GM LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: Brexit preparedness update

DATE: 14 January 2019

FROM: Mark Hughes, Chief Executive, Growth Company

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PURPOSE OF REPORT

This paper provides LEP members with details of activities being led by the Growth Company to support businesses in preparing for Brexit, as part of a coordinated GM response to Brexit preparedness.

RECOMMENDATIONS

Members are asked to:

- Note the activities of the Growth Company to support businesses in preparing for Brexit.

- Note that preparations for Brexit being undertaken across GM public agencies, coordinated by the GMCA, and that an update on progress will be provided at the meeting.

- Discuss any feedback received by members on the state of preparedness of the UK and GM for Brexit, including in a possible no deal scenario.

CONTACT OFFICERS

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1. Introduction

1.1. Work is underway across GM public agencies to consider the impacts of Brexit and, where possible, ensure appropriate mitigating actions are in place.

1.2. Through continued collaboration and established joint working mechanisms, appropriate responses are being developed at Greater Manchester level; the collective work of all ten districts, the following areas are being progressed:

- Undertaking appropriate contingency assessment and planning exercises based on local command and control arrangements;
- Working with other cities in national and international networks to ensure appropriate scenario testing and risk identification is in place;
- Assessing how the scenarios outlined in the technical notices impact on local contingency plans in alignment with the national resilience framework, ensuring our ability to respond to emergencies is maintained;
- Undertaking an assessment of key (infrastructure) projects in GM which may be at risk post Brexit due to: increased prices and reduced viability of projects and investments; and availability of labour (such as construction skills). Consideration is also being given to relevant public sector interventions to ensure such projects continue and retaining confidence in the market;
- Assessing potential impacts on the Airport and surrounding infrastructure if there is disruption at points of entry to the UK;
- Assessing the potential impacts on the health and social care system.
- Ensuring the GM economy continues to be viewed as open for business and globally competitive by building relationships with key European cities;
- Further developing and expanding support work with key sectors, particularly:
  - Development of Growth Company web pages providing advice, FAQs and readiness assessments to GM firms;
  - Identification of GM firms at particular risk due to reliance on just in time supply chains;
- Understanding skills issues resulting from Brexit – monitoring, reporting and taking early action in sectors currently dependant on migrant labour;
- Undertaking an assessment of the impact of a reduction in overseas / EU students;
- Putting in place appropriate arrangements to support business and individuals in the event of an economic downturn;
- All public sector bodies are carrying out organisational and sectoral risk assessments.

1.3. Regular engagement is also underway with Government departments.
1.4. This report focuses on work being led by the Growth Company related to the support being provided to businesses to be prepared for Brexit and maintain competitiveness.

2. Growth Company Activities Related to Brexit and Businesses

2.1. Following the results of the EU referendum in June 2016, the early focus for the Growth Company (GC) was on engaging and informing clients on areas of opportunity and concern as well as providing support to mitigate risk and take appropriate actions to ensure the continuation and growth of their businesses.

2.2. The current state of the Brexit negotiations means that there is no certain position about what businesses need to do to be ready for 29th March 2019. If the Government’s transition plan is agreed, this will mean that businesses will have two years to prepare and adapt to future EU and global trading arrangements. However, recent political events have brought into focus the real prospect of a no deal Brexit. The remainder of this section sets out an overview of:

- the state of business Brexit preparedness in the light of a possible no deal
- GC’s current response to support businesses
- the broader impact of how Brexit is impacting GC’s service delivery

3. Business Brexit Preparedness

3.1. Whether businesses view Brexit as an opportunity or a threat a key current consideration is their degree of preparedness for a potential no deal Brexit. Numerous business surveys have indicated that large proportions of businesses do not have a planned approach to any form of Brexit.

3.2. BCC research in 2018 of 2,500 UK businesses found that 62% of all businesses do not have a planned approach to Brexit. This was more heavily concentrated amongst SMEs as only 24% of firms with over 250 employees do not have a plan whilst 69% of micro firms (less than 10 employees) do not.

