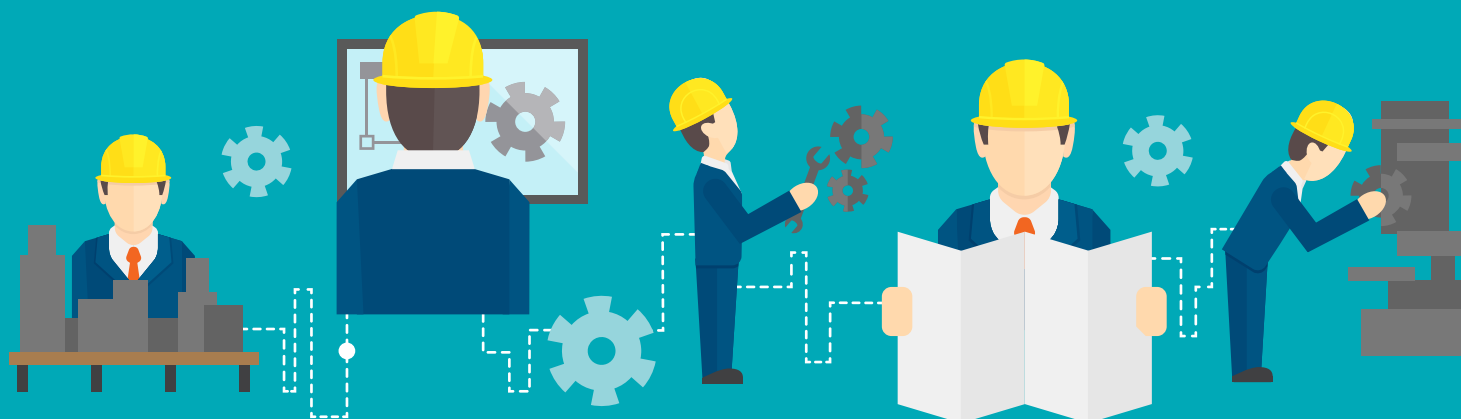


# Manufacturing 2015

The Yorkshire Review

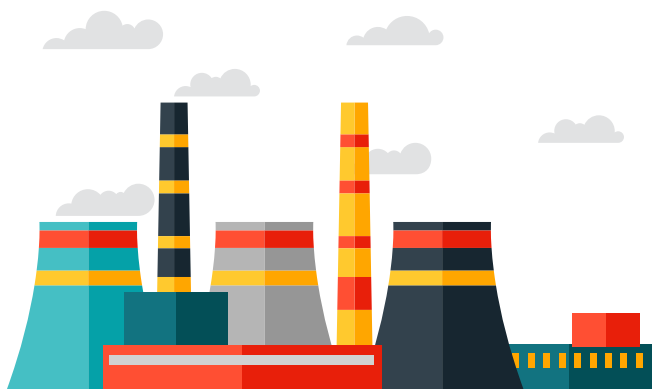


# Introduction

“UK manufacturing is having to contend with a rollercoaster of risks from the rest of the world” (Lee Hopley, Chief Economist at the EEF) and 2015 has certainly been a case in point.

The General Election in May produced a surprising Conservative majority and with it came the uncertainty of a looming referendum on EU membership. Ongoing discussions around the Transatlantic Trade Partnership (TTIP) famed as the ‘biggest bilateral trade deal in history,’ together with price rises in China eroding the cost advantage of production, are producing both political and economic challenges for the sector. UK manufacturers are considering reshoring both their manufacturing operations and also their supply chain to drive efficiencies, de-risk and drive up quality, but with widespread currency instability in the Eurozone and ongoing skill shortages the future doesn’t look straightforward. That said, the sector has a positive outlook – production is on the increase, access to finance is proving less of a challenge, and new technology is positioning the UK as a global leader.

Squire Patton Boggs and TheBusinessDesk.com joined forces on a survey into the manufacturing sector to give Yorkshire manufacturers a voice and have their say on the big issues facing their businesses. In this review we have summarised the survey findings and discussed the results with manufacturers on the front line – their insight can be found on page 6. Finally, Mark Tomlinson, from one of the region’s leading manufacturers – Sheffield Forgemasters International Limited - shares his views on the sector. We would like to thank Mark and all of those who have contributed their views on the sector. We hope that you find our report a thought-provoking read.



# Foreword

## The Business Desk



Manufacturing may have a higher profile in other parts of the UK, but nowhere else can claim to beat Yorkshire for the range of its expertise in the sector.

That diversification is a double-edged sword as sharp as anything made by the cutlers of Sheffield, because the absence of concentration in one area gives a false impression that the sector is smaller and less important here.

But its food manufacturers in the region make products that are eaten around the country, and the world, while Huddersfield firm Reliance Precision went even further last year by designing the gearing for the Rosetta satellite which landed on a comet 310 million miles from Earth.

