Thames Valley Berkshire
LOCAL ENTERPRISE PARTNERSHIP

BUILDING OUR INDUSTRIAL STRATEGY GREEN PAPER

RESPONSE BY
THAMES VALLEY BERKSHIRE
LEP LTD

INTRODUCTION

1. Thames Valley Berkshire Local Enterprise Partnership (LEP) is responding to the Government's Building our Industrial Strategy: green paper consultation. We are happy to be contacted with any questions about our response and are happy for it to be published.

2. Our response is complementary to that submitted under separate cover by the LEP Network.

3. In formulating our response, we have consulted:

   - The Thames Valley Berkshire LEP Executive Board and Forum:

     http://thamesvalleyberkshire.co.uk/Forum_Executive

   - The six Berkshire Unitary Authorities (Bracknell Forest Council, Reading Borough Council, Slough Borough Council, West Berkshire Council, the Royal Borough of Windsor and Maidenhead and Wokingham Borough Council)

   - All 6,100 businesses, business organisations, education institutes and other interested parties on our LEP mailing list. See our dedicated Industrial Strategy Bulletin:

     http://eepurl.com/czcXWH

   - Over 200 mid-market enterprises (ahead of an event on 9 March 2017)

   - The business organisations with a presence in Berkshire, including the Berkshire Institute of Directors; Thames Valley Chamber of Commerce; Thames Valley Federation of Small Businesses; Thames Valley Institute of Chartered Accountants for England and Wales (ICAEW); Institute of Environmental Analytics (based at the University of Reading)

CONTEXT – OUR PLACE

4. Located immediately to the west of a World City and global hub airport, Thames Valley Berkshire boasts a natural environment that is, in parts, outstanding. Its high-performing economy is worth over £35 billion per annum and makes a net contribution to UK plc, contributing a disproportionately large proportion of economic value to the regional economy[1]. It has the second highest economic output (GVA per head) and productivity levels of all LEP areas outside of London and is one of only four LEP areas to score highly on measures of both economic prosperity and social inclusion[2].

5. Our economy is market-led and the vast majority of jobs are in the private sector. It is intrinsically – and distinctively – an international economy. Global companies such as Vodafone, Telefonica

[1] Thames Valley Berkshire accounts for over 14% of the South East's GVA and 12% of its total jobs, despite comprising only 10% of the its population - Oxford Economics 2016
[2] Joseph Rowntree Foundation, 2016

O2, GSK, Microsoft, Oracle, Fujitsu, HP, Mars and Covance all have a significant presence in the area.

6. Whilst Thames Valley Berkshire has strengths across many sectors of the economy, it has specialisms and strong growth prospects in three: digital technologies; life sciences & healthcare; and energy & environment. Innovation often happens at the margins between these sectors.

7. The digital technology sector dominates the Berkshire economy. There are twice as many digital technology companies in Berkshire than the national average and, by way of example, Reading (and the surrounding area) was identified in the 2017 Tech Nation report[3] as having by far the greatest concentration of tech business of any UK town or city.

8. Thames Valley Berkshire sits within the UK's life science and healthcare "golden triangle" and is home to major life science and healthcare companies such as GSK, Covance, Bayer, Quintiles, 3M, Lonza, Reckitt Benckiser and Johnson & Johnson. Berkshire is also home to cutting-edge energy & environment research, particularly in relation to smart grids, with collaboration locally between IT infrastructure providers, energy infrastructure giants and utility distributers.

9. Despite these significant locational advantages, barriers do exist that stop our businesses reaching their full economic potential, the main three being:

   - Access to talent: our employers attribute a higher proportion of hard-to-fill vacancies to both a lack of quality applicants (**skills shortages**) than is average across England. Skills shortages are most concentrated (i.e. in terms of the proportion of vacancies that are proving difficult to fill due to a lack of candidates with the required skills) in high skill roles (31%). Berkshire-based Foreign Owned Companies report higher levels of skills shortages than companies that are UK-owned and operated[4] (10% report having at least one vacancy that is proving difficult to fill due to skills shortages versus 7% of multi-site UK-owned companies)[5]. Thames Valley Berkshire has the 4th highest proportion of its workforce with **skills gaps**[6] (6%) out of all LEP areas.

   - A lack of affordable housing – to rent and to buy: again, exacerbating the challenge of attracting new talent – the supply of new homes that people can afford to live in is crucial to maintaining the success of the local economy.

   - Increasing congestion on our roads – the transport and communications infrastructure on which we rely is simultaneously a local, national and international resource. It is very congested. This in turn is threatening to undermine our intrinsic growth potential.

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[3] http://technation.techcityuk.com/
[4] *With more than one site*
[5] *Source: UK Employer Skills Survey, 2013*
[6] *Employees deemed to be not fully proficient*

10. Thames Valley Berkshire LEP has therefore identified four key priorities for a national Industrial Strategy, which will ensure that our area continues to ***deliver national growth, locally***:

    - Scaling up for growth
    - Growing STEM skills
    - Transforming infrastructure
    - Retaining international companies

11. The remainder of our response is structured around these four areas (and the role of institutions) and is summarised here:

INDUSTRIAL STRATEGY PILLAR	Supporting businesses to start & grow Investing in science, research & innovation Driving growth across the whole country	Developing skills Creating the right local institutions	Upgrading infrastructure Delivering affordable energy & clean growth Improving procurement	Encouraging trade & inward investment Cultivating world-leading sectors
LEP PRIORITY	Scaling Up for Growth	Growing STEM Skills	Transforming Infrastructure	Retaining International Companies
WHY?	To drive productivity	To improve employability and the talent pool	To improve connectivity in every sense To unlock/enable housing development	945 International Companies in TVB To sustain growth and protect UK SME/MME supply chain
WHAT?	A peer-tested (and/or delivered) support package	A Thames Valley Institute of Technology STEM Solutions Labs	Expanded Heathrow – a global hub airport – and exploit the once-in-a-generation opportunity that this presents	The factors that encourage retention are the same as those that attract investment
HOW?	Through established Business Growth Hubs, in conjunction with the Scale-Up Institute	Continuum of STEM training from school to higher education	Through technology Through a Sub National Transport Body for the SE Through the Major Works Co-ordination Group	Through sector collaboration across geographies
WHEN?	IMMEDIATE	ONGOING	SHORT TO MEDIUM TERM	IMMEDIATE
INTERACTION	Scale Ups are part of the supply chain and need tech skilled staff Creates environment to support commercialisation of new ideas	Key driver of productivity	Transforming infrastructure requires tech skills Global connectivity is why FOCs are here	Talent pool is key to international companies remaining in the UK
KEY EVIDENCE	Scale-Up Institute Scale-Up Training and follow-up Round Table	Skills Priority Statement Thames Valley Area Review of Post-16 Education and Training STEM Strategy & Action Plan	Spatial Economic Narrative Economic Impact studies for Heathrow and Reading – Waterloo line Influencing Strategic Transport in the South East	Science & Innovation Audits Sector Propositions

OUR RESPONSE

12. Overall, we are comfortable that the Green Paper and its 10 pillars are broadly in line with the priorities of our business leaders and thus have made no further comment on **Questions 1 & 2**, copied below:

    Q1 *Does this document identity the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?*

    Q2 *Are the 10 pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?*

13. That said, the need for a national Industrial Strategy has been given increasing cogency since the outcome of the EU Referendum in June 2016 and the subsequent triggering of Article 50. And, given the scale of change in recent years, it can be confidently predicted that there will be further enormous changes over the next 20 years. Some priorities are self-evident, such as the need for fibre optic cabling to every home, and access to 4G (and in future 5G) mobile phone signals everywhere in the UK. But other changes, and their implications for lifestyles and planning, are more difficult to predict.

14. However, we would recommend that HMG does look at international comparisons, where not only best practice can be learnt and shared but also where potential market gaps can be identified, e.g. South Korea, whose 'industrial strategy' has empowered a paradigm shift; or perhaps the sustainable industrial revolution taking place in Denmark – these will and can offer important lessons for UK industry.

15. In developing a national Industrial Strategy, we believe government should be cognisant of the fact that England already has many industrial strategies in place, in the form of the local Strategic Economic Plans or SEPs. Ours is based on economic evidence, engagement with businesses and strategic thinking on the part of our leaders - to focus on the areas of the economy that are most likely to drive productivity and economic growth within specific geographies; it is **place-based**. Our response is made from this perspective - a successful model for place-based interventions.

16. We believe that in driving forward a national Industrial Strategy government should focus on connectivity, in particular:

    - Recognising the increasing role LEPs are playing in connecting businesses, research establishments, educators, and the public and community sectors at a local level, and the critical importance of those local connections – the soft wiring
    - Recognising the importance of retaining international firms - global connectivity - during the Brexit negotiation period and beyond, by committing to the timely delivery of a third runway at Heathrow airport and the accelerated implementation of a Western and a Southern Rail Link to Heathrow, along with greater investment in digital infrastructure

- Maintaining a period of stability within the education and training system to help improve education and business connectivity
- Continuing with *a single pot* 'deal' approach to local growth funding if the Local Growth Fund is to be replaced as the EU structural & investment funds come to an end
- Invest in the success of the Greater Thames Valley - for the wider benefit of the UK - recognising that just one Strategic Economic Plan – in Thames Valley Berkshire (TVB) – will yield £11 GVA (at 2015/16 Present Values) for each £1 of Local Growth Funds invested.

ROLE OF LOCAL INSTITUTIONS

This is a response to the following questions:

Q3 *Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?*

Q31 *How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?*

Q36 *Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?*

Q37 *What are the most important institutions which we need to upgrade or support to back growth in particular areas?*

17. We believe that broadly the right central government and local institutions are in place to deliver an effective Industrial Strategy, though we could learn from the US where they have the "Industrial Internet Consortium" or the German government-led *Industrie 4.0*. In any case, the Triple Helix thesis – university, government, business - for innovation and economic development holds true. The focus should be on ensuring clear roles and responsibilities, maximising strengths and opportunities for collaboration, and eradicating duplication.

18. LEPs are business-led institutions that invest public funds to address barriers to economic growth. They secure these funds through a competitive process and make interventions according to evidence; they do so in partnership with the local government, education and community sectors, and with the main business organisations.

19. LEPs research and understand local sector specialisms; in this regard, Thames Valley Berkshire LEP has developed (and refreshed) three Sector Propositions; for digital technologies; life sciences & healthcare; and energy & environment [7]; and is collaborating in two Science & Innovation Audits: "Innovation South" and "Transformative Technologies Alliance".

20. We have strong links with our local businesses, be they global corporates or innovative SMEs. LEPs have played a vital role in engaging with businesses to develop SEPs - prioritised investment and industrial strategies. Examples of how we have been able to quickly gather opinions of leading global and UK companies include convening a business Brexit roundtable with Lord Bridges of Headley, and interviewing over 30 apprenticeship-levy paying employers (within a three-week period) to ascertain the likely impact of the levy on the Berkshire economy.