3.3. CBI research indicated that 77% of the larger business (>5,000 employees) have Brexit contingency plans, compared to 47% of SMEs, who lack the resource base to plan. There are also differences in the degree of preparedness by sector with understandably those that are more exposed undertaking more planning. The CBI reports that real estate, financial services, logistics and information/communications are sectors with higher levels of preparedness (79% to 60%). Of concern is the low level of preparedness amongst transport (shipping/aviation), hospitality/leisure (33%) and the relatively low level amongst manufacturers (51%) who may face the most challenges.

3.4. Broadly translating this to GM would mean that that around 50% of GM’s 140,000 businesses do not have a planned approach to any form of
Brexit. Clearly, not every business will be affected by Brexit, but its impacts are not limited to those businesses who trade internationally. There are labour impacts (e.g. 21% of small business have at least one member of staff from the EU according to the FSB) and supply chain linkages that will affect non-trading companies (notwithstanding any day one or wide economic impacts).

3.5. This state of preparedness is clearly of concern and a focus of GC action (as set out below).

3.6. Most recently we are now also beginning see the impacts of businesses who have taken ameliorating action. Some manufacturers have clearly ramped up their stockpiling efforts in preparation for a no deal Brexit, with factory output rising to the highest level in six months. A snap shot survey from HIS Markit and the Chartered Institute of Procurement and Supply has highlighted growing concerns about Brexit disruption from border hold-ups and more businesses building up stocks in December. This stockpiling of finished goods is the second-fastest rate recorded since 1992. This has also been highlighted in the EEF’s January Economic Monthly Brief where business investment has contracted by 1.1% in Q3. The briefing sighted a recovery in investment in December, but this has been attributed to the acquisition of new buildings (an increase of 33%) in which to stockpile raw materials, work in progress and finished goods. Whilst the service sector showed a positive performance in October, overall economic growth is being impacted by poor performance in both construction (-0.6%) and manufacturing (-0.9%). In manufacturing this falling performance is across all subsectors, but particularly notable for pharmaceuticals (-5%) and transport (-3.2%) related to the car industry.

3.7. The pound’s weakness has also probably helped support export orders with growth from the US, Europe, China, India, Brazil and Africa. All markets our international trade and inward investment services are targeting.

3.8. Brexit is also being blamed for heightened skills shortages in an already generally tight labour market as 81% of manufacturers and 70% of service sector firms are reporting difficulties in finding skilled staff. The number of EU27 nationals coming to the UK to work has fallen since the Brexit vote with net migration from the EU at its lowest level since 2012.

4. GM Businesses’ Views

4.1. GC has been proactively monitoring business opinion through working groups, surveys and through discussions with its own client base. We have been continuously surveying GM businesses since the June 2016 referendum and have 1,740 responses with which to understand how GM businesses view and react to Brexit. We will also shortly be undertaking a snap survey specifically centred on the no-deal scenario.

