

OCTOBER 2021

MANUFACTURING 5: INVESTING IN ADVANCED MANUFACTURING IS INVESTING IN LEVELLING UP



INTRODUCTION

UK manufacturing has seen global success, but continued international leadership and the domestic renaissance which could underpin Net Zero, green growth, and innovation is not guaranteed.

The sectors our five trade associations represent employ over around 800,000 people, with millions more jobs supported through supply chains in aerospace, defence, security and space, automotive, chemicals, food and drink, and pharmaceuticals. As the Government looks to deliver ambitious plans for domestic reform and global leadership, the success of UK manufacturing will be central to the success of levelling up across the whole of the country.

Our highly prized manufacturing and engineering industries and jobs, envied the world over, are in fact located across some of the UK's most economically challenged regions and are vital to the economic health of local communities. We are both at the heart of the UK economy and operating at the leading edge of a highly competitive global environment, which present commercial risks and opportunities as we build back better.

This report demonstrates how – with the right conditions – the five biggest manufacturing sectors in the UK can drive success towards five of the Government's key ambitions:

WHO WE ARE

The M5 group is an informal network of the UK's leading advanced manufacturing trade associations, which comprises:

- The Association of the British Pharmaceutical Industry (ABPI)
- ADS Group (Aerospace & Defence)
- Chemical Industries Association (CIA)
- Food and Drink Federation (FDF)
- Society of Motor Manufacturers and Traders (SMMT)

The sectors our five trade associations represent employ around 800,000 people, with millions more jobs supported through supply chains in aerospace, automotive, chemicals, food and drink, and pharmaceuticals, and contribute nearly £100bn GVA annually (FY2019).

THE GOVERNMENT'S FIVE KEY AMBITIONS



01 LEVELLING UP THE WHOLE UNITED KINGDOM

Millions of people are employed in high value, high skilled jobs from factory floor to boardroom across the whole of the UK. Whether that is medicines in Macclesfield, cars in Coventry or satellites in Surrey, UK manufacturing has an unrivalled footprint across the whole of the UK. Getting the right incentives in place to grow UK manufacturing is critical to delivering the Government's "levelling up" agenda.



02 ACHIEVING NET ZERO TOGETHER

The UK has some of the most ambitious and legally binding Net Zero targets in the world. Our sectors are at the tip of the spear in driving decarbonisation, green technology, and sustainable practices. These can only be achieved in partnership with industry.



03 BUILDING A SCIENCE AND TECHNOLOGY SUPERPOWER

Covid-19 has demonstrated that the UK science base is one of the best in the world. The ambitions to invest 2.4% of GDP in R&D and to become a science superpower will require a partnership between Government and industry, with our members making the vast majority of UK private sector R&D investments and are facing critical investment decisions that will influence the next decade today.



04 DESIGNING WORLD CLASS REGULATORY FRAMEWORKS

Outside of the EU, the UK has complete regulatory autonomy. As the UK Government seeks to use these powers to create competitive advantages, there must be a coherent strategy that delivers good regulation that ensures a level playing field for fair competition, maintains high standards of quality and safety, and avoids creating barriers to international trade appropriately scaled for all business types.

