

# Agenda – Economy, Infrastructure and Skills Committee

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Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 23 October 2019

Meeting time: 09.40

For further information contact:

**Robert Donovan**

Committee Clerk

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## Private Pre-meeting

(09.40–9.45)

## 1 Introductions, apologies, substitutions and declarations of interest

## 2 Paper(s) to note

### 2.1 Letter from the Chair to the National Federation WI Wales Office

(Page 1)

Attached Documents:

EIS(5)–27–19(P1) Letter from Chair to Head of NFWI–Wales

### 2.2 Letter from the Minister for Economy and Transport to the Chair re State of the Roads – update

(Pages 2 – 3)

Attached Documents:

EIS(5)–27–19(P2) State of the roads – update



### **3 Decarbonisation of Transport**

(09.45–10.45)

(Pages 4 – 46)

Andy Eastlake, Managing Director, Low Carbon Vehicle Partnership

Chaitanya Kumar, Senior policy adviser, Green Alliance

Attached Documents:

EIS(5)–27–19(P3) Research briefing

EIS(5)–27–19(P4) Evidence Green Alliance

EIS(5)–27–19(P5) Evidence Low Carbon Vehicle Partnership

**Break**

(10.45–11.00)

### **4 Procurement in the Foundational Economy – Ministerial scrutiny**

(11.00–12.00)

(Pages 47 – 66)

Rebecca Evans AM, Minister for Finance & Trefnydd

Lee Waters AM, Deputy Minister Economy & Transport

Marcella Maxwell, Deputy Director, Economic Strategy

Jonathan Hopkins, Deputy Director, Procurement Policy & Capability

Attached Documents:

EIS(5)–27–19(P6) Research briefing

EIS(5)–27–19(P7) Evidence from the Minister for Finance and Trefnydd and  
Deputy Minister for Economy and Transport

**Private de-brief**

(12.00–12.15)

NFWI Wales Office  
19 Cathedral Road  
Cardiff CF11 9HA

15 October 2019

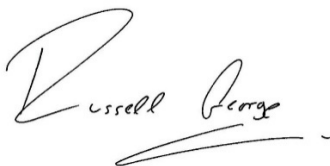
Dear Rhian,

Thank you for your letter regarding the WI's campaign on local bus services. I will include your letter as a paper to note at the Economy, Infrastructure and Skills Committee meeting on Thursday 17 October. I am interested to hear about the outcome of your campaign so please keep me up to date.

You may already be aware that the Welsh Government is intending to introduce a Public Transport Bill in the new year. The Bill we be building on the Welsh Government's white paper entitled "Improving public transport" released last December. The Committee scrutinised the proposals in that white paper, the report is on our website [here](#).

We are expecting the Bill to focus on public buses and their regulation. As part of the Bill's progress through the National Assembly for Wales the EIS committee will hold scrutiny session and carry out a public consultation. It sounds like the research you and your members are undertaking would be a valuable aid to our scrutiny. I have asked the clerking team to make sure you will be included on the list of people we send the consultation documents to.

Yours sincerely,



Russell George AM

Chair

Economy, Infrastructure and Skills Committee



# Agenda Item 2.2

Ken Skates AM  
Gweinidog yr Economi a Thrafnidiaeth  
Minister for Economy and Transport



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA-P-KS-3968-18

Russell George AM  
Chair Economy, Infrastructure and Skills Committee

[SeneddEIS@assembly.wales](mailto:SeneddEIS@assembly.wales)

18 October 2019

Dear Russell

I am writing to provide you with an update on recommendation 14 of the Economy, Infrastructure and Skills Committee report into The State of the Roads in Wales.

My officials have been working with users on several studies to assist with the implementation of WeITAG 2017 and they have identified key themes where WeITAG users require further support and guidance. Supplementary guidance is being drafted on engagement and consultation and also how to apply the Well-being of Future Generations Act at each stage of the process.

Officials are currently considering the schemes that will be subject to a WeITAG audit and the nature of the audit. We recently hosted two well attended WeITAG workshops. These workshops brought WeITAG users together to discuss their experiences and examples of best practice. It is our intention to set up a WeITAG Community of Practice and hold more workshops and training sessions to provide ongoing support to users and enable the sharing of learning and best practice.

Since the publication of WeITAG 2017 we have started shifting towards a corridor / area based approach to the early stages of WeITAG. For example, our emerging Metro Enhancement Framework, which takes a corridor based approach to considering future transport interventions in the South Wales Metro area.

In recognition that there were ongoing studies and schemes being developed when WeITAG 2017 was published, we issued supplementary guidance on transitional arrangements alongside the main WeITAG 2017 toolkit. The transitional guidelines require that schemes that were already being taken forward through WeITAG 2008 move over to WeITAG 2017 at an appropriate stage in their development. This includes reflecting on whether stages that have already been undertaken need updating to take account of the latest legislation and policy including the Well-being of Future Generations Act.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

WelTAG 2017 is currently being used to develop, appraise and evaluate the Llandeilo Transport Study. Two consultants were appointed in October 2017 to undertake stage 1, which has now been completed. This led to the identification of a long list of 42 options. That was then narrowed down to a short list of 11, which were taken forward to stage 2. This was based on their ability to solve the problem, their fit with local and regional objectives, their positive impacts across all aspects of well-being, their deliverability and robustness under uncertainty and potential to drive long lasting change. Consultants were then appointed to commence stage 2 in May 2018, which is ongoing. There will be a review group meeting on 22 October and an additional public consultation on 2 December. This will enable us to determine the one or two options from the short list to take forward into stage 3, which is due to begin in early January 2020.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken', with a long, sweeping flourish extending upwards and to the right.

