West Midlands
Weekly Economic Impact Monitor

WM REDI | CITY REDI

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This monitor aims to pull together information across regional partners to understand the impacts of Covid19 on the economy. Where possible it will utilise all forms of quantitative and qualitative intelligence. However we urge caution in the use of the contents as this is an emerging situation. This first version also includes a special review of sector impacts provided by the LEPs.

Key Issues

- PMI had a record slump in business activity to 37.1 (pre mandatory closures), signalling recession
- Economic impact prediction ranges, but likely to be similar in scope to the 2008 crash, but rebound could quicker
- 1 in 3 of all businesses have closed under the new regulation, 1 in 2 in retail. Stoke, Birmingham and Sandwell are likely to be hardest hit by the number of mandatory closures as a % of the overall economy. Birmingham will have the highest volume at 13,400 businesses. This creates an uneven demand for business support across LAs. Examples of closures include John Lewis, Waterstones, Primark and Arcadia Group. However these numbers do not include those companies voluntarily closing such as McDonalds and Greggs. 1 in 3 employees in the region will be affected by the mandatory closures, 850k staff will face an uncertain future if companies cannot restart their business
- The sectors affected most have a disproportionate impact on women, either because they are in the key worker roles or because of closures, they are also less likely to have alternative non salary income sources to tide them over
- Social distancing and sickness is also having a significant impact on companies and preventing them delivering services
- 72% of businesses interviewed in Birmingham are indicating a decline in turnover and profitability and 46% are operating within available overdraft or cash reserves
- Sectoral impacts vary widely and can be broadly grouped into 3:
  1. High demand sectors are unable to cope with labour market (workforce gaps/shortages) and supply chain issues (certain manufacturing ie food and drink, retail and life sciences)
  2. The sector has been knocked out almost completely either through forced closure, necessary closure or reduced demand (some retail, creative and cultural, tourism and restaurants)
  3. Large scale switch to home working, largely knowledge based sectors (public admin, professional services etc)
- There are significant issues around planning for recovery, self employment (especially in certain sectors) and supply of raw materials and security/stability of international supply chains
- Automotive OEMs have now all but ceased production, with JLR announcing on 20/3 shutting down its production plants in the West Midlands, and Aston Martin closing this week. 60% of supply chain could fail.
- The hit on retail may have knock on long term impacts on companies like INTU, who manage large retail spaces, and were already issuing profit warnings
- There has been a boost in technology driven innovation in companies which could have longer term impacts on high streets, business models and the way people interact for business
- Construction orders have dropped off (and this has been a major driver of the WM economy) also pressure to close sites which may result in degradation and longer term issues. This could impact on delivery of the Commonwealth Games
- Lack of activity in the wider economy will have a knock on impact on the Professional services sector both positively and negatively as activity drops there is less demand, but there will be greater demand insolvency
- The speed of policy and regulation changes have never been seen before and current capacity within LAs and support bodies is being tested but organisations are switching staff and pooling resources, this has a knock on effect to other services but so far systems are reacting well. However businesses are still hitting immediate issues (ie payroll refund).

Specific business issues include:

- There is an increased number of companies reporting losses of 90% of trade
- Manufacturing is particularly confused by the guidance on closure
- Lack of support for businesses that sit in the middle, too large to access support for SMEs and too small for the large business support
- There is concern about international supply chains and long term security of these connections
- Banks are still prioritising "Business as usual" with interest, charges and guarantees
- Planning for recovery and restart is a concern, with loss of business, orders and customer relationships
- It is becoming increasingly difficult to contact businesses for information and intelligence and to offer support as businesses close and staff dissipate

Global Overview

Goldman Sachs predicts a weakening to 1.25%, which would not be as devastating as the 0.8% contraction in 2009, measured by the IMF. Capital Economics has said that UK GDP could fall by 15% in Q2. This would mean the shock of the pandemic would be twice as severe as the financial crisis. OECD predict a 2.4% downturn in the world economy for 2020 and a 3.3% upturn in 2021. They state that Coid19 will have a larger impact that's SARS. Due to the size of China's marketing internationally, making supply chains vulnerable and a fall in demand. Costs will be much high if it spreads (as it has) to 1.5% of world GDP down.

McKinsey reports that global supply chains are starting to recover from the initial impact due to many Chinese companies outside Hubei are back up to at least 90 percent production. Goods movement has seen an uptick, now at 80 percent of what it was before the outbreak in Hubei. The Baltic Dry Index and the TAC index (global shipping indices) are also recovering, rising by 30 and 15 percent since early February respectively. This could change as most of Europe enters a sustained lockdown.

The optimistic belief is that such a shock would be shorter than the financial crisis and recover quickly. The ongoing potency and uncertain nature of the pandemic means few can make such claims with confidence.

National Overview

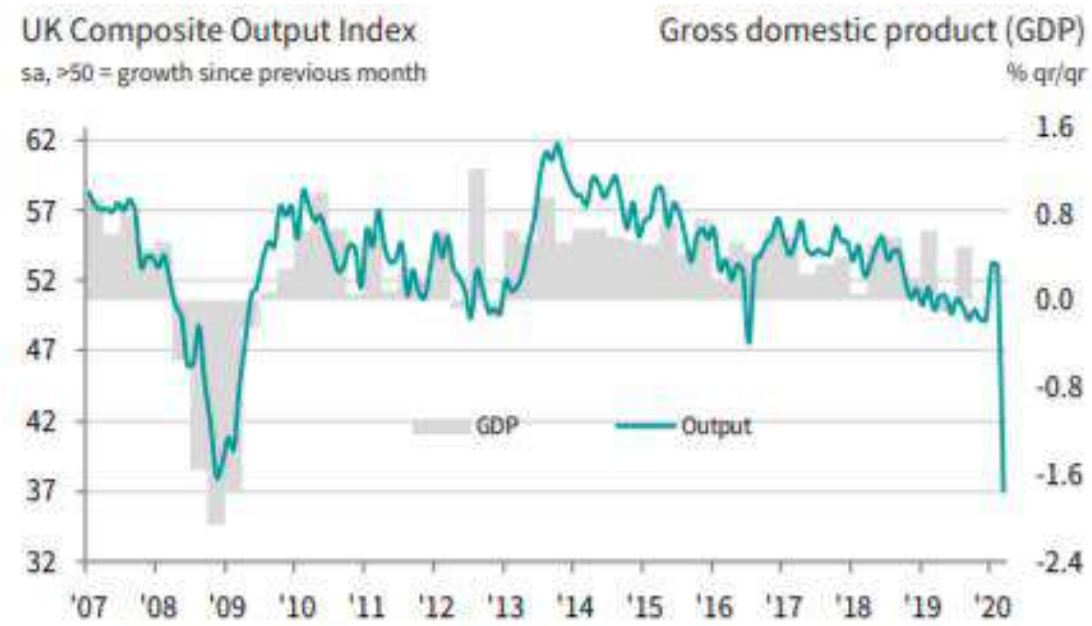
The 2008 crash was a 6% drop in the first 2 qtrs. And took 5 years to get back. OECD currently predict a 0.8% downturn in 2020 following a growth rate of 1.4% in 2019. Then a growth of 0.8 in 2021. Which would leave the UK as one of the few G20 countries still down. KPMG predicts a fall by 2.6% in 2020 and growth by 1.7% in their main scenario. The downside scenario the economy contracts by 5.4% in 2020 and another 1.4% in 2021. This is because of the significant shock to demand and supply. The weakness in demand will pull consumption down by 2.5%, investment contracting by 11.2% but they expect the labour market to cope well with the employment rate settling at 4.7% in 2020 and inflation staying low at 1.4%.

The government's call for the labour force to work from home, where it can, will have different impacts on different geographies across the UK. The UK's proportion of sectors that can easily move to home-working is concentrated in London and the South-East, such as finance, or general consultancy. However the move to home working has been cross sectoral but biased towards knowledge workers.

