be additional money on top of what is going in from unions to political parties. I think if each individual member is making their preference, then that should not be seen as a block payment, as such. It should be from each individual, which gets you through the £5,000 limit.

280. DR VALLANCE: You would not be impressed by the argument that said that this undermines the special relationship between the Labour Party and the trade unions?

281. RICHARD GRIGG: Well, presumably the trade union members who support the Labour Party would tick to give money to the Labour Party.

282. DR VALLANCE: Thank you very much.

283. DAVID PRINCE: Yes, I would like to come on to the expenditure side. You said to the Chairman that you think expenditure limits could be reduced and really, bumping up against them is not an issue in Wales. I want to go on from that to what you were saying about controlling your costs and the budget control, because I think it is fair to say you are probably the first of our witnesses from the political parties that has approached the question in this way. Can I get a sense of whether in terms of doing this budget, controlling your costs, you are actually cutting your coat according the cloth that you have

actually got in terms of the money coming in, or are you saying, "This is the basic machine that we have got to run. We will go out to fundraise for that"? If I were a donor, would you be coming to me and saying could I give a bit more for a specific project, or to augment what you have got? I am interested in how the dynamic works in terms of the controls and the approach for fundraising.

284. CHRIS FRANKS: Firstly, within the party, the dynamics can be different, because there are spenders and there are people who are like us who say, "Well, hang on now" and that is always the tension, is it not, in any political party? Our processes, we set an annual budget in advance and we allocate monies against certain headings. We do the estimate of how much our income is and we have to match the two or make a conscious decision in, say, an election year to have an unbalanced budget, but then you have to make it up the following year. I think you are asking me do we sometimes go to some members and say, "We have got this idea. Would you like to sponsor this particular leaflet or this particular event?" Well, yes, we do, but that is not core. The core is substantially the membership fee and the regular donations and, shall I say, smaller scale events. For instance, my area is organising a history lecture, and another local branch is organising a St David's Day dinner. So that is the type of thing that we usually employ, but yes, we do go to some people, but that is small scale, a small percentage of our income.

285. DAVID PRINCE: Thank you, that is helpful. Just following on from your previous discussion with Christopher and what you have just said, a witness this morning told us that there really was not an expenditure arms race in politics in Wales. Is that your experience as well, because you are all well down below the cap, which is what you said earlier on, there is not really a sense of being in competition in the way that some commentators say the English parties are in an arms race?

286. RICHARD GRIGG: I think there is the odd situation. Let us say where I live in the Vale of Glamorgan, which is a marginal constituency, it is one of the targets, you understand, that some of Lord Ashcroft's money goes towards. So that is money that they would not have had otherwise, and it does disadvantage the other parties in the area, and then the other parties that are trying to challenge that are then forced to try and increase the amount of money they have got to try and compete with it.

287. DAVID PRINCE: I want then, if I may, to come on to what you say in your evidence on the second page, where you talk about the interaction between national spending and local spending exactly as you have just described. You say in the third paragraph that you think expenditure incurred within a specified constituency should be declared in the annual accounts. Can you just take me through how you think that would work in practice around the caps? Is your proposal here one of transparency so that people know where the money is coming from, or do you think it should be reflected in the existing caps or in some different caps to take account of money coming from these external sources?

288. RICHARD GRIGG: We think it should be transparent, where the monies come from and where the money is being spent, but in addition, it should not just be for that election period. We would argue that the election period should be longer. Certainly in marginal seats, the campaign has started many, many months before, sometimes as soon as the previous election has been finished. Obviously in Wales, we have more elections than they have in England - and it seems to us that we are practically having an election every year - so that is why we think there should be a national limit on spending every year, but also we think that it should be shown how much is spent in each of the seats during the campaigning period, which we think should be longer than it is at present and what we have suggested is four months.
289. DAVID PRINCE: So when this money comes in from outside into a marginal seat, you want to see it accounted for and you want it to count against the cap, the local spending on that seat?
290. RICHARD GRIGG: Yes, and this money that is spent nationally should be allocated to the local campaign.
291. SIR CHRISTOPHER KELLY: That is not what you said in the evidence. What you say in the evidence implies that you would not subject it to the cap, but what you are going for is just transparency.
292. DAVID PRINCE: Exactly. It is the second half of the third paragraph, "It should be declared in the accounts of that constituency accounting year and this would move towards greater transparency in the area". I think you have just gone further and suggested it is not capped.
293. RICHARD GRIGG: I think that almost goes without saying. It is not that clear in there, but it is not saying that it should not be.
294. DAVID PRINCE: But you want us to take it that it should count for the cap for that seat?
295. RICHARD GRIGG: Yes.
296. SIR CHRISTOPHER KELLY: What it actually says is it is the first step towards addressing ...
297. RICHARD GRIGG: Yes, that is what we get out of it.
298. DAVID PRINCE: But what you want to get to is it is accounted for and it is capped at the local level?
299. RICHARD GRIGG: Yes.
300. DAVID PRINCE: A moment ago, you talked about the national cap for each year, but you also said some years you will have a deficit on your accounts. Do you think there is a case for having a combined cap over a

longer period, say over a five-year period for Westminster parliament, in which you can do all these things within?