Leeds City Region claims the highest concentration of manufacturing in the UK, worth over £7 billion, and double the national average of companies in advanced manufacturing.

South Yorkshire has the Advanced Manufacturing Research Centre (AMRC) and its sister body the Nuclear AMRC, world-class centres for advanced machining and materials research for aerospace and other high-value manufacturing sectors that has brought together Boeing, Rolls-Royce, leading academics and many other organisations in a project whose impact will last for at least a generation.

Opportunities are being created for highly-skilled apprenticeships that can end with Masters degrees and PhDs and manufacturing is once again being widely viewed as an aspirational and inspirational career choice for young people.

The opportunities are also more immediate, with companies across Yorkshire forming a crucial supply chain to this growing sector and developing in tandem.

Manufacturing may have mostly moved away from mass employment sites but by making the shift to advanced manufacturing its impact and importance is as great as ever.

Yorkshire's manufacturers are leading the way – the only thing they don't make is a song and dance about it.

### Alex Turner

Editor

TheBusinessDesk.com Yorkshire

# Key Survey Findings

## The BIG Issue – Skills



of respondents cited the most significant issue for them is the skills gap and a multi-generational workforce



of respondents suggested that the skills shortage is likely to impact on the short to medium term performance of their business



Upskilling existing workforce and taking on apprentices were the top ranked solutions to the skills gap



of respondents think that there should be a greater focus on STEM subjects in schools and colleges

## Government Support

83%

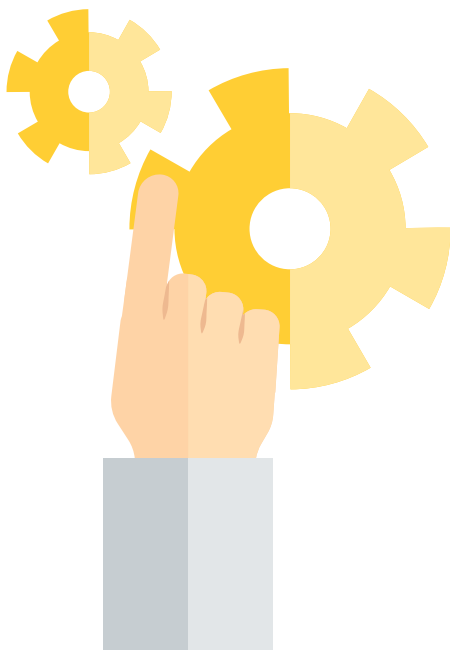
of respondents want to see the UK remain part of the EU

58%

of respondents do not think there is enough support with innovation, industrial R&D and commercialisation of new products

### Types of Government Support Required

- Clear strategy to support UK manufacturing – long term strategic thinking
- Skills – financial support, education policy
- Grant aid – capital investment/skills
- Economic stability/FX stability/no EU departure/taxation stability
- Cut red tape – less regulation, reshore the process of regulation and control
- Better all round support for SMEs
- Infrastructure/transport links
- Access to finance
- Export support
- Business rate reduction



## Supply Chain Improvements

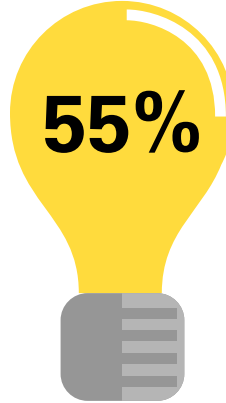
43% responded that greater collaboration with suppliers followed by use of new technologies would have greatest impact on their bottom line

Just over 50% of respondents do not currently have reshoring as an active priority, although shortening the supply chain is seen as a strategic priority

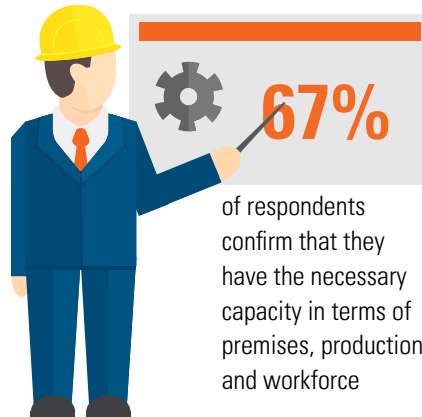
## Production and Collaboration



of respondents are expecting to ramp up production by the end of 2015



of respondents suggested that new technology and digital intelligence (intelligent products/availability of data) are likely to have the greatest impact on future growth



of respondents confirm that they have the necessary capacity in terms of premises, production and workforce



### More than half

of the respondents do not see access to finance as a restricting factor

## Infrastructure

**Over 50% of respondents perceive UK transport infrastructure as a hindrance to growth. Improvement suggestions include:**

- Produce and implement a clear, coherent UK-wide transport strategy
- Improve road and rail networks to support the movement of goods and people
- HS2/HS3 – start the system at all points at once
- Integrated public transport infrastructure in the Northern Powerhouse cities
- