

O & S Committee)

- Cabinet Member Councillor Chris Saint
- Chief Executive
- Legal Katherine Grasby
- Finance
- Other Chief Officers John Deegan.....
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Agenda No

Cabinet - 13 July 2006

The Proposed Closure of the Peugeot Assembly Plant at Ryton-on-Dunsmore

Report of the Chair, Economic Development Overview and Scrutiny Committee

Recommendation

The Economic Development Overview and Scrutiny Committee recommends that Cabinet note -

- (1) The outcome of the discussions of the Committee's special meeting held on 6 June 2006;
- (2) That the Committee will review the situation again in September or early October 2006;
- (3) That the Committee thanked the officers and the Coventry, Warwickshire and Solihull Partnership for their work in providing support for the Peugeot employees facing redundancy.

1. Introduction

1.1 On the 6 June 2006, at a special meeting of the Economic Development Overview and Scrutiny Committee, Members considered the attached report, (Appendix A), following a request by Cabinet on 4 May 2006, that the Committee scrutinised the impact and consequences of the proposed closure of the Peugeot plant at Ryton-on-Dunsmore.

2. Consideration by the Economic Development Overview and Scrutiny Committee on 6 June 2006.

2.1 The Committee considered a report from the Strategic Director for Environment and Economy, which provided additional information to add to that reported to Cabinet at its 4 May 2006 meeting. (A copy of the minutes of the meeting of the Overview and Scrutiny Committee on 6th June 2006 is attached (Appendix B)).

2.2 The Committee also heard from Roger Douthwaite, Chair of the Coventry Warwickshire and Solihull Partnership (CWSP) and Graham Hollowell (CWSP), who gave an update on the work being carried out by the Peugeot Partnership.

Members were also told of other additional support initiatives that were happening at the Peugeot Plant and the financial contribution made available by Advantage West Midlands to provide early support for Peugeot employees.

2.3 Councillor Ian Spiers, Chair of Ryton Parish Council also attended the meeting and addressed the Committee on the Parish Council's concern about the future use of the site on which they would like early direction. The desired use would be for employment/small factory units or leisure facilities.

3. Conclusions

3.1 In conclusion, the Committee welcomed the initiatives that had been taken by the Peugeot Partnership, recorded their concerns about the possibility of the plant closing earlier than anticipated and the need to review the situation in September/early October 2006.

3.2 The Committee also concluded that, whilst accepting that the site was in the ownership of the Peugeot Company, there was need for direction and discussion about the future use of the site, and that discussion should include the County Council, Rugby Borough Council and Ryton Parish Council.

3.3 The Committee also thanked the Officers and the Peugeot Partnership for the work that they had done in providing support for employees facing redundancy.

COUNCILLOR MICK JONES
Chair, Economic Development
Overview and Scrutiny
Committee

Shire Hall
Warwick

06 June 2006

AGENDA MANAGEMENT SHEET

Name of Committee Economic Development Overview and Scrutiny Committee

Date of Committee 6th June 2006

Report Title The Proposed Closure of the Peugeot Assembly Plant at Ryton-on-Dunsmore

Summary This special meeting of the committee will scrutinise the implications of the redundancies and any potential closure of the Peugeot plant at Ryton-on-Dunsmore – and will report back to Cabinet on its findings.

For further information please contact David S Williams
County Economic Development Officer
Tel. 01926 412560
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 Report to Cabinet on 4th May 2006 on Announcement by Peugeot of the closure of the Ryton-on-Dunsmore Plant
- Local Member(s) Councillor Mrs H Timms
(With brief comments, if appropriate)
- Other Elected Members Councillor P Barnes } for information
Councillor M Jones }
Councillor P Morris-Jones }
- Cabinet Member Councillor C Saint – for information
(Reports to The Cabinet, to be cleared with appropriate Cabinet Member)
- Chief Executive
- Legal I Marriott - agreed

- Finance
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

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

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by this Committee Report back in 6 months time.
- To Council
- To Cabinet 27th June 2006.
- To an O & S Committee
- To an Area Committee
- Further Consultation

**Economic Development Overview and Scrutiny Committee –
6th June 2006**

**The Proposed Closure of the Peugeot Assembly Plant at
Ryton-on-Dunsmore**

**Report of the Strategic Director for
Environment and Economy**

Recommendation

That:-

1. The outcome of the discussions at the meeting of the Overview and Scrutiny Committee be reported to Cabinet, and
2. The Committee revisits this subject in six months time to review progress and the outcome of actions taken to assist those who may be affected by any closure or redundancies as a result of Peugeot's actions at Ryton-on-Dunsmore.

1. A Cabinet Resolution

- 1.1 At the Cabinet meeting on 4th May, the report attached as **Appendix A** was considered. Cabinet endorsed the prompt establishment of the Peugeot partnership to manage the cross-authority and multi-agency issues connected with the proposed closure of the Ryton-on-Dunsmore Plant. They also resolved that the Chair of the Economic Development Overview and Scrutiny Committee should be asked to convene an early meeting of his Committee to scrutinise the impacts and consequences of the proposed closure of the Peugeot plant at Ryton-on-Dunsmore and the measures being taken to meet the needs of the workforce and to address the impact on the local economy, with a report back to Cabinet.
2. This special meeting is the outcome of the resolution and Councillor M Jones' agreement to hold an early meeting of the Economic Development Overview and Scrutiny Committee.

