eef The manufacturers' organisation

MAKE IT BRITAIN

EEF - CAMPAIGNING FOR A STRONGER MANUFACTURING BASE

SECURING A MANUFACTURING RENAISSANCE

Priorities for the next government

FOREWORD

Terry Scuoler
Chief Executive, EEF

EMBEDDING the foundations for long-term growth will be the major priority for an incoming government.

Some of the important groundwork towards achieving a better-balanced economy has been laid in the last five years. It is important that this work is not undone.

We believe the foundations set out in this document act as a blueprint for a future administration. Government can build on what is working well now, and by adopting policies set out here, truly embed the concept of rebalancing the UK economy.

Britain is at a political crossroads, and is in moderately good economic health. The challenge is to grasp this opportunity to boost our industrial strength and fulfil our potential as a truly great manufacturing nation.

This can be secured by meeting the challenges set out in this manifesto, building on our four foundations and strengthening Britain's role as a trading nation - and one which continues to be a leading and active member of the European Union.

Terry Scuoler, Chief Executive, EEF

INTRODUCTION

A better-balanced economy, driven by increased exports, investment, innovation, and improved infrastructure and productivity, is the engine of wealth creation, better living standards and job creation.

UK manufacturing can help to power this engine. The past five years have demonstrated that the UK has the industrial capability to identify opportunities in a challenging and uncertain world.

In the next five years, manufacturers want to continue to build the foundations of a new industrial renaissance.

Government can act to reinforce the foundations which enable manufacturers to thrive and grow, help the economy rebalance and sustain rising living standards. It will need to do so against a backdrop of finely balanced risks and opportunities for growth while continuing to repair the nation's balance sheet.

Our proposed agenda for the next government sets out the ambitions which will drive a coherent approach to economic management and delivery. It sets out the policy priorities that will support the private sector in delivering those ambitions. And it outlines how government must work consistently **across** departments, **across** localities and with the UK's international partners to drive forward a programme for growth.

A CLEAR MESSAGE ON GROWTH

If the last five years has been about securing the economic recovery, the next five must focus on building a more balanced economy. An economy in which both government and businesses are investing more in productive capacity which supports high-skilled and well-paid jobs and ensures the UK can effectively exploit opportunities for growth.

These ambitions for the future are evident across the UK's thriving and diverse manufacturing sector. Our manufacturers and the 2.6 million people they employ urgently deserve to see these ambitions shared and championed by the next government.

Rebalancing the UK's economy towards these goals – even with the backing of industry and the next government – will not be easy. The road to recovery has been challenging and there remains much to do to restore the public finances, improve productivity and secure real wage growth.

Difficult choices will have to be made, but this will need to happen within a clear framework that not only delivers a growth dividend from spending across government departments but also with a transparency and predictability that is necessary for businesses to invest, recruit and grow in the UK.

Measuring success

To judge progress we need measurable improvements in productivity relative to our international competitors, a step change in investment behaviour in the private sector and a marked turnaround in the UK's trade performance.

Only by setting stretching goals and performance measures can government departments have confidence that policy choices and spending decisions are delivering the best outcomes for business and the wider British public.

	CURRENT	2020 GOAL
INVESTMENT:		
Business expenditure on R&D as a percentage of GDP to grow to the OECD average	1.1%	1.6%
Gross fixed capital formation (fixed investment) as percentage of GDP to grow to G7 average	16.4%	19.7%
Capital expenditure by SMEs to narrow the gap with large companies as a percentage of turnover	2.4%	3%
TRADE:		
Current account balance to narrow to its long-term average as a percentage of GDP	4%	1.5%
UK to maintain its share of world exports	3%	3%
Share of exports to emerging and high growth countries to grow to a quarter of total exports	21%	25%
PRODUCTIVITY:		
The UK to become an innovation leader rather than an innovation follower, as classified by the EU Innovation Scoreboard	Rank = 8	Rank ≈ 4
Halve the gap in output per hour between the UK and the G7	17%	8.5%
Narrow the gap with top-performing economies for level three skills and above	78%	82%
Three quarters of employment in the UK in high and medium level occupations	72%	75%

THE FOUR FOUNDATIONS FOR LONG-TERM GROWTH

Government must act over the next parliament to reinforce the foundations which enable manufacturers to thrive and grow, and help the economy rebalance.