4.2. Key overall findings and changes are outlined below:
- 6% of businesses currently (Sept-Dec 2018) view Brexit as having a positive impact which has declined from 9% in the preceding 2-year period. Companies who view it as having a negative impact have grown from 26% to 31% with Don’t Know also rising from 27% to 34% (Neutral and Declined to Answer proportions have both fallen).
- Most GM businesses surveyed (53%) are now reporting (since Sept 2018) that access to the single market is vital or somewhat important, which has increased from 44% over most of the pre-exit period between Oct 2016 to Aug 2018 (unimportant declining from 43 to 27%).
- Views on the potential impact on business investment have remained relatively constant although latterly the proportion of businesses who are unclear as to the impact of Brexit on their investment has grown from 14% to 22%.
- The impact of staff hiring has latterly become more negative with only 53% of companies continuing to hire at same pace, down from 69% immediately after the referendum. There has also been a sharp rise in Don’t Know responses from 14 to 35%.
- Businesses have also been asked about support needed and it is interesting to note that this has jumped to 20% from a low of 8% in the preceding 2-year period.
Table 1: GM Business View on Brexit (GC Survey)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>No. responses</td>
<td>306</td>
<td>1206</td>
<td>245</td>
</tr>
<tr>
<td>Overall impact of Brexit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>9%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Neutral</td>
<td>35%</td>
<td>33%</td>
<td>28%</td>
</tr>
<tr>
<td>Negative</td>
<td>26%</td>
<td>20%</td>
<td>31%</td>
</tr>
<tr>
<td>Declined to Answer</td>
<td>3%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>27%</td>
<td>30%</td>
<td>34%</td>
</tr>
<tr>
<td>Importance of Single market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vital</td>
<td>10%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>29%</td>
<td>36%</td>
<td>43%</td>
</tr>
<tr>
<td>Unimportant</td>
<td>43%</td>
<td>32%</td>
<td>27%</td>
</tr>
<tr>
<td>Declined to Answer</td>
<td>3%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>15%</td>
<td>16%</td>
<td>19%</td>
</tr>
<tr>
<td>Overall impact of Brexit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>9%</td>
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</tr>
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<td>35%</td>
<td>33%</td>
<td>28%</td>
</tr>
<tr>
<td>Negative</td>
<td>26%</td>
<td>20%</td>
<td>31%</td>
</tr>
<tr>
<td>Declined to Answer</td>
<td>3%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>27%</td>
<td>30%</td>
<td>34%</td>
</tr>
<tr>
<td>Impact on Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remain the same</td>
<td>68%</td>
<td>63%</td>
<td>63%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>14%</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>Increase investment in UK site</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Investment decision put on hold</td>
<td>6%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Decrease investment in UK site</td>
<td>4%</td>
<td>9%</td>
<td>3%</td>
</tr>
<tr>
<td>Declined to answer</td>
<td>3%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Impact on Hiring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continue hiring at the same pace</td>
<td>69%</td>
<td>62%</td>
<td>53%</td>
</tr>
<tr>
<td>Continue hiring but at a decreased pace</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Declined to answer</td>
<td>4%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>14%</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>Freeze hiring new staff</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Increase pace of hiring</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Make redundancies</td>
<td>1%</td>
<td>0.5%</td>
<td>1%</td>
</tr>
<tr>
<td>Future Support required</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>14%</td>
<td>8%</td>
<td>20%</td>
</tr>
<tr>
<td>No</td>
<td>74%</td>
<td>74%</td>
<td>65%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>12%</td>
<td>18%</td>
<td>15%</td>
</tr>
</tbody>
</table>

4.3. Whilst impacts are more broadly felt there is a focus on companies trading with the EU and, amongst these, general feedback from colleague-client meetings is that companies will adjust their strategy according to their individual situation and experienced exporters are used to adapting to differing trading scenarios. The main uncertainties relate to:

- Exchange rate volatility – more companies looking to secure exchange rates and open currency accounts.
- An increase in the cost of sales, as companies are paying more for imported raw materials/component parts due to the current Sterling rate; and increased costs in relation to customs, tariffs, quotas, and market entry requirements, depending on the type of deal reached.
- A nervous reaction/lack of confidence from trading partners worldwide in relation to long term projects or the future of current supplier
agreements – companies are being encouraged to contact their customers offering reassurance of long-term business plans.

- Potential skills shortages as a result of restrictions on the movement of people or changes in visas– comments from companies relate to both low skilled and high skilled labour affected; and the impact this could have on productivity.
- The lack of current clarity on a Brexit deal adds uncertainty to the ability to effectively manage risk in business planning, and reduces lead times for implementing changes once new trade agreements are in place, affecting changes in regulations, licence application processing, customs processes, tax relief, procurement rules, EU & UK funding programmes etc.

5. GC’s Approach

5.1. GC’s approach is to ensure that businesses in GM make time to understand the implications of Brexit scenarios on their business and undertake appropriate mitigating action. GC is also communicating messages businesses not to panic - it’s never too late to do something to prepare your business for Brexit and there is practical support in place to help.

5.2. GC has resources dedicated to Brexit including a specific website landing page with a toolkit. Our team of business and front-line advisors, in both the Busines Growth Hub and International Trade, have regular Brexit training and a series of refresher briefings are planned throughout Jan-March 2019. These are also being offered to local authority business support teams. A letter has also been sent to each local authority Chief Executive to remind them that these resources are available to businesses within their area and to ensure that they are promoting the Brexit toolkit so that messaging is aligned and to simplify access to support.

5.3. GC is working, through the GMCA’s work to coordinate GM public agencies’ preparedness for Brexit activities, to ensure that the services GC provides can be focused to support actions as plans clarify.

