

Making The Most Of A Modern Industrial Strategy:

Black Country Chamber of Commerce Response to the
Government's Industrial Strategy Green Paper



In January, Prime Minister Teresa May set out the government's approach to developing a new Industrial Strategy. The need for a modern Industrial Strategy is clearly a critical part of the Government's plans for Britain once it has left the EU and the focus on high value jobs, increased productivity and first class infrastructure will be major components in the UK's future global success. The Green Paper sets out 10 pillars of critical activity and a list of 38 detailed questions that it has asked local businesses, partnerships and education institutions to respond to in detail.



The Black Country Chamber of Commerce welcomes this approach and agrees with the need for sensible and ambitious strategies that help drive our economy forward and support our local businesses to develop world class goods and trade wherever they need to in a quick and efficient environment. We welcome the plans to establish *Institutes of Technology*; the Black Country has skills gaps and hard to fill vacancies across its key sectors and there is a genuine feeling of disconnection between our business members and schools. Therefore, we welcome the plans to incentivise a direct liaison between education providers and businesses and the establishment of a new "T-Level" is also welcomed. However, despite the commitments of £5bn a year for industrial investment more resources are likely to be required if there is to be a major rebalancing of the economy.

The Green Paper rightly identifies that transport infrastructure in Britain lags its international peers, being the second poorest in the G7. There is an imbalance with spending focused in London rather than areas that effect our members here in the West Midlands. Enhanced broadband spending could add £17bn to the UK economy by 2024 and we face stiff international challenges to this area.

Since January the Black Country Chamber has engaged with the local business community to develop response to the Industrial Strategy. We want to maximise its impact for our members, highlighting issues such as Transport and Broadband speeds, High Value Manufacturing, Skills and Access to Capital. Our debates throughout February and March have resulted in this response. Feedback from our members has proved crucial in making the most of this process.

The Black Country Chamber is responding to this process with a detailed document as well as addressing the 38 sub headings. This Executive Summary provides an overview of those more detailed responses which are available on line. This Executive Summary provides an overview of our response to 10 pillar headline issues. We have included local case studies where possible for further illustration.

The Industrial Strategy presents a welcome opportunity to ignite and develop much needed productivity growth. Getting its implementation right is paramount combined with the necessary funding if it is to achieve a sustainable impact on the region's economy and we will work together with our partners in the public and private sector to make sure this is done.

A handwritten signature in black ink, appearing to read 'Corin Crane', written over a faint, light grey circular watermark or background.

Corin Crane
Chief Executive
Black Country Chamber of Commerce

The 10 Pillars: Identifying Issues, Providing Solutions

Investing in Science, Research & Innovation

The Government will provide £170m of funding to establish “Institutes of Technology”, tasked with delivering high-level training in STEM subjects, as well as deepening of Math’s education in secondary schools. In addition, £5bn a year of new industrial investment by 2020 will be the biggest increase in research and development funding since 1979, and could be crucial in raising GVA of the Black Country. Closing the productivity gap is a key issue, currently GVA per head in the Black Country is £8,784, which is significantly lower than the England average of £26,159.

An area of concern is the potential for reduction in funding to universities, especially those participating in pan-European research programmes during the EU exit process. This is against a backdrop where UK spending on R&D has fallen as a percentage of GDP over the last five years, whilst in Germany it has risen. In China, it has increased by 100% in dollar terms.

Providing the right mechanism to connect smart technology to universities with a local focus, colleges and local businesses is essential if we are to improve R&D take up and delivery for the Black Country. The Black Country Chamber has been fully supportive of the development of a Midlands wide Science and Innovation audit that sets out a bold and ambitious vision for our local research institutions and forward thinking businesses. We now need dedicated funds and resources to help deliver this and closer co-ordination with Innovate UK to get the right funds in the right places.

Key Issues for the Industrial Strategy to Consider

- Finding the right mechanisms to connect the smart technology advancements at universities with local business and local providers.
- The need to expand regional Centre’s of Excellence, as well as direct R&D incentivisation, to directly engage SMEs.
- A commitment of funding is now needed to deliver on the Midlands’ ambitious Science & Innovation Audit.

Case Study

CK Chartered Accountants of Castlegate Way Dudley have been working with a small IT software sales and development company with a turnover of approximately £500K. An R&D tax credit enabled this company to employ a specialist developer, who then created a niche product to control aspects of timber import in furniture manufacture. The Tax break incentivised the company to press ahead with a project that otherwise wouldn’t have happened.