[7] http://thamesvalleyberkshire.co.uk/International

21. Businesses we speak with recognise the value of engaging with national institutions on some issues and with local institutions on others. For example, in terms of skills and the future talent pipeline, employers may work directly with the Department for Education or the National Apprenticeship Service in terms of influencing apprenticeship policy and developing standards, but with the LEP and local careers organisations to articulate and promote job opportunities to young people through Labour Market Intelligence (LMI), offering work experience opportunities and attending career events.

22. We concur with the BEIS Select Committee, which has recommended that the government should consider the potential for greater devolution of responsibility to LEPs, who are well placed to identify regional needs and design appropriate solutions; and that it should support and multiply best practice. This is especially important given ongoing fiscal constraints and it is recommended that the government avoids duplication when reviewing local institutions, ensures best practice is shared and thus achieves value for money. LEPs have a strong track record nationally to do just this, having achieved the following in the last three years: 145,000 new jobs; 130,00 businesses supported; 95,000 learners supported; £7 billion private sector leverage; 25,000 new homes.

23. In Thames Valley Berkshire, we have strengthened our governance to ensure a more time-efficient governance structure that puts in place even better checks and balances to reinforce our recently revised Assurance Framework. The LEP and the six Berkshire unitary authorities collaborate strongly. This local, non-devolved structure has not hindered the area from delivering the first two years of the Thames Valley Berkshire Growth Deal on budget and on profile, contributing to the growth of an economy now generating over £35 billion each year.

24. We also welcome the proposal to extend the support LEPs receive from the *What Works Centre for Local Economic Growth*, to help evaluate and maximise the impact of local interventions.

25. We make further comment on national and sub-national institutions throughout our response: on the Scale-Up Institute, the National Infrastructure Commission, Sub National Transport Bodies and the need for a regional or at least sub regional approach to the co-ordination of major road and rail works.

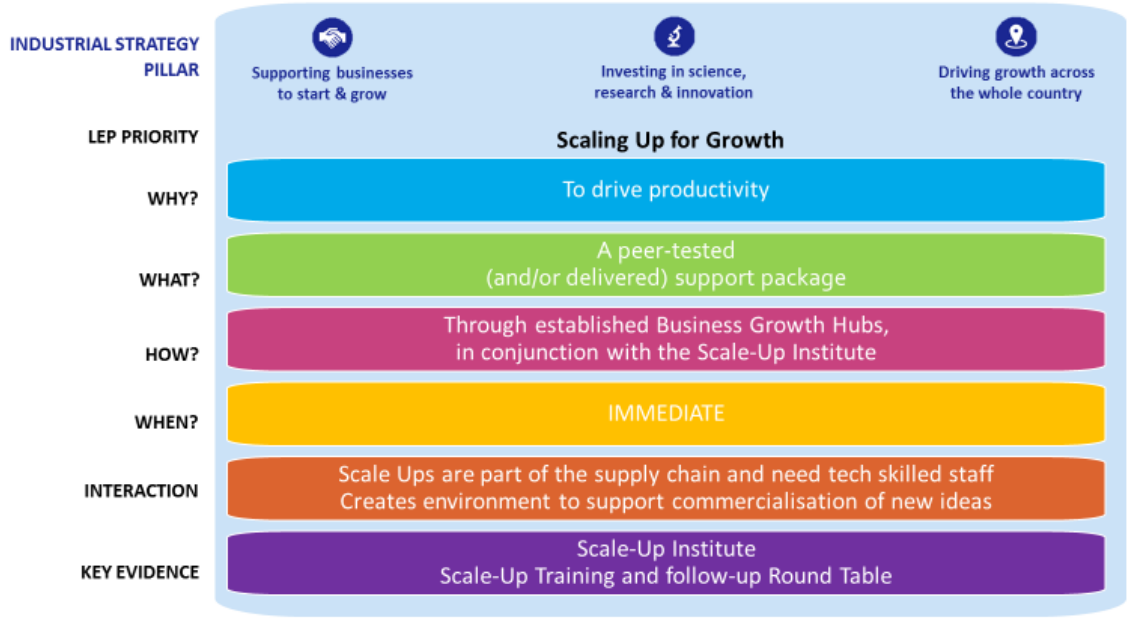
SCALING UP FOR GROWTH

This is a response to the following questions:

Q9 *How can we best support research and innovation strengths in local areas?*

Q22 *What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?*

Q25 *What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?*



26. Thames Valley Berkshire LEP has an 'Observatory' function. We gather, analyse and share local economic, business, labour market, demographic and infrastructure intelligence to inform local interventions. For example, our recent Business in Berkshire evidence pack[8], produced to inform the work of our Business Growth Hub, identifies scale-ups, potential scale-ups and some of Berkshire largest exporters.

27. Our evidence (gathered from survey data and through conversations with local scale-ups) suggests that access to skills (management & leadership skills and digital skills in particular) is a key barrier

[8] http://thamesvalleyberkshire.co.uk/Portals/0/FileStore/DocumentLibrary/Data%20&%20Research/Business%20in%20Berkshire%202017%20-%20Final.pdf

to greater growth within Berkshire. In addition, some firms experience difficulties in finding the right combination of finance and flexible leases that enable them to grow at the rate they would like.