Emerging Information

3. Much of what was reported to the Cabinet still applies but other information is emerging all the time. In particular, we are now better informed on the numbers and places of residence of the Peugeot employees. The paper attached as **Appendix B** sets out the position and shows that at the beginning of May this

year 611 residents of Warwickshire were employed at the Ryton-on-Dunsmore Assembly plant. The bulk of these people are residents of Nuneaton and Bedworth and many are resident in areas of high deprivation. In addition, 37 residents of Ryton-on-Dunsmore and Earl Craven and Wolston wards may lose their jobs as a result of the closure. A Briefing Note from the Peugeot Partnership is attached as **Appendix C**.

4. Jobs will also be affected in businesses that supply components and services to the Ryton-on-Dunsmore plant. Clearly, details of those firms will remain confidential because of the commercial sensitivity of the information. However, Peugeot have released the information to the Peugeot Partnership and it is being analysed. We expect there to be a small number of component suppliers from Coventry and Warwickshire which will be directly affected by a closure of the plant. It is likely, however, that there will be a small number of businesses providing services to the site that could be seriously affected, too.
5. The Peugeot Partnership is co-ordinating the sub region's response to the proposal to close the Ryton-on-Dunsmore Plant and the secretariat to the partnership is being provided by Coventry Solihull and Warwickshire Partnership. Dianne Williams from the Chamber is heading up support to Supply Chain companies. Jane Malbasa of Job Centre Plus is organising Support to Employees. Eventually there may be a "Site" group to look at any development plans for the site, though this group would only be triggered once we are confident that the closure plans will be implemented.

Participants

6. Representatives of the Peugeot Partnership are being invited to attend the meeting to give a progress report and to answer Members' questions.

JOHN DEEGAN
Strategic Director for Environment and Economy
Shire Hall
Warwick

19th May 2006

Appendix A of Agenda No

Economic Development Overview and Scrutiny Committee 6th June 2006

The Proposed Closure of the Peugeot Assembly Plant at Ryton-on-Dunsmore

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

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- Local Member(s)
(With brief comments, if appropriate)
- Other Elected Members 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) Councillor C Saint
- Chief Executive
- Legal I Marriott – comments incorporated.
- Finance
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

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

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee Economic Development Overview and Scrutiny Committee for scrutiny and recommendations.
- To an Area Committee
- Further Consultation

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 2000 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
Strategic Director for Environment and Economy
Shire Hall
Warwick

28th April 2006

Minutes of a Meeting of the Economic Development Overview and Scrutiny Committee held on 6 June 2006

Present: Councillor Mick Jones (Chair)
" Anne Forwood (Vice Chair)
" Peter Barnes
" Gordon Collett
" Michael Doody
" Marion Haywood
" Pat Henry
" Katherine King
" John Ross
" Ian Smith

Also Present: Councillor Chris Saint (Portfolio holder for Economic Development), Councillor Alan Farnell (Portfolio holder for Policy and Governance) and Councillor Heather Timms.

Officers: Andy Cowan, Head of Planning, Waste and Environment, Environment and Economy Directorate.
John Deegan, Strategic Director, Environment and Economy.
Katherine Grasby, Senior Solicitor, Performance and Development Directorate
Helen Flanagan, Access Co-ordinator, Regeneration, Policy and European Skills, Environment and Economy Directorate.
Jean Hardwick, Principal Committee Administrator, Chief Executive's Dept.
John Scouler, Head of Social and Economic Regeneration, Environment and Economy Directorate.
David S Williams, County Economic Development Officer, PTES.
Paul Williams, Scrutiny Officer, Performance and Development Directorate.
Mandy Walker, Group Manager, Regeneration, Policy and European Skills, Environment and Economy Directorate.

Also present: Roger Douthwaite, Chair/Director of CSWP
Graham Hollowell, CSWP
Ian Spiers, Chair of Ryton Parish Council

1. General

(1) Apologies.

Apologies for absence were received from Councillors Ken Browne, Eithne Goode, Bernard Kirton and Philip Morris-Jones.

(2) Members' Disclosure of Personal and Prejudicial Interests.

Declarations of personal, non prejudicial interest were received from Members by virtue of them serving as district/borough councillor as follows –

Stratford-on-Avon District Council – Councillor Peter Barnes

Warwick District Council – Councillors Michael Doody and Eithne Goode
Nuneaton and Bedworth District Council – Councillors Pat Henry and John Ross

Rugby Borough Council – Councillor Gordon Collettl

2. Public Question Time

None.

3. The Proposed Closure of the Peugeot Assembly Plant at Ryton-on-Dunsmore

The Committee considered the report of the Strategic Director of Environment and Economy.

This special meeting of the Committee was held to scrutinise the implications of the redundancies and any potential closure of the Peugeot plant at Ryton-on-Dunsmore and to report its finding back to Cabinet.