THESE FOUNDATIONS INCLUDE:

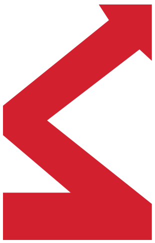
A more productive and flexible workforce, based on training, and investment in skills for industry

Improving infrastructure on which companies rely, in particular roads, air and rail links as well as our digital infrastructure

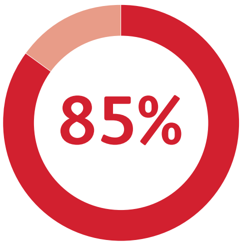
Reducing the cost of doing business from cutting energy costs, to maintaining low business taxes, and reducing red tape

Better support for growing businesses who want to innovate and expand in Britain as well as export around the world

In order to achieve these things, the UK government needs to punch its weight at the heart of a reformed and more economically successful European Union.



Manufacturing grew **2.8%** in 2014*



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

*ONS IoP data, January 2015 **YouGov research 19-20 August 2014 amongst 2,070 adults. Figures are weighted and representative of all GB adults (aged 18+)

A MORE PRODUCTIVE AND FLEXIBLE WORKFORCE

New technology, new processes and new process development require ever increasing skill levels and flexibility from the manufacturing workforce. This in turn places ever increasing demands on the education and training institutions which must work hand-in-hand with businesses to ensure an adequate supply of these skills.

UK manufacturers are currently being hindered by decisions taken over decades which have eroded the pipeline of talent into industry and which has an impact on the UK's attractiveness for inward investment. This must not be our future. Business can and will do more to support continuous improvements in the skills of the UK's current and future workforce, but this will only bring real change if government investment and reforms work in the same direction.

There is enormous potential to secure competitive gains for business and improvements in employment prospects and living standards for individuals if government and manufacturers collectively make progress on the skills agenda in the next parliament.

Going hand-in-hand with this are the right policies and regulations to ensure employers can play their part in providing flexible employment opportunities and a safe and healthy workplace environment for their employees.

Manufacturing – workforce priorities

- Almost half of manufacturers said improving the availability of suitably qualified employees would encourage more manufacturing activity in the UK.
- Higher Education matters; 63% of manufacturers intend to recruit an engineering graduate in the next three years.
- The skills mismatch in manufacturing is worsening, the proportion of hard-to-fill vacancies is now at 35%, up from 30% in 2011.

5 POLICY PRINCIPLES FOR MEETING THE UK SKILLS AND EMPLOYMENT CHALLENGE

1. **Sustained growth in the talent pipeline for manufacturing**
   Education policy must ensure young people attain relevant qualifications and gain practical work experience before leaving formal education. Increasing the take up of maths and science at key stages 4 and 5 is critical, as is tackling the gender divide in subjects such as physics. This can only be delivered by increasing the supply and quality of specialist STEM teachers, overhauling careers advice and by supporting schools in engaging with local employers across a broad range of business sectors.

2. **Investment in the skills infrastructure must be leveraged to deliver the greatest economic benefit**
   Funding for universities should be reformed to incentivise the recruitment of an increasing number of applicants for STEM degrees, with institutions equipped with the resources and materials to produce graduates to the standard industry needs. Resources for apprenticeships should also be allocated to maximise business involvement, through the continued roll out of apprenticeship Trailblazers and putting public funding under employers' control.

   We want to see a step-change in the way that apprenticeships are funded, enabling employers to buy the training provision their businesses need. A demand-led, responsive system will only be achieved if employers have control of the funding and thus greater purchasing power. That is why we believe a voucher model is likely to be the best approach going forward.

If correctly developed, this should eliminate cash flow problems, which is one of the main concerns employers have indicated about alternative models.

3. **Employers must play a greater role in driving forward the skills agenda and on apprenticeship funding**
   Industry should be given ownership of developing and retaining vocational qualifications. Support should be given to businesses to better engage in higher education and schools so that they are more responsive to industry's needs.

4. **An evidence-based approach must be adopted before embarking on further employment-related reforms which shape patterns of working**
   Manufacturers have had to adapt to an array of new employment regulations over the past five years. Any further reforms to regulations which impact on working patterns, such as working time rules, flexible working or parental and family leave must be introduced only on the basis of robust evidence, based on the benefits and cost of compliance. Future changes must clearly support innovation in productive and agile working patterns demanded by employers and workers.

