

# EAMA response to BEIS consultation: Subsidy control - designing a new approach for the UK

EAMA welcomes the consultation on subsidy controls and recognises the importance of formalising the framework for subsidies. Our response focuses on the needs of the machinery and component supply chain, an important sector in the economy which EAMA represents.

Our points are as follows:

- 1 We agree with the overall tenor of the consultation and definition of subsidies.
- 2 Beneficial subsidies assist firms in the areas of business improvement, innovation and investment. There are specific issues to be addressed in engineering and manufacturing and the subsidies offered by government should recognise that.
- 3 As the attraction of the UK as a manufacturing and distribution hub for Europe has reduced, additional attention should be paid to ensuring investment by firms already in the UK and attracting new investors to set up and expand businesses in the UK. The subsidy regime should facilitate these objectives.
- 4 Subsidies should particularly support the UK supply chains that support net zero initiatives.
- 5 Manufacturing is an especially important sector, as the jobs and value they create can easily be lost to the UK and are less easily replaced, than in many other sectors.
- 6 The case for manufacturing in sustaining vital research and development and dependent services, is succinctly set out in two recent reports, *The True Impact of Manufacturing* and *Inside the Black Box of Manufacturing\**. Additionally, the importance of local and regional manufacturing to sustainable and reliable supply chains is being increasingly recognised.
- 7 The subsidy control scheme should be easy for businesses to understand and access, especially for SMEs. We support the government's objectives in *Build Back Better – our plan for growth* and urge that sustainable, UK-based manufacturing and engineering should be at the centre of the programme for a sustainable, job-creating and levelled-up economic recovery and for increasing UK global influence.

- 8 The manufacturing sector has seen a long, slow decline, which must be reversed across the supply chain. That will require targeted government support to promote business improvement, innovation and investment (as above). The past year has demonstrated that the UK supply chain has more to offer now than is appreciated by OEMs, Tier 1 suppliers and government, and has strategically important potential. The subsidy regime should reflect that.
- 9 The subsidies, or state aid regime as it has operated hitherto has not significantly impeded the UK government in taking measures that it would like to take, that we are aware of, but that does not mean there should be no change. We are keen to see a progressive discussion about regulation as it relates to the Trade and Co-operation Agreement with the EU and other trade agreements. We have the opportunity to innovate, while recognising that the broader impact on trade agreements must always be considered as part of the overall assessment of benefits.
- 10 EAMA agrees that it is important that the various bodies involved in developing and delivering subsidies within the UK comply with subsidy rules, and that these should be consistent across the UK.
- 11 Improving the current system: Subsidies can have an important role to play as the government helps existing, new and emerging industries to grow. EAMA has urged for more than two years that the current patchwork of taxpayer subsidies be streamlined so that they are consistent, clear and accessible, and the need for these reforms was recognised in Budget 2020. Progress in this area of subsidy reform, and the provision of adequate, well-targeted support, will greatly increase the effectiveness of subsidies, to the benefit businesses and the economy.

We would welcome any queries you may have and the opportunity to discuss the points made.

\*Links:

<https://www.oxfordeconomics.com/recent-releases/bd178a1a-dbb9-4651-9b0c-4aac020e109f>

[https://www.ifm.eng.cam.ac.uk/uploads/Research/CSTI/Inside\\_the\\_Black\\_Box\\_of\\_Manufacturing\\_report\\_FINAL\\_120619.pdf](https://www.ifm.eng.cam.ac.uk/uploads/Research/CSTI/Inside_the_Black_Box_of_Manufacturing_report_FINAL_120619.pdf)

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