**Ken Skates AC/AM**

Gweinidog yr Economi a Thrafnidiaeth  
Minister for Economy and Transport

# Agenda Item 3

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Green Alliance

## Your opinion

### 1. Are the transport emissions reductions targets, policies and proposals (set out in Prosperity for All: A Low Carbon Wales) achievable and sufficiently ambitious?

Partly

#### 1.1 Please outline your reasons for your answer to question 1

Overall targets: The 2020 and 2030 targets of 14% and 43% cut of emissions below 1990 levels are sufficiently ambitious, and in line with the Committee on Climate Change's pathways. i ii Given the recent decision for the UK to reach net zero emissions by 2050, and for Wales to reduce emissions 95% by the same date, there is scope for faster ambition within this area, but as it is uncertain what more ambitious fourth and fifth UK carbon budgets would look like and what this would mean for Wales than is currently sufficient. iii However, longer term, the 2040 and 2050 target of 65% and 79% cut of emissions below 1990 levels is not in line with this ambition. Surface transport is an area with potential for faster and deeper reductions in emissions than other sectors, particularly the industrial sector, a disproportional component of Welsh emissions.

This also implies a slowing speed of reducing transport emissions past 2030, after more technologies become available, which is a perverse outcome. Wales should aim to cap emissions from international aviation and shipping at present levels to 2050 and aim to almost completely decarbonise all other transport emissions by the same date to hit the 2050 target, resulting in a more ambitious cut in transport emissions of well over 90% by 2050. The widespread adoption of EVs and zero emission HGV technologies should be more prevalent in the 2020s and past 2030, in order to assist this. Along with the Committee on Climate Change's work, this ties into the similar UK-wide recommendations from the National Infrastructure Commission, advocating 100% EV sales by 2030 and £43bn additional investment in urban transport across the UK by 2040. iv

1.2 EV sales: The headline ambition for all taxis and private hire vehicles to be zero emission is welcome, but risks obscuring numbers. This would represent a switch to approximately 10,000 electric vehicles, 0.75% of the current 1.5mn car fleet of Wales. Equally, the target of all new vehicles in the public fleet being EVs by 2025 is a small proportion of total vehicles, and is behind our target of 2022 for UK government. The target of 60% of all new vehicles being EVs by 2030 is unambitious, as it represents the average of the UK's Road to Zero target of 50-70% of sales being EVs by the same year. v This policy in itself is deeply unambitious, as our work and the Committee

on Climate Change has strongly advocated as a net zero priority that EV sales should be 100% of vehicles in 2030. vi Within that, we also advocate for over 75% of vehicles sold being battery electric or zero emission vehicles by this date, not plug in hybrids. This also makes the ambition for only 25% of vehicles sold in Wales to be BEVs by 2030 highly insufficient. The plan does mention fleet vehicles switching over to EVs but targets and aims within this, or some greater idea of scope, is needed to get a fuller idea of future policy.

1.3 EV infrastructure: The £2mn target for a Welsh rapid charging network is highly appreciated. With approximately 30-40 rapid chargers in Wales currently, Wales is one of the worst served areas of the UK for rapid charging by geographic distance. vii Further clarity is needed on how many rapid chargers this would lead to and where they would be located. The Energy Saving Trust estimate rapid chargers will cost £20-40,000 (not including installation cost or network upgrades), so this will likely lead to 50-100 additional rapid chargers, doubling to quadrupling the current number of rapid chargers. viii The Welsh government should follow the lessons learnt from the Scottish government's Switch On Scotland programme in its rapid charger rollout, and build chargers alongside main road routes across the country, not just in major centres of population. ix The current EV charging infrastructure is too concentrated in South-East Wales and particularly Cardiff. The Welsh government is correct to prioritise rapid charging in its funding, but also must ensure that it supports the rollout of fast chargers in addition (slow chargers are not a priority).

1.4 Buses: The action for buses is generally positive. Public transport has a proportionally greater role to play in reducing emissions in Wales than in the UK as a whole. The 2028 goal for zero emission buses is considerably more ambitious than the same goal for taxi and private hire vehicles, with the 2,150 buses in the fleet to be converted to zero emission alternatives sending a stronger indication for electric buses than any UK policy. x Given the currently high capital costs for zero emission bus models, xi we would be interested in seeing the estimates for these and how the Welsh government will fund this. In terms of additional bus services however, this plan provides little detail. New bus routes would be a fast way of cutting emissions in the short term, and would be cost effective. Many areas of Wales are not serviced well by rail, and it will take time to establish an effective rail network. Utilising long haul bus routes in these areas can connect areas via public transport that would otherwise have been forced to use private transport.

1.5 Rail: Likewise, the rail policies outlined in the plan make many welcome references to increasing numbers of services, but there is still a capacity gap in South West Wales. There is clear ambition to go beyond the South Wales Metro and Wales and Border Service. A target for electrification of trains would ensure reducing emissions from existing trains, and reviewing where brand new lines could go would incentivise greater connectivity of the country.



1.6 HGVs: We welcome the target for all HGVs in the public sector by zero emission by 2030. More clarity on what kind of technology is likely to cover these vehicles could be extremely useful, as the UK wide debate on zero emission HGVs covers battery electric, hydrogen and direct electric alternatives. Wales should explore the scope for nationwide deployment of zero emission trucks and long haul coaches where possible, or take a view to bring these alternatives into the transport mix longer term. As there is a lack of strategy on HGVs in the UK as a whole, ambitious deployment by Wales could influence the national debate and give Wales a competitive lead over other regions, bringing economic opportunities with the new technology.

1.7 Aviation and shipping: There are few policy measures in this plans to prevent emissions from aviation and shipping, but we recognise that these powers may be outside the control of the Welsh government.

1.8 Walking and cycling: Devolving powers to local authorities and monitoring progress is the correct level of ambition

**2. Is the Welsh Government's vision for the decarbonisation of transport sufficiently innovative, particularly in terms of advocating new technologies?**

Partly

**2.1 Please outline your reasons for your answer to question 2**

Most of the successful measures above are relying on existing technologies. EVs, rapid charging and modern rail transport are already established in Wales, and this programme scales these technologies up. The exception is the target for zero emissions buses, which are a much more niche market in the UK and the Welsh target will require investing in fairly new technologies. The policy doesn't explicitly include innovation in new types of zero emission buses, but should allow ample scope for innovation, for example in new forms of battery technologies. The Welsh government therefore has an opportunity to innovate on new types of new zero emission technology, and should consider taking advantage of this. There is also no mention of the type of technologies used to reduce emissions from Heavy Ground Vehicles (HGVs) such as trucks and coaches, and Wales should decide which route it is likely to centre its efforts on. There is opportunity here for research and development of zero emission alternatives. Equally, while this is further outside the Welsh's government's control, a fuller exploration of what is possible to achieve in reducing emissions from aviation and shipping within Wales is required longer term

**3. What action is required, and by whom, to achieve the targets, policies and objectives?**

3.1 Overall targets: The Welsh government should keep its interim targets for 2020 and 2030. It should however, review and bring forward its targets

for 2040 and 2050, particularly with reference to the 95% emissions reduction target recommended by the Committee on Climate Change.

3.2 EV sales: The Welsh government should implement a target for 100% sales of vehicles being ultra-low emission by 2030, with a clear majority not coming from plug-in hybrid vehicles. This will give dealers and the automotive industry much clearer and shorter term direction on the future of road transport in Wales.

3.3 EV infrastructure: The £2mn rapid charging network is currently sufficient – longer term as EVs numbers rise, additional rounds of rapid chargers will be required to facilitate greater numbers of EVs. For additional rapid chargers, but more critically fast chargers, the Welsh government should work closely with the private sector to cater to their needs, and regularly consult on the best way forward.

3.4 Buses: Investment in low carbon buses is very welcome. Given the relative ambition of this policy, an innovation angle should be introduced for the new bus fleet, allowing for new forms of battery energy storage and potentially even hydrogen buses. Expanding greater number of bus services is welcome, but connecting sparsely populated areas also needs to be considered further where there currently exist few public transport options. Further financial or policy incentives for bus companies to do so could be an avenue to achieve this.

3.5 Rail: Existing schemes should aim to be delivered successfully, with a view for future metro schemes in densely populated areas. There should also be a future rail network to connect more isolated areas, particularly in the South West.

3.6 HGVs: We welcome the commitment to all public sector HGVs being zero emission by 2030. A decision on which technologies will be used to decarbonise these vehicles will be helpful for the UK wide debate, and will allow testing of specific technologies. Targets need to be set for HGV decarbonisation Wales-wide once this decision has been made.

3.7 Aviation and shipping: A review of what is in the Welsh government's power to do on reducing emissions from these sources should be published.

3.8 Walking and cycling: Continuing implementation of these policies will be continued by local authorities. It is the role of the Welsh government to monitor and advice these authorities on what approaches will be needed

#### **4. How should the new Wales Transport Strategy reflect the actions needed to decarbonise transport?**

4.1 Decarbonisation of transport should be a priority in the new strategy. It should integrate the areas of the Prosperity for all: A low carbon Wales that show sufficient ambition, breaking down more granular details on cost and

implementation. It should also address areas highlighted above where ambition is not sufficient, in particular EV uptake. Wales can particularly benefit from UK industrial strategy funding, such as the £650mn in city and growth deals.

