

+ Cheshire & Warrington Inward Investment Strategy Development Report



25/6/2020



The Study

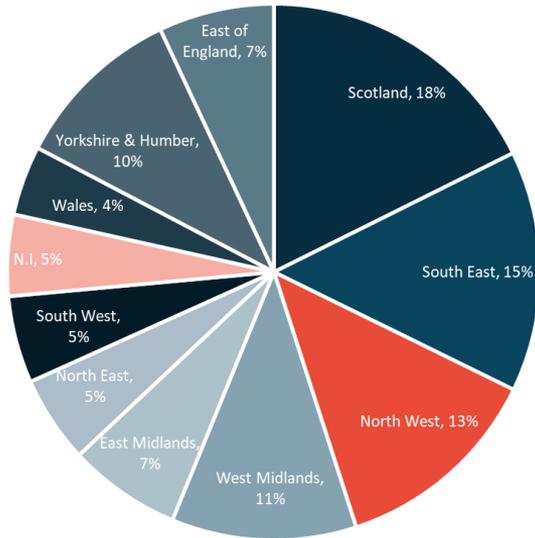
- + Commissioned pre-COVID to :
 - + “To determine how best to develop, structure and focus our inward investment approach and programme.”
- + Findings
 - + put forward recommendations as to the optimum approach to deliver sector growth.
 - + inform the basis of an inward investment strategy, with clear recommendations on targeting
 - + fill in the gaps in existing intelligence
- + Developments: the global economy and the associated market for inward investment has stalled and there is little certain clarity on how sectors and geographies will emerge.
- + The insights & findings provide an informed assessment at a point in time, during a rapidly evolving situation.

+ The Inward Investment Market Context Pre-C19

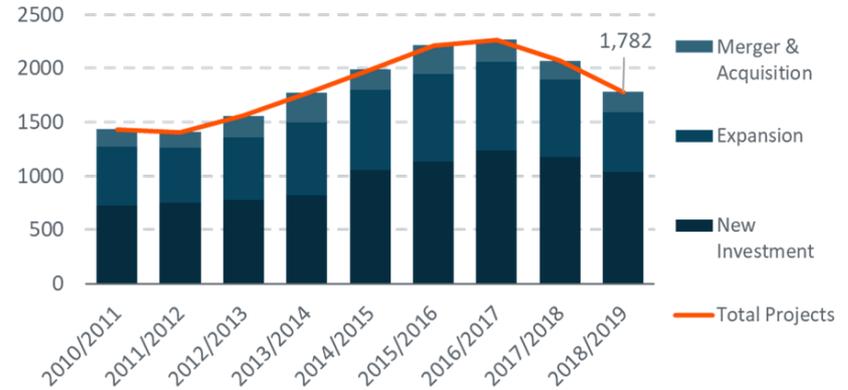
Drivers & Trends

Outside London, FDI projects are quite broadly split across UK regions.

Beyond London, UK Inward Investment Projects by Region 2019 (Exc M&A)



UK FDI Projects by type 2010/11-2018/19

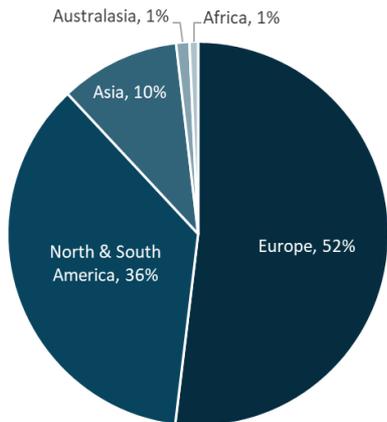


The number of FDI projects secured by the UK was on an increasing trend until 2016.

Since then the volume of activity has fallen back, making the market more competitive among UK regions.

Drivers & Trends

Sources of Global UK FDI (Measured By Liabilities in the UK held by foreign companies), 2018



Foreign ownership of UK companies is dominated by Europe and North America.

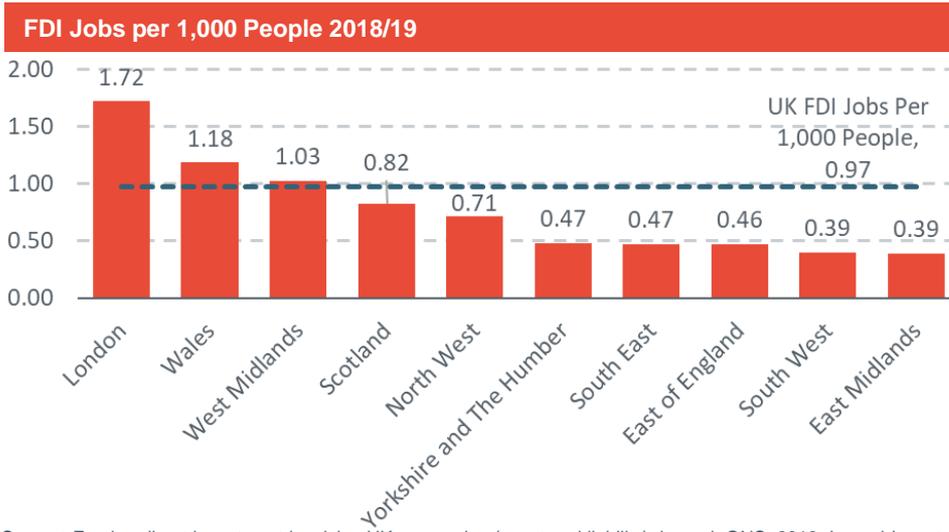
The value of UK inward FDI stock has been on a steadily rising growth path over the last decade.

UK Inward FDI Stock Value (Trillion USD)

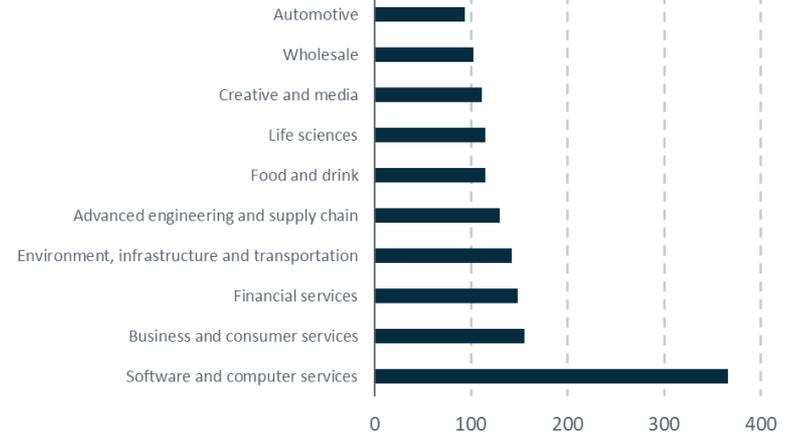


Drivers & Trends

The North West has not generated as many FDI driven jobs as other regions of the UK. London has nearly 2.5x as many FDI jobs per 1,000 people as the NW.



Top Ten UK Inward Investment Sectors by Project Count 2018/19

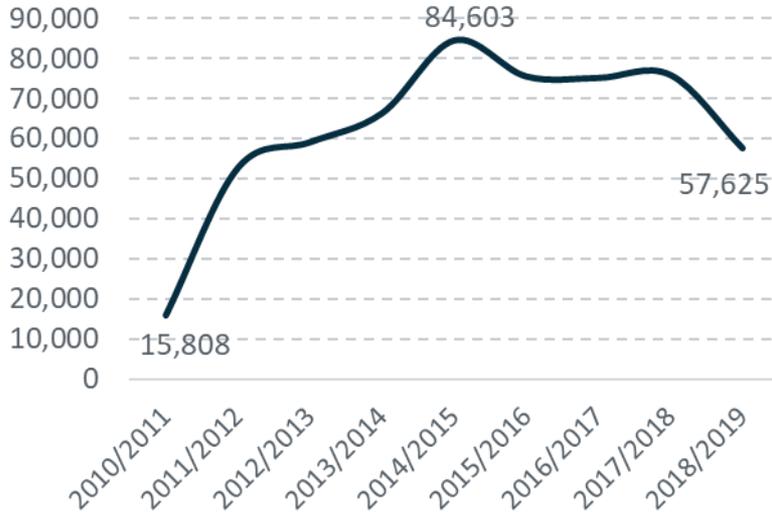


FDI projects in the UK are now clearly driven in large part by activity around service sectors. Transport, environmental and advanced engineering also have played a significant role.

Drivers & Trends

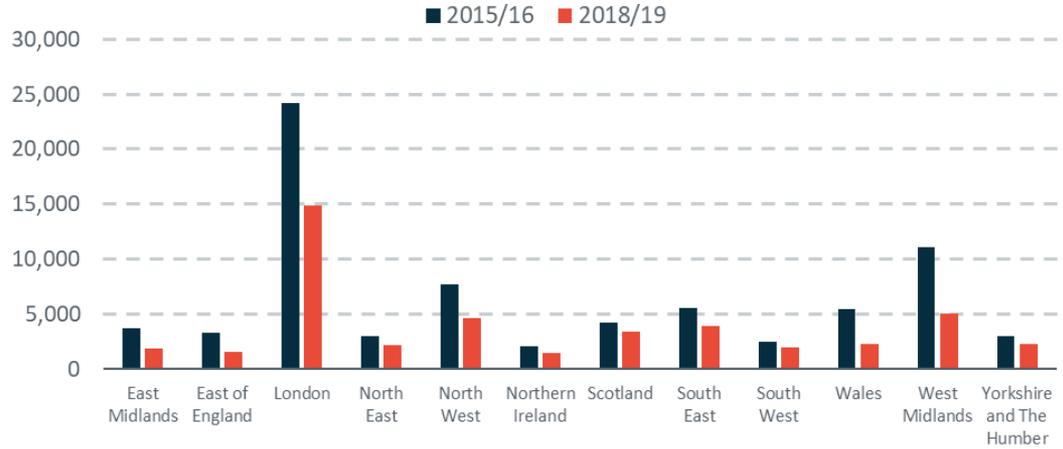
The number of new jobs created as a result of FDI has increased considerably since 2010, yet, following a peak in 2014/15 the number of new jobs created by each year from FDI has begun to flatline and then decrease.

New UK Jobs Created By FDI 2010/11-2018/19



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New FDI Jobs Created by UK Region, 2015/16 and 2018/19



The downward trend in FDI has impacted on the number of jobs it has created.

The number of new FDI jobs created in each region is lower in 2018/19 than in 2015/16 (the first and last year for which data is available).

Critical strengths, capabilities and opportunities

- + Inward investment entering the UK has risen since 2010, although since the 2016 EU referendum the trend has been less positive.
- + Inward investment still creates a significant number of jobs each year in the UK and it remains an important part of the economic development growth tool kit for local areas.
- + A significant amount of inward investment entering the UK has gone towards business expansion and new business investments which are strong creators of jobs and GVA growth (when compared to the much smaller proportion going towards mergers and acquisitions)
- + London dominates the UK as the pre-eminent destination for FDI investment. It accounts for 49% of investment projects secured (exc M&A). The remaining half are fairly evenly split between UK regions.
- + EU Exit will put stress on the source of the UK's foreign-owned business base. Of the top ten inward investor nations to the UK (by project count), five are EU countries. In addition to this, the UK receives high levels of inward investment from:

EU

USA

India

China
& HK

Japan

Aus & NZ

- + The top five UK sectors accounting for over 50% of all UK FDI backed projects in 2018-2019 are:

Software &
Computer Services

336 projects

Business &
Consumer Services

155 projects

Financial
Services

148 projects

Environment
Infrastructure &
Transportation

148 projects

Advanced
Engineering &
Supply Chain

130 projects



Good Practice Review

LEPs and Inward Investment

- + Pre-COVID, inward investment resources across the UK were declining.
 - + Invest Liverpool (refocused on indigenous) and Invest Essex (scrapped altogether).
 - + Little activity in high-tech hubs like Cambridge, Oxford and Reading/Thames Valley.
 - + Large investment teams like MIDAS and Locate in Kent are now the exception not the rule.
 - + West Midlands likely to see expansion in run up to Commonwealth Games with extra DIT funding.
 - + Massive loss of resources for teams post-ERDF with much uncertainty.
- + Sustained period of largely successful growth and FDI has led to:
 - + complacency about how to succeed
 - + locations forgetting the rationale for attracting inward investment
- + By and large, across the UK, LEPs have
 - + very similar sector target focus
 - + and fairly predictable and generic propositions.
- + Few areas are consistently
 - + proactive in chasing leads and nurturing opportunities
 - + innovating in how they attract businesses and investment.
- + UK inward investment successes in last decade do not match the sectors being targeted
 - + too little emphasis on role of expansions
 - + too much on large (questionable value) projects in each area

Lessons From Elsewhere

Coventry & Warwickshire

- + One of most successful LEP areas per capita for inward investment
- + Track high growth automotive companies and engage early
- + Deep focus on one major strength (Auto) and its future direction (Autotech/Mobility)
- + Integration of account management of existing players and inward investment
- + Coventry has team of four people, partially embedded with partners at West Midlands and local levels
- + Coventry and Warwickshire teams collaborate closely, share website and act with single voice (using LEP as umbrella)
- + Acknowledges its role alongside a big city and in a wider region
- + Supports development of significant R&D assets to act as magnets for future investors

Greater Brighton

- + Little track record of inward investment and few resources, but recognised need to up their game
- + New approach based on creating a light-touch inward investment desk (2-3 people) serving several council areas
- + Puts market research and intelligence at heart of approach
- + Largely sector agnostic, instead focus on specific opportunities
- + Tracks new FDI into London and engages for first year, before deep roots are laid
- + Supported by C2C LEP but recognise different economic geography and more focus on Brighton and links to Gatwick
- + Good working with relationships established DIT and local authorities
- + Universities play a key role in supporting the team, especially with access to global alumni networks

Bristol & Bath

- + Core LEP team (4-5) supported by four local council EDOs operating a One Team approach
- + Wider team shares workplaces and deploy flexible and transparent arrangements
- + Regular LEP-wide training of inward investment team is key, especially on new channels and tools
- + Strong sector focus which uses experts and secondees in target industries to leverage their networks
- + Active in outreach with similar regions globally with same sectors
- + Good integration with local start-up ecosystem to promote to inward investors



Partner Insights

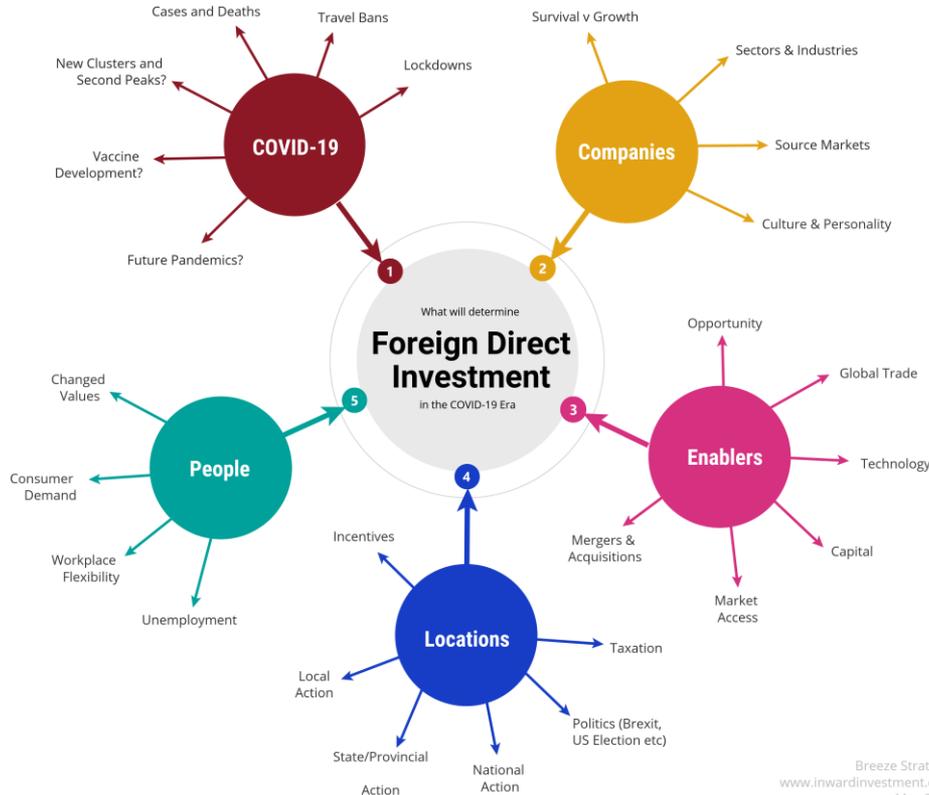
Business Views

- + A small number of interviews with nominated businesses were undertaken in early May as the lockdown started. Respondents were pre-occupied with C-19 planning and those who did engage offered few real insights into the drivers of investment.
- + Interviewees were proposed on basis of having had some experience of overseas investment and currently trading locally
- + Insights generated:
 - + Investments were driven expansions or acquisitions of company groups (sometimes large companies which included sites in C&W).
 - + The drivers of these investments (and ongoing commitment to the site) were the familiar themes of Cheshire Warrington being: **well connected**; offering **good labour market** reach and building on an **established track-record** of trading from that location.
 - + Knowledge of the LEP's business support, networking and place promotion work was fairly limited, but recognised as being important functions to help the area grow.
 - + Future prospects were clouded by C19 and EU Exit uncertainty: although the fundamentals are strong those companies with sister sites in the EU are concerned about their medium term favourability in the board room, if difficult decisions need to be made.



