

# Agenda – Economy, Infrastructure and Skills Committee

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Meeting Venue:

Committee Room 1 – Senedd

Meeting date: 9 May 2019

Meeting time: 09.25

For further information contact:

**Gareth Price**

Committee Clerk

0300 200 6565

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## Private pre-meeting

(09.25–09.30)

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

## 2 Paper(s) to note

(Pages 1 – 7)

### 2.1 Letter to Chair Economy, Infrastructure and Skills Committee from Professor Julie Lydon Universities Wales regarding the Committees report on research and innovation in Wales

Attached Document:

EIS(5)–12–19(P1)

### 2.2 Further information from UK Hospitality re Role of Regional Skills Partnerships

Attached Document:

EIS(5)–12–19(P2)



**2.3 Letter from the Chair Economy, Infrastructure and Skills Committee to the Auditor General for Wales regarding the Committees report on Autumn Rail Disruption**

**Attached Document:**

EIS(5)-12-19(P3)

**2.4 Letter from the Chair Economy, Infrastructure and Skills Committee to the Minister for Economy and Transport regarding an update of the National Transport Finance Plan**

**Attached Document:**

EIS(5)-12-19(P4)

**2.5 Letter to Chair Economy, Infrastructure and Skills Committee from the Deputy Minister for Housing and Local Government regarding further information from EIS Committee meeting held on the 27 March 2019**

**Attached Document:**

EIS(5)-12-19(P5)

**3 General Ministerial Scrutiny**

(09.30-10.30)

(Pages 8 – 34)

Ken Skates AM, Minister for Economy and Transport

Lee Waters AM, Deputy Minister for Economy and Transport

Simon Jones, Director Economic Infrastructure

Marcella Maxwell, Head of Economic Action Plan Implementation

**Attached Documents:**

EIS(5)-12-19(P6)

EIS(5)-12-19(P7)

**Break**

(10.30–10.45)

**4 Small Businesses: Role of Regional Skills Partnerships**

(10.45–11.30)

(Pages 35 – 53)

Joshua Miles, Policy Manager, Federation of Small Businesses

**Attached Documents:**

EIS(5)–12–19(P8)

EIS(5)–12–19(P9)

**Private de-brief**

(11.30–11.45)



23 April 2019

Russell George AM  
Welsh Conservatives  
Tŷ Hywel  
Cardiff Bay  
CF99 1NA

Dear Russell

I am writing to thank you for your engagement with the university sector in Wales in the production of the Economy, Infrastructure and Skills Committee's report on research and innovation in Wales.

We were pleased to see the report recognise the quality of research activity carried out by universities in Wales as well as the pressing need for the implementation of the recommendations of Professor Graeme Reid's review of government-funded research in Wales. The report is a welcome addition to the debate on the future of research and innovation funding in Wales and one which we hope is recognised going forward.

Should you or the committee wish to look further at these issues in the future, including in light of the proposed reforms to post compulsory education and training in Wales, we will be happy to contribute.

Yours sincerely

A handwritten signature in black ink that reads 'J Lydon'.

Professor Julie Lydon

**Further information from UK Hospitality re Role of Regional Skills Partnerships**

**Evidence of progression and gender details – what are the progression routes and qualifications available for someone wanting to get a move upwards in the sector?**

The industry welcomes diverse applicants of all ages and all levels of ability, capability and educational background but actively seeks those that wish to make a long-term career out of hospitality and of serving our customers, whether in a direct front-facing role or in the many other integral and behind the scenes opportunities that the industry provides for those who work within it.

For those with specific skills- i.e. HR, Accountancy, Marketing, Managerial etc- there are many opportunities to progress within the industry and within larger companies and, indeed, many of our staff cross sectors once established as they have learned the social and "people" skills along the route that are sought after nowadays and of considerable benefit to other areas of employment.

Progression for those who enter without such formal educational qualifications is largely based on aptitude, enthusiasm and application and can be rapid as we reward those who respond well and utilise the considerable vocational support and opportunities available to new entrants.

The industry enables career progressions based on meritocratic principles that can see, for instance, a new candidate at 16 becoming a hotel General Manager at 23.

• **Do you provide data or evidence to the RSPs concerning Welsh Language skills in your sector**

Not at present and we do not have the internal mechanism to do this as an organisation. We would welcome any Welsh Government support to be able to do this in the future.

• **Question relating also to a network of professional bodies in your sector**

Hospitality Cymru (and UKHospitality, our overarching organisation) is by far the largest and most relevant professional body in the sector and, indeed within tourism, as the Hospitality business we represent equates to at least 85 per cent of employment within the umbrella of tourism businesses.

**Cynulliad Cenedlaethol Cymru**

Pwyllgor yr Economi, Seilwaith a Sgiliau

**National Assembly for Wales**

Economy, Infrastructure and Skills Committee

Adrian Crompton  
Auditor General for Wales  
Wales Audit Office  
24 Cathedral Rd  
Cardiff  
CF11 9LJ

16 April 2019

Dear Adrian

**Assembly Committee Report on Autumn Rail Disruption**

I write to draw your attention to the report published by the Assembly's Economy, Infrastructure and Skills Committee on 20 March 2019 on Autumn Rail Disruption. The Welsh Government's response is expected on 1 May, although given the time that has passed the report is unlikely to be debated in plenary.

The report notes that committee scrutiny of the rail franchise was informed by WAO's 2016 report into Welsh Government's investment in rail services and infrastructure, and the committee was also grateful for briefing from WAO staff. I therefore stated in the report's foreword that I would write to draw your attention to the Committee's findings, which may help inform any future WAO plans to examine franchise operations once Transport for Wales (TfW) has bedded in and progressed further with its programme of rail infrastructure improvement.