**5. Do you have any other points you wish to raise within the scope of this inquiry?**

- i Welsh Government, 2019, Prosperity for All: A Low Carbon Wales
- ii Committee on Climate Change, 2018, Reducing UK emissions: Progress report to parliament
- iii Committee on Climate Change, 2019, Net zero: The UK's contribution to stopping global warming
- iv National Infrastructure Commission, 2018, National Infrastructure Assessment
- v Department for Transport, 2018, Road to Zero: Next steps towards cleaner road transport and delivering our Industrial Strategy
- vi Green Alliance, 2018, How the UK can lead the electric vehicle revolution
- vii Zap Map, 2019, <https://www.zap-map.com/>
- viii Energy Saving Trust, 2017, Guide to chargepoint infrastructure for business users
- ix Transport Scotland, 2017, Switched on Scotland Phase Two: An Action Plan for Growth
- x The TAS Partnership Limited, 2015, Transforming Bus Investment in Wales: The Welsh Bus Fleet - A Report to the Welsh Government's Bus Policy Advisory Group20102C
- xi Low Carbon Vehicle Partnership, 2019, The Low Emission Bus Guide

## LowCVP submission to

### Decarbonisation of transport – Wales Transport Strategy review

#### Executive Summary

This paper provides an outline response from the LowCVP Secretariat to consultation on the Welsh Government “Prosperity for All: A Low Carbon Wales” paper and inquiry by the Economy, Infrastructure and Skills Committee.

The LowCVP, which was established in 2003, is a public-private partnership working to accelerate a sustainable shift to lower carbon vehicles and fuels within the road sector, and to create opportunities for UK business. Around 200 organisations are engaged from diverse backgrounds including automotive and fuel supply chains, vehicle users, academics, environment groups and others. The Partnership became a not-for-profit company limited by guarantee in April 2009 and receives roughly half its funding as a direct grant from the DfT, together with funding directly from Transport Scotland and all member companies

#### Key points

- Welsh transport emission targets are extremely ambitious and may not be achievable in the timeframes indicated without more radical approaches and greater public support.
- The targets proposed do not yet deliver the revised Climate Change Act target for Net Zero in 2050 (UK) (-95% GHG Wales in 2050)
- Focussed policies on delivering zero emission city vehicle fleets (Bus, Taxi, PHV) rapidly are very welcome and must be complemented with significant discouragement of private vehicle use in cities/towns.
- Van fleets should be included in the zero emission urban centre transport strategy.
- Significant, rapid and visible transition to renewable transport fuels (of all types) must be made to both decarbonise transport and engage public support in the transitions needed.
- A strategic (national) approach to the energy system for transport (both generation and transmission of energy, together with the infrastructure and consumer experience) should be adopted.
- Public sector fleets should lead the transition

#### General points

- LowCVP’s focus is primarily on the accelerated introduction of new technologies to speed the low carbon transition. Modal shift, active travel and travel reduction are important parts of the solution but LowCVP’s main attention is on the introduction of low carbon, cleaner road vehicles and fuels and a holistic view of the climate impact of vehicles.
- The trajectory set out in the UK Government’s Net Zero law requires urgent, aggressive and continued action. The Committee on Climate Change is proposing a more rapid

timescale for transport decarbonisation and opposition parties are pressing for even greater speed. (Delegates at the latest Labour Conference voted for a 2030 Net Zero target. While it may not be adopted as official Labour policy, the 2050 regulation could well be brought forward by a new national government.

- The economic capacity of the public and private sector to completely refresh the vehicle fleets and energy system as rapidly as needed to meet the targets is not yet in place and significant public investment will be required to support such a rapid transition.
- There remain several transport sectors (HGV, Aviation) for which the technology required for zero emissions, is not yet clear or available.
- Significant behaviour change will be needed to deliver the targets proposed
- The fastest (and least costly) route to immediate carbon reduction from transport is through low carbon fuels adoption in the existing fleet. Currently the strategy makes no mention of this option which may also provide a significant industrial opportunity for Wales through innovation and production of renewable and synthetic fuels
- The adoption of Euro VI and Euro 6d emission standards is making dramatic improvements in urban air quality and should be continued, while electrification and zero tailpipe emissions solutions gather pace.

## Targets:

- The LowCVP supports the Welsh Government in aiming for the most rapid emissions reduction targets possible. Taking a lead in doing so could bring investments and wider economic benefits to Wales.
- The paper provides a target of 14% reduction for 2020 and 43% reduction for 2025. Given that 2020 is almost upon us we feel that it is highly unlikely that a significant reduction 2020 can be reached at this point and a 2020 target is rapidly becoming superfluous but may be more use as establishing a baseline if measured comprehensively.
- Achieving a 43% reduction (or even greater) in 2030 will require additional actions to those described.
- Zero emission bus, taxi and private hire fleet by 2028 is a highly ambitious objective and requires the complete renewal of all these vehicles within 8 years.
- With the (very welcome) acknowledgement of consumption emissions and obligation of “Welsh consumer emissions” the transition to battery electric vehicles should be accompanied by robust development in analysis of the carbon impact over the vehicle life cycle, including production of the battery, to ensure the shift to zero tailpipe emissions does not inadvertently increase either power industry or foreign production emissions. It would be feasible for Wales to begin to define innovative new standards for impact assessment.

## Cars:

### Policy 50, Increasing ULEVs

### Policy 51, investing in EV charging

Norway (often vaunted as the EV capital of the world) began its policies of generous incentives in 1990, nearly 30 years ago. Their aim is for all **new sales of**, cars, light vans and urban buses to be zero emissions in 2025

In 2018, 50% of all new car sales were plug-in, this is the highest market penetration in the world. However in late 2018 the overall total car fleet was only 10% plug in vehicles. Vehicles are typically in operation for 15 or more years so without significant activity to remove older vehicles, the full transition will happen around 15 years after the point of 100% of new sales.