Developing Skills

The Government proposes to improve basic skills through changes to the further education system, together with the creation of a new system of technical education and seeking to identify sector-specific skills gaps. Unemployment and economic inactivity rates in the Black Country remain significantly higher than the national average. However, upgrading of the existing skills base of the current labour pool will be required. The Black Country has over 2.5 times the national average of the working age population with no qualifications at all.

Black Country business needs targeted mid-career access to new skills and refresher courses, as well as more technically focused apprenticeships to achieve required growth. With this in mind, the Black Country needs to upskill an additional 90,000 people at this level to get to the national average. Leaving the EU will also have an impact, with local replacements being needed to account for EU nationals, particularly to address the concerns of HGV driver shortages.

The Black Country is likely to need some form of intervention whereby existing employees are up-skilled and those outside the labour force receive help and training to fill the entry-level vacancies that remain. This may mean Government incentivising direct liaison between education providers and businesses to ensure that skills provision is specifically relevant to local organisations. An immediate issue picked up in local discussion is the growing vacancy rate with HGV Drivers and ongoing issues around funding for these qualifications.

Key Skills Issues for the Industrial Strategy to Consider

- Targeted mid-career access to new skills and technically focused apprenticeships.
- A simplified process of direct liaison between schools and colleges and businesses to ensure that skills provision is specifically relevant to local businesses. In the Black Country alone, there are over 80 organisations claiming to work within this space.
- Direct action is needed to give confidence to businesses that existing skills gaps, often low level, won't be amplified with less foreign workers and fewer EU Nationals once the UK leaves the European Union.

Case Study

A&M EDM of Mornington Road, Smethwick is a precision engineer producing high value components for a range of industries, including aerospace and automotive. It offers wire and spark erosion along with design for manufacture capabilities. In common with other manufacturers, A&M face a skills shortage, as a generation retires and the business faces difficulties in recruiting experienced engineers to sustain growth.

The company has also developed an apprenticeship programme, in which selection is based on maths grades, an enthusiasm for making things and self-confidence, and they use experienced staff to act as mentors and transfer knowledge to the apprentices. Furthermore, on the job training is complemented by academic studies and qualifications at Dudley College. A&M has six apprentices in a workforce of 57; two apprentices were finalists in the 2016 EEF Midlands region Apprentice of the Year Awards. The business recognises the long-term challenges developing high value engineering skills, taking seven years to fully train an engineer.

In essence, schools and agencies need to promote STEM subjects and the excitement of working in engineering. Many manufacturing SMEs are reluctant to invest in apprentices and need HR and administrative support to manage them.

Upgrading Digital, Energy, Transport, Water & Flood Defence Infrastructure

Digital Broadband

Despite initiatives such as Openreach, there has not been enough invested in upgrading Britain's broadband infrastructure from a copper to a modern all-fibre network. Fibre is now widely used across Europe and Asia. The UK's average download speed is 14.9Mbps, which ranks it 19th in Europe, whilst in comparison the Republic of Ireland, with a less diverse economy than the UK, aims for every address to will have at least 30Mbps broadband speeds by 2022, which will make it one of Europe's quickest.

Transport

The West Midlands is central to the nation's transport system, but suffers from an unequitable distribution of transport capital expenditure. Transport Capital Expenditure for the West Midlands was £926m, just 24% of that in London at £3869m (HM Treasury figures 2014/15). Whilst it is unrealistic to expect equal amounts of transport funding between the Midlands and London, if there is to be a genuine impact on national productivity levels and a strengthening of the economy outside of the South East, these levels need to be addressed. One solution that is being investigated through Midlands Connect is to focus transport infrastructure investment on the key road, rail, port and air routes that are currently being used by the manufacturing supply chain to operate more effectively. The Metro Mayor will need to have early and decisive negotiations about fiscal devolution and fund raising through private venture programmes.

Energy

Black Country businesses currently have the key issues of limited network capabilities constraining business growth, disagreement between energy providers and local businesses about who is responsible for upgrading investment costs and the shift to more low carbon technologies, and energy supply increasing costs on business' bottom line in a highly competitive international market. Overall, it feels that the British energy market is disadvantaging heavier industrial companies relative to their continental counterparts.

Key Infrastructural Issues for the Industrial Strategy to Consider

- **Digital Broadband** - Consistent, effective and globally competitive broadband investment is needed if the Black Country is to capitalise from the ongoing roll out of Intelligent Manufacturing Techniques
- **Transport** - Increased financial investment into the work of Midlands Connect and transport schemes based on the movement of people and goods between our OEMs, supply chains and ports and airports.
- **Energy** - Fluctuations in energy prices are having a major impact on local manufacturers, particularly those in the metal industry. Also, local and national network capabilities will constrain the success of innovative initiatives such as the Black Country Ultra Low Emission Vehicle Strategy.

