

**Private & Confidential**

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Dear Paul

**South East England Regional Assembly – Select Committee on Manufacturing**

EEF South welcomes the opportunity to review, with SEERA, the significant challenges facing the manufacturing sector in the region and the impact SEEDA and key partners have had in meeting this challenge.

In summary EEF South and MAS South-East have a good and productive relationship with SEEDA both at a strategic and operational level and are very satisfied in the way SEEDA has conducted itself in support of manufacturing. More importantly we find that SEEDA has had a direct and significant impact on business productivity and the adoption of lean processes as we continue to evidence first hand on a daily basis. We are also encouraged by SEEDA's strategic thinking for the future and how business support organisations could join forces to work together in partnership for the benefit of the region.

Both EEF South and MAS South-East have accepted the invitation to make formal presentations to the Select Committee on 25 April 2005. In addition, as attached, we provide prior information for the Select Committee based on the Discussion Issues in the 'Context and Issues Paper' dated 7 March 2005 provided by Wessex Partnerships Limited via SEERA.

We hope this information is helpful and look forward to the Select Committee on 25 April 2005 and the opportunity to make our formal presentations and answer the questions that the Committee will have.

Yours sincerely

David Seall  
Chief Executive

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## South East England Regional Assembly

### Context and Issues

#### **Discussion Issue 1: Manufacturing in the South East is very advanced and high value, but given the decrease in employment in the sector, how can SEEDA help dispel the misconception that manufacturing is a dying industry?**

- Many manufacturing jobs in the lower skill areas have declined in favour of increasingly higher level skilled jobs, natural enough with advancing technologies and processes. In addition the burden/gold plating of regulation and cheaper production costs abroad provides momentum for relocation and outsourcing resulting in decreasing employment figures.
- Ways in which the misconception could be addressed by simply encouraging regional partners to 'talk up' manufacturing and provide balanced argument rather than 'talk down' giving a negative impression of the facts e.g. manufacturing in the south east still provides nearly 11% of the jobs and almost 16% of GDP
- Much could be done within the Education system with young people at an earlier age to provide realism of working in manufacturing today e.g. site visits to spotless high tech exciting production lines will not fail to impress. Incentivising employers to engage with schools and colleges. Ensuring parents and teachers have the requisite support, knowledge, information (and equipment) about the industry so they make informed decisions for their children. Strengthening the links with FE/HE, facilitating innovative activity and knowledge transfer
- A high profile marketing campaign celebrating success and providing exemplars (for example from the success of the MAS programme) to dispel negative press would go a long way. It would help the perception that manufacturing is changing and evolving not dying.

#### **Discussion Issue 2: How can SEEDA help to ensure that there is productivity improvement in manufacturing for the sector to compete successfully in global markets?**

- Productivity improvement should be seen alongside other issues such as improving the transport infrastructure and availability of affordable housing as these issues directly affect companies ability to attract and recruit employees

- Influence government to also invest in the south of the country as well as the north in order to help maintain and improve performance
- SEEDA are being proactive in supporting MAS in consolidating clear evidence of the success to date by providing longer more in depth support and mentoring of those strategically important companies and their value chains. This must link alongside increased support for research and development and innovation for those best able to compete on a world stage.
- Ensuring that UKTI and its networks continues to provide the conduit for trade and investment opportunities with other countries. Also by sponsoring exchange visits and good practice.
- Consideration given to the creation of Centre's of Excellence for Innovation and or aligning innovation advice with the Manufacturing Advisory Service
- Providing incentives for companies to raise awareness of the links between innovative practices and increased productivity
- Expand coverage of Regional finance initiatives

**Discussion Issue 3: Only 2% of companies which MAS could have supported were supported with in-depth consultancy due to limited resources. How adequate were the resources set aside for the MAS and those set aside for the proposed MAS in 2005-8?**

- Whilst recognising the budget constraints SEEDA had placed upon it, we are aware of many more companies that could have been supported through the MAS. Funding for the MAS 2005-8 is double the previous contract which will allow us to work with Nodal companies and their supply chains thus increasing the opportunity to provide increased in-depth consultancy.
- The offering in the new proposal is also much broader, and will not only focus on Lean, again increasing the opportunity to engage with companies. In the new proposal brokerage will also be a feature removing the capacity constraint previously experienced
- In addition we will look to maximise the potential to leverage in funding from partner organizations to provide in-depth support

