

A NEW FUTURE FOR EAST KENT AND DISCOVERY PARK

**Third report of the Sandwich Economic
Development Task Force to HM Government**

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Foreword

By Paul Carter, Chairman of the Sandwich Economic Development Task Force and Leader of Kent County Council

The past six months have been extremely challenging for East Kent. The announcement in February that Pfizer will exit its Sandwich site came at the same time as job losses in the public sector have started to mount – so when we established the Task Force, we knew we had to take urgent action.

Six months on, we can report real progress and encouraging results. The site is now being marketed worldwide as Discovery Park, and is generating real interest from both potential investors in the site and end-users. Pfizer also announced in June that it is to retain a pharmaceutical sciences presence at the site, preserving approximately 350 jobs and creating a nucleus of science and technology that can help to attract other occupiers to the site.

Today, we can report two major steps forward, both of which will provide a real boost to the site's future investment prospects. Government has backed our proposal to designate Discovery Park as one of Britain's first new Enterprise Zones – delivering a package of incentives for new occupiers on the site. We have also now secured £24 million in public and private investment in new flood defences for the site and for Sandwich town, with work beginning in 2012. So with Pfizer retaining important research and development activity on site and substantial Government support, the prospects of a vibrant future for Discovery Park look brighter than at any point since the establishment of the Task Force.

Yet much remains to be achieved. Even with the welcome news that Pfizer is to retain a presence at Sandwich, job losses will still be very significant. Many of those leaving Pfizer would welcome the opportunity to remain in East Kent, using their skills to put the area at the forefront of the knowledge economy. Looking to the future, we have developed a £40 million programme of direct support for job-creating businesses, for which we are applying for funding from the Government's Regional Growth Fund. So we must build on today's welcome investment announcements to offer every support to retain a world class skills base and promote business growth – both at Sandwich and across East Kent.

Sandwich has great potential to become part of a revitalised East Kent economy focused on its scientific base and new opportunities across a range of sectors. Over the coming months, the Task Force will work collaboratively to build a new economic future.



Paul Carter
Leader, Kent County Council
Chairman, Sandwich Economic Development Task Force

Executive Summary

This is the Sandwich Economic Development Task Force's third report to Government. Six months on from the creation of the Task Force in February, it sets out the progress that has been made in developing a new future for former Pfizer staff, the Sandwich site and the wider East Kent economy. The first section focuses on how the Task Force has responded to the challenge presented by Pfizer's exit and the actions that have been taken so far. Section 2 sets out the work that remains to be done and the work programme for the Task Force over the coming months.

Introduction

1. Pfizer announced in February that it will exit its research and development facility at Sandwich by the end of 2012. This presents a major challenge to the East Kent economy, which has also been hit by significant public sector job losses.
2. The Government moved immediately to establish a Task Force under the chairmanship of Paul Carter, Leader of Kent County Council. Bringing together local political leaders, Pfizer, industry, finance and property experts and employment and business development agencies, together with Government ministers, the Task Force has met regularly since February to scope and drive forward the actions that we need to take to support the local economy. Our earlier reports in March and May set out our early conclusions and our initial recommendations to Government.

Recent progress: Turning challenges into opportunities

3. In our last report to Government, we said that the month ahead would be critical to the future of Sandwich. In particular, we recognised that it was essential to retain a core of economic activity on the site.
4. Since then, we can report that significant progress has been made:
 - Pfizer has announced that it is to **retain part of its pharmaceutical sciences presence** at Sandwich, preserving around 350 jobs. Pfizer's retained presence will help attract other science and technology businesses to the site.
 - With support from Government, Kent County Council and Pfizer, funding for one in 200 year **flood defence** has been secured for both Discovery Park and Sandwich town
 - Government has designated Discovery Park as an **Enterprise Zone**, offering a package of incentives to new businesses on the site

