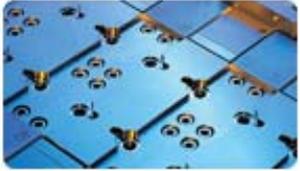


eama

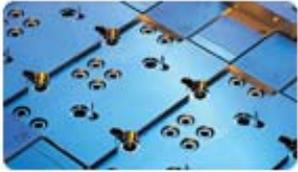
Engineering and
Machinery Alliance

helping firms make it in britain



EAMA Meeting

*Thursday 27 October
DTI, 1 Victoria Street*

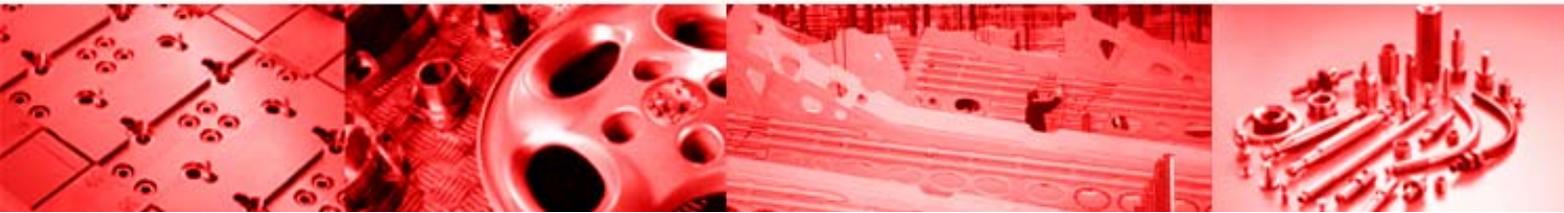


The Sector The Agenda

Graham Hayes
Chairman, EAMA

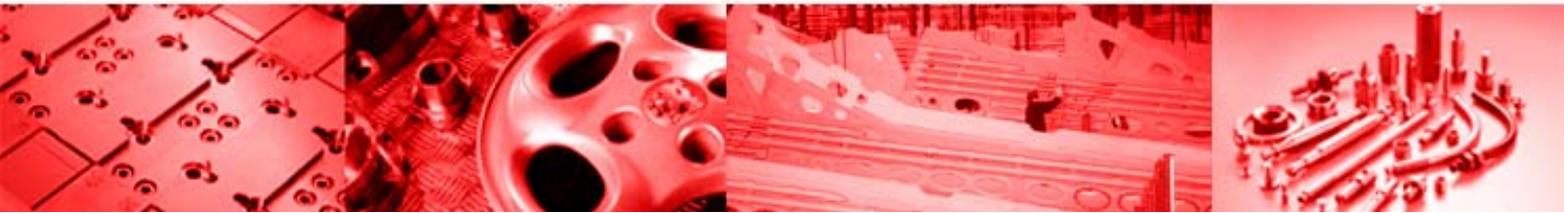
Mechanical Engineering

- ❖ 50% finished capital goods for other manufacturers
- ❖ 50% components for capital goods
- ❖ Across all regions



Main Characteristics

- ❖ A 4-5 year continuous product innovation cycle
- ❖ Tailor made solutions
- ❖ High degree of specialisation
- ❖ Dependent on investment by other manufacturing sectors
- ❖ Subject to cyclical changes in demand



Mechanical Engineering -- size

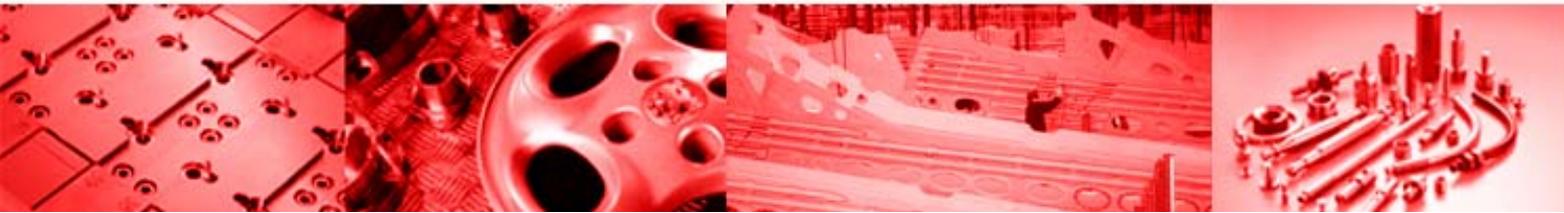
- ❖ No of firms 13,000
- ❖ Sales £32 billion
- ❖ Employment 304,000

- ❖ Average sales per firm £2.5 million
- ❖ Average number of employees 23



Mechanical Engineering – adding value

❖ Employment	£8 billion
❖ Value added	£12 billion
❖ Exports	£24 billion
❖ Trade balance	£4 billion