The six recommendations in the **committee's report** include:

- that TfW report back to us at the end of 2019 on its new performance standards and plan for communicating the full range of standards and performance data (Recommendation 3);
- seeking assurances that capacity issues on the network will be properly addressed by planned service enhancements, and that capacity planning will take full account of all factors that may affect future demand (Recommendation 5); and



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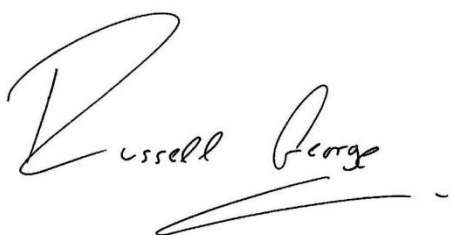
0300 200 6565

- for Transport for Wales to make a full assessment of the risks attached to its plans for procuring and introducing new rolling stock on to the network, and how these will be mitigated (Recommendation 6).

The Committee will also shortly publish a report on the future development of TfW, specifically looking at whether its current governance, structure and funding are effective and transparent; its future role in delivering transport policy; and how its responsibilities will integrate with the role of Welsh Government, local government and emerging proposals for joint transport authorities.

I hope that the Committee's findings are useful to the WAO's future scrutiny of the value for money aspects of TfW's activities.

Yours sincerely

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a large initial 'R' and a long horizontal flourish at the end.

**Russell George AM**  
**Chair**  
**Economy, Infrastructure and Skills Committee**



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**Cynulliad Cenedlaethol Cymru**  
Pwyllgor yr Economi, Seilwaith a Sgiliau

**National Assembly for Wales**  
Economy, Infrastructure and Skills Committee

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Ken Skates AM  
Minister for Economy and Transport

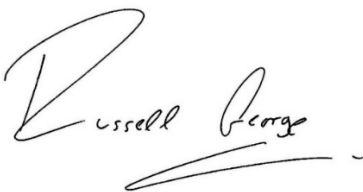
26 April 2019

Dear Ken,

Earlier this year I wrote to you seeking confirmation of your intention to publish an update of the National Transport Finance Plan. In your response on 8 February 2019 you wrote that "I am proposing to publish NTFP 2018 in February 2019." As it is now April, this date has clearly slipped. Do you now have a firmer date for publication?

In the same letter, you also published a link to the remit letter for Transport for Wales which covered the period up to 31 March. I note that as this particular remit has now lapsed, there will probably be a new one which has not yet been published (as of 24 April). I would be grateful if you could confirm that TfW were covered by a remit letter at all times and provide a link to the latest version.

Kind regards,



Russell George AM  
Chair  
Economy, Infrastructure and Skills Committee





Hannah Blythyn AC/AM  
Y Dirprwy Weinidog Tai a Llywodraeth Leol  
Deputy Minister for Housing and Local Government



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: MA-(P)/HB/1375/19

Russell George AM  
Chair of the Economy, Infrastructure and Skills Committee  
C/O: Gareth Price (Clerk)  
National Assembly for Wales  
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29 April 2019

Dear Russell,

Thank you for the opportunity to provide evidence to the Economy, Infrastructure and Skills Committee on 27 March 2019. During my evidence session, I agreed to provide further evidence on two areas outlined below.

### **Wales Property Development Fund**

Committee members asked me to clarify the details of the Property Development Fund, including the interest rate charged on the fund and what proportion of growth development value does the Development Bank of Wales (DBW) lend. I have received confirmation that the DBW lends on interest rates between 4% to 8% (subject to regular reviews in line with DBW pricing policy under the Market Economy Operator Principle).

Furthermore, the Property Development Fund offers up to 65% of gross development value including up to 100% of build costs. This differs from our Wales Stalled Sites Fund, which offers up to 80% gross development value including up to 100% of build costs. Further information on both schemes has been provided as an annex to this letter.

### **Involvement of SMEs in the Help to Buy Wales (HtBW) scheme**

Committee members also asked me to clarify the involvement of SMEs within the HtBW scheme. As members are aware, HtBW uses a "Small Builder" definition (10 houses or fewer per annum) which is different to the traditional European Commission definition of an SME. HtBW does not collect data on the traditional definition of an SME.

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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.

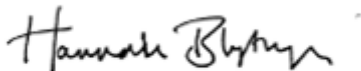
HtBW has confirmed that the majority of homes (65%) sold through the scheme are sold by the 'Big Five' national companies. Whilst we are unable to confirm that the remaining 35% are SMEs in line with the true European Commission definition, we know the following:

50+ homes built by 18 companies  
11-50 homes built by 26 companies  
0-10 homes built by 92 companies  
Zero completions 71 companies

Once you remove the 'big 5' national companies from the first band, we know that the remainder are SMEs with the majority being medium size businesses. We can therefore safely say that the remaining companies in the other categories are also SMEs.

I would like to reiterate the importance we, as a Government, place on SMEs in relation to the success of our ambition to deliver 20,000 affordable homes in this Assembly term, and to our wider desire for an acceleration in house building. I look forward to hearing views from the Committee on how we can actively support and encourage a wider variety of organisations in the housing sector to build social houses, using the resources we have available.

Yours sincerely,



**Hannah Blythyn AC/AM**

Y Dirprwy Weinidog Tai a Llywodraeth Leol  
Deputy Minister for Housing and Local Government

# Agenda Item 3

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## **Purpose**

1. The purpose of this paper is to provide written evidence for the Economy, Infrastructure and Skills Committee's general scrutiny session with the Minister for Economy and Transport on 9 May 2019. Information on the areas requested is provided below.

