

## Notes of the Kent and Medway Business Advisory Board – 11 May 2017

The Business Advisory Board meets bi-monthly and provides an insight from the business community in Kent and Medway on current trading conditions and experience of the local economy. The headline points are presented below and the full meeting note follows.

### Highlights from Economic Commentary

- There remains quite a bit of uncertainty about Brexit and its implications for Kent. While some businesses remain relatively upbeat, there are local concerns about the impact on traffic, the supply of labour and investment.
- There are some concerns that residential development is slowing down across the county, and ongoing concerns about delays about the planning decision process.
- There continues to be limited quality commercial floorspace available, despite a steady demand, which means that Kent could be losing inward investment to other areas.
- The impact of weaker sterling has led to a significant increase in export prospects for several sectors.

### 1. Welcome and Introductions

The chairman welcomed Gayle Oliver (EEF) as an alternate for Jim Davison, and also Heidi Skinner (Freight Transport Association) who will be taking over responsibility for the south east region from Natalie Chapman. Natalie was thanked for her contribution to the Board.

There were also welcomes for new member Simon James (KIMS) and also James Pomeroy (HSBC), who would be giving an update on the short-term issues affecting the UK around Brexit and the forthcoming General Election.

### 2. Review of actions arising since the last meeting

Following the presentation in March by Douglas Horner and Sarah Nurden about Future Growth in Kent and Medway, they met with BAB members John Bunnet and Susannah Schofield to put together a BAB response to the government's Industrial Strategy green paper. This was submitted in April, and a copy of the response is available on the KMEP/BAB website.

### 3. Economic Commentary

**Charles Buchanan (Charles Buchanan Associates)** – As a precautionary response to Brexit, a number of airlines are considering establishing bases on the EU mainland. Traffic numbers are up nationally, including the south east, helped by the exchange rate and its effect on inbound traffic. Forward bookings remain uncertain however.

**John Bunnett (Brett Group)** – It has been a busy time for the Group. Compared with the rest of the south east, BAB is the best supported business group - given the range of expertise among its members, perhaps there might be scope for BAB putting together a project?

**Miranda Chapman (Pillory Barn)** – The Ashford B2B event went well despite the current economic uncertainties, and reflects a positive attitude from businesses. The Kent Vision Live event was also well attended. Looking with others to improve the range of business events in Kent, especially

north Kent. The KEIBA finalists have just been announced, and there are some excellent nominees from the manufacturing and med-tech sectors. The company is actively engaged with clients in the property, digital and legal sectors.

**Natalie Chapman (Freight Transport Association)** – Echoes concerns about the future of the local cross Channel treaties, and the potential effects on traffic movements. Pleased about the LTC announcement but pressing government for a timetable on construction. There are still uncertainties about the M20 lorry park however. Will be handing over future BAB involvement to **Heidi Skinner**, who added that FTA had recently published its manifesto for the forthcoming election.

**Andrew Clague (Clague Architects)** – Cashflow is becoming a difficult issue in relation to contracts. Enquiries are up, but development starts are down slightly. Hoping for more positive signs post-election.

**Barbara Cooper (KCC)** – The KCC elections were very positive for the Conservatives, and with 33 new Members there will be a period of induction. The recent Lower Thames Crossing announcement was helped by the KMEP transport summit, which will have reminded Kent MPs and government of the importance of other related transport improvements. KCC is still pressing government about the Crossrail extension, and is still awaiting announcement about the Thanet Parkway. There is a rail summit taking place at KCC on 15 May. The announcement by R&A that Sandwich would host the 2020 Open Golf tournament is positive although the local train station will require platform extensions. The prospect of R&A commitment to three more Opens over the next 20 years at Sandwich is very promising. KCC, Eurotunnel and Port of Dover are talking to various government departments about the future of the cross Channel treaties referred to by Douglas Horner.

**Alistair Cracknell (Quinn Estates)** – The company was recently nominated for three property awards. Working closely with East Kent Spatial Development Company and Ashford commercial quarter. The company has submitted quite a few planning applications for development.

**Sarah Dance (Sarah Dance Associates)** – On the positive side there are still movements out of London into Kent, and there is a pan-LEP cultural programme being developed. There are recruitment challenges especially in the digital sector, and some businesses are moving back to London. More could be done to support the creative sector.

**Andrew Davies (Handelsbanken)** – Business is strong although there is uncertainty among customers about Brexit.

**Oliver Doubleday (GH Dean and Co)** – There are continuing concerns about labour but so far OK, and other concerns about the dry weather. Investing in labour saving machinery. Research and development in arable farming is under pressure, with organisations unable to recover full costs.

**Phil Eckersley (Bank of England)** – Did not comment due to election purdah restrictions.

**Nick Fenton (Kent Developers Group)** – There has been some reduction in housing development and there are continuing concerns locally about planning delays.

**Peter Hawkes (Furley Page LLP)** – Business as usual although there has been a dip in probate business.

**Iain Hawthorn (HSBC)** – Impressed by the resilience of businesses across Kent (“business as usual”), and the demand for finance is holding up. Now chairing the Financial Services Guild and would like to activate more interest from the business community.