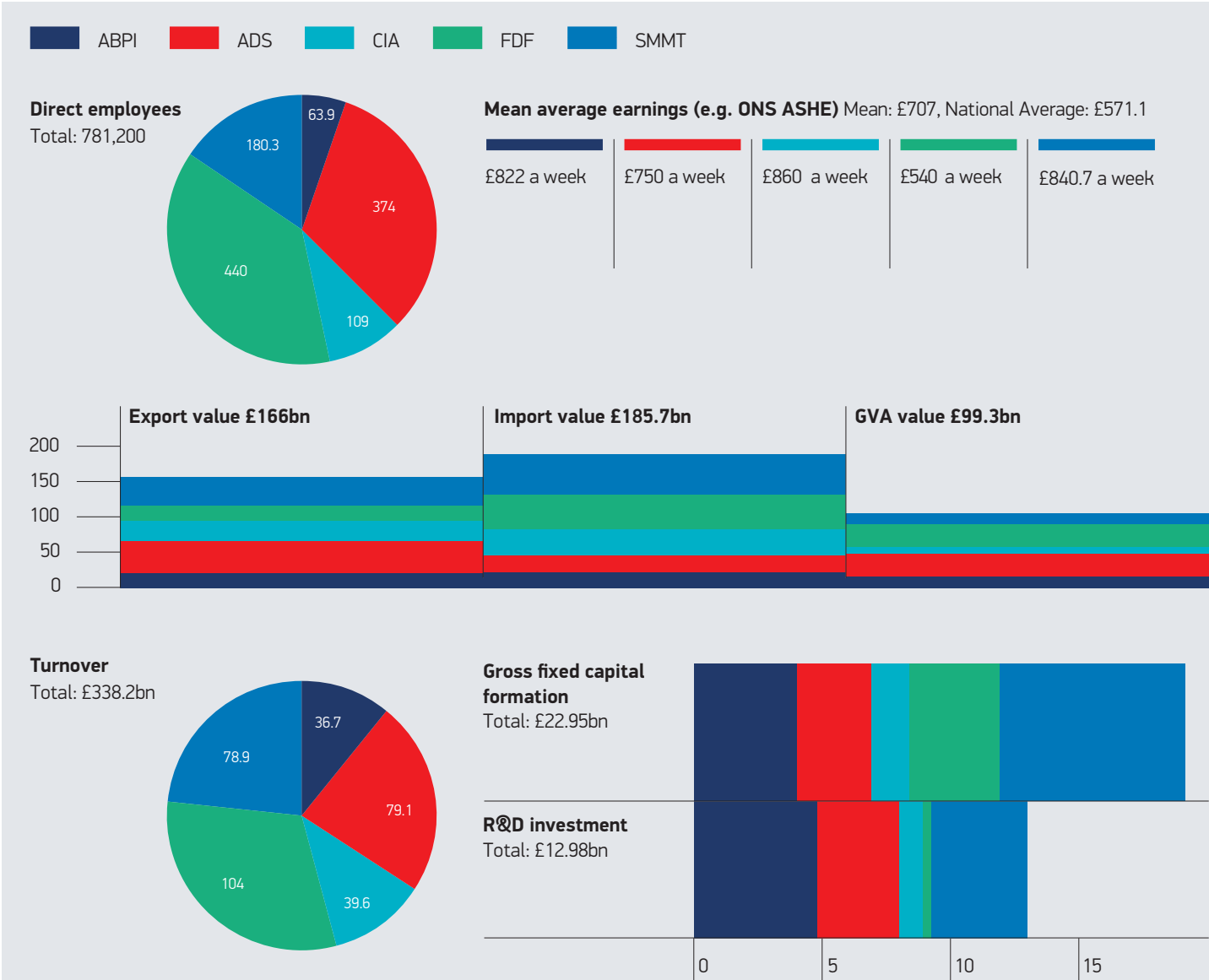


05 SUPPORTING INTERNATIONAL LEADERSHIP AND GLOBAL BRITAIN

The UK's advanced manufacturing sectors are recognised the world over for high quality, high value production and are flag bearers for UK innovation. To continue this success, the UK needs to compete for mobile international investment and use our voice on the world stage to build the confidence of the business community to invest, trade with, and export from the UK, championing free and fair trade.

Our members have shown remarkable resilience through the Covid-19 pandemic, delivering food and drink across the country, supplying medicines to treat patients, providing mobility solutions, building ventilators, and keeping complex supply chains running. As we emerge from the pandemic, we want to work with the Government to seize the economic opportunities of today and tomorrow, protect jobs, deliver growth and prosperity, and to set out a longer-term strategy for how UK manufacturing can partner to deliver on our shared ambitions to make the UK the best place to manufacture, trade, invest and innovate for the next decade and beyond.

WHY MANUFACTURING MATTERS



The Association of the British Pharmaceutical Industry (ABPI)

The ABPI exists to make the UK the best place in the world to research, develop and use new medicines and vaccines. We represent companies of all sizes who invest in discovering the medicines of the future. Our members supply cutting edge treatments that improve and save the lives of millions of people.

ADS Group - Aerospace, Defence, Security & Space

ADS represents and supports more than 1,100 UK businesses operating in the aerospace, defence, security and space sectors. Whether representing industry, connecting our members with business opportunities or driving forward innovation and growth, ADS is at the forefront of an array of activities, events and programmes that benefit our members.

Chemical Industries Association (CIA)

The CIA is the organisation representing and advising chemical and pharmaceutical manufacturing companies located across the UK. Our work includes lobbying legislators, policy-makers and stakeholders to make the UK the location of choice for business growth.

Food and Drink Federation (FDF)

The FDF is the membership body for the food and drink manufacturing sector. We represent and support food and drink companies, from ambitious sole traders and SMEs to the largest global brands. We equip our members with the opportunities to develop and grow.

Society of Motor Manufacturers and Traders (SMMT)

SMMT is one of the largest and most influential trade associations in the UK. Its resources, reputation and unrivalled automotive data place it at the heart of the UK automotive industry. SMMT is the voice of the UK motor industry, supporting and promoting its members' interests, at home and abroad, to government, stakeholders and the media.

UK MANUFACTURING CLUSTERS

Advanced manufacturing, whether directly or indirectly, reaches across the entirety of the UK. There are significant clusters concentrated in all the regions as well as major employers across each of our five sectors creating thousands of high wage, high skilled jobs, generating inward investment, and unlocking economic growth to level up the whole of the United Kingdom.