301. RICHARD GRIGG: I do not see why in Wales it should be over a Westminster parliament. Why would it not be over an Assembly parliament?
302. DAVID PRINCE: Or a similar parliament, indeed, yes.
303. RICHARD GRIGG: I do not see you can do that that crudely, because sometimes you will have an Assembly election in the future, you may well have an Assembly election the same day as a Westminster election. What I think is important is that it is clear and transparent what money is being spent in those seats up to the election, not just that one month, but we need to know throughout. As I say, we are happy with the period for a year. I cannot say I have got a really strong view that it should not be longer than a year, but there should be a set amount.
304. DAVID PRINCE: The year gives you the certainty, and you can cope with it?
305. RICHARD GRIGG: Yes.
306. DAVID PRINCE: Can I then come on to state funding, and earlier on you mentioned “a fog”, I think was the phrase you used, around possibly allegedly the dishonest presentation around state funding. Can you throw a bit of light on the problem, maybe tell us how much funding you get from all sources on state funding and where you think the problem lies?
307. CHRIS FRANKS: Well, anyone who wishes to oppose state funding immediately will quote, “We do not want money going to extremist parties, BNP, people like that”. That is the first thing they will say. But the reality is that political parties receive money for research. I do not know if it is still called “short money”, but that is what it used to be called. Of course, the Opposition in parliament, as far as I am aware, receives additional money to help run offices. In the Assembly, the Conservative Opposition receives an additional sum to run its office, so there is already money going into political parties, but it is from various routes. So I think it is not being particularly clear when people pretend it does not happen and that what is proposed is a radical departure from the existing situation. Well, it does go in, and state money does go into political parties.
308. DAVID PRINCE: Would you like to see any extension of the specific funding around policy support for yours or other parties in the Assembly context?
309. CHRIS FRANKS: For policy purposes?
310. DAVID PRINCE: Yes.

311. CHRIS FRANKS: There is a problem. As I mentioned, the Opposition has money for research and the like. I think I might be going beyond your realm, because in Wales, we have had our own process and we have just set up the Remuneration Board to take a lot of these decisions away from ourselves. I do not know if you will be inviting George Reid to speak to you; that is a matter for you. So what can happen is that an Opposition party can have money for research. The moment it goes into Opposition, all that money goes, so that is an issue, but I do not really think that is what you are asking me.
312. DAVID PRINCE: No. Let us move on to the state funding in general, because you said you were broadly in favour of state funding. How would that be presented to the Welsh people and what would be the argument for an extension of state funding if there were caps on donations, I think following from what you said in your opening statement?
313. RICHARD GRIGG: I think the reason that we feel there is a need for state funding or that we are broadly supportive of it is to stop the impression that influence can be bought by giving large donations to political parties, which we want to see brought to an end. The best way of doing that, so that there is no influence brought on, is that is state money, and the money that is provided is a certain amount of pence per vote. So again, it is an incentive to political parties to increase turnout, because obviously there would be more money available to parties to do that, but it is to stop the reason for the advantage or it is to stop influence of big corporations or individuals who can make large donations.
314. DAVID PRINCE: Finally, following on from that, you talked about the pence per vote or whatever it is, but you do think we should be giving any consideration to the funding of new parties that have not at any point in time got significant representation, because parties are born and created and very often are born by substantial initial donations, which could be squeezed out if we followed your line on capping.
315. RICHARD GRIGG: I do not think we have got any more on that. It is not something that we have ...
316. SIR CHRISTOPHER KELLY: It is an important consequential though. In the case of UKIP, for example, our understanding is it was funded by one significant donor and does represent a particular point of view of a significant number of people, even if that has not been translated into seats in the Westminster parliament. So there is an issue to whether the democratic system requires allowance for parties ...
317. RICHARD GRIGG: But there is also an issue about whether one individual should have that much influence.
318. SIR CHRISTOPHER KELLY: Indeed, indeed. That is why these issues are complex and not straightforward. Thank you.

