

# Labour will use £200 billion government purchasing power to upgrade our economy

**Corbyn: We will use the £200bn government spends in the private sector and powers taken back from Brussels to upgrade our economy and create good jobs**

Speaking at Wabtec train maintenance company in Doncaster this afternoon, Jeremy Corbyn will pledge that the next Labour government will use the enormous £200 billion national and local government spends in the private sector to upgrade our economy, create good local jobs and reduce inequality.

This will include requiring best practice from firms government does business with on:

- .  
paying tax
- .  
workers' rights
- .  
equal opportunities
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environmental protection
- .  
training and apprenticeships
- .  
paying suppliers on time, and
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boardroom excess, by moving to a 20-1 limit on the gap between the lowest and highest paid.

He will also announce how Labour would use powers repatriated from Brussels after Brexit to create high quality local jobs, develop new industries and support good domestic businesses – large and small. This would mean allowing public bodies to support local jobs and businesses with local employment and content requirements.

Jeremy Corbyn will also call on the government to consider extending the rights of local authorities in left-behind areas to require local suppliers and jobs in public contracts, in relation to World Trade Organisation procurement rules, as has happened in the US.

**Jeremy Corbyn, Leader of the Labour Party, speaking at the event, will say:**

“For years we’ve been told that there’s nothing that can stop the race to the bottom in the jobs market that is making people’s lives harder and holding back our economy.

“Well, today I say, Britain doesn’t have to be so meek, and settle for things getting worse and more insecure for so many. We can make the change we need if we understand the power we already have – and how we can better use it.

“National and local government spends £200 billion per year in the private sector. That’s an incredible purchasing power, which we can use to support the good companies and improve the behaviour of the bad ones that undercut with unfair practices.

“Under the next Labour government, Britain will subsidise bad corporate behaviour no longer. Our business partners should have the same values we as a country hold: enterprise, fairness, high-quality service and doing right by everyone.

“And while Brexit presents many challenges to Britain, it can give us more powers to encourage best practices and support new and existing businesses and industries in Britain.

“While the Conservatives seem intent on using Brexit to turn us into a low-wage tax haven, Labour will use every power possible to upgrade our economy so we can all lead richer lives.”

**Ends**

**Notes to editors:**

1. Require all companies bidding for a government contract to meet the following:

- a) Give full trade union recognition for their workforce and comply with collective bargaining agreements
- b) Move towards a ratio of 20-1 between the lowest and highest paid, matching the target in the public sector, over a transitional period

- c) Pay their suppliers the full amount owed within 30 days
- d) Maintain high environmental standards in relation to energy use, emissions and waste disposal, while taking appropriate measures to aid the transition to a low carbon economy
- e) Provide training and apprenticeship opportunities proportionate to firm size
- f) Full tax compliance
- g) Adopt best practices in equal opportunities

This is all possible within existing EU rules, provided it's done on a non-discriminatory basis. In particular:

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The 2014 EU Directive expressly requires Member States to take into account the widest possible range of social and environmental considerations, as well as price, when buying goods and services for the public sector.

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In UK law, the Public Services (Social Value) Act 2012 requires authorities that are engaging in certain procurement exercises for services, to consider first how the proposed procurement might improve the economic, social and environmental well-being of their area, and how these improvements might be secured. The Act applies to England, and to Wales to a limited extent.

2. For government contracts that fall outside the WTO General Procurement Agreement (GPA), we would introduce local jobs and content requirements to allow public bodies to use local pounds on local jobs and businesses.

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Currently, both EU and the WTO General Procurement Agreement (which the UK is a member of in virtue of being in the EU) require that public procurement contracts above certain thresholds be opened up to potential suppliers from other countries. These thresholds are £5,446,950 for construction contracts, £141,621 for central government contracts for goods and services, and £217,878 for subcentral government contracts for goods and services.