5. **The UK's growth prospects depend on people being fit, working and productive**
   In the same way companies invest in new machinery and research they must also have the right incentives to invest in the health of their employees to help prevent long-term ill-health and subsequent sickness absence from work. The '*Fit for Work*' service should improve the tax reliefs currently on offer, especially those which contribute towards employee medical treatments which facilitate employees getting back to work.

A spotlight on immigration

At a time where skills are scarce and manufacturers are planning to further increase the number of permanent employees in their businesses, government policy must not restrict manufacturers' ability to recruit from an international talent pool.

Migration policy for the UK needs to be refocused to ensure companies can easily recruit highly skilled employees from outside of Europe; can access international graduates, whether from the UK or non-UK higher education institutions; and are not faced with any new challenges in bringing in talent from other EU countries.

The system for employers recruiting non-EEA workers is complex and bureaucratic, with SMEs in particular finding it difficult to navigate through a confused and complicated system. Tailored support should be offered to small employers looking to engage with the system, without having to pay a premium price.

A new 'Highly Skilled STEM' visa should be introduced that allows professional scientists, engineers and technologists to come to the UK to seek employment without a job offer.

A spotlight on healthy and safe workplaces

The '*Fit for Work*' service (FFW) has been an important initiative to reduce levels of long-term sickness absence. Its future success will depend on intervention at an early stage in the referral process, the right incentives for companies to invest in workplace interventions as well as the FFW being resourced with healthcare professionals with the right level of occupational health competence and industry knowledge.

As people remain in the workforce for longer, there is more that can be done to support employers in providing healthy workplaces. Incentives for companies funding medical treatments should be improved and these could be expanded to cover additional well-being issues if employers are to take on more responsibility for societal and public health issues.

The fit note, introduced in 2010, is still not having the intended impact of helping employees return to work earlier after a period of sickness absence and there is a lot of scope for GP advice to employers to improve. A clear target is now needed to train all GPs and medical professionals who are required to issue fit notes.

IMPROVING INFRASTRUCTURE

An export intensive economy needs good quality and robust transport infrastructure including airports, ports and roads. An economy that is focused on creating quality jobs across regions of the country needs a comprehensive transport network and advanced broadband and communications infrastructure. And an economy that is committed to meeting its environmental obligations and keeping its industry competitive needs a secure and affordable energy sector.

Generating growth from these vital investments requires a detailed long-term plan which sets out the investment requirements for the future and which enables as many as possible UK-based businesses to secure the contracts to deliver such projects.

If Britain is to succeed, we need a better approach to investing in the nation's infrastructure. Capital budgets should not be sacrificed easily and we must move away from repairing the under-investments of the past to planning for the future.

Manufacturing – infrastructure requirements

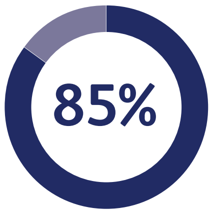
- The overwhelming majority of manufacturers identify the nation's roads (99%), ports (82%) and aviation infrastructure (73%) as important or critical to their business.
- 79% of those expressing a business need for airport expansion back Heathrow over Gatwick.
- Broadband internet is seen as the second highest priority for investment - 43% of manufacturers choosing it as an area for investment.

5 POLICY PRINCIPLES FOR FUTURE INFRASTRUCTURE INVESTMENT

1. **A long-term approach to planning and delivering the UK's infrastructure needs is required**
   It has become increasingly apparent that the UK lacks the appropriate institutional framework to allow us to identify, plan and effectively deliver major infrastructure projects. While we have seen improvements in the delivery of projects we also need a UK Infrastructure Authority to ensure we are building for the opportunities of tomorrow. This Authority would consult widely on infrastructure needs, develop potential solutions and assess the costs and benefits, while leaving final decisions on what to take forward with parliament.

2. **Target investment in new infrastructure priorities at strategically important projects which deliver value for money for taxpayers**
   Future spending reviews will require tough decisions on investment levels for infrastructure projects beyond 2020. The government will be required to balance affordability and support to longer-term growth. Manufacturers are clear on their priorities, with the strategic road network (65%), broadband (43%), local roads (38%), energy supply (31%) and international air links (28%) making up their top 5 priorities for investment.

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



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

3. **Funding for local and strategic road improvements must be put on a sustainable footing**
   The next parliament must see the planned step change in investment in the UK's Strategic Road network carried through with long-term budgets and a deliverable set of road improvement projects. Beyond that we must not return to the unpredictable and inadequate settlements that have led to the deterioration in the quality of the network and worsening journey times. Alternative funding plans need to be put in place to guarantee sustainable funding beyond 2020.

4. **Renewal of the UK's energy infrastructure to deliver value for consumers, secure supply and maximise opportunities for UK supply chains**
   There are still enormous challenges in continuing to update our ageing energy infrastructure, drastically reducing carbon emissions and delivering secure supplies for the future. Priorities during the next parliament should include: the establishment of a post 2020 Levy Control Framework; a move to technology neutral allocation of Contracts for Difference; providing the necessary support to secure the future of our on and offshore oil and gas industries; securing funding and investment for the UK's 'Projects of Common Interest' vital to our future security of supply; and acting to ensure UK supply chains benefit from investment in new energy infrastructure particularly in the offshore wind and nuclear industries.

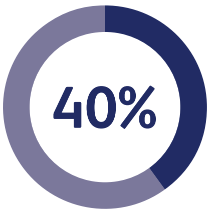
5. **Industrial decarbonisation policy must reflect competitiveness issues at stake**
   Of primary importance to this aim is a satisfactory reform of the EU Emissions Trading Scheme to adequately protect industry from the risks of carbon leakage. More broadly, the incoming government should reform domestic industrial decarbonisation policy; there is a lack of confidence in the ability of the CCA and CRC schemes to continue to deliver the required energy efficiency improvements, and the current policy landscape cannot address the challenges of decarbonising energy intensive sectors such as steel, cement or chemicals. Key to decarbonising these energy intensive sectors will be to fully take on board the findings of the 2050 Low Carbon Roadmaps and the emissions reduction pathways they map out.

Spotlight on aviation capacity

Airports are crucial for supporting export growth with 97 % of export intensive manufacturers rating airports as critical or important to their business. The more export intensive a firm becomes, the more it relies on aviation connectivity. EEF surveys have previously shown the strong link between high levels of export intensity and greater levels of company productivity and profitability.

Almost four-fifths of manufacturers who expressed a need for increased airport capacity prefer expansion at Heathrow Airport over Gatwick. Support for Heathrow was across all regions of England and Wales and from companies of all sizes and sectors.

The Airports Commission has done a difficult job of tackling the thorny issue of airport expansion, through a detailed process and analysis with extensive consultation. It will be making a final recommendation in mid-2015. The next government should back its recommendation and with it British industry.



of manufacturers would prioritise additional resources for the **Innovate UK** 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

REDUCING THE COST OF DOING BUSINESS

Manufacturers in the UK win new business and grow because they compete on quality, service and through the collaborative relationships they build with their customers and supply chains.

The cost base in the UK still matters. The UK will not secure vital investment and good jobs if it is a more expensive place to do business than our competitor nations.

Individuals and businesses must contribute to the steps necessary to complete the task of repairing the UK's public finances and ensuring public services and new infrastructure investments have adequate and sustainable funding. If industry is required to shoulder a disproportionate burden, our export intensive sectors will be placed at a global disadvantage and our economy will ultimately pay the price.

Manufacturing – improvements to the cost base are needed

- Manufacturing contributes more than £4.2 billion of corporation tax receipts to the UK Exchequer.
- Rising business costs have topped the list of manufacturers' growth risks in each of the past four years.
- Half of manufacturers state that a government commitment to keep energy prices in line with competitors would encourage expansion in the UK.

Deficit reduction, new regulations and actions to improve the health and living standards of the workforce in the next parliament must therefore be viewed through a lens of creating a dynamic environment that secures investment and jobs.

5 POLICY PRINCIPLES FOR A COMPETITIVE MANUFACTURING COST BASE

1. **Industrial energy costs must not run ahead of competitors**
   Two key measures should be taken to tackle the growing disparity between industrial electricity prices in the UK and those of our competitors. Firstly, the introduction of the compensation scheme for the cost of renewable electricity as soon as possible with a long-term vision for protection measures beyond the current government commitment of 2019/20 and a commitment to make the necessary budget available. Secondly, the next government should seek to remove the carbon price floor as soon as fiscally possible. This unilateral carbon tax is now utterly redundant in its intended aim of incentivising investment in renewable electricity generation.

2. **The regulation compliance burden should remain on a downward trajectory for all businesses**
   The next parliament should see new deregulatory targets which include the total cost and burden of all regulations, including those originating in the EU. The scope of regulatory impact assessments should be expanded to also include all indirect costs, which can substantially add to new policy costs. The Regulatory Policy Committee has played a positive role in the drive for better regulation and its role should be expanded to include having oversight of fees and charges set by government, an investigation and assessment arm and responsibility for holding Ministers and government departments to account.

3. **The cost and supply of external finance must continue to improve with increased diversity in the market, especially for SMEs**
   Finance for working capital, exporting, expansion and starting a new business are all vital for a healthy economy. The impact of credit challenges following the recession are now beginning to wane, but in the long-term we need a diverse pool of finance providers which offers a broad mix of products on competitive terms based on an understanding of the needs of industry. Implementing the outcome of the Competition and Markets

Authority review into SME banking will be another step in achieving this and policies to encourage more dynamism in the market, such as a move to account number portability should also be explored. There must also be a long-term commitment to fund the British Business Bank.

4. **Further reforms to business taxes must result in a stable and internationally competitive regime for growing businesses**
   The UK must not only maintain its lead in having a competitive headline rate of corporation tax, it must also strive towards a more coherent tax system that encourages manufacturers to invest in the UK. The next roadmap for tax reform should contain a predictable and transparent approach to reform and look broadly at tax rates, reliefs and administration, to make the UK an attractive place to grow manufacturing and attract would be investors.

5. **UK manufacturers must have the same access to critical resources and inputs as competitors**
   Government must establish an Office of Resource Management to regularly review supply risks and work with stakeholders to mitigate them, improve our data infrastructure and to help deliver a more strategic, informed approach to innovation.

Spotlight on business tax
The challenge of repairing the public finances with spending cuts and tax increases will again be a central theme of the next parliament. It remains vital, however, that the UK continues to work towards a business tax system that is internationally competitive and offers predictability for companies investing in the UK. The next reform roadmap for business taxes should include a commitment not to increase the headline rate of corporation tax from its current level. When public finances allow, there should be further moves to reduce taxes, with the next focus on National Insurance Contributions.

In addition, the R&D tax credit, which is an important feature of the UK tax system which supports innovative activity across large and small companies should remain in place with improvements in the rate as public finances allow. An important component of the tax system for investment intensive sectors such as manufacturers is capital allowances. The instability we have seen in the rate of capital allowances and the annual investment allowance should end and be replaced with a stable and internationally competitive system. The Industrial Buildings Allowance should also be reinstated.

Reform of Business Rates should result in keeping the fundamental structure in place, with bills based on property and uprated with CPI. A review is needed to keep the list of integral plant and machinery in line with modern investment needs and regulatory requirements.

Spotlight on employment costs
The priority for UK manufacturers is to maintain momentum on developing a highly productive and adaptable workforce within a regulatory framework that enables, rather than stifles, innovation. There is still much to be done to reduce the employment-related costs of doing business.

The next parliament should facilitate this in a way that does not add new regulatory costs to employers and without undoing the progress made over the last five years towards achieving a more flexible and adaptable workforce. Future adaptable working patterns need less, not more regulation, to meet the demands of both employers and workers for greater flexibility. Current rigid rules on working time should be reformed and work arrangements left to local agreement not national regulation. The government should take the opportunities already available to it to reform the working time law by making it more operable. There is also more to do to support better workplace resolution by making employment tribunals speedier and restructuring the employment tribunal system to take advantage of alternative dispute resolution.

Manufacturers have also incurred new costs and administration requirements from new pensions arrangements. There should be a return to coherent and stable and predictable pension policy development. Employers with Defined Benefit (DB) pension schemes should not suffer adverse consequences following the introduction of the 2014 Budget Reforms on pensions. In relation to Defined Contribution (DC) schemes a future government must guard against repeating the mistake of the continuous regulatory creep which undermined DB schemes. The UK also needs to work with EU partners to prevent the reintroduction of plans to extend Solvency II to occupational pensions.