- These positive measures underpin the **global marketing of the site**, which is now well underway. Pfizer has appointed CB Richard Ellis to promote **Discovery Park** worldwide, working in partnership with Locate in Kent and UK Trade and Investment. The site has attracted the interest of potential investors and users of the site.
- We have continued to ensure **transitional support for Pfizer staff, contractors and the community**. Pfizer continues to offer via DBM (a specialist outplacement agency) a comprehensive support service to their staff, which is complemented by services from Jobcentre Plus available to both contractors and Pfizer employees. In addition, we have supported improved communication with existing contractors and with businesses in East Kent that rely on Pfizer for work
- We have developed proposals to support business growth and job creation throughout East Kent through the Expansion East Kent programme, which we have submitted to Government for a share of **Regional Growth Fund** money.
- Finally, we have focused increasingly on the **long-term economic future** of East Kent, building on the work undertaken to consider the economic impact of Pfizer's exit to look at the potential for future growth.

Securing the future: The next six months

5. Over the next six months, the Task Force will build on its strong progress so far to:
 - Join up **public and private sector support** for staff leaving Pfizer and for East Kent businesses impacted by the exit.
 - Build on the core nucleus of activity provided by Pfizer's continued pharmaceutical science presence to **work with prospective purchasers** and attract new investors, through a concerted effort by CB Richard Ellis working together with Locate in Kent and UKTI.
 - Prepare to launch the **Discovery Park Enterprise Zone** and – subject to Government decision - the Expansion East Kent business support package funded through Regional Growth Fund.
6. The future for the Sandwich site has improved since our second report to Government as Pfizer has decided to retain a core of world-class skills in East Kent. We now have a stronger platform to secure business growth and investment, which are further strengthened by Pfizer's continued commitment to the site. Continued Government support will be essential in delivering these – and over the next six months, we will consolidate our progress so far to ensure that we deliver a positive future for Sandwich and East Kent.

1. From challenges to opportunities

1.1. The scale of the challenge

- 1.1.1. At the start of the year, Pfizer announced that it was to exit the Sandwich site by the end of 2012. Reflecting changes in the global structure of the pharmaceuticals sector, the decision to leave Sandwich nevertheless presented a significant economic challenge to East Kent. Around 2,400 employees were directly affected by the exit decision, while the buildings on the site cover around 3 million sq ft – most of which are high quality R&D and office accommodation.
- 1.1.2. Pfizer’s exit announcement came at a difficult economic time, coinciding with significant anticipated public sector job losses and other industrial closures. To get a full understanding of the combined challenge presented by Pfizer’s exit and wider economic change in East Kent, Kent County Council commissioned a full economic impact study. This estimated that there will be a total of 7,800 combined job losses across East Kent by the end of 2011, rising to 12,200 by 2018¹. These losses are considerable, and include some of East Kent’s most highly skilled staff. So the Task Force was faced with three key challenges: retaining the **skills base**, supporting people in finding **new employment** and establishing a new future for the **Sandwich site**.

1.2. Retaining activity on the Sandwich site

- 1.2.1. In June, Pfizer announced that it is to retain part of its pharmaceutical science operations at Sandwich, preserving around 350 jobs to support the development of products in Pfizer’s mid and late-stage pipeline. This announcement is very positive, since it means that a significant core of high-value research and development activity will remain at Sandwich, adding to the site’s attractiveness to new investors and retaining part of the skills base.

Retaining a high-value core of activity at Sandwich

The pharmaceutical sciences skills and functions that Pfizer will retain at Sandwich are critical to the delivery of the company’s portfolio of medicines:

“Pfizer’s retained pharmaceutical sciences operations at Sandwich will maintain a nucleus of industry-leading talent, skills and capabilities in science and technology at the site”

Dr Annette Doherty
Sandwich Site Head, Pfizer

¹ DTZ/ Kent County Council (June 2011), Public sector job losses, the closure of the Pfizer Sandwich campus and the decommissioning of the Dungeness nuclear power stations: The impact on jobs in Kent.

- 1.2.2. The announcement also means that Phase 1 of the transition process outlined above is now complete and an initial goal of the Task Force has been achieved.

