

eama

Engineering and
Machinery Alliance

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Manifesto for Manufacturing 2024



MANUFACTURING MATTERS

It matters because it accounts for:



It matters because it affects so much else in our economy and society.

It matters to our ability to **hit net zero**.

It matters to our ability to meet the **health challenges of tomorrow**.

It matters to the maintenance of our **national defence capability**.

Recent research has shown that when indirect impacts (the supply chains stimulated by manufacturing) and induced impacts (the effects of the money spent by manufacturers and their employees) are taken into account, **manufacturing contributed £518bn to GDP and 7.3m jobs in 2022.**¹

Any political party would be well advised to ensure that they consider the effects of what they are proposing on the businesses that drive the economy and provide the wealth and employment on which it depends.

A government of any political colour will face the same challenges, will be equipped with many of the same tools and will have the deal with the same external opportunities and threats. Below are the **Top Ten asks** from engineering companies for government.

<p>01</p> <p>Long-Term thinking to create an environment in which business have the confidence to invest in British manufacturing</p>	<p>02</p> <p>Emphasise that Full Expensing is a permanent part of the tax system, giving business the certainty they need</p>	<p>03</p> <p>Foster FDI (Foreign Direct Investment) that genuinely creates long term value in the UK economy</p>	<p>04</p> <p>Encourage schools & colleges to engage directly with engineering employers, resourcing & rewarding them to do so – including through recognition by Ofsted</p>	<p>05</p> <p>Inject greater urgency, and resources, into the Made Smarter Adoption programme</p>
<p>06</p> <p>A more ambitious and wide-ranging set of companies should be targeted for export support</p>	<p>07</p> <p>Reverse the withdrawal of support for SMEs to attend trade shows abroad</p>	<p>08</p> <p>Government should commit to continued alignment of UK and EU technical/product regulation, unless consultation provides evidence to the contrary</p>	<p>09</p> <p>Address the high energy costs UK industry faces</p>	<p>10</p> <p>Full implementation of the recommendations of DBT's November 2023 Payment and Cash Flow Review on prompt payment</p>

¹ The True Impact of British Manufacturing, The Manufacturing Technologies Association and Oxford Economics, <https://www.mta.org.uk/wp-content/uploads/2024/04/Manufacturing-Technologies-Association-The-true-impact-of-British-Manufacturing.pdf>

THE ECONOMIC ENVIRONMENT FOR MANUFACTURING

A long term approach to economic management, particularly in respect of a sector like manufacturing in which high levels of investment are needed, is essential if we are to thrive in an increasingly competitive world. The last two decades have seen a plethora of plans and strategies associated with all three UK-wide parties. Many of these plans have had substantial elements of overlap; indeed they have been at their strongest when elements, such as the High Value Manufacturing Catapult, have persisted over time and become established, widely understood, features of the manufacturing environment.

EAMA welcomed the successive introductions of the Annual Investment Allowance and then the **long-term commitment to Full Expensing** made in 2023. For the first time in at least a generation, we believe this gives us a fiscal environment for investment which is genuinely internationally competitive. This fiscal environment must now become an accepted norm for the UK going forward so that companies have the confidence to plan to increase their business investment in an environment which offers clarity, consistency and certainty. We would like to see these regimes extended to cover leased and 'second-hand' or reconditioned plant and equipment.

The Advanced Manufacturing Plan, published last autumn, was an important recognition of the **vital importance of the manufacturing sector to the future health of the UK economy**. Dame Angela McLean's recent review of advanced manufacturing re-enforced the message. We agree with the review's opening statement that "the UK's advanced manufacturing sector is of critical importance to our future prosperity, our global competitiveness, and our ability to drive the sustainable economic growth"; and we welcome its assertion that it is process that makes manufacturing advanced.

We welcomed the Harrington Review of Foreign Direct Investment (FDI), also 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 a lower value assembly destination for large manufacturers. Any new government should look to build on Harrington's methodology and analysis, which focussed on those genuine opportunities to increase value, and extend the work to encompass all investment, foreign and domestic. Such an integrated approach 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 market to which to commit their resources.

SKILLS

UK national capability in engineering skills needs to be strengthened and this will require action at many levels. In a report last year, Engineering UK noted that "25% of all jobs posted in the UK are for engineering roles", and that the number of engineering jobs in 2030 will be greater than it is now in every area of the country.² We need to **take action to strengthen our ability to recruit and train engineers**.

Trained and talented engineers are essential to the development of the UK as a competitive, growing and environmentally sustainable economy. They create wealth and maintain international competitiveness. That value is recognised, not only within the engineering world but also in financial services, where many engineers have built successful careers, meaning that manufacturers are forced to compete fiercely for talent. The risk to the UK of failing to strengthen its engineering base is that we shall lack the capability to maintain an advanced and internationally competitive economy.

