

CAMPAIGN FOR BUSINESS 2020



Greater Manchester
Chamber of Commerce

Helping Business Grow for Over 225 Years

CAMPAIGN FOR BUSINESS 2020

INTRODUCTION

This general election will be the third in 5 years – an unprecedented timetable though one that is probably not unexpected following the ongoing parliamentary deadlock created by Brexit.

On 12th December the country will once again go to the polls with one eye on how the parties outline their plans to resolve the Brexit blockage and the other, increasingly, on what else those seeking to run the country can offer beyond Brexit. For too long Brexit has stagnated development and progressive implementation of domestic social and economic policy.

Campaign for Business 2020 has its roots in core principles we have campaigned for during the 2015 and 2017 elections and has been updated to reflect the huge amount of work the Chamber has done with its members, partners and other organisations in making sure it accurately represents the views of business. It identifies and outlines what our members and the wider GM business community want from the next government to put the economy back on track and create opportunities for growth, jobs and a sustainable business environment.

In May 2017, ahead of the election we said:

“The decades-long model of a highly-centralised country, both politically and economically, has in many peoples’ opinions, failed. It has failed places, people and the ability of areas to work effectively by underinvesting in infrastructure and vital support functions that businesses need to grow.”

We believe that these words are more valid than ever and the lack of progress in the last few years means that it is more urgent than ever that the next government takes immediate action. In addition, the increased and urgent requirement to de-carbonise the economy and wider society has become a priority in policy thinking, planning and implementation. Business has a role in this.

Whilst Brexit has ground to a halt, creating damage in its wake, the progress of devolution has also come to a standstill. Like most other domestic policy areas, the last few years have seen a slowing down in what, at one time, seemed an unstoppable rush to greater devolved powers for those areas with elected mayors and well-structured Combined Authorities. It has only been since the change in Prime Minister and senior leadership in August this year that the positive noises around devolution has once again been heard with any form of clarity. But, like most other policy areas, devolution on its own is not enough. It must form part of a wider national level strategy.

The referendum decision of 52% of British people to choose to leave the European Union was driven by many issues, felt differently around the country. The next government must work hard to offer a stronger economy and healthier communities in all areas; a continuation of the same policy of the past decade will not deliver this.

It is also vital that the trust between our political system and the electorate, which has been put under severe strain, if not completely broken, is quickly rebuilt for the benefit of a strong and successful country.

We, along with our members, look forward to working with all parties and, whoever forms the next government. We offer our commitment to an open and engaging debate about how together we build a successful vision of the future and, more importantly, how this is delivered.

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Greater Manchester Chamber of Commerce (GMCC) is the UK's largest accredited Chamber, representing over 4,700 businesses that together employ over 400,000 people, over one-third of the working population of the country's largest area of economic activity outside London and the South East. We are a not-for-profit private company, working proactively to create a better business environment for our members by helping to connect them to business opportunities in Greater Manchester, the UK and across the globe.

If the election of 2017 was positioned as being crucial for the UK, it is probably safe to say that the stakes have been raised considerably.

Whilst Brexit dominated the election two years ago, and is indeed an important factor in this election, our members and the wider business community have become increasingly concerned at the consistent failure of central government to respond to a worsening domestic business environment with clear and decisive action. The recent overall performance of the UK and local economy is proof that change is needed - a refocussing away from Brexit to all areas of policy making, not just in thinking, but in action too.

The last two years have seen a concerted effort by the Chamber working with its members, partners and other organisations to identify, define and deliver our campaign activity. This document also draws on previous Campaign for Business publications in 2015 and, obviously, 2017.

Campaign for Business 2020 has five key themes – listed below. Each has a short narrative and a selection of priority points that members expect from the next government.

- 1. Devolution & Place**
- 2. Skills & Employment**
- 3. Connectivity & Innovation**
- 4. International Trade and Brexit**
- 5. The Business Environment**

There are recurring themes that run throughout all the above, around devolution and net-zero carbon activity. The latter is a fundamental part of a modern economy and business must now respond and be seen to respond to this issue. Business as normal does still exist but it is a new normal not just brought about by Brexit but wider societal demands and influences.

The content of this campaign document has been put together through member engagement activity as part of the “Future of Skills 2028” and “Connectivity and Innovation for Growth” campaigns, overseen by the Chamber Assembly and approved by the Chamber's Policy & Campaign Group.

By using members evidence and intelligence gathered over the last few years the Chamber can present an accurate summary of what the demands and expectations of businesses in Greater Manchester are of the next government. The Chamber will deliver an ongoing series of campaign activities to ensure their successful delivery and will build on these for the May 2020 GM Mayoral Campaign.

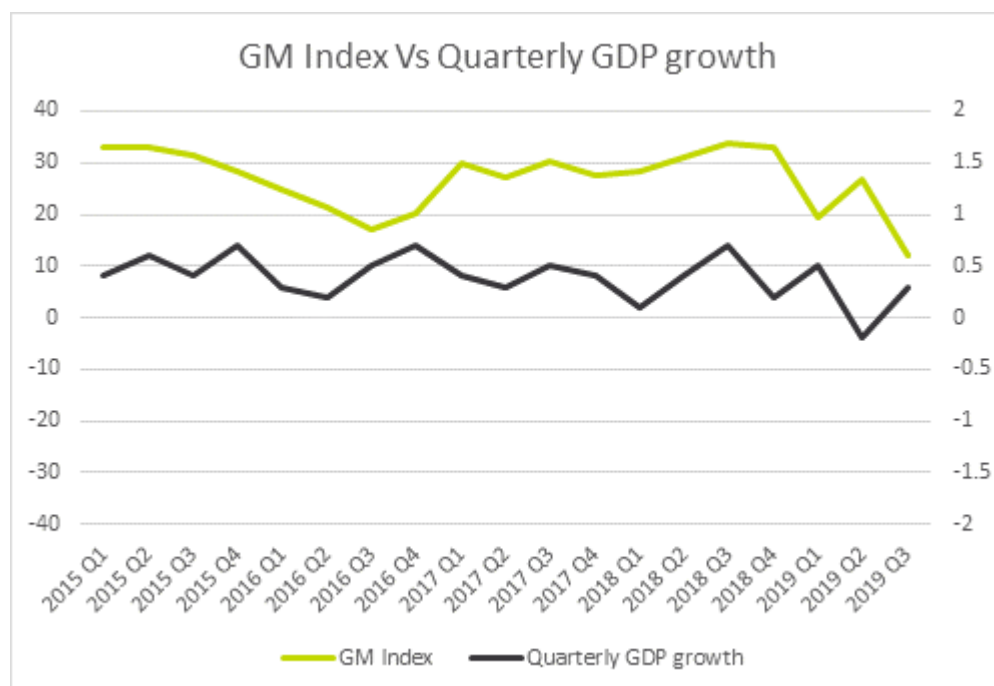
Part of the confidence in this content results from the use of research, data and analytics – much of it centred around the responses to our Quarterly Economic Survey. The most up to date results can be found in the next section and they set out with clarity the current economic picture and context of the GM economy.

THE GREATER MANCHESTER ECONOMIC SNAPSHOT – Q3 2019

The current position of the GM economy following the Q3 Quarterly Economic Survey 2019

If this election is about more than Brexit it is important to understand and have an awareness of the performance of the GM economy. The Chambers Quarterly Economic Survey (QES) is completed by over 400 business every quarter and represents “real world” economic sentiment and experience. It is through the QES that early warning indicators can be picked up about changes in economic performance. For the first time we have included this in our Campaign for Business document as it illustrates the real life impact hesitation and uncertainty is having on business.

Greater Manchester Chamber of Commerce's QES results for the first three quarters of 2019 show that the economy is feeling and reacting to the full impact of Brexit uncertainty. The Chamber's key economic indicator for the city region, **the Greater Manchester Index (GMI)*, declined to 12.1 in Q3 2019, the lowest the index has been in seven years.** In the final quarter of 2018, the GMI was 33. Economic growth has been volatile in recent quarters and business activity has dipped in 2019 following a slow recovery from the aftermath of the EU referendum.



The recent slowdown is the consequence of continued Brexit uncertainty and weakening global demand. There is still the risk of a cliff edge in the event of a no-deal Brexit after the general election. There is also the risk of further uncertainty arising from a new government wanting to renegotiate the Brexit deal. Sustained uncertainty surrounding Brexit will continue to be a drag on investment and trade. Any new government will have, at best four weeks to win Parliamentary approval for the deal. Without a definitive resolution in sight, the short-term outlook remains negative. It is clear that business have chosen to hold back on investment and recruitment because they are seeing both domestic and overseas demand falling. There is a short window of opportunity to negotiate and secure the best trade deals.