BETTER SUPPORT FOR GROWING BUSINESSES

By 2020 we will have laid the foundations of strong, balanced economic growth if the UK's businesses are increasing their investment, their innovation and their exports. UK manufacturers are continually striving towards these goals, but there is a role for government action and funding to provide world class support.

Government can work in partnership with industry by developing cutting edge science and innovation capacity. The UK's overseas posts can promote the UK brand and help businesses overcoming hurdles to operating overseas and accessing new markets. National and local business support can help to improve the productivity of UK businesses and signal to potential investors that the UK is committed to building the business environment and supply chain capacity which make the UK a competitive location for growing manufacturing.

Manufacturing – future growth and competitiveness

- Manufacturers will be investing broadly in the UK to support growth in the next two years with 46% spending more on new modern machinery, 55% raising R&D levels and 63% increasing investment in marketing and branding.
- Almost half of manufacturers would prioritise additional funding for innovation delivered through more resources for Innovate UK.
- In the next five years more than 60% of manufacturers plan to increase their investment in activity to develop new export markets.

5 POLICY PRINCIPLES FOR SUPPORTING GROWING BUSINESSES

1. **The funding for both Innovate UK and science should be protected over the next parliament**
   Science and innovation are both key drivers of economic growth, and will be necessary to meet many of the socio-economic challenges facing both the UK and the wider world. Both require long-term stable funding, as a feast and famine approach risks damaging capabilities. "Feast" periods can lead to frustrating implementation delays and poorly prioritised spending whilst "famine" periods can erode the skills and infrastructure necessary for successful innovation. As it stands, science expenditure is currently ring-fenced and this is welcome. Innovation expenditure however is not and requires a similar level of support.

2. **Catapult centres should remain at the cutting edge of technology and become more accessible to SMEs**
   Limited access to specialist facilities and expertise are two of the key barriers manufacturers face when innovating. This is especially true when it comes to SMEs, as they are often more resource constrained than their larger counterparts. Therefore the new network of Catapult centres offers a valuable resource that should enable more companies to innovate more successfully. The centres however need sufficient funding to ensure they can constantly re-invest in the latest equipment to ensure they remain at the leading edge of technology. In addition, as barriers to innovation are often more acute for SMEs, the centres should look to develop more effective SME engagement strategies.

3. **First time and experienced exporters must be able to easily access support to enter new markets**
   Exporting is an essential way for manufacturers to grow their businesses. Exporters however face a range of challenges, which can vary with experience, export markets and size. Therefore they require broad support from government which reflects the varying needs of businesses. Current support provided by UKTI helps overcome a number of the barriers

exporters face, but it should further expand over the course of the next parliament. Government should maintain the breadth and stability of support, whilst ensuring consistent quality of provision, delivery of which this will require a stable and predictable funding stream and a coordinated policy response from government departments.

4. **Industrial strategy must create certainty**
   There is no single policy that will make the UK a more successful economy, rather, the right business environment is needed to encourage businesses to invest, innovate and grow. Creating this environment requires coordinated policy action across a range of government departments. The partnership approach inherent in an industrial strategy can enable coordinated action, as business and government departments work together to examine and respond to the challenges. This partnership approach should be continued in the next parliament, and government should look to develop a robust review process that gives sector strategies longevity.

5. **Integrating the regulation and incentive structures to capture value from waste**
   There remains significant potential to use more of what we currently call waste. It can be used to generate high-quality materials for manufacturers and as a means of producing efficient energy. Priorities for the next parliament should be to generate better data on waste to support investment in the infrastructure to manage it effectively. Government should also look to establish a centre for remanufacturing innovation and explore the use of incentives to encourage resource efficiency.

Spotlight on industrial strategy prioritisation
With limited budgets for science and innovation, there must be robust processes in place to ensure that expenditure is prioritised in a way that will deliver as high a return as possible.

Steps have been made to improve these processes, in the form of sector strategies and the 'Eight Great Technologies'. These help to identify both the opportunities that the UK will be well-placed to capitalise on, and the support researchers and businesses will need to make that happen.