Global Investment Scenarios: in a post COVID Lockdown & EU Exit World

The Drivers of Investments: A New Factor



The fundamental drivers of investment will remain, but COVID will influence what can be achieved in the short term.

Critical Insight:
There are lots of dynamic parts that determine Inward Investment: only a few can be influenced by government & LEPs.

COVID-19 changes FDI

- + Inward investment was changing pre-COVID in response to:
 - + Technology dissemination through the economy
 - + Globalisation from trade liberalisation and extended logistics networks
- + These existing trends have been accelerated in 2020 and will impact the drivers of FDI as companies:
 - + change their location footprint to more dispersed, safely accessible and resilient solutions
 - + alter their supply-chains to provide more certainty and minimise disruptions
 - + and question their HR strategies as technology makes all talent to work models.
- + **Inward investors will seek new solutions and have different needs. They require a different response from locations.**
- + Any future investment strategy must be founded upon an understanding of **why companies expand**.
- + The drivers of inward investment can be many and complex, but at their core, they are the pursuit of **new or better access to:**
 - + **Markets/Customers**
 - + **Suppliers/Materials**
 - + **Talent**
- + C19 and EU Exit put renewed spotlight on these drivers and have accelerated long standing trends on factors which shape firms approach to their location strategies.

New Drivers of FDI

What drives companies to expand?	Pre-COVID Trends	Post-COVID Change	What does it mean for C&W?
New/Better Access to new Markets	<ul style="list-style-type: none"> • Global market growth • Boots on ground • UK #1 in Europe • Free trade 	<ul style="list-style-type: none"> • Domestic survival • Virtual entry • UK post-Brexit? • Trade wars/tariffs 	<ul style="list-style-type: none"> • More precise targeting of firms in growth mode • Create virtual soft-landings for inward investors • Stress European access and beyond
New/Better Access to Suppliers	<ul style="list-style-type: none"> • Global supply-chains • China focus 	<ul style="list-style-type: none"> • Regional supply chains • Near and reshoring 	<ul style="list-style-type: none"> • Reshoring opportunities with UK firms • Rapid automation and digitisation solutions
New/Better Access to Talent	<ul style="list-style-type: none"> • Tight skills market • Rising costs • Lure of cities 	<ul style="list-style-type: none"> • Rising unemployment • Lower costs • Remote/home working 	<ul style="list-style-type: none"> • Ready-made workforce • Cost-competitive and high quality • Lifestyle benefits and potential to be a UK talent hub

Expected FDI Sector Risks 2020-23

Opportunities	Some Potential	Most at Risk
<ul style="list-style-type: none">• Med-tech• Pharma/Biotech• Online retail• Software (esp Cyber, AI)• Telecoms/Networks• Logistics• Industrial Automation (4.0)• Create Tech (VR/AR)• Infrastructure (rail)	<ul style="list-style-type: none">• Construction• Chemicals• Engineering• Energy/Clean Tech• Defence• Plastics	<ul style="list-style-type: none">• Aerospace/Aviation• Automotive• Leisure/tourism• Offline retail• Financial Services• Apparel

Early Impacts of the Crisis

Cheshire & Warrington was already under pressure to compete better.

- + This is a critical crossroads for local and regional economies
 - + Cheshire & Warrington needed to up its inward investment game pre-COVID.
 - + In the next 2-3 years, inward investment will decline (forecasts vary from 30-40%)
- + The need to attract jobs and investment will never have been more important
- + Yet, securing retain investment will be increasingly competitive.

Existing investors in Cheshire and Warrington have already been at the forefront:

- + 1,000 jobs cut at Bentley in Crewe
- + 500 contractors redundant at Airbus in Broughton (and an future uncertain for 5k)
- + Vauxhall closed until September, with future uncertainty over long-term viability
- + Unemployment rates doubled in 3 months and worse to come post-furlough
- + Neighbouring areas job cuts - both airports, JLR, Manchester and Liverpool city centre retail and leisure

Not all doom and gloom:

- + 75 new jobs from Kazakhstan offshore company, Fortress (Ellesmere Port)
- + 350 jobs at Bilfinger (Warrington) for Hinkley Point

Longer- Term Global Investment Scenarios

- + The future global environment for investment will shift as a result of the COVID & EU Exit. Although the fundamental will still be in play, the impact of these developments
 - + are not yet clear and wont be for some time
 - + and, will likely be different across locations and sectors.
- + To help understand the likely potential implications for Cheshire & Warrington, six global scenarios for economic growth and investment should be considered.



Potential Global Scenarios & C&W

Monsoon

Quick Unpleasant Drench

The COVID crisis is a short shock, that has no material impact on the investment market or Cheshire & Warrington's competitive standing, once it passes.

- + **Likelihood:** *almost **zero***
- + **Relevant Response:** *be patient, maintain business contacts & retain pre-COVID priorities*

Tree Across The Road

Recovery To Normal

Once the lockdown lifts there will be a reasonably rapid unwinding of investment bottlenecks and flows will return to normal in 12-24 months.

- + **Likelihood:** ***moderate** for some parts of the economy & sources of investment, but increasingly **slender** for others as the (re)lockdown endures*
- + **Relevant Response:** *work hard now to maintain and cultivate investor relations in order to be ahead of competitors as market moves back to normal.*

Potential Scenarios

Forest Fire Survival Of The Strong

Less competitive businesses do not survive through:

- + cashflow crisis in lockdown
- + competition from countries that open up more swiftly
- + trade barriers emerging from EU Exit
- + **Likelihood: significant** for lower value & mobile global manufacturing, and service sector businesses struggling with fixed costs
- + **Relevant Response:** re-prioritise on areas of economy in greatest need ie:
 - + create large numbers of new jobs
 - + are part of the foundational economy
 - + secure viable base in urban centre

Sink Holes Emerge Strategic Asset Loss

Critical businesses in the local economy do not survive the medium & long term impact COVID & EU Exit.