## **Foundational Economy**

2. 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. These aren't small parts of the economy. 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.
3. 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.
4. Promoting inclusive growth through a new focus on the foundational economy sits alongside the other three pillars of encouraging and promoting responsible business behaviours and employment practices through our Economic Contract; supporting business investment that future-proofs the economy through five mission based Calls to Action; and 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.
5. The foundational economy has seen growing political, policy and academic interest. There is a recognition of the merit of nurturing and growing the everyday parts of the economy. These parts of the economy are critical to wellbeing and as many of these goods and services are local and rarely bought or sold outside of the UK, they are more resilient to external economic shocks. 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.
6. With shifts in portfolio responsibilities we can now drive 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. These programmes have a particular contribution to taking forward aspirations for the foundational economy. For example, the Valleys Taskforce offers the structures and partnerships through which the foundational economy can have a specific place based focus; helping to shape the testing and roll-out of the approach. The Better Jobs Closer to Home can

provide the support to communities to take advantage of the economic opportunities which exist in the foundational economy.

7. To retain focus, this broader approach to the foundational economy will coalesce Government action around the following areas:

- A Foundational Economy Challenge Fund: There is no exact template which can be lifted directly to fit Welsh communities, but there are undoubtedly lessons to be learned from others and from Welsh based experiments. The Fund of £1.5 million will trial different approaches across Wales, leading to a strong community of practice to help raise the profile of the foundational economy and to stimulate debate and learning on what works.
- Spreading and scaling best practice: Mainstreaming the lessons of the experiments, and other successful approaches to local wealth building, is critical to building the Foundational Economy. We will start by, re-establishing 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. We will work with them to embed the good practice achieved by the Welsh Can Do Toolkit for social housing, the work on local procurement in Preston, and the pilots in community wealth building through procurement.
- Growing the 'missing middle': Renewed focus on Government's economic interventions to increase the number of grounded firms, particularly a firm base of medium sized Welsh firms but including micro firms, co-ops and community interest companies, which are capable of selling outside Wales but have decision making rooted in our communities.

8. We now intend to work across government to develop an integrated enabling plan for the foundational economy sectors identified in the EAP food, tourism, retail, care - in this refreshed context, coalescing government action around common opportunities and challenges.

9. 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.

10. 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.

## **Issues arising from the Public Transport White Paper**

### **Engagement Methods**

11. The White Paper '*Improving public transport*' was published for consultation between 10 December 2018 and 27 March 2019. The White Paper sets out the proposals for improving the legislative framework in relation to how local bus services are planned and delivered, together with reform of the licensing regime for taxis and private hire vehicles.
12. In excess of 200 written responses were received from local authorities, bus operators, taxi operators, passenger groups, businesses and members of the public. In addition to these responses around 300 responses were received from the Cardiff Hackney Association in the form of a standard campaign response.
13. In addition to the written consultation, four engagement events were held at Conwy, Cardiff, Swansea and Llandrindod Wells, with a total of around 200 in attendance. The events took the form of presentations by officials, followed by facilitated round-table discussions and an opportunity for attendees to provide comments on flip charts with a feedback session.
14. Specific engagement meetings have also taken place with a broad range of organisations such as local authority taxi licensing group, bus operators, taxi and private hire vehicle representatives, passenger groups and groups representing protected characteristics including Disability Wales, Guide Dogs Cymru and Children in Wales.

### **Analysis of the responses**

15. 38 questions were asked, based on the Welsh Government's proposals for legislation. Officials are currently undertaking a detailed analysis of the responses and a summary report of the responses will be published in due course.
16. At this stage in the process, it is possible to give the Committee a high level overview of the main themes arising from the consultation engagement events and an early consideration of the written responses.

### **Bus Services**

#### **General comments**

17. There was a general support amongst stakeholders for the proposals set out in the White Paper. In particular, for the proposals which provide local authorities more options and flexibility when considering the provision of bus services in their area.

### **Joint Transport Authorities**

18. One of the proposals that attracted much discussion at the consultation events was the establishment of Joint Transport Authorities (JTAs).
19. There is wide spread support for the proposal for local authorities to work together to deliver local bus services. Generally, stakeholders have supported the proposals to establish JTAs. There does not appear to be a clear preference between the two options for possible structures of the JTAs. Instead, there are sectoral differences emerging - local authorities favour a national JTA to undertake national/strategic functions and regional JTAs to discharge regional/delivery functions. Members of the public and passenger groups appear to favour establishing a single JTA with regional delivery boards.
20. Stakeholders have raised queries in relation to how the proposals for JTAs would sit alongside the 'footprint' of other administrative areas such as local authorities and health boards. In addition, responses sought clarity on the role of Transport for Wales in the context of establishing JTAs.
21. Arguments are presented for and against the Welsh Ministers being represented on a JTA. Arguments for include the need for Welsh Ministers to set strategic direction and for there to be a strong partnership between the Welsh Government and local government. Arguments against relate to the potential conflict of interest.
22. Stakeholders largely consider that in principle the Welsh Minister should have powers to issue guidance and direction and to intervene when a JTA is considered to be failing. However, many have sought clarity in relation to the circumstances that Ministers could intervene.
23. A number of the comments received were seeking further detail in relation to the proposals. In particular, local government is calling for the dialogue to continue as they would welcome the opportunity to co-design the proposals and be involved in making decisions regarding the possible delivery mechanisms. A commitment to engage throughout the development of the JTA proposal has already been given to local government.

