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RESPONSE BY HAMPSHIRE CHAMBER OF COMMERCE

TO THE INDUSTRIAL STRATEGY GREEN PAPER - JANUARY 2017

The British Chambers of Commerce (BCC) has been working in close consultation with Greg Clark MP, the Secretary of State for Business, Energy & Industrial Strategy to develop a modern Industrial Strategy and press the need for a place-based approach to national economic strategy. The BCC's public response can be found [here](#).

The Government's Green Paper, which can be viewed [here](#), identifies 10 strategic pillars. The BCC survey seeks to get the local, place-based perspective on each of these pillars from each of its Accredited Chambers of Commerce across the country.

Hampshire Chamber of Commerce has responded as set out below to the BCC and directly to the Government's consultation. I would like to thank the many Chamber members who have contributed to this response to the Government's Green Paper for a modern Industrial Strategy that works for all.

Stewart Dunn, Chief Executive, Hampshire Chamber of Commerce.

1. Investing in science, research and innovation.

Statement from the Green Paper: "We must become a more innovative economy and do more to commercialise our world leading science base to drive growth across the UK."

- **How can the Government best support research and innovation strengths in your local area?**

Examples of good commercialisation of research and innovation in Hampshire:-

'Multi-site' Enterprise Zones

A new multi-site Enterprise Zone linking the three key centres of Basing View in Basingstoke, Longcross Park in Chertsey and Whitehill & Bordon all within the 'Sci:Tech Corridor,' will deliver new jobs, new opportunities and new businesses in an area already capable of leading the world in digital media, 5G communications and cyber security. Enterprise M3 LEP, in partnership with Basingstoke and Deane Borough Council, East Hampshire District Council and Runnymede Borough Council, secured 'multi-site Enterprise Zone' status, paving the way for millions of pounds of private investment. Business growth will be achieved in a number of ways which will include accelerating development of 'grade A' office space, establishing business incentive schemes such as 100% business rate discount for 5 years, positioning and marketing the Enterprise Zone as an important digital cluster and attracting foreign direct investment.

SETsquared partnership – 5G next generation mobile

The SETsquared partnership, which brings together the universities of Bath, Bristol, Exeter, Southampton and Surrey has been named the best university business incubator in Europe and second in the world by the University Business Incubator Index, and has attracted over a billion pounds in investment. It currently supports over 300 high-tech, high-growth potential start-ups.

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SETsquared launched its new hub in Basingstoke's Basing View at the end of last year and is expected to bring £20 million of investment to the town as well as support 20 new high growth companies over the next few years. SETsquared will focus on start-up and innovation opportunities in next generation mobile and ensure that entrepreneurs can seize this opportunity to create new, world-class business. 5G, which is the next generation of mobile communications technology, will be a flexible infrastructure capable of handling our ever increasing demand for mobile data and providing connectivity for a wide range of future technologies, from the Internet of things to digital healthcare, and from advanced gaming to driverless cars.

National Oceanography Centre, Southampton

The UK has a long tradition as an ocean science pioneer with world leading capabilities and the National Oceanography Centre is one of the world's top oceanographic institutions, providing the UK with the national capability needed to be a top global player and to lead and participate in international co-operations. The NOC undertakes world leading research in large scale oceanography and ocean measurement technology innovation, working in partnership with the world's leading oceanographic institutes. It supports the UK science community with scientific facilities, research infrastructure and irreplaceable data assets and works with Government and business to turn great science and technology into advice and applications.

The Energy Technology Research Group, University of Southampton

The ETR Group is the focal point for energy research in Engineering and the Environment, engaged in cutting-edge fundamental and applied research underpinning sustainable energy technologies. The Group's activities are organised around eight research laboratories, covering a wide spectrum of mainstream and renewable energy technologies. Their mission is to address major scientific and technological challenges faced by the world in the 21st century and beyond in energy efficiency, emerging energy technologies such as batteries and sustainability. The Group is also concerned with the social, economic and environmental impact of energy technologies.

Centre for Cancer Immunology, University of Southampton

The University of Southampton leads the UK in cancer immunology research. Its exciting discoveries are moving out of the laboratory into clinical trials, where they are already making a world of difference to people with cancer and showing real success. A major campaign to raise £25 million will fund the first dedicated cancer immunology centre in the UK. Connected to leading institutions worldwide, this cutting-edge research hub will enable its interdisciplinary teams to expand clinical trials, explore new areas and develop life saving drugs.

2. Developing skills.

Statement from the Green Paper: "We must help people and businesses to thrive by ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy, and by raising skill levels in lagging areas".

- **What skills shortages does your local area have (or expect to have), and how can the skills needs of industry be linked to skills provision by educational institutions?**

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Skills shortages in Hampshire

It is widely expected that the high tech and creative sectors will drive the UK's economy towards future growth and Hampshire is already well placed to benefit from this growth provided the skills needs are met by the local schools and training/educational institutions.

The Solent LEP's Strategic Economic Plan (2014) for its area in South Hampshire is currently under review and a recent evaluation of the Solent LEP's Solent Skills Strategy (March 2014) suggested an increased focus on the main issue of STEM skills which are essential to economic growth.

Enterprise M3 LEP also advocates the need for greater proficiency in technical skills as vital for future productivity in northern Hampshire, but this could be undermined by the current workforce having a lack of qualifications in STEM subjects .

Linking the skills needs of industry in Hampshire to skills provision by local educational institutions

Colleges in the south have collaborated with Solent LEP on an Enterprise Zone Skills Plan to address the challenges faced by the Solent Enterprise Zone and on a Skills for Growth project to bridge the existing skills gap. The current course offer includes Business Improvement Techniques, Engineering, Management, Performing Manufacturing Operations, Port Operations and Welding.

Government funding through the Local Growth Deal will provide two skills centres at the colleges of Eastleigh and the Isle of Wight and more such Centres would be welcomed by local employers in Hampshire, as would regular dialogue with educators concerning local skills shortages.

Jobs Fairs

Unfilled vacancies at local Jobs Fairs are a manifestation of the lack of certain skills in that area and the employers and key partners, schools, colleges, universities, voluntary sector could use the Jobs Fairs as a regular opportunity to arrange for the exchange of views and information on lack of skills locally. In looking for the skills needed to drive growth, we should not overlook an opportunity to update or reskill the existing workforce who may have lost or changed jobs as a result of disruptive technologies or robots.

Education Business Partnerships (EBP)

Any worthwhile employer's apprenticeship scheme should exist alongside a work experience programme offered through the local Education Business Partnership. EBPs inspire and prepare local young people for the world of work. EBP South delivers a range of exciting and motivating work related learning programmes in schools across their area. Local businesses – large and small – are the key partners for EBPs in developing a world class work force for the region's future. They should be incentivised to work with their local EBP to ensure there are sufficient activities and events that are relevant to local skills shortage to motivate young people when choosing careers.

Careers Education

The Industrial Strategy Green Paper states that the careers strategy, initially planned to be published in 2016, will be published in 2017. For a long time careers education in the UK has been judged as generally inadequate and favouring the academic route. Business welcomes the government's commitment and funding to create a network of Institutes of Technology to ensure we have sufficient provision targeted at delivering high-quality technical education at higher STEM skills levels, tailored around the needs of employers in local areas. Reviewing the current loan system for

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technical education and access to it, as well as creating a course-finding process for technical education similar to UCAS are equally welcome.

3. Upgrading infrastructure.

Statement from the Green Paper: "We must upgrade our standards of performance on digital, energy, transport, water and flood defense infrastructure, and better align central government infrastructure investment with local growth priorities".

- **Do you feel that local infrastructure is adequately linked to national infrastructure policy? How can investment for local infrastructure be crowded-in? How can the supply chain and skills base be improved to deliver local infrastructure projects?**

Hampshire Chamber responded last month to the NIC's call for evidence for its first national infrastructure assessment and the resulting policy will be published later this year. Highways England's new Strategic Economic Growth Plan for maximising the economic contribution of the strategic road network is welcomed by the business community.

Economic infrastructure – high speed broadband provision

The provision of higher speed broadband to local industrial estates and business parks has so far been overlooked in preference for better provision to residential areas. To remedy this there should be a national plan for higher broadband speeds to business parks using the local supply chain.

Economic infrastructure – logistics and the Port of Southampton

Highways England's Strategic Road Network recognises ABP Southampton Port as a nationally significant international gateway. It is the UK's number one export port with over £40bn of UK manufactured goods exported from Southampton each year – 90% of these goods are exported outside the EU. It is the UK's biggest export port and over 900,000 cars passed through the port in 2015, 60% of these for export. It plays a critical part in the supply chain for the British Automotive industry as it seeks to access global markets. A third of the cars exported from Southampton arrive by rail with the rest by road south on the M4 through congestion points like the A34 junction at Winnall.

It is clear from these statistics that the Port's future role in the national economy will become even more significant after Brexit, especially as it has already outperformed forecasts for growth in trade by 2020 for the cruise sector and by 2030 for the automotive sector. Therefore it is essential to the national and local economy that the Port of Southampton is supported with its need to expand as trade increases and with its need to maintain the best access and connectivity within the UK.

Economic Infrastructure - Logistics and freight interchanges

A major road/rail logistics and freight interchange depot is needed for Southampton in the Nursling area to help improve cargo handling for Southampton Docks, thereby reducing the requirement for HGVs to travel into the city which is already preparing its Clean Air Strategy/Zone.

Southampton Aerotropolis

Regional Airports should not be overlooked when seeking out drivers for local growth, including helping to increase exports. Southampton Airport is set to surpass 2 million passengers within a year

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and was recently named Airport of the Year by the European Region's Airline Association. Plans for Southampton Airport include proposals to develop an economic gateway that could see hi-tech companies within the current footprint on the green field site to the north east of the airport. With road, rail (the fastest city centre access of any airport in the UK) and air connections quite literally converging around the airport, there is an excellent opportunity for high-end research and development and light industrial employment space to take root at the airport and create an aerotropolis. This is defined as a combination of airport, city, shipping and business hub.

Southampton Airport could emulate the likes of Beijing and Amsterdam, becoming a catalyst for new developments and access to other markets. The airport has developed considerably over the last 10 years in terms of its infrastructure, as well as the number of routes and airlines that operate. Over 30 per cent of passengers are business travellers, which is a very strong figure for a regional airport and underlines the importance of Southampton Airport in connecting people to markets.

4. Supporting businesses to start and grow.

Statement from the Green Paper: "We must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long-term"

- **Have businesses in your local area faced barriers to scaling-up and achieving growth? If so, how can these barriers be addressed?**

Hampshire Chamber of Commerce campaigns strongly for the Government to play its part through the Solent Growth Hub's work with identifying and supporting innovation in growth industries in Hampshire which includes aerospace, defence, marine, life sciences, low carbon energy, digital services, creative industries, as well as the use of composites and other emerging materials.

Barriers to growth for businesses are:

- The high level of business rates to be paid before profits can be invested for the long term.
- The need for more revenue grants for small businesses
- Improved access to finance
- Lack of the skills needed such as digital skills in the professional services sector and lack of skills at the level needed, such as management.

With business rate receipts set to exceed council tax receipts and an inadequate system of appeal, there is no question that the UK business rates system is broken – for business and local authorities. The expected online shopping increase from 10% to 50% in the next five years together with high car parking fees will mean high street shops closing and less business rates income for local authorities.

5. Improving procurement.

Statement from the Green Paper: "We must use strategic government procurement to drive innovation and enable the development of UK supply chains."

- **How can public procurement, where Government is the main client, be used to help drive innovation within businesses in your local area?**

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Government can support new and existing local businesses to grow through procurement processes that encourage businesses of all sizes to adopt ‘green credentials’ and cyber safe digital processes when meeting public procurement contracts to supply goods and services. Local authorities should endeavor to place orders with local businesses and publish figures on this.