Mechanical Engineering – past ten years' performance

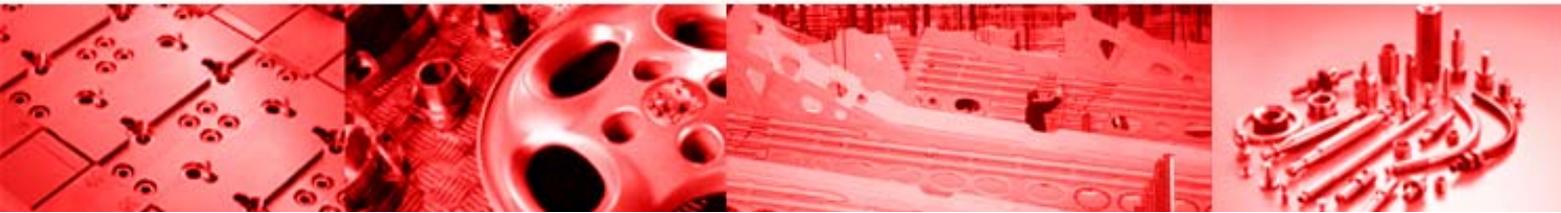
- ❖ Investment £9 billion
- ❖ Export sales £221 billion
- ❖ Trade balance £45 billion



Sector Comparisons – sales

	Sales	Jobs '000s	No. firms	Sales per firm
❖ Aerospace	£15 bn	100	664	£23 m
❖ Motor	£43 bn	370	2,961	£15 m
❖ Chemicals	£49 bn	230	3,742	£13 m
❖ Mech Eng	£32 bn	304	13,000	£2.5 m

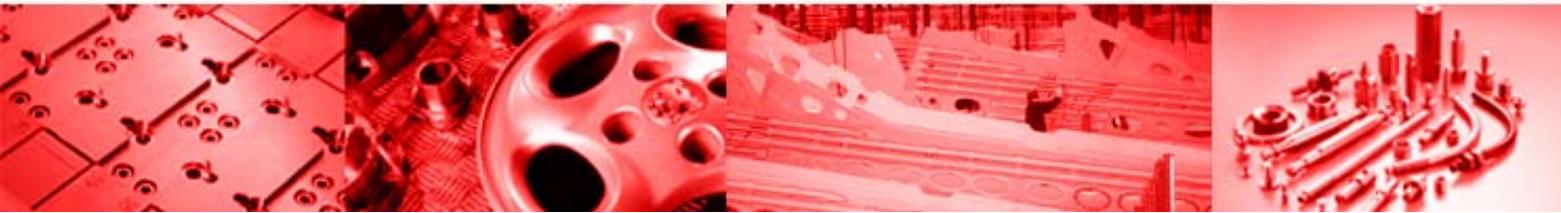
Source: Annual Business Inquiry 2003 (latest data available)



Sector Comparisons – adding value

	Value added	Employment	Exports	Balance
❖ Aerospace	£6.5 bn	£3.6 bn	£7.2 bn	£- 400m
❖ Motor	£8.0 bn	£5.9 bn	£18.5 bn	£- 12.2 bn
❖ Chemicals	£15.0 bn	£8.0 bn	£32.0 bn	£4.0 bn
❖ Mech Eng	£12.0 bn	£8.0 bn	£24.0 bn	£4.0 bn

Sources: Annual Business Inquiry 2003 (latest data available) and ONS Review of External Trade. 'Other transport' for aerospace on export data



EAMA – representing sectors

- ❖ Automation
- ❖ Machine tools
- ❖ Packaging and processing machinery
- ❖ Paper making machinery
- ❖ Printing machinery
- ❖ Toolmakers
- ❖ Turned parts and machined components



EAMA – representing firms

- ❖ 1,000 companies
- ❖ 50,000 employees
- ❖ £3 bn in sales

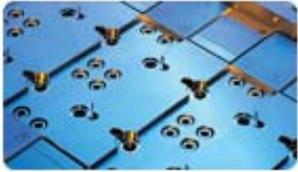
- ❖ Average per firm sales £3 million



Agenda

- ❖ Secretariats and Presidents from six associations
- ❖ Four topics
 - Investment
 - Regulation
 - Regionalisation
 - Grants





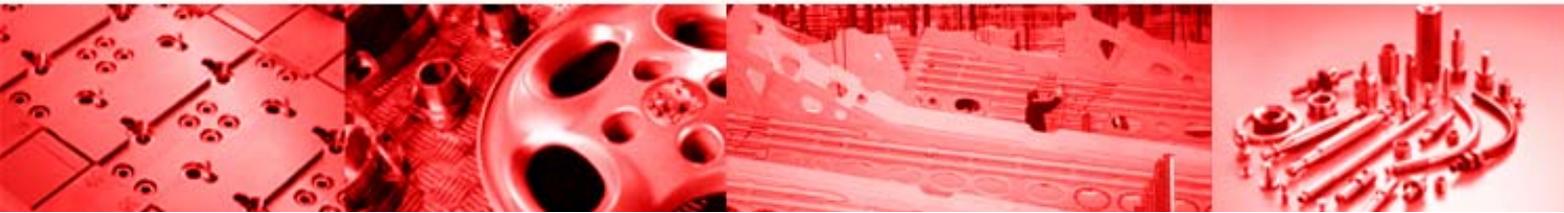
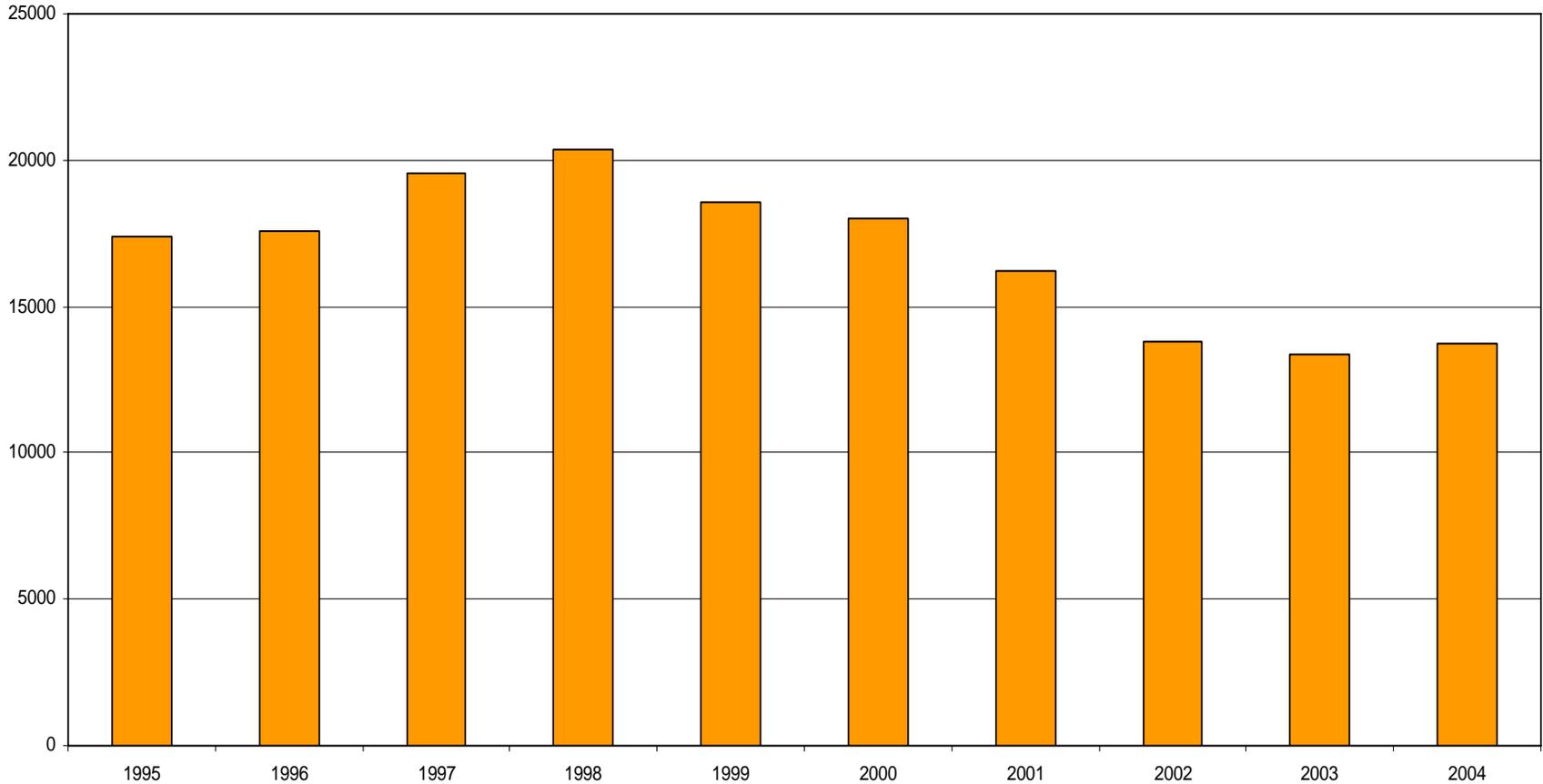
Encouraging Investment

Dr Ken Young

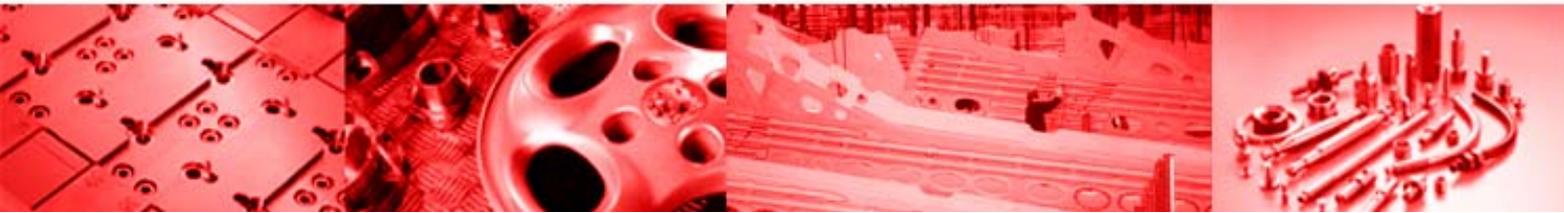
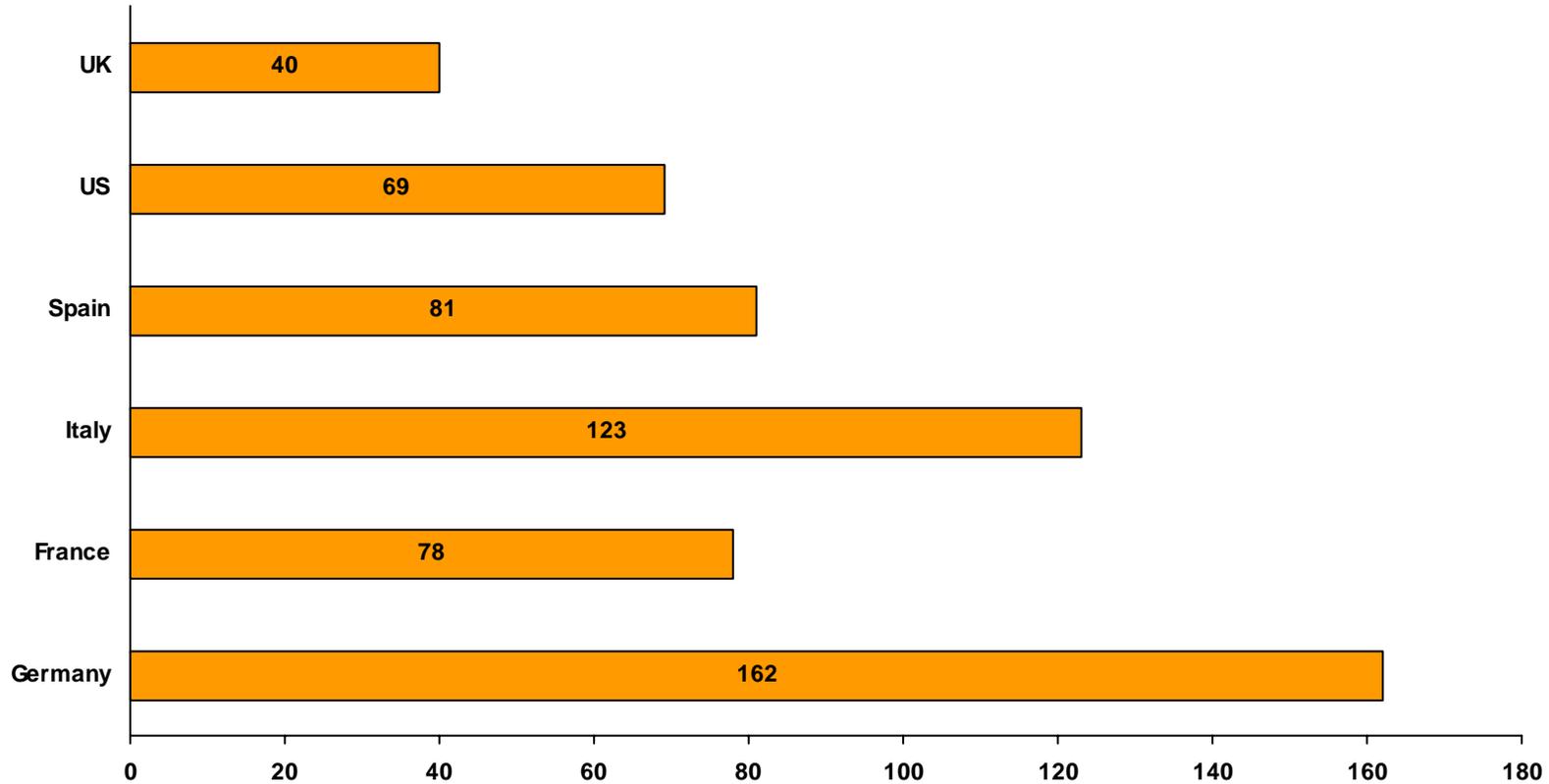
*British Automation & Robotics
Association*

UK CAPEX in Manufacturing

Source: ONS



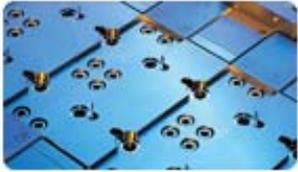
Number of Robots per 100,000 People in Manufacturing



Suggestions?