While there is good rationale for the sectors and technologies that have been selected, with each area clearly offering opportunities for the UK, in time there will be other sectors and technologies which also have potential. The sectors and technologies that government prioritises should be formally reviewed to ensure that the areas receiving selective funding continue to deliver results that can drive long-term economic growth. This must be done in a transparent way that ensures companies have confidence that – where it is effective – support will last not only over the course of a government, but of successive governments.

Spotlight on international trade agreements
Free trade agreements (FTAs) can ease the exporting process through lower tariffs and reduced barriers to trade, such as standardisation of product standards and customs procedures. As a result they can significantly open up trade between signatory countries.

Our membership of the single European market and the customs union has meant manufacturers already have benefited from the lower barriers to trade within Europe. In addition, the European Commission plays an important role representing EU and UK interests in trade negotiations. Operating as part of a trading bloc has strengthened both the UK and Europe's bargaining power in these negotiations.

FTAs and greater harmonisation are key opportunities for boosting UK trade and investment. Lowering trade barriers with the rest of the world would be beneficial for the UK economy and UK manufacturers. Indeed, 37% of EEF members said it was very important that the UK government increased access to non-EU markets through FTAs, with 45% saying it was quite important. As such, greater liberalisation and the removal of barriers to trade should be at the forefront of UK export policy in the next parliament.

WORKING TOWARDS COMMON GOALS

EEF's blueprint for long-term growth provides a comprehensive programme of policy priorities and principles that are critical if the UK economy is to see a step change in its trade, investment and productivity performance over the next five years.

The new government must be one of opportunity. The prize of a manufacturing renaissance and real growth in living standards and the quality of employment opportunities must not be missed or delayed. Government and industry can and must work constructively and in partnership to meet these goals. But that will not be enough. There must be more focus and consistency across government departments with the ambition of better balanced growth at the core of decision-making.

One critical key pillar for growth is Britain's membership of the EU. Maintaining a leading role in Europe is in the country's long-term economic interest. Britain must drive reform from within the EU for the benefit of the UK and all member states.

Coordinated and consistent

The outcomes set out in this programme can only be delivered if all government departments and agencies within government are programmed and co-ordinated to deliver it. Coherence and consistency of implementation across government must be visible to the private sector.

Whilst all parts of government must be tasked with playing their part in securing growth, this must be done with closer cooperation between departments and within decision making structures that are fit for purpose. It must also be clear that ultimate responsibility must flow from the highest levels of the Cabinet.

A national vision, local implementation

The continuing pressure on public spending has inevitably had an impact on local areas and their ability to tackle the on-going fall-out from the recession, particularly unemployment and, in many cases, lower growth.

The gradual devolution of powers and control of funding through LEPs, City Deals and the established process of devolution in Scotland, Wales and Northern Ireland can start to provide local areas with the powers they need to manage local challenges.

Devolution can have some positive benefits such as faster decisions on local business environment issues including better local and regional transport. This would help to expand access to talent pools. But this will only happen if the overall aim is growth not displacement of activity.

Moving ahead with delivering greater responsibilities to local areas should continue, however, this must be done in a way that does not jar with the overall needs of our economy. The benefits of local investment decisions must not be undermined by the creation of significantly divergent local business environments across England. In particular, the risk of a confusing landscape of different tax and regulatory regimes in different local areas will not support businesses looking to make long-term investments.

International leadership and collaboration

The UK economy is closely connected with our partners in the European Union. Critics rightly point to areas where the EU is getting it wrong – regulation, inefficient decision making and an expensive and expansive bureaucracy. This can and must be fixed.

In playing our part fixing the problems, we can ensure that being a part of the EU works for our overarching growth ambitions and continues to offer a good deal for the UK. A deal that builds on the policies that support sustainable growth in our economy for the long-term and reform of the areas that simply do not.

The potential prize for the UK economy of getting this right is significant. Completing the single market; a systematic attack on red tape; pressing ahead with trade and investment deals that open up new markets around the world. All could deliver billions of pounds of benefits to the UK.

Success in these areas requires the UK to be more effective and more engaged in European decision making and importantly, to promote this activity to the public more widely. The ongoing struggle for economic recovery in many parts of the EU means other member states want the EU to change tack and put competitiveness and growth at the heart of its work. The UK needs to engage more effectively to galvanise support for this agenda and push forward policies that will accelerate progress.

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.

For more information contact the Policy and External Affairs team on **020 7654 1555**

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