

29th July 2009

Rt Hon. Lord Mandelson
First Secretary of State, Secretary of State for Business, Innovation & Skills, Lord President of the Council
Department for Business, Innovation & Skills
1 Victoria Street
London
SW1H 0ET

Dear Lord Mandelson,

Concern Regarding Jobs Threat to the North East and the Tees Valley

We are writing as a group of Business Leaders who are deeply concerned about the future of engineering expertise in the North East of England and particularly the Tees Valley. We represent a group of over 60 engineering companies that collaborate through NEPIC and the Tees Valley Engineering Partnership (TVEP). Rest assured that despite the very challenging business circumstances at the moment, we are continuing to do everything we can as businesses to maintain our skilled workforce and keep them in employment for the future of the Science and Engineering based industries of our region and indeed the UK.

We are proud to be engineering supply chain members of TVEP and NEPIC the North East Process Industry Cluster which is an organisation that represents 500 Pharmaceutical, Biotechnology, Speciality, Polymer & Rubber, Petrochemical & Commodity Chemical companies based in North East England. Furthermore, there are at least an equal number of companies in the supply chain of these industries based in this region making this a major economic Cluster. The combined economic power of NEPIC and TVEP companies and their importance to North East England cannot be over emphasised. They generate in excess of £10bn of sales and 30% of the regions industrial base, employing about 40,000 people directly and impacting indirectly on the income of a further 200,000. NEPIC companies have significant presence in all sub regions of North East England - Northumberland, Tyne & Wear, Durham and Teesside and the Construction and Engineering and Contracting Companies represented by TVEP.

As you may be aware, NEPIC and its member companies have had considerable recent success in winning process sector investments for the region. Furthermore we are chasing a further 44 investment projects worth over £6 Billion for the NE region by 2015- 2018. By that time, when employment related to the afore mentioned Investments is added to the demographics of the sector the regions process industry will still need to attract some 16,000 new employees. Consequently, through NEPIC the regions process industry companies, and those of us in the TVEP supply chain, are working to promote the attractiveness of this sector as a career opportunity and develop new routes to obtain a career in this well paid sector.

The North East of England Process Industry Cluster Limited (Trading as NEPIC)

Durham - Tees Valley office

Room H224 t 01642 442 560
The Wilton Centre f 01642 442 561
Wilton, Redcar e enquiries@nepic.co.uk
Cleveland TS10 4RF w www.nepic.co.uk

Northumberland - Tyne & Wear office

RTC North t 0191 516 4400
1 Hylton Park f 0191 516 4401
Wessington Way e enquiries@nepic.co.uk
Sunderland SR5 3HD w www.nepic.co.uk

Registered office

Ward Hadaway Solicitors
Sandgate House
102 Quayside
Newcastle-upon-Tyne NE1 3DX

Despite this positive medium to long term view of the sector, most recently during the current recession, our businesses have been severely impacted by several closures that have been announced amongst some of the established businesses in the region. The closure of Invista, and the recently announced closures of Dow and Croda and Elementis, added to the recent announcement that Artenius UK has appointed an Administrator will have a severe and immediate impact on our businesses. The effect on six NEPIC and TVEP member companies alone, which is just a sample of the 60 engineering companies in our community, has resulted in the release of 1000 highly skilled engineers that through deployment in other parts of the world and other sectors are now in danger of being lost to the industry for ever. Furthermore, our ability to maintain apprenticeships and train graduates to replace them has also been severely curtailed.

The joint concern of NEPIC and TVEP is that the investment into the future industries of the region, like flexible electronics, electric cars, bio processing, renewable energy and other future process industries will be severely hampered if these numbers of skilled engineers are lost to the sector. Please note that we are expecting to have to announce further job losses in the very near future, it is therefore imperative that we work to retain for the future this skilled and talented workforce.

We are therefore asking for your help with four practical steps to help us retain these skilled people over the next two years.

Process Sector Upgrade Fund

With the constant modification and upgrade of process plants it is acknowledged in the industry that there is always a backlog of work to fully update the engineering knowledge of facilities. We would ask that the NEPIC process industry leadership team are awarded a special modernisation and update fund. This fund would, via a peer review mechanism, make awards to process sector companies to update their engineering capabilities and carry out specific small engineering works that will improve health, safety, environment, energy and carbon efficiency. We would propose that a fund of £48m (capital and salaries) be made available to be bid competitively for such sector improvement projects, would enable our engineering supply companies to keep our workforces employed through the next 18 months to 2 years, whilst at the same time help to improve the competitiveness of the process companies that secure support for their projects through this peer review. Such a project would leave these businesses in better shape and better able to compete both during the recession and in the upturn that we all eventually expect to take place. We estimate that this fund would enable will help about 100 skilled engineers whose jobs are now at risk to be retained in employment ready for the upturn in demand, which we all expect should happen within the next two years.

Process Businesses Cash Flow Support

We are aware of some companies in the process sector that are suffering from cash flow problems; we know this because we don't get paid! Therefore we would ask for your help to secure cash flow support for such companies either through soft loans or some other financial support. Artenius would be a good example of this, where a good business is struggling due to the cash flow issues of its parent group.

Maintaining Apprenticeships & Graduate Trainees

It is absolutely vital that our graduate and apprenticeship schemes are maintained. We would ask if there is any way that the government could support us for the next two years to fully fund our apprentices and graduate schemes. We estimate that £2m over the next two years would ensure all our current apprenticeships to be completed and the next two years of apprenticeship in take to be secured.

Energy Pricing Equality

As engineering specialists we work closely with all sectors of the process industry and other engineering based industries. We would ask you to secure equality in pricing of energy for our country. There continues to be a significantly higher energy price to be paid by businesses in the UK compared to those based in continental Europe. We pay the highest energy price here in the UK. There appears to be no logical reason for this and yet our industry continues to suffer from this price differential, making it less competitive. This has a direct impact our businesses as maintenance and upgrade work suffers first in times of hardship. Removing this differential we believe will have a both a short term impact on the businesses we support and in the long term influence the number of investments that we will secure for the UK in the future.

Most importantly, we would dearly like to meet up with you to explore what we can do together to retain a high level of engineering expertise and capacity in the NE region, which we see as a strategic resource for the UK in renewing its industrial and energy infrastructure over the next few years.

Yours sincerely

Dr Stan Higgins

On behalf of NEPIC and the Tees Valley Engineering Partnership (TVEP)

TVEP members include:

Aker Solutions

Amec

Axiom

Balfour Beatty Management

Bignall Lubritec

Carillion

Cogap

Consteel

Corus

Cummins

Day & Zimmermann

Fabricom

Faithful + Gould

Francis Brown

Hartlepool FE

Hertel

IDEC Ltd.

J J Hardy

K Home International

Marine Fabricators

MB- Tech

MCE Plc.

NETA

Paul Wurth

Protex

QBM Precision

R Blackett Charlton

Recognition Marketing

SBV Fabrications

Stapleton International

SW Durham Training

TTE

Whesoe

Wolviston Group

CC

Ian Williams - ONE North East

MP's

Sir Stuart Bell

Vera Baird

Nick Brown

Frank Cook

Ashok Kumar

Dari Taylor

Ian Wright

Tees Valley Regeneration

Neil Kenley

Tees Valley Joint Strategy Unit and Tees Valley Unlimited

John Lowther

TVEP

Ian Basford (chairman)