28. The LEP has had a Business Growth Hub in operation for three years and recently let a new contract to continue this service to the wider start-up and scale-up community, for a further four years. This is augmented with a 'GROW@GreenPark' co-working hub and a dedicated, award-winning Funding Escalator, offering non-traditional finance to high-growth potential SMEs. Along with the new Thames Valley Business Park (under-construction) these elements combine to create a strong local business support eco-system.

29. The Industrial Strategy should aim to augment these local levers and ensure that due attention is given to the 6% of businesses that are able and willing to scale up and thus help to drive productivity (and who are responsible for over half of the job creation in the UK). This does not require much in the way of central government funding, though more support from the Scale-Up Institute, on a sub-regional basis, would be of great benefit. In Thames Valley Berkshire, the time is ripe for such engagement: we have a B2B network of Mid-Market Enterprises – Biz Utd – which offers the ideal conduit through which to enable Peer-to-Peer learning, mentoring by more established business leaders, and improve the communication channels between scale-ups.

30. A key area of growth to target for Scale-Ups is export - a recent report by the Centre for Economics and Business Research (CEBR) consultancy (October 2016) highlighted that helping more SMEs enter new markets and increasing their export rate could reap £141.3 billion a year for the UK in overseas sales. The report found that less than a fifth of UK SMEs were selling their goods and services overseas. The UK is among the five worst performing countries in Europe when it comes to getting SMEs to export. The low share of total UK exports that comes from SMEs puts the country at the bottom of European rankings alongside Germany, Sweden, Poland and Finland.

31. Whilst HMRC data ranks TVB 5th out of 38 LEP areas in terms of the overall value of exports (value per job measure) and as the second greatest exporter of services (as opposed to goods) after London, indications are that this is mainly driven by large companies, not SMEs which represent over 90% of the businesses in our area. It is crucial that both the number and frequency of SMEs entering the export arena is increased to maximize their growth and economic return in this under-exploited area.

32. In this regard and beyond simply negotiating new trade deals, a national Industrial Strategy should drive the Department for International Trade to ask and establish, "what are the goods and services that, e.g. China wants to buy but will not be able to produce for itself for the next 10, 20, 30 years?". Therein lies the route to more trade with growing markets.

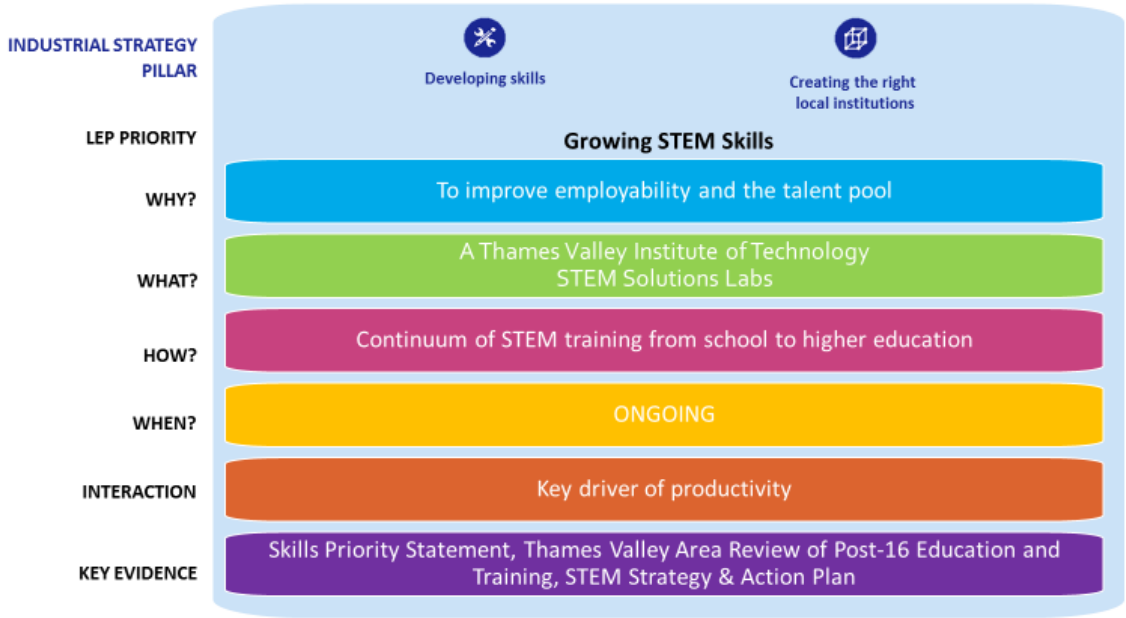
GROWING STEM SKILLS

This is a response to the following questions:

Q11 *Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?*

Q13 *What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?*

Q14 *How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?*



33. Skills and talent is now the predominant issue for business in the wider Thames Valley and has been prioritised accordingly. Within Berkshire, we add value to the wider skills agenda by being able to focus strategically over a real economic geography, and by drawing in business feedback to drive skills decisions. We publish an annual Skills Priority Statement[9] which informs local educational institutions of the skills needs of local employers. We also produce Careers LMI, which

[9] http://thamesvalleyberkshire.co.uk/Portals/0/FileStore/Employability&Skills/Skills%20Priority%20Statement%202016.pdf

informs teachers and young people of the skills that employers are looking for[10]. Both identify the critical importance of digi-tech skills, along with wider STEM skills, to the Berkshire economy.