- ❖ Encourage ability to use technology
 - ❖ Grants/tax breaks for companies investing in capex for training/education
 - ❖ Knowledge Transfer Programme scheme (capex allowed as 'matched' funding)
- ❖ Loan guarantees for any company without significant investment in previous 5 years
- ❖ Incentives/levy to encourage and reward companies involved in training and investment





Better Regulation

Chris Buxton

*Processing & Packaging
Machinery Association*

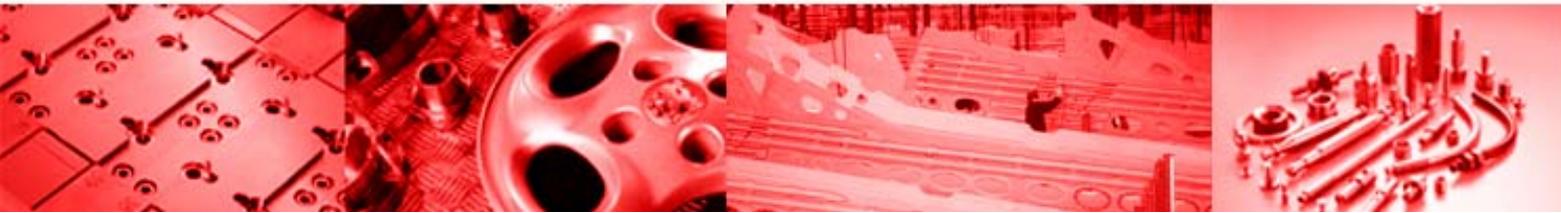
2001 Prime Ministerial Initiative -- CO Regulatory Impact Unit

Aim

“To ensure that government departments deliver better regulation and reduce unnecessary bureaucracy in both the public and private sectors.”

***“To carry forward the Government’s
‘Better Regulation Agenda’”***

***“To make the UK
‘the Best Place to do Business’”***



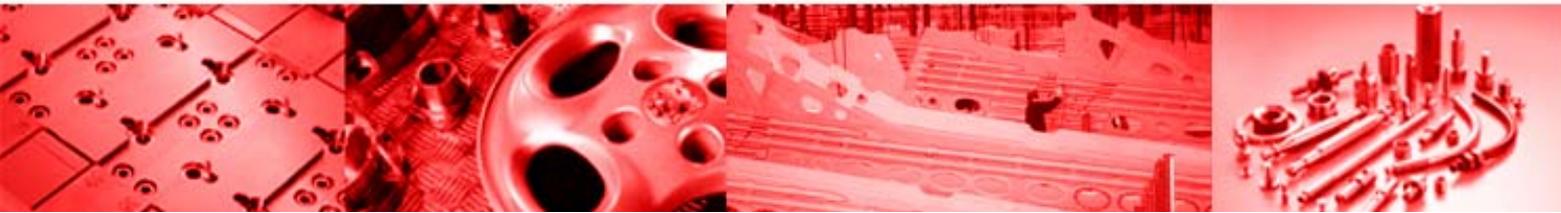
Regulation ... by 2005

- ❖ **Hampton Review & Arculus “Less is More” report**
- ❖ **Lighter, simpler and more proportionate regulation with departmental targets for reducing the administrative burden on industry**
- ❖ **Creation of the Better Regulation Executive & the Better Regulation Commission**
- ❖ **Cabinet Office web portal for industry**
- ❖ **Chancellor’s budget speech on regulatory reform**



