

Written evidence submitted by the Chemical Industries Association (LRS0076)

Post-pandemic economic growth: Levelling up - local and regional structures and the delivery of economic growth. Submission by the Chemical Industries Association (CIA)

About us and the Industry

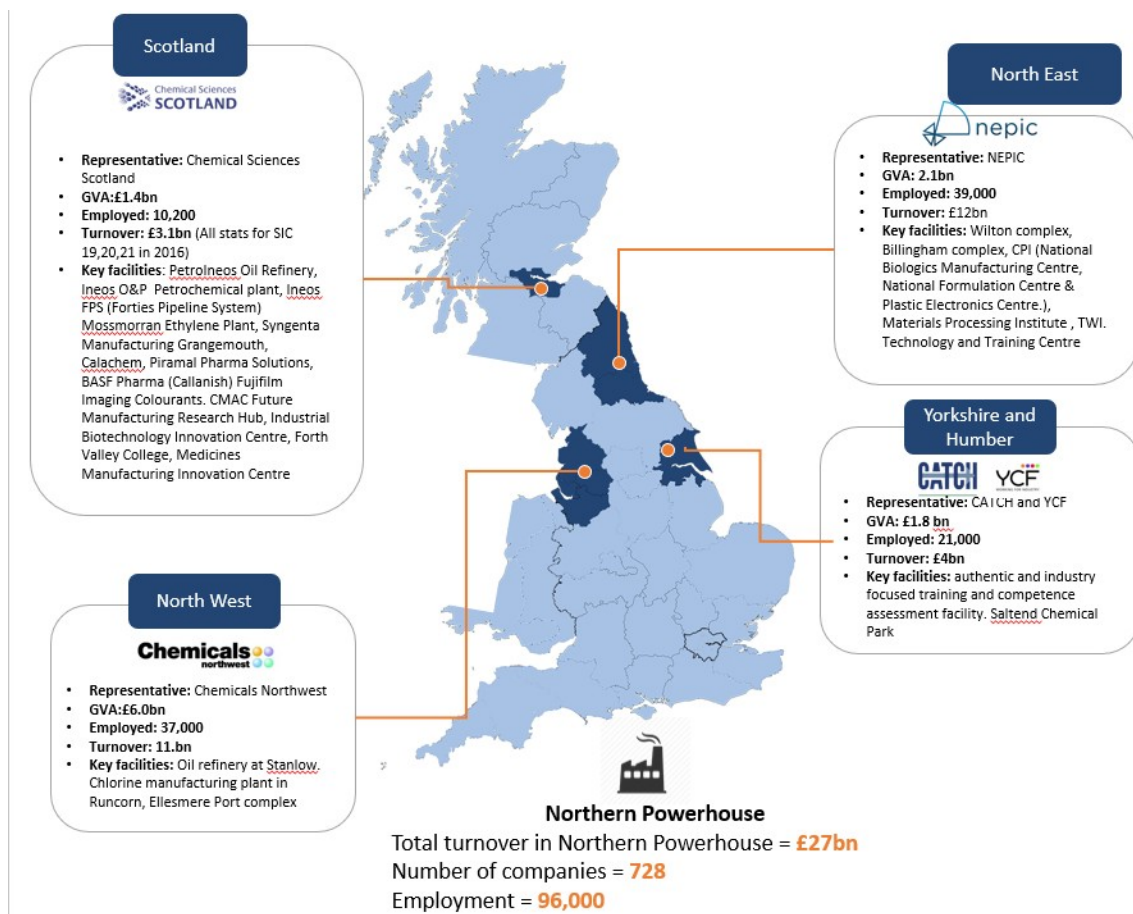
The Chemical Industries Association (CIA) is the organisation that represents chemical and pharmaceutical companies located throughout the UK. The CIA welcomes this inquiry and the Government's focus on levelling up.

The UK chemical and pharmaceutical industries have a strong record as manufacturing's number one export earner (on a value-added basis) and a provider of essential inputs to UK value chains. This includes products and technologies which are key enablers of climate change solutions. We therefore have a strong contribution to make both to rebalancing and greening the economy. The sector adds over £18 billion of value to the economy, on sales of over £50 billion, is responsible for around 500,000 direct and indirect jobs and pays its direct workers on average 34% more than the average manufacturing worker.