Case Study

Thomas Dudley based on the Birmingham New Road, Dudley has made a substantial investment of £10 million in its plant. The company is limited to an electrical supply of 6MW, whilst a supply of 10MW would be required to allow the company's plant to maximise its investment. This is not possible without investment in the supply network. The estimated cost to upgrade the network is £1.5 million, which is beyond the scope of the company's current investment plans and is constraining business growth. It would be more appropriate for such infrastructure investment to be made by the electrical grid sector who deliver the service.

Access To Finance

The Green Paper states that Britain produces many “start-up” businesses, amounting to the 3rd highest business birth rate in the OECD. However, it has failed to produce a high number of “scale-up” businesses, which research suggests tend to drive rapid productivity improvements. With this in mind, access to finance is a major constraining factor in preventing small businesses from reaching their potential, especially outside of London and the South East. Whilst the Black Country Chamber welcomes the major investment into initiatives such as the Midlands Engine Investment Fund, funding will continue to be difficult to access for local businesses whose modest assets are needed to secure finance, compared to more affluent areas of the country.

Key Finance Issues for the Industrial Strategy to Consider

- Support is needed for loans and equity finance decisions based on ideas and products, rather than traditional asset based underwriting.
- Greater powers are needed for Elected Mayors and LEPs to help structure finance deals with private equity opportunities to remediate and decontaminate land to bring it swiftly to market.
- Grants are still needed, particularly to smaller and R&D based businesses, but they need to be easy to access and light on bureaucracy.

Case Study

BCRS Business Loans based on Wolverhampton Science Park have been supporting the growth of local businesses for over 15 years. In response to an ever-growing funding gap in the UK – with figures predicting that bank lending has been squeezed by £35 billion since 2011 alone – the not-for-profit lender created dedicated loan funds that are especially designed to support businesses that are struggling to access finance from traditional lenders. Offering loans from £10,000 to £150,000, BCRS has lent over £33.5 million to 2,000 businesses across the West Midlands, with an aim to “leave no viable business unsupported.”

Case Study

CK Chartered Accountants of Castlegate Way Dudley have been working with a Black Country engineering company (turnover of £2M) who benefited from simplified regional growth fund grants in 2014, which assisted with capital spend of over £300K on 5 axis CNC machines. Funding was received via Lloyds asset finance with grants totalling £62,000. Without grant funding the project would not have gone ahead, and it ultimately allowed the company to maintain full employment and secure valuable new contracts, whilst beating foreign competition.

The client believes this dramatic improvement in quality and performance of machinery has ensured its continued existence, which would not otherwise have been the case. At the time, RGF grants were issued with a very simple application process and were administered directly by the banks, which cut out much of the bureaucracy that often stifles aid in these circumstances. In essence, the £62,000 direct grant aid has maintained 18 jobs. We need to ensure small businesses have simple and easy to access grants and soft loans, creating and protecting jobs and generating tax revenue.

Improving Government Procurement

The intention to create more opportunities for SMEs to compete for Public Sector contracts has huge potential for local businesses. Across Europe, Governments use a variety of mechanisms when considering the broader impact of procurement decisions looking at the environmental, social and economic impact on a local area.

The focus on supply chains is also very welcome and the greater use of Procurement portals for large projects, such as HS2 and Hinckley Point, can not only drive economic growth, but enable improved procurement bidding processes. In addition, liaison between local councils and local business has been under-utilised. Any procurement portals need to build on and learn from previous experiences, such as the process for the London Olympics 2012.

Key Procurement Issue for the Industrial Strategy to Consider

- Ensure that local businesses get meaningful access to both large one-off projects and regular local ongoing procurement opportunities, and that commitments made during bidding competitions at a national level are honoured by first tier contractors when sub-contracting at a local level.

Encouraging Trade & Inward Investment

The Black Country and wider West Midlands economy is strongly export orientated and has seen remarkable growth over the past decade. However, given that future conditions for trade are uncertain, the quickly changing global marketplace is less clear about what policy options are likely to be adopted to support trade in the coming years. Since April 2016, outputs have started to shift towards digital engagement and new exporters, with an expectation that there will be substantial changes to local DIT Contracts from April 2018. Across the Midlands, the Chambers have developed a close working relationship around International Trade and we have developed a range of products and services that support businesses to find and export to new markets. However, businesses need intelligent personal support from both local and international contacts to deliver meaningful, value-added assistance. A genuine plea is for the Industrial Strategy to consider how we offer stability to businesses over the next 5 to 10 years, with a range of flexible support, but always with an eye on the impact that constant change has on the trust relationship between Government and business.