Business investment has tapered since the beginning of 2018 as anxiety around the uncertainties of Brexit became more acute. The medium-term outlook hinges on Brexit: a chaotic, no-deal exit could result in significant decline in business confidence and further postponement of investments, whereas swift Parliamentary approval of the withdrawal agreement could unleash pent-up consumer demand and business investment. Brexit has dominated political discourse and government time with the result that domestic challenges have not received sufficient attention.

As a result, GDP quarterly growth has been volatile over the past few quarters. Stockpiling in anticipation of a March Brexit resulted in strong GDP growth in Q1 2019 but GDP contracted in Q2 2019. Amidst the short-term gloom, the silver lining is that consumer spending has grown. Unemployment is at record lows and wage growth has boosted discretionary consumer spending. Businesses, especially those in the retail and hospitality sectors, will be counting on sustained growth in consumer spending over the festive season.

The long-term prospects for Greater Manchester's businesses and economy remain positive. The fundamental conditions for trade and investment have not changed, and Greater Manchester remains a very attractive destination for business investment. Business confidence in Greater Manchester has remained stable and both employment and wages have grown over the last few quarters.

Business in Greater Manchester are particularly concerned about local challenges, which hamper their ability to attract talent and degrade the business environment in the city region. These include unreliability and high cost of public transport, the lack of sufficient housing stock and recruitment difficulties. These are the issues they want resolved. The message from business is clear: they want the impasse over Brexit broken and a clear way forward for a robust trading partnership with the EU. At the same time, they want productivity boosting investment in the UK. Therein lies the path to a quick turnaround to a growth trajectory.

**The GMI is a composite of 7 indicators from the QES around domestic sales and orders, international sales and orders and business confidence.*

1.DEVOLUTION AND PLACE

Greater Manchester is still at the forefront of devolution but over the last three years the support from government has become less certain.

The next government must show its commitment to the devolution pathway set out and not just pay lip service to it but devolve genuine, ground breaking control over decision making and funding.

The idea of levelling up all devolved areas runs the risk that areas such as GM, which are not just ahead of others but have the capacity to continue to drive forward, will be held back whilst others catch up.

The next government should also confirm what the Northern Powerhouse is and how it can be delivered in line with the original concept as launched in 2014. It was simply a plan to bring together, primarily through infrastructure investment, the core economic areas of the North to open up labour markets and access. For too long an over use of branding and confused messaging have replaced action and delivery with the net result of poor progress.

Genuine place making and shaping is possible and businesses increasingly understand their role within this but the mechanism for enabling this has to work better, clearer and with success. If this happens the ambitious growth outlined in the Greater Manchester Local Industrial Strategy (GMLIS) and other documents can be delivered.

GMCC Members want the next government to:

- **Clarify its vision of devolution and how it is to be delivered including its proposals for the Northern Powerhouse.**
- **Let those areas that have the capability and capacity to deliver successful devolution activity, such as GM, to continue their progress – with support from government departments.**
- **Provide a national framework that supports the delivery of locally-driven and place-based industrial strategies to support business growth with infrastructure, services and skills, backed up with genuine, devolved decision making and implementation powers – not reliant on final approval by Whitehall departments.**
- **Support local plans to achieve net-zero carbon targets with adequate local powers and decision making.**

Government should, as part of a reform of business rates, re-evaluate the tax-raising powers of local government, allowing them to better manage their local areas with greater independence from HM Treasury. Budgetary cuts have left local authorities including those in devolved areas even more reliant on central government.

GMCC Members want the next government to:

- **Reform and redesign the business rates system to deliver more frequent, lighter touch and accurate valuations that reflect current trading conditions.**
- **Fundamentally review the core funding requirements of local government to provide services sufficient to support and grow the local economy as well their statutory services.**
- **Working closely with business, evaluate how local government can best be given new powers to diversify and strengthen their tax base, including the variation and retention of local taxes.**

2.SKILLS AND EMPLOYMENT

Over the last 18 months, as part of the 'Future of Skills 2028' campaign and ongoing work, there has been the opportunity to work with our members and others in far greater detail than ever before to look at issues affecting the skills system in Greater Manchester.