Welsh registrations of ULEVs is currently lagging the UK average with licensed ULEV cars only 0.3% of the current fleet (0.7% for UK) (DfT licensing statistics VEH0105, VEH0132) so encouraging greater ULEV uptake is a key priority and challenge.

Electric vehicles when assessed on a total cost of ownership, are already often price competitive with conventional vehicles. LowCVP is working with the Financing sector to aim to develop clear and comparative data to give car buyers greater transparency of the running cost savings at the point of new vehicle consideration.

Vehicle taxation structures, whilst set in Westminster, should be developed and declared over a longer time frame (fuel duty plans, treatment of Electricity as a road fuel, VED etc) in order to give clarity and stability to the market allowing longer term investment decisions in new technology. Wales could consider specific incentives for ULEVs above and beyond those implemented in central UK government.

A national (rather than local or regional) approach to incentive support, EV charging and local clean air strategies (such as low emission zones) is of significant benefit to the operators and market with simple and consistent messages. The Welsh assembly should take a strategic and broad role in setting and planning the energy and transport systems needed

Significant work has been done on the Energy infrastructure, the benefits of implementing smart charging and in planning grid investment, through the Electric Vehicle Energy Task force, reporting in November 2019. The Welsh assembly should draw on the expanding library of robust reports and assessments and aim to take a leading role in adoption of ambitious strategy and implementation of recommendations from these reports.

There is often a myopic focus on pure battery electric cars and vans which may lead to an excessive demand for infrastructure. The adoption of Plug in hybrids or range extended vehicles, if accompanied by robust fiscal measures to encourage plugging in, may offer a much more rapid and publicly acceptable, step to electrification or the majority of miles, whilst the long term infrastructure requirements are strategically planned and delivered

## Buses, Taxis and PHV:

### Policy 52, Zero emission bus fleet -

### Policy 53, Low carbon taxi and PHV

LowCVP supports a clear target for a zero emission (urban) bus, taxi and private hire vehicle fleet and would also add urban van operations to this group. Rapid emission reduction (both pollutant and greenhouse gas) within city centres will deliver the urgent clean air requirements and provide the clean platform to encourage modal shift to public transport solutions. This will help drive awareness, technology development and readiness, and target ZEVs in the areas of worst air quality where they're most needed. With very aggressive policies the 2028 target could be achievable but will depend, in part, on the availability of vehicles and associated technologies which are likely to be produced outside Wales.

Technologies to enable sharing of vehicles (and other equipment/facilities outside the transport sector) have developed rapidly and could enable a faster transition to shared use, rather than personal ownership. This will be needed extensively if Wales is to meet the targets proposed. The more intensive use of fewer vehicles brings life-cycle benefits (fewer vehicles needed to service mobility requirements) and other opportunities (eg freeing road space from parked vehicles; community-building and social capital; widening of access to vehicles/mobility to ambitious poorer communities). Local policies should act to ensure that car sharing/car clubs adopt the cleanest possible vehicle technologies.

The use of ambitious Taxi Licensing requirements and Bus franchises can steer these sectors most quickly. There are opportunities to consider a joined up approach to the EV charging infrastructure requirements for these sectors and wherever possible silos should be avoided to enable optimum solutions to be implemented.

An aspect of transport currently missing from the strategy is the 'L' category sector (motorbikes, trikes, quadricycles) These vehicles may offer an opportunity to implement rapid electrification of several urban operations (Taxi, last mile delivery) and could potentially be established as local production and supply chain opportunities. LowCVP has been working with the MCIA (Industry body for this sector) and would welcome further discussion to look at Pilot projects perhaps complementing the "zero emission city/all electric public transport town" concept outline in the strategy. Through offering a full range of vehicle sizes, the optimum "tool for the job" can be established and utilised. These vehicles may also offer rural transport solutions for outlying areas, given the lower energy requirements and potential for longer range at lower cost.

## Actions required

- (Ref Policy 48 – increasing travel by bus). LowCVP has focused efforts on defining low emission and low carbon buses and has been at the centre of designing policies to accelerate their uptake (ref: series of Green Bus Funds.) LowCVP has worked with Auckland, London and other local, regional and national authorities to help define strategies for 'greener' bus uptake and could assist in such a role for the Welsh Government.