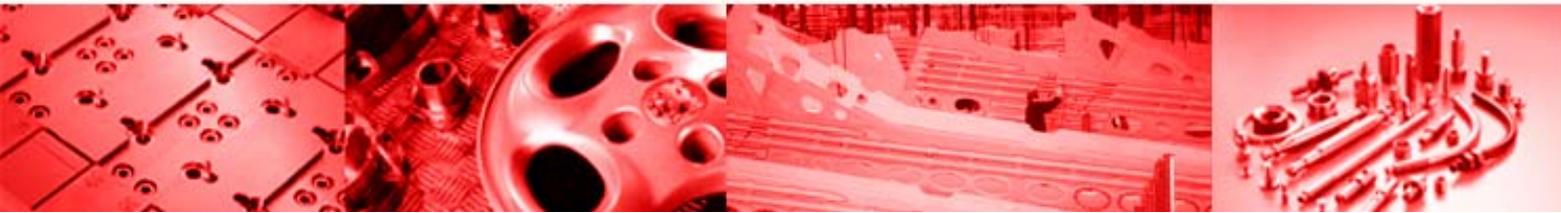
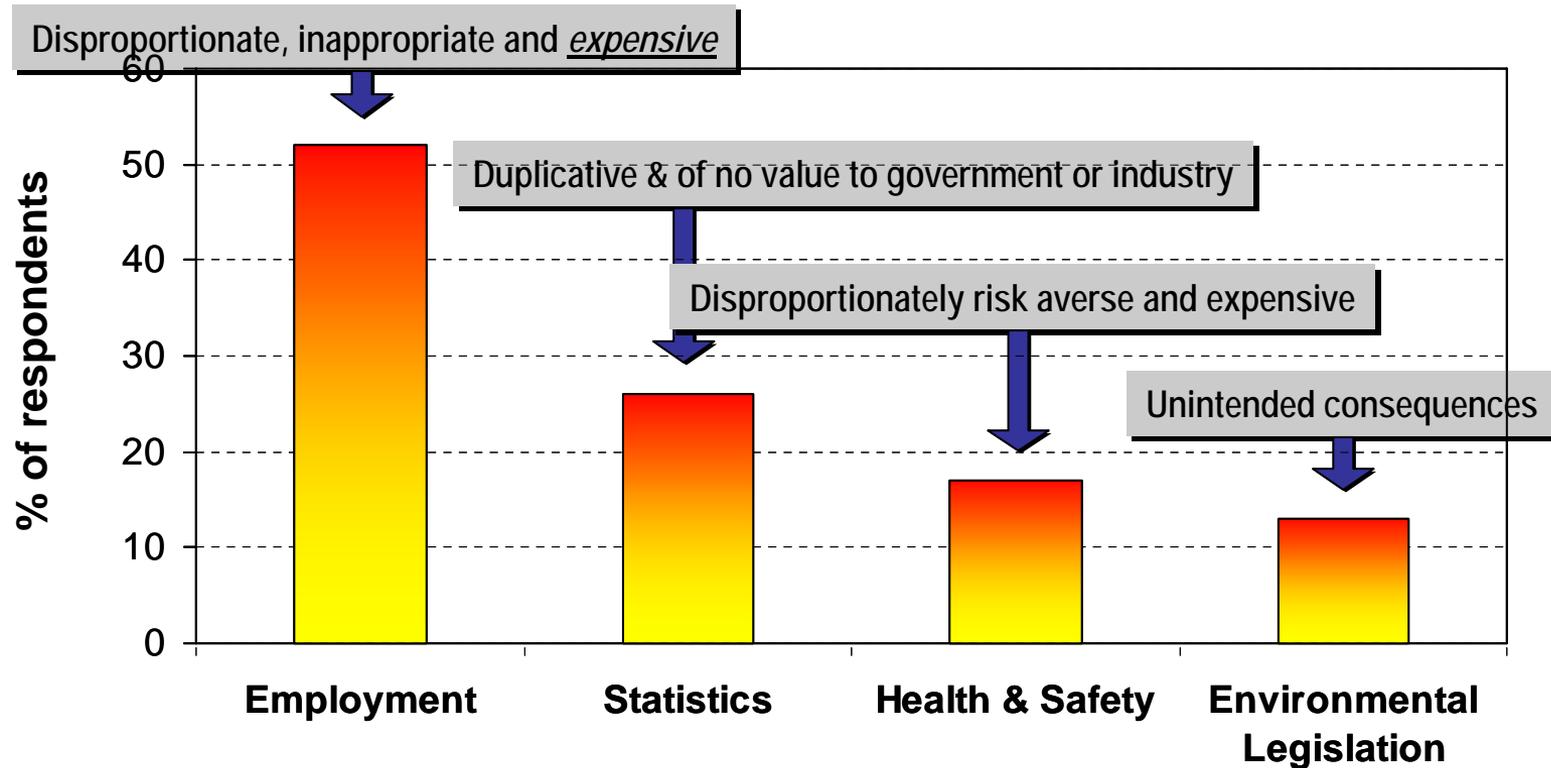
...and yet against this positive backdrop:

- ❖ Employment law is now so complex that it's a deterrent to taking on new staff
- ❖ In a recent survey changes in employment law was rated as likely to have a bigger impact on company success than changes in cashflow
- ❖ SME's hamstrung by growth in compensation culture and threat of action to prosecute false claims
- ❖ Government is proposing 'family-friendly' policies which have a disproportionate and negative impact upon SME's
- ❖ Disproportionate and over burdensome pension provisions process. (Up to ~£55K p.a. for SME's)



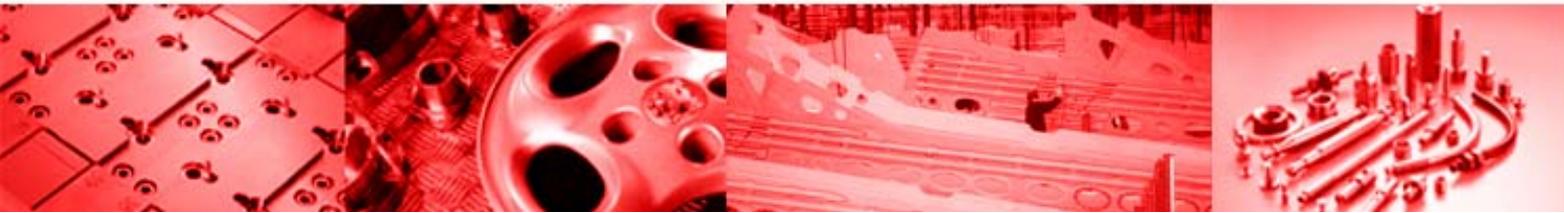
EAMA response to call for examples of excessive / disproportionate regulation