**William Hinckley (BTF Partnership)** – Commercial property markets are similar to previous reports to BAB. There is limited stock available and a steady demand. A diminishing supply means higher rents. More agricultural land is becoming available. There is some upward pressure on salaries, especially professional staff.

**Douglas Horner (Trenport Investments and CBI South East)** – Business is stable, and echoes the comments made about the shortage of commercial floorspace. Asked whether KCC and others (such as Port of Dover and east Kent districts) will be commenting to Government about the potential loss of the treaties (ie Sangatte, Le Touquet and Canterbury) affecting cross Channel movements (see comment by Barbara Cooper)? Standing down as a representative of CBI South East.

**Simon James (KIMS)** – The NHS remains a difficult place to work with the significant financial challenges which are increasing pressures on staff. Brexit will also impact heavily on future recruitment of medical staff. The Kent Medical Campus site has benefited from new infrastructure improvements, and a new mental hospital is under construction. As interest in the site grows, the pressures on M20 Junction 7 will increase. Pleased to report that KIMS has continued to grow, and has been shortlisted for the KEIBA awards.

**John Keefe (Eurotunnel UK)** – Eurotunnel has had a good first quarter, and there has been a resurgence in Eurostar’s business this year, with lots of overseas visitors from USA and Asia. Eurotunnel has just launched a £2bn refinancing exercise which will be used to reduce debt servicing costs and pay for the ElecLink project.

**Keith McAlister (Thomson, Snell and Passmore)** – Charities dependent on public sector contracts are being squeezed by the pressures on public expenditure. There are also uncertainties among businesses.

**Andrew Metcalf (Maxim PR)** – Business so far is strong and stable, and developing some strong case studies. There is some nervousness among customers however.

**Geoff Miles (Maidstone Studios)** – The length of time that it has taken to get development happening at the TV Studios has been frustrating, and reflects what others have been saying about getting development underway.

**Matthew Norwell (Thames Gateway Kent Partnership)** – There is a steady stream of interest from businesses in the new North Kent Enterprise Zone. Also hoping to get news soon from government about the future of the Thames Estuary Commission, and the next steps.

**Sarah Nurden (Kent and Medway Economic Partnership)** – The SE rail franchise is out for consultation. The demand and take up of commercial floorspace will included in future GIF work and will be discussed at the next KMEP meeting. The KMEP/BAB response to the government’s Industrial Strategy green paper was submitted recently, and thanks to John Bunnet, Douglas Horner and Susannah Schofield for their assistance. The SELEP Skills Summit takes place on 7 July ,and an email reminder will be sent to BAB members.

**Gayle Oliver (EEF)** – There is confidence in the sector despite Brexit concerns, and orders are looking good. Will circulate EEF’s business performance statistics. Skills remain an issue for businesses however, especially the retention of EU nationals and attracting new, younger staff. Hopeful that the apprenticeship levy will generate more apprentices.

**Jon Regan (Hugh Lowe Farms and Weald Granary)** – The growing season has started and the county needs rain. There are no significant labour issues as yet. There is a large demand for English fruit.

**Paul Thomas (Development Land Services)** – There are reorganisations taking place among RSLs, and different approaches are being adopted. There is increasing interest in offsite build initiatives, and utilities are increasingly encouraging efficiencies in usage rather than new development. Broadband provision needs to respond more to demand. On the commercial side there are issues in bringing forward new development.

**Paul Winter (Wire Belt Company)** – Exports are benefiting from the exchange rate. There is a reliance on raw materials from overseas, and some evidence of over-pricing which is being monitored closely.

**Paul Wookey (Locate in Kent)** – There are increasing enquiries but conversion length is also increasing because of stock shortages (industrial and office). This means that Kent could be losing out to other areas because floorspace supply trends have been downward in recent years.

#### **Additional commentary provided by BAB members unable to attend meeting**

**Susannah Schofield (Dice Matrix)** – SMEs are struggling to maintain income, and having just got over the Brexit worries, a general election was called. Has two large projects put on hold until after the election, and other businesses are similarly affected. This is a tense time which has not helped those small businesses suffering from client inertia already. Hopeful for a return to normality after the election, so that companies can commit budgets and look towards the longer term.

**Frazer Thompson (Chapel Down Group)** - The impact of a weaker pound and continuing positive comment on English wines have led to a dramatic increase in interest from export markets – especially in our case from the USA where exports are 250% ahead of budget in the first 6 months. Beer continues to go from strength to strength but a devastating headwind of EU labour withdrawal, business rate rises, inflation on imported goods and lower tourism numbers threaten the South EAST (AND London in particular) restaurant and bar trade. Good weather has helped in the run up to Easter, but a heavy frost has severely damaged many vineyards in Kent, Sussex and Hampshire which will reduce the harvest this year. This will also mean higher pricing at a time when we have Champagne on the run, to the extent that Taittinger planted their first vineyard in Kent on the North Downs last week.