The Chair said that the Committee was being asked to consider what the County Council could do to help ameliorate the problems at the Ryton-on-Dunsmore plant. He asked Members to confine their debate to employment issues and leave the discussion on the future of the Peugeot site to another meeting.

Councillor Alan Farnell welcomed the meeting and Coventry, Solihull and Warwickshire Partnership (CSWP) taking the lead in co-ordinating a response and offering support to the employees who were facing redundancy. This was a very important issue for the people of Warwickshire and Coventry and, in particular, for the large proportion of employees who lived in the north of the county and who would be looking for jobs. He was also concerned about the impact the closure would have on the supply chain and support businesses. He urged the Committee to keep the issue on the on its agenda and review the position again in six months time.

Graham Hollowell outlined the development and action taken by the Peugeot Partnership (see Appendix C of the report for terms of reference and composition) since it first met in April 2006. The Partnership had established four themed groups, which met weekly, and covered the following areas –

- Jobs and Training
- Suppliers
- Community Impact
- Image and communication

He reported that by the 10 July 2006 Peugeot would reduce the current two shifts to one shift, making 600-650 employees redundant by that date. The remainder of the employees would be made redundant by mid 2007. Of the current workforce 42% of the men were in their 40's and 25% in their 50's. Of these employees 50% had been employed for between 10-20 years and 8% employed for over 2 years. This was a long-established workforce of whom 94% were male. Geographically, Nuneaton and Bedworth would sustain the biggest impact of redundancies. In Coventry, the biggest impact would be in Binley, Willenhall and Upper and Lower Stoke.

The Union had pursued strike action to preserve one shift but this had been rejected. The results of a ballot of the workforce had been announced earlier that day and the result declared rejected industrial action (on a 75% return, 640 voting in favour of strike action and 870 against).

A Resource Centre had been set up inside the Peugeot Plant with the Job Centre Plus, organised by Jane Malbasa, and the Learning Skills Council, to provide training and identify job vacancies.

During discussion the following comments were noted relating to –

(a) Efforts made to Retain work at the Ryton-on-Dunsmore Plant

- The Trade Union had put together a business case to run one track at the Plant but that had been rejected by Peugeot Management;
- The Government had made an offer to Peugeot of £14m in 2004 to produce the 207 at Ryton but this offer had been rejected. The Peugeot 206 was to be replaced by the 207 and there were no plans to build this model at Ryton. The decision to close the Plant was a corporate decision and was irrevocable

(b) Supply Services/supporting businesses

- Peugeot had provided the name of two of its main suppliers; one of which employed 120 workers (making seats and dashboards), and of these 41 would be made redundant. The second supplier was located at Banbury and would not be affected.

- A further list of smaller suppliers had also been provided and these were currently being identified.

(c) Concerns regarding the proposed timescale for closing the Plant.

Members raised concern about the proposal timescale and suggested that the Committee should review the position at Peugeot Plant after August 2006 and not wait for six months. This was based on rumours and concerns that once the July redundancies had taken place this would lead to the total closure being brought forward from the anticipated July 2007.

(d) Additional Support Initiatives at the Peugeot Plant

David S Williams reported on additional initiatives that were happening at the Peugeot Plant, which included –

- Local Employment Growth Initiative – currently applied in Coventry – which supported local enterprise (this only applied to areas of high deprivation but perhaps could be applied to people made redundant in Warwickshire).
- Coventry and Warwickshire Investment Trust – set up for New Enterprises (made available for redundancy)
- Extension of the Assisted Area Status – which could include Ryton Plant.

Roger Hollowell added that AWM and Partners were involved in the above initiatives and had contributed £100,000 early support for the workers. With regard to the Assisted Area Status consultation was taking place about including the Ryton site.

(e) Future of the site

Councillor Chris Saint said that there was a need for long-term planning for the site, which he hoped would still be employment based. He asked the Committee to support a future meeting between the County Council, Ryton Parish Council and Rugby Borough Council regarding options for future use of the site.

Ian Spiers, Chairman of Ryton Parish Council said that, whilst the Parish Council was sorry to see Peugeot leave, it had learned to live with it. With regard to the future of the site, he referred to it being gridlocked, the only access being by the A442 and considered that the desired use would be small employment/factory units or leisure facilities. The Villagers would like early direction/resolution about the future use of the site and would not want a development for high-level housing or a waste unit.

In conclusion, Members welcomed the initiatives that had been taken by the Peugeot Partnership, recorded their concerns about a possibility of the Plant closure happening sooner than July 2007 and the need for an early meeting of the Committee to review the situation if this earlier closure appeared to be likely.

Members also considered that, whilst accepting that the site was in the ownership of the Peugeot Company, there was need for direction about the future use of the site and that future discussions on this should include the County Council, Rugby District Council and Ryton Parish Council.

Resolved that the

- (1) Cabinet be informed of the outcome of the discussions of the Overview and Scrutiny Committee;
- (2) Committee revisits this subject, as soon as possible, to review progress (September or early October, 2006).
- (3) Officers and the CWSP be thanked for the work they have put in place to provide support for Peugeot employees facing redundancy.

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Chair of the Committee

The Committee rose at 3:20 p.m.