### **Mandatory Concessionary Fares**

24. The proposals to align entitlement to a mandatory concessionary fares pass with a woman's state pensionable age also attracted a large number of responses, and views on the proposals were mixed.
25. Older people consulted with wished to convey how important the concessionary pass is to them, and how much they value the scheme. They highlighted its importance in terms of health and well-being and social contact, enabling older people to keep in touch with the local community which can help to overcome loneliness and isolation.
26. Others highlighted that increasing the age of entitlement is likely to result in a decrease in bus patronage and therefore a corresponding increase in the number of car journeys which would be contrary to the stated aims of the legislation.

27. Others recognised the cost implications associated with the concessionary passes and consider that increasing the entitlement so it is aligned with a woman's state pensionable age was a fair method.

28. There was strong support for an incremental change.

## **Taxi Proposals**

### **General comments**

29. Many of the comments raised from taxi and private hire vehicle drivers have raised concerns that the proposals in the White Paper do not go far enough to address the issues they face.

30. In particular, concerns have been raised that the proposals do not seek to address cross-border working where by taxi drivers are registered in one authority but work in several neighbouring authorities. Suggestions have been received that there is a need to regulate this activity including making clear that drivers can only take on fares in the authority in which they are registered.

31. Concerns have also been raised that the proposals in the White Paper in relation to the licensing and enforcement do not recognise the differences between taxis and private hire vehicles. The taxi industry considers that many of the proposals in the White Paper could have a disproportionate negative impact for taxi drivers.

32. Notwithstanding the comments relating to matters not covered in the White Paper, there is general support for the proposals that are contained in the White Paper.

## **Williams Rail Review**

33. Our railway should be one of our most socially and economically valuable assets. It has the potential to make a significant contribution in Wales to people's lives, our communities, the environment, and to our economy. Our rail infrastructure and rail services are fundamental to an effective and efficient transport network. Their continued development and expansion will contribute to our ambition to develop a stronger, inclusive and more equitable economy and to deliver prosperity for all by connecting people, communities and businesses to jobs, services and markets.

34. However, the context for rail delivery in Wales is complex, fragmented and under-funded. The current railway settlement was designed before the advent of devolution and, although some efforts have been made to evolve it, the current settlement is still a reflection of the times in which it was created. 20 years on from devolution, the Secretary of State for Transport in Westminster retains ultimate control of railway infrastructure in Wales.

35. This imperfect devolution settlement is the root of many of the problems with our railway. It undermines our ability to encourage inclusive economic growth, to deliver balanced investment across regions, and to develop a railway that meets the social needs of our rural communities. We are approaching a critical juncture in the evolution of the railways in Great Britain, and in particular the opportunity to



develop an integrated network that better meets the needs of the people that use it. To achieve our ambitions we need greater control and autonomy of the railway in Wales to manage and develop our infrastructure and services.

36. On 20 September 2018, the Secretary of State for Transport announced a root and branch review of Britain's railways to be led by Keith Williams and the UK Government intends to publish a White Paper on the review's recommendations before the end of 2019.
37. Our expectation is for the Williams Review to set out a clear path for Wales to have a greater say in specifying rail services, to manage and develop infrastructure with a fair funding settlement, and to establish a regulatory framework which recognises the diversity of UK devolution, whilst maintaining a national railway which benefits all parts of Britain.
38. Specifically, on 5 February 2019 the National Assembly for Wales voted<sup>1</sup> to call on the Williams Rail Review to result in:
- Transfer of ownership of Wales' rail infrastructure to Welsh Ministers following a comprehensive assessment of its condition alongside the provision of a fair funding settlement, extending to enhancements, as is the case for Scotland;
  - The ability to select from a range of railway passenger service delivery models in Wales, including more integrated management of track and train, and the removal of the prohibition on public sector operators bidding for, and operating railway passenger services, in relation to Welsh franchise agreements;
  - Devolution of power for the Welsh Ministers to specify or operate cross-border services following approval to do so through industry processes without the approval of the Secretary of State;
  - Accountability to the Welsh Government for all organisations responsible for delivering passenger services and rail infrastructure in Wales;
  - The Welsh Government having a full role in planning and decision making in respect of the infrastructure used by Welsh (cross-border) services, arrangements for owning, allocating and managing rolling stock which serves Wales' needs and a formal input in the Office of Rail and Road's regulatory activities

### **A Railway for Wales | Meeting the Needs of Future Generations**

39. An efficient railway, as part of a wider multi-modal integrated transport network is uniquely suited for delivering our objectives and to meeting the needs of future generations. Our development of the south Wales Metro, plans for a north east Wales Metro and a Swansea Bay Metro will provide a greater and more viable alternative to the car for commuter trips helping to generate inclusive growth, protect the environment, and support our towns and cities. Equally important to the Welsh Government is the role that the railway plays in supporting our rural

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<sup>1</sup> <http://record.assembly.wales/Plenary/5423#C163946>

communities, delivering vital connectivity to employment and services, while enhancing accessibility to our world class tourist destinations. Also, transporting freight by rail could make an increased contribution to our decarbonisation objectives and can be a key part of day to day business.

40. With the full and proper devolution of infrastructure and services aligned to a fair funding settlement we will be able to begin to develop a railway in Wales that meets our own needs and objectives for the economy, our responsibilities to the environment, and our obligations under the Well-being of Future Generations (Wales) Act 2015:

- **A prosperous Wales** - Wales needs a rail network that allows people and goods to move efficiently, promoting business and the generating employment opportunities to boost productivity and economic growth.
- **A resilient Wales** - Wales needs a reliable and efficient railway that offers resilience to current weather patterns and future climate changes through a well-maintained, modern network that minimises whole life costs.
- **A healthier Wales** - Wales needs a railway that improves physical and mental health by promoting active travel opportunities and reducing loneliness and isolation through facilitating efficient and attractive door-to-door journeys.
- **A more equal Wales** - Wales needs a railway that is accessible to all. A railway that enables efficient and affordable journeys as an integrated piece of the wider transport network through an equitable investment programme that meets national objectives, regional requirements, and local priorities.
- **A Wales of cohesive communities** - Wales needs a railway that supports the communities it serves and an effective foundation economy through expanding access to rail services, allowing efficient journeys between all regions of Wales.
- **A Wales of vibrant culture and thriving Welsh language** - Wales needs a railway that facilitates access to leisure, tourism and heritage sites and actively promotes the Welsh language and culture.
- **A globally responsible Wales** - Wales needs a railway that encourages and helps people to use more sustainable forms of transport as part of a wider integrated public transport system, minimises its own energy requirements, and the environmental impacts of energy use.

41. Our award of the new Wales and Borders rail services contract will see a number of our ambitions for rail services delivered over the next five years. The new contract will deliver new and additional rolling stock, additional services, and new and improved stations.

42. However, we are also aware that this is only the beginning of a journey. Many areas in Wales either continue to suffer from infrequent services, unreliable infrastructure, and indirect routes - or have inconvenient access or no access whatsoever - to rail journeys. With the right powers and necessary funding, we

could be doing much more: more services to improve access to jobs and leisure activities, more attractive journey times to encourage people away from private cars, and more stations to connect our communities.

43. Therefore, to comprehensively deliver on our immediate and future ambitions to continue to support our economy and communities, we need to develop an integrated transport network that allows more of us to travel where we want to, when we want to, and to do so more sustainably.
44. Despite not being funded to do so, the Welsh Government has chosen to invest more on enhancing rail infrastructure in Wales than the UK Government – choosing to connect communities through re-opening lines and new stations, prioritising increasing capacity to provide viable and popular services, and closing level crossings to improve safety and journey times and offer realistic alternatives to private car travel. The fact that the UK Government did not make these investment choices demonstrates that their priorities are elsewhere. Inarguably, without a fair funding settlement from the UK Government, this investment by the Welsh Government can only currently come at the expense of the funding that we receive to pay for improvements to the wider transport network, local services, and new schools and hospitals.
45. While a programme of enhancements worth over £150 billion is being funded for development and delivery across the border, we continue to wait for a similarly ambitious commitment from the UK Government to fund and deliver our strategic vision for the rail network in Wales outlined in *The Case for Investment*<sup>2</sup>, undertaken by Professor Mark Barry. From this work it is clear that there is the potential to deliver comparable benefits from an ambitious, realistic, and equitable investment programme in Wales' rail infrastructure.
46. A fair devolution settlement for Wales would allow us over the next 10 years to fund schemes such as the re-opening of railway lines, electrification of the south and north Wales mainlines, and new routes and stations across the network. Our first task is to address the legacy of a historic lack of investment in developing and improving the railways in Wales through an ambitious infrastructure and service enhancement programme
47. With the establishment of Transport for Wales, and the imminent transfer of the Core Valleys Lines (which already carry over half of existing Wales and Borders services) to the Welsh Government, we not only have the ambition in Wales, but also the capability to deliver these objectives, and to meet the needs of our communities and our economy.

### **Core Valley Lines asset transfer**

48. The Core Valley Lines (CVL) are a very intensively used part of our railway in Wales. Whilst in size it accounts for 15 per cent of train miles and 12% of assets by value, the Core Valley Lines carry around 56 per cent of all Wales and Borders

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<sup>2</sup> <https://gov.wales/sites/default/files/publications/2018-12/the-rail-network-in-wales-case-for-investment.pdf>

passenger services every day. The transfer of the CVL from Network Rail to Transport for Wales (TfW) is planned for 20<sup>th</sup> September 2019.

49. The CVL transfer will facilitate creating a vertically integrated operator and infrastructure manager through the appointed Operator and Development Partner (ODP), which in turn will enable the efficient and effective delivery of the CVL Transformation. This investment will enable more frequent services over the CVL and support the economic growth and social wellbeing of this important area of South Wales.
50. The transfer of the CVL from Network Rail to TfW will be achieved through a statutory transfer enabled through the granting of a Transport and Works Act Order (TWAO). In parallel, negotiations are progressing with Network Rail to conclude the various agreements required to transfer the CVL (i.e. Bridge Agreements; Connection Agreements, etc.) and the ODP and TfW are engaging with the Office of Rail and Road (ORR) to secure relevant safety and regulatory licences to enable the ODP to perform its infrastructure manager role.
51. Discussions are ongoing between the Welsh Government, the Department for Transport (DfT) and HM Treasury regarding the funding arrangements necessary for the transfer and the ongoing operations, maintenance and renewals requirements. A suitable financial settlement for operation, maintenance and renewal activity is required (commensurate with CVL's scale and usage) to be transferred along with the asset.
52. TfW submitted a first iteration of the business case in early April and a further iteration is planned for early June. ORR, Network Rail and DfT approvals are planned to be secured in June to facilitate a Secretary of State decision in late June. This will enable Welsh Ministers to make a final decision on the CVL transfer in July to enable the transfer to take place in September 2019.

## **Transport for Wales**

53. The Welsh Government priorities for TfW are set in the context of Taking Wales Forward 2016-2021, Prosperity for All; the national strategy, the Economic Action Plan, and the Well-being of Future Generations (Wales) Act 2015. Additionally, the First Minister has committed to empowering TfW to deliver a public transport system that aims to give everyone easier access to bus, train and active travel for everyday journeys.
54. The 2018/19 financial period represented an important phase in the growth of TfW as it develops momentum in creating a step-change in the way we deliver transport services and infrastructure across Wales. The remit for the 2019/20 financial period will ensure the Company continues to deliver a core component of the Welsh Government's programme for government.
55. TfW has an important role in driving integration across the entire transport network by putting the passenger at the heart of everything it does. The Welsh Ministers' aspiration for TfW is to exploit the opportunity it has as their transport integrator and to allow the Company to take on a wider range of transport functions.