34. For this reason, we welcome the government's aspiration to see Institutes of Technology created throughout the UK: A local STEM-based Institute of Technology (IoT) has the support of Vodafone UK, AWE, the Institute for Environmental Analytics, Sharp Telecommunications of Europe Ltd and 3M, and is being considered in collaboration with OxLEP and Buckinghamshire LEP.

35. We believe an IoT should provide a central hub through which the local and wider provision combines to meet the STEM and innovation needs of the local economy, connected to the new Thames Valley Science Park, either as a physical hub or developed in collaboration with the many mid-size and tech corporates in the Thames Valley - as a virtual or highly flexible, multi-location facility.

36. Conceptually an IoT could offer a specialist curriculum that retains local choice and provision (at L2/3) whilst offering more bespoke curricula (at L4 to 7) to avoid duplication; in other words, progression routes for technical and professional education and qualifications. It should offer clear pathways between educational institutions, e.g. UTC Reading, investors in training and those embarking on a career that embraces STEM, particularly through the use of digital learning platforms.

37. We are testing the value-add of an Institute of Technology – how can it help co-ordinate, simplify and provide a continuum from primary to higher (STEM) education. In Thames Valley Berkshire, we already have the foundation for this through our investment of Local Growth Funds into a network of 'Solutions Labs' – state of the art specialist STEM laboratories at FE Colleges. Thus, a Thames Valley IoT lends itself more to a virtual model that cross-pollenates the activities of schools, UTCs, further education, higher education and other provision to drive STEM [and T-Qual] skills. Notwithstanding this, a virtual IoT will require a central 'nerve centre' to drive its overarching function and to ensure accountability; the term 'centre of excellence' is more appropriate than 'teaching centre'.

38. More widely, we believe that a period of policy stability with appropriate funding is needed within the education system to help improve education and business connectivity. Our engagement with the national Careers & Enterprise Programme has already established an Enterprise Advisor Network of 27 schools and colleges. A detailed study to map employer engagement across schools was completed in December 2015, which provided baseline data for the Network and this further demonstrates the understanding of place that we can offer.

39. But an Industrial Strategy should strive to ensure that *all* educators - spearheaded by the school/college senior management team – and the young person's social capital (youth groups,

[10] http://thamesvalleyberkshire.co.uk/Portals/0/FileStore/DocumentLibrary/Data%20&%20Research/LMI%20for%20schools.pdf

parents) should be aware of the skills gaps and the importance of connecting and utilising employer networks and schemes to nurture, grow, and harness skills in our young people to meet the needs of the local economy.

40. In this regard, another national institution - Ofsted - should focus on employability skills and employer engagement when inspecting schools; connecting with Enterprise Advisers as necessary. The commitment of schools is paramount to the success of employer engagement.

41. This is also true in monitoring the progress on meeting the recommendations of the Area Reviews of Post-16 Training & Education. In Thames Valley Berkshire, this is actioned though a SEP Programme (Co-ordination) Group, which joins together the project leads of various skills, education & employment projects that are either a direct result of the Area Review or are ESF-funded, e.g. addressing barriers to work; Gearing-up for STEM; skills support for the workforce; Promoting Apprenticeships; Elevate Berkshire.

42. These projects were established through our European Structural & Investment Funds (ESIF) Strategy; another dimension to a 'local Industrial Strategy'.

43. But STEM isn't just about upskilling; it's about the talent pool and here a national Industrial Strategy should provide immediate clarity on the retention of overseas workers. Restrictions on such labour are anti-competitive for places with very high employment rates and an aging population such as the Thames Valley. The difference between constrained places and places with labour market capacity needs to be made clear and different local approaches enabled. We consider that university students should be excluded from immigration figures and that any Strategy should underpin the UK's world-leading stance on research and innovation.

44. That said, our competitors have grown their investment in research and development relative to the UK, and Brexit presents some uncertainty on the future of research funding and European attitudes towards collaborative research and development.

45. The UK invests 1.7% of GDP in private and public funds on research and development. This is below the OECD average of 2.4% and is substantially below the leading backers of innovation – countries like South Korea, Israel, Japan, Sweden, Finland and Denmark. We support the appointment of Sir Mark Walport to consider the case for a new research institution for work on battery technology, energy storage and grid technology. Battery technology is the biggest barrier to the development of Ultra Low Emission Vehicles and it would be a significant win for UK plc if we were to steal a march in this technology.

46. We broadly welcome the introduction of the apprenticeship levy. Our recent research with over 30 levy-paying local employers suggests that it will increase learning and development within the Berkshire economy and will lead to greater opportunities for young people who do not wish to study full-time at university. We will monitor the impact on digi-tech skills and on small businesses,

and will promote good practice approaches. SMEs have the potential to increase productivity by developing the skills of their staff through apprenticeships and workplace learning.

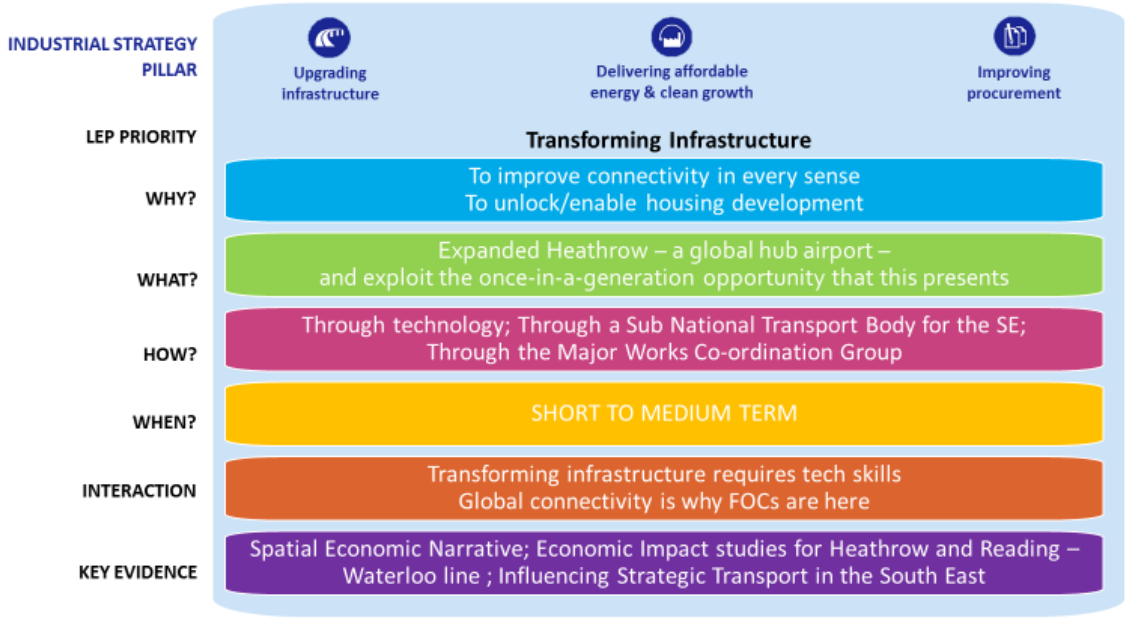
47. It is also the case that there is a very strong manufacturing sector in the South East, generating an output of £19.2 billion (only the North West is larger at £23.7 billion). SMEs in this sector need a skilled workforce, particularly in engineering; and pay well: average pay in manufacturing is £31,489 vs £26,825 in services.

TRANSFORMING INFRASTRUCTURE

This is a response to the following questions:

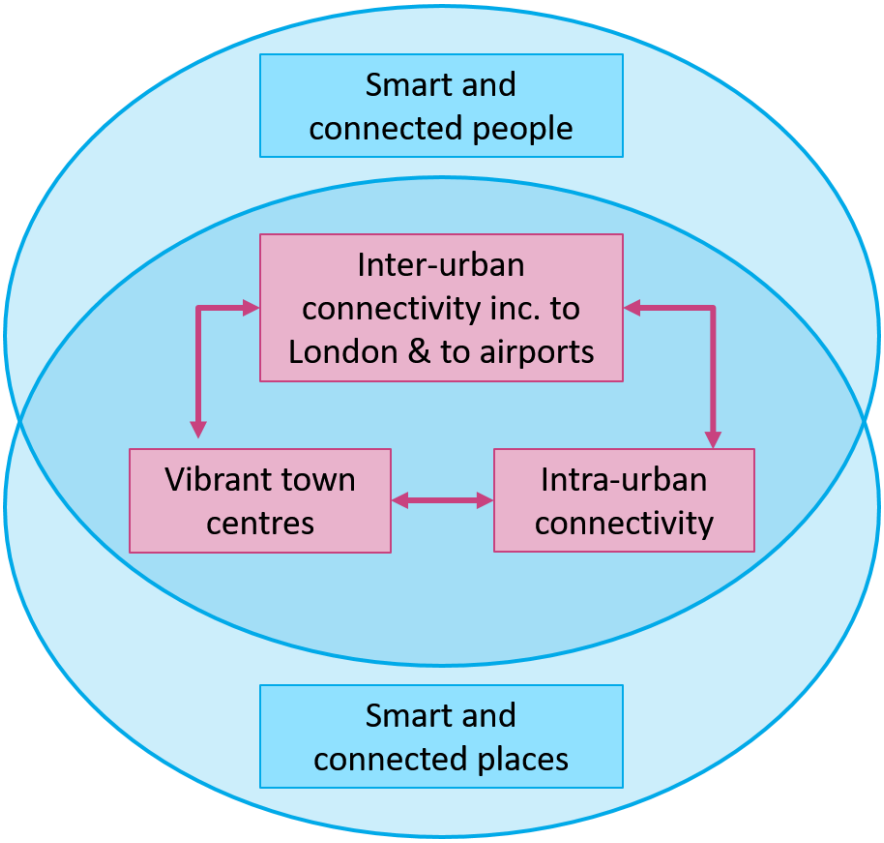
Q15 *Are there further actions we could take to support private investment in infrastructure?*

Q16 *How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?*



48. A national Industrial Strategy should think beyond extant processes and anticipate fast-changing business imperatives. Here the aspirations of the "millennials" and now "Generation Z" - are key and seem to gravitate around lively urban living – at high density – with outstanding connectivity and a good quality of life (in terms of culture, etc.). They are progressively challenging and changing the parameters of work and arguably this constitutes a profound societal change. It is very unlikely that the following generation will revert to old norms – more likely they will continue and possibly extend these trends. This is shaping the way *business does business*, in every sense.

49. Our strong belief is that to support this, infrastructure – and the thinking behind infrastructure – needs to change and must focus on improved *connectivity*, as illustrated overleaf:



50. In terms of inter-urban connectivity, we would emphasise the imperative to expand London Heathrow Airport and accelerate the implementation of a Western and a Southern Rail Link to Heathrow. The acknowledged economic benefits of these strategic infrastructure projects are of national significance and they should be brought into service as soon as possible. An expanded, well connected airport will strengthen the UK's negotiating position on global trade deals.

