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Engineering and  
Machinery Alliance

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# 2021 Budget Submission

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January 2021

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The Engineering and Machinery Alliance (EAMA) represents 10 trade associations and 2,000 firms in the machinery and component supply chain, employing around 100,000 people. We summarise our main points as follows.

## We urge the Chancellor to:

- Recognise that there can be no recovery in the UK economy without a strong, progressive manufacturing base;
- Take the opportunity to promote manufacturing as a key sector for UK growth and for rewarding careers for young people;
- Support business improvement, innovation and investment in key areas across the manufacturing/engineering supply chain;
- Bring forward a Productivity investment scheme, reflecting the lessons learned from CBILS, which has been effective in increasing investment in the manufacturing supply chain. This is a necessary response, given the difficult trading conditions of the past year;
- Bring forward a support scheme for SMEs faced with additional costs relating to putting new CE-marked goods on export markets, where they also have to cover the costs of UKCA marking. This could be through an enhancement of the Internationalisation Fund.

# Revival in manufacturing

1. EAMA recognises the extreme pressures on government and businesses, arising out of the pandemic, and the UK leaving the EU single market and customs union. We recognise also the hugely supportive measures taken over the past year to help companies through the pandemic crisis.
2. The vision for manufacturing in the UK economy has, for some years, been uncertain. If not actually in decline, it has failed to show significant growth – even though we have world-leading manufacturers. That uncertainty must be replaced by a positive vision, based around the UK’s sustainability goals: there can be no recovery in the UK economy without a strong, progressive manufacturing base, with an effective supply chain. (The importance of manufacturing to the economy is summarised here: <http://www.eama.info/eama-policy-positions/>)
3. Firms in the sector have shown extraordinary resilience and ability to adapt during the pandemic, despite operational and market challenges. They have continued to meet customers’ product and service needs, here and abroad. The great majority of firms that EAMA represents continued to produce throughout the past year. They did not have to re-open, because they did not close. Most firms have, however, suffered from reduced market demand and/or supply chain disruption. Many are not, financially, as strong as they were a year ago.
4. These extraordinary times call for extraordinary measures. The government has extended the £1 million annual investment allowance to end-2021. We welcome that. A commitment at least to maintain that level of AIA for the next three years would give certainty to businesses.
5. Many firms are not, this year, able to take advantage of an enhanced AIA to the extent that they would have predicted a year ago, due to reduced profitability. For these firms, we propose a “Productivity Investment Scheme”, to support business improvement, innovation and investment by SMEs across the UK. This scheme might look broadly similar to the Enterprise Finance Scheme, only be more widely available; at any rate, it would reflect the lessons of CBILS, where the appeal of low first-year interest rates to borrowers and the reduced risk to lenders has clearly resulted in significantly increased investment by engineering firms in recent months, which will benefit the UK in years to come. If CBILS is not extended, or replaced by another scheme which encourages investment, firms will invest less in 2021 than they would otherwise.
6. We are unclear as to HMT’s intention towards Made Smarter funding. The North-west pilot has shown the benefits that can flow from well-target support, and a national scheme of some sort is a necessary and valuable investment in the future. Sector trade associations, not least members of EAMA, could be valuable partners in optimising the effectiveness the Made Smarter programme.
7. We urge the government to drive a programme of business improvement, innovation and adoption of new technology. The High Value Manufacturing Catapult is well-placed to take a central role in helping manufacturing to recover and prosper. It has the physical assets and the nucleus of human resources to help promote innovation in SME processes and technology; it has a pivotal role in advancing supply chain collaboration/visibility/understanding - with large companies, SMEs, universities and others; and it HVMC has shown it can have a hugely positive impact on individual SMEs. It needs to do that on a bigger scale, and that is likely to need changes in funding and direction.
8. Sector trade associations, such as those within EAMA, are an under-used resource and can be valuable partners in optimising the effectiveness of HVMC in individual sectors.

## Developing export markets

9. EAMA is a strategic partner of UK Export Finance, with which it has had engagement over many years. We have a slogan than “UKEF should be on the check list of all manufacturing exporters”. We welcome in principle the General Export Facility, which should be a tremendous boost to SME exporters. We are keen to see it bedding and working effectively for SMEs, and to work with UKEF to support that.
10. EAMA welcomes the launch of the £38 million Internationalisation Fund and we are working with DIT colleagues to ensure that this is used effectively. We note, however, that budgets are limited, and that applications can be made through to 2022. Provision should be made for increasing the budget, if the scheme is seen to be effective.
11. Smaller SMEs face significant additional costs in bringing new products to market in the EU, following Brexit. We recommend that support be offered to SMEs faced with significant additional costs related to putting new CE-marked goods on export markets, where they also have to cover the costs of UKCA marking. This could be through an enhancement of the Internationalisation Fund.
12. We urge that when schemes such as the Internationalisation Fund are considered in future, sector trade associations be considered as potential partners at the design stage. For example, several EAMA members have strong engagement with exporting issues and could have helped to target the fund effectively. There should also be a linkage between the Fund and the Tradeshow Access Programme, rather than them being mutually exclusive.

## Government - partnering trade associations

13. The value of EAMA trade associations to firms in their sector has been recognised repeatedly by their members throughout the pandemic. They are an indispensable source of advice, information, networking and collaboration, and membership has increased over the course of the pandemic.
14. EAMA and its trade associations have excellent working relations with officials in several government departments, which have also strengthened. Officials, too, have seen the value in sector trade associations. We would urge

Jack Semple

Alliance Secretary

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