Pharma
(ABPI)



Aerospace and Defence
(ADS)



Chemicals
(CIA)



Food & Drink
(FDF)



Automotive
(SMMT)



01 LEVELLING UP THE WHOLE UNITED KINGDOM

RECOMMENDATION

Develop the infrastructure, skills and incentives to develop new clusters of advanced manufacturing across the UK.

- Investing in advanced manufacturing is investing in levelling up. Manufacturing jobs are distributed across the UK including the regions and across the devolved nations, creating high value and well-paid jobs, with significant clusters of excellence in the North East of England, West Midlands and Wales for example. This includes investment in key enablers; innovation, skills and infrastructure.
- Skills and lifelong learning will be critical to levelling up and are essential to delivering Net Zero ambitions and future productivity. This will also increase regional investment and create future opportunities and prosperity.
- Manufacturing R&D is more capital intensive than other sectors, and manufacturing firms are more prominent in economically poorer parts of the country. ONS data tells us that, in 2019, manufacturing firms accounted for 58% (£1.3bn) of all R&D capital expenditure (£2.3bn). The services sector accounted for 38% and those industries classed as neither manufacturing or services – such as construction and agriculture – accounted for 4%.



SKILLS

Introduce greater flexibility for businesses to use unspent Apprenticeship Levy and utilise a proportionate levy contribution for a Flexible Skills Fund.

Our sectors remain supportive of the aims of the Apprenticeship Levy. However, many of our businesses still face several challenges with the Levy not working efficiently. Several of our largest members cannot spend their Levy contributions and as a result are losing millions of pounds in unused Levy contributions. There is an opportunity to use unused levy funds to support workforce retraining, without the requirement of a minimum one-year apprenticeship commitment. A proportion can also be used to support job retention and upskill staff through the creation of a Flexible Skills Fund to pay for short, high quality courses and qualifications which can raise productivity.

Expand the Lifetime Skills Guarantee to include all advanced manufacturing sectors:

The Level 3 Lifetime Skills Guarantee fails to recognise the value of all manufacturing sectors – food and drink, for example, where none of the original 400 level 3 funded courses supported the sector when first announced. Following successful engagement from across the food and drink sector, two were added but this needs to be extended further. This omission means a missed opportunity to support critical businesses and offer new career opportunities to those who need it at a challenging time for both young workers and those in established careers now affected by the economic downturn. Economies of scale and affordability can be established by creating partnerships between employers and training providers to ensure the availability of high-quality training providers across the UK.

MANUFACTURING SUPPLY CHAIN

Support to recapitalise the manufacturing supply chain.

Launching a Regional Growth Fund (RGF) / Advanced Manufacturing Supply Chain Initiative (AMSCI) style programme with similar levels of funding (£2.9 billion) can support investment and recapitalisation across the UK manufacturing supply chain. Continued and improved competitiveness and productivity in manufacturing supply chains are essential to ensure the prosperity of manufacturing communities.

INFRASTRUCTURE

Implement incentives that encourage investment in advanced manufacturing.

Long-term incentives, like a capital grant facility worth 10-15% of the value of investments, can be used to attract new investment in the UK's advanced manufacturing capabilities. Such measures will bring the UK in line with major competitors' offers and send a strong signal to global business about the UK's ambitions to become a global destination for advanced manufacturing. The welcome announcement of a 'super-deduction' in the Spring 2021 Budget can be extended in scope and time frame which will help materially change investment plans, rather than simply to bring planned investment forward. Extending the range of taxes which the 'super-deduction' can be used against beyond Corporation Tax and increasing the lifespan of the scheme for manufacturers will also increase the opportunity and competitiveness for investors in UK production.

Commit to expand and improve world-class infrastructure.

Public and private investment must start now to ensure we have the world-class infrastructure required for future growth and prosperity including transport networks and digital connectivity. To achieve the required charging infrastructure for electric vehicles for example, investment is estimated to cost around £17.6 billion – there are currently less than 40,000 public charge points in total, this means building at least 700 public charging points a day until 2030.

Commit to equitable digital and physical connectivity. Improving connectivity by both public transport and fast broadband across the country, so that these are of parity to London and the South East, will help to attract people and businesses across the country. Working with local authorities and the private sector can help roll out infrastructure in rural areas.

Build clusters of manufacturing excellence.

UK manufacturing has established in clusters of excellence across the UK, supporting region wide supply chains and employment. For example, the UK chemical industry is clustered around Teesside, the Humber, the North West, Grangemouth and South Wales; and Aerospace and defence industry having major clusters in the Clyde shipyards, Glasgow, and the North West of England. Investing in facilities and systems within concentrated areas such as renewable energy systems, Carbon Capture Usage and Storage (CCUS) facilities, local hydrogen economies, Industrial Symbiosis Programmes, plastic recycling facilities and freeports can encourage sustained inward investment. The use of a long term capital grant facility worth 10 - 15% of the value of investments could help attract significant new projects into these areas of excellence.