**Discussion Issue 4: How can the skills needs to keep the manufacturing sector highly productive and competitive, be met before the competitive advantage to the region is lost?**

- For reasons concerned with relocation and outsourcing this will either be too late or out of our control. Market forces will prevail and unless we provide a comfortable climate in this country at best outsourcing at worst relocation will continue.
- Those responsible for education and skills development e.g. Academia, RDA's, SSCs and LLSC's need to have joint aims and consistent objectives and work together to address relevant skills shortages, gaps and retention of skills. We are encouraged by the new Business South East and Regional Skills Partnerships Alliance groupings in this regard.
- Disappointing was the loss of funding for the Workforce Skills Programme – Advanced Engineering. This programme managed mainly by SSDMs was demonstrating added value by facilitating the successful STEP project and a skills brokerage programme amongst others
- The cost of skilling people in engineering and manufacturing is more expensive than in other sectors. More support for influencing work with employers, - raising awareness and financing their contribution in skills development. Making apprenticeships attractive and investing in specific areas such as Intech to help educate youngsters about engineering and manufacturing in practical ways.
- We need to fund employers to help resource training/learning and also support them find their way through the skills provision maze. We have offered to provide partners with direct access to employers to help with a) awareness raising for skills v productivity and b) providing solutions to employers skill needs
- Undertake innovative programmes, for example Workforce pooling and Reducing Absenteeism projects with which EEF South is engaged
- Create more COVEs relevant to the manufacturing and engineering sector
- Integrate vocational learning into mainstream learning, as the Tomlinson report recommended, to avoid it being seen as second rate.
- Manufacturers have skills shortages and there is a need to make it clearer how these skills shortages can be met. Fierce employment competition means that people move around and this reduces the desire to train internally. Finding ready skilled people is difficult therefore other avenues must be explored but these are often unknown to manufacturers.

**Discussion Issue 5: In view of the fact that Lean Manufacturing is hard to sustain, requires time and uses resources that companies do not have when they are in the process of cutting costs, how can Lean be sold to companies as a means to encourage process and product innovation and , in turn, raise productivity?**

- Employers will sign up to a safe bet, therefore a regional campaign focused on how others have made increases to the bottom line will not fail to provide an incentive to engage.
- Word of mouth through respected sector groups and exemplars of those enjoying the success of lean has, in the past, created its own momentum.
- Financial short term support for employers 'production down time' would be well received
- For the very reason companies are not embracing Lean contributes significantly to the pressure they are facing to cut costs. The selling of Lean is focused on breaking the vicious circle of cutting costs at the same time of investing for the future.
- Working through Nodal companies and leveraging funding will help to reduce the resources required by companies to implement Lean.
- There is often a short term resource stretch when beginning the implementation of lean, many manufacturers stating they haven't got time. The key is to free up resource in the first place so that lean implementation can begin and continue to free further resource.

**Discussion Issue 6: To what extent should SEEDA MAS concentrate on providing high quality support at the expense of penetrating the SME market in view of the limited resources it has?**

- SME's make up 80% of the regions companies and we do not see that high quality support would not necessarily be at the expense of penetrating the SME market. With proper funding MAS is capable of maintaining current delivery models and developing more in depth support.
- Adding value to the whole supply chain would not necessarily disadvantage either the small or larger company. Supporting larger strategically important companies also benefits smaller companies within the same or associated supply chains.

- Business Links integration into RDA's is seen as a positive move and we are supportive of the new Joining Forces integrated framework for business support. We are hopeful that all stakeholders are enabled to focus on streamlining the various policies, operational practices and can have effective on rapid deployment
- SEEDA is proposing to delegate some delivery responsibilities to private limited companies e.g. as for the Marine Sector. This move should enable experts in the field to deliver specific sector requirements in partnership with MAS.
- SEEDA has supported various sector groups but there may be duplication of effort in some core areas that may benefit from a cross cutting or centralised approach. Areas such as addressing the skills issues and improving the image of manufacturing are common across the range.