- (Ref Policies 49/50 - Promote sustainable travel and reduce the need to travel; increase proportion of electric & other ULEVs). Electrification is an important part of the solution for road transport. (Though cars – and road transport overall - comprise a significantly lower share of national emissions for Wales than for the UK as a whole: cars/all road transport are 7.7%/11.9% of total Welsh emissions while figures for whole UK are 15%/25%).
- Local incentives can play an important role in hastening EV uptake eg access and parking benefits. The introduction of clean air zones (CAZ), particularly where charging is involved could be a significant driver of low emission vehicle uptake and contribute to improving local air quality. Licencing regulations for local taxis and private hire fleets could be an important lever to encourage low/zero emission vehicle uptake, especially if local regulators act to a nationally defined framework.
- Ensure that there is a strategically planned recharging network across Wales, involving stakeholders from automotive, energy and user communities in establishing a coherent, planned national framework. Ensure network inter-operability (if not defined by wider authorities).
- Maximise the benefits of the EV transition for the energy network and local power suppliers & distributors. LowCVP has led the UK's EV Energy Taskforce which seeks to ensure that the opportunities from vehicle electrification (such as grid balancing through V2G and storage of energy produced at domestic and local level – V2H) are maximised while the challenges of greater power demand are minimised. Road transport electrification provides opportunities at the energy grid level to store energy produced by intermittent renewable sources (particularly significant in Wales) at times of surplus and contribute to supply when there is shortage.
- Ensure car buyers are properly informed: The cost benefits of running an electric vehicle are not immediately obvious to private car buyers. Fleet and professional buyers are used to analysing the total cost of ownership but private buyers may not understand that annual fuel cost savings can exceed £1,000 (and there are advantages in tax, maintenance and in terms of local access), so may not take these into account in their purchase decisions. Information campaigns (which may be publicly funded/supported) can help to address this and other market imperfections.
- Trucks and vans: LowCVP is working to improve the evidence base for defining low carbon/low emission trucks and commercial vehicles. This is needed as a basis for applying policy levers. Short-term measures (such as adoption of technologies approved under the CV Retrofit Accreditation Scheme – CVRAS) can make a significant and speedy contribution to improving local air quality and will be driven by the adoption of CAZs. Other local measures (eg access rights, delivery time benefits) can incentivise the uptake of the best low carbon technologies and help to drive change.
- Taxis and private hire vehicles: Local incentives and regulations play a key role. Information/education targeted at driver and stakeholder communities is needed to engage them and enable acceptance and implementation of local policies. (LowCVP has produced, for example, a guide to low emission taxis and PHVs intended for this purpose.)



# Agenda Item 4

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## **ECONOMY, INFRASTRUCTURE & SKILLS COMMITTEE**

### **WRITTEN EVIDENCE**

#### **Public procurement in the foundational economy**

##### **Foundational Economy**

As set out in the Welsh Government's paper to the Committee meeting of 9 May, the services and products within the foundational economy provide those basic goods and services on which every citizen relies and which keep us safe, sound and civilized. Care and health services, food, housing, energy, construction, tourism and retailers on the high street are all examples of the foundational economy. The industries and firms that are there because people are there. Estimates suggest they account for four in ten jobs and £1 in every three that we spend. In some parts of Wales this basic 'foundational economy' is the economy.

The Economic Action Plan (EAP) has set the direction for a broader and more balanced approach to economic development with a shift towards a focus on place and making communities stronger and more resilient. The EAP places a greater emphasis on tackling inequality and signals a shift to a 'something for something' relationship with business.

Promoting inclusive growth through a new focus on the foundational economy sits alongside the other three pillars of our Economic Contract; supporting business investment that future-proofs the economy through Calls to Action; a regional approach to investing in the skills people need to enter, remain and progress in work; and the infrastructure communities need to be connected and vibrant.

The foundational economy approach offers the chance to reverse the deterioration of employment conditions, reduce the leakage of money from communities and address the environmental cost of extended supply chains.

With join-up across portfolio responsibilities we are driving a greater synergy between the Valleys Taskforce, Better Jobs Closer to Home programmes and maximising the social value of procurement with what may be described as mainstream Government economic interventions.

A Ministerial Advisory Board Task and Finish Group on the Foundational Economy has been established to provide advice to Welsh Ministers on current and future interventions and best practice; support wider engagement with stakeholders in the foundational economy; and promote join-up of relevant government and non-governmental initiatives. The group is comprised of individuals with considerable knowledge, expertise and experience in this area.

We are working across government to develop an integrated enabling plan for the foundational economy sectors identified in the EAP - coalescing government action around common opportunities and challenges.

We want to re-establish Wales at the forefront of realising social value in procurement by nurturing strong local supply chains through the work of the Public Service Boards. The structures created through the Wellbeing of Future Generations Act, provide an unparalleled opportunity to make rapid and significant progress.

## **Social value procurement**

Furthermore, the Fair Work Commission published its Report, *Fair Work Wales* on 3 May. It made 48 recommendations across eight areas for action.

The recommendations included how the Welsh Government might promote fair work through economic incentives – the aforementioned ‘something for something’ approach in respect of public funding; an approach that requires recipients of public money to demonstrate and promote particular characteristics and to deliver on desired social objectives.

The Commission concluded that procurement can be a powerful tool for promoting fair work, but it requires objectives to be well-defined, measurable and reasonable within specific market conditions.

The Commission’s specific recommendations were that:

- Public money should be provided only to organisations fulfilling, or working towards fulfilling its definition and characteristics of fair work (organisations meeting the Fair Work Wales standard);
- Inward investors should be fair work organisations;
- Infrastructure projects and large capital investment projects should be Fair Work Wales projects; and
- The focus and priorities of public sector contracting should shift towards social value, including fair work.

The Welsh Government accepted these recommendations and is actively considering in collaboration with its social partners how they can be adopted and embedded across the public sector.

Furthermore, the First Minister set out his ambitions for social partnership in an oral statement to the Assembly on 9 July 2019. We propose to place a duty on public sector bodies to promote fair work and introduce new requirements around procurement.

