

EDF SUB-GROUP ON MANUFACTURING

EXECUTIVE SUMMARY

1. BACKGROUND

The EDF agreed to establish a Sub-Group under the Chairmanship of Mark Nodder (Wrights Group Ltd) to examine measure to combat the particularly harsh effects on local manufacturers of the global economic downturn.

Despite historical decline of activity in some sectors, manufacturing remains at the heart of wealth-creation in Northern Ireland. It accounts for around 30% of gross value added (GVA), and drives a significant proportion of exports as well as attracting foreign investment.

The collapse in demand for manufactured products has devastated our larger companies as well as their networks of SME suppliers. Mounting job losses and potentially permanent loss of skills and capability bear witness to the severity of the problem.

Northern Ireland's manufacturers need immediate assistance to survive the short-term challenges of the recession, to retain and develop the skills and calibre of the workforce, and to be positioned for a rapid return to profitable trading and long-term growth when the recovery comes.

2. MEMBERSHIP AND TERMS OF REFERENCE

In addition to Mark Nodder the following were drawn from the broad range of N.I. manufacturers, along with Trade Union representation and Public Bodies, to become members of the Sub-Group:

- Colin Elliott
- Bombardier Aerospace

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| - Con O'Neill | Northern Ireland Manufacturing (N.I.M.) / Harland & Wolff |
| - Damian Power | Powerscreen |
| - Tony O'Neill | O'Kane Poultry Ltd |
| - David Sterling | DETI |
| - Graeme Hutchinson | DETI |
| - Michael Gould | DEL |
| - Kevin McCann | Invest NI |
| - Jimmy Kelly | Unite the Union |

The Sub-Group agreed the following Terms of Reference:

1. To identify the particular problems facing NI manufacturers and their employees today.
2. To recommend actions which could assist NI manufacturers to deal with economic and financial challenges in the short-term.
3. To suggest measures which would enable NI manufacturers to take advantage of the eventual upswing in the markets.

Meetings of the Sub-Group were held at the Wrightbus factory in Ballymena. Members brainstormed ideas, debated their feasibility and impact, and ultimately grouped those considered to have the most benefit into categories with the following objectives:

1. Relieve immediate cost pressures.
2. Ensure focused training and skills development.
3. Identify catalysts for growth.

The recommendations of the Sub-Group are attached.

3. ACKNOWLEDGMENTS

The Chairman wishes to express his appreciation for the contribution of Sub-Group members who gave generously of their time to achieve tight deadlines.

The Chairman also notes the valuable perspective and input of UNITE / ICTU through Jimmy Kelly. The DETI Minister will be provided with a separate document from UNITE with a broader range of proposals on economic development.

We are also aware of the recommendations made by EDF Sub-Groups on the Economic Downturn and on Exports, which we wholeheartedly support. In particular, we urge the Executive to take investment decisions on major projects which have the potential to stimulate regeneration and growth for all industrial sectors.

12 June 2009

Date: 12 June 2009

EDF MANUFACTURING SUB-GROUP

1. RELIEVE IMMEDIATE COST PRESSURES

NO.	CHALLENGE	PROPOSAL	COST / BENEFIT	ACTION BY
1.1	N.I. Manufacturers bear higher electricity prices than U.K. / Europe	Maintain the current PSO/SSS Credit (Jan. - Sept. '09) for a further period of one year. Also recommend continued focus and effort to minimise all "non-energy" levies, tariffs and costs (UoS & SEM) in an effort to achieve a level playing field on energy prices for N.I. business.	Would ease cost pressures on manufacturers. (NIAUR has advised it would require cross subsidy from other electricity users.)	NIAUR / DETI / DFP
1.2	Cost of industrial rates is a heavy burden	Grant manufacturers a "rates holiday" for a minimum of one year. Given the additional imposition of sewage charges, along with the water charges, this will bring manufacturers back to last year's level of payments.	This would provide an immediate cashflow benefit of around £20m to manufacturers. Improves viability and survival of companies. (However it would require additional revenue to be raised from elsewhere or cuts to public services equivalent to this amount.)	DFP

1.3	Difficult to continue investment in R & D during recession	Urge Invest NI to minimise bureaucracy and delay in "fast-track" approach for supporting R & D and Business Improvements. Invest NI have recently made significant changes to R&D assistance with simplified application process, availability of innovation advisers to assist with application process, higher levels of assistance and streamlined approval. We ask Invest NI to maximise flexibility and interpretation of the rules.	Benefit to cashflows and surviving recession	Invest NI
1.4	Many companies are unaware of, or intimidated by, Invest NI Support Schemes	Well publicised education process is required by Invest NI and the Business Alliance. Invest NI should check that each client company is aware and availing itself of support.	Short term benefit to cashflows, longer term benefit for growth	Invest NI and Business Alliance
1.5	Existing tax allowances for capital equipment offer little incentive for investment.	Urge N.I. Executive to press Treasury for 100% Capital Allowances.	Assists manufacturers to invest in essential equipment.	DETI