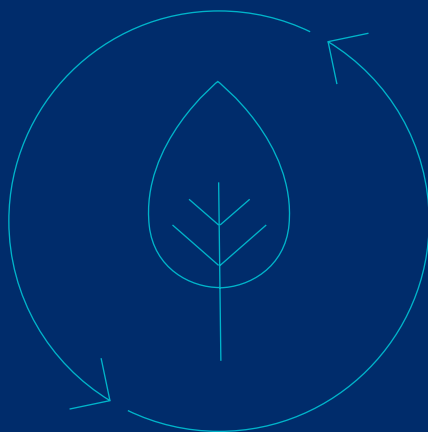
The ABPI exists to make the UK the best place in the world to research, develop and use medicines. Our members supply cutting edge treatments that improve and save the lives of millions of people. The industry has played a central role in discovering, developing and supplying vaccines to combat the COVID-19 pandemic. We work in partnership with Government and the NHS so patients can get new treatments faster. Our industry spends more on R&D than any other sector in the UK at £4.8bn per year, and employs 63,000 people across the UK.

02 ACHIEVING NET ZERO TOGETHER

RECOMMENDATION

Scale up and enhance the industrial energy transformation fund to deliver progress towards Net Zero.

- The UK has some of the most ambitious and legally binding Net Zero targets in the world, which can only be achieved in partnership with business and industry. Our sectors are at the tip of the spear in driving decarbonisation, technological innovation and green technology, and sustainable practices.
- Decarbonisation of product and production processes is a shared ambition across advanced manufacturing, and each sector will be key to achieving Net Zero by 2050 or earlier. Britain's transition to Net Zero holds the promise of a greener, cleaner future, one that will create jobs, drive economic growth and help the country achieve its climate goals. This transition can only succeed, however, if every stakeholder plays their part, so that everyone can benefit.
- We all share the ambition – now we must all share the commitment, so we can deliver for people, prosperity and the planet to create the right conditions to deliver the most ambitious industrial transformation in history.



ENERGY

Create a competitive and stable energy market to support energy intensive sectors:

Complex manufacturing is energy-intensive, and it's critical that the UK can compete if we are going to capitalise on emerging low-carbon opportunities such as wind turbines, hydrogen and batteries. Energy costs and security are key considerations for companies looking to invest in the UK. For example, energy is the second largest in-house cost, after labour, to vehicle manufacturers and electricity prices are now over 80% above our EU-competitors.

Until there is a global level playing field and enough demand for low carbon products, companies will need help with the cost of the energy transition, including in the short term, addressing the plethora of additional energy policy costs which now make up over 50% of the energy bill for UK industry.

Establishing a UK emission trading scheme is welcome, and government must ensure the market is liquid enough so UK-based companies are not disadvantaged, linking this to the EU scheme as soon as practically possible. To further support industrial decarbonisation, any future iteration of the Climate Change Agreements (CCAs) post-March 2025 should incorporate a decarbonisation target. For many manufacturers, the net zero target means a shift to greater electricity use however today, in current CCA schemes, decarbonisation can instead act as a disincentive to increased electricity consumption.

DECARBONISATION

Incorporate decarbonisation targets into Future Phase Climate Change Agreements.

Future Climate Change Agreements post March 2025 should incorporate a decarbonisation target. For many manufacturers, the Net Zero target means a shift to electrification, but under the CCA scheme, decarbonisation will be penalised if it increases electricity consumption rather than purely a reduction of energy consumption.

Dedicated Decarbonisation Funds for key demonstration projects on step-change technologies

such as with hydrogen, options to electrify heat or for processes which avoid heat generation, to address concerns around potential impacts on product quality and cost. This will help to validate the business case for switching to clean fuels and overcome concerns around production quality and cost. Investment policy will be key over the next decade, especially to ensure that policies and investment cycles are matched. Initiatives such as Jet Zero, which aims to put the UK at the global forefront of sustainable aerospace technology, can deliver significant environmental benefits and industrial growth opportunities through securing co-investment from Government and industry. Whilst the Industrial Energy Transformation Fund is very welcome, cross-sectoral learnings will be insufficient to address this

need – such as those established for UK steel and for green distilleries, and further continued investment is required. Making the Industrial Energy Transformation Fund larger and easier to access can help with this.

Support foundation industries to frontload carbon savings.

The chemical sector has reduced GHG emissions by over -80% in the last 30 years. Critically it delivers further carbon savings downstream, by supplying. The advanced materials needed to make batteries, wind turbine blades and solar PV; novel fuels like hydrogen, ammonia and synthetic fuels; lightweight materials for transport; and insulation to keep our homes warm. Continued access to a diverse and innovative chemical sector would support both existing and 'emerging net zero industries' to invest in the UK.