The thresholds for central government entities are 130,000 Special Drawing Rights (SDRs) for goods and services, and 5m SDR for construction; UK central government bodies that are covered by the GPA are listed [here](#) (at the bottom of the document). The thresholds for sub-central government entities are 200,000 SDR for goods and services, and 5m SDR for construction; these include county council and city council procurement bodies, as well as local schools, fire authorities, NHS procurement etc. Calculations above are made on the basis of a 1SDR = £1.09 exchange rate.

Below these thresholds, much procurement is opened to suppliers in other EU member states because of principles that are part of the Treaty on the Functioning of the European Union. Leaving the EU should therefore create scope for additional flexibility for public authorities to require the use of local or regional suppliers after Brexit below these thresholds. That would allow procurement contracts below GPA thresholds to contain local jobs and content requirements, directing public money back into local economies.

“As regards below-threshold procurement, the practical importance of covering this may depend on the extent to which regional or local discrimination is prohibited internally in the UK, since this kind of discrimination may provide the greatest barrier to market access.” Source: Sue Arrowsmith, [Consequences of Brexit in the area of the public procurement](#), April 2017

In 2012 the UK had €96.8 billion of public procurement contracts above threshold. Of these contracts, €74.4 billion (or 77%) were covered by the GPA and €22.4 billion (or 23%) were not. Since 2012 there the GPA has been revised and EU procurement directives have been updated. In 2015, the UK spent €127.56 billion on above threshold public procurement. This is roughly a third to a half of all procurement spending, implying that at least half falls under thresholds.

These figures are indicative figures only. They are provided by the House of Commons library with the following notes:

2012 figures are from WTO Committee on Government Procurement, [STATISTICS FOR 2012 REPORTED UNDER ARTICLE XIX:5 OF THE AGREEMENT: REPORT BY THE EUROPEAN UNION](#), June 2016 – UK annex (annex 29), Total

table

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2015 figure is from European Commission, [Public Procurement Indicators 2015](#), December 2016 – this figure is based on the value of tenders published in the EU TED (OJEU) database, including for utilities and defence. Tenders must be published in the database if they are over threshold. The database – and therefore the statistics – do include some tenders that are under the threshold – about 8% of UK tenders are under the lowest of the thresholds.

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There are a couple of ways to calculate total public procurement spend and these affect the calculation of the proportion of all spending that is above threshold – figures from the Whole of Government Accounts give a lower total (and a higher proportion) as they exclude public sector purchases from the public sector itself.

### 3. Labour

is calling on the Government to do an impact assessment of the level and extent of coverage of the GPA on “left behind” local authorities

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The UK is currently subject to the GPA as a member of the EU, but not in its own right – the government is apparently “considering the UK’s position” as to whether it will seek to remain a member after Brexit.

<https://www.publications.parliament.uk/pa/cm201617/cmselect/cmintrade/817/81705.htm>

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While the USA is signed up to the GPA, there is significant variation in the level of coverage across different states. Only 37 of the 50 states are included in the GPA, and, among those that are, the GPA has extensive coverage over public spending by the states of, for example, Washington and California and much more limited coverage in Mississippi and Hawaii.

[https://www.wto.org/english/tratop\\_e/gproc\\_e/gp\\_app\\_agree\\_e.htm](https://www.wto.org/english/tratop_e/gproc_e/gp_app_agree_e.htm)

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The USA and Canada also have higher thresholds for sub-national contracts for goods and services than the UK currently does

within  
the EU.

355,000 SDR compared to 200,000

SDR for EU countries, see

[https://www.wto.org/english/tratop\\_e/gproc\\_e/thresh\\_e.htm](https://www.wto.org/english/tratop_e/gproc_e/thresh_e.htm)

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Given the restrictions imposed by the GPA on local authorities, Labour is calling for an impact assessment of different levels of GPA coverage on local authorities in the UK and of the thresholds to which they are currently signed up.

In 2014/15, UK public sector procurement was worth £191.7 billion. Of this, £68.9 billion was local government procurement and £115.5 billion was central government (including NHS) procurement. Note that these figures do not include public sector procurement from other parts of the public sector. Source: House of Commons Library.