Our vision is that Greater Manchester owns a skills system, shaped by all, with opportunities for all, no matter where they live and where they come from. That is the vision of our members and the focus of our efforts and formed the content of our 'Ambition Statement for Skills' released in September 2019. For this to happen though national government will have to be prepared to move significantly in several key areas to unlock and unblock current barriers preventing this happening.

Countries and regions which have highly developed and accessible skills systems have left nothing to chance. Their systems are well designed in collaboration with industry and have good governance arrangements that understand how critical investment is to grow and retain talent, having direct control over policy decisions.

Our ambition is to play a leading role for skills in Greater Manchester by developing a culture where it is the norm for employers to be involved in the design and delivery of technical education and vocational skills training. By doing so we believe that our employment and skills system will become much better at delivering programmes of scale and quality, that will:

- Prepare our young people for the world of work and ensure that more young people leave full time education better qualified and better equipped to make the transition into employment.
- Meet the needs of employers and individuals, reducing skills gaps and shortages, directly contributing to enhancing productivity and the GM economy.
- Support those out of work to secure and sustain employment.
- Reduce the number of Greater Manchester residents with no or low skills.

To do this:

GMCC Members want the next government to:

- **Create and give business access to an efficient, light-touch and cost-effective system that provides ongoing access to a skilled workforce.**
- **Lift the severe financial restraints imposed on educators, ensuring they are able to operate competitively to offer qualifications to our most vulnerable residents, including Level 2 apprenticeships.**
- **Deliver greater devolution of both skills funding and policy, establishing a skills levy for Greater Manchester to be spent on lifelong learning opportunities and workforce development.**
- **Give Greater Manchester greater control and influence over unused apprenticeship levy funds.**

3.CONNECTIVITY AND INNOVATION

Good infrastructure is at the core of a successful economy. In its simplest form it facilitates the movement of people, goods and data, it also underpins our essential services such as energy, water and waste removal. Effective connectivity is also now at the front-line of the battle against carbon and congestion and in support of cleaner air. Successive governments have stated their ambitions to rebuild and reinvest but have failed to deliver often as a result of short-term planning and thinking driven by five-year parliamentary cycles.

GM aims to be net zero carbon by 2038, the UK by 2050 – this cannot be done in a structure that consistently changes depending on whichever government is in power. These issues go beyond politics but it needs political willpower to make it happen.

At a local level the focus is increasingly toward the release of more local powers, control and decision making. Greater Manchester has already made an early admission of its ambitions following the release of the GM Rail Prospectus in October and the ongoing Bus Consultation by TfGM. There are also significant plans around what a Clean Air Zone scheme will look like in GM though the major funding element has been held up at government level pending further changes. Hold-ups created by central government have an immediate impact on economic growth and an ability to plan with certainty for the future. This is further evidence for the call to devolve more centrally controlled powers.

GMCC members expect the next government to:

- **Develop and implement a long-term national infrastructure strategy, controlled by a newly repurposed National Infrastructure Commission (with statutory powers and independent of any government department) that includes distributing funds to the best level to ensure effective delivery, with local flexibility and input over how the funding is spent.**
- **Implement a realistic, costed and deliverable strategy and plan to ensure net-zero carbon targets are achieved.**
- **Further devolution of powers and funding as required to allow greater local control of decision making and management as regards infrastructure and transport plans.**
- **Implement a national policy for Clean Air Zones that removes the local discrepancies and confusion arising from the wide variance in locally developed schemes.**
- **Ensure adequate numbers of skilled workers are available and where necessary fund all relevant training and skills opportunities including those around the development of new technologies to ensure that the delivery of plans can take place within the allotted timescales and costs.**

The following areas highlight general infrastructure areas and highlights what GMCC members expect from the next government.

Transport

- **Rail - commit to, and begin immediate build of HS2 phase 2 with the integration of both Northern Powerhouse Rail and local transport systems to form a truly integrated transport**

network. This must be backed up by an effective rolling stock strategy to provide sufficient capacity for future growth.