2. ENSURE FOCUSED TRAINING AND SKILLS DEVELOPMENT

NO.	CHALLENGE	PROPOSAL	COST / BENEFIT	ACTION BY
2.1	Manufacturers risk losing skills and experience due to recession	Sub-Group welcomes Short Term Aid Scheme, requests that adequate measures are taken to publicise widely to ensure urgent implementation, but is disappointed that the scheme offers nothing new for medium and larger manufacturers.	Retains skills and experienced employees	DETI / Invest NI / Business Alliance (to publicise)

2.2	Supply Chain to larger manufacturers is fragile	Short Term Aid Scheme should be extended to cover placement of Supply Chain Development personnel from larger companies with sub-contractors / SME's. Skillssafe is welcomed and recommended for manufacturers in supply chains with apprentices.	Retains skills and supports smaller companies	DETI / Invest NI / DEL (on retaining apprentices)
2.3	Job Opportunities for graduates severely restricted	Government should fund placement of graduates with manufacturing employers for one year. Employers would provide structured work-place training in return for government payment of minimum wage. (NOTE: Oxford Economics estimates that up to 5,000 recent graduates face unemployment in 2009. Business Alliance should scope the potential number of placements in manufacturing.) Consider also extending scheme to school leavers considering apprenticeships.	Graduate employment increased and manufacturers secure valuable recruits	DEL / Business Alliance
2.4	Manufacturers need global markets, but often lack high calibre sales and marketing personnel	Government should encourage world-class capability in sales and marketing through the funding of high-performance training and development. Emphasis here is on advanced-level training, which is not readily available. Request DEL to assist here with its Management and Leadership suite or bespoke programmes.	Manufacturers will increase international reach and reduce dependency on home markets	Invest NI / DEL
2.5	N.I. Manufacturers need to improve international competitiveness and productivity	Manufacturers should help each other through hosting "Best Practice" benchmarking visits and case studies. Recommend this is co-ordinated by Centre for Competitiveness.	Manufacturers learn from each other and improve competitive advantage	Centre for Competitiveness

3. IDENTIFY CATALYSTS FOR GROWTH

NO.	CHALLENGE	PROPOSAL	COST / BENEFIT	ACTION BY
3.1	Manufacturers facing loss of demand need new markets for growth	Low Carbon economy and renewable energy sector could offer domestic and export markets. Government needs a clear and co-ordinated strategy which identifies and maximises opportunities for local manufacturers.	Carbon Trust estimates up to 30,000 new jobs in N.I. Renewable sector by 2020	DETI and other Departments
3.2	Cross-sectoral approach to innovation is required for sustained economic growth in N.I.	Recommendations of Matrix Report should be implemented without further delay. (Noted that DEL has plans underway to develop skills delivery model to support MATRIX)	Strategic direction for N.I. Manufacturers	DETI / DEL
3.3	Manufacturing / Engineering still suffers from poor image, fails to attract sufficient numbers of high calibre people, who can contribute to growth	Sustained campaign to promote a better image for manufacturing, celebrate historic success and future importance. Recommend that leadership and co-ordination provided from within MATRIX grouping, e.g. pilot project run by Advanced Engineering / Advanced Materials.	Improve image and attract best people.	DETI / DEL / Business Alliance
3.4	Manufacturers need opportunities to diversify and enter new markets	Invest NI to use its international network and Trade Missions to further identify licensing and collaborative working opportunities between foreign companies and local manufacturers.	Faster way of acquiring new technology to access new markets	Invest NI

3.5	New capital equipment for development work and prototyping is very difficult to fund in present climate.	Government should create a Centre of Competence for R & D and Prototyping, linked to a higher education establishment. Companies can therefore share machinery and equipment which remains in public ownership.	Shared facility will accelerate development and create learning networks. Cost of machine tools and equipment could be borne through leasing.	DETI
3.6	Develop world-class management to lead manufacturing and the sustained growth of "N.I. plc"	Government to sponsor a cross-sectoral "Management Masterclass" to identify and develop our best managers from industry and the public sector. This programme should aim to produce a growing network of talented and highly capable managers. (Supporting Reference: "Management Matters in N.I. and R.o.I." McKinsey & Co, March 2009)	Provides the leadership by which "N.I. plc" can become globally competitive.	DETI