CAPITAL INVESTMENT AND INCENTIVISATION

Scale up and enhance the industrial energy transformation fund:

Faster progress towards Net Zero would be achieved if the government incentivised industry to invest in radical decarbonisation solutions in the manufacturing process, by scaling up and making the industrial energy transformation fund more broadly accessible and attractive, such as through further business rates reliefs for renewable technologies and Annual Investment Allowance increases.

Deliver a step-change in UK subsidy control and state aid:

We believe there is a substantial opportunity for the UK to establish a modern, flexible and globally competitive subsidy regime, one which delivers benefits for the breadth of the UK economy whilst continuing to be fully compliant with our international obligations and ensuring long-term prosperity, and which embeds a new culture on the role of subsidies as part of the Government's toolkit to enable positive, transformative change rather than solely negative market distortion that supports investment in critical new and green technologies and Net Zero goals

Delivery of the Automotive Transformation Fund and securing 60GWh battery production to feed up to 1 million Battery Electric Vehicles by 2030

the equivalent of four gigafactories producing 15GWh per annum – and a target of 120GWh by 2040. Decarbonisation is the biggest transformation ever by the automotive industry and will require extensive changes in the supply chain of the automotive and chemical sectors, with pilot facilities needed to support specialist battery development production, wider supply-chain support for powertrain development and battery assembly, and to build on government's £80m investment in the Driving the Electric Revolution (DER) programme to leverage the UK's world-leading R&D capabilities in PEMD.



UK Automotive is driving the transition to net zero and there are now more than 150 models of battery electric, plug-in hybrid, fuel cell and hybrid vehicles on the UK market, meaning one in three models available to buy is zero-emission capable. Industry forecasts more than two million public chargers will be required to support Government's 2030 ambitions.

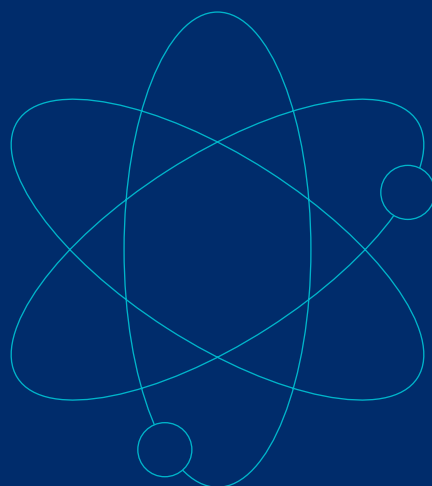
03

BUILDING A SCIENCE AND TECHNOLOGY SUPERPOWER

RECOMMENDATION

Expand incentives to attract significant R&D investment from industry.

- The UK science base is one of the best in the world. We welcome the Government's ambition to become a science superpower, but to do so requires significant and targeted action. The complexity of science is now such that major advances are now mainly made through collaborative projects.
- R&D is essential to keep the economy growing, but the UK performs relatively poorly at the overall amount of R&D that it undertakes. The UK spends only 1.7% of GDP on R&D, which is below both the OECD average of 2.4% and the EU average of 2.0%. The Government has made important steps towards reaching the manifesto commitment of increasing R&D spend to 2.4% of GDP by 2027. However, increasing business investment in R&D is critical to the Government meeting its targets and to secure the UK's status as a science superpower at this watershed moment. Business is responsible for 68% of the UK's expenditure on R&D, therefore, our sectors must be seen as central partners to reach this ambition. Areas such as the East and West Midlands lag far behind in terms of spending and the increase to 2.4% target should be more nuanced to ensure investment is felt across the UK.
- Taking innovation from early-stage discovery to the delivery of tangible outputs is key to realising sustainable economic growth and supporting UK national security and prosperity. These are crucial goals in the context of complex challenges including Covid-19 pandemic, national security and climate change. Government's proposed Advanced Research and Invention Agency (ARIA) has the opportunity to work alongside the existing science and innovation landscape to deliver UK technological advantage and enhance the UK's ability to rapidly address strategic technology issues by embracing disruptive innovation.



INVEST IN THE UK SCIENCE BASE

Maintain and expand Government's commitment to invest in the science base to leverage significant R&D investment from the private sector in the UK.

With public R&D investment set to reach £22bn by 2024/25, this will help to achieve the government's target of investing 2.4% GDP in R&D by 2027, and 3% longer term. For example, every £1 of Government funding for aerospace R&D leverages £12 of private sector investment, with an overall £1.7bn of R&D spend from the aerospace sector in 2019. In 2018, the pharmaceutical industry's spend on research and development in the UK was £4.5bn.

Include capital as eligible expenditure as part of R&D tax credits. Current mechanisms to support R&D tax credits are outdated, with the UK not currently recognising capital expenditure – such as on labs and buildings – within its R&D tax credits system. This ultimately disincentivises R&D capital expenditure, with profit-making firms getting back 19% on R&D capital expenditure through tax system and loss-making firms getting nothing back. R&D tax credits for capital – plant, machinery and buildings – could be paid at the same rates as those for current spend whilst existing capital benefits could remain to ensure no-one loses out.

