SEERA

Select Committee on SEEDA's Interventions in Manufacturing in the South East Region
Context and Issues Paper March 2005-04-06

Response from Milton Keynes Council -

in consultation with MK Chamber of Commerce and Business Link Solutions.

Discussion Issue 1 –
<u>How SEEDA can help dispel the misconception that manufacturing is a dying industry.</u>

SWOT analysis of the sector
In addition to those listed, a number of others might be included, as follows.

Threats
- The sector is forecast for low growth.
- Overall the number of employees in the sector is forecast to reduce
- An ageing workforce will exacerbate the skills issues in the next 5-10 years
- The skills needs of manufacturing businesses are changing

Opportunities
- The need for higher value added manufacturing in the UK
- The need for increased mechanisation/automation
- A rise in the availability and status of vocational qualifications in schools

Weaknesses
- The number of Foreign owned subsidiaries in the UK – UK manufacturing as a branch economy?

Discussion Issue 2 –
<u>How SEEDA can help improve productivity to enable manufacturing to compete in global markets.</u>

Manufacturing Advisory Service
The report mentions the MAS online network has 70 members. Locally the Manufacturing Consortium, which is a SEEDA, LSC, Business Link and EEF funded network, has circa 80 members. This network is facilitated by a partnership of EEF South and Business Link.

Discussion issue 3 –
<u>Adequacy of MAS resources</u>

Addressing the Competitiveness Challenge
Increased coherence, joint working, and support for brokerage, networking and specialist advice in the manufacturing sector is the only thing that is likely to increase the take up of support services in the sector. This needs a balanced approach to funding.

Discussion Issue 4 –
<u>Skills development to retain SE competitive advantage</u>

Addressing the Skills Challenge
From Research work undertaken in MKOB, we know:

- 70% of businesses feel that current skills levels will not meet future business objectives
- The demand for engineering core skills remains, but employers are also looking for additional skills, which are presently not in significant evidence in publicly funded training (specialist engineering skills, continuous improvement and increased productivity).
- Time is more of a barrier to training than cost.
- Employers generally feel it is difficult to find training courses that meet specific learning and development needs.
- Training tends to be supply led.
- Intense competition exists for skilled employees.
- Ageing skills base.
- Specialist Engineering Training tends to be undertaken in-house
- The training offer is failing to meet employers needs and is not the first choice - “Forget year long NVQs. Give me the bite sized training in the skills I want at the time I want them”
- Low volume of provision in MKOB - Engineering training represents 17.4% of the total publicly funded Level 2 provision in the SE, compared to 9.6% in MKOB
- Similarly, engineering represents 39% of the SE total at Level 3, compared to 24% in MKOB
- Low number of FE starters in Level 3 and above. Lower completion and success rates in Level 3 and above than the national average. Lower retention rates – where are the future Engineering Managers?
- Lower achievement rates than the national average, at all levels.

Many of these points support those made in the document.

Skills gaps and skills shortages, including basic literacy and numeracy skills, remain a barrier to successful business. Government action to date has done little to improve the situation.

Whilst Basic Skills programmes, Action for Business Skills, Skills Brokerage, and the development of specialist skills programmes will help to overcome some of these issues, there is also a desperate need for a long term strategy to work with young people in schools and colleges to increase the design skills (particularly higher value) of young people and the attractiveness of the sector. Organisations like the Audi Design Foundation and Year in Industry can play a valuable part in helping to develop these skills.

Further, employers are confused by the plethora of qualifications available in the UK.

Discussion Issue 5 –
<u>Penetration vs impact, and the role of MAS in encouraging innovation and productivity</u>

Science & Technology
Milton Keynes has a particular issue in respect of graduate skills and spin-offs, due to a lack of a student campus university in the town. This higher education gap impacts on all aspects of economic and skills development.

There is much criticism of FE Colleges for their lack or provision or poor quality provision for engineering courses. Colleges are encouraged to respond to demand from students and so this is a vicious circle. Perhaps special grants, compare CoVE initiatives, should be instigated to enable them to invest in the latest equipment and suitably skilled personnel. There might also be a funded initiative to encourage retiring engineering professionals to take up part time tutoring to staff this sector, or funded secondments to enable professional staff to be released from larger companies for this purpose.