- + **Likelihood: significant**
 - + for airport dependent business
 - + business reliant on supply chains that remain closed down
 - + globally owned businesses subject to retrenchment
- + **Relevant Response :**
 1. Secure investment to retain local operations and capacity in vulnerable businesses by making case to HQ, facilitating M&A & pushing for govt support
 2. Re-focus priorities onto businesses where local competitive assets remain & investment potential persists

Potential Scenarios

A New Normal A Fundamental Value Shift

Economy shifts focus onto foundational sectors, local supply chains, ethical models, sustainable products and new models of business operations such as dispersed working.

- + **Likelihood:** **moderate** overall, but likely to have an impact in some sectors such as:
 - + business & professional services
 - + automotive
 - + & energy sector.
- + **Relevant Response:**
 - + Recast priorities to focus on welcoming new business models, esp with strong values focus
 - + Engage assertively with place-based, local & ethical investment channels

Defences Breached New Competitive Threats

The COVID lockdown and/or distractions due to EU Exit planning allow overseas competitors to gain a critical edge over UK businesses as a destination for inward investment.

- + **Likelihood:** **slim** in practice, **but** this potential could be a helpful working scenario to help develop proactive response plans for longer-term advantage.
- + **Relevant Response:**
 - + Identify and target future sources of investment in emergent markets post COVID (eg China etc)

What Is the Likely Mix?

- + All these possible scenarios are in play and could impact on sectors businesses prioritised by Cheshire & Warrington
- + Attaching probability or even ranges of likelihood is not currently possible , but these scenarios can help guide decision-making an more detailed responses to the evolving context.



+Cheshire & Warrington Priority Sector Investment Prospects

Life Sciences

A specialised employment cluster...

7,150 Life Science
Employees

Index of Specialisation: **1.8**



A rapidly expanding business base...

+25% Business base growth since
2014

175 Businesses



Niche strengths:

- Manufacture of pharmaceutical preparations
- Wholesale of pharmaceutical goods
- Research & experimental development on natural sciences & engineering



An innovative sector drawing on local assets:

- NHS Foundation Trusts
- Manchester Science Parks including Alderley Park
- Sci-Tech Daresbury
- Medicines Discovery Catapult
- Bionow
- Waters Centre of Excellence for Mass Spectrometry
- Manchester Cancer Research
- Research excellence and specialist universities including Manchester, Liverpool, MMU, Keele and Liverpool School of Tropical medicine
- Antimicrobial Resistance Centre

A highly connected sector...

Road - M6/M56/M53/M62

Hs2 - To London within 1 hour

Air - Two international airports within 30 minutes drive

Sea - Port of Liverpool, Port of Warrington, Port Ince and Port Cheshire



A large and highly skilled talent pool...

21,565 Medical, biological and veterinary science graduates from HEs within and near the LEP

Of which...

2,590

Studied molecular biology, biophysics & biochemistry

1,175

Studied medical technology

1,025

Studied serology



Source: UK Business Counts, 2014-2019; Business Register and Employment Survey, 2013-2018, HESA; Students in Higher Education Providers 2018/19, 2018-19

Life Sciences Prospects

Baseline Position

Cheshire & Warrington is a recognised hub of life sciences with a clear specialisation.

The local life sciences sector has sub-sector strengths in:

- + Research and experimental development of biotechnology solutions
- + Manufacture of basic pharmaceutical products and, Wholesale pharmaceutical goods

Life sciences creates a significant number of good quality, higher value jobs and Cheshire & Warrington can offer a high quality of life to people working in these roles.

The sector has been expanding rapidly locally and growth can be further sustained through the area's:

- + strong transport links
- + healthy enterprise culture
- + ready access to significant skills and knowhow and nearby universities, which produce a steady stream of trained graduates and engage in life sciences research.

COVID 19 & Life Sciences

Immediate

1. UK government has pledged £20 million to the Coalition of Epidemic Preparedness Innovations and £20 million for COVID 19 research via UKRI and the National Institute for Health Research.
2. COVID-19 is putting the supply chain for life-science goods & services under pressure. Some companies have seen an upsurge in demand that has required extra manufacturing resources. Others have seen demand for their products decline (ie companies that manufacture equipment used solely in elective procedures that are postponed).
3. Other supply chain challenges have been created by limits on imported raw materials – 90% of active pharmaceutical ingredients used in common drugs are produced in China, and in March 2020 India set a limit on exports of its generic pharmaceuticals.
4. Changes in regulatory regimes to accelerate the pursuit of a workable coronavirus vaccine could create new opportunities and challenges for the sector.
5. Due to the already heavily automated nature of the manufacturing, any loss of staff who contact the virus and need to self-isolate could impact on critical roles which may affect critical business operations.

Longer Term

1. The global economy can be expected to put higher investment focus on the life sciences sector in response to heightened risk concerns about a future pandemic.
2. Early signs are that the UK may be a leading candidate to produce a C-19 vaccine, which will ensure greater attention on UK know-how and market potential.
3. UK government handling of the crisis and a prolonged lockdown could have a detrimental effect on the UK's reputation as a life-sciences centre of excellence.
4. Cheshire & Warrington's base of drugs manufacturing companies could be vulnerable to global investment interest, however UK Government is proposing changes to the Enterprise Act 2002 to protect businesses crucial to pandemic response from takeover by a foreign firms.
5. UK companies that have ramped up production capacity may find themselves with excess capacity as normality returns or competitors eclipse them in the race to succeed.

Future Scenario(s)

- + There is a risk that **Sink Holes Emerge** in the Life Sciences sector which would see Cheshire & Warrington lose strategically important assets from its economy. Although much of the UK sector is globally competitive, there may be elements that do struggle to survive. Cheshire & Warrington may find some of its smaller businesses and its manufacturing base is particularly vulnerable.