Analysis shows that modernisation of R&D tax credits would become a net revenue raiser for the Exchequer in just seven years, and by year 10, would be adding £4bn a year to the economy. Estimates suggest this could create an additional 12,000 jobs over the initial period, mainly in high-skilled manufacturing, plus spillover jobs across industry.

Modernise R&D Tax Credits to back investment, innovation, and competitiveness:

Government should encourage inward investment through its available fiscal levers. Analysis projects that modernisation of R&D tax credits would become a net revenue raiser for the Exchequer in just seven years, and by year 10, would be adding £4bn a year to the economy. Estimates suggest this could create an additional 12,000 jobs over the initial period, mainly in high-skilled manufacturing, plus spillover jobs across industry. These would cluster in the UK's industrial heartlands, giving a major boost to the levelling up agenda.

Capital Allowances, the 'super-deduction' and the Patent Box should be strengthened to encourage SMEs to grow and ensure manufacturing remains in the UK.

Of the 1.7% of UK national income spent on R&D, 0.3%, equivalent to £5.7 billion, goes into researching chemicals and pharmaceuticals. £1.2 billion of which comes directly from overseas while roughly half comes from foreign owned businesses. Extending the scope and timeframe of the HM Treasury 'super-deduction' from two years and the range of taxes which the 'super-deduction' can be used against beyond Corporation Tax, will increase the lifespan of the scheme for manufacturers and increase the opportunity and competitiveness for investors in UK production.

INTERNATIONAL AND DOMESTIC COLLABORATION

Accessing international programmes for scientific collaboration.

Ensure significant funding and industry/Government partnerships are in place in order to facilitate collaboration between companies and academia to work together to develop and implement large-scale innovation programmes with supporting critical technology and skills in the UK and internationally. The UK can also focus on leveraging our acknowledged credibility as a regulator, and the UK as a leader in advanced manufacturing and life sciences policy – the UK's membership of both Project Orbis and the ACCESS consortium during 2020 are examples of this global collaboration in the pharmaceutical sector.

Build-on existing collaboration and encourage greater collaboration between business and the catapult centres.

For example, the FDF Cymru / AMRC Cymru partnership sees both organisations engage with businesses across the food and drink sector in Wales to scope out potential challenges in the adoption of emerging technologies. The outreach undertaken by FDF Cymru involves collating demonstrator case studies to assist the industry in practice, as well as on-going webinars and networking events. By industry and academia working together, we can better understand the barriers manufacturers currently face when it comes to implementing newer technologies.

TECHNOLOGY ROLLOUT

Make automation and digitisation technologies accessible,

by showing proof of concept such as establishing a network of demonstrator sites (e.g. based on existing Centres of Excellence for Food and Drink Manufacturing) and with partners in the Catapult Network. By providing both academic and practical engineering support, sectors can build confidence and understanding around the practicalities and benefits for individual businesses and help to de-risk investment decision and maximise the productivity and green growth potential. Technology needs to be applied at scale to optimise benefits in terms of efficiency, sustainability and ultimately affordability.



Businesses who make chemical products and solutions are integral to more than 95% of all manufactured goods. Whether it is ingredients for food and medicines; paints and coatings for cars and planes or materials for mobile phones and electric vehicle batteries, the chemical industry is truly the “industry of industries” Chemical businesses are located throughout the UK, with many of them clustered together in the North East of England, the Humber, North West of England, Central Scotland and South Wales and critical to “levelling-up

04 DESIGNING AND MAINTAINING WORLD CLASS REGULATORY FRAMEWORKS

RECOMMENDATION

Establish a coherent strategy for the UK's regulatory approach for manufacturing sectors, that delivers a level playing field and maintains the highest standards of quality and safety.

- Advanced manufacturing requires an industrial and regulatory framework, and coherent strategy, that ensures the UK is the best place to research, develop, manufacture and market current and future technologies. Good regulation, appropriately scaled and costed, can ensure a level playing field for fair competition, maintain high standards of quality and safety, and avoid creating barriers to international trade.
- International regulatory alignment, and the consequent removal of technical barriers to trade (TBTs), has played an essential role in promoting our industries' international competitiveness and must continue to coherently and jointly reflect our industrial, climate and trade policy. Our sectors are fundamental to the delivery of government's priorities: reaching Net-Zero, levelling-up, Covid-19 recovery and the global trade agenda. For many of our sectors, the EU remains our largest export market and maintaining a practical and responsive regulatory relationship is fundamental.



