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To: Regeneration and Economic Development Policy Overview
and Scrutiny Committee - 1st April 2011

Subject: Sandwich Economic Development Task Force – update report

Classification: Unrestricted

Summary:

For 60 years, Pfizer and its talented workforce have made a major contribution to the national economy and to economic growth in Kent. Groundbreaking new drugs have been developed and many lives saved as a result of the world-class research and highly-skilled scientists based at Sandwich.

So Pfizer's announcement to exit the site as a result of changes in the global pharmaceutical industry presents a major challenge. David Willetts and Vince Cable acted quickly to establish a Task Force to develop proposals for new employment in East Kent and stimulate new business on the Pfizer site. This summary sets out the Task Force's initial recommendations and highlights the work ahead.

1. Introduction

- 1.1** Pfizer announced on 1 February that it will exit its research and development facility at Sandwich by the end of 2012. This will affect 2,400 staff directly employed at the site and will result in significant additional indirect job losses through contractors and the supply chain supporting Pfizer's activity.
- 1.2** The Government established a Task Force under the chairmanship of Paul Carter shortly after the exit announcement to scope the actions that we must take to support the future of the local economy. This report summarises the Task Force's initial findings and sets out the recommendations set out in its 30 day report attached at Annex 1.
- 1.3** Pfizer's decision to exit reflects global changes in the pharmaceuticals industry. The potential for job losses is significant, especially given that they coincide with substantial redundancies in the public sector. The Pfizer workforce is also highly productive and skilled – so retaining the knowledge base for the East Kent economy and for the country is

essential.

2. The transition phases

2.1 The Task Force has identified that the transition will broadly take place in five phases, moving from an immediate focus on preserving jobs and activity on the site through to the longer term delivery of wider opportunities for East Kent:

- **Phase 1:** Pfizer's efforts to attract contract research organisations (CROs) to the site will hopefully result in the transfer of assets and staff. Pfizer is currently in detailed negotiations with a number of CROs, which could provide a positive basis around which further economic activity and job opportunities can be generated.
- **Phase 2:** Building on a CRO core, further opportunities to attract venture capital investment in new business start-ups.
- **Phase 3:** Over the medium term, a range of options for additional R&D and other high-tech activity (for example in food sciences, aviation and environmental technology) at Sandwich, Manston and the East Kent Assisted Area;
- **Phase 4:** Looking beyond Pfizer's exit in 2012, consideration of longer term ownership and management options for the future of the site and links with neighbouring locations to provide a core of other high-value activity
- **Phase 5:** Delivery of a longer term strategy for the future of East Kent.

3. Progress to date

3.1 The Task Force has made significant progress in four weeks. As well as developing the proposals set out in the 30 day report, the Task Force has:

- Visited and investigated examples of former R&D facilities which have found new futures after major industrial restructuring;
- Drawn together venture capital experts to advise us on the right incentives to stimulate business investment;
- Co-ordinated collaboration between Pfizer and Locate in Kent in promoting the site;
- Initiated a coordinated approach to support for the existing workforce and contractors affected;
- Commissioned, via Kent County Council a full assessment of the impact of Pfizer's exit, in the context of wider public sector job losses in the East Kent economy and a longer term strategy for growth.

4. Solutions and recommendations

- 4.1 The Task Force is clear that it must act speedily and maintain momentum. It has therefore focused its future activity on three major solutions that support each phase of the transition process.
- 4.2 Firstly, action must be taken quickly to support the staff, contractors and communities directly affected by Pfizer's exit. Pfizer is already supporting its staff through the transition with a comprehensive outplacement service that includes training events and advice to help employees develop business proposals. A Skills Sub group has been set up comprising Pfizer, Skills Funding Agency, Job Centre Plus, BIS, University of Kent, Cogent (the sector skills council) to co-ordinate support that can be offered, and to align EU, national and other funding for Pfizer staff and contractors and wider communities. More detailed recommendations will be included in the second report to Government.
- 4.3 Secondly, the Task Force recommended that the Government designates the Sandwich, Manston and key sites within the East Kent Assisted Area a **Research, Innovation and Technology Zone (RITZ)**. This would bring together a range of potential incentives backed by Government and by local partners, including:
- Full exemption from business rates on empty properties
 - Capital incentives for further business growth
 - National Insurance contributions holiday for business start-ups
 - Support to business to secure R&D tax credits
 - A full R&D business support package Incentives to attract equity investment, similar to the Business Expansion Scheme of the early 1990s
 - Streamlined regulatory and planning processes
 - Promotion and marketing of business and investment opportunities

As a result of the budget announcement the Task Force will formally bid for an Enterprise Zone. Kent County Council has commissioned further work to quantify costs and benefits and this work will be undertaken over the coming month.

- 4.4 Thirdly, the Task Force asked for these incentives to be supplemented by investment in critical infrastructure, jobs and skills to support substantial economic growth. The Task Force recommended that an **East Kent Recovery and Growth Package** be identified, to add value to the RITZ, building on Assisted Area status. In particular, the development of High

Speed rail access to Manston and a reduction in journey times to Thanet and Dover will have a significant impact on the potential of the Sandwich site and the wider local economy: a proposal to the Regional Growth Fund has already been prepared and discussions with Network Rail have been highly positive. The Task Force has discussed this with the Secretary of State for Transport and Ministers at BIS and CLG and we recommend that Government supports **Regional Growth Funding** for East Kent.

5. Moving Forward

5.1 Over the coming weeks, the Task Force will focus on establishing the costs, benefits and viability of its proposals, working with Government and Pfizer on the long term options for the Sandwich site, its knowledge base and the East Kent economy. In particular, the Task Force will:

- Complete the work to understand the impacts of Pfizer's exit and wider economic change in East Kent, incorporating the outcomes in the next report to Government;
- Via the Skills Sub-Group, continue to seek ways of aligning national, local and European programmes and funds and investigate the potential for additional resources.
- Co-ordinate the contribution of the higher education sector to support the retention and expansion of the East Kent knowledge base;
- Build on the current work between Locate in Kent and Pfizer to co-ordinate a marketing strategy for the area, establishing a closer understanding of the product and its unique selling points;
- Investigate the full costs and benefits of the proposed Research, Innovation and Technology Zone and prepare a bid to Government;
- Develop an integrated approach to the wider economic growth of East Kent, to support the Recovery and Growth Package, building on the work achieved to date in advancing proposals for significant transport improvements focused on the enhancement of high speed rail.

Recommendations

The Committee is recommended to:

- Note the contents and proposals contained within the Task Force's first report to HM Government at Annex 1
- Note the next steps as outlined in paragraph 5.1.

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Background Documents:

Annex 1: Towards Recovery and Growth: First Report of the Sandwich Economic Development Task Force to HM Government – March 2011.