

Boris Johnson MP
Mayor of London
City Hall
The Queen's Walk
London SE1 2AA

Date: 24 February 2016

Dear Boris,

Manufacturing in London

In December, the Economy Committee visited two flagship London enterprises, Brompton Bikes and the Central Research Laboratory, to examine the current state of the manufacturing industry in the capital. While the "Made in London" brand no longer achieves quite the global reach it once did, our visits have revealed a sector that continues to thrive in the capital, albeit in a different form from that of popular imagination, and is benefitting London as a result.

Currently, the manufacturing sector employs over 100,000 people in London. These figures look set to increase further as over 60 per cent of businesses have reported, in the most recent manufacturing barometer, that they are looking to take on more staff and apprentices.¹

Despite these promising figures, there are considerable challenges for the sector in remaining and growing in London. Lack of space for expansion, high property prices and a lack of appropriately skilled labour are significant handicaps. With these in mind, the Economy Committee has identified a number of recommendations that we want the new Mayor to consider.

A changing sector

Brompton and Central Research Laboratory, a space for 11 manufacturing start-ups, are both symbols of the changes which London's manufacturing has undergone in recent years. The sector has seen growing demand for more bespoke, high quality goods, particularly from the high-end retailers and wealthy consumers which are a particular feature of London's economy.

These factors appear to have driven and enabled an increased desire for product design and manufacturing to be based closer to, or within, London.² As a result, a "maker movement" of

¹ London Business Survey 2014, page 17

² [Greater London Authority, Industrial Land Demand and Release \(Dec 2011\)](#)

small creative firms and associated manufacturers has emerged. Furthermore a requirement for hardware to support the software created in tech city, coupled with advances in prototyping and 3D printing which allow individuals and small businesses a quick and relatively cheap means of production, have led to the emergence of a new form of manufacturing.

Apprenticeships/Skills

The Committee heard from the Federation of Small Businesses and London Chamber of Commerce and Industry that investment in skills is one of the biggest challenges facing London's economy. Yet we heard that some in the manufacturing sector are successfully addressing this issue by training young and disadvantaged people in valuable skills to support their growth.

The apprenticeship scheme at Brompton has been particularly successful in offering opportunities for those unable to find work elsewhere. Brompton pays the London Living Wage to all staff, and provides apprentices with sufficient career development opportunities to enable them to work their way up through the system. Workers are encouraged to build their skills and improve their earnings. This has helped Brompton to ensure that the craftsmanship that goes into their products is of the highest quality, preventing the need for outsourcing beyond the UK.

However, while Brompton is required to pay the government's apprenticeship levy, it gets little in return, because existing formal apprenticeship programmes do not meet their needs. Instead, they have developed their own bespoke, in-house system. Not only is this expensive, but it means their workers lack a formal accredited qualification, reducing the variety of employment opportunities available to them, despite having skills which are of value to London's economy.

Industrial land

Availability of affordable industrial space, for development and expansion of manufacturing operations, is a key challenge for the sector, and something we heard about at both Brompton and the CRL.

The annual benchmark set by the Mayor for the amount of industrial land he estimates is acceptable to be transferred to other uses is less than 40 hectares. However since 2001, the annual average has been over 80 hectares. Not surprising then that the land available to London's manufacturers is becoming increasingly hard to find, and increasingly expensive to secure.

Brompton's current site is owned by a large pension fund which is unwilling to develop the site for commercial (or indeed any) use. As a result Brompton is unable to expand its operations as the company grows, and must relocate. The company plan to move to Greenford in the near future, a move which will cost millions. The new site is potentially only suitable for another 10 years if the company continues to grow at its current rate.

We heard from Brompton that, were it not for the considerable investment which it has made in local staff, it would have given serious consideration to relocating to Wales or the Midlands which would have been far more financially attractive.

If we fail to make London more attractive and affordable for manufacturers, they will move elsewhere, taking their reputation, revenue and skilled workforce jobs with them.

Funding

The Committee heard from the Central Research Laboratory (CRL) about the importance of initial funding in order to create manufacturing start-ups. The Committee also heard about the lengthy process the CRL went through to seek initial Growing Places funding from the LEP. Ultimately private funding opportunities were considered to be more suitable for the project. CRL are now in partnership with Brunel University and the Higher Education Funding Council who have committed to funding the business and support the start-ups.

The LEP's application process could be simplified to encourage skilled and motivated individuals to obtain initial funding for their enterprises, both in manufacturing and other sectors. Further support, in the way of advice and guidance, should also be developed for those that have been able to secure funding, to ensure that these start-ups have the best chance of success possible.

With these issues in mind, the Committee would like to seek your support to the following recommendations which the next Mayor should consider:

1. The next Mayor should bring together training providers and the manufacturing and design sector to create government certified apprenticeship schemes tailored to meet the needs of manufacturing businesses. This would incentivise more companies to offer schemes, diversify London's labour market, build more mid-skilled career opportunities, and provide opportunities to those who choose a more vocational pathway to work.
2. The Mayor should review the extent to which manufacturing employment space is encouraged and prioritised in London's Opportunity Areas (as set out in the London Plan).
 - The London Plan should place a renewed emphasis on the importance of protecting existing industrial land use and promoting the provision of sites for new industrial uses especially in Opportunity Areas.
 - The annual target for the amount of industrial land transferred to other uses should only be exceeded in extremis.
 - The London Plan should strongly encourage boroughs to do the same in their own development plan documents and to identify sites that have the potential to increase floor space, either as wholly industrial use or as part of large mixed use developments.
3. The LEP should make the application process for Growing Places funding more transparent. Requirements should be simplified in order to encourage more innovation in manufacturing.

I would be grateful for a response to the points raised above by 18 March. Please send a copy of your reply to Matt Bailey, Scrutiny Manager at Matt.Bailey@london.gov.uk.

Yours sincerely,



Fiona Twycross, AM

Chair of the London Assembly Economy Committee