Engineering and Machinery Alliance

6 March 2015

Agricultural Engineers Association
British Automation and Robot Association
British Fluid Power Association
British Paper Machinery Suppliers Association
British Plastics Federation
British Turned Part Manufacturers Association
Gambica
Gauge and Toolmakers Association
Manufacturing Technologies Association
Printing Industry Confederation
Processing and Packaging Machinery Association
UK Industrial Vision Association

The Rt Hon George Osborne Esq MP
Chancellor of the Exchequer
HM Treasury
1 Horseguards Road
London SW1A 2HQ

Dear Chancellor,

Engineering and Machinery Alliance Budget Letter

The Engineering and Machinery Alliance represents some 1,800 companies, mostly mechanical and electronic engineering SMEs selling £9 billion into UK and overseas supply chains.

The issues we raised ahead of your Autumn Statement (investment in skills, equipment and R&D to raise productivity and hence competitiveness) are as pertinent and topical as ever following the Institute of Fiscal Studies' report published last week (*Living Standards: recent trends future challenges*) where in assessing what will help raise living standards most for all in the UK, it concludes that in the next Parliament "policies that spur productivity growth will have the most significant impact" even more than changes in taxes or benefits rates.

These are exactly the objectives that EAMA and other groupings are pushing in initiatives such as our cross-sector industrial strategy and plans to hook up with other likeminded groupings.

But to be successful in this, the economy needs a continuation and even deepening of the suites of policies currently in place to foster skills, investment and innovation, because although the UK scores well on many international comparisons such as general business environment and industrial energy intensity, there has been as you know a hollowing out of manufacturing so that we are over-reliant on a less than optimum number of big companies.

The EU Commission's recent *Re-industrialising Europe* scopes out the challenge for all member states. The table below summarises the UK's position on four measures compared to the Netherlands.

Comparison UK performance with best in EU and EU average

Measure	**Comparison EU top**		**UK compared to the EU average**
	UK	Netherlands	
Total exports as % of GDP	4%	33%	Just one third of the EU average
Investment in equipment as % GDP	6%	31%	The weakest of all member states
Productivity per person employed in manufacturing	32%	40%	UK is better than the EU average (29% of top performer)
Business R&D % GDP	43%	37%	UK is worse than the EU average (51% of top performer)

Source: Re-industrialising Europe – Member States Competitiveness Report (SWD 2014/278)

The Engineering & Machinery Alliance, 62 Bayswater Road, London W2 3PS
Tel: 020 7298 6450 Email: eama@mta.org.uk W: www.eama.info
Company number: 5974924; Company limited by guarantee

Changing manufacturing culture is a big task.

The battle to maintain international industrial competitiveness is unceasing. Manufacturers and industrial investors want premier league supply chains and favourable access to major international markets beyond the UK if they are to keep on, let alone start investing here.

The truth is also that the UK was 'late to smell the coffee'. Others started to shape policy to produce a thriving manufacturing base for the wealth it creates across the economy, in technology, in knowledge, in new products and processes and other supplier sectors long before the UK did.

In the last five years, the UK's approach to industrial policy has unquestionably improved, tackling key issues from makers' points of view in areas such as skills, investment, access to finance, procurement, innovation and exporting. But frankly the same can't be said with regard to long term access to the EU as a domestic market. Our anecdotal impression is that this has had some effect, delaying and even unfavourably swaying decisions to invest.

To be fair though EAMA's latest business Monitor shows 60% of firms actively investing in all areas and confidence levels up on the end of 2014 (a balance of +15).

The UK has at least started to tackle long term issues now and it would be churlish not to welcome that progress over the last five years, at a time when the pressures on the public finances have been intense. It's imperative that there's policy continuity here and the scoping of a long term vision that binds improved living standards with improved productivity and investment that all can buy into.

Like the rest of the nation, we will be following the outcome on May 7th with great interest.

With best wishes

Yours sincerely

(signed electronically 6 March 2015)

Martin Walder
Chairman

cc Rt Hon Matthew Hancock MP – Minister of State, BIS
Lord Livingston – Minister of State, BIS
Matthew Ahmed, Matthew Gill, Claire Wren, HMT
Brian Greenwood – BIS
Member associations