PRINCIPLES OF GOOD REGULATION

Establish clear principles for ‘good regulation’ for the new UK regulatory environment which

minimise costs to business – through fees, compliance, reporting – and seek to avoid or reduce unnecessary / exceptional duplication (especially where UK legislation closely mirrors equivalent European legislation). Government should carefully consider any international, regional or devolved divergence which might impact competitiveness or risk creating barriers to trade with key trade partners, and only diverge domestically where necessary or a clear advantage can be identified in partnership with industry.

Our members are amongst the most highly regulated sectors of the economy, with integrated regional and global supply chains. A clear approach to regulation should seek to remove ineffective and contradictory rules and seek to create lean and pin-point targeted regulation that supports innovation but upholds the highest possible standards for consumers.

This can be supported by a clear set of principles, including an Innovation Principle, so that future policy or regulatory decisions assess the impact on innovation. This would demonstrate the role that effective regulatory frameworks can play in enhancing markets and will help ensure there is an approach which stimulates investment in innovation by increasing the confidence of investors and innovators. Unnecessary duplication in regulation should be avoided and the impact of any divergence from international or regional standards must be carefully considered to avoid creating barriers to trade.

Alongside this, an increased use of Sunset Clauses can be a new feature of regulatory architecture, which mandate an expiry date on regulations, to avoid continuous legislative ‘roll over’ by a Statutory Instrument and providing an opportunity for the original impact assessment to be updated.

Establish an independent Office of Regulatory Impact:

An independent Office of Regulatory Impact (ORI) should be established to provide an ombudsman function, allowing industry to challenge in cases where there is duplicative or burdensome regulation. The ORI should be empowered to make recommendations to Parliament with suggested actions to streamline regulation.

Ensure regulation is appropriately scaled and applied, including for SMEs and low volume / specialist.

Our sectors are incredibly diverse – it is critical the UK remains aware of the needs and ability to meet regulations of specialist / low-volume manufacturers. Specialist manufacturers need appropriate regulations that are commensurate with their lower volumes, overall market impact, administrative burden and timely access to off-the-shelf new technologies.

UK REGULATORY REGIMES

There are already several regulatory issues and frameworks where the UK can adopt a positive and proactive approach, maintain appropriate alignment on current and future regulation, and work closely to pioneer new pathways with international and like-minded trading partners:

Establish an alternative UK REACH

that avoids duplicative data submission and costly re-registrations to help deliver an efficient and effective regime for both the regulator and UK manufacturers. The cost estimate of the current approach on the chemicals sector alone is at least £1 billion to re-submit data, much of which is already publicly and freely available to our regulators. A more prioritised approach to address chemicals that are new to the market-place, with new applications or of national interest will deliver a regulatory regime that gives confidence to business, regulators and consumers.

UK Emissions Trading Scheme (ETS)

Implement and link a new UK ETS to the EU ETS scheme as soon as possible, to allay major concerns over the liquidity of a UK only market (this includes concerns that the UK allowance price will be well above the equivalent EU price, thus impacting upon global and pan-European competitiveness).

The UK’s Medicines and Healthcare products Regulatory Agency (MHRA)

can carve a role for itself as an innovative, standard-setting regulator on the global stage. In establishing itself as an independent regulator, the MHRA should consider a focus on UK strengths in genomic data and innovative therapies. There needs to be adequate resourcing of the teams and agencies who need to deliver this. As such, at the next spending review, MHRA, HRA and NIHR need increased multi-year settlements which will enable them to expand capability.



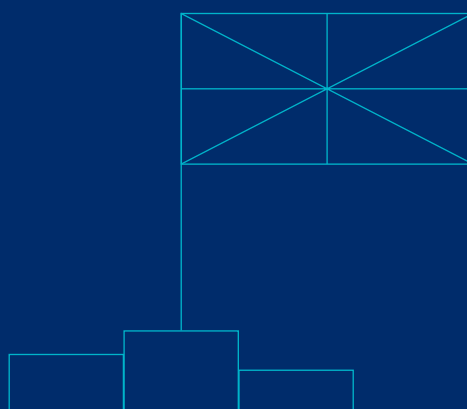
Food and drink manufacturers directly employ over 440,000 people across every region and nation of the UK. Employment in the sector has grown by 19% over the last decade. Our industry has a turnover of more than £104.4bn, representing almost 20% of total UK manufacturing.

05 SUPPORTING INTERNATIONAL LEADERSHIP AND GLOBAL BRITAIN

RECOMMENDATION

Place advanced manufacturing at the forefront of a long-term Export Strategy, developed with industry.

- The UK's advanced manufacturing sectors are recognised the world over for high quality, high value production, and can meet domestic demand and access global opportunities to the significant benefit of UK plc. To continue to succeed, the UK needs to compete for mobile international investment and build the confidence of the business community to invest, trade with, and export from the UK.
- The Government should create a globally attractive fiscal environment that supports and attracts manufacturing investment in both buildings, plant, equipment and R&D. In particular, business taxes should remain globally competitive, capital allowances and business rates should be more supportive for plant, machinery and equipment and the scope of the patent box should be extended to cover a wider range of IP.