1.3. Promoting Discovery Park worldwide

- 1.3.1. In May, Pfizer announced the appointment of CB Richard Ellis, one of the world's leading real estate advisors, to market the Sandwich site worldwide. This was shortly followed by the launch of a global campaign to market **Discovery Park**, as the site has been named, working closely with Locate in Kent and UK Trade and Investment.
- 1.3.2. Discovery Park offers a number of major opportunities, with world-class R&D facilities and a world-class anchor through the retained presence of Pfizer, alongside greatly improved road and rail connections and the excellent quality of life that is available in East Kent. Already, there has been interest from potential investors and users of the site, both focused on pharmaceutical R&D and on other sectors.

A major opportunity to promote East Kent: The Open at Sandwich

While efforts are well underway to market Discovery Park worldwide, the arrival of the British Open golf tournament held at Royal St George's golf course in July offered a major opportunity to promote the potential of Sandwich.

During the tournament, South Eastern Railway ran the high speed train service from London St Pancras, bringing 37,000 people direct to Sandwich in 80 minutes and demonstrating East Kent's accessibility as well as its attractiveness as a place to live and visit. The Open has also provided a major boost to the East Kent economy, attracting around 180,000 visitors and generating around £80 million for the local economy². In addition, increased visitor numbers significantly boosted Manston Airport, which had one of its busiest weeks in years.

1.4. Incentives for investors through an Enterprise Zone

- 1.4.1. In our first report to Government, the Task Force recommended the creation of a special 'research, technology and innovation zone' on the Sandwich site, offering a range of incentives to encourage new investors.
- 1.4.2. Since this recommendation was made, the Government has announced that Discovery Park will be designated as one of a number of new 'Enterprise Zones' across England, providing business rate discounts worth up to £275,000 per business over five years as well as simplified planning processes.
- 1.4.3. Enterprise Zone designation has the potential to make a major difference to the potential of Discovery Park. For small and medium businesses – including start-ups emerging from Pfizer – the business rate discount will be a significant incentive to

² Dover District Council. A full economic impact report is currently being prepared.

remain in East Kent. With just a small number of Zones to be created nationally, the Enterprise Zone will also be an important symbol of Government commitment to a new economic future for Discovery Park.

Unlocking jobs: The economic impact of an Enterprise Zone

In assessing the case for an Enterprise Zone at Discovery Park, consultants DTZ analysed likely job creation on the site in the period to 2015. Based on analysis of available floorspace, they have estimated that around 2,400 jobs could be created at Sandwich in addition to the 350 to be retained by Pfizer. Because of Discovery Park's unique offer, displacement is likely to be minimal, with a estimated total of 2,600 jobs across East Kent once multiplier and displacement effects are taken into account³.

1.5. Securing the Sandwich site

- 1.5.1. Securing Discovery Park against the risk of flooding is critical to its future investment prospects, and the Task Force has worked to develop a funding solution. With support from Government, Kent County Council and Pfizer, work will start in 2012 on a new flood defence scheme that will provide one in 200 year protection , benefiting both Discovery Park and Sandwich town.

1.6. Supporting staff, contractors and the community

- 1.6.1. Although some 350 jobs will be preserved in pharmaceutical sciences, the majority of staff currently employed on the site will leave by 2012. During the first 90 day collective consultation period, 900 members of staff were given 'at risk of redundancy' notices, with a second 90 day consultation period currently underway and anticipated to finish in mid August, with a third consultation period likely to be held in the autumn.
- 1.6.2. Since our first report, we have established a **Skills Sub-Group** as a collaboration between the local authorities, Pfizer, local Chambers of Commerce, business support organisations and the public sector to further maximise opportunities for staff and contractors.
- 1.6.3. At the core of support to Pfizer staff, Pfizer continue to provide a **comprehensive outplacement service** managed by the transition company DBM. This has offered a range of programmes to support staff, including training and information workshops, seminars and speaker sessions and a large recruitment fair in May.
- 1.6.4. To supplement this support, the **Jobcentre Plus** Rapid Response Service has a base on site, offering careers, self-employment and training advice and advice in accessing benefits and Jobcentre Plus services. The Rapid Response Service is open

³ Discovery Park Enterprise Zone: Application form (June 2011)

to all working on site, and there has been positive engagement from four of the major contractors working on site.

