

# MANUFACTURING: POWERING THE ECONOMY

An agenda for Government to **2020**

**GOVERNMENT AND POLICY  
MAKERS IN 2015 AND  
BEYOND MUST ENSURE  
THAT WE NEVER AGAIN  
ALLOW THE ECONOMY TO  
BECOME AS UNBALANCED  
AND DESTABILISED AS  
IT WAS IN 2008.**



EEF is calling on all parties to put delivering a long-term growth strategy at the top of their agenda for government. This should build on existing sector industry strategies, adding a strategic approach to working across government. It should focus on five key policy areas:

**Skills** – developing existing employees and attracting employees of the future to a career in industry with cutting-edge training and respected qualifications.

**Innovation** – keeping Britain at the forefront of new technology through research and development with a tax regime that incentivises and rewards innovation and long-term business investment.

**Infrastructure** – delivering road, rail and airport improvements to support UK business.

**Energy and resources** – keeping a tight lid on energy costs for industry and transforming our approach to protecting and re-using precious resources.

**Staying in the EU** – keeping Britain at the heart of the EU, making the economic case and supporting reform.





# INTRO FROM TERRY SCUOLER, CHIEF EXECUTIVE, EEF

Following the economic crash of 2008, Britain is experiencing a welcome resurgence in support for manufacturing – the part of the economy that makes the goods we need and which we sell around the globe.

The aftermath of such a traumatic meltdown has made the hollowing out of our country's manufacturing capability – something which has taken place over decades - seem even more unwise.

Thankfully, despite the financial strain of a deep recession – the remainder of our industrial base has proved itself to be robust – and it is manufacturing companies in the UK that are now at the forefront of developing the solutions to tomorrow's industrial and economic challenges.

Companies across all sectors of manufacturing are growing and helping to propel the UK economy forward once again – creating value, generating and securing jobs. Many never shifted their focus away from the need to continually improve what they do by developing new products and services, investing in their employees, boosting talent in their workforce and driving forward efficiency improvements.

Confidence is on the rise and, after a long period of caution and uncertainty, investment plans are being put into action, supporting a long-overdue recovery in the UK's business investment performance. And more companies are looking to step confidently into new export markets. Consumers have also woken up to the economic benefits of a strong British manufacturing base. An overwhelming 85% want the next Government to promote this. In fact, manufacturing is the sector consumers most want to see grow.

There is also a clear message here for the next Government. After the hard lessons of recent years, 63% of consumers now want to see Britain enjoying a better-balanced economy.

While positive, more still needs to be done if we want to be a great manufacturing and trading nation again and if we are to generate the better-balanced growth our economy requires. That is why we are setting out five key policy areas a new Government must drive forward in support of rebalancing and long-term economic security.

Manufacturers can themselves do more to ensure UK industry remains on a strong growth trajectory – by being bold with their plans to access new markets, ambitious in their development and acquisition of new technologies and enthusiastic in encouraging more young people to enter the sector.

Government must also be a collaborative partner. First and foremost we need all parties vying for government in 2015 to set out a clear vision for the UK economy over the next Parliament in order to provide certainty for our investors and innovators.

It needs to set out how they will continue to attack the obstacles that companies of all sizes face in becoming world class and to demonstrate how it can work with international partners to achieve our common economic goals. Our agenda for 2020 sets out these priorities and how industry and government can work together to build a stronger, more productive economy.

# INDUSTRIAL AMBITION

On the back of improving economic conditions, many companies are planning to invest more in new facilities and machinery and are recruiting more employees – all classic signs of industry’s renewed confidence.


We know we must do more to capitalise on this activity in order to move away from the UK’s traditional driver of consumption and towards a rebalanced economy based on a stronger industrial and manufacturing base. Companies and government must be ambitious and clear in these aims and be clear about where we want to get to and what will be required to keep them on track.

Manufacturers have told us that over the next five years their investment plans will increasingly be targeted towards delivering higher levels of productivity, supporting new product launches for new geographical markets, introducing greater levels of automation and supporting the return of manufacturing activity back to the UK.

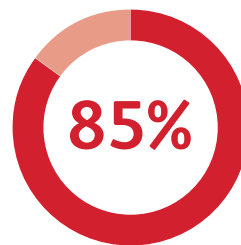
In the next five years more companies will also be working to reap the benefits of applying new materials, harnessing new process developments such as 3D printing and gaining benefits from investments in resource efficiency.

## Government’s objectives for economic growth must complement shared ambitions to:

- make continued progress on increasing UK exports;
- support more companies developing goods and services to sell into more overseas markets;
- ensure we have more small manufacturers growing into medium and large businesses and increase the number of start-ups;
- have world leaders across all manufacturing sectors;
- encourage greater levels of collaboration between companies and the research base – here in the UK, and globally.