VALUE OF MANUFACTURING EXPORTS



Aerospace

UK aerospace exports amounted to £31.8bn in 2019, with 94% of aerospace output being for export. Defence industry export orders worth £11bn were placed by the UK's international partners in 2019, security sector exports are worth £7bn a year, and space sector £5.8bn.



Automotive

UK automotive trade was worth more than £100bn for the third consecutive year in 2019 prior to Covid-19, and accounts for 10% of all export of goods - the UK's largest industrial goods exporter. The UK exported 81.0% of its vehicle production in 2019.



Food and drink

Overseas sales of UK food and drink manufacturing reached £23.6bn in 2019 having grown nearly 70% in 10 years.



Pharmaceuticals

Over £23 billion of pharmaceutical products were exported in 2019.



Chemicals

Over £55bn of chemical exports were exported globally in 2019.

TRADE POLICY AND STRATEGY

Place advanced manufacturing sectors at the forefront of a long-term Export Strategy, developed with and back by key business representative bodies,

which delivers on business market access needs, captures global growth opportunities, and facilitates business-friendly customs processes. The UK should use its independent membership of the WTO to ensure that WTO rules are fit for purpose to support free and open trade.

The new Trade Remedies Authority should be mandated to ensure those rules are observed and where they don't, apply fair and prompt penalties on rule breakers. The TRA should, within its remit, continue to consider the impact on the environment and labour conditions when determining penalties. Government also has a critical role to play in attracting inward investment and ensuring the UK's business environment is internationally competitive, and back ambitious strategies which position the UK world leaders – such as the new Space Strategy.

Expand export campaigns & trade missions:

Government should actively support the export ambitions of the UK's manufacturing sectors through direct engagement with export campaigns and missions, building on dedicated sector missions that have proven successful in aerospace and defence and increased funding for UK pavilions & exhibitions to compete on the world stage. Additional specialist export support required, for example, to overcome the unique challenges faced by exporters of food and drink in overseas markets and address a significant gap within the UK by creating an independent Food and Drink Export Council to support food and drink exporters and drive a genuinely collaborative approach between UK Governments and industry.

UK trade policy should promote our world leading Intellectual Property standards and ensure the value of UK scientific and technological innovation is protected in export markets, and position the UK as a global hub for innovation and inward investment with a new Inward Investment Strategy.

For example, the UK's robust IP framework underpins scientific innovation and has helped the UK become a major host of foreign direct investment (FDI). There has been over £11bn of inward investment in the past two years, powering domestic manufacturing and jobs in the UK. A globally attractive investment proposition developed in partnership with industry, with a single point of access for major manufacturing investors via the Office for Investment, would simplify and help maximise foreign direct investment (FDI) in the UK.

Ensure support for inputs of production:

The UK should utilise the UK Global Tariff to ensure that key industries can freely import key inputs to manufacturing, particularly where domestic production does not meet demand. The consultation on future tariffs undertaken in 2020 did not liberalise several key tariffs as desired and the opportunity exists to ensure that the UK is recognised globally as a free trading nation and cost competitive.

FREE TRADE AGREEMENTS

Ensure implementation and good governance of the UK-EU Trade & Co-operation Agreement, with domestic policies which support UK trade ambitions and sectors of strength,

sustaining the UK's production and supply chains, and support the transition to new technologies critical to the UK's global competitiveness, particularly in the post-Brexit era. For example, from 2024 and 2027, the UK-EU TCA will apply increasingly strict Rules of Origin which will mean tariffs will be applied to any UK-produced electric vehicle unless its battery is manufactured in Britain or the EU. Electric and hybrid vehicle production has grown, accounting for 18.8% of production in 2020 and is a pre-requisite to successfully meet Government's 2030 Net Zero ambitions.

Ensure global trade negotiations including USA, Australia, New Zealand and CPTPP accession are successfully concluded,

with appropriate Rules of Origin and exceptional rules for next generation technologies. Notably, the US is the UK's largest single market for chemical and pharmaceutical goods. Any agreement with the US should enable greater collaboration between regulators without forcing the UK to diverge without benefit from the EU's REACH regulatory platform.

UK BORDER

Develop and deliver a world leading border and customs regime.

Accelerate the Border 2025 Strategy, to develop a smart, efficient border which includes the development of single window data entry for import / export data, enhanced trusted trader schemes, with a risk-based approach, and invest to ensure any capacity or skills issues in both systems and intermediary sector are mitigated. Furthermore, the protection and promotion of intellectual property as part of the UK's global trade strategy is critical to the UK's manufacturing sectors.



ADS is the trade association for the UK's aerospace, defence, security, and space industries, with more than 1,000 member companies. Our sectors are vital to the UK's growth, generating £79 billion turnover in the UK in 2021, including £45 billion in exports, and supporting over one million jobs across the whole of the UK.





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