

eama

Engineering and
Machinery Alliance

Engineering and Machinery Alliance

Budget Submission

September 2024

Engineering and Machinery Alliance

Budget Submission

1. The Engineering and Machinery Alliance is composed of ten trade associations and aims to work with government and others to strengthen the machinery and component supply chain in the UK. It does this by helping members to communicate and work with government and other bodies, by providing information and analysis, and through networking.

A long term approach

2. There is much to be positive about in UK Manufacturing. Survey data, including PMI and Make UK figures, have generally been in positive territory over the first half of the year. This is supported by survey data produced by EAMA's members where reports of above average order levels and confidence predominate. UK manufacturers are proving successful in international markets and are looking to invest in new, digitally optimised and environmentally sustainable technology. However, there are grounds for caution too. Manufacturers have been hit by significant exogenous shocks in the last five years; as a pandemic, a war in Europe and a related spike in prices have taken effect. Policy churn has added to the mix of uncertainty. Manufacturers would welcome a degree of stability in the policy environment and look forward to working with the Government in an atmosphere of trust and collaboration. **The ambitious Mission targets which the Government has set itself – not least that of sustaining the highest growth in the G7 - cannot be delivered by government alone.**
3. We welcomed the approach set out in Prosperity through Partnership to build a new modern industrial strategy. EAMA worked with the then Government on implementing New Industry, New Jobs and engaged positively with the industrial strategies of the Coalition and of the May Government. We believe that an approach which recognises the role of the state as an actor within the economy and a catalyst for change and growth in partnership with industry is the way to maximise the potential of the UK economy. **We very much look forward to working with the new Industrial Strategy Council** to make this a reality. Trade Associations are an underutilised resource, embedded within the sectors they represent and able to act as a bridge between them and government.

Supporting growth

- 4. EAMA welcomes the commitment that the new Government has shown to long term stability in the fiscal environment by their pledge to continue with full expensing and the Annual Investment Allowance.** These policies are essential to ensure that companies in the UK are able to make investment decisions on a level playing field - making the UK a competitive place to invest.
5. In respect of supporting FDI, we welcomed the approach outlined by the Harrington Review of Foreign Direct Investment (FDI), published last November, but with qualifications. **We need FDI that genuinely increases long term value in the UK economy and that protects and develops UK intellectual property** – not all FDI does so. Alongside the drive to attract inward investment there must also be a strong focus on developing engineering and manufacturing companies that are already here. Without that, the UK risks becoming, at best, a low value assembly destination for large manufacturers. There is great opportunity in such an integrated approach. It would do much to both strengthen domestic investment and to convince potential inward investors that the UK will have the pipeline of talent and supply chain support to make it an attractive destination in which to commit their resources.

Skills

- 6. We welcome the replacement of the Apprenticeship Levy with a Skills and Growth Levy** as promised in the Labour Party Manifesto. The Apprenticeships Levy has not been successful in its aim of increasing provision, particularly in respect of the SMEs who have found it cumbersome to deal with and restrictive in terms of what is eligible to be funded. But there are issues with the Levy that go beyond a cumbersome bureaucracy. Too much of the money that is being paid by employers is not being utilised for the training purposes for which it is intended. **The new Growth and Skills Levy should aim to be a revenue neutral policy.** If it results in the skills uplift that we need then it will prove to be a net positive to the UK economy, gleaming the growth which is the Government's number one target. **The retention of significant levels of Levy contributions that should be distributed to employers to spend on much needed training is a stone that is being left unturned.**
7. The establishment of Skills England provides an opportunity to reform the way in which the funding system operates and what it funds. Greater flexibility is essential if SMEs are not to be squeezed out from accessing the funding which they need. **Skills England needs to be able to recommend a wider set of training than is currently the case.**
8. Engineering must become more strongly embedded in the school curriculum. Schools must be resourced and also encouraged to strengthen their involvement with engineering and manufacturing. **Ofsted rules should be amended to recognise and reward initiatives with local employers.** We have no doubt that companies in the industry would respond positively at local level with staff time and other investments – examples already exist where schools respond positively to engineering firms.
9. We must halt and reverse the decline of engineering training and education provision in further

education. While the crisis in the Further Education sector is unlikely to be solved by increased funding alone, **the levels as which colleges are funded to deliver, often complex and specialised training using up to date equipment, are insufficient.** The private sector must have a greater involvement, while being held to high standards. Private sector providers are increasingly preferred by companies and have the ability to be more flexible in recruiting and retaining trainers.