- Where franchise models exist, build in future expansion as a pre-requisite of delivery. Ensure that agreed levels of spend and investment made by rail companies are delivered on time and act quickly against those companies failing to meet passenger requirements.
- Roads – devolve powers and funding for local road building, traffic management and maintenance and help with the development of “future-proofing” all road schemes to support and allow the increased use of electric vehicles, and eventually the long-term deployment of autonomous vehicles.
- Take active steps to reduce congestion on strategic roads and link these effectively within local road management structures.
- Air – the next government should bring forward an aviation strategy that clearly outlines the role of regional airports in supporting growth and alleviating capacity issues in the south east as part of a national transport plan, whilst reducing carbon as significantly as possible.
- Canals– develop an effective strategy for the increased use of the existing canal and waterway network in the UK to alleviate the pressure on other forms of transport e.g. moving aggregates or taking spoil away by canal for appropriate construction schemes, opening up miles of new cycle routes and pathways connecting towns and other areas away from the road network . The existing water network must also be linked with the UK’s ports.

Utilities

- Energy – there must be a recognisable long term energy strategy for secure and balanced delivery considering business and environmental needs with any new energy sources having full cost benefit analysis undertaken before decisions are made on their future.
- Digital connectivity – the roll out of reliable fibre broadband for business must be stepped up and rapid deployment of new technologies such as 5G must be classed as a priority. All appropriate steps should be taken to give digital infrastructure the same status as other utilities and should be included in planning for and build of new developments.

Planning

- Housing – continuation of reforms to the planning system to develop a more efficient process, further devolve powers to appropriate local levels to allow in-depth reviews of land allocation and future plans including infrastructure and provision of other amenities.
- Commercial space – clarity over availability, use and where necessary protect employment land for future development in line with approved plans such as the GM Local Industrial Strategy.

Northern Powerhouse

The announcement by George Osborne in 2014 of the creation of the Northern Powerhouse was warmly welcomed by many. The success of this is ultimately based on the ability to better connect the major economic areas – not just cities – to allow easier access by business to a 10 million strong labour market. Cities of the North remain less productive than the regional average, but any improvements that are taking place are mostly despite, not because of, government policy.

GMCC members expect the next government to:

- **Restate and refocus its commitment to the Northern Powerhouse in line with its original objectives, and bring forward projects that deliver radically better connectivity across and between the major economic areas of the north of England.**
- **Confirm commitment to transport schemes across the North of England such as HS2/Northern Powerhouse Rail; the still to be agreed next phase of work of the Ordsall Chord – the Deansgate Corridor and improvements at Manchester Piccadilly – all critical to local and national networks.**

4. INTERNATIONAL TRADE AND BREXIT

Chambers of Commerce across the UK and beyond are at the heart of supporting, facilitating and growing international trade. From international trade advice and market entry to export documentation and wide range of other services, Greater Manchester Chamber of Commerce supports more than £1 billion of exports each year from its members. As the UK navigates the process of leaving the European Union, aspects of trade with its member states will change, but must not be disrupted; even as developing economies grow and offer new markets and increasing opportunities, Europe will remain our main trade partner for decades to come, both for goods and services.

Existing support packages in the UK for international trade are not comprehensive. Initial export support services are limited for those companies whose turnover falls between pre-defined high-growth export potential levels determined by the UK Government. Whilst our members acknowledge that online information provided by the Department for International Trade is of a high quality, its visibility to the wider business community is poor, and the continued shift to the provision of key information and support online often overlooks the enormous value added which is delivered by face-to-face advice and guidance through experienced staff such as those at Chambers of Commerce up and down the UK.

We encourage further focus on the UK's global supply chain which relies on a smooth import process for parts, components and services which is instrumental in a continued growth strategy for UK trade.

If the UK is to truly mitigate the risks and maximise the opportunities of Brexit, government-led trade support services should be significantly reformed. The opportunity exists to capitalise in the market penetration offered by the 53 chambers of commerce located across the UK.

World trade is being transformed, it is shifting from paper based processes and adopting technology such as AI and blockchain to streamline and make it easier for businesses to trade with one another. This requires investment in the private and public sector to ensure that we can keep up with the fast-paced changes and also fuelling innovation in how we support businesses across the globe.

Irrespective as to when the UK begins the process of leaving the EU, high-quality and relevant trade support has never been more important. Whether supporting business to export for the first time, guiding them through their first non-EU documentation process or helping existing exporters to access new or more challenging markets.

GMCC members expect the next government to:

- **Put genuine business- led trade support first by increasing work with the UK Chamber network, recognising its relevant and deep expertise in international trade, its global network and its unparalleled access to small and medium sized businesses across the UK.**
- **Work with the Chamber network to develop and deliver an Export Voucher scheme to allow for highly-targeted support delivered in local areas to businesses seeking to expand**

overseas. This should not just be used for the standard market entry support but also to help companies with customs technicalities and trade procedures.