- 1.6.5. Pfizer has set in place support for people wishing to develop spin-out proposals and to start their own businesses. Events run by the **British Venture Capital Association** and the **Pfizer Venture Group** have advised staff on setting up businesses and accessing finance. In addition, Pfizer held a careers fair at the site in May, which generated contact with potential new employers as well as interest from staff in self-employment and forming business start-ups. General advice on developing business plans and starting up new businesses is also being provided by Pfizer's Business Development Group, with support from the Kent Innovation and Growth Team and other agencies.

Opportunities in the education sector

As well as opportunities for in the commercial world, there are also opportunities in the education sector. For staff keen to explore further opportunities in **higher education**, a HE Opportunities Day was also held in June. Through the careers events held in May and June, a number of staff have also expressed interest in teaching opportunities – bringing commercial scientific skills to the classroom.

- 1.6.6. As a very significant part of the local economy, Pfizer's exit is also impacting on businesses across East Kent, across a range of sectors. This of course comes at a time when many businesses are hard pressed – especially in East Kent, given the area's dependence on shrinking public sector employment. A regular '**Help from**' e-newsletter is now being sent out to thousands of businesses across East Kent, with contributions from public and private support organisations to help signpost and support local businesses.
- 1.6.7. In our earlier reports, we focused on the potential for securing **European Social Fund** monies. We can now report that through discussion with the Skills Funding Agency, the three local further education colleges (Canterbury College, Thanet College and K College) have all been successful in receiving ESF funds to retrain and up-skill unemployed people across East Kent.

1.7. New support for job creation

- 1.7.1. There is considerable potential for new business starts to emerge from Pfizer. More broadly, we know that there is also potential for business growth in a range of sectors across East Kent – but growth is currently constrained by the continued difficulties faced by business in accessing bank finance.
- 1.7.2. In partnership with three of the major High Street banks, local authorities and business support organisations across East Kent, the Task Force has championed **Expansion East Kent (ExEK)**, a new scheme which is currently seeking investment through the Government's **Regional Growth Fund**. If successful in attracting RGF investment, ExEK will channel grant finance directly to growing businesses in East Kent, unlocking private sector loan and equity investment and making the most of

Thanet and Dover's Assisted Area status. A decision on Regional Growth Fund support is expected in the autumn.

- 1.7.3. The ExEK programme is designed to be flexible, so that it can invest in projects in a range of sectors across East Kent. However, the scheme focuses in particular on the potential to build on the scientific skills base at Sandwich and East Kent's opportunities as a leading location for renewable energy, cleantech and environmental technologies, as well as the area's existing strengths in manufacturing and tourism.

Opening up better access

High Speed One presents a massive opportunity for East Kent. But until now, Sandwich and Deal have lacked access to HS1 services. With financial support from Kent County Council, Southeastern will start to run direct trains from London St Pancras to Sandwich from late 2011 – bringing Discovery Park to within 90 minutes of central London. With road infrastructure improved through the completion of East Kent Access, road transport to the Sandwich site will also be greatly improved.

1.8. The longer term future

- 1.8.1. The Task Force is playing a key role in considering East Kent's longer term economic potential. Despite the challenges presented by Pfizer's closure, the prospects for the area are positive, with strengths in the emerging low carbon economy, the opportunity to capitalise on existing investment in High Speed One, a major concentration of higher education at Canterbury and an excellent quality of life.
- 1.8.2. To set out our aspirations for East Kent's future, we commissioned an **East Kent Growth Strategy** in the spring. This has directly informed proposals for Enterprise Zone status and Regional Growth Funding and will be developed further over the coming months. In addition, we have embarked on a new conversation with business, with a high level round-table with businesses in the renewable energy and environmental technology sectors convened by Laura Sandys MP to discuss their potential and how Government and the local public sector can help.