Efforts would be better placed to support current exporters and maximising their opportunities to develop where there is a clear business case. 'First Time Exporters' (FTEs) can also add value to national wealth and should receive appropriate support.

Key International Trade Issues for the Industrial Strategy to Consider

- Targets based on outputs are too dogmatic; £1 trillion exports by 2020 and 100,000 exporters are unrealistic assumptions and do not account for the SME make-up of areas like the Black Country.
- Well trained support across the UK and in export locations globally deliver value-added assistance to exporters, we need to invest in existing services, not re-organise.
- Genuine business engagement is needed in the development of Trade Agreements, Global Trade Fairs and supply chain development.

Case Study

Marston Brewery from Wolverhampton have been exporting successfully for over 10 years against a detailed Export Strategy, meaning they now have a portfolio recognised by ale consumers in 60 countries across the globe.

Within the last 18 months they have been able to gain a strong foothold in China, which is a growth market for British Ales. Securing sound relationships with China's fifth biggest Importer, China Resource, Wychwood Hobgoblin now has its place within 3,500 of China Resource's distribution stores, including Ole and Vanguard. Sarah Deeming, Export Controller for Marston's, attended FHC Shanghai, a large Food and Drink event in China at the end of last year, which gave the Wychwood and Marston's brands a platform alongside other English brewers, organised by the Department for International Trade and under the GREAT campaign.

Case Study

Boss Design are a leading office furniture design company from the West Midlands. Boss's Phil Duggan is one of the Midlands Engine's 28 Export Champions who will work with the Department for International Trade (DIT) to inspire others to either export for the first time or to export more.

The company has worked with the Black Country international trade team since 2016 as it makes strategic plans to grow its business overseas. Boss has very strong plans for export and new markets.

The company, which exports to 14 countries has recently invested in manufacturing facilities in North Carolina, USA, and is aiming to enter new markets in Europe and USA over the next few months.

Delivering Affordable Energy and Moving to a Low-Carbon Economy

Business needs to ensure continuity of energy supply at internationally competitive prices, for example in Britain network costs are high compared to competitors, such as Germany. Secondly, energy and supply costs have increased dramatically in Britain, despite falling in other markets over the past decade. This is disadvantaging heavier industrial users relative to their continental counterparts.

The Black Country has one of the largest concentrations of metal manufacturing expertise in the country, with the region (plus Birmingham and Coventry) accounting for almost 10% of the UK's metal GVA by value. This sector is a relatively intensive user of energy and has been significantly affected by fluctuations in relative energy costs in recent years.

In December 2016, Defra introduced an Air Quality Action Plan for nitrogen dioxide (NO₂), which sets out commitments to improve the UK's air quality. Under this scheme, by 2020 the most polluting diesel vehicles – primarily older buses, coaches, taxis and lorries - will be discouraged from entering the city centres of Birmingham, Leeds, Southampton, Nottingham and Derby. The Black Country Ultra Low Emission Vehicle Strategy (Jan 2017) builds on this process. It also identifies the lack of local authority charging points across the region to implement this plan. The ability of the supply network to achieve this policy is also a major issue.

Key Energy Issues for the Industrial Strategy to Consider

- A Supply network infrastructure capable of meeting future demand.
- Network costs in Britain are high and energy and supply costs have increased dramatically.
- The Black Country's metals manufacturing expertise is an intensive user of energy. Adverse fluctuations in energy costs have a disproportionate impact upon the region's economy.

Case Study

Keltruck Scania, based in West Bromwich, are supplying Scania trucks using game changing technology. Working in partnership with Waitrose, CNG fuels and Agility, they have developed CNG fuel systems lorries that cover longer distances before needing to re-fuel. This technology is a cost-effective alternative to diesel. Biomethane is some 35% cheaper and reduces CO₂ emissions by up to 70% with a range of circa 500 miles. Initial truck costs are higher but can be re-covered within 3 years with reduced running costs.

Cultivating World-Leading Sectors

Whilst much research and development is carried out by private companies, it has been facilitated by Government initiatives such as the Advanced Propulsion Centre (APC), MIRA and the Manufacturing Technology Centre. We need to build upon this success by supporting and expanding regional centres of excellence as well as directly incentivising R&D in the tax system. The Black Country's SME-based economy means that shared resources (including technology parks with technical facilities) and effective collaboration with higher education partners are likely to be crucial.