51. Here we feel that another institution – the National Infrastructure Commission – has a critical role to play in providing a clear and stable infrastructure strategy for the UK. It currently takes a horizon-scanning approach and in this regard, we support its focus on, e.g. the Oxford-Cambridge Expressway. However, it has not engaged with the Western Rail Link to Heathrow, which is currently unfunded in Network Rail's Control Period 6 and draft Strategic Plan for the Western Route. The economic, social and environmental benefits brought about by the project are substantial and will deliver a significant return on investment: an economic impact study commissioned in 2011, based on the existing two runway configuration at Heathrow, identified:

- £1.5 billion of business cost savings and £800 million of additional economic activity;
- 42,000 new jobs;
- one million fewer car journeys as passengers transfer from road to rail;

- less congestion on some of the busiest parts of the UK's motorway network, including the M3, M4 and M25;
- 5,200 tonnes less CO2 released into the atmosphere.

52. This is a flagship infrastructure project for the south, southwest and Wales, as is Southern Rail Access to Heathrow. We feel that the NIC should be much more involved in ensuring a more urgent route through the DfT and Network Rail's internal processes, to deliver these projects in accordance with the Secretary of State for Transport's comments: "*We are also bringing forward plans to deliver western and southern rail access to the airport as quickly as possible to provide greater flexibility, accessibility and resilience for passengers*" (Hansard Vol 620, 2 February 2017[11]).

53. A new approach to infrastructure would also benefit from a national Industrial Strategy that puts more emphasis on the *implementation* of infrastructure projects. We are concerned at the lack of co-ordination that is sometimes evident when renewal and enhancement works are planned and implemented on the Strategic Road Network, the local road network and the adjacent rail routes.

54. This was reinforced by the Commons' Transport Select Committee's report "Surface Transport to Airports[12]" (HC516, 22 February 2016), which recommends that the Department for Transport sets out, in its response to this report, how it expects local authorities, Highways England and Network Rail to "…*co-operate to keep the existing networks operating effectively and what steps it will take towards eliminating planned road and rail closures on the same route at the same time*."

55. Further, the National Infrastructure Forum Insights Report 2016 shows that the top two priority areas to improve Britain's future infrastructure development are, respectively:

    1) Better co-ordination between different agencies within the public sector
    2) Public & private sectors working better together

56. The investment into road and rail infrastructure in Thames Valley Berkshire alone, in the next 5-10 years is considerable but essential to sustain an economy with productivity levels higher than anywhere else in the UK outside of London. We are already leading a communications campaign that presents the benefits of this investment and provides much more notice of disruption than government agency protocols allow. But it is the significant construction work and subsequent disruption, which if not mitigated through strategic and operational co-ordination, that runs the risk of bringing our area – and others like it - to a standstill.

57. As a direct response, we have worked with DfT officials to emphasise how critical it is that detailed co-ordination and communication is managed strategically. However, we believe that the DfT

[11] https://hansard.parliament.uk/Commons/2017-02-02/debates/35730F10-B97C-480B-B3B2-729D5D408BAC/AirportCapacityAndAirspacePolicy?highlight=airport%20expansion#contribution-DF61E014-7168-47BD-B041-B9ED022ADF66

[12] https://www.publications.parliament.uk/pa/cm201516/cmselect/cmtrans/516/51606.htm

should take the lead on this task, supported by the LEP, rather than the other way around. Thus, an Industrial Strategy should look at a regional or sub regional approach to Major Infrastructure Works Co-ordination, the primary purpose of which is to co-ordinate programmes; assess the risks; and manage the disruption generated by the investment into infrastructure across adjacent areas.

58. A national Industrial Strategy should recognise that the growth of a local economy creates a greater need for investment in road infrastructure. However, road capacity cannot indefinitely be increased to meet growing demand, so more efficient, technological solutions are needed. Enabled by technology, working practices are changing profoundly, and this is creating different opportunities and demands in relation to sites and premises, and the infrastructure through which these are connected.

59. In June 2017, the LEP will join the shadow board of the emerging **Transport for the South East** (TfSE). Its ambition is to win government approval as a sub-national transport body for the South East. Legislation allows the Transport Secretary to move strategic planning of transport investment from national level to areas like the South East and we, along with our partners in the public and private sectors, plan to take advantage of this opportunity.

60. The South East currently generates £200 billion a year in GVA – more than Scotland and Wales combined - and is the UK's major international gateway. But this success, and the potential to unlock future growth, is threatened by a transport network creaking under the strain. TfSE would directly influence the decisions of national and regional infrastructure providers and operators including Network Rail, Highways England, ports and airports.

61. Over the next 18 months, TfSE will operate in shadow form, drawing up a transport strategy for the South East in consultation with residents, businesses and transport operators. It intends, with government approval, to become a statutory body by 2019 and we believe that this type of sub-national institution will be essential to provide a single voice for the wider area's strategic transport needs, planning investment where it will have the greatest benefit.

62. TfSE can not only support the delivery of improved infrastructure and growth, especially for housing but also facilitate local planning authorities working together to better support and plan for development and ensure that targets are met.