1.9. Much achieved...

- 1.9.1. Much has been achieved over the past six months. We have:
- Secured the future of Discovery Park through agreement to fund flood defences for the site and Sandwich town
 - Secured Government backing for the designation of the Sandwich site as an Enterprise Zone
 - Developed a programme to improve business access to finance, for which we are currently seeking Regional Growth Fund support
 - Retained around 350 jobs at Sandwich, which is having a positive impact on the future sustainability of Discovery Park
 - Delivered additional support for staff and contractors in accessing new business and employment opportunities in East Kent

2. The next six months

2.1. Moving forward: A work programme for the next six months

2.1.1. Although Pfizer's exit presents an immediate challenge, the Task Force has recognised that the transition process is a five to ten year journey. Building on the work that we have already done, the next six months are critical in securing the future of the Sandwich site.

2.1.2. The first phase of the Task Force's activity is now complete. Over the next six months, the Task Force will continue as a forum for Pfizer, local and central Government and expert advisors to develop the future of Discovery Park and the wider economy. However, we will have a sharper focus on **three key areas** of activity:

Supporting staff, contractors and the wider community

2.1.3. Despite the welcome retention of around 350 jobs at Pfizer, the scale of job losses remains significant, and the phased exit of staff is still underway. We will continue to ensure that the public sector offer is effectively coordinated with support provided by Pfizer and its specialist outplacement providers as the next phase of staff leave the Sandwich site. In particular, the Task Force will work to make sure that there is a coherent offer to staff seeking to establish their own businesses, bringing together the work of the higher education sector, business support agencies and Pfizer itself.

2.1.4. In addition, we will ensure that information and support services are available to the wider business community impacted by Pfizer's exit.

Promoting the site

2.1.5. Pfizer supported by CB Richard Ellis will continue to market Discovery Park to new investors and end users worldwide, working with Locate in Kent, UKTI and KCC to make the most of Enterprise Zone designation and to ensure that the support that can be provided by central and local government is fully explored.

Driving forward a clear package of public support

2.1.6. Enterprise Zone designation and potential funding through the Regional Growth Fund will provide major opportunities to support business growth at Discovery Park.

2.1.7. It is essential that both the Enterprise Zone and the Expansion East Kent RGF programme are established efficiently and managed effectively. Task Force members will work together to establish the EZ and Expansion East Kent, ensuring that they work together to deliver a clear offer to local business and are delivered with strong private sector involvement.

2.1.8. In addition, we will continue to work on the development of the **longer term vision** for the East Kent economy, building on the initial East Kent Growth Strategy earlier

in the year to develop a framework for East Kent's economic development. The Task Force will make sure that the emerging framework is focused on East Kent's real economic potential, putting the opportunities of Discovery Park at the heart of a wider vision for the area.

2.2. Looking to the longer term

2.2.1. The Task Force was created as a response to the immediate challenge of Pfizer's exit from Sandwich. Clearly, challenges remain and there is much still to do. But as opportunities for the future of Discovery Park are realised, we need to ensure that the Task Force remains fit for purpose.

2.2.2. Over the next six months, we will consider how the workstreams generated by the Task Force will be continued and how we will ensure that the successful model of joint working between central and local government and the private sector can be sustained. At the end of the year, we will report to Government on the achievements of the Task Force, how we will move forward and the lessons that other places can learn from our response to the loss of a major employer.

2.3. Support from Government

2.3.1. Government has introduced a number of measures to promote local economic growth. The Task Force has been quick to grasp them, developing proposals for Regional Growth Funding and Enterprise Zone designation, building links with the Technology Strategy Board and working closely with UKTI to attract new investment.

2.3.2. The Task Force strongly welcomes the support that Government has given to date, in particular through approval for the Discovery Park Enterprise Zone and the commitment of Environment Agency resources to secure the flood defences at Sandwich. It is now vital that this is followed by commitment to support East Kent's wider growth opportunities – in particular through support for business through the Expansion East Kent RGF package.

2.3.3. In its first six months, the Task Force has demonstrated that through concerted effort, much can be achieved. In February, we faced the prospect of an empty site. Six months later we have retained a core of high value, highly skilled employment forming the core of a potential hub for scientific research activity, with major investors expressing real interest.

2.3.4. Now is the time to secure our achievements to date with real public commitment to East Kent's future. The Task Force is delivering; the next six months will be crucial.