Innovation

10. Stronger co-ordination between government departments, particularly in relation to SMEs abilities to develop and commercialise technology, is required. **The support that Made Smarter Adoption has so far received has been valued and successful, but we would like greater urgency from central government in giving the coherent national lead that will make it effective for the sector across the country.** We also urge greater clarity as to the targets and performance of the High Value Manufacturing Catapult in relation to SMEs.
11. Full expensing will encourage innovation at company level through the adoption of new technology. Each company has its own individual technology requirements and, in some cases, it may be that technology which is new to a particular company or application may not be 'new' on market. In such cases it would be beneficial if **full expensing and AIA were extended to leasing and rental equipment. This move would particularly benefit smaller companies.**
12. We recognise the need to tap the UK's world-class science base through research and development leading to commercially successful products will accelerate innovation, investment and productivity. We welcome the new industrial strategy which we hope will foster just that. However, we remain concerned about the potential for the R&D tax relief reforms introduced by the previous Government to adversely affect SMEs who had become familiar with the old system. We urge the Government to **closely monitor the uptake of the Research and Development Expenditure Credit by SMEs to ensure that they are not penalised by the new arrangements.** The Patent Box has proven to be a measure which has increased the competitiveness of some of our most innovative SMEs; greater awareness of the initiative could enable more to use it.

Export support

13. UK expertise in advanced engineering is much wider and has much greater potential that appears to be recognised by the Department of Business and Trade, which appears to have narrowed its focus considerably over the past two-to-three years.
14. We regret the withdrawal of support for SMEs to attend trade shows abroad. Even in an age of greater digital communication, **attendance at shows has great value and should be encouraged. The extent to which the UK is an outlier in this respect cannot be overstated** – only in the UK would a government with an ambition to drive growth not be developing market access strategies with Trade Show participation at their centre. That the UK is missing out on these opportunities is a constant source of bemused bewilderment to our international partners and competitors.

15. Government needs to take a broader and more collaborative view of export potential.

Members are frustrated by a marked reduction in working with sector trade associations in the past two-to-three years, in contrast to the commitment to closer working indicated in the 2018 Export Strategy.

16. We welcome UK Export Finance's **General Export Facility, which we recommend to member firms. It should be promoted** more strongly as part of an increased push by UK Export Finance to surface their activities to SMEs.

Energy

17. Not all of the reasons for the relatively high industrial energy costs experienced by UK businesses are in the control of Government but they are a drag on UK competitiveness. Government should work with industry to highlight best practice and to support investments to reduce energy use. UK engineering and manufacturing is committed to working towards net zero. However, energy costs to industry put UK producers at a disadvantage against even European competitors - who have also been affected by the war in Ukraine but are better supported by their governments. **Government should work with industry to highlight best practice and proactively support investments to use energy more efficiently.**

Prompt payment

18. EAMA welcomed the previous government's payment and cash flow review and the adoption of new regulations in the Spring. Stretching payment periods to unacceptable levels harms SMEs and **government should establish robust processes to gain market intelligence in order to identify and clamp down on abuses.**

Paul O'Donnell

Alliance Secretary

podonnell@eama.org.uk

September 9th 2024

The Engineering and Machinery Alliance is composed of:

Agricultural Engineers Association

British Compressed Air Society

British Fluid Power Association

British Plastics Federation

British Turned Part Manufacturers Association

GAMBICA

Gauge and Toolmakers Association

Manufacturing Technologies Association

Printing Industry Confederation

Solids Handling and Processing Association



Engineering and
Machinery Alliance

Engineering and Machinery Alliance Limited
62 Bayswater Road, London W2 3PS

 **020 7298 6450**

 info@eama.info

 www.eama.info

Agricultural Engineers Association | British Compressed Air Society | British Fluid Power Association | British Plastics Federation
British Turned Part Manufacturers Association | Gambica | Gauge and Toolmakers Association
Manufacturing Technologies Association | Printing Industry Confederation | Solids Handling and Processing Association