

South Wales East Regional Committee

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| Date: | 17 February 2006 |
| Time: | 10.00am - 12.30pm |
| Venue: | Beaufort Theatre and Ballroom, Beaufort, Ebbw Vale |
| Title: | David Rosser and Emma Watkins – Confederation of British Industry Cymru Wales |

CBI Wales Paper on the Welsh Assembly Government Strategy for the Heads of the Valleys area (Heads we win: A Strategic framework for the Heads of the Valleys)

Introduction

1. CBI Wales welcomes the opportunity to comment on the Welsh Assembly Government's Strategic Framework for the Heads of the Valleys: Heads We Win. Whilst we appreciate the formal consultation period for the Framework ended in June, we hope these comments will be considered as work on the programme gets underway.
2. The CBI is the UK's foremost business representative body dealing principally with cross-sectoral issues affecting the business environment in which all companies operate. The CBI's strength lies in its breadth of membership, which includes companies of every size, including over 200 trade associations and academic institutions, and from all sectors of the economy – manufacturing, construction, retailing, financial services, e-commerce leisure, transport and so on. The CBI represents companies employing about 50% of the private sector workforce in Wales, and has substantial representation in the Heads of the Valleys area.
3. This paper is the result of consultation with CBI members throughout the south Wales area, but particularly in the Heads of the Valleys area.
4. In formulating this paper the CBI gathered together a range of businesses representing a wide cross-

section of industry, operating in the Heads of the Valleys region. These included large manufacturers employing between 100 and 600 people – both subsidiaries of a global group and those with local headquarters; universities; infrastructure providers – telecommunications, ICT, water; housebuilders and representatives from the commercial property sector.

5. The businesses we have consulted all demonstrate a genuine commitment to doing business in the Heads of the Valleys, and a desire to improve the environment in which they operate, and in which many of their employees live.

6. This paper is a note of these discussions, and includes priority areas for action.

General Economic Picture

7. CBI members located in the Heads of the Valleys – in Merthyr, Tredegar, Ebbw Vale and Rhymney - report an initially positive picture of what it is like doing business in the area. They widely acknowledge that the area has improved considerably over the last decade.

8. In terms of current operating conditions, many of the businesses have experienced varying degrees of expansion over the last five to ten years and reported improving levels of economic activity in the area.

9. Improvements to the transport infrastructure, particularly the dualling of the Heads of the Valleys road and the upgrading of the rail link down through the area have had a positive impact on the business operating in the area.

10. Companies also reported very few problems in recruiting staff and filling vacancies, particularly at the lower levels, though acute problems continue to exist in terms of skills levels of those both in and out of the workforce. After quite considerable efforts on the part of some companies and government agencies, businesses reported that absence levels have decreased in recent times.

11. Improvements to telecommunications, particularly the rollout of broadband services in the area, have also been made in recent years and have been well received.

12. Considerable improvements have also been made to the water and sewage infrastructure, and the main infrastructure is now in place to cope with any major local authority plans. However the system still remains constrained in places, and the process of improving the network further could be quite lengthy.

13. Underneath these improvements however, fundamental structural problems remain – some of which are specific to the area, others of which are common to industry across Wales and the UK. It is these problems which need to be addressed by the Assembly in taking forward its work on the Heads of the Valleys.

Priorities: Education & Employment

14. Education and skills emerged as the top priority for companies in the Heads of the Valleys region, with the need for high quality schools the number one priority, both in terms of educating the workforce of the future, and when recruiting staff.

15. Availability and quality of schools are a major factor in attracting people to the area, and particularly in recruiting staff at middle and senior management level. This feature was reported both by large employers in the area and also by housebuilders who comment that when promoting their new developments, the first question asked by potential buyers is on the quality of schools in the area. A culture of excellence, of academic and vocational success, very good facilities and very good teachers are all requirements for people moving into the area, and also for employers operating in the area.

16. Many companies expressed concerns that their current workforce is poorly educated, lacking basic, IT and social or interpersonal skills. Some businesses conduct their own tests when recruiting staff (literacy, numeracy, aptitude), rather than relying purely on the information being provided by applicants.

17. Despite high levels of economic inactivity in the area, the businesses commented that once they have attracted staff at the lower levels, particularly locally, they become very engaged in the company, and receptive to the training needs and opportunities presented to them. It is not enough to assume that people do not want to work but rather that many of them are not equipped with the requisite skills.

18. Financial incentives from government for companies to recruit economically inactive people would not necessarily provide a workable solution - companies would not employ someone who did not fit their requirements. One company in the area has undertaken work with the Shaw Trust in assisting disabled people return to work, and has recruited three members of staff through a process which does not necessarily involve a commitment from the employer to retain or recruit that person on a full time basis. Models such as this could be explored as a means of attracting the economically inactive into work, as opposed to providing companies with a simple financial incentive.

19. Businesses are committed to developing and training their workforce, and this was particularly evident among CBI members in the Heads of the Valleys region, all of whom were undertaking some form of training within their business, both formal and informal, primarily self-funded by the company.