5.4. GC also facilitates regular meetings with key membership organisations (Chamber of Commerce, FSB, EEF, NWBLT, ICEAW, IoD and the CBI) and has been doing so since the referendum result in order share knowledge and align messaging to build business confidence. Once per quarter the Mayor attends to update on key issues and gauge feedback.

5.5. Our Brexit toolkit – has practical content tailored specifically for SMEs which includes plain English summaries of the EU and UK technical notices, and a 10 no regret actions guide.

5.6. The Brexit toolkit has been developed following engagement with a range of partners including; British Chambers of Commerce, City REDI (City Region Economic and Development Institute), CIPD (Chartered Institute of Personnel and Development), DLA Piper, Ernst & Young LLP, GMCA, PWC, and KPMG. It has been produced to proactively engage
businesses in Brexit discussions. The toolkit, and supporting website focus on seven main themes, including;

1. Strategy, regulation and business planning
2. Brexit leadership in your business
3. Workforce, immigration and future skills needs
4. Data protection
5. Financial planning and taxation changes
6. Trade and customs
7. IP and contracts

5.7. Since launching the toolkit in September this has proved to be a highly-regarded and accessed resource, ranking 3rd on Google for all searches on Brexit support. Since 1st September, it has secured 4,243 views. The toolkit includes practical content for actions SMEs can take now to help them prepare – whatever the final deal/no deal looks like.

5.8. The most popular pages are:

1. Toolkit
2. No deal preparedness
3. 10 actions
4. Blog (It’s never too late)

5.9. Regular blogs are shared, and these are driving more enquiries as can be seen from the chart below. The January spike is people returning to work following the Christmas period.

Broader Support to improve business resilience

5.10. In addition, our Growth Hub continues to provide related support that will improve the resilience of business such as upskilling staff to strengthen companies’ workforces; as well as leadership and management programmes; supply chain review; and exploring new export market opportunities. The new Start Up programme is now also operational, which in the case of an economic downturn could lead to more individuals looking to set up their own business. The Access to Finance Team is also in place to support businesses should they need to review
their financial models/cash flow projections and will work with banks and accountancy firms to manage the transition and ensure timely advice is provided.

5.11. In terms of support for manufacturers the Made Smarter NW Pilot was launched to SMEs in the New Year which will support SMEs to digitalise their process to improve productivity. The BGH manufacturing and low carbon teams are also in place and will work closely with the Made Smarter IDT specialist advisers. These services will also support GM’s Green agenda in helping to identify ways to improve air quality.

5.12. GC’s International Trade Team (DIT and Enterprise Europe Network) is engaging with both existing exporting companies and those who wish to export for the first time to explain that trading frameworks remain the same. As information is supplied by Government on the latest developments and support for businesses, the team will raise awareness of changes to trading frameworks.

5.13. GC, along with a range of private sector partners, is initiating work on how to increase the value and volume of exports, thereby reducing Greater Manchester’s productivity gap, leading to increased and better-quality jobs. This will be achieved by:

- The Global Growth Service targeting companies who are high growth or mid-sized businesses who have exported and want to expand beyond Europe. The service involves companies undertaking an in-depth diagnostic of their business, aiming to identify ways in which they can improve productivity and identify business opportunities world-wide.

- Market visits for new and existing exporters – hand holding companies in ‘starter markets’ or ‘new markets’ to build confidence and sustain growth,

- Expansion of B2B and B2C E-Commerce sales for clients – awareness and understanding of how to do this, delivered through digital/e-commerce workshops and 1-2-1 adviser mentoring generating more tech-based businesses, working with the Growth Hub’s digital team. Encouraging companies to consider trading on-line, with workshops on different e-marketplaces such as Amazon and Alibaba.

- Student placement pilot programme is in place to provide local companies with post graduate level support for their businesses, as they look to expand globally.

- International Trade Advisers targeting companies in GM priority sectors and markets – working with local partners, including LAs, to identify potential exporters and providing in-depth support, supporting the creation of strategic alliances/JVs linked, where appropriate, to inward investment opportunities.
- Supporting companies to explore opportunities in a wider range of countries through a programme of market focused events and Northern Powerhouse trade missions.

5.14. We are also working with GM Chamber of Commerce, GM Consular network, private sector service, industry sector and country specific partners, and our China and India teams to ensure that support services are cross referred, and the broadest range of market opportunities are visible to businesses as the mechanisms and processes related to exit become clear.