Discussion Issue 6 –
<u>High quality support vs wider SME penetration for MAS</u>

Benchmarking with other English regions
NWDA offers a ‘seed’ fund for rising stars – could SEEDA offer something similar to encourage SMEs to progress into high value manufacturing where commitment and skills are evident?
Reference is made to the motor-sport cluster, which spans four regional development agencies. SEEDA is also be working with EEDA and EMDA on the development of the Oxford2Cambridge Arc, which is relevant to very high tech manufacturing.

The Future of the Manufacturing in the South East
The statement, that ‘healthier businesses will survive one way or another’ over the next three years, is perhaps complacent. The rate of change in global competition is constantly increasing and any SEEDA programmes should not exclude such companies, who may need support to retain their competitive edge.

Future Role of SEEDA in supporting SE manufacturing
We agree with the definition of the three types of companies, however, there appears to be a lack of robust analysis as to what potential exists for actually

achieving increased productivity in these three groups. Of the three types of company identified, one needs to recognise that the 4000 nodal companies in the South East are difficult companies for publicly funded support programmes to get into.

Many of the 50+ are foreign owned, and do not fit the definition of being an SME. In addition, historically there has been insufficient funding in the system to support their needs. Also many of these companies have historically bought their support in the private sector and many tend to have in house specialists.

On the whole, we believe the Supply Chain concept is a laudable concept, on paper… however, somewhat more challenging to deliver in an environment of limited resources, and a high number of foreign owned subsidiaries. This needs clarifying for the future direction of MAS, as the danger exists that this new Supply Chain approach will take the money away from the bedrock of SMEs that are crying out for support.

Whilst 'no subsidies' makes economic sense, consideration should be given to grants for up-skilling and investment in latest technology to allow a company to move into the next league. Access to finance for SMEs is a particular issue.

It is important that decisions made to support businesses should be as a result of close consultation with them. SEEDA could help facilitate this process and find a way to ensure that all of businesses, including SMEs can be canvassed for their input.

Conclusions - Key Issues for Manufacturing
Influencing parents and teachers regarding engineering as a career – the sector needs to make more of its success stories, make its technology more accessible and 'sexy' to the layperson and highlight the range of careers and salaries within the sector as a whole. Nothing helped construction interest amongst young people more than the one story in the press, which headlined £40K pa as the average plumber's salary!

Key issues of concern for businesses, whether manufacturing or not, are taxation, spiralling costs, competition from Eastern Europe and the Far East, poor communication from all aspects of government, uncertainty over Europe, an uncertain dollar, a stagnant housing market and falling retail sales.

Specific MK Comments

Here in MK we have the classic UK mix of manufacturing companies. These comprise, first, the multi national companies, who are mostly geared to deal with the exigencies encountered by UK business and have the ability to ride out trade variations.

The second tier of business is the medium enterprise with 100-200 employees; these are suffering with increasing expenses, particularly raw material and distribution costs that are being affected by high diesel prices. It is difficult to persuade both existing and potential inward investors to settle and develop here, when, for example, Spain can sell diesel at between 52 and 58 pence per litre, whilst here in the UK, diesel has now exceeded 90 pence per litre. This, whilst it can be treated as an on cost by the larger companies, cannot be passed on by smaller manufacturers, who are being held to contracts signed many months before.

Our largest sector in MK is the SME group with less than 100 employees; their problems are exaggerated by the fact that most do not have the time or the staff to investigate ways of cutting costs, other than shedding staff. The problems being experienced in MK by this sector echo those recently publicised by British Chambers of Commerce in correspondence with the UK government.

Business Rates are a perennial worry particularly with the appeal process being altered by Central Government, with little publicity to business. At least, while the rate is being fixed nationally and collected locally, there is a level playing field.

Red Tape continues to be a burden to SMEs, with additional responsibility being placed upon them, for example, for collecting pension contributions and providing data for taxation. The average SME is not geared for this and it is a considerable worry to them.

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