



Paul Davies MS
Chair Economy, Trade and Rural Affairs Committee

28 August 2024

Dear Paul,

I write in response to your letter dated 18 July 2024 to my predecessor, Vaughan Gething, MS.

The ETRA Committee's ten recommendations set out in your letter, included three requiring a response from Welsh Government, which I address in this letter.

Recommendation 2: *The Welsh Government should urgently develop proposals in devolved areas such as skills and procurement that complements UK Government investment in Tata.*

We are building strong working relationships with the UKG and look forward to playing a leading role in future steel sector investment discussions.

The Welsh Government is making available support through its employability and upskilling programmes, ReAct+ and Communities for Work+, which can provide support for training and mentoring to Tata and its supply chain for employees who wish to remain in the labour market.

The Welsh Government is committing a total of approximately £25 million around ReAct, Communities for Work, and Personal Learning Accounts programmes. We've also extended the eligibility for Personal Learning Accounts for Tata workers and those in the supply chain. We have invested £22.5m in our Personal Learning Account (PLA) programme during the last financial year, to help employed people upskill and reskill. Since March our colleges have reacted swiftly to support Tata and supply chain workers through the £2m Tata targeted intervention. The PLA Tata targeted intervention will continue in the 2024/25 academic year, to support Tata workers and those in the supply chain.

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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.

Business Wales provide support for individuals facing redundancy should they wish to consider self-employment or start their own business and can provide information, advice and guidance on starting a Business, as well as accessing business finance. Any business or individual affected is encouraged to contact the Business Wales helpline.

The Development Bank of Wales gives businesses in Wales a valuable support mechanism in critical periods of economic uncertainty. This is particularly relevant to businesses within Tata Steel UK's supply chain impacted by the transition.

We will continue to work with Tata Steel on their future investment proposals and ongoing skills requirements.

Recommendation 8: *The Welsh and UK Governments should both consider setting procurement targets for use of domestically produced steel in public sector infrastructure contracts. They should also explore how other European countries have used social and environmental procurement clauses to support their domestic steel industries, introducing these where appropriate.*

We continue to embed best practice in public procurement of steel wherever possible. Our Welsh Procurement Policy Note (WPPN) 'Sourcing steel in major construction and infrastructure projects in Wales' has been strengthened to further align with the UK Steel Charter, by encouraging projects in Wales to source and benefit from high quality British steel wherever it is legally compliant to do so. The WPPN is supported by the 2015 Well-being of Future Generations Act (Wales) well-being goals.

The WPPN sets out Pre-Procurement Planning for Welsh Public Sector (WPS) bodies within scope of the WPPN. All WPS bodies are encouraged to consider how and when steel inputs will be procured through the supply chain. To allow the steel sector to better prepare and cater for future needs and ensure the right capabilities are in place, advance notice of relevant programmes or individual projects are made public. In addition, early dialogue with the steel sector to help deliver better project outcomes and identify the potential for innovative solutions is promoted.

The Procurement Act 2023 will support the sourcing of steel in major construction and infrastructure projects in Wales through assessing tenders in a different way, i.e. procurers will no longer have to assess them on the basis of Most Economically Advantageous Tender but Most Advantageous Tender, thereby removing the 'economic' criteria. While cost to the public purse is important, unfairly undercutting domestic steel suppliers may result in job losses with significant economic and social impacts on affected communities. The Act will require certain opportunities to be published via pipeline notices. This will provide suppliers with a better understanding of future steel demand, which will allow the steel sector to better prepare and cater for future needs by ensuring that the right capabilities are in place.

Also, WPS bodies are asked to consider their design options and their implications for steel requirements, identifying specific steel products and volumes that will be required against the potential to source these from within the UK as well as holding 'meet the buyer' type events with industry to discuss their steel requirements.

The guidance within the WPPN for Supplier Selection specifies the WPS bodies should use pre-qualification questions to tackle the problem of steel dumping and non-compliance with acceptable standards of health, safety and welfare and environmental standards. The nature of steel production is such that compliance with social, labour and environmental law

outside of the UK and EU is a significant issue; this may be a useful differentiator when selecting suppliers.

In support of supply chain transparency, WPS bodies should require BES 6001 or equivalent as part of the qualification criteria for bidders and require Tier 1 contractors to submit supply chain plans when bidding for contracts which include how steel will be sourced and to record the origin of critical steel components to be used.

When awarding contracts, WPS bodies should not base their decisions to award contracts simply on lowest purchase price but should satisfy themselves that the price or cost calculations in all bids are based on an assessment of life cycle cost meeting the required legislation, quality and ethical standards specified.

While cost to the public purse is important, we recognise that abnormally low pricing could signal the contract is unlikely to be properly performed; unfairly undercutting domestic providers may result in job losses with significant economic and social impacts on affected communities. The provisions of PCR Regulations 68, Life-cycle costing and 69, Abnormally low tenders are designed to support WPS bodies to assess the best overall bid.

Recommendation 10: *The UK and Welsh Governments should work with the Transition Board at pace to develop proposals to support redundant workers and the local community to recover from any job losses that take place. These should learn from good practice in the UK and beyond and should include a focus on bridging the gap between any job losses and the longer-term possibilities presented by decarbonisation and floating offshore wind.*

The Welsh Government continues to work closely and collaboratively with the Transition Board. A Welsh Government senior official has been seconded to the Transition Board Programme Management Office to work alongside colleagues from UKG, NPTCC and TSUK.

In carrying out this work we call on the lessons learned from previous industrial events such as the Ford closure and SSI Redcar as well as labour market and skills information to assist in identifying the structure, processes and approach needed to best meet the needs of those affected.

The Board and its workstreams are now entering the delivery phase. The impetus to deliver was highlighted by the Rt Hon Jo Stevens, Secretary of State for Wales, Chair of the Transition Board on 15 August when she announced that £13.5m of Transition Board funding will go to deliver the first two Transition Board Delivery Plans.

This includes a Supply Chain Flexible Fund to provide a rapid response to support the 150-200 businesses expected to be impacted by changes at Tata Steel UK and a Job Matching, Skills and Outplacement Programme to provide access to essential re-training, job matching, in-work and other skills support for up to 2,800 TSUK workers and thousands impacted in the supply chain, as a result of TSUKs transition.

The Transition Board, through Neath Port Talbot Council, has developed a Local Economic Action Plan to support its work. LEAP identifies short, medium and longer-term job opportunities for employees affected within TSUK and within their wider supply chain.

Providing the bridge between redundancy and new opportunities will be key and something of which the Transition Board is fully cognisant. Courses are already underway to provide TSUK workers with recognised accreditation for the prior learning and skills they hold.

Fifty-eight businesses and organisations have signed pledges of support guaranteeing job interviews for those affected by the TSUK transition.

There will be opportunities to work on the reconstruction of the steelworks site as they transition from blast furnace to electric arc furnace technology as well as for the construction of the new EAF.

For the longer term there is a strong holistic vision for the transition of the South Wales region to net zero-based industry on new infrastructure. This is an exciting vision with broad stakeholder support and would transform the region for the long term. The establishment of a Celtic freeport and floating offshore wind projects in the Celtic Sea offer potential future job opportunities requiring skills held by TSUK and their supply chain contractors. Delivery of this needs to be a partnership between Welsh Government and the UK Government, who hold many of the critical policy levers.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. E. Morgan', with a long horizontal flourish extending to the right.

Eluned Morgan