5.15. GC provides additional support such as skills, training and workforce development. Dependent on the economic impact GC also delivers the national careers service in GM and can work with individuals and businesses to support employees who are impacted and need to find alternative employment. The Hospitality Hub was launched in the Autumn to help ensure that there is a pipeline of suitable candidates to help the sector fill vacancies to help counter the potential loss of candidates due to a reduction in international workers as a result of Brexit.

5.16. In terms of messages to business, GC will continue to engage with growth businesses in line with contractual requirements. Should a no deal Brexit happen on 29th March we will have reviewed our marketing and PR to businesses to ensure that our support is tailored to the economic conditions and is seen as relevant. Should there be an economic downturn and businesses are having to review their cost base, and we are looking at maintaining or surviving scenarios, we will review our programmes to ensure they are appropriate and fit for purpose. We will also be able to enact our emergency/contingency plans whereby we are able to provide 7 days per week cover should the demand in businesses seeking support necessitate this, as we have done previously following floods, incidents, etc.

5.17. An update on our scenario plan and latest guidance will be provided following the Commons vote on the Brexit deal on 14th January 2019.

6. Brexit Impact on GC International & Marketing Activity

Inward Investment

6.1. MIDAS figures have shown a doubling of the time that an investment project takes to conclude, showing the delay in decision making in this time of economic uncertainty. This is particularly prevalent for EU originated FDI projects.

6.2. European sourced investment declined by 45% in 17/18 with only 12 recorded project successes. Of these 12 successes, just 3 were new investors in the region, a fall of 79% from 2016/17. There have been 3 new European successes YTD, however these are small sales/marketing sites with low job numbers.
6.3. The UK has fallen to 35\textsuperscript{th} in the World for greenfield FDI manufacturing projects in 2018 from 11\textsuperscript{th} in 2016 and is now 34\textsuperscript{th} in the World for greenfield FDI manufacturing jobs from 13\textsuperscript{th} in 2016 with the uncertainty caused by Brexit considered the main factor. Likewise, more generally, Germany has overtaken the UK for the first time to become the World’s 2\textsuperscript{nd} leading location for greenfield FDI projects in 2017. MIDAS has however, seen an increase in UK Domestic investment projects of 14%.

6.4. With manufacturing being hit heavily, this adversely affects the non-central areas of GM, which are more reliant on this sector for FDI. MIDAS has been looking at ways to stimulate interest in manufacturing investment to tackle inclusivity of investment across GM. The High Potential Opportunity (HPO) initiatives that MIDAS has developed, in conjunction with DIT, seek to tackle such issues, with one proposal targeted on GM as a centre for “light-weighting” aimed at manufacturers in the automotive and aerospace supply chains.

6.5. Due to the decline in EU investment, MIDAS continues to increase its focus and capacity in markets such as the US, China and India, with further bolstering of bodies such as the Manchester China Forum and the creation of the Manchester India Partnership, both of which have seen success in attracting investment but also in helping to build the infrastructure that then attracts investment, such as direct flights to Hong Kong, Beijing and Mumbai.

6.6. In relation to investor sentiment and Brexit the longstanding EY investor survey outlines:

- While the proportion of investors intending to invest in the UK in the next 12 months was stable at 24% of respondents, over one-third (36%) of investors globally expect the UK’s attractiveness to deteriorate over the coming three years — and the gap between investors with positive and negative views is the worst ever reported by EY.

- 30\% of investors say that Brexit may cause them to move assets out of the UK in the future. 6\% of investors said they had already reduced their investment, 7\% of investors said they had increased their investment, and 8\% of investors have put their plans on hold. The overall balance of replies however indicates lower investment.

- Sector-specific data in FDI indicates Brexit-related concerns from investors. Investment in financial services dropped by 26\% in 2017 (compared to a 13\% growth across Europe), investment in business services dropped slightly despite a 12\% growth across Europe, investment in HQs in the UK declined by 25\%. Investment in consumer goods and manufacturing has increased, likely reflecting moves by businesses selling to UK customers to ensure their ability to continue to operate efficiently in the UK after Brexit.
**Business Tourism**

6.7. As part of Marketing Manchester, Manchester Convention Bureau researches and attracts large association conferences to the city region. Over a 12-month period the Bureau aims to submit 85 bids, of which 40 are for international events. Of the 38 bids converted in 12 months, 20 of these are for international conferences and of the £25million of economic impact generated for the city region, £18million is from international.