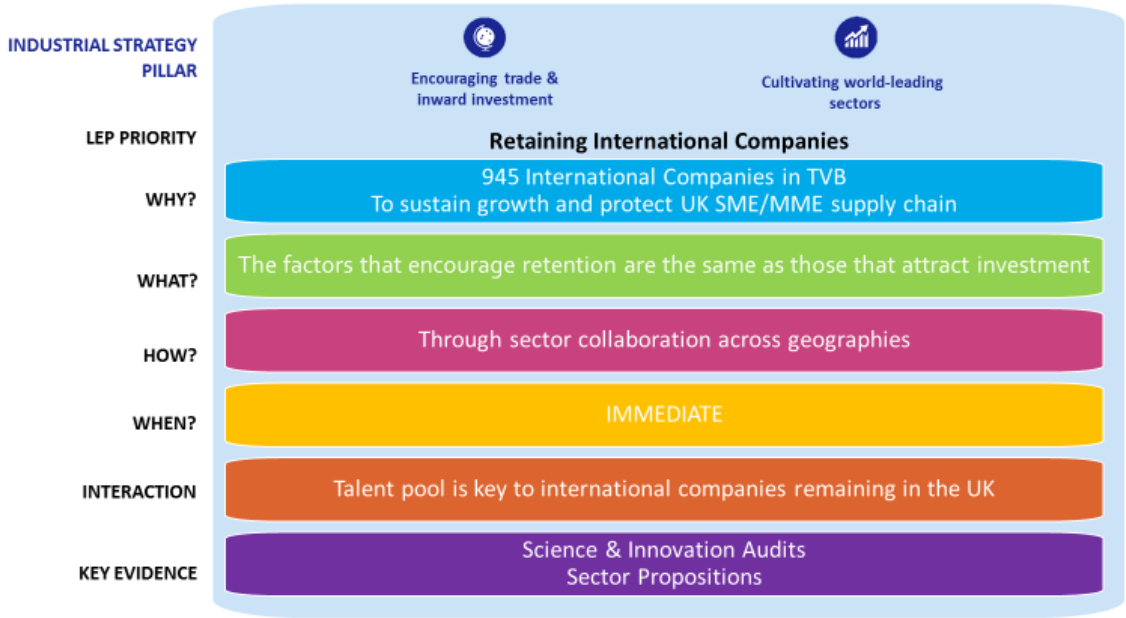
63. Finally, a national Industrial Strategy should influence utilities companies to invest in places where business want to be and where growth is likely to occur. The regulatory framework for utilities companies encourages investment in response to existing demand, not in anticipation of emerging trends. It is therefore important to ensure that utilities companies are fully aware of long term spatial development and growth trends as seen through the eyes of business.

RETAINING INTERNATIONAL COMPANIES

This is a response to the following questions:

Q26 *What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?*

Q34 *Do you agree the principles set out above [regarding driving growth across the country] are the right ones? If not what is missing?*



64. As Secretary of State Greg Clark said in 2016 "*Businesses don't exist at a national level. Every business is located in a particular place".* The components of 'place' are critical in determining where international firms choose to locate within the UK. Be that proximity to markets, business clusters, transport links, the available talent pool or simply a connection that a senior decision maker has with a certain locality.

65. Thames Valley Berkshire is home to the highest concentration of Foreign Owned Companies (FOCs) in the UK – 945 in an area of fewer than 900,000 residents. They are an intrinsic part of the local economy, collectively providing direct employment for a quarter of the local private sector workforce, and indirect employment to many more (within Berkshire and elsewhere in the UK) through their supply chains (Microsoft alone has a UK network of 5,000 SMEs).

66. Many international firms who initially landed within the UK in the Thames Valley (attracted by the proximity to Heathrow airport, London and mainland Europe and/or the tech and sales talent pool) have gone on to set up operations elsewhere in the country, e.g. Pegasystems Inc.

67. Others have head office functions in Thames Valley Berkshire but a significant proportion of their workforce are dispersed across the UK, for example home-based tech company employees or field-based life science company employees.

68. Conversely firms such as Jaguar Land Rover undertake car production in the Midlands but have chosen to base their tech centre within Thames Valley Berkshire, to take advantage of the abundance of local tech talent.

69. As such, we do believe that more emphasis should be placed on measuring the impact of FDI on growth and believe that the importance of attracting and retaining FOCs needs to be recognised as a key driver of growth across the whole of the country. But, more importantly, there is an immediate imperative to focus national and local resources on retaining anchor FOCs who may be considering moving operations away from the UK in light of Brexit. The Industrial Strategy must send a strong and positive message to those international companies with UK, European or Global HQs in TVB; their retention is more critical than ever, not only to secure the economic contribution they make but also to sustain the supply chain they share with other, smaller businesses.

70. Local Enterprise Partnerships play a key role in creating the right conditions for attracting and retaining FOCs. Whether that's through investment in infrastructure, cultivating talent pipelines by articulating skill needs to local education providers or working with local partners to identify and promote sector specialisms. And – as local institutions – they have the tools and networks to fulfil this role:

    - Business Growth Hub
    - Funding Escalator (Thames Valley Berkshire LEP was the first in the country to take the bold and innovative step of investing £8.3 million in a bespoke Funding Escalator, managed by an FCA-regulated fund manager, for SMEs. Over £6 million has already been approved in business loans and equity for local start-ups and expanding, next generation businesses)
    - Collateral such the Sector Propositions already mentioned at 19.
    - Access to sophisticated business networks, in particular professionals, MME and SME. Our goal remains to spur a genuinely networked business community in which cross-referrals are common-place and agglomeration benefits are realised.
    - Globally recognised academic and research institutions in the University of Reading and Henley Business School.