Top four regulatory areas of concern for EAMA members



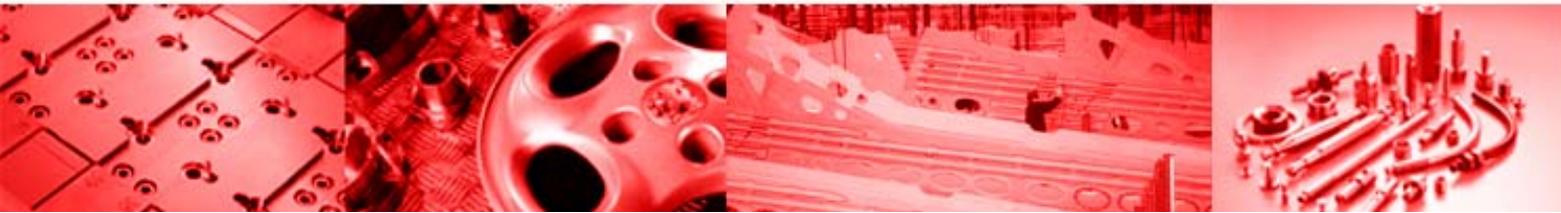
Specific messages & requests for action from today's meeting:

- ❖ **EAMA members welcome the planned reform of legal services to deal with 'ambulance chasers' and peddlers of fraudulent claims. We would request that the DTI work with the Treasury in helping to ensure that the planned commitments are not allowed to become 'vote winning platitudes.'**



Specific messages & requests for action from today's meeting:

- ❖ **EAMA requests support for retiree tax incentives to foster a pool of skilled, trained personnel able and interested in taking on short-term work contracts (e.g. as parental leave cover). This Pool should be registered on a government accredited website with previous employer's references made available.**



Specific messages & requests for action from today's meeting:

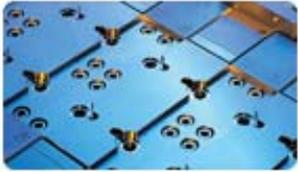
- ❖ **EAMA requests that in developing this and related employment initiatives, a vehicle such as a measured government : industry working group be established to enable direct and regular engagement with both DTI's employee relations personnel and HM Treasury.**



Getting the best out of Regions and Sectors

Julia Moore

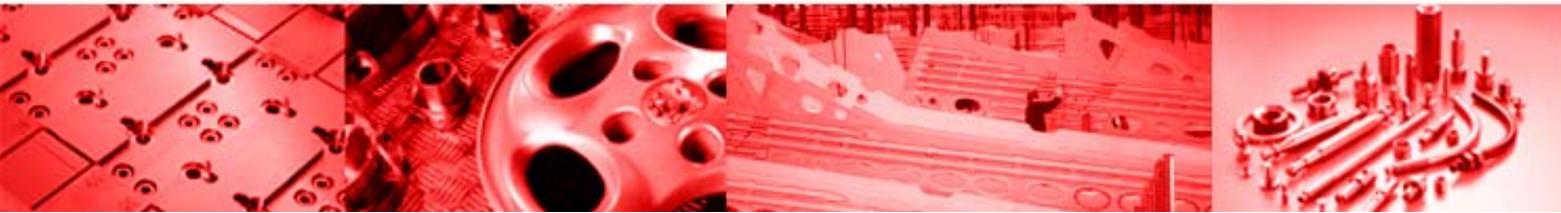
Gauge & Toolmakers Association



Globalisation in the UK

- ❖ Globalisation proceeds apace
- ❖ Demand for 'innovation' and technology needs to grow at a similar pace to reduce the impact of globalisation on UK manufacturing
- ❖ The challenge from China and India for the UK -- by 2020, 50% of manufactured goods from Asia, compared to 10%, 20 years ago
- ❖ China and India are educating 4m graduates a year
- ❖ The UK is now under threat on high-tech, high value-added goods as Asia moves into the higher end of the market

Gordon Brown: Global Europe October 2005



Global sourcing goods & services replaces national sourcing

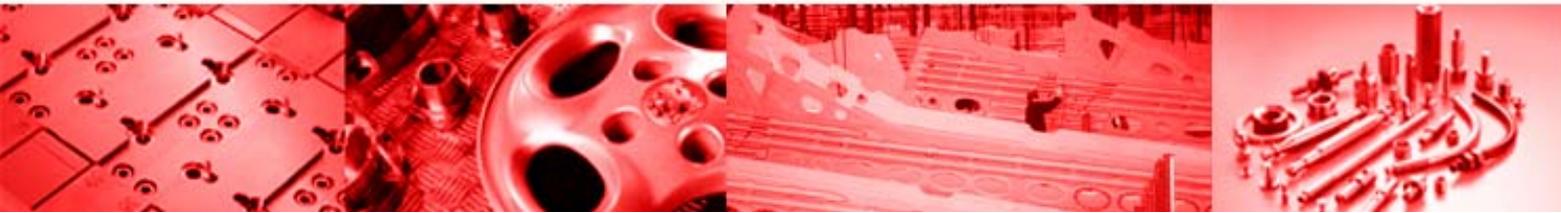
- ❖ For success we need to move from 'survival' to 'strategy' to raise our ability to fit into a global market
- ❖ We need to consider the changes that are occurring in the regions and question the ability of a region to serve an industry sector
- ❖ Examples:
 - ❖ A successful cluster is Nissan in the North East which required very substantial funding for development
 - ❖ However, the problems created by the demise of Rover in the Midlands is of a region disadvantaged



Does industrial composition constrain future growth?