Manufacturing  
is set to grow  
**3.3%**  
in 2014\*



of British people  
want the next  
Government to  
promote a stronger  
manufacturing base\*\*

\*Forecast as at  
August 2014

\*\*YouGov research 19-20  
August 2014 amongst  
2,070 adults. Figures  
are weighted and  
representative of all  
GB adults (aged 18+)

# PRIORITIES FOR A NEW GOVERNMENT TO 2020

Hurdles to achieving this industrial ambition are ever present. Our international competitors are advancing in areas such as skills and technological development, a strengthening exchange rate can add to the challenge of selling more overseas, while some of our key markets are still struggling to return to growth. To help achieve our industrial ambition, government can offer some stability and predictability.

This means providing business with a clear vision of its economic priorities. It must be these aims which drive the challenging decisions on spending that are still to come.

It must offer businesses the certainty that international competitiveness is central to the next Government's growth agenda with commitments to keep cost and regulatory burdens to a minimum. These goals must also inform UK alliances with partners, particularly those in Europe, to support a strong economy.

One message coming loud and clear from manufacturing companies to an incoming Government is: *if it ain't broke, please don't try to fix it.*

Companies have welcomed progress with initiatives including a generally supportive tax environment. The current Government's focus on boosting trade through agencies such as UKTI is bearing fruit and should continue into the new administration, as should the drive to significantly increase UK exports by the end of the decade.

The good progress on creating an innovation landscape, which offers broad support across science and applied research, is a positive foundation which can be built upon. The creation of Local Enterprise Partnerships, which replaced Regional Development Agencies, should not be undone. Government should avoid reorganisation for reorganisation's sake.

## Key policy areas:

We have identified five policy areas which require constant focus if the UK economy and its manufacturing sector are to achieve their potential. Government must work as one, across traditional departmental boundaries, to deliver them:



of manufacturers say an **improved supply of skills** would positively support their investment plans in the UK

**SKILLS** – producing highly motivated, skilled young people willing and capable of entering the world of manufacturing, engineering and wider industry

- Introduce 'career aspiration' in primary schools, a light touch approach to get young people to think about their futures and ensure all young people have access to independent, face-to-face careers advice.
- Maintain an apprenticeship training system that is robust and resistant to short-term change.
- Drive up teaching standards by increasing the number of STEM specialists in secondary schools.
- Make the UK's migration system less costly and less complicated for businesses, particularly SMEs.



of manufacturers would prioritise additional resources for the **Technology Strategy Board** to boost the UK's innovation performance



say that a Government commitment to keep **energy costs at or below the EU average** would encourage them to expand in the UK

**INNOVATION** – funding and incentivising businesses to research and develop new products, technologies and services and supporting our exporters to sell more abroad

- Include funding for innovation within an expanded science and innovation ring-fence, with a commitment to increase the combined budget in real terms by the end of the next Parliament.
- Commit to sufficient funding for the existing network of Catapult Centres to ensure they remain cutting edge and work to encourage higher levels of engagement with SMEs.
- Longer-term, develop a framework for regular assessment of the breadth of science and innovation support to ensure all schemes remain well-directed and adequately funded.

**ENERGY AND RESOURCE SECURITY** – putting in place the planning, investment and technology needed to secure a competitively priced energy supply and other natural resources for the future

- Review the Carbon Price Floor with an aim to remove the tax as soon as fiscally possible. A cost reduction strategy for the support of low carbon electricity generation should be established.
- An energy intensive industry decarbonisation strategy must be produced drawing heavily on the 2050 low carbon roadmaps. This should set out a cost effective pathway to decarbonisation.
- Establish a new policy unit, an Office of Resource Management, to embark on long-term planning and scenario exercises, economic forecasts, innovation and infrastructure assessments.



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of export-intensive manufacturers regard the state of the **UK transport infrastructure** as a drawback in operating in the UK

**INFRASTRUCTURE** – ensuring the UK is prepared and ahead of the curve in providing vital transport and digital capability as part of long-term planning

- Commit to the creation of a UK Infrastructure Authority to strengthen analysis behind decisions on major infrastructure investments in the UK and support the decision-making process to ensure the right plans are in place at the right time.
- Implement the recommendations of the Airports Commission after the next election.



of manufactures want the UK to **remain a member of the European Union**

**STAYING IN THE EU** - the national interest will be best served by keeping Britain in a reformed EU, one which is focused on trade, extending the free market and improving opportunities for growth in jobs and industry among all member states

- Britain has a leading role to play in Brussels and has an opportunity to seize a pivotal role in shaping a better regulation agenda. At home, government must make the economic case for our continued membership, with the backing of business and industry.

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EEF is dedicated to the future of manufacturing. Everything we do is designed to help manufacturing businesses evolve, innovate and compete in a fast-changing world. With our unique combination of business services, government representation and industry intelligence, no other organisation is better placed to provide the skills, knowledge and networks they need to thrive.

Because we understand manufacturers so well, policy makers trust our advice and welcome our involvement in their deliberations. We work with them to create policies that are in the best interests of manufacturing, that encourage a high growth industry and boost its ability to make a positive contribution to the UK's real economy.

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Published by EEF, Broadway House, Tothill Street, London SW1H 9NQ  
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