56. TfW is committed to openness and transparency. The Company will continue to make information available on its website and proactively seek opportunities to interact with Local Authorities, Assembly Members, the public and the media.
57. The Company will continue to work with the Welsh Government's new regional teams, Local Authorities, the emerging regional transport authorities and partners to create an integrated public transport network and that these networks will be increasingly directly owned or operated by TfW
58. Furthermore, TfW will work with the key partners, such as the Development Bank of Wales and the Design Commission Wales to identify opportunities to collaborate and embed practices in the coming year, particularly where additional value can be optimised.
59. Skills are key to economic growth in the Economic Action Plan. By investing in the development of its current staff and new recruits, as well as offering career paths and opportunities for growth and skills development, TfW is uniquely placed to develop and sustain a professional transport skills base supporting the economy and employment of Wales. TfW will increasingly bring functions in-house to maximise on this opportunity.
60. The Company will embed the Economic Contract framework as a means to deliver public investment with a social purpose and abide by its principles of inclusive growth, fair work, health and skills in the workplace and the management of carbon footprints. This will include how procurement and contractual agreements would be amended to enable TfW to do this.
61. TfW will develop the Transport for Wales brand as a strong customer-focused brand that passengers and stakeholder across Wales recognise and understand its values.
62. The Company will publish a Location Strategy by autumn 2019. The Welsh Government is looking to TfW to make a step-change in its physical presence across the whole of Wales, improving passenger stakeholder awareness of the Transport for Wales brand.

### **Decarbonisation action plan**

63. The First Minister launched our first Government-wide statutory decarbonisation plan. Prosperity for All – A Low Carbon Wales in March. The Plan sets out one hundred policies and proposals (24 proposals for future action and 76 pieces of policy), across all sectors of our economy, to meet our current carbon budget and set a longer term decarbonisation trajectory for Wales. The policies and proposals are broken down by portfolio which collectively demonstrate the strength of the collective Cabinet commitment to change in the coming years.
64. In terms of transport our actions are focused around behaviour change, and to support a shift to more sustainable travel behaviours by increasing active travel

and use of public transport. This is supported by recent changes to Planning Policy Wales and our investment in the railway and Metros and active travel.

65. Our policies are also designed to increase the uptake of electric vehicles, a bold ambition for zero emission bus and taxi/private hire fleet by 2028, and the improvement in vehicle and fuel efficiency measures.
66. Adoption rates of electric vehicles will be highly reliant on international efforts to drive change in the motor manufacturing sector, and incentives provided by the UK government for purchasing electric vehicles and charging infrastructure. The Minister for Economy and Transport's attendance at the Committee's evidence session on Electric Vehicle Charging in Wales on 15 May 2019 will be an opportunity to further discuss the requirement for charging infrastructure in depth.
67. We have also been discussing proposed programmes and projects to support low carbon transport within the North Wales Growth Deals with the North Wales Economic Ambition Board.
68. We are exploring the scope to expand bike share schemes, pilot activity to promote the use of zero and ultra low emission road vehicles, and work to support the decarbonisation of private sector fleets.
69. Welsh Government officials have worked with a number of local authorities to develop bids which were successful in obtaining funding from the UK Ultra-Low Emission Bus Scheme, aimed at supporting the introduction of electric vehicles. Three bids within Wales were successful.
- Cardiff City Council with £5.6m;
  - Stagecoach South Wales - £2.8m and
  - Newport Transport - £0.99m.
70. With our new Active Travel Fund, we are investing more than ever in creating safe and convenient active travel infrastructure in towns and cities across Wales to enable walking and cycling to become the modes of choice for shorter journeys and for longer journeys when combined with public transport.

### **Carbon Intensive Industries**

71. As identified in Prosperity for All – A Low Carbon Wales, it is of fundamental importance that we ensure industry can play its full part in the move to a low carbon economy. The UK Committee on Climate Change (UKCCC) recognises that Wales has a higher share of emissions from hard to reduce sectors, including industry, than the rest of the UK and pathways to very low emissions by 2050 have yet to be identified.
72. The UKCCC considers emissions from industry will decrease marginally into the mid-2030s through incremental improvements to energy efficiency, switching to bioenergy and electrification of heat. Longer term, innovation will be essential in order to achieve significant levels of carbon emission reductions from industrial processes.

73. We recognise that in dealing with the considerable challenges to decarbonise industrial processes in both the short to medium term, and to 2050, there needs to be collaboration between industry and government. We will establish an industry-led working group to consider these challenges. The terms of reference of the group is to be determined but we envisage this will:

- focus on direct emissions from industrial processes at high carbon emitting industrial operations on a pan-Wales basis
- consider how products manufactured in Wales contribute to a circular economy and clean growth.
- consider how policies and processes in other areas including energy, transport and waste might indirectly contribute to industrial emission reductions.

74. The membership of the Group will reflect these challenges. We also recognise that many of the levers associated with industrial decarbonisation reside with the UK Government and we will consider how we can best engage at a UK level to maximise the benefits for Wales. The group will not consider decarbonisation issues across all the economy and businesses in Wales. However, it will take into consideration how policies and processes in other areas including energy, transport and waste might indirectly contribute to industrial emission reductions.