20. Concern was expressed however at the quality of engineering apprenticeships, which has reportedly worsened. Many companies have switched to using private training providers to meet their needs rather than their local college, as they feel that some FE colleges lack the work-based learning penetration or understanding of their private counterparts. Accessing funding continues to be a problem for some companies, particularly at the smaller end.

21. Many of the companies called for greater links between businesses and education, particularly schools, to overcome the problems they are experiencing in recruiting "employment-ready" staff. Some companies already undertake work in this area, whilst others are involved with the work of their local CCETs or with the Basic Skills Agency.
22. Whilst it is possible to recruit at the lower levels, companies reported difficulties in recruiting capable or semi-skilled people for more senior positions. It is often the case that companies have to await the demise of their competitors in the area in order to obtain staff as they are facing an increasing fight for skilled people.
23. Increasingly, senior staff are being recruited from outside the region, and they in turn choose not to live in Merthyr or Ebbw Vale but rather in areas such as Monmouthshire. This hinders further sociological change in the Heads of the Valleys region, and has led to a situation where the middle classes are virtually non-existent in the area.

Transport

24. Despite the considerable improvements, problems still remain with the transport system in the area. Businesses expressed concerns at the length of time it will take to complete the dualling of the Heads of the Valleys road. Many also felt that whilst the road is a benefit, for many it is seen as simply an easier route through the area directly to the Midlands, rather than enabling access to the area.
25. Companies also expressed concerns at the condition and quality of the roads leading off the main routes through the area. Particular concern was expressed at the quality of the entrances to the industrial estates, and the roads going through them which are often in a state of disrepair. Many companies have moved to new premises in the area to accommodate expansion and are disappointed that the approaches to these sites are inadequate. For example, in order to get to the Tafarnaubach Industrial Estate any clients, suppliers, lorries etc have to pass through a residential area once they have left the main Heads of the Valleys road. One company actually reported that a decision was taken to locate its distribution site in Gloucester rather than Merthyr because of the accessibility for lorries and freight in and out of the site.
26. A properly integrated public transport system is crucial in enabling staff to travel to work in both urban and more remote areas. It is also important in allowing employees to access education at local colleges or providers' premises.
27. Unfortunately despite recent improvements in this area, problems do remain. The topography of the region means that staff may live in one village but work in another and it is therefore crucial that there is an integrated public transport system in place to support this reality. Public transport must be operational beyond the traditional hours of nine to five, to fit in with shift patterns or evening classes, with proper connections between different modes of transport, particularly train and bus services. Currently for example, a fifteen-minute journey from Hirwaun to Rhymney by car would take over two

hours by bus. Companies are aware of staff using taxis to travel to work due to deficiencies in public transport in some areas. This is clearly not acceptable.

28. Companies have also called for further extension of the rail link further down the Valley and into Cardiff as this would open up the potential recruitment base, and extend the catchment area for businesses.

Housing

29. The quality and availability of housing is a particular issue in the Heads of the Valleys area, and one where the private sector has a key role to play. There should be a greater emphasis on housing within the Heads of the Valleys Strategy, particularly on private sector provision, including in the area of affordable housing which tends to be dominated by local authority provision.

30. CBI members in the area commented that one reason that those in middle management live outside the region is the lack of larger, executive housing to accommodate them in the Heads of the Valleys. Whilst there is considerable support for affordable housing from government, there is less willingness to permit executive developments, of four bed houses for example.

31. Housing can play an important role in the regeneration of an area. Allowing executive developments to be built in the Heads of the Valleys region would help create a more attractive living and working environment both for those people already living in the area, and when recruiting staff. Attracting the middle classes back to the area could provide a boost to the local economy, as these people would support local shops and services, and crucially schools, provided the quality provision exists.

Promotion of the area

32. It is widely accepted that the Valleys, and this area in particular, have acute problems in terms of how they are perceived. One major heavy manufacturer reported that despite his plant being the most efficient and most productive within the global group, its location in Merthyr led to the perception that it is not as sophisticated as other parts of the group. The high productivity and efficiency levels are not enough to change perceptions in the group.

33. Improvements in education, housing and transport, as well as aesthetic improvements, e.g. to industrial estates, will all contribute to making the area an attractive place to live and work, and will naturally help regenerate the Heads of the Valleys area.

Delivering Change: Taking the Work Forward

34. CBI Wales members in the Heads of the Valleys indicated that they are willing to be involved in taking the work in the area forward, in a manner that is best for business, best for the Assembly, and best

for the community.

35. To prevent unhealthy competition between local authorities in the region, there must be a co-ordinating body for this work, and we are pleased that the Assembly has appointed a programme co-ordinator to take this work forward.

36. As already outlined in this paper, the private sector has a crucial role to play in driving forward the development of the Heads of the Valleys, and should be involved in the process now underway. The CBI would be happy to discuss ways in which to obtain input from the private sector to ensure the best outcome for all in the Heads of the Valleys region.