

COUNCIL FOR ECONOMIC DEVELOPMENT – 10th June 2019

Summary of action required to galvanize the Welsh economy

BACKGROUND

MAKE's Regional Advisory Board meeting, held on 30th April, reviewed concerning trends that were becoming evident within the Welsh manufacturing sector. In particular the following points were noted

- Schaeffler (UK) Limited is shutting its Bynea plant with the loss of 200 jobs although existing apprentices will continue to complete their work at FSG Tool and Die Ltd.
- Calsonic Kansei is laying off 100 out of 300 people having considered potential investment re £4.5 million government support. The investment was not taken up due to JLR direction of travel regarding electrification. The decision not to invest is based on a misapprehension on the period of transition required to transfer from combustion to hybrid to electrification
- Businesses report that customers in Japan and Germany are reshaping their supply chains and they will reconfigure their supply chains back to Europe.
- Many businesses are considering short-time working due to reductions in order books. Significant investment decisions are being postponed because of uncertainties exacerbated by Brexit and its effect on the relations between UK companies and continental customers and suppliers.
- An automotive company has reported that orders are becoming much more difficult to confirm and there is serious concern that orders will not materialize to the extent expected or may not materialize at all. This will lead to a significant loss of jobs and significant pay cuts.
- The Honda decision to end production in Swindon will hit Wales, which has 6/7 Tier 1 suppliers that have 60-85% of their business with Honda. The decision to close the operations next year, and with the longer timeframes for product model introductions/development, it is not possible at this stage to fulfil the capacity left by Honda on new model introductions with JLR, Nissan etc
- The Wales Automotive Forum has evidence of a number of companies losing business to Europe specifically stating that UK/Brexit uncertainty is the main change regarding future investment decisions.
- A company manufacturing automotive equipment is on a 4-day week.

- Ford (Bridgend) is likely to be reducing activities.
- Some RICs have stopped recruitment and training and are taking on no apprentices this year.

Key concern

When companies see projects investments on-hold or cancelled they are the first to experience a downturn in business. This should serve as a “barometer” to indicate that a “recession” is on its way.

THE WAY FORWARD

To drive Industry and to rebalance the economy on a secure manufacturing based requires strategic leadership.

We need the working assumption that irrespective of the precise outcome of Brexit the many political and trade uncertainties facing Welsh business will lead to reduced activity if positive action isn't taken.

Business confidence needs to be boosted through provision of the following:

- Investment needs to be stimulated with greater Government incentive support i.e. to restore confidence and demonstrate that the UK/Wales is open for business.
- Make visible Industrial Strategy activity. Identify a number of key infrastructure/ industrial facilities and business projects that can restore confidence.

The Welsh Government's own Economic Action Plan has five calls for action - namely:

1. Decarbonisation
2. Innovation
3. Commercialisation
4. Competitiveness
5. Future Skills Needs

Set rate of innovation targets for sectors to become more sustainable. This will drive productivity, new product development, investment and identify the technology required and hence future skills needs.

Currently Welsh Government has eleven Innovation Specialists and takes a significant amount of time to make an application due to the interpretation of Structural Funds by WEFO. There should be 100 Innovation Specialists to drive Process Innovation and Productivity and new product introduction based on the process taking days not months awaiting approval.

Introduce the following:

- Improve access to investment / working capital
- Expand the Skills Growth Wales Programme
- Economic Growth Fund – Capital programme
- Accelerate Wales - Supply Chain Development
- Proact – Identify requirements / deploy

The Welsh Government needs to provide through the lens of its own Economic Action Plan additional Fiscal support for Innovation/ Investment /Productivity and Future Skills requirements.

The UK Government needs to provide tax incentives to support the above to release the aspiration of many businesses and their supply chains.

The UK Government needs to reduce the cost of energy for energy Intensive Industries.

CONCLUSION

The Welsh Government has declared a Climate Change Emergency. There is another emergency that is facing Welsh industry and must be dealt with strategically, with purpose and with a clear determination to ensure that the Welsh economy remains competitive at a global level.

The approach needs to be developed in conjunction with the employers and the trades unions to achieve the common goal of a successful economy that provides economic and social benefits for all.

SPECIFIC ACTIONS

- 1 Increase the provision of support for Innovation, Process Innovation and Productivity.
- 2 Futureproof the Manufacturing Sector in Wales.
 - Includes Energy Intensive Industry

- 3 Increase the Economic Sub Region industrial infrastructure and Resource.
- Includes Cluster Development – Sector specific
- 4 Stimulate Investment for Innovation and Growth opportunities.
- 5 Provide the mechanism of support to ensure sector growth and enhance skills provision.
- 6 Drive business confidence by the announcement of the above combined with Industrial Infrastructure Projects.