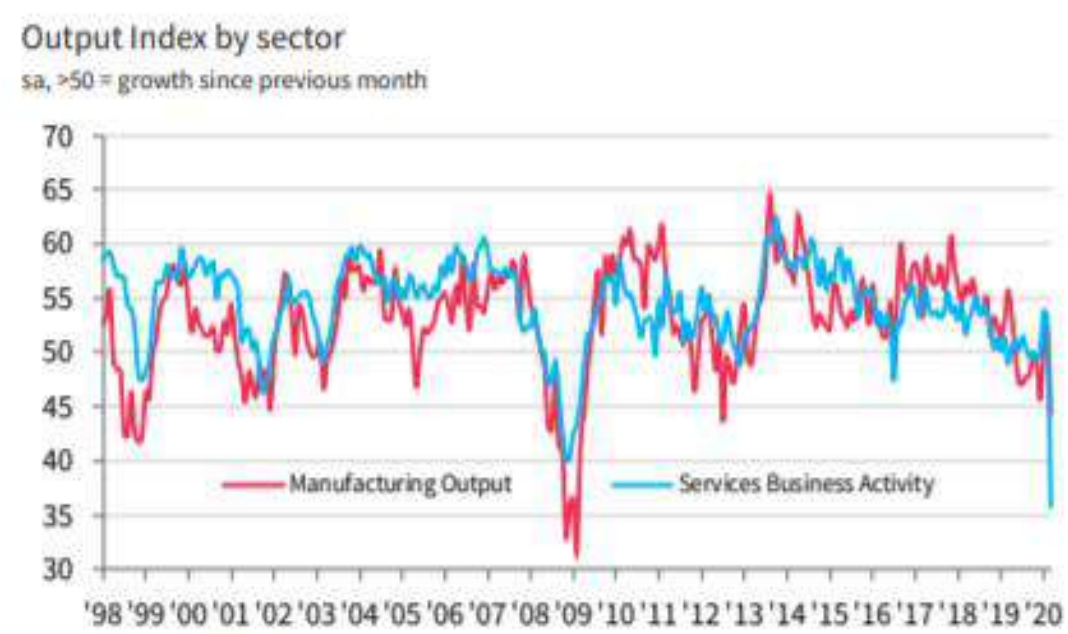
The last two weeks had seen growing reports of businesses seeing downturns, and the majority of these businesses have now been shut down including:

- Consumer businesses such as cinemas, tourism attractions, as the Government discourages public attendance of such venues
- Lower patronage across transport providers – airlines, buses with high fixed costs, with BA grounding most of its fleet
- Events, hospitality and conferencing locations seeing cancellations.
- Lower confidence can affect business-to-business services such as design and advertising spend, especially for small businesses.

Alongside this, universities in the UK could face a cash flow issue in the hundreds of millions with fewer international students.
The latest flash PMI (before closures) signals a record slump in services business activity 35.7, and manufacturing 48.0 and composite output 37.1. This signals a massive contraction in the economy.



Sources: IHS Markit, CIPS, Office for National Statistics.



Sources: IHS Markit, CIPS.

Regional Overview

For sectors in the West Midlands, business closures will have significant impact on the economy. The table below highlights the level of exposure and numbers of businesses potentially closed in each LA across all sectors, based on latest ONS data. At a regional level this is 1 in 3 companies across the whole economy and 50% of companies in retail in the West Midlands.

The areas with the greatest exposure are Stoke-on-Trent, Birmingham and Sandwell across all affected sectors. But in terms of volume Birmingham has the greatest exposure.

Sources OECD, KPMG, ONS

	All Sectors		Retail	
	%	Count	% of Retai	Count
Stoke-on-Trent	38%	2315	47%	490
Birmingham	37%	13400	53%	2690
Sandwell	35%	3095	42%	595
Wolverhampton	33%	2450	45%	510
Walsall	32%	2470	41%	435
Telford and Wrekin	31%	1595	46%	290
Dudley	31%	3000	49%	615
Coventry	31%	3095	42%	520
Worcestershire	28%	7550	56%	1475
Staffordshire	28%	9180	54%	1835
Warwickshire	28%	7765	55%	1375
Shropshire	26%	4160	53%	805
Herefordshire, County of	26%	2625	54%	495
Solihull	25%	2050	62%	405
West Midlands	33%	29,550	49%	5,770
England	29%	689275	57%	141180
United Kingdom	29%	797165	56%	160560

ONS BRES 2019

A number of retailers closed before the announcements including, John Lewis, Clarks, Ikea, Primark, Selfridges, Waterstones, TKMAXX, Harvey Nichols, Body Shop, Arcadia, New Look, Monsoon, River Island, H&M, White Company, HMV, Lush, Beaverbrooks and Debenhams. Subsequently a number of large food chain have also closed, including Greggs, Nandos and McDonalds.

In terms of employees the impact of mandatory closures 847,605 people work in those sectors which have closed, with Birmingham, Staffordshire and Warwickshire having the highest numbers due to tourism and retail as a proportion of the employment. This does not include those companies who have closed voluntarily.

Area Names	% Employees Affected	No. of Employees.	% Retail Employees Affected	No. of Retail Employees
Birmingham	33%	170450	50%	26535
Staffordshire	34%	118100	42%	18210
Warwickshire	32%	96700	39%	13090
Worcestershire	35%	89550	48%	14255
Coventry	35%	56650	47%	7440
Shropshire	35%	42925	41%	6610
Solihull	32%	39375	53%	6355
Dudley	34%	38250	46%	7330
Sandwell	30%	37940	34%	5035
Walsall	34%	36640	46%	6010
Stoke-on-Trent	30%	36625	43%	6435
Wolverhampton	32%	33375	48%	6200
Herefordshire, County of	34%	26850	45%	4455
Telford and Wrekin	28%	24175	45%	3580
Average/Total	33%	847605	45%	131540

ONS BRES2018

Key company announcements

Other companies which have announced closures:

- Aston Martin suspending all production until 20/4 The luxury car maker reported pre-tax losses of £104.3 million for 2019, against losses of £68.2 million a year earlier.
- Jaguar Land Rover (JLR) has suspended manufacturing across their plants. JLR group employs around 14,000 staff in the UK including 1,300 at the engine plant in Wolverhampton. Its suspension of production on the entire national and regional supply chain is likely to be responsible for a substantial amount of disruption
- Galliard Homes and partner Apsley House Capital have closed the company's Timber Yard construction site in Birmingham with immediate effect, with the sole exception of important safety works. The scheme, which comprises 379 studio, one, two and three bedroom apartments, plus ground floor commercial space, had recently officially topped-out, just one year after construction started

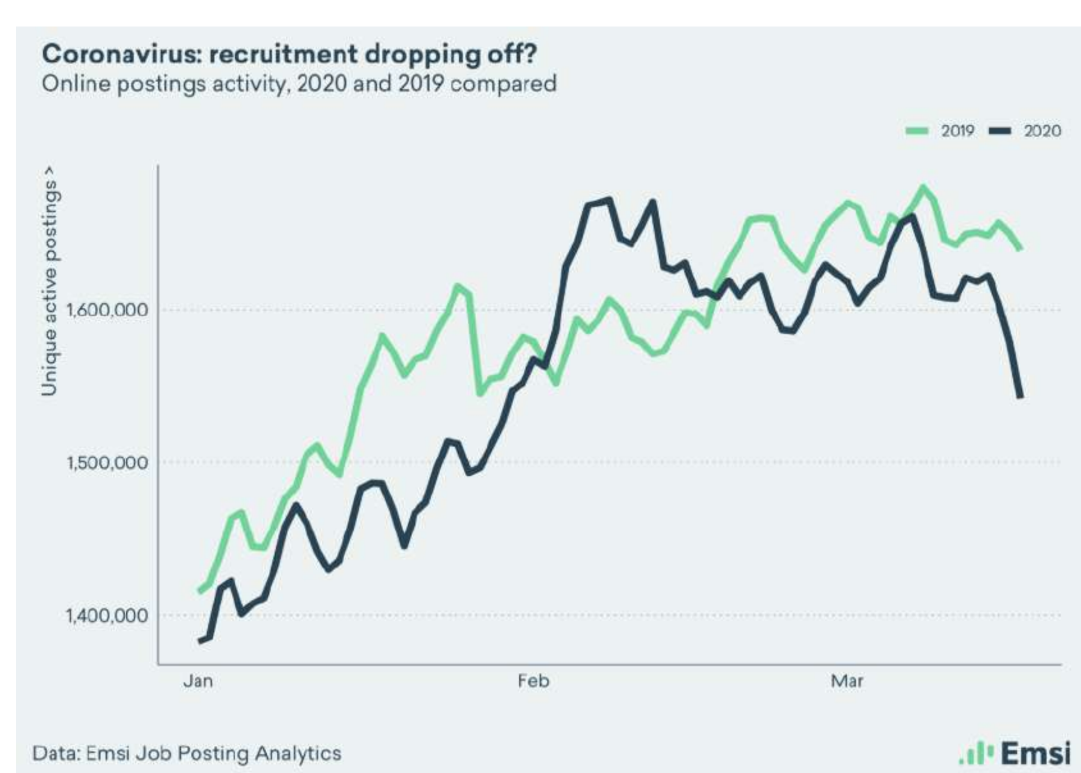
Key business issues

Concerns remain for medium size businesses in the UK, as in the case of PureGym. As PureGym is both too large to access support meant for small businesses and too small to access the support meant for large businesses, as a business needs to have an investment rating in order to receive a Government loan.