We are keen that the legislation should be meaningful and allow us to move this agenda forward. It also needs to be within competence. Ultimately this legislation is part of our goal to deliver a more equal society, with twin goals of supporting a flourishing economy and making sure that against that backdrop we reduce inequality.

Our intention is to publish a consultation paper later this autumn. This will set out our legislative proposals. However, it is clear that delivering this agenda goes much wider than that and we will capture other ways that we plan to drive this agenda forward that do not rely on legislation.

Through the summer we worked with trade unions, business representatives, public bodies and other employers (collectively our social partners) to develop a shared case for change. This, and discussions on legislation will form the foundations for the consultation paper.

## **New approach**

### ***Experimenting***

The shift to a foundational approach will be experimental and will require a profound shift in our thinking and doing. There is no exact template we can lift and shift to Welsh communities, though undoubtedly there are lessons we can learn from others.

Our Foundational Economy Challenge Fund is supporting a series of experimental projects that will enable us, with the help of our partners, to test how we can best support the foundational economy and which Government interventions work best. The fund's budget is now over £4m. This includes £1.5m from the Valleys Taskforce budget, specifically ring-fenced for projects in the Valleys Taskforce area.

We have pulled together a group of experts from a range of sectors to drive the agenda forward, and we are marshalling capacity within the Welsh Government by aligning the different programmes already carrying out work in this area, albeit not self-consciously branded as foundational economy activity.

### ***Growing grounded firms***

Our aim must be to increase the number of grounded firms (both micro firms, SMEs and co-ops, community interest companies) which are capable of selling outside Wales, but have decision making rooted in our communities. Too often growing Welsh firms are lost to us in a succession of ownership changes. To tackle the phenomenon of entrepreneurs 'cashing out' of their business when they become successful we will use the Development Bank for Wales to incentivise owner-managers to keep ownership within Wales, offering "patient capital" to build sustainable firms in Wales.

Earlier this year the Development Bank of Wales secured funding from the Clwyd Pension Fund for its succession fund, which backs existing management teams of SMEs in Wales to acquire businesses from their owners.

The Welsh Government's support for the foundational sector will emphasise keeping successful firms locally rooted, and building a firm base of medium sized Welsh firms.

Business support has often concentrated on firms that are able to grow quickly and provide relatively large numbers of jobs, but also firms that are relatively volatile and can be quick to fail. We need to move our focus to the harder task of creating sustainable firms that might grow more slowly, but act responsibly within their supply chains and are able to withstand economic shocks.

### ***Spreading and scaling of good practice***

The Legislation and structures of the Well-being of Future Generations Act provide the conditions to enable anchor institutions, through Public Service Boards, to collaborate in an area and make an impact at scale.

In his route map for 21st century socialism the First Minister made a commitment to ask each Welsh local authority to identify their local "anchor institutions" and work with them to audit their contracts to increase the value and volume of procurement from regionally-based SMEs.

This approach builds on work pioneered in Wales a decade ago. The Can Do Toolkit was an early initiative in this area to help public sector officers to build community benefits into procurement contracts for social housing. Llanelli-born economist Professor Karel Williams has continued to develop this thinking at the Manchester Business School and has led a

team working with Welsh practitioners on an experimental approach to put these ideas into practice.

In Blaenau Gwent housing associations are collaborating with the local council, third sector and Cardiff University to maximise the impact of £4 million worth of contracts on the local economy. In Bethesda in Gwynedd the focus is on developing a new approach to social care. The early results are promising and suggest a better model of delivery that can be up-scaled and rolled out, enabling more people to be supported for less money.

### **Progressive Policies**

Wales also already has a foundation of progressive public procurement policies which recognise the power of procurement to deliver across the well-being agenda. The Wales Procurement Policy Statement (WPPS) sets out how the Welsh Government expects procurement in Wales to be undertaken and is very much predicated on achieving 'value for money', not just lowest cost.

It contains a number of principles which seek to open up opportunities for smaller suppliers, increase spend with Wales-based firms and ensure maximum socio-economic, environmental and cultural outcomes are achieved through procurement.

We recognise that procurement capability needs addressing in some quarters and this is a priority for us. We have a new Skills and Capability Plan in place to build capability and resilience across the procurement profession in Wales and to address the skills deficit, empower staff and encourage innovation. As well as upskilling existing procurement practitioners (with a focus on ethical procurement), we will also be ensuring non-procurement staff have the necessary commercial skills, future-proofing the procurement profession and raising its status across Wales.

The WPPS is delivering positive impacts for our economy and communities; Wales-based suppliers now win 52% of the annual £6.467bn procurement expenditure (where spend location has been analysed), up from a 2004 baseline of 35%.

We are also pleased to see our drive to increase opportunities for Welsh firms is having a positive effect. Sell2Wales figures show that the number of contract awards through the site that went to Welsh suppliers in 2018-19 has more than tripled since 2014-15, now standing at 84% compared to a baseline of 25%.

Community Benefits is one of our key policy areas for creating jobs and training through procurement - as of end of September 2019, 596 projects worth £2.2bn have retained 83% of contract value in Wales as a combination of revenue to businesses and salaries, while also creating 2,532 job opportunities, 1,241 apprenticeships and 109,603 weeks of training.