6.8. After Brexit was announced MM worked closely with conference organisers to give reassurance that Greater Manchester is still open for business. In 2016/17 to enhance this work, MM bid for and was successful in obtaining GREAT funding to boost bids and bring the Board or Executive Committee of these conferences to Greater Manchester, showcase the city fully and arrange for them to meet with key stakeholders. Out of the 6 conferences that received boost activity, we won 3, outlined in the table below.

<table>
<thead>
<tr>
<th>Conference Name</th>
<th>Year</th>
<th>Delegates</th>
<th>Economic Impact (£)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>45th Annual meeting of the European Society for Blood and Marrow Transplantation (EBMT)</td>
<td>2020</td>
<td>4,000 – 5,000</td>
<td>10m</td>
<td>Concern that a UK bid will be viewed negatively (Board is heavily Central European).</td>
</tr>
<tr>
<td>Summer Session of the European Gases Association (EIGA)</td>
<td>2017</td>
<td>150</td>
<td>250K</td>
<td>Client based in Brussels. Has since visited Manchester for a site inspection and feedback has been very positive.</td>
</tr>
<tr>
<td>International Magnetics Conference (intermag)</td>
<td>2021</td>
<td>1,500</td>
<td>4.2m</td>
<td>US client. Concern over volatility in £/$. Competitor destinations were Athens/Lyon.</td>
</tr>
<tr>
<td>Guidelines International Network Conference (G-I-N)</td>
<td>2018</td>
<td>500</td>
<td>1m</td>
<td>Concern that bid from UK won't be well-received.</td>
</tr>
<tr>
<td>International Conference on Intelligent Systems for Molecular Biology (ISMB/ECCB)</td>
<td>2021</td>
<td>1,400</td>
<td>3.6m</td>
<td>US client. Concern over volatility in GBP/USD. Competition unknown.</td>
</tr>
</tbody>
</table>

Potential total economic impact: 22.1m

6.9. Within the last 6 months the uncertainty around Brexit was seen to affect the decisions of Executive Committees and Boards when selecting host destinations for large conferences and congresses with the main risk to Marketing Manchester being the potential loss of significant business events and the associated economic impact.

6.10. This was evidenced by the loss of two large international conferences that would have brought a combined total of approximately 3,650 delegates and a combined economic impact of approximately £10.1million to the city. The organisers cited “the uncertainty of the post Brexit landscape” and the “UK not being seen in a positive light at the moment” as the reasons why Manchester was not chosen.

6.11. In August 2018 Marketing Manchester contacted venues in the city to establish any wider impact of Brexit. One venue reported that between May 2018 and July 2018, they pitched and lost 3 large conferences, all in the science sector, and the reason given in each case was “due to uncertainty of the post Brexit landscape” and “lack of information from the UK on what will happen around movement, travel and visas”.

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6.12. Manchester Convention Bureau therefore has continuing concerns over the significance of the current uncertainty, both now and after March 2019, when pitching for international conferences.

6.13. Currently, Manchester Convention Bureau is working on a pipeline of 57 conferences with an approximate combined economic impact of £393.8million; 39 of these are international conferences with an approximate economic impact of £56.3million. Of the 57 conferences in the pipeline, Manchester is awaiting a decision on the chosen destination for 22 conferences. Of these 22, 18 pending decisions are for international conferences with an approximate economic impact of £42.2million. These will all be at heightened risk of not choosing the UK and therefore Manchester as the conference host destination. Submissions for support funding for 5 of these conferences have been submitted to Visit Britain.

Leisure Tourism

6.14. The tables below show that from 2016 to 2017 there has been a decline in both volume and economic impact of EU visitors to Greater Manchester, with the most significant drop being felt from the business tourism market.

<table>
<thead>
<tr>
<th>Year</th>
<th>Business</th>
<th>Holiday</th>
<th>Misc</th>
<th>Study</th>
<th>VFR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>324,421</td>
<td>125,001</td>
<td>120,396</td>
<td>4,353</td>
<td>255,401</td>
<td>829,572</td>
</tr>
<tr>
<td>2017</td>
<td>298,587</td>
<td>195,023</td>
<td>141,943</td>
<td>5,988</td>
<td>274,307</td>
<td>915,848</td>
</tr>
<tr>
<td>%</td>
<td>76%</td>
<td>50%</td>
<td>63%</td>
<td>32%</td>
<td>56%</td>
<td>60%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Business</th>
<th>Holiday</th>
<th>Misc</th>
<th>Study</th>
<th>VFR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>£62,140,025</td>
<td>£38,064,051</td>
<td>£49,863,002</td>
<td>£11,062,643</td>
<td>£55,929,351</td>
<td>£217,059,072</td>
</tr>
<tr>
<td>2017</td>
<td>£69,087,557</td>
<td>£58,567,278</td>
<td>£47,689,659</td>
<td>£10,998,986</td>
<td>£71,795,681</td>
<td>£257,239,162</td>
</tr>
<tr>
<td>%</td>
<td>49%</td>
<td>31%</td>
<td>57%</td>
<td>18%</td>
<td>36%</td>
<td>39%</td>
</tr>
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</table>
Following the referendum, surveys carried out by the national tourism organisation Visit Britain, showed that the UK was seen to be less friendly and welcoming because of the coverage that Brexit was getting in European media. To help to reduce the effect of this perception MM bid into GMCA to attract funding to deliver tactical campaign activity to attract visitors from our key European markets. Three years funding of £350k per year was approved to mitigate against the effects of Brexit by conducting marketing campaigns to target EU visitors and domestic staycation visitors.

This funding allowed the team to develop a partnership with Ryanair, one of the largest low-cost airlines that has its base in Manchester and is an airline of choice for the target audience who take 2/3-night city breaks in the UK. This funding delivered campaign activity in late summer and autumn. Following this first campaign, MM successfully pitched for additional funding from Visit England in response to the May terrorist attack to deliver a second phase in spring 2018. Our campaigns had a digital reach of 19m potential visitors across Europe and delivered additional visitor spend of £1.8m. IPS figures for holiday visits also show the increase in EU visitor spend from 2016 £38,064,051 to £58,567,278 in 2017.

In 2017/18 these campaigns with partners delivered growth of 8% in volume and 6% in value. The GM visitor economy needs to deliver growth of 8% each year to ensure that our businesses prosper, and our hotel occupancy levels are maintained. Europe delivers the largest volume of visitors to Greater Manchester and continued campaign work is needed to protect our position and ultimately grow.

In the second year 2018/19 of GMCA funded activity MM worked with Ryanair to deliver a campaign targeting Germany, Spain and Italy, focused on short breaks during the autumn 2018, aiming for a reach of 5m, followed by a Spring 2019 burst.

Also, in Autumn 2018, MM delivered 3 events in Barcelona, Stockholm and Paris targeting travel trade and tour operators, to raise their awareness for Greater Manchester's visitor offer.

Europe is a highly competitive market and to ensure that the Greater Manchester Visitor Economy both protects and grows its visitor economy, it is imperative to continue to raise awareness of our offer through delivery of quality content to potential visitors aligned to a strong value proposition from an airline partner to ease the decision-making process.

Aligned to activity delivered directly by MM, the team continue to work with Visit Britain who deliver activity across Europe to ensure that Manchester is well positioned within their campaigns to ensure the Manchester is positioned as a gateway to the UK.
**MIPIM 2019**

6.22. The continued uncertainty surrounding Brexit has impacted the number of partners that Marketing Manchester has managed to secure to date, with many of the potential private sector partners approached being hesitant to commit at a time of such uncertainty around business continuity. However, 80 partners have joined the partnership (compared with 107 in 2018) some have reduced their level of sponsorship but continue to recognise the strategic importance of the global showcase. The same level of activity and scale of presence will be maintained in March 2019 as the team continues to work closely with our network of suppliers and business contacts to deliver a week-long programme of events that continues to reflect GM’s ambition.

6.23. The support from GM has remained strong with 8/10 local authorities supporting - Salford, Bury, Bolton, Manchester, Oldham, Trafford, Rochdale and Stockport.

7. **Recommendations**

7.1. Recommendations appear at the front of this report.