We are trade intensive and, with 70% of operations headquartered from overseas, we compete with global production locations for mobile investment capital. In 2019 the industry spent £4.8 billion on business investment including investments in buildings, vehicles and machinery, while a further £5.4 billion was spent on research and development, equivalent to 21.4% of total business spend. The industry contributes huge amounts to the economy with a gross value added per employee (a productivity measure) of just under £120,000 which is 82% higher than manufacturing and 90% higher than the economy.

The majority of the industry is based in the North of England and Central Scotland. In the Northern Powerhouse (NP) area the sector contributes £13.4 bn GVA and contains 48% of the UK's chemical production and is by far the largest region in terms of output for the sector. The key clusters within the NP are Tees Valley and County Durham, Humber Bank area and Cheshire and Merseyside. These regions are the centres for bulk organic and inorganic chemicals manufacture with many of the subsequent downstream speciality and pharmaceutical companies also present. Critically all four regions (including Central Scotland) are connected by an ethylene pipeline, with recent investments in Grangemouth and

Teesside making this an opportunity for growth and development in all these regions.



What is needed to grow and level up the regions?

The priorities for the regions fit well with the Government’s policy of pursuing clean growth, which the industry supports. Making use of local raw materials, by-products, waste energy as well as local workforce and academic institutions with considerable experience in STEM related innovation, teaching and research is ideally suited to the clusters of chemical companies found in these regions. The regional organisations in association with LEPs and with national support can facilitate the delivery of a clean growth agenda based on local strategies, employing local strengths and delivering on economic opportunities identified in the Government’s Industrial Strategy as well as helping deliver Northern Powerhouse goals. It is important for the future of each region that the unique strength and opportunities are recognised to help secure inward investment and growth.

Although there are differences in the split of the chemicals sector (petrochemical, large scale inorganic, speciality and pharmaceutical manufacturing) between the regions and unique requirements that will help the industry grow and become sustainable in each region, there

are also many similarities and specific actions and requirements common to and supported by all the regions.

- All regions have a concentration of energy intensive industry in the sector, and reducing CO₂ emissions through an Industrial Carbon Capture and Storage/Utilisation scheme is seen as important to all, as is investment in the hydrogen economy.
- All regions recognise the future importance of bio-based material as a chemical feedstock and energy source. Enhanced co-operation between industry and academia is required, as is the development of suitable demonstration facilities and technologies within the regions.
- With a growing emphasis on the circular economy, both inter- and intra-sector industrial symbiosis is seen as a way to help deliver this. A multi-sector regional structure to facilitate this is required.
- All regions would support more investment in skills development including continual professional development and reskilling, with a focus on ensuring training delivers industry-ready people. A skills strategy will form a crucial part of any green recovery strategy; we will need to ensure that there are retraining opportunities, placements, apprenticeships, and new job opportunities for people to move into new sectors and into the regions, which often find it hard to compete with the South East for highly qualified STEM graduates.
- Inward investment is important to the future of all regions. It will be vital for all regions to make a compelling case for investment based around their strengths and opportunities of the clusters, particularly post-Brexit.
- The strong link between universities and local industries needs to be further enhanced, particularly on research around sustainability and the economic path to Net Zero for the sector. Supporting regional research and innovation networks to develop and flourish and providing more public funding for R&D is an important factor in growing regional capacity. Currently much of the UK's productive R&D capacity is concentrated in institutions within London and the South East. It is essential that the knowledge and skills are also available within the NP area.
- Creation of business-led collaborative Innovation Hubs to de-risk innovation for businesses both large and small. This will both help new SMEs grow in the area as well as anchor larger organisations.

- Digitisation and Artificial Intelligence has gained new impetus during this crisis. Businesses are now increasingly reliant on digital connections to reach customers and staff and are looking at digitisation as a means of improving productivity and reducing manual input into processes. Improved connectivity as well as support to drive this new technology forward is required.
- There should be a much greater focus on regional strengths and what the local community, businesses, organisations and authorities can do to maximise impact of investment and progressive policy. The regions must be given the power to make decisions on what is best for them. This can be done through regional LEPs and combined authorities, which then in turn are able to work with local cluster organisations as devolved delivery arms of Government schemes.

ENDS

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