C&W Response Options

- + Continue to reinforce positive image and evidence of C&W as an established life sciences base with diverse potential to capitalise on growing international investor interest and market demand for life science products.
- + Nurture strong network and enterprise culture among existing life sciences businesses in C&W to ensure a strong local sense of a cluster destination and skills/labour market offer.
- + Work with target businesses based in C&W to proactively support expansion and diversification of local foreign-owned businesses.
- + Build and maintain intelligence on global market trends and (what could be and rapidly evolving) local business base to ensure C&W LEP and partners are informed and well-connected to capitalise on opportunities a(and to stave off threats).

High Value Manufacturing

A large and growing employment base

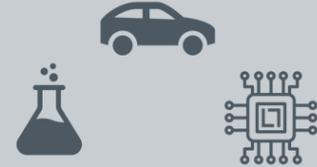
40,325 Employees



+2% Growth since 2013

Niche strengths:

- Manufacture of motor vehicles
- Manufacture of chemicals
- Manufacture of computers and electronics



An innovative sector drawing on assets such as:

- Virtual Engineering Centre, Sci-Tech Daresbury
- The Hartree Centre, STFC Daresbury
- National Graphene Institute, UoM
- Henry Royce Institute, UoM
- Thornton Science Park

An important and high value sector...



13% Of all Northern Powerhouse high value manufacturing GVA

18% Of all Cheshire & Warrington GVA



A growing business base ... **2,050** Businesses **+12%** Growth



A highly skilled talent pool...

9,125



Engineering & Technology graduates from nearby HEIs

Of which...

1,790
Studied computer science

1,080
Studied mechanical engineering

955
Studied Electronic & electrical engineering

High Value Manufacturing Prospects

Baseline Position

Cheshire & Warrington has an extensive footprint of high value manufacturing which sustains a significant number of jobs and critical skills attractive to potential investors.

The HVM sector is well-represented in three vital sub-sectors which have solid long-term growth prospects:

- + Manufacture of motor vehicles
- + Manufacture of chemicals and chemical products
- + Manufacture of computer, electronic and optical products

The businesses that succeed will be those that can adapt to new economic pressures and respond to the drive to innovate with new products and productivity generating processes.

Although employment has remained steady, the number of businesses in the LEP area has grown suggesting a shift to more agile, digital and higher value activities.

Cheshire & Warrington is close to a substantial base of higher education activities in academic disciplines central to innovation and skills in the manufacturing sector and is well connected to suppliers and customers via the motorway, rail and air links.

COVID 19 & HVM

Immediate

1. Almost two thirds of manufacturers have seen a fall in turnover and just over 20% have seen a dramatic drop ie >50%. Although 90% of manufacturing business are still trading, one quarter of the workforce is on furlough and just over 20% were still working from home at the end of May. Many manufacturing businesses have been operating on a reduced basis due to distancing requirements. Only 20% of manufacturers have avoided calling upon government support during COVID. Around 40% of manufacturers have less than six months worth of reserves to cover reductions in cashflow. **
2. 57% of manufacturers are exporting less than normal and 46% are importing less than normal. Over 10% of manufacturing businesses involved in trade have been unable to import/export during the pandemic. 20% of manufacturers have had to source new suppliers during COVID and 9% have found the price of inputs has gone up (although 10% have found they have reduced). **
3. The important motor vehicle manufacturing sector is braced for the impact of car sales falling to their lowest level since 1946 in April 2020 ie a 97% drop in sales on the previous year. Vauxhall which employs people in Cheshire & Warrington has seen sales fall 96%.
4. Important, essential manufactured goods such as chemicals and chemical product manufacturing which produce raw materials for critical medical and hygiene products are in high demand.

Longer Term

1. Although global supply chains have yet to experienced any major blockages, manufacturing businesses do need to be flexible and vigilant to ensure they can continue to adapt. Stockpiles to handle possible No Deal EU Exit are said to have been run down in most parts of the economy and the risks of a second C19 peak, coinciding with the end of the EU Exit transition phase in December 2020 could rapidly put huge pressure on UK manufacturers.
2. UK Manufacturing faces real challenges from the new trading relationships with the EU, particularly if the threat of a No Deal Exit persists. Some overseas investors may identify opportunities from the UK's new trading status, however the general prognosis is that EU Exit will weaken the UK's standing as a destination for investment.
3. The longer term impact of COVID 19 may see some supply chains in the manufacturing sector move on-shore to bolster UK resilience and self-reliance. UK Government could underscore this trend with any upcoming investment programme for UK recovery.

Future Scenario(s)

- + The **Forest Fire** scenario will impact on manufacturing firms; resilient supply chains operating in highly digitised and automated environments are better positioned to weather the crisis, but business vulnerable to stiff overseas competition lacking a distinctive market rationale/offer will struggle. Their assets and the skills they employ are not likely to be attractive magnets to investors.
- + There is a risk that some of the area's larger foreign owned companies are also held back from further expansion and investment in favour other locations which could see a **Breach in the Defences** of Cheshire & Warrington's higher value manufacturing businesses.
- + On the other hand, there is some scope that we may see aspects of a **Value Shift** take root whereby lower value manufacturers in critical market areas important to UK resilience (and buoyed by a trend to Buy British) may get a post COVID/EU Exit boost as the UK endeavours to make itself more self-reliant on critical goods.

C&W Response Options

- + Proactive engagement with overseas owned companies to maintain investment interest & commitment to Cheshire & Warrington and the UK.
- + Stronger focus on building a profile for the assets, skills, knowhow and capacity of high value automated businesses in the area.
- + Develop stronger sense of an exclusive higher value manufacturing community.
- + Early warning and rapid response to threats with creative re-use of assets to better position towards growth markets and labour market responses to redeploy valued skills in long-term growth green and automated industries.

*Source: Car Registrations SMMT Vehicle Data, SMM, 2018-2019 <https://www.smm.co.uk/vehicle-data/car-registrations/>; Covid 19 Manufacturing Monitor, Make UK, 01/05/20 ; What will manufacturing's new normal be after COVID 19, Industry Week, <https://www.industryweek.com/technology-and-iiot/article/21129334/what-will-manufacturings-new-normal-be-after-covid19>

** ONS **Business Impact of Coronavirus Survey** <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/coronavirusandtheeconomicimpactsontheuk/18june2020>

Clean Energy

A significant and growing employment cluster...