Engineering must become more strongly embedded in the curriculum. Schools must be encouraged to strengthen

¹ Engineering skills needs – now and into the future <https://www.engineeringuk.com/research-policy/industry-workforce/engineering-skills-needs-now-and-into-the-future/>

their involvement with engineering and manufacturing and resourced and rewarded accordingly. **Ofsted's inspection regime**, which seems likely to be reformed to make it more holistic whichever party is in power, 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. Trade associations, including those in EAMA, are well-placed to encourage firms in their sectors: there is potential for them to partner with government to do more.

The crisis in the Further Education sector (FE) is unlikely to be solved by increased funding alone, not least given current spending constraints. **Employers should have a greater involvement in FE**, while being held to high standards. There are many examples of best practice in this field but a disappointing level of inconsistency. Private sector providers are increasingly preferred by companies and have the ability to be more flexible in recruiting and retaining trainers.

Government, rightly, attaches much importance to digital skills. But basic engineering understanding remains essential to creating innovation and intellectual property and must not be neglected. Digital skills are not a substitute. To maintain and develop UK capability and competitiveness basic engineering understanding and digital skills should complement each other – as they do in the workplace.

INNOVATION

We see a need for government to give greater leadership in helping to facilitate the development of UK engineering and manufacturing. **Stronger co-ordination between the Department for Business and Trade, the Department for Science Innovation and Technology and the Department for Energy Security and Net Zero**, particularly in relation to SMEs, to develop and commercialise technology, is required.

EAMA welcomed the **funding for Made Smarter Adoption** announced November 2023 and we are reassured by the support given to that initiative from across the political spectrum, particularly at a regional level. But we believe that greater urgency from central government in giving a coherent national lead is needed to make it effective for the sector across the country.

EXPORT SUPPORT

UK expertise in advanced engineering is much wider and has much greater export potential than is currently being harnessed through government's export support schemes which have narrowed their focus considerably in recent years. This must be reversed and a **more ambitious and wide-ranging set of companies should be targeted for export support**.

EAMA believes that the **withdrawal of support for SMEs to attend trade shows abroad must be reversed**. Even in an age of greater digital communication, attendance at shows has great value and should be encouraged. The UK is a significant outlier in this respect, completely out of step with similar economies. Members have been frustrated by a marked reduction in government's appetite to work with sector trade associations on export support over recent years. This is in contrast to the commitment to closer working promised in the 2018 Export Strategy and should be reversed.

EAMA has welcomed **UK Export Finance's General Export Facility**. We have member firms taking advantage of it and we would urge any incoming to government to retain it, not least for the flexibility that it provides and which piecemeal schemes would lack.

REGULATORY COLLABORATION

Manufacturing, particularly the advanced engineering-based manufacturing in which most EAMA members are engaged, is a profoundly global industry. Regulatory divergence adds significant cost for companies through delays, additional resource requirements and complexity. This undermines the competitiveness of UK businesses. Accordingly, **government should commit to continued alignment of UK and EU technical/product regulation, unless consultation provides evidence to the contrary**. Such consultation should be collaborative – that is regular, transparent and carried out with sufficient notice – to ensure that proposed regulatory changes are evidence based and fully consider forecasts of the impacts on industry.

There is high risk of unscrupulous importers deliberately or inadvertently placing nonconforming products on the UK market. Without appropriate market surveillance, consumers can be put at risk and the market distorted, harming those companies that do follow all product compliance requirements. Government should therefore look to **improve enforcement of product compliance through enhanced market surveillance** of products placed on the UK market.

A **Mutual Recognition Agreement between the UK and EU for conformity assessment** would allow UK companies to source third-party testing for CE marking in the UK rather than in the EU, keeping this key competence in the UK as an important service to UK industry.

ENERGY COSTS

The issue of high energy costs to UK industry must be addressed, as it reduces UK international competitiveness. 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 were also affected by the war in Ukraine but are better supported by their governments - and transitioning over the next five-to-ten years will be especially challenging. Government should work with industry to highlight best practice and proactively support investments to reduce energy use.

PROMPT PAYMENT

SMEs are, by their nature, often at a disadvantage to their larger customers. It is clear that in the machinery sector, as in other parts of the economy, payment periods are being stretched to unacceptable levels. EAMA has examples of large companies unilaterally moving payment terms to 120 days from invoice. Such abuse of market position threatens the survival of some companies and greatly restricts the ability of others to invest and to develop. The cumulative effect is damaging to the economy and it is important that government shows leadership in promoting good practice and requiring it through public procurement contracts. Good payment practice should also be a requirement for receiving government support; for example loan guarantees, capital grants and research funding. Companies in receipt of money from government should not, at the same time, be delaying payments of money due to suppliers. We want to see **full implementation of DBT's recent (November 2023) payment and cash flow review report** which we believe has the potential to have a significant impact on poor payment practises.

EAMA has been in existence for over two decades and it and its members have always enjoyed positive engagement with government, and other stakeholders, on a range of policy issues. Our insight has brought value to government policy making and there are more opportunities for government to work more closely with trade associations such as ours, to achieve shared goals. We look forward to working with whatever government is elected on 4 July to help grow manufacturing and deliver a more internationally competitive, environmentally sustainable and successful economy.



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