- ❖ If we look at Packaging, Medical, Pharmaceutical, Aerospace, Construction etc, these industries do not function around a region they look for the best suppliers on Quality Cost and Delivery
- ❖ There appears to be no academic work on the issue of industrial composition and productivity growth at regional level
- ❖ Information available at EU level shows regional specialisation appears to have a minor role in productivity and there appear to be uniform productivity shortfalls in poorer regions

The Regions and the five productivity drivers



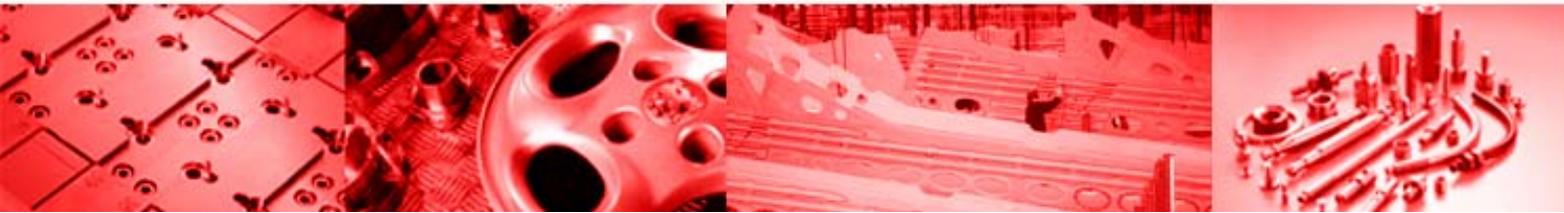
Manufacturing in a Global Market -- disadvantages of regionalisation

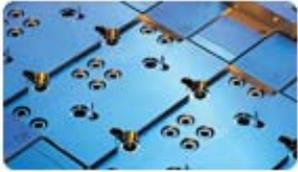
- ❖ Regionalised clusters can become introspective due to their specialised nature
- ❖ Technology, innovation and the skills market all fluctuate around the regions
- ❖ The EU is already falling behind China and the US
- ❖ In a world of rapid change, technologies become time sensitive
- ❖ Regionalising competencies will not encourage technology and innovation skills to flow
- ❖ Our strategy should be to build knowledge intensive product as this is less likely to migrate
- ❖ This requires greater emphasis on knowledge based engineering and technology advancement to ensure that the whole supply chain remains the best, not hampered by regional constraints



Suggestions

- ❖ Sector facilitators introduced into the Regions is an encouraging step forward
- ❖ How can EAMA work with the DTI to:
 - ❖ Create a more focused approach to our industry sectors that cross boundaries more suitable to global markets
 - ❖ Address regional variances





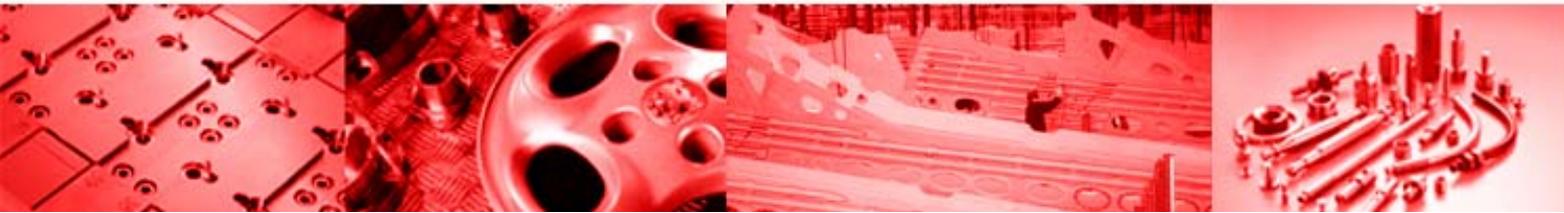
Grants and Competitiveness

Andrew Manly

*Manufacturing Technologies
Association*

Grants

- ❖ Reduction in number available
- ❖ Scope for grant funding narrower
 - ❖ Split between DTI and RDAs
 - ❖ More R&D less market research
- ❖ More regional delivery
- ❖ Public funds, so clear audit trail necessary
- ❖ Aim to improve competitiveness? Still?



Grants – the case for clarity

- ❖ Application is a complex process
- ❖ A disincentive? Intentional?
- ❖ (EAMA grant survey)
- ❖ Simplification of targets and application process
- ❖ How can EAMA help?



Meeting Summary -- future priorities

- ❖ Investment
- ❖ Grants
- ❖ Regulation
- ❖ Matrix management with the Regions

