

Reversing the decline in manufacturing in the UK - key messages for Conservative MPs and leadership candidates.

Manufacturing and advanced engineering needs to make its voice heard, with the process under way to select a new Conservative Party leader and therefore prime minister, who will doubtless have his or her own views as to government priorities. EAMA makes these key points:

- 1 In February 2022, the government identified a new imperative, to “reverse the historic decline in manufacturing in the UK”. In April, BEIS minister Lee Rowley promised a Manufacturing Investment Prospectus – essentially, a drawing together of the disparate measures already in place.
- 2 Reviving manufacturing must be key priority for the new PM and Cabinet, working with business.
- 3 Manufacturing accounts for 9% of GDP but its influence is much greater. It is calculated to positively contribute to more than 20% of UK GDP, when indirect impacts are considered. This was shown in a landmark report by Oxford Economics for the Manufacturing Technologies Association, *The True Impact of Manufacturing, 2018*.
- 4 The *True Impact* report was followed a year later by a report from the Institute for Manufacturing, University of Cambridge for the Department for Business, Energy and Industrial Strategy, called *Inside the Black Box of Manufacturing, 2019*. This report shows how manufacturing supports not only itself but many other sectors, from research to marketing to logistics.
- 5 The UK has world-class manufacturers but, overall, a skills gap is holding back investment in new technology. This was identified by the MTC, part of the High Value Manufacturing Catapult, in a report for the Department for Education (2021).
- 6 Links to these reports can be found here: <https://www.eama.info/true-impact-of-uk-manufacturing/>
- 7 Developed economies around the world already have coherent national programmes to support manufacturing investment and skills development. One example: in Singapore, known as a services leader, manufacturing accounts for 20% of GDP and the country plans to increase that by 50% this decade.
- 8 Countries that are our trading partners have more impactful tax incentives for manufacturers to invest. In Italy, for example, a positive tax regime has led to a surge in investment and

upskilling. Israel, referenced in the Levelling Up White Paper as a country from which we can learn, has a government scheme for backing long-term financing.

- 9 Countries from the small (New Zealand) to the large (United States) have national programmes to help SME manufacturers improve their skills and processes and to invest wisely. Scotland has such a programme through Scottish Enterprise.
- 10 The government in Westminster has set up a patchwork of initiatives that are often *ad hoc*, local and poorly funded. The Made Smarter North West Pilot was successful but there has been no funding for a national scheme. Instead, there have been three, variable, regional schemes.
- 11 The High Value Manufacturing Catapult (HVMC), which is two-thirds government-funded, has a vision to double UK manufacturing's share of UK GDP to 20% by 2030. This vision is not, however, agreed with government, which has thus far put forward no vision other than the imperative to reverse decline.
- 12 The HVMC is an impressive resource with the skills to help to lead a step-change in practical support for SMEs. Its branch near Glasgow, called the National Manufacturing Institute Scotland (NMIS), is already doing that with Scottish Enterprise and the Scottish Manufacturing Advisory Services, as part of the Scottish government's manufacturing strategy. However, the HVMC requires a stronger direction to engage with SMEs, and appropriate funding.
- 13 SME innovation would be greatly boosted by an increase in grant funding through Innovate UK, so that it is able to respond to a higher proportion of the bids from SMEs which it judges to be of high quality.
- 14 Manufacturing is important because it works in a globally competitive market. In contrast to many of the sectors that received unprecedented financial support from the taxpayer, the intellectual property, well-paid jobs and rewarding careers, and tax revenues, once lost, are hard to recover. It is part of a complex supply chain, where success breeds international success. And, as have become more aware with the pandemic and the war in Ukraine, it has strategic significance.

Jack Semple

Alliance secretary

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