We also encourage the wide advertising of all contracts over £25k on Sell2Wales and this is having positive impacts on Wales-based suppliers, who now win 52% of the annual £6.4bn procurement expenditure (where spend location has been analysed) up from 35% in 2004.

It is pleasing, for example, to see positive impacts are being felt in the construction sector where 76% of contracts or frameworks over £750,000 advertised via Sell2Wales have been awarded to Welsh contractors during 2018/19.

Our new procurement approach has also seen a greater focus on delivering collaborative procurement agreements aligned to regional and local priorities. We are delivering a smaller number of national contracts where Wales-wide solutions provide the greatest value for a large proportion of the Welsh public sector.

The National Procurement Service has transitioned to a smaller national contracting operation to manage a reduced portfolio of national contracts, where such agreements can demonstrate delivery of value across a significant majority of Welsh public sector organisations.

### **Building wealth in communities across Wales**

We are committed to increasing local procurement and currently oversee three work-streams dedicated to making this happen.

Our Better Jobs Closer to Home, referred to earlier, has four test pilots underway. The aim of the programme is to use the profile of public procurement expenditure to create meaningful employment, in areas of high deprivation across Wales, starting in the South Wales Valleys.

In undertaking this work, thus far a total 60 new jobs have been created for people who were previously unemployed. Their work ranges from data processing to paper sorting to manufacturing of garments for the public sector. These people are being prepared to obtain skills that will assist them to sustain long term sustainable employment, in various industries.

We are looking to introduce a new commercial concept based on relational procurement. It looks at strengthening supply chains of goods and services that citizens of Wales are dependent on, to remain healthy, and to prosper in Wales. The work is supported heavily by established academics who are experts in this field, namely the aforementioned Professor Karel Williams, and Professor Kevin Morgan and we understand a separate paper has been submitted to the committee on this work.

In addition to this, our Community Wealth Building approach targets Welsh Public Service Boards to increase local spend by anchor institutions, thereby creating local wealth, by appointing local companies to provide goods and services to those anchor institutions.

A local anchor institution is a public sector organisation based within a community, such as a local authority, a hospital, or a college.

The methodology starts with a robust data analysis, which identifies potential interventions which can improve supply chain management and supplier relationship management to deliver the outcomes and benefits:

- improving procurement policies for public sector partners
- assisting with specification writing, and criteria setting to improve local supply in tendering opportunities
- Identifying a supply chain void (where supply come solely from outside of Wales), and creating a new supply, and jobs.
- Improving the way strategically important companies pay their staff, i.e. by paying the living wage (in certain sectors)

- Improving visibility of tendering opportunities to Welsh micro and small to medium companies in Wales
- switching existing supply opportunities lower in the supply chain, closer to the buying organization (from outside of into Wales, or into the buying organisations boundary)
- jobs created by leveraging Welsh Governments influence on procurement spend in Wales
- supply chains being re-structured to include more local suppliers that will benefit the economy
- more robust, uninterrupted supply chains that will offer long term sustainable benefits to the economy, and surety of critical supplies in sectors such as social care and food

We are working very closely with the Welsh Local Government Association (WLGA) and the Welsh NHS. These agreements while let nationally will provide a focus on delivering regional and local well-being through either direct contracting opportunities or supply chain intervention.

The Welsh Government are also providing insights and lessons learnt to help shape the delivery of local and regional approaches with our local authority partners. We have been working closely to help establish a new regional food buying approach across the Local Authority sector.

Our research tells us similar initiatives on community wealth building are taking place elsewhere. A few notable examples are Preston and Manchester in the UK and Barcelona in Spain. However, we in Wales will be the first to adopt such an approach nationwide.

### **EU procurement framework**

We intend to use whatever new flexibilities are derived from leaving the European Union to help Welsh-based companies to compete successfully for contracts.

We must develop resilience in our supply chains where they are negatively affected through leaving the European Union. Where local supply exist but are not winning public sector contracts, the reasons why will be investigated. Our Commercial Innovation Team are specifically looking at this work. They have already delivered a number of contracts and frameworks that support this agenda, such as the Nest - fuel poverty scheme and the Transport for Wales contract – specifically Schedule 13, which measures the uptake and performance of ‘Local Supply’.

They are engaging with public sector buyers to show how their tenders can be written in such a way as to encourage local suppliers to bid. They are liaising with colleagues in the Regional Teams who work with local suppliers to set out what is required to win public sector contracts. Where there is no local supply, we will look into the plausibility of creating supply.

## **Summary**

The foundational economy is the backbone of communities in Wales. It is very early days in implementing this coordinated focus through an economic lens on the products, services and workforce which make up the basic needs of citizens.

The approach the Welsh Government has adopted is experimental and not without risk. However, it offers the potential to inform what works and to scale up good practice. There are intractable economic issues in many parts of Wales where adding a focus on the foundational economy alongside what could be referred to as traditional economic development approach as set out here has the potential to make people's lives better.

We need to make better use of the money that we have to spend and we ally that with being cutting-edge in terms of digital and automation and trying to create new industries.

**Rebecca Evans AM**  
**Minister for Finance & Trefnydd**

**Lee Waters AM**  
**Deputy Minister for Economy & Transport**

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