**Tim Waggott (Port of Dover)** - Q1 has shown growth in freight traffic off the back of another record year in 2016, but conditions in tourist markets are still challenging. The Dover Western Docks Revival continues apace, with large numbers of plant mobilised in the port, and with dredging, demolition and piling all in progress. The A20 roadworks in Dover are completed, and have improved traffic flow to the Eastern Docks. A big thanks to the business community for all

their support in securing funding. Engagement continues across Whitehall to protect Kent from a cliff edge Brexit.

**Sandra Matthews-Marsh (Visit Kent)** – The 2017 Kent Big Weekend in early April has broken all previous records: 116 attractions took part in this year’s celebrations; 22,173 pairs of tickets were offered; 184,000 applications were made for these tickets; there were more than 1million page views on the [www.kentbigweekend.co.uk](http://www.kentbigweekend.co.uk) website; 85% would recommend attractions to family and friends; 87% would visit more places in Kent as a result of Big Weekend; and 99% would be proud to show their family and friends around Kent.

On the **Trade** front, the first quarter of 2017 saw the peak of the travel trade season, and April saw the last of our exhibitions in Europe, at a brand new RDA Workshop in Friedrichshafen in southern Germany, meeting German coach operators from Germany, Austria and Switzerland. We also welcomed the sales team from ferry operator DFDS to the county. Visit Kent has been nominated for 2 awards at the Group Travel Awards 17 for Best UK Destination for Groups and Best Information Product for Groups for our website.

On the **PR** front, between March and May, Visit Kent generated 72 press articles, worth £162,709 and reaching over 2.4 million people. We have hosted three press trips during this period for journalists from UK publications Period Living Magazine, Star Magazine and Boundless Magazine. We have also hosted one international press trip during this time for Traveller Magazine, Australia. The March **Business Barometer** showed that after a positive start to 2017, March saw a 15% decrease in visitor numbers compared to the same month last year. However, visitor footfall is up compared to February 2017. This is because Easter took place in April this year, compared with March in 2016. Business tourism saw an increase of 4% in the number of conferences and events, compared to March 2016.

New Visit Kent **investors** include the Camping & Caravanning Club (3 Parks in Kent), Sandwich Town Council, Café 1809 and Park Holidays.

#### **4. The role of social enterprise in creating employment opportunities (presentation by Steve Sherry, RBLI)**

Steve Sherry provided some insights into how successful RBLI has been in creating employment opportunities through social enterprise, especially for vulnerable people. There are three social enterprises: (i) providing a particular focus on service veterans, (ii) working with a large number of disabled people, and (iii) delivering products through Britain’s Bravest Manufacturing Company. The prime motivator for social enterprise is job creation, and also to help people achieve independence through employment. Annual turnover was now £5m, of which 95% is from trading.

While it was important to get the business model right so that the social enterprise can be financially self-sustaining, there is also an important social value element as well. BAB members could assist by (i) “making a noise” about the importance of the social value achieved by supporting the development of social enterprises, (ii) getting behind the Buy Social Campaign, and (iii) helping initiatives such as these to close the disability employment gap both by directly employing people with disabilities and supporting them to obtain employment.

#### **5. Economic Update (presentation by James Pomeroy, HSBC Global Economist)**

There were two parts to James’ presentation: first, a look at the main trends in the UK economy, and second, an assessment of the global drivers and their potential future implications.

The UK was described as having had a “most unusual year” and economic indicators below suggest that the economy is starting to slow down appreciably. It was noted by James that this appeared to contrast with the economic commentary by BAB members.

- Growth slowed markedly during the first quarter of 2017, as higher inflation weighed in on domestic consumer demand, the point being that growth cannot be sustained by a credit boom;
- Wages have not risen much and consumer demand will go down;
- The savings rate is now very low, and still going down;
- However, performance figures for manufacturing and services are rising;
- Weaker sterling exchange rates are starting to benefit exports, although these remain at lower levels than imports;
- Surveys suggest that business confidence has not improved since the referendum in June 2016;
- Business investment is relatively weak and corporate demand for lending to invest is also weak;
- House price fluctuations over the past year indicate that the housing market has started to slow as well.

The global picture looked relatively stronger, some aspects of which could present both opportunities and threats for the UK economy and its businesses:

- HSBC forecasts suggest that GDP growth in emerging countries will continue to exceed the more developed countries;
- China and the US are the primary global growth drivers, while India and Far Eastern countries are expected to achieve the highest GDP growth rates;
- Shrinking working age populations in the developed countries are now a drag to growth;
- Technology matters because it will lead ultimately to lower inflation through its effect on IT consumption and e-competition;
- Expects much stronger US and Eurozone activity over the next couple of years;
- Wages growth has been less responsive to falling unemployment;
- Manufacturing output has risen since 2009 relative to employment.

## **6. Summing up (Geoff Miles, BAB chairman)**

BAB members were invited to get in touch with Sylvana Jones with any ideas for future topics for presentation and discussion.

**Date of next meeting: 13 July 2017**