

AGENDA MANAGEMENT SHEET

Name of Committee	Cabinet
Date of Committee	4th May 2006
Report Title	Announcement by Peugeot of the Closure of the Ryton Plant
Summary	The Chair of the Economic Development Overview and Scrutiny Committee is asked to convene a meeting of his Committee to scrutinise the consequences of the proposed closure of the Peugeot plant at Ryton, the measures being taken to meet the needs of the workforce and to address the impact on the local economy.
For further information please contact	David S Williams County Economic Development Officer Tel. 01926 412401 davidswilliams@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	Yes/No
Background Papers	None.

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees	<input type="checkbox"/>
Local Member(s) (With brief comments, if appropriate)	<input type="checkbox"/>
Other Elected Members	<input checked="" type="checkbox"/>	Councillor P Barnes) Councillor M Jones) for information Councillor P Morris-Jones)
Cabinet Member (Reports to The Cabinet, to be cleared with appropriate Cabinet Member)	<input checked="" type="checkbox"/>	Councillor C Saint
Chief Executive	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	I Marriott – comments incorporated.
Finance	<input type="checkbox"/>

Other Chief Officers	<input type="checkbox"/>
District Councils	<input type="checkbox"/>
Health Authority	<input type="checkbox"/>
Police	<input type="checkbox"/>
Other Bodies/Individuals	<input type="checkbox"/>

FINAL DECISION **~~YES~~/NO** (*If 'No' complete Suggested Next Steps*)

SUGGESTED NEXT STEPS :

Details to be specified

Further consideration by this Committee	<input type="checkbox"/>
To Council	<input type="checkbox"/>
To Cabinet	<input type="checkbox"/>
To an O & S Committee	<input checked="" type="checkbox"/>	Economic Development Overview and Scrutiny Committee for scrutiny and recommendations.
To an Area Committee	<input type="checkbox"/>
Further Consultation	<input type="checkbox"/>

Cabinet – 4th May 2006

Announcement by Peugeot of the Closure of the Ryton Plant

Report of the Strategic Director for Environment and Economy

Recommendation

It is recommended that the Chair of the Economic Development Overview and Scrutiny Committee be asked to convene a meeting of his Committee as a matter of urgency to scrutinise the impacts and consequences of the proposed closure of the Peugeot plant at Ryton and the measures being taken to meet the needs of the workforce and to address the impact on the local economy.

1. Background

- 1.1 The future of the Ryton plant has been in doubt since Peugeot decided not to assemble a successor to the 206 there. The announcement at Easter, however, of closure by mid 2007 came as a surprise because, as recently as last year, Peugeot spokespersons were claiming the future of the plant was secure up to 2010.
- 1.2 A number of reasons have been advanced for the closure and these include:-
 - (i) **Market conditions** - In the last few months of 2005 and into 2006 sales of superminis declined and the 206 was faced by fierce competition. As a consequence Peugeot revised their estimates of the market for 206 downwards by 1/3.
 - (ii) **Production costs and logistics** – Peugeot assemble the 206 at Ryton and at Poissy. The cost of building a 206 at Ryton was €415 (£287) greater than at Poissy, Paris because of higher wages, energy costs and the need to import 75% of the parts used in the cars built at Ryton. In 2003 the foundations were laid for a PSA group plant in Trnava, Slovakia, where it is estimated that costs will be around 10% less than at Ryton.
 - (iii) **Under-capitalisation** - It would cost €255 million to bring Ryton up to the standards of Peugeot's modern plants on the Continent and even then it would still be a more expensive production site. On the 19th April 2006 the DTI claimed it had "Done everything possible to encourage Peugeot to keep Ryton open, including an offer two years ago of a £14.4 million

grant to enable it to produce an extra model” but Peugeot claim this would have had little overall beneficial effect.

1.3 The essentials of the decisions announced by Peugeot on 18th April 2006 are that:-

- (i) Car assembly at the Ryton plant will finish in 2007.
- (ii) The whole workforce, 2300, will lose their jobs with around 1000 finishing in July 2006 and the remainder going when the factory closes.
- (iii) The plant will be closed down in two phases. In July 2006, the two working shifts in the plant will be merged into a single shift. It will then slowly phase out production, with closure by mid-2007.
- (iv) The company has undertaken to consult trade unions before the closure and will provide a support package for staff and try to help as many workers as possible to find alternative employment.

2. A Partnership Response to the Closure

- 2.1 Sadly, the last few years have seen major redundancies and even closure of important manufacturing businesses in Coventry and Warwickshire, culminating in the MG Rover closure last year with such a significant impact to local businesses in the supply chain. Public sector agencies including the Learning and Skills Council, Job Centre Plus, DTI, Advantage West Midlands and Business Link as well as the local authorities and the Chamber of Commerce now have a partnership approach to responding to this sort of situation. A first meeting of the partnership took place with the Secretary of State, Alan Johnson, on 18th April and subsequent meetings are planned to develop the sub region's response to the closure.
- 2.2 Warwickshire County and Rugby Borough Councils are part of the partnership and will be looking to ensure that the impact of the potential closure on Warwickshire's economy and its communities is minimised.

3. Potential effects on Warwickshire

Addressing the Needs of the Workforce and Local Communities

- 3.1 At this stage we have no details of the residences or age profile of the workforce but recent Peugeot redundancies suggest that at least 550 of the 2300 redundancies will be from Warwickshire, with a significant proportion coming from Bedworth and Nuneaton. Although many of the redundancies last year were from age groups to whom early retirement was an attractive option, we suspect that this may not be the case now and we can anticipate that a higher proportion of those made redundant will be looking for new jobs with pay levels comparable with those they have left. There are jobs available in Coventry and Warwickshire but few vacancies match the skills of the assembly workers or the incomes they currently take home. The impact to families concerned can be imagined.

The Supply Chain and Support Services

- 3.2 Advantage West Midlands (AWM) estimates that only 2 to 3000 UK jobs in the UK supply chain will be affected by the closure of Peugeot. At this stage the information available suggests that few of these are located in Warwickshire but the impact on them could be significant. We anticipate that Peugeot will make available information on its suppliers and this will enable the partnership to get a better insight into the extent of the problem for Warwickshire and Coventry and how to address the problems. We can also expect an impact on service companies such as those involved with logistics, cleaning and catering but here again the extent of the problem is not known at this stage.

Options for the Future

- 3.3 The potential closure of Peugeot is the latest in a series of blows to manufacturing in Coventry and Warwickshire and would represent the end of volume car assembly in the sub region. Last year the Economic Development Overview and Scrutiny Committee examined the future of the motor industry in Warwickshire and concluded that the future lay primarily in the advanced technology sectors of the industry. Events such as this announcement on one hand and the proposals by Prodrive for Fen End, on the other, appear to confirm this view. Even so, the Peugeot announcement poses other questions for the Council on how it can work most effectively to respond to such an event.
- 3.4 At this stage, the partnership is developing a plan for managing the impact of the closure of the plant which includes:-
- (i) Support targeted to companies in the supply chain.
 - (ii) Support to new business start-ups by ex Peugeot workers.
 - (iii) Negotiating redundancy terms for the ex workers.
 - (iv) Planning the future of the site to ensure it is retained for employment uses.
 - (v) Developing training and retraining programmes, and looking at the potential for securing dispensations for those affected to retain their benefits while undertaking training.
- 3.5 These approaches are seen as addressing the economic impact of closure.
- 3.6 The Unions are currently campaigning for the plant to remain open and this would be the ideal but closure remains the most likely scenario. Nevertheless, Council may feel there could be more that should be done to assist the families and businesses affected by closures such as this. Members may feel they should use the opportunity presented through the overview and scrutiny process to look into situations such as this and related actions by the organisations involved. The Peugeot announcement has raised concerns on a number of levels and it is therefore recommended that the Chairman of the Economic

Development Overview and Scrutiny Committee be asked to convene a meeting of his committee as a matter of urgency to scrutinise the impacts and consequences of the proposed closure of the Peugeot plant at Ryton and the measures being taken to meet the needs of the workforce and to address the impact on the local economy.

JOHN DEEGAN
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28th April 2006