75. Through the Economic Action Plan (EAP), the move to a regional approach will enable Welsh Government to work with industry and business to consider how to reduce carbon emissions in particular areas, focusing on the particular opportunities, challenges, skills development and innovation opportunities to meet the challenges. This will also provide a mechanism to further develop our engagement with industry around the challenges of decarbonisation post 2030 towards 2050 which will require more fundamental actions. We fully recognise the significant role that innovation will play in meeting those longer-term challenges.

76. We will also engage with international partners on the challenges of decarbonising highly industrialised regions to support future industry growth and productivity.

77. The UKCCC considers that Carbon Capture Use and Storage (CCUS) could significantly reduce Welsh emissions by 2050 but its deployment in its Welsh scenarios will not commence until the late 2030s, towards the end of the window of UK deployment. This reflects the greater practical difficulty and cost in the Welsh context relative to other parts of the UK, particularly in South Wales which is without close access to off shore storage.

78. We recognise there is a need to develop our understanding of the potential for CCUS in Wales, building on the work that the UK Government has undertaken through its industry-led CCUS Council. There are different challenges and opportunities also for CCUS in the North and South of Wales. We will work with industry to better understand what a Welsh Government funded study should most constructively focus on.

# Agenda Item 4

Document is Restricted



## About FSB Wales

FSB Wales is the authoritative voice of businesses in Wales, with around 10,000 members. It campaigns for a better social, political and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

## Introduction

We are at a critical juncture in the development of the skills landscape in Wales. Through a process of devolution by default, whereby unilateral changes in policy in England have essentially removed a UK-wide skills infrastructure, we now face a significant lack of institutional capacity and evidence upon which to base our post-compulsory education and skills priorities as a nation.

This is a process that began with the abandonment of UKCES, the various sector skills councils and a shift towards 'trailblazers' and 'standards' in apprenticeships in England. As a result, the UK-wide infrastructure that helped underpin our labour market intelligence and the content of our qualifications no longer exists.

In response to this, Welsh Government has set out a number of bodies that are designed to remedy this situation and to help deliver a made in Wales skills system. We therefore have the Wales Employment and Skills Board (WESB), the Wales Apprenticeship Advisory Board (WAAB), regional learning and skills partnerships (RSPs) and a Tertiary Education Commission in development.

It is our general opinion that while this infrastructure is to be welcomed, it is not fit for purpose in its current form and is significantly under-resourced to deliver the task in hand. Indeed this is an opinion shared in a recent report by the

National Training Federation Wales and City and Guilds<sup>1</sup>. We would therefore recommend a thorough review of the apparatus underpinning the skills system in Wales through the PCET process and an honest assessment of the funding required to deliver meaningful labour market intelligence and SME responsive qualifications.

## A Skilful Wales

FSB Wales recently published its report *A Skilful Wales*. The report included a significant regional analysis focusing on each of the three regions represented by RSPs. We undertook this research as a means of informing the RSPs on the SME perspective on skills and employment in each area. A full copy of that report is attached to this document for the Committee's reference and should provide some broader context for the skills challenges facing SMEs.

The report made a number of recommendations, including some directed at the RSPs themselves. In summary, there were:

- Welsh Government and regional policy on skills needs to start from where current training takes place, which is often through companies providing on and offline courses to existing employees and not in formal further or higher education settings.
- In producing their regional employment and skills plans, Wales' three regional learning and skills partnerships should conduct an audit of current provision to establish whether it meets the need of SMEs and the self-employed, particular in the context of local provision, quality and relevance.
- Welsh Government and learning and skills partnerships should look at how the cost of training can be reduced across all elements of the post-16 sector. This may require direct funding from Welsh Government in particular areas of concern.
- Welsh Government and learning and skills partnerships should consider increasing the number of places available through apprenticeships and other work-based learning, particularly in relation to skilled trade occupations.

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<sup>1</sup>NTFW/City and Guilds 2019. *Maximising the Value of Apprenticeships to Wales* [Online]. Available at: [https://www.ntfw.org/wp-content/uploads/2019/01/CG\\_NTfW\\_Apprenticeships-in-Wales\\_ENG\\_Web.pdf](https://www.ntfw.org/wp-content/uploads/2019/01/CG_NTfW_Apprenticeships-in-Wales_ENG_Web.pdf) (accessed 25th February 2019)

## Regional Skills Partnerships

FSB Wales has welcomed the creation of RSPs as a means to increase employer engagement in the supply of training and skills. However, we have significant concerns around the capacity of the RSPs to deliver on this remit. The RSPs were designed to fill a vacuum left by the removal of funding for sector skills councils. It is clear that RSPs are not, as presently constituted, able to fill that gap.

If they are to become a meaningful part of the landscape they need to be better resourced and able to engage far better externally with SMEs across Wales. Our understanding is that RSPs currently have a combined budget between all three of £450,000, which suggests limited capacity from both a staffing and a resource standpoint to influence provision.<sup>2</sup>

Welsh Government, or the Tertiary Education Commission once set up, should ensure that RSPs have sufficient capacity to embark on meaningful engagement with employers. For instance, at present the main route of engagement for RSPs is via participation in a committee structure. Most SMEs will not have the time or capacity to engage in this way. Therefore RSPs should have broader research and labour market intelligence budgets to enable them to inform their analysis of regional needs.

Furthermore, clarity is needed around the role of RSPs. Our view is that they should be there to inform key regional strategic needs, including labour market intelligence. As they are not sector-specific, they are not best-placed to inform qualification design. It is not yet clear from their role what their direct influence is on Welsh Government's thinking in relation to skills and they have limited budgetary control of skills provision, as far as we're aware.