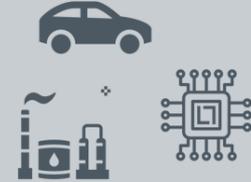
30,075 Employees



+14% Growth since 2013

Niche strengths:

- Manufacture of motor vehicles
- Manufacture of electrical equipment
- Minerals & oil refining



An innovative sector drawing on assets such as:

- Mersey Tidal Power Project
- Thornton Science Park
- Hynet
- Capenhurst Technology Park
- Stanlow Refinery
- Protos
- Manchester Fuel Cell Innovation Centre
- STFC Nuclear Physics Group

A highly connected sector...

Road - M6/M56/M53/M62

Hs2 - To London within 1 hour

Air - Two international airports within 30 minutes drive

A rapidly expanding business base ...

+47% Growth since 2014



3,210 Businesses

A highly skilled talent pool...

12,235



Engineering, technology and physical science graduates from nearby HEIs

Of which...

725
Studied
chemistry

445
Studied
physics

955
Studied
Electronic
engineering

Clean Energy Prospects

Baseline Position

Clean energy has been the fastest growing part of the LEP's economy in the last 5 years with nearly 50% more businesses now trading here than in 2014.

This growth has been enabled by the area's ability to offer growing businesses a large number of suitably qualified employees.

Cheshire & Warrington is now a recognisable employment hot-spot for clean energy with 30,000 people now working in the sector. That is nearly 6% of all jobs in the local economy and double the national level.

The clean energy sector has identified strengths in:

- + Mineral oil refining
- + Technical testing and analysis
- + Engineering related scientific and technical consulting activities

The sector has huge global growth potential which could see the skills and resources of the local business base soar in their significance and attractiveness.

COVID-19 Challenges

Immediate

1. The dramatic drop in global oil prices coinciding with the collapse in many forms of global transport will have a direct impact on this sector in Cheshire & Warrington.
2. Alongside a global 9% drop in demand for oil, there has also been a drop in demand for all energy. The IEA estimates a fall in demand of 6% for energy, the largest fall ever experienced by the modern economy.
3. The clean energy market relies on imported components from China which could be jeopardised if the pandemic continues and evolves into a wider set of global trade tensions. Parts of the sector also rely on UK waste collections which have been interrupted, but are getting back to normal.
4. The sector is quite diverse in terms of the roles its employees engage in and so its immediate response to lockdown will likely be similarly wide ranging and difficult to characterise. Remote working is less feasible for the clean energy sector therefore leading to temporary business closure.

Longer Term

1. The looming economic downturn will very likely have a negative effect on some aspects of the clean energy sector where demand trends were steadily shifting towards a critical mass of interest in green solutions (electric vehicles and construction).
2. Global trends towards clean energy in the industrial sector could be placed under longer term stress as large-scale energy users revert back to established higher carbon solutions.
3. However, the IEA predicts demand for renewable energy could rise if it is able to demonstrate long-term lower operating costs and maintain its foothold in national power systems.
4. New demand and investment will emerge if governments concentrate their national recovery programmes on green energy solutions such as home insulation, adoption of battery technology, new energy infrastructure and business process innovations to reduce waste and energy consumption.

Future Scenario(s)

- + The Clean Energy sector will be hoping that the global investment scenarios most likely will coalesce around the **Tree Across The Road** scenario which will see a swift return to previous levels of investment in the medium term. This could be further accelerated by a drive for a **Value Shift** which sees consumers and businesses putting extra weight on lower carbon solutions.
- + On the other hand, there is a risk that in the drive to survive the global economy takes a backward step to more established solutions which see investment into the sector constrained in the UK while overseas operators secure a competitive edge at Cheshire & Warrington's expense. UK government commitment to invest out of the economic crisis could however see the UK in a leading global position, expanding its market share through investment and exporting.

C&W Response Options

- + Lobby UK government to commit to sustained levelling up investment in UK regions to support the Clean Energy sector to boost UK resilience and low carbon commitments but crucially to also expand its international market reach. This should include substantial investment in knowledge assets in the North West.
- + Establish more refined intelligence on the local market opportunities for global growth and investment in Cheshire & Warrington.

Business & Financial Services

A significant employment cluster

43,875 Employees



9% Of all Cheshire & Warrington jobs

Niche strengths:

- Financial service activity
- Travel agency
- Office administration



An innovative sector drawing on assets such as:

- The Hartree Centre
- Barclays Global Technology Centre
- The University of Manchester Business School
- Keele University Computer Science & Mathematics Research Centre

An important and high value sector...



11% Of all Northern Powerhouse business & financial services GVA

13% Of all Cheshire & Warrington GVA



A growing business base ... **5,210** Businesses
+42% Growth since 2014



A large and highly skilled talent pool...

16,105



Law, business studies and communication graduates from nearby HEIs

Of which...

2,655
Studied
business
studies

1,655
Studied
management
studies

1,275
Studied
accounting

Financial & Business Services Prospects

Baseline Position

Cheshire & Warrington has a significant and rapidly growing base of Financial & Business Services companies trading from the area.

Over 40,000 people work in what is generally a highly skilled and well-paid sector. The local skills base and market opportunities have under-pinned a huge growth over 40% in business numbers since 2014

The Financial & Business Services sector not only generates significant value for the local economy in its own right, it is a critical bell-weather sector that demonstrates the general health of the wider economy and provides critical services to other important growing sectors. It has vital role to play in reassuring investors that Cheshire & Warrington is a competitive and vibrant destination for growth orientated investment.

The Financial & Business Services sector can demonstrate specialisations in the following market areas:

- Financial service activities, except insurance and pension funding
- Office administrative, office support and other business support activities
- Employment activities

The local labour market can draw on an extensive and growing pool of skilled people, in part because of the nearby presence of a significant number of graduate emerging each year from universities with degree in relevant subjects. Cheshire & Warrington can also show potential investors the areas great transport links and its important quality of life offer to prospective in-movers.

COVID-19 Challenges

Immediate

1. Professional services business appears to have been less adversely affected by COVID than other sectors. Only 3% of businesses in this sector have closed permanently, although 8% of administrative and support service businesses have been forced to close).
2. Although just over 40% of professional services have not seen financial performance affected by COVID, 62% of them have applied assistance under the Coronavirus job retention scheme. Much of this sector has been protected from the implications of social distancing and the national lockdown as almost all staff have been able to successfully move into home working.
3. The parts of the sector involved in business support functions such as financial services, accountancy and banking sector have also experienced a upsurge in work alongside helping businesses and individuals cope with the financial stresses caused by the lockdown.

Longer Term

1. Employment services agencies (which employed 18,000 people locally in 2018) have experienced an abrupt halt to their workload and their future fortunes will be a useful barometer of future growth in the economy.
2. The move to remote working may open up new global possibilities for more permanent models of operation based on dispersed workforces in the financial & business services sector.
3. As the economic crisis unfolds there will be a shift in focus for the sector as it moves to help business clients survive and navigate towards new commercial opportunities. This may have an adverse effect on those elements of the sector involved in property which could see some dramatic commercial challenges ahead as businesses close.

Future Scenario(s)

- + Financial & business services businesses fortunes are tied to the wider economy will experience a challenging time throughout any upcoming downturn. The effect on the investment prospects for the sector might be expected to align with the scenario of Sink Holes Emerging in the economy, if some of the area's important financial and professional services businesses, particularly larger, foreign owned companies are lost. This would dramatically undermine Cheshire & Warrington's competitive offer to investors.
- + More generally given the bell-weather nature of the economy it is likely that the bulk of the sector will move back to a **Recovery To Normal** pattern of trading and growth.
- + In the long term recovery could create unexpected opportunities for renewal in higher value parts of the economy and in new business models based on remote working. Large firms, including Barclays, have already said that they may no longer be so reliant on a large London HQ and instead shift to operate cross satellite offices, such as the Barclays technology hub in Knutsford.

C&W Response Options

- + Work with the property sector and communications companies sector to ensure dispersed model of working can be accommodated in hubs and homes across Cheshire & Warrington.
- + Engage with corporate HQs and HEIs to retain the skilled labour force essential to drive the next generation of growth in this sector – which will be very much driven by digital skills, data analytics, cyber security.

+A Way Forward for Cheshire & Warrington's Inwards Investment Strategy

What is the rationale for inward investment in Cheshire & Warrington?

There are four potential rationales for engaging in inward investment. Each with contrasting implications:

1. Boost existing sector priorities: pre-standing
+ IMPLICATION → adjust for new context
2. Strengthen eco-system: *diversify?*
+ IMPLICATION → adopt wider sector selection of priorities in enabling & complementary sectors
3. Reduce unemployment: *tackle emergency?*
+ IMPLICATION → chase lower value, bigger ticket opportunities
4. Fair share: *keep up with the competition?*
+ IMPLICATION → *follow the FDI money* (only~20% of FDI aligns with the four C&W sectors)

QUESTION: Cheshire & Warrington needs to agree its rationale and follow the implications

A Way Forward?

+ Cheshire & Warrington has **crucial, enviable assets**:

- + fundamentals in place across the FDI drivers

- + and diversity of sites, skills & businesses on which to build.

Focusing on a set of priority sectors narrows down scope of what can be achieved from an inward investment strategy.

PROPOSAL: a new strategy should instead ensure Cheshire & Warrington is

- + ready to target specific opportunities & nurture vital sectors

- + and, be broad & opportunistic in securing future investment.

What Does **Broad & Opportunistic** Mean?

Principles To Guide Behaviour & Plans

- + **Explore**: stay on top of rapidly evolving dynamic agenda
- + **Adapt**: deploy new channels, messages & targets
- + **Learn/Experiment**: gather intel & improve
- + **Collaborate**: work with neighbours & national bodies
- + **Integrate**: embed inward investment attraction in wider economic development priorities for skills, sites, culture, and locations
- + **Retain & Build Assets**: keep existing assets as best you can & compete hard to secure new competitive knowledge assets

What Does **Broad & Opportunistic** Mean?

Practical Steps To for a Broad & Opportunistic approach:

1. **Focus on Existing Inward Investors**

- + Help move from Survival and Retention to Recovery and Growth
- + Work with local authority partners to better understand current concerns and C19 impacts
- + Parallel engagement with DIT in HQ markets to reassure and work with existing investors

2. **Put Research & Intelligence Front & Centre**

- + Build an informed approach based on real-time intelligence and data
- + Track market and industry trends, funding and news
- + Create a lean and agile proactive service to identify and engage opportunities

3. **Refresh Messaging & Reset Marketing Approach**

- + Understand new normal of investment promotion
- + Virtual site tours, webinars, interactive presentations, augmented mapping, new comms tools
- + Better social media engagement and smarter use as a research tool rather than promotional one

C&W Value Proposition to Investors

TO CONSIDER:

“Cheshire & Warrington is the *New Normal*

- + We are open for business and ready to support you in challenging times.
- + Our quality of life, location and natural assets offer the perfect balance for the future of business where global connectivity and access to major cities can be enjoyed, safely and without compromise.
- + Whether it's the reshoring opportunities with a ready-to-go manufacturing workforce; cutting-edge research and technology in collaborative science parks or the potential for new headquarters offices close to air, road and rail hubs. Whatever your industry, we'll make the new normal a better place for you and your people.

Cheshire & Warrington understands the changing priorities for growing businesses and can provide you with the ideal landing zone for your expansion. We have the flexible assets, know-how and connections that will be needed to enable your business to succeed.”



For more information,
please visit www.hatchregeneris.com