- **Develop an investment framework in long-term support packages for exporting firms with a focus on first- time exporters**
- **Develop a more extensive regime of both inbound and outbound trade missions – especially those inbound missions that offer significant overseas investment opportunities.**
- **Accept that not all international trade advice can be delivered online and commit to an expansion of face-to-face services to support businesses to grow overseas.**

From pre-referendum surveys, on balance, businesses would have preferred a “remain” result in the referendum of June 2016. They now wish to see a smooth transition from our current membership into a new relationship that places a close, co-operative relationship between the UK and the EU, whilst wishing government to successfully deliver greater trading opportunities overseas. Critically, government must work to deliver, above all, a smooth process that minimises uncertainties over the coming years, seeking to replicate, as far as is possible, the current arrangements for trade, investment and workforce mobility that the UK has come to rely on.

GMCC members expect the next government to:

- **Minimise the possibility of and impact arising from a no-deal scenario and minimise ongoing possibilities of further prolonged periods of uncertainty.**
- **Prioritise trade stability with the EU above the ability to deliver new free trade deals with third countries.**

5.THE BUSINESS ENVIRONMENT

The overall business environment, from taxation and regulation to business support and access to finance, is critical in its effects on business performance. But all too often government policy does not see this in the round, choosing instead to focus on small areas whilst often missing the bigger picture.

Government must provide certainty and clarity in the process for making important decisions on business taxation, skills levies, public spending and business support. Such policy decisions must be evidence-based and made in consultation with business representative organisations.

Business itself must be placed at the heart of developing a long-term, reformed system that better balances the share of taxation away from above-the-line input taxes. The arbitrary nature of business rates has created an unfair tax burden that directly contributes to the challenges faced by retail and hospitality businesses. Business must further be supported to invest in, develop and support their employees, whilst playing their full role at the heart of local communities and a cohesive society.

We call on the government to restore business and investor confidence by setting a clear direction for the UK's future. The vision for the UK's future economic success must include measures to correct historic underinvestment in the UK's infrastructure and public transport systems including an unequivocal commitment to expanding capacity at Heathrow airport, delivering HS2 and Northern Powerhouse Rail. Investment is also needed on emerging areas such as AI, 5G, and green technologies to ensure that the UK remains a centre for innovation and business growth in the context of aims to achieve carbon neutrality.

Taxation

Recent government policy on commercial taxation has focused heavily on reductions in the headline rate of corporation tax while at the same time making continued increases in input or “up-front” taxes, those that businesses must pay regardless of their turnover, profitability, or overall success. This risks creating an environment that places too much pressure on new or small businesses, hampering their expansion into the medium- and large-sized businesses of the future. We call on government to commit to a wider review of commercial tax that, over a period of time, seeks to better balance the full suite of business taxation to support business growth, with greater local flexibility of taxes subject to appropriate democratic control.

GMCC Members expect the next government to:

- **Commit to develop a business tax roadmap, taking into account all corporate taxation, the various life cycle stages of businesses, the balance of input and output taxes and any barriers to growth that are in conflict with the wider aims of the government's industrial strategy and local industrial strategies.**
- **Commit to imposing no additional business taxation.**
- **Deliver simplicity and rationalisation in the commercial taxation system and reduce the administrative and compliance burden.**
- **Undertake immediate action on business rates by reviewing and designing a new system that reflects business in the 21st century and releases the burden of upfront, above the line taxation on many businesses.**

Access to finance & business support

Whilst there have been many government-led interventions into the market, they are not clearly positioned and are often confusing, having grown in number over the years. Though newer forms of lending are increasing rapidly, they are doing so from a small base, and their effects on the wider marketplace will remain limited for at least the short term. Government support in this area should also look to deliver solutions through existing lenders, seeking to address a lack of supply at its source, rather than by default intervention with its own schemes. This does not mean that government has no role to play in this area; instead, it should ensure that the wider marketplace is functioning efficiently before developing products of own.

GMCC members expect the next government to:

- **Avoid duplication of support mechanisms and services offered through both private and public sector initiatives and limiting public intervention to where genuine differences and value addition can be obtained.**
- **Rationalise the number of government-backed lending schemes, delivering them through existing institutions where possible and, where not, focused through single programmes rather than multiple separate products**