## Labour Market Intelligence and Evidence Base

Our understanding is that the RSPs use several sources of publicly available data including the Wales and regional breakdowns of the Employer Skills Survey. Whilst this is beneficial, it does not replicate the sectoral examination of qualifications and skills that existed previously under the sector skills councils. Fundamentally, RSPs need to have the evidence base that allows them to make recommendations based on their role and function. We do not believe RSPs are sufficiently robust to influence qualification design as presently constituted – this

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<sup>2</sup> NTFW/City and Guilds 2019. *Maximising the Value of Apprenticeships to Wales*. [Online]. Available at: [https://www.ntfw.org/wp-content/uploads/2019/01/CG\\_NTFW\\_Apprenticeships-in-Wales\\_ENG\\_Web.pdf](https://www.ntfw.org/wp-content/uploads/2019/01/CG_NTFW_Apprenticeships-in-Wales_ENG_Web.pdf) (accessed 25th February 2019)

is an area in which Wales currently lacks sufficient employer input and responsiveness.

## Effectiveness of Engagement

FSB Wales is currently represented on all three RSPs, however we would like to see much greater engagement with the SME sector than is currently undertaken. At present, we provide our own member insight from surveys and regularly attend meetings. However, we do not feel that the RSPs are adequately resourced at present to engage SMEs directly by properly undertaking bespoke survey work or by holding consultation events to ascertain priorities for SME employers within their regions. Indeed, this is also true of the 'cluster group' approach taken by some RSPs.

Whilst this is not a criticism of the good work undertaken by all three RSPs, it does suggest they need more resource to undertake their role. Indeed, we understand the North Wales RSP is currently considering a more proactive approach that would include meeting SMEs directly.

Our concern is that the committees that make up the RSPs are not particularly representative at present and have a significant public sector/provider bias. This is perhaps due to the nature of them being government sponsored bodies and to the limited ability to engage individual SMEs to participate. This runs contrary to our own evidence that shows most SMEs secure their training from organisations outside the public sector and we have argued in our report *A Skilful Wales* that this needs to be remedied if we are to properly understand the nature of training and skills in Wales.

## City and Growth Deals

The regional economic agenda is currently muddled with several players operating on different agendas. For instance, Welsh Government has a regional agenda set out in the Economic Action Plan and delivered through Chief Regional Officers that is not wholly aligned with the city deals. Indeed, the city deals themselves emerged in counterpoint to the previous 'city regions'.

Our experience with the South East Wales RSP (which is most developed in terms of City Deals) suggests that when the resource becomes available from the City Deal it commands a larger amount of focus from the RSP's time. This is to be expected, as RSPs have a limited direct budgetary impact in areas of Welsh Government's spend and are only advisory, whereas the city deals provide a pot of money that can be mobilised towards regional objectives. It is still unclear how

all three RSPs will fit in to the wider regional approaches to economic development and at present all three areas have variable relationships with their proposed regional economic development footprints.

Going forward, a decision needs to be taken as to the level of regional working that is desirable. For instance, the Welsh Government could provide more discretion to the RSPs to directly influence budget priorities and to provide a much clearer alignment between the various regional ways of working.

## Impact and Regional Voice

Our assessment is that the impact of RSPs to date is limited. It is clear that Welsh Government views RSPs as a key focus of the developing skills landscape in Wales, however it is not prepared to give them direct influence on budgetary proposals and is not minded to resource them adequately to deliver a genuine programme of engagement within each region.

As we have mentioned previously, our skills architecture is at a critical juncture and is under resourced. This means the content of our qualifications is going out of date quickly and in the absence of genuine SME engagement, is not being reviewed regularly enough to provide qualifications that are fit for purposes for Wales' SME sector.

RSPs are only a small part of this architecture, but are under expectations to deliver in terms of employer engagement, labour market intelligence and recommendations for spending priorities and provision. This is unrealistic and unsuitable when the RSPs are under-resourced and not able to provide the deeper analysis needed for all of these roles.

We would therefore suggest their roles be clarified in relation to the quantity and areas of provision and that Qualifications Wales be given a more prominent role (and an expedited timeframe) for the review of qualification content such as apprenticeship frameworks and other vocational qualifications, based on input from a range of SME employers in each sector.

## Suggested Actions

1. **Clarify the role of RSPs** – RSPs should be there to provide a regional analysis of skills from both a supply and demand perspective. They should use labour market intelligence and they should actively engage SMEs in

their region. They should not be used to inform qualification content or reviewing apprenticeship frameworks.

2. **Clarify the direct influence RSPs can have** – the influence of RSPs should be clearly noted in Welsh Government’s post-compulsory funding provision. More radically, Welsh Government could consider giving RSPs direct control over some elements of funding to allow them to materially influence provision in their area, moving them beyond advisory bodies. This could help alignment with the city and growth deals.
3. **Properly resource RSPs for their purpose** – for much of their existence RSPs have been poorly resourced, with only a handful of staff members in each. If we want valuable regional engagement and a responsive skills system then RSPs need more resources to carry out more meaningful regional engagement and analysis.
4. **Task RSPs with direct SME engagement** – at present, engagement with RSPs is through a committee structure. RSPs need to move beyond this and hold more consultation events with SMEs in their regions to help them understand how they can directly influence skills provision.
5. **Review the broader skills advisory architecture** – Changes in England have left Wales’ skills architecture poorly resourced and unresponsive. While PCET presents a potential solution to the funding and regulatory aspects of post compulsory education, we need a way to review qualifications and apprenticeship frameworks that is responsive to employer needs. Expediting Qualifications Wales’ sector review process is one potential solution, perhaps with Sector Qualification Advisory Panels (as happened during the construction review) as a means of gaining employer engagement.