6. Encouraging trade and inward investment policy.

Statement from the Green Paper: "Government policy can help boost productivity and growth across our economy, including by increasing competition and helping to bring new ways of doing things to the UK"

- **How can Government policy help improve support for local businesses in your area who want to begin or increase exporting?**

Government policy needs to support business organisations that work with companies on a daily basis to encourage growth. These organisations should be able to refer companies to the Department for International Trade easily and with the confidence that the requirements that they have that need to be met before they can export for the first time, or explore new markets, will be dealt with. Business does not understand which support organisation they should turn to for assistance and is often wary of dealing with a Government Department.

Further work needs to be done to promote the Department for International Trade and the excellent work that they already do for exporters. This can be achieved through the business organisations that already exist, as well as the Growth Hubs, so further provision of schemes should be avoided. Close collaboration between the support providers and the Department of International Trade on the provision of training and events should also be encouraged and cultivated.

Local Chambers of Commerce are the first “port of call” for a business enquiring about exporting and in supporting Chambers the government will help improve support for local businesses to start and increase their exporting. The confidence needed to embark on an export drive can be found by talking to other exporters who are also members of the same Chamber and an “export buddy” scheme could go a long way to inspiring that confidence, helped by the expert guidance of a Chamber of Commerce to deal with the necessary paperwork, regulations and contacts.

7. Delivering affordable energy and clean growth.

Statement from the Green Paper: "We need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy."

- **What steps, if any, should the Government take to limit energy costs over the long-term for businesses in your local area?**
 - a) Introduce incentives for businesses to embrace low carbon energy equipment and schemes
 - b) Introduce a diesel scrappage scheme for commercial vehicles to help with the emerging Clean Air Strategies being established by some cities with high air pollution.

Energise Solent

Energise Solent is delivering the Energy Strategy for the Solent region. This initiative, backed by Hampshire Chamber of Commerce, the Local Enterprise Partnership, Partnership for Urban South

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Hampshire and Future South, is seeking to provide inward investment in the region and enable a significant portion of the 98% of the spending on energy within the region to be kept within the region for the benefits of sustainable growth. The initiative is seeking the construction of new energy generation capabilities including in community renewables, district heating schemes, wood fuels (particularly for those living off the gas grid), combined heat and power plants and offshore renewables.

Alongside new generating capacity Energise Solent is seeking to invest in new demand management and reduction programmes and in particular is encouraging new battery storage technology. Initially, we have a 'shovel ready' proposal to apply battery storage alongside a 1MW solar farm within the Eastleigh Borough Council area.

8. Cultivating world-leading sectors.

Statement from the Green Paper: "We must build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents."

- **How can Government and industry collaborate in your local area to enable growth in new sectors that emerge around new technologies and new business models?**

Composites

There is a marked reluctance by the more traditional industries like Marine, Oil and Gas, Rail and Construction to introduce new materials, like Composites into their designs and manufacturing. A recent position paper 'Modernising Composite Regulation', by the University of Southampton has found that the reason is largely due to their regulator's preoccupation with the material regulatory principle of 'proof of equivalence' to the traditional materials like Steel and Aluminium. This is in stark contrast to the Aerospace and increasingly the Automobile industry, where their much more logical regulatory principle of proving that it performs the designed operational standard - 'Performance' has led to the introduction of over 50% by weight of Composite materials in Aircraft.

The paper goes on to recommend a route for industry to migrate to a more 'performance' based approach to material regulation, including the creation of a facility based in the UK to harmonise the development 'codes and standards for Composites across all the manufacturing sectors. It would simplify the introduction of Composite into the 'Composite shy' industries in the same way that NCAMP in the USA improved material regulation in Aerospace. It could also, the paper argues, draw on the experience of Aerospace give the more traditional industries a first mover advantage in Composite Manufacturing.

The paper will be launched at the RA Eng on the 24 April and will be of huge importance to developing new technologies and to repatriating industry back to the UK with a competitive advantage for large structures.