319. RICHARD GRIGG: I do not think it is something we would be opposed to, there being some sort of grant for new political parties. It is not something we are opposed to. It is not something we have thought through.
320. SIR DEREK MORRIS: Good afternoon. In terms of what changes might come in, we have mainly been discussing potential changes in the regime itself of donations caps, expenditure caps, state funding and so on. I just wanted to ask a follow-up question, which is more about how the regime is implemented. There is a specific question and a general one. The specific one is about the Electoral Commission, which you referred to in your evidence. Would you just like to elaborate on what you saw as the problems, and whether you now think that the enhanced powers have solved that problem, or is there more to be considered and work for in that area?
321. RICHARD GRIGG: I think we have broadly welcomed what has come through, although there is obviously additional work involved, and I think as a party we broadly support the work of the Electoral Commission and the regulations they brought in. I think what we go on to say, that the Electoral Commission should be given the tools necessary for the job, and specifically if some of the ideas that we would like to be put forward take place, such as low cap for donations, more public spending on political parties and limits on spending, then there may be an even more enhanced role for the regulation. I think what we have not put in there, and if all that came into force what could be seen as also necessary, is to possibly have a separate regulator for Wales, or as a part of it, to do that and the same in Scotland.
322. CHRIS FRANKS: Can I perhaps add a little bit more? It is not really addressing your question, but I will take the opportunity to show how seriously we take the Electoral Commission. We have invited the head of the Welsh office of the Electoral Commission to the Assembly group to talk to us on these important matters, and there is a standing item on the agenda for regulatory matters, for the finance office to bring matters to our attention, and sometimes just to say, "There are no matters" which is valuable, it is not? Then on the very, very rare occasions, we will take an important matter to the National Executive Committee to bring them up to date, and we feel we have tried our best to embrace the spirit of the Electoral Commission and we have demonstrated how seriously we take it. Sometimes these things are a minefield, but we have tried to put procedures in place for us to lock the thinking of the party into taking the guidance - and indeed, the legislation - fully into account.
323. SIR DEREK MORRIS: Just a follow up to that, if there were to be donation caps, tighter expenditure caps, state funding and so on, which would obviously apply through the UK, what would be the reasoning, the argument for having a separate Welsh regulator, as opposed to Wales obviously being part of that regulatory regime overall?
324. RICHARD GRIGG: As I say, again, it is nothing that we feel that strongly about, it is just something we think should be taken into consideration about the possibility of whether it would be needed. Obviously there are more

elections in Wales, happening basically every year, and that is the only basis, really.

325. SIR DEREK MORRIS: And maybe the same in Scotland and Northern Ireland?

326. RICHARD GRIGG: Yes.

327. SIR DEREK MORRIS: Finally then, just the more general question: are there are other aspects of the current regime in terms of the way it is implemented, in particular how it bears upon a local party - local in terms of the UK - in terms of its bureaucracy, its efficiency, its effectiveness, any other things that you would want to see changed if there is an opportunity for reform here?

328. CHRIS FRANKS: Personally, I think sometimes the Electoral Commission goes into too much detail and can worry about £20 here, £30 there, whereas really their resources should be directed on wider and more fundamental issues, because at the end of the day, our treasurers and the constituencies and branches are all volunteers and it is an onerous task which should not be made too onerous, so as to start discouraging volunteers from volunteering. Now, I know it is a balance, but I think the Commission needs to make sure that the information they want is at the right level, not looking after a few pounds here and there. It is the principles, it is the more substantial issues that I would like them to focus more on.

329. OLIVER HEALD: Do you have members and financial supporters who do not live in Wales?

330. RICHARD GRIGG: Certainly we have branches outside of Wales. I think there was one occasion where we were offered a donation from Australia, which was a sizeable donation, which we had to refuse.

331. OLIVER HEALD: But from England, you would be able to accept money. Did you do that?

332. RICHARD GRIGG: We have certainly got a few branches in England. The membership is paid from people living in England, but I am not aware of any substantial donations for that.

333. CHRIS FRANKS: It does not figure high on our accounts, shall we say.

334. OLIVER HEALD: In the Vale of Glamorgan, were you able to spend up to the limit of expenses for the general election?

335. CHRIS FRANKS: No, we would not have spent anywhere near it.

336. OLIVER HEALD: No. So you were less than the expenses limit for that constituency?

337. CHRIS FRANKS: Yes.
338. SIR CHRISTOPHER KELLY: Thank you very much. Is there anything else you would like to say to us that we should have asked you and have not?
339. CHRIS FRANKS: I would like to just amplify one thing. Richard said “substantial donations”. A substantial donation is £500.
340. RICHARD GRIGG: For us.
341. CHRIS FRANKS: For us, yes, and because they were not a UK resident, we had to send it back.
342. RICHARD GRIGG: Sorry, I should have made that clear. To me, £500 is a substantial donation, but I forget that for other parties it is not.
343. SIR CHRISTOPHER KELLY: Well, it helps to put things in perspective.
344. OLIVER HEALD: Just on that point, I mean, you obviously have said that you think the money should be raised locally in Wales for Welsh campaigns, and I am just putting to you the point that you do raise money from outside Wales, although you say it is not as much as you would like.
345. RICHARD GRIGG: No, it is so small as a percentage of our income that it is practically insignificant.
346. OLIVER HEALD: But you wish it were more?
347. RICHARD GRIGG: We are saying that we would limit that to £5,000 for an individual per calendar year, or organisation, so it is hardly ...
348. SIR CHRISTOPHER KELLY: Thank you very much indeed. That was extremely helpful. That concludes our evidence taking for today.