

Inquiry into Government Support for Business

Evidence from the Engineering and Machinery Alliance

1) The Engineering and Machinery Alliance

- a) The Engineering and Machinery Alliance (EAMA) represents circa 1,600 firms from 11 different trade associations mostly SMEs in the mechanical engineering sector with sales of some £8 billion (out of a UK mechanical engineering sector total of some £37 billion according to the Annual Business Survey June 2014).

2) Background

- a) After the Select Committee announced the inquiry, members wanted to contribute, and given the very short deadline decided to limit this to a cut-down 'indicative' survey across a small panel of companies (22 in all) to provide an immediate response.
- b) To amplify the findings in the survey, we followed up with five confidential telephone calls to particular RGF and other users and have also, where relevant, used the conclusions from a recent EAMA business Roundtable comprising trade associations, companies and banks held on October 14th.

3) Indicative survey results

- a) The short questionnaire tested how familiar the respondents were with eight different government initiatives (some targeting companies directly, some only indirectly).
- b) These included the schemes mentioned in the BISCOM release: Regional Growth Fund (RGF), Funding for Lending, the Business Bank, the Green Investment Bank, the Manufacturing Advisory Service (MAS) and Government support for exports. We added UK Trade and Investment (UKTI) and UK Export Finance (UKEF) specifically to make sure they were covered in their own right.

4) The participant companies

- The vast majority of respondents are SMEs (82%)
- 63% have fewer than 250 employees on their books
- 59% manufacture in the UK
- 59% say business this year is better than last
- 78% expect business next year to be better than this

5) Familiarity and perception

- a) There are large majorities that don't know about these initiatives, which isn't surprising in some cases, where the primary targets are for example the banks that use these supports to underpin their own offerings to the market.
- b) The results are also unintentionally complicated by some of the nomenclature used by the devolved governments which can lead to confusion (e.g. the potential for the Welsh Development Bank to be referred to as the Business Bank).
- c) Nonetheless it's clear, the Regional Growth Fund has quickly established itself in the minds of a reasonable proportion of businesses and in fact has a slightly better recognition score than UKTI based on the proportion of firms saying they "don't know" 55% RGF, 59% UKTI.
- d) MAS also scores well.

- e) If we look only at firms that manufacture here in the UK, the position changes somewhat.
- f) Manufacturers say they have more knowledge of MAS, UKTI and the Business Bank (all 1.8) than of the RGF (1.5). Note our reservations above re nomenclature.
- g) However, in terms of image perception, manufacturers still rate RGF higher than all the other initiatives.

Government initiative	Familiarity (1-5)		Perception score (1-4)		Per cent 'Don't know'	
	All	Manufacturers only	All	Manufacturers only	All	Manufacturers only
Regional Growth Fund	1.8	1.5	3.5	3.7	55	80
Funding for Lending	1.3	1.3	2.0	2.0	68	80
Business Bank	1.6	1.8	2.6	2.7	64	67
Green Investment Bank	1.1	1.0	1.0	1.0	73	100
Manufacturing Advisory Service	1.6	1.8	3.0	3.0	64	61
Government support for exporters	1.5	1.6	2.3	2.3	64	65
UK Trade & Investment	1.8	1.8	3.3	3.0	59	65
UK Export Finance	1.2	1.1	2.5	2.5	68	100

6) Perception after trying to use

- a) Only the Regional Growth Fund earns an average 'very positive' rating. Only the RGF, MAS and UKTI have been tried out by more than 10% of all respondents.
- b) Again, focusing exclusively on manufacturers reinforces RGF's position in this survey as the respondents' favourite initiative.
- c) The UKTI participation rates in this survey should be treated with caution. They seem particularly low, which we believe is because there must be fewer exporters in the sample than we would have wished.

Government initiative	Per cent have tried to use		Rating after trying to use (1-4)	
	All	Manufacturers only	All	Manufacturers only
Regional Growth Fund	21	22	3.2	4
Funding for Lending	0	0	N/A	N/A
Business Bank	5	11	2.3	3
Green Investment Bank	0	0	N/A	N/A
Manufacturing Advisory Service	11	22	2.3	3
Government support for exporters	0	0	N/A	N/A
UK Trade & Investment	11	11	2.3	3
UK Export Finance	0	0	N/A	N/A

7) Conclusions

- a) The respondents' lack of familiarity with an initiative doesn't stop them instinctively forming an impression about government initiatives from peer feedback and other publicly available sources.

- b) Familiarity and image quality often improve in tandem – the greater a respondent’s familiarity with the object or service, the more positive is that respondent’s impression.
- c) This is certainly true for manufacturers in this indicative survey. After respondents have used the RGF they increase their rating to a ‘4’, the highest classification available.
- d) In follow-up discussions with some of the manufacturers using the RGF, some liked it because it was supporting their customers in the purchase of their machinery, others used it to expand their own business operations.
- e) At the Roundtable, the RGF was liked because it’s relatively straight-forward to use if the case is strong.
- f) One respondent estimated that somewhere between half and three-quarters of all enquiries for his company’s machines were taking advantage of either a scheme or some other incentive, for example on tax: RGF and the Annual Investment Allowance being examples of those.
- g) In a more general discussion at the Roundtable, several participants recognised the efforts of individuals at UK Export Finance and the many serious attempts that have been made over the last three years to improve the service that’s provided by the UK’s export credit agency. Nonetheless, the shared view was that there’s still a substantial gap in the support provided for smaller engineering SMEs (below 50 employees) providing global niche markets with relatively big ticket machines (up to £1 million).
- h) UKEF’s low profile in the survey may in part reflect its relatively recent name change.
- i) However, the very low levels of actual engagement with UKEF (as opposed to its ‘merely’ relatively low levels of recognition) are more likely the result of the organisation’s products being largely channelled through the mainstream financial service providers who, wholly understandably, prioritise their own trade finance products and many of whose staff may have low awareness of the UKEF offering. While improvements have been made in this area and UKEF is trying to boost its profile, both in the UK and through posts overseas, UKEF remains substantially less proactive than internationally comparable organisations such as the US Ex-IM Bank.