Creative industries – including digital

Creative network South (CNS) welcomes the prominence given to the creative industries in the Industrial Strategy green paper, which also mentions the creative sector/innovation linkage, the strong interdependency between the creative and digital sectors, and that the creative sector is frequently a driver of innovation and value in other business sectors through world class leading design of products.

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Creative Network South was established in 2012 as a sector led partnership promoting the interests of the creative sector in and around Hampshire. Its key focus is the attraction and retention of creative talent by acting as an advocate for the creative economy and by working with partners to support the development of creative businesses. It is preparing a creative industry manifesto for Hampshire due summer 2017.

London generates just under half the UK's creative GVA. Hampshire's creative economy is growing extremely fast at 30% since 2010 to 60,000 jobs and currently generating a very significant £2.7bn GVA which is larger than Manchester. Although in absolute terms the creative economy is strongest in North Hampshire (the Guildford and Aldershot area), employment growth in the south of the county has been very rapid over the past five years from a small base. Support for entrepreneurs in the creative industries sector should include:-

- Sector Specific Business Support which fits the creative sector's work model
- Access to equipment and technology
- Affordable Workspace - conversion to residential use caused by planning law change.
- Skills and professional development
- Small grants to catalyse change.

Tidal Energy

The unique double tide on Southampton Water gives the opportunity to promote the development of tidal energy, so as to supply low cost, sustainable energy to Port based industries and provide a cleaner alternative to shore based energy supply for shipping while in port. This could also be the start of a new environmental technology cluster which could become a world leading location for tidal energy technology and demonstration. Southampton is one of five cities in the UK, and the only port, identified as having the worst air pollution and the City Council has started to prepare its Clean Air Strategy.

9. Driving growth across the whole country.

Statement from the Green Paper: "We will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths."

- **What investments in raising skill levels, connectivity or innovation would do most to help encourage growth in your local area?**

Solent Metro

Passenger transport connectivity challenges across southern Hampshire are partly due to the geography. In particular Portsmouth to Southampton rail connectivity is slow (45 - 60 minutes for a 20 mile journey), as is rail connectivity to Southampton airport from Portsmouth and the east, with preference often given to travelling via Gatwick airport as a result of this.

The proposal for a Solent Metro service is to provide an integrated public transport solution East/West across South Hampshire to encourage a modal shift away from using the M27 motorway as a local road. The intention is to free up highway capacity to improve total delay to vehicles which is costly in terms of productivity and competition for business, as well as for the environment.

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10. Creating the right institutions to bring together sectors and places.

Statement from the Green Paper: "We will consider the best structures to support people, industries and places. In some places/ sectors there may be missing institutions which we could create, or existing ones we could strengthen be they local civic or educational institutions, trade associations or financial networks."

- **Which types of institutions should the Government create, strengthen, or remove in your local area to support growth?**

Future South – a candidate for strengthening by the Government

Future South has been established as a joint approach by the Solent Local Enterprise Partnership (Solent LEP) together with the Partnership for Urban South Hampshire (PUSH) and the Hampshire Chamber of Commerce to achieve a low carbon, green economy through offering:

- Finance and innovation support
- Business relevant experience and expertise
- Access to national and international networks
- Opportunities to influence the right people

Future South supports low carbon innovations creating economic growth and improving quality of life. It is an internationally recognised not for profit public-private partnership.

11. And finally, what does a successful Industrial Strategy look like in your local area?

We believe an effective industrial strategy is one that seeks to work with business and industry so as to improve productivity and competitiveness using government initiatives suited to the challenges faced in the many sectors and locations across the country. The best way of building this support is in places where it is needed and therefore will be most effective.

Hampshire's success can be seen in the aerospace and defence sector which currently employs 16,500 people in our county with global players. We are at the heart of innovation in aerospace, marine, life sciences, low carbon energy, digital services and the creative economy. Hampshire has over 3,000 marine companies with world-leading skills. Portsmouth is the base for the national campaign to bring the America's Cup home to Britain. Portsmouth and Southampton Universities have built long term links with business to research and develop solutions in all key sectors.

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