Key Issues for the Industrial Strategy to Consider

- Ensuring R&D optimum levels of R&D investment.
- Expanding regional centres of excellence into areas of dense clusters of like-minded businesses to help facilitate collaboration with higher education partners and technology parks for Black Country's SME's.

Case Study

A&M EDM, based in Smethwick, are precision engineers of high value components in the aerospace, automotive, defence, Formula 1, and production automation sectors, manufacturing components for jet packs, hypersonic engines, space exploration, deep sea equipment and UAV engines.

This requires sustained investment in machinery, facilities, skills and quality accreditation and environmental certification. Recent investment includes:

- 2014 - £4m expansion into a second 41,000 square foot factory and new machinery including the world's largest capacity linear motor drive wire cut EDM machine.
- 2015 - £500k quality assurance measurement to validate work to micron tolerance
- 2016 - development of bespoke engine testing facility

A&M adds value as a manufacturing R&D partner. For example, this year has seen them solving problems for an aerospace customer with a new engine gearbox component. A&M is also developing a new small UAV multi-fuel operation power unit, supported by a NATEP (National Aerospace Technology Exploitation Programme) grant.

Case Study

East End Foods, based in West Bromwich, is a family run business Chaired by Mr. Tony Deep Wouhra MBE, employing circa 340 people and with annual sales more than £195m in 2016. EEF PLC is a market leader in the development, manufacturing, supply and distribution of Ethnic Foods to the UK market, supplies products to Tesco, Asda, Morrison's, Waitrose, Aldi and the Co-Operative. Export is a growth area for the business, with exports of spices, lentils and rice under the East End brand to Spain, Italy, France, Holland, Germany & Scandinavia, now accounting for 12% of the company's sales.

With a production plant and two distribution centres in the West Midlands, EEF PLC boasts approx. 450,000 sq. ft. of high quality floor space. Recent investment in the company's Aston site circa £10.5m have added a further 120,000 sq. ft. of high quality floor space and Food Technology Centre with a showcase Urban Farm, which boasts the latest technology in vertical farming fed via state-of-the-art hydroponics. The company is highly dependent on the international market, with both import and export an integral part of its strategic global expansion programme. In addition, East End Foods has recently acquired a wholesale distribution warehouse in Italy, which it plans to open in June 2017. The company has also formed a strategic alliance with a large spice processor in Pune, India, where it will be able to sort, clean and grind spices to the exact high standards it achieves in its UK plant.

Driving Growth Across the Whole Country

Many of the key aspects needed to drive growth in the Black Country overlap with needs in the other pillars of the Industrial Strategy, particularly around skills. 36.8% of British people are educated to NVQ4, but for the Black Country this figure is 22.4% and has fallen over the last 12 months. Therefore, the Black Country needs to upskill an additional 90,000 people at this level in order to meet the national average.

Black Country business needs targeted mid-career access to new skills and refresher courses, as well as more technically focused apprenticeships to achieve required growth. Developing the “T” level cited in the Budget March 2017 and business ready skills is essential. Government needs to consider incentivising a direct liaison between education providers and businesses to ensure that skills provision is specifically relevant to local businesses.

R&D growth would benefit from support and expansion of regional centres of excellence and directly incentivising R&D in the tax system. For the Black Country, with its SME-based economy, shared resources (including technology parks with technical facilities) and effective collaboration with higher education partners, are likely to be crucial, and therefore simplification of R&D tax credits would be helpful.

Key Growth Issue for the Industrial Strategy to Consider

- Areas like the Black Country are showing genuine signs of improvement in skills levels, but fail to keep up with national trends, and a shift towards more employer led schemes, beyond apprenticeships, is desperately needed.

Creating the Right Institutions to Bring Together Sectors and Places

The Black Country Chamber of Commerce has been an active and vocal supporter of the Midlands Engine, Combined Authority and new Elected Mayor, and believes that Devolution is the right vehicle for local economic regeneration. However, these need to be properly resourced and targeted to deliver meaningful effective change. Furthermore, the centralisation of funds from Innovate UK, the Department for International Trade, the Apprenticeship Levy and the annual process of LEPs bidding for Growth Funds has to end and be delegated locally if real change is to occur.

Key Issue for the Industrial Strategy to Consider

- Addressing the lack of genuine devolution of funds, agencies and decision making is essential to ensure that potential economic growth is realised.

Black Country Chamber of Commerce
Creative Industries Centre
University of Wolverhampton Science Park
Glaiser Drive
Wolverhampton
WV10 9TG

T: 0330 024 0820

E: website@blackcountrychamber.co.uk