

Subject: Manufacturing Site Visit

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 21 January 2016

This report will be considered in public

1. Summary

- 1.1 This report provides a note of the London Assembly Economy Committee visit to explore the current state of manufacturing in London, at Brompton Bicycles in Brentford, and The Central Research Laboratory in Hayes.

2. Recommendations

- 2.1 **That the Committee notes this summary of the Committee's manufacturing site visit to Brompton Bicycles and The Central Research Laboratory.**
- 2.2 **That the Committee delegates authority to the Chair, in consultation with Group Leads, to agree a summary of findings from the visit.**

3. Background

- 3.1 In recent years manufacturing has continued to change and adapt. Far from the decline which many imagine, it continues to play an important role in London's economy.¹ From 1997-2007 the overall number of manufacturing businesses in London declined by 17%. Yet half of all firms in London and the South East (144 manufacturers.²) reported an increase in sales in the last 6 months. And the period of 2001-2007 saw around 1,500 new manufacturing businesses registered each year, suggesting an evolution of the sector as old was replaced with new.

4. Issues for Consideration

- 4.1 On 16 December 2015, members of the London Assembly Economy Committee visited Brompton Bicycles in Brentford, and The Central Research Laboratory in Hayes. The aims of the visit were:
- To gain a better understanding of the current state of manufacturing in the capital;
 - To explore the challenges facing manufacturers in London;
 - To consider what action could be taken by the Mayor and LEP to support small and medium sized manufacturers in London.

¹ [Just Space London \(Feb 2015\) London's Industrial Land: Cause for concern?](#)

² [The Manufacturer \(Mar 2015\) London and South East's SME manufacturers defy slowdown](#)

Brompton

- 4.2 At Brompton, the Committee heard from CEO, Will Butler-Adams. He spoke of the huge potential for manufacturing growth in London. It is his belief that manufacturers can benefit from being located in the capital due to its unrivalled innovation and international influences – he credits the dynamic nature of London’s economy for Brompton’s success.
- 4.3 All workers on the factory floor start out as ‘apprentices’ on Brompton’s in-house training scheme. Most have few formal qualifications but work their way up to specialise in a specific area of the business, earning up to £25,000 per year when fully qualified. Brompton believe that they are providing rewarding work as well as the opportunity to develop valuable skills, to those otherwise unable to find work. However despite paying staff the London Living Wage, Butler-Adams is concerned it is insufficient for staff to live on given rising living costs in London.
- 4.4 Brompton’s apprenticeship has also been the cause for some concern. Their scheme has not been afforded recognised apprenticeship status as it is run entirely in-house. As a result they receive no benefit from government subsidised apprenticeships despite being required to pay the annual central government apprenticeship levy. They say that, as their needs are not met by existing FE provided apprentice programmes, they have been forced to design and teach their own, despite the financial disadvantage.
- 4.5 Brompton has found the poor availability of suitable commercial property to be one of their largest challenges. In 2012/13 an estimated total of 72.5 hectares of industrial land was recorded for transfer to other uses, despite the annual benchmark for 2006-2026 being 41.0 hectares.³ The area around Brompton’s Brentford site is owned by a large pension fund which is unwilling to develop the site for commercial use. As a result Brompton are unable to expand their operations in situ despite a pressing need to do so.
- 4.6 Ideally, Brompton would like to purchase a site in order to have space for growth but cannot afford to do so in London at present. They are relocating in the New Year to Greenford to a new, leased, site. The move will cost millions, to dismantle their current factory and production line, and then refit the new property to meet their specific requirements. It may only remain suitable for around 10 years if the company continues to grow at its current rate.
- 4.7 Butler-Adams suggested that manufacturing space ought to be incorporated into Section 106s agreements. Integrating industry and housing within new developments would create affordable light industrial land suitable for small to medium sized manufacturers to purchase rather than just rent their properties.

Central Research Laboratory

- 4.8 The Central Research Laboratory is a design space for entrepreneurs, and represents a growing movement in London, of ‘makers’ or small-scale manufacturers taking advantage of the demand for luxury, specialist and innovative goods. It currently hosts a fixed workspace for eleven start-ups and is designed to support designers and engineers through every step, from concept development, to prototyping and first batch production, with a focus on making those companies profitable.

³ London Plan Annual Monitoring Report 10, 2012-13, pg. 32

- 4.9 The CRL also spoke of the benefits of London’s dynamism and innovation, which attracts entrepreneurs and designers to the capital. Locating within London means that they can work with students at the cutting edge of design, and many of the people working at the CRL are graduates of the Royal College of Art.
- 4.10 CRL faced a significant challenge when trying to secure initial funding. Initially, the CRL was to be funded by £7.7m from the LEP’s Growing Places Funding. However, after over 2 years, the LEP confirmed that they would be unable to offer a preferential rate on the investment despite a higher administrative burden than would be required from a private investor. As a result, and despite having spent £100,000 and considerable time to reach that stage, CRL decided to seek private investment instead. In July of this year, the LEP confirmed that the CRL no longer required the GP funding. The CRL are now in partnership with Brunel University and the Higher Education Funding Council who have committed to fund the business & support those start-ups.
- 4.11 Whilst Outer London had been a good location for the CRL, affording more space to expand, the cost of physical space also remains a challenge to the company. The Committee heard that rate relief at a council level is very important as this is a significant annual cost.

5. Summary of findings

- 5.1 The Committee will follow the visit by producing a letter for the Mayor which summarises their findings. This will also set out recommendations to promote the growth of the manufacturing sector and to reap maximum benefit from the skills and employment opportunities which it provides.

6. Legal Implications

- 6.1 The Committee has the power to do what is recommended in this report.

7. Financial Implications

- 7.1 There are no direct financial implications arising from this report.

List of appendices to this report: None

Local Government (Access to Information) Act 1985	
Contact Officer:	Charlotte Maddrell, Scrutiny Manager
Telephone:	020 7983 5618
Email:	economycommittee@london.gov.uk