Patronage on public transport has fallen by as much as 70% in some sectors as workers stay at home, causing public transport operators in the region to run reduced frequency services.

Despite running reduced services many operators will need financial support, for example Transport for London will need approximately £500 million to cover their loses. Whilst many businesses have signalled issues with a fall in demand, many businesses, especially in the food supply chain, have requested further support. Tesco alone has stated it requires an additional 20,000 workers to continue to operate.

Job adverts have dropped off significantly in March as businesses close or reduce their operations.



Sectoral Impacts

Sectoral impacts vary widely and can be grouped broadly into 3 groups, the first where demand is rocketing and the sector is unable to cope with demand and supply issues. And Secondly where the sector has been knocked out almost completely either through forced closure or necessary closure. The third where the sector has moved to largely homeworking, as it is knowledge based. There are significant issues around planning for recovery, self employment especially in certain sectors and supply of raw materials and security and stability of international supply chains. The following table is a summary of the detail which can be found in the appendices (provided by the 3 LEPS in the region).

Sector-specific risks			
Low Carbon Technology	Not essential activity and unlikely to be invested in in the short to medium term	Uncertain worker status in the industry and limited opportunity to homework.	Most investment driven by public sector which may not have capacity in the short to medium term
Life Sciences	Increase in demand for protective equipment, consumables, R&D	Labour shortages and cashflow issues in manufacturing	Large scale pick up in tech (digital consultation)
Creative	High risk in terms of self employed (30%) and unlikely to regain income	High risk of bankruptcy, but some sub sectors more protected	Challenge of restarting businesses without the lead up cycle
Aerospace	Larger customers not sharing information on reaction to virus	Short term revenue and cashflow issues – impact on potential survival	Long international supply chains a critical issue as parts have dropped out
Professional Skills	Business models more vulnerable to short term shocks	Large numbers switching to homeworking and different by subsector	Unlikely to seek public support and patchy vulnerability
Food & Drink	Massive short term demand changes and associated pressures	Raw prices changing rapidly especially in pinch point products	Businesses trying not to pass on costs but inevitable
Logistics/ Transport Technologies	Reduction of international supply chains and movements of goods and disruption	Short term increase in demand and workforce at capacity and shortages exacerbated by illness/isolation	Logistics need recognition as a critical service, link to care and food supplies through ports and internationally (especially with lack of air freight)
Rail	SME engineering and manufacturing firms that supply the rail sector are closing temporarily	Some larger clients have changed payment terms to 90 days. This is going to impact cashflow on SME	engineering firms who don't currently supply the rail sector but supply other sectors badly hit by the crisis are using the chance to explore opportunities in the sector
Automotive	automotive OEMs have now all but ceased production, with JLR announcing on 20 March it was shut down its production plants in the West Midlands	Customer "Force Majeur" claims that existing contracts (volumes and pricing) are therefore invalid	Crucial research will be stopped and contracts ended during this current crisis so continuing support to ensure specialist skills are not lost and research can continue is an imperative for the industry
Metals & Materials	Some SME engineering and manufacturing firms are closing temporarily (three weeks is typical) and taking advantage of the job protection scheme	Many are staying open, either as normal, or with sales and back office functions working remotely	Knock-on effects from closures of car production will soon cascade down the supply chain to general
Construction	SMEs hit by cancellations and delays – leading to redundancies	Supply of materials hit hard	Umbrella companies mean staff not covered by wage protection
Tourism	Complete shut down and support useful but insufficient	Serious cashflow and legal issues with closure	Will need investment in restarting and re-engaging

Growth Hub Intelligence

Number of calls are increasing rapidly, with some businesses suffering losses of up to 90%. Large volumes are from sole traders and self employed. At the same time many support events have had to be cancelled so the method of delivery is changing because of Covid19. Businesses also need clarity on continuing to operate.

Some good examples of manufacturers responding to the call for medical supplies and ventilators. Professional services firms continuing current investment plans in the region and significant growth in some areas of retail.

However overall the drop in the retail, hospitality and tourism sectors are having a wide cross-sectoral effect. Areas such as surveying are seeing all clients dropping and income and cash reserves being used. Investment is of real concern and how and well this will pick up, and if soon enough to restart companies. Due to loss of customers across the board many companies have ceased trading. Any businesses with personal contact such as dentistry and have seen huge reductions in customers and forward bookings low.

The risks are that demand does not return to the same levels or the social distancing continues longer than currently predicted.

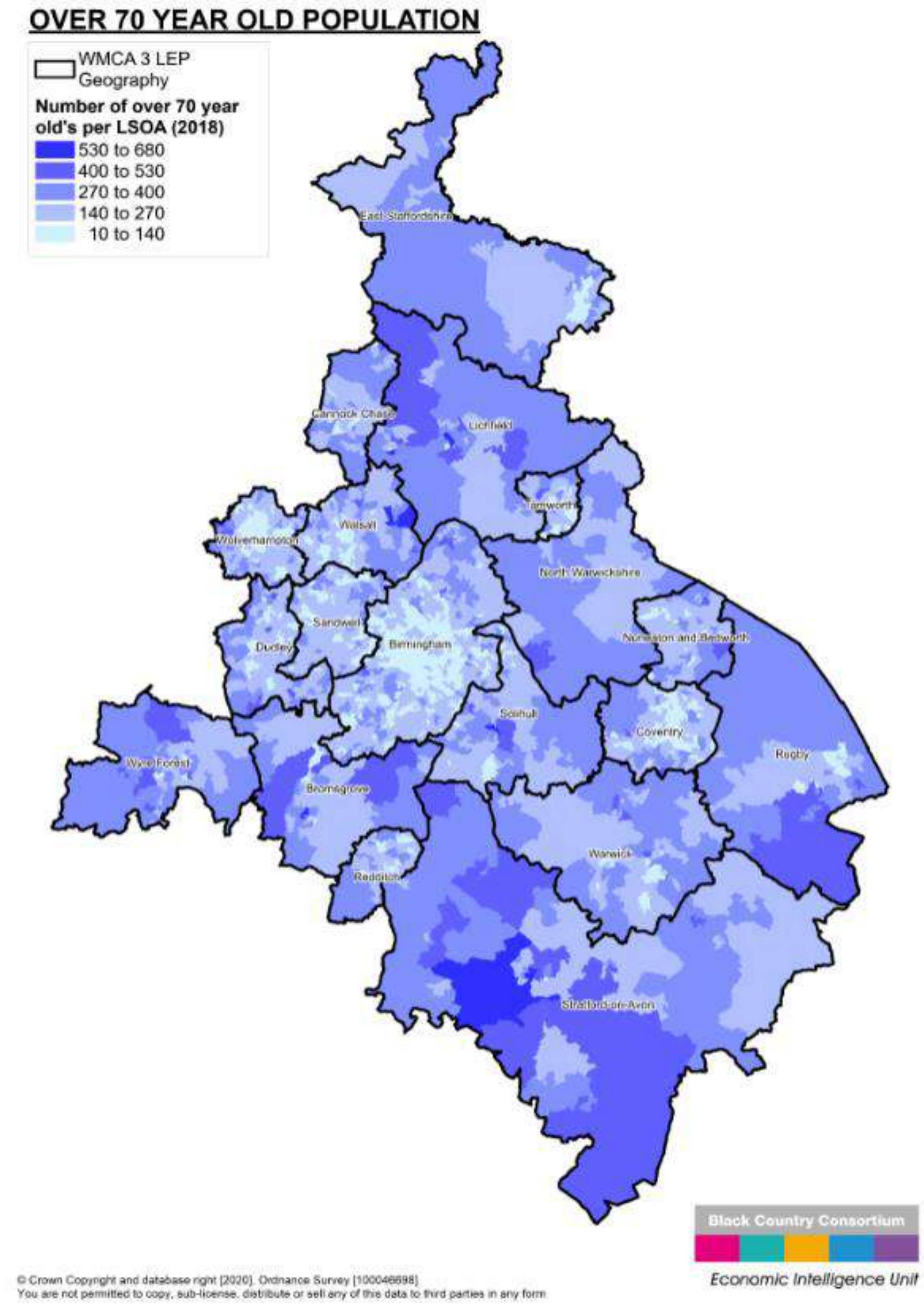
Societal Impacts

Women are disproportionally in the key work sectors, education, health, social care and retail. Which means they are more likely to be exposed to the virus and under pressure to continue working. They are also less financially resilient, more reliant on benefits and less likely to have other sources of income to tide through difficult times.

There are also significant issues with VISAs especially in some sectors which rely on international workforce such as technology and education.

Covid-19 comes on the back of significant flooding in some areas and especially in Shropshire, Worcestershire and Warwickshire where they are still grappling with the impact

There is a higher risk to the older population and this has an unequal impact on the region, the map below illustrates the areas with higher number of over 70's



Crime

Unoccupied commercial properties present a fire and security risk. Also potential for a rise in other types of crime such as cyber crime and fraud as businesses operate in less secure environments

Number of Cases

Most recent data from Public Health England shows the region is second after London for reported cases. However there is some distance between London and everywhere else. This may indicate a similar pattern to Italy with one region significantly more affected.

Upper Tier Local Authorities (UTLA)

	Covid-19 cases	Population	% spread
London:	2433	8908081	0.027%
Midlands:	808	10704906	0.008%
South East:	590	9133625	0.006%
North West:	496	7292093	0.007%
North East and Yorkshire:	446	8137615	0.005%
East of England:	351	6201214	0.006%
South West:	278	5599735	0.005%

Source: ONS population projections and PHE Covid-19 monitoring Dashboard

Collated Recommendations for Policy

Suggestions below are gathered from various feedback from business representative organisations in the region and nationally:

- Loans are not enough, most businesses cant afford the unsustainable level of debt needed
- Ramp up testing for key workers incl retail
- Government regulatory bodies need to be clued up on changing policy and changing their practices ie OFGEM
- Financial support for medical equipment and PPE
- Moratorium on commercial vehicle MOTS
- Government prioritisation of distribution networks
- Clarity on what qualifies for insurance claims
- Greater clarity over furlough employees approach
- Stranded middle businesses need provision due to risk to whole supply chains
- Need to have a critical national project list to ensure supply chains and workforce for critical infrastructure projects
- Freezing of creditor and debtor books for the duration of the crisis
- Taxes to be deferred (corp tax, PAYE, VAT) and cut the 1st April tax burden
- Clarity over eligibility and extension of the immediate cash grants
- Temporary income protection fund for self employed
- Development of business resilience planning and preparation for returning to business as usual
- Support in developing and implementing now income models for businesses such as digital platforms
- Specific sector support and how businesses can do things different in the futures, co-working, collective negotiations, finance
- Reduce the power of the supermarkets to control supply and ingredients at source and reduces ability for manufacturing firms to adapt in crisis
- Improve access to R&D support and finance
- Push to share data across organisations and between govt and local level (ie sharing of HR1)
- Extend the Brexit transition period as businesses cant face another round of disruption so soon
- Don’t make announcements without the appropriate mitigation measures in place first (ie avoiding hospitality venues)
- Government underwriting invoice factoring and/or extending business overdrafts

Appendices

Growth Hub Summary – Provided by Black Country Consortium

A: HEADLINES AND ESCALATION		
BCLEP	**GBSLEP**	**CWLEP**
The BC LEP continues to work with a wide range of partners through its governance structure to understand the key Brexit issues faced by businesses currently as well as those that are anticipated. There have been an increased number of calls from businesses who are suffering with losses of up to 90% of trade and face uncertainty for the future as measures to limit the spread of Covid- 19 are implemented (detailed below in Business Intelligence Feedback). Businesses are experiencing cash flow challenges.	During this period of extreme business disruption due to the Covid-19 pandemic, companies are now in a battle to survive and looking to the government for urgent assistance. Although the business support measures already announced have been very much welcomed and appreciated by businesses, the GBSLEP has in particular received many calls from distressed self-employed individuals who have seen their client activity dry up almost completely, causing an immediate negative impact on incomes. In addition, many do not operate out of premises and therefore do not qualify for the grants, plus they will receive no income support beyond SSP and the benefits system. They are therefore now calling for some urgent intervention to provide some sort of income replacement scheme, along the lines of that provided to people who are employed.	Incoming Growth Hub enquires have increased from 49 in the last week to 110 in the current week (to 20th March) with 88 of those 110 requiring information and/or guidance re COVID-19 support. We are finding that a number of events including networking events, business support session/meetings are being cancelled, most of those currently do not have a rescheduled date. Large volume of incoming enquiries are from Sole Traders and Self Employed persons looking for information on what financial aid will be delivered to them during this crisis. A large number of businesses we have engaged with in the last week have outlined the need for clarity on if they should continue to operate. Many are concerned that doing so carries a social risk for customers, but many are also facing that insurance companies will not support their decision to close until an announcement has been officially made that forces them to close. Majority of businesses are looking to apply for the small business grant fund that has been announced and they are getting increasingly frustrated as there is no clear guidance on who is eligible and how they can apply.

B: NEW ECONOMIC SHOCKS			
COMPANY	**LOCATION(S)**	**SECTOR**	**SOURCE/DETAIL**
Intu	Dudley	Retail	Express and Star: Due to Coronavirus numbers of visitors are dropping further and the centre is operating on reduced hours.
JLR	National	Manufacturing	Express and Star- Jaguar Land Rover is suspending production at all its manufacturing sites in the UK, including the giant engine manufacturing centre at the i54 in Wolverhampton.
The Royal Spa Centre The Royal Pump Rooms	Lemington Spa	Tourism, Retail and Leisure	Landmarks in Leamington town centre have been closed in response to the coronavirus outbreak. https://bit.ly/2UaN7GT
Carphone Warehouse	National	Retail	Carphone Warehouse is set to axe 2,900 jobs under plans to close all 531 of its standalone stores. https://bit.ly/3bftwuI

LEVC	Coventry	Electric Vehicle Manufacturing Engineering	Warwickshire-based electric taxi maker LEVC has agreed to suspend payments from TX cab drivers on finance deals. https://bit.ly/2WBCOgq	
Laura Ashley	National	Retail	Fashion chain Laura Ashley has said it has filed for administration after rescue talks were thwarted by the Covid-19 outbreak. https://bit.ly/2vG6xdb	
C: NEW INVESTMENT, DEALS & OPPORTUNITIES				
COMPANY	**LOCATION(S)**	**SECTOR**	**JOBS/£**	**SOURCE /DETAIL**
MKG	Walsall	Hospitality	110	Express and Star - Pub food supplier moves to home deliveries in a bid to save 110 jobs.
Kennedys	Birmingham	Legal	28	Reaffirmed its commitment to Birmingham by taking extra space and extending its lease at 35 Newhall Street www.thebusinessdesk.com
Meggitt	Coventry	Aerospace, Engineering		Leading a consortium of UK aerospace suppliers to develop and produce a ventilator to help tackle coronavirus. https://bit.ly/3b9v3m2
Cad Cam Automotive	Coventry	Automotive, Engineering, Manufacturing	600 Jobs	A Coventry automotive design and manufacturing company has set up a joint venture with a leading electric vehicle manufacturer from Belarus which will create 600 jobs by establishing a zero-emissions manufacturing plant. https://bit.ly/2QBTFw1
Gallagher's	Coventry	Professional Services	20 Jobs	Insurance broker Gallagher has underlined its commitment to Coventry with the opening a new regional office in the city and appointing a new managing director. https://bit.ly/3bfAcZD
Holland & Barratt	Nuneaton	Retail		The Nuneaton-headquartered retailer is creating a "significant number" of new jobs within its distribution, packing and production facilities https://bit.ly/3ah5XSk
Avon Freight Group	Redditch	Freight and Transport		A Redditch-headquartered freight forwarding company grew its turnover past £12m during its latest financial year. https://bit.ly/39cfqss

Telent	Warwick	Technology Network Services		Warwick-headquartered technology and network services company telent has been awarded a contract to support and maintain CCTV for the Elizabeth line, the new railway line that will service London and the South East. https://bit.ly/33AZuz3

D: BUSINESS INTELLIGENCE & STAKEHOLDER FEEDBACK		
LOCATION(S)	**SECTOR**	**SOURCE/DETAIL**
Black Country	Construction	Construction company in Walsall has seen a large drop in sales due to coronavirus.
	Hospitality	A restaurant in Sandwell has also seen a decrease in customer footfall and a 50% drop in sales in the last week alone.
	Manufacturing	Since the announcement from the government to heighten the protection measures across the country, a Wolverhampton manufacturing company has seen a drop of 90% in sales. Clear evidence of the cross-sectoral effects that coronavirus is having across the economy.
Greater Birmingham & Solihull	Hospitality	"Losing bookings, public have been told to avoid restaurants and so no sales generated." A company who supplies to hospitality / leisure sector "will not have clients if restaurant and cafes are forced to close".
	Retail	"Are trying to keep everything going with sorting out staff, suppliers and IT issues". "Worried about cash flow, keeping staff and losing business". "Looking to raise capital of 10k and want to know of support available".
	Business and Professional Services	Trying to get by through working from home, however there is some concern about falls in sales for example a chartered surveyor "it is very scary –We have cash reserves but income has already fallen substantially and we are estimating this could be by 80% or more". A financial services company said they were concerned about "economic uncertainty and unlikelihood of investing or pulling out investments." Others are concerned about grants & loans available, with a car dealership saying "If we apply for a loan do you have to give a personal guarantee, what will the interest rate be – there's mention of the first 6 months being interest free? What if the business doesn't survive despite the loan?"
Coventry & Warwickshire	Business and Professional Services	Many cases have been okay and staff are able to do jobs at home. Other's are suffering from loss of sales "business has slowed down/gone quiet - ripple effect due to corona as people aren't leaving there house at the moment".
	Hospitality	Businesses hit hard due to reliance on customers, one in particular had mentioned that flooding had been an issue for them, but the virus has been even worse. Some smaller companies have had to cease trading: "I run a small catering business in the centre of Warwick and as the coronavirus situation has worsened have lost all of my customers and have had to cease trading".
	Health	Suffering due to lack of ability to see customers, one dental surgery said "patient numbers low, 30 cancellations on the afternoon of the 17th March alone, forward bookings very low, supply chain issues and lack of advice of what is safe going forward for patients and staff".
	Hair and Beauty	Salons forced to close and have therefore had to lay off staff. One barbers said that "Assuming decline continues at expected April level for some time, future of business will be at risk. Grant support will be needed to sustain employment".

Impact of Covid-19 on the region's Tourism sector (20/3/20) – Provided by WMGC

Summary and key issues

Covid-19 has created an unprecedented crisis for the region's business community, with to date the tourism sector bearing the brunt.
The results of our survey are stark. All businesses have seen a collapse in revenues, half have serious cashflow problems and two thirds are grappling with legal issues.

The consensus is that the government has been too slow to act and that the support being offered is insufficient to ensure survival. Businesses are calling for urgent action at a regional and local level to ensure their survival.
In the medium and longer term businesses will be looking for help with marketing and re-engaging with audiences and customers and to access funding from sources such as the Heritage Lottery Fund and DCMS.

Introduction

Covid-19 has created an unprecedented crisis for the region's business community, with to date the tourism sector bearing the brunt. We need to:

- Urgently understand the problems businesses are facing and the help they need to address them, over and above the measures being put in place by the UK government
- Gather a body of evidence to make the strongest possible business case to secure additional resources to assist them in weathering the storm

To this end the WMGC's Research Team is consulting our commercial partner network on a weekly basis via an on-line survey and telephone consultations with a sample of hotels, conference venues and attractions.

Business impact

The results are stark. As the table below shows:

- More than half of businesses reported falling revenues in the week ending 13th March and all did in the week ending 20th March after the government announced new measures to contain the spread of the virus.

- A quarter reported serious cashflow problems, rising to 50%
- Two thirds are grappling with legal issues such as force majeure, breach of contracted delivery terms and breach of contracted payment terms

	w/e13th March	w/e 20th March
Covid-19 has led to falling revenue	52%	100%
Covid-19 has led to cashflow problems	25%	50%
Covid-19 has led to legal issues	66%	70%

There has been a collapse in footfall, and an upsurge in cancellations and postponements. Many corporate bookings, weddings and private parties are being postponed until the autumn. Businesses are calling for action to provide financial protection and support to ensure business continuity.

Support needs

Half of businesses feel that the new measures announced by the chancellor such as the business interruption loan scheme, 12 month business rates relief and £25 cash grants for SMEs are useful. A handful have contacted HMRC's time to pay helpline or have spoken to their banks about the new COVID-19 loans. But a substantial number feel that they are insufficient to ensure survival.

Looking forward to when the crisis passes, businesses anticipate looking for help with marketing and re-engaging with audiences and customers and to access funding from sources such as the Heritage Lottery Fund and DCMS.

Next steps

WMGC are talking with Shakespeare's England, which has been engaging with local tourism businesses in Warwickshire in a similar way, about collaboration on a region-wide approach going forward.

Effect on Key Sectors and West Midlands Local Industrial Strategy

Context and Background
This section highlights key sector challenges and proposed interventions in response to the economic impacts of coronavirus in the UK for the West Midlands economy, as part of the Local Industrial Strategy. The sector details are provided by the 3 LEPS based on discussions with businesses and relevant sector leads

Business, Professional and Financial Services
Short-term sector specific risks and issues

Business continuity including managing working from home effectively; business development strategies, including maintaining a client base and pipeline of work in extreme uncertainty; managing costs effectively; wider financial health assessments.

Professional services firms' business models typically rely on short(er) contracts compared to (e.g.) manufacturing, which makes them more vulnerable to short-term shocks to the economy.

Income and profitability - this time of year is the start of the new financial year for most professional services firms. Partnership business models are such that financial performance of current year is not known until some months after the year end hence distributions during the year are on estimated projections of income and profitability that are then adjusted following the FY close. As such, many PSFs will be radically planning to cut drawings for the next month to correct for likely impact as an immediate consequence of current scenario. This will likely stress many individual firms but unlikely to be in public / seeking any public sector support.

Sub-Sector Impacts
Legal & Accounting - the nature of BPFS sector is that in any point in an economic cycle, one part of the business will be thriving whilst another suffering. Corporate financiers and transaction specialists find themselves at the top of a cliff, whilst the insolvency practitioners and employment specialists are fishing in a plentiful sea.

As such, full practice PSFs are better placed to pivot strategies, although there will be tough decisions to be made for certain departments and practice areas in legal & accounting sectors

Banking – major institutions recognising their pivotal role to society in times of uncertainty. Many have put in place particular support measures directly linked to Covid-19 attendees. E.g. HSBC has ring-fenced $5bn of its SMEs Enterprise Fund specifically. Other measures include repayment holidays, reviewing overdrafts, support for supply chain e.g. trade loans, trade support products. Banks are trying to be proactive through relationship management approach, reaching out to client base as critical part of business support network, but note that there are conditions attached to the above support e.g. credit checks etc. No comment has been found as yet that suggests that **such tests have got new tolerances/ criteria to reflect the current stresses**…unclear how this is being handled to enable access to such support below the headlines.

Recruitment - particularly head-hunters although temporary agencies offering key workers and access to flexible labour pools could well benefit.

Real-estate – deal flow likely to be affected. As offices close, this could also impact on services required in operation and management of facilities both in short term and beyond. For the much longer term, this situation could in fact radically alter the way space is used and firm requirements.

Built environment advisory (inc. architects, consulting engineers and surveying) – typically hit first in down turns reflecting the impact on wider construction sector. Historically survival routes have been to look to new markets, but with global impact of this public health crisis, this option is unlikely to be available, as compared to 2008 recession.

Communications advisory (inc advertising, marketing and PR) – Crisis comms support may well benefit in short term, but as depending on how long the current restrictions continue, this sub-sector is likely to be hit quite hard as discretionary spend is cut

Creative Industries & Cultural Sector

Short-term sector specific risks and issues
Creative and cultural businesses have been hit harder than most sectors by Covid 19. Even the 80% salary support is insufficient for many to keep staff on as they are often facing cancellation of all of their current contracts with no idea when work will resume.

Cinemas, for example, often pay the distribution fees for films they show three months in arrears out of their now non-existent new receipts. Film and TV Production companies are facing a complete cancellation of all productions, with some of this work likely not returning after the crisis.
Theatres and music venues face uncertainty, and theatre productions scheduled for a performance during the current period will struggle to find a new date in venues for their production, as venue space tends to be booked up a year ahead or more. Many cultural organisations are concerned about the lack of clarity they have around future planning and programming.

Essentially, creatives will not get back the income they've lost and restarting their businesses in a few months' time will itself take precious cash. Having limited cash reserves is the norm for this sector. Taking out loans is not an option for the vast majority.

The situation is doubly worse for freelancers. A third of the UK's creative workforce are self-employed - higher than the national average of 15%. A survey last week (by Creative Industry Federation) revealed that 60% of creative freelancers predict their income will more than halve in 2020, 50% of freelancers have had 100% of their work cancelled and 71% say they will struggle to survive.

Freelancers and creative trade bodies feel there is a worrying inequity between those who have their income secured and the self-employed workers who don't.

Medium-term (>2 months) sector specific risks and issues
For the creative sector, many will need to take decisive action to preserve cashflow and avoid bankruptcy in the next two months.

However, there are some sub-sectors who are more protected, for example, games production and design, both of which can largely continue with remote working and may will be able to defer decisive action. The issue for them – as others - will be just how much of their current work will remain.
Most cultural organisations polled have a maximum of 2-3 months reserves, public funders like Arts Council England, have responded supportively in the way they will operate existing grant agreements. Many are concerned about the loss of trained and experienced staff.

All sub-sectors face the challenge of restarting their businesses and re-gaining contracts after the period of shut down. For example, production companies often depend on major trade events to promote and sell their content, but big TV marketplace events like MIPTV and CanneSeries have been cancelled with a lack of clarity around how and when these will be re-instated.

Food and Drink Supply Chain Industries

Short-term sector specific risks and issues
Massive short-term changes to buying patterns as e.g. very high demand from supermarkets putting pressure on supply chain but e.g. closure of hospitality and restaurant sector causing demand to disappear in only a few days. Challenge to sector is how it pivots and responds to these changes.
Availability and prices of raw ingredients and supplies are changing rapidly - price increases for raw ingredients of 20% – 30% have been observed within the last two weeks. Some price rises have been exponential e.g. one firm highlighted that the cost of manufacturing face masks had increased from 20p – 30p per mask to £4 per mask in about one week. One commented "hand sanitiser doesn't exist, soap and water doesn't exist".

Businesses are trying not to pass on costs to customers but it will become inevitable. Most of this cost increase is likely attributable to food stock-piling by consumers but there are also (anecdotal) issues with border controls and, potentially, behaviour of major buyers not using usual distribution routes.

Food and drink manufacturers already had stringent health and safety policies prior to the outbreak so most companies are not having to change the way they operate significantly.

Health Technologies and Life Sciences

Short-term sector specific risks, issues and opportunities
Business opportunities
There are several specific short-term opportunities for the sector:
The urgent need for personal protective equipment (PPE) has been widely reported in the press with reassurance from the government that the items have been procured and are currently being distributed. The challenge may well be in logistics rather than supply *per se*;

With cases expected to rise significantly over the next couple of months, demand for medical consumables and devices will inevitably rise. Such pipelines are well established and equipped to expand however, the impact of staff absence due to illness or self-isolation on manufacturing capacity could be significant in the coming months when reserves have been depleted.

The capacity of new actors to respond to urgent market opportunities will be constrained by their ability to meet regulatory requirements (e.g. clean rooms, ISO compliance) as well as availability of staff. Many countries are developing ways to accelerate the development on tests and therapies for COVID 19. In the UK, the MHRA have initiated an expedited review process for studies relating to COVID-19 where there are public health grounds for rapid review.

Demand for video conferencing and virtual health consultation is growing and the US markets observed an increase in the share price of companies providing such solutions.

NHS Digital has been granted new powers under the Control of Patient Information regulation to collect and analyse more data to improve detection and target intervention more effectively. Prompt access to data mining and analytic tools will be required.

Local Impacts and Issues
Labour shortages are already having an effect on manufacturing business. Whilst those not involved in day-to-day production can work from home, they need all their experienced staff to fill the gaps in manufacturing/logistics. One local company has observed a slight dip in demand in Italy and Spain in March but demand from elsewhere has not decreased, indeed, China is expected to be back to Q4 2019 levels and growing. In this case, the challenge will be to ensure continuity of operations and organisational resilience.
Though less likely to be affected by staff absence through self-isolation, outside of the large providers (SCC, Babylon), many digital health/IT companies are small and thus more adversely affected by cash flow.

It is interesting to note that the use of video consultation has been patchy to date but the current drive to move consultations online has been picked up by a lot of GP practices. This may have long term effects on how services are delivered after the current crisis has abated. If this is the case, there should be a growth in demand for new communications systems with knock-on effects into cyber-security and professional services;

Various new public funding streams are coming on line (e.g. £46M investment in global action to support research $125 million initiative, COVID-19 Therapeutics Accelerator) so there may be new opportunities of the WM research base. For example, there are R&D strengths at the University of Warwick in terms of disease modelling as well as University of Birmingham antibiotic resistance and molecular approaches to disease identification, treatment and prevention;

The Life Sciences team at Department for International Trade are seeking offers of support for CORVID 19 testing including full testing packages, supply chain and alternatives that companies could be supported to engage with.

Observations from local companies
"In my opinion the sector is fairly resilient at this time but there is a lack of clear briefing to the sector, cashflow constraints could restrict ambitions. Issues around the supply of ventilators are well documented and the mentioning of the cancellation of non-urgent surgeries, which is understandable, but there remains no structured approach towards perceived demand on urgent consumables or diagnostics. A local aggregation approach on supplies through a clustering or mustering of respected and known sector players will remove inflated price movements that will certainly be seen if not marshalled correctly and transparently, likewise the approach will ensure continuous logistics availability in a planned and manageable way".

"Capacity exists but this will certainly need careful consideration as we move forward based upon the availability of human capital; a coordinated and collaborative approach within the sector will be required whilst also pulling on the capabilities of others sectors such as the automotive to stem any supply chain lags in order to realise whatever opportunities that may be presented. One important element will be to tap into home grown raw material supplies or alternative material supplies to ensure the sector can meet any demand/opportunities. Reliance on overseas raw material is certainly not an optimum place to be at this moment".

"…… any government restriction on the movement of labour may well stem how the sector can rise to the challenges. As such special temporary movement permits may be required for essential staff in order to maintain supplies and to engage in the opportunities that may well be presented".

Low Carbon and Energy Technologies and Services (LCET)

Short-term sector specific risks, issues and opportunities
LCET businesses are starting to feel the effects of the Covid 19 crisis. The business support measures and *''whatever it takes''* message from central government is reassuring, however:

- LCET products and services (for consumers and business) are typically not essential items and purchases could be postponed or cancelled altogether. For example, a consumer might replace a broken gas boiler (a distress purchase), but probably won't upgrade to a newer boiler or low carbon alternative for an efficiency gain until the crisis is over.
- Consumers and businesses are unlikely to invest spare capital in energy saving measures in an environment that is short-term and favours liquidity over long-term benefits.
- LCET projects are likely to be paused/cancelled. Particularly where they involve working on customer premises (domestic or business).
- The status of some workers within the industry (key worker or essential worker) is still uncertain and this is hampering planning.

Medium-term (>2 months) sector specific risks and issues
As with other sectors, many will need to take decisive action to respond to the crisis and ensure their commercial future:

- Manufacturing and R&D activities in LCET cannot easily be worked on from home. The status of workers in these environments (essential or non-essential) is critical.
- Pre commercial propositions that depend on LEP and other public (esp. R&D) funding sources for development may struggle if funding opportunities dry up
- Impact on sales of LCET products is unknown. For example Electric Vehicles are typically more expensive than fossil fuel alternatives and can cause range anxiety however EV owners won't worry about a shortage of fuel at the pumps.

There may be some opportunities for businesses that support resource efficiency, agile working and reduced travel – as a 'new normal' pattern of working emerges. There are also some sub-sectors which are more protected, for example consultancies which can largely continue with remote working.
A general opportunity to emerge may centre on the fact many climate/energy solutions depend on government intervention and community collaboration. The response to COVID-19 crisis may prove that *''it can be done''* and the necessary state intervention may seem mild compared to the current changes to our way of life.

Construction

Short-term sector specific risks and issues
Small construction firms have been hit by delays and cancellations, and some companies are already laying off staff.

Construction work obviously can't be done remotely other than back office functions. The restriction on movement other than "essential work" will create further confusion; ministerial advice is that on-site work can continue as long as workers keep 2m apart. Large contractors are continuing as normal – risks are around welfare facilities where employees eat and wash etc in close proximity.

The Construction Leadership Council has published new Site Operating Procedures to clarify essential and non-essential work and working practices.
Supply of materials has been hit hard, small construction firms often don't have yards for storing materials and tend to buy it when required from local building supply companies. These have now shut.

CITB has been working to support businesses to retain apprentices by bringing forward grants rather than paying in arrears.

At the moment, CITB continues to draw down the levy from construction companies, which will be an unwelcome expense at a time when income has dried up.

Around half of the construction workforce is paid through CIS or "umbrella" companies to take advantage of preferential tax treatment. As a result, they are officially self-employed, and not part of the Job Protection Scheme.

Rail

Short-term sector specific risks and issues
Some SME engineering and manufacturing firms that supply the rail sector are closing temporarily (three weeks is typical) and taking advantage of the job protection scheme, rates relief to cut costs while income dries up, and with sales and management functions operating remotely.

Others are staying open with sales and back office functions working remotely, and with 2m distancing on the shop floor to continue to meet orders. Some owners also reporting that part of this is also to provide security to factories that would otherwise be empty and prone to break-ins.
Some larger clients have changed payment terms to 90 days. This is going to impact cashflow on SME suppliers, but the measures introduced by government may offset these delays.

All rail operators in the UK have temporarily been nationalised in an attempt to protect rolling stock and other assets. This will ensure continuity once travel restrictions are lifted.

Other engineering firms who don't currently supply the rail sector but supply other sectors badly hit by the crisis are using the chance to explore opportunities in the sector through existing business support provision.

Metals and materials

Short-term sector specific risks and issues
Some SME engineering and manufacturing firms are closing temporarily (three weeks is typical) and taking advantage of the job protection scheme, rates relief to cut costs while income dries up, and with sales and management functions operating remotely.

Many are staying open, either as normal, or with sales and back office functions working remotely, and with 2m distancing on the shop floor to continue to meet orders.

Some owners also reporting that part of this is also to provide security to premises that would otherwise be empty and prone to break-ins.
Make UK reports members who have tied into energy supply contracts at fixed prices risk being penalised for not using the minimum amount of energy.

Knock-on effects from closures of car production will soon cascade down the supply chain to general engineering firms. Large firms dependant on imports of raw materials report facing problems with delays and slowdowns.

Aerospace

Midlands Aerospace recently surveyed a panel of 20 suppliers key highlights were:

Big aerospace customers are not yet giving much information to suppliers or changing their order books. Service providers are using their informal personal connections with customer staff to identify the latters' reactions to the Coronavirus outbreak (e.g. restructuring of shift patterns).
Aerospace customers have heightened their close monitoring – and are encouraging continuity -- of the supply of parts from their suppliers.
Manufacturers are already identifying red-flag issues when their customers or their own suppliers -- in Italy, for example -- have now had to stop work.

The key current issues that manufacturers raise relate to their staff and the organisation of work in their factories so that the huge globalised aircraft production systems in which they play small parts can keep functioning. Issues faced by service providers focus more on short-term revenue and cashflow problems already raising questions about the survival of some companies, because many of their projects are easier for customers to delay or switch off – and this is happening.

For three weeks, since early March, both manufacturers and service providers have been steadily putting in place sophisticated human resource management and work organisation policies so they can protect employee health and safety while maintaining business activity.

Both manufacturers and service providers want government bodies a) to be more decisive in terms of actions to reduce the impact of the Coronavirus outbreak, and b) to offer financial support to industry to keep capability intact and keep staff employed if and when manufacturing has to be halted.

Automotive

Background
This document highlights key sector challenges and proposed interventions in response to the economic impacts of coronavirus in the UK for the automotive sector one of the key sectors. Comments are drawn from a range of automotive sector companies, industry experts and academics, and specialist business advisors.

Current context

The Society of Motors Manufacturers and Traders (SMMT), a key voice of the UK motor industry in its response to the latest package of financial measures announced by the Chancellor on 20 March 2020, commented:
"The Chancellor's unprecedented package of emergency funding and tax support will come as a huge relief to automotive companies of all shapes and sizes as they battle to safeguard their businesses and support thousands of workers and their families who otherwise face hardship. 99% of UK automotive output is now halted meaning thousands of businesses are counting their future, not in months or weeks, but in days. We need these measures implemented swiftly and will work closely with government and our members to keep this critical and fundamentally competitive sector alive." Mike Hawes, SMMT Chief Executive
https://www.smmt.co.uk/2020/03/smmt-response-to-latest-measures-announced-by-the-chancellor/

Halt in vehicle production
Following general slow-down across the sector, mainly due to lack of sales and disruption to the supply chain in China, automotive OEMs have now all but ceased production, with JLR announcing on 20 March it was shut down its production plants in the West Midlands, in Solihull and Castle Bromwich (and Halewood, Merseyside) in a bid to stem the spread of coronavirus. (This came following earlier announcements of the halting of European operations from Honda, BMW and Toyota.) The group, which employs around 14,000 staff in the UK, will close its sites next week for a period of three weeks. This is in addition to the nine-day closure period it announced earlier this month at its Halewood plant on Merseyside which it described as a "planned non-production period" to adjust production schedules at the plant. The company's intention is to resume in the week of 20 April, subject to review of the rapidly-changing circumstances and it is working towards an orderly return to production once conditions permit.
https://www.thebusinessdesk.com/northwest/news/2057363-jaguar-land-rover-to-shut-all-uk-production-plants

Only lower-volume manufacturers remain open. Locally, Aston Martin Lagonda's plant at Gaydon in Warwickshire (and St Athan in south Wales) had declared that they had the parts to remain open until early April, however, today, 24 March they have announced closure from tomorrow:
https://www.theguardian.com/business/2020/mar/24/aston-martin-to-halt-car-production-coronavirus-lockdown

Last week, on 18 March 2020, reacting to the halting of vehicle production lines, industry experts were warning that the automotive industry may never recover from the coronavirus crisis. Already struggling to avert decline, the UK car industry may not regain lost ground once the outbreak is over.
Professor David Bailey of Birmingham Business School: *"Last year, with the uncertainty over Brexit, the shift away from China [amid falling sales] and diesel, it was the perfect storm. This is perfect storm part two. As assemblers [manufacturers] shut down, it has a cascade effect on the supply chain and some of those firms will have to start shutting down too. The fear is a scarring effect. If capacity is lost because of shutdowns, the longer that they go on, the more there is likely to be a permanent impact on an industry that has already been struggling."* He urged the government to consider a wage subsidy scheme to prevent workers being laid off and losing capacity in the sector permanently.

Professor Karel Williams at Manchester Business School:
said it was likely the UK car industry would emerge from the coronavirus crisis smaller than it otherwise would have been. *"It's clear from what Volkswagen has been saying that lost sales will not be found again and there will be a massive hit in terms of loss-making in the major carmakers. The markets will recover but the companies will be weakened just when they're requiring large-scale investments in electrification. That will force them to rethink their portfolios of factories, models and markets."* He said existing weakness in the UK auto sector meant firms may sacrifice their British operations to aid their long-term recovery. *"The review of factories, models and markets is not going to be good for the British car industry. The last thing the industry needs is a major disruption to both demand and supply. The more marginal the operations, the model and the market, the more likely things are to be cut."*
https://www.theguardian.com/business/2020/mar/18/bmw-and-toyota-suspend-european-operations-coronavirus

Impacts on the supply chain
Larger tier 1 suppliers and SMEs in tiers 2 and 3 of the supply chain now face immediate issues. Many SMEs locally are already on or about to implement short-time working meaning that the corresponding threat of layoffs and/or workforce reduction is not far away. In addition, the overall COVID-19 situation is requiring radical changes to ways of working having to be implemented rapidly - it all adds up to a turbulent environment in businesses where resources are tight at the best of times.

The biggest issues across the sector are short term cash-flow, payroll support and the ability to sustain the business for more than a few weeks for many companies.
Starkly, one of our tier 1 suppliers in the region stressed the following:
"The best sound bite we can offer for the Automotive Industry is conveying how the cash circle works for many Tier-1 businesses. It is normal to borrow against sales invoices, and so a supplier who ships parts on Monday morning, will have invoiced for those parts by Tuesday morning, and will receive 85% of the value by Wednesday morning. So if deliveries stop on Monday morning, the cash stops flowing in by Wednesday morning, but everyone needs to keep paying the salaries of their employees. Whilst we are not producing cars, our sales and therefore our cash will dry up. Support is needed in days; weeks or months will be too late."

The salary subsidy via the Coronavirus Job Rention Scheme has been welcomed across the sector as 'exactly what was needed' to protect jobs at this time, and although of course it would not cover all of the salary bill (many are paid over £30k), coupled with e.g. mortgage payment deferral for individuals, means the businesses have time to plan ahead. We know of some business who are supplementing Statutory Sick Pay (SSP) to help retain staff whose key skills are needed but are in isolation for the next 12 weeks.

Also one business with significant numbers of temporary workers has told the agencies to redeploy them, and they understand the majority have now been redeployed. Once the crisis is over and the recovery starts they would plan to take these back on again.

The Coronavirus Business Interruption Loan Scheme (CBILS) has also been welcomed but where a number of smaller companies form a group, it has been stressed that each company should not be penalised as ineligible as a result. There remains much anxiety about taking on further long-term debt to get through the crisis and the impact that will inevitably have longer-term. Grants/loans will show as additional debt on the balance sheet. This could affect credit ratings if the agencies do not recognise this and there is a genuine fear that good intentions could inadvertently have the opposite effect.

Speed of implementation and access to funds remain a major concern.

Other issues raised include:
Customer "Force Majeur" claims that existing contracts (volumes and pricing) are therefore invalid
Slow/no payment of due and overdue invoices - even to the point of not answering phone calls or emails. We know of one West Midlands SME who is currently owed over £1m.
Short term ad hoc changes to schedule mix and volumes leading to SME's bearing overstock or high cost expedited production.
Projects "on hold" with no indication for how long or whether stage payments (for committed tooling etc) will be made.
Other cash related concerns seem to centre on the banks being inflexible and insisting on onerous terms for any changes in facilities or payment holidays on capital equipment.

"We would say 80% of concerns voiced are all focussed on the short term, very few businesses are looking further out at the moment. Of the few that are concerns about ongoing supply of materials and services seems to be the main topic."

Research and development
The sector continues to need vital R&D that drives innovation spill-over into the market, increasing productivity, creating real value. This involves often large-scale capital investment and highly skilled staff. Crucial research will be stopped and contracts ended during this current crisis so continuing support to ensure specialist skills are not lost and research can continue is an imperative for the industry.

We know OEMs and others are in direct contact with Innovate UK and the Advanced Propulsion Centre, and their university partners with Research England. This needs government to protect the Science Budget to continue to keep the automotive sector and our R&D capabilities alive beyond the current crisis and globally competitive in the longer-term. These capabilities have supported the attraction of international companies to our region. We need to ensure those remain here and continue to play their role in the sector going forward.

The automotive sector has been critical for this region in the past, maintaining its capabilities will be just as crucial for the economic recovery of our region, post-COVID-19. Government must also start to plan for how the sector emerges from the crisis and plays a key role in leading growth back to long-term financial sustainability.

Some positives
Warwickshire-based electric taxi maker LEVC has agreed to suspend payments from TX cab drivers on finance deals. The three-month payment holiday was announced alongside Black Horse and is in direct response to coronavirus outbreak and its impact on the trade. TX drivers on any existing Black Horse finance contract can register their interest for a suspension of repayments:
https://www.levc.com/corporate/news/payment-holiday/

Local tier 1 suppliers are supporting the development of manufacture of ventilators and supporting logsitics for the NHS.
A Coventry automotive design and manufacturing company has set up a joint venture with a leading electric vehicle manufacturer from Belarus which will create 600 jobs by establishing a zero-emissions manufacturing plant. CAD CAM Automotive (CCA) in Holbrook Lane met representatives from electric vehicle manufacturer BKM Holding, based in Minsk, at the Zero Emission Vehicle Summit in Birmingham in 2018, which was opened by Andy Street, Mayor of the West Midlands:
https://www.businessinnovationmag.co.uk/new-jv-with-belarus-manufacturer-will-deliver-600-new-jobs-to-coventry-company/
Costs in China have increased significantly and now are at levels closer to Eastern Europe. There could be real opportunities emerging for on-shoring activities across the automotive sector and reducing risk in the longer-term.

Logistics

This document outlines some key sector challenges and proposed interventions in response to the economic impacts of coronavirus in the UK for the logistics sector one of the key sectors (that CWLEP is leading as part of Local Industrial Strategy implementation) to the West Midlands economy, as part of our Local Industrial Strategy. Comments are drawn from the 2 main industry associations: Chartered Institute for Logistics and Transport (CILT) and the Freight and Transport Association (FTA), limited local intelligence and academic industry expertise.

Current context
The Logistics industry is hugely important at this time, carrying the nation's vital supplies and keeping critical supply chains running, to ensure continuity of supplies of food and medical equipment. Largely, the representative bodies of the sector have welcomed the government's emergency financial support measures, with a call for more speed to develop the mechanisms to access the support, and are keen to demonstrate flexibility and adaptability of the industry to respond effectively to the crisis. Whilst some supply chains important to our region have been temporarily halted, for example, automotive supply chains as vehicle production has ceased, capacity has therefore increased, at the same time as huge pressures for the supply and delivery of other goods to support supermarkets and the NHS have massively multiplied, with online shopping and deliveries to households. The impact on the sector has therefore been hugely variable, dependent on the impacts of COVID-19 on their customers.
The FTA are undertaking a weekly COVID-19 Logistics Impact Survey: https://fta.co.uk/coronavirus/fta-coronavirus-logistics-impact-survey The results for the survey as at 19 March are attached.
In addition to the cashflow and employment concerns common across industry sectors, some other key issues for logistics:

Maintaining port operations - crucial supply chains cross regional boundaries and with half the country's food imports coming through maritime gateways, in addition to energy, medicines and other critical goods, the continuity of operations at the country's ports are also critical to our region, at a time when port operators are concerned about cashflow and the impact on the financial status of their customers, particularly ferry companies and other passenger-focused activities such as cruises. Pressure may mount for product range rationalisation which may impact food and other imports as the pandemic peaks.

Safety - additional safety measures to support key workers in the sector to keep vital food and medical supplies flowing have been called for, accepting the priority needs for NHS and front-line health workers.

Regulation – calls have been made to relax the need for Lifting Operations and Lifting Equipment Regulations (LOLER) inspections and on ADR (European Regulations for International Transport of Dangerous and Hazardous Goods).
Some other government support in place:

International Trade – the DIT is providing support to find alternative suppliers if supply chains are affected by COVID-19

Tax relief - today (25 March) the government has announced a 6-month exemption from 30 March on the requirement for MOTs for vans (cars and motorcycles).

Supplier relief – in place for those companies supplying Local Authorities to enable Las to continue to pay at-risk suppliers to the end of June and support the redeployment of resources when capacity is released.

Industry support includes:
FTA offers a strategic-level supply chain review, to enable companies to map potential issues and resolutions to the impact of the pandemic as it develops, carried out remotely (via Skype) by their supply chain consultancy team, and supported by data analysis.
The key focus is on business continuity and service. The service provides a list of practical initiatives that builds on the government advice and adds supply chain contingency plans. The review would create a model of existing flows to enable an ongoing review of:
Potential problem areas with inbound supply and outbound deliveries.
Asses critical failure points (for example, labour availability, fuel shortages and other events).
Impact on storage and inventory, either from slowing or speeding up of goods through the supply chain.
Impact of lowering service standards from suppliers.
Review model for likely supply chain issues as the level of infection increases, and assess by region where necessary.
Consider new solutions if they become necessary
https://fta.co.uk/coronavirus/covid-19-strategic-supply-chain-review

Additional support required
From the FTA, their specific asks of government include:

- Recognition of the logistics sector as emergency/critical service (link to care, access to facilities, movement over borders, etc.)
- Relaxation in restrictions on delivery hours by local authorities to allow re-stocking.
- Safe and appropriate easements in driver hours.
- Government supported industry-wide contingency planning to address shortages in drivers, vehicle testing, vocational licence acquisition testing, completion of Driver CPC training and medical assessments for vocational licence renewal.
- Clearer government advice to the public on scenario planning, to limit panic buying.
- Consideration of packages of appropriate financial help.
- One opportunity locally may be to provide a brokerage service through existing business support structures e.g. provided by the WM Growth Hub Cluster, to support redeployment opportunities between companies across the sector as some supply chains collapse and others are under strain and lack capacity.

Opportunities
With reduced road, rail and air traffic, surveys of logistics movements under these "free flow" conditions, fuel and overtime payments savings, can provide valuable data to support the estimates of the costs of congestion, which has been problematic to do in the past (current workstream of Midlands Connect). In future, this data can influence new government policy to support more efficient freight movements to achieve e.g. better air quality, reduce carbon emissions to mitigate climate change and overcome the economic and social costs of congestion.

Increase cross-sector collaboration and new ways of working to provide resilience in the long-term to any future extreme periods of demand amplification.

Additional capacity resulting from limited passenger journeys by rail and air may see a model shift in some freight movements which provide models for the future, beyond the pandemic. Birmingham Airport has been identified to provide facilities to support the NHS, including temporary mortuary facilities.

If government halts more construction, the transport of building materials will dramatically reduce and release more bulk handling capacity across the sector.

Increased detailed knowledge and mapping of supply chains and their importance to the economy and society, will raise the profile of the sector and the profession, and give a loader voice to improve the nature and effectiveness of future related government policy, and help to drive up innovation and productivity both in logistics but widely in the industries it serves.

Disclaimer: The contents of this document are based on the latest data available and the contribution of regional partners in a fast paced environment, therefore we urge caution in its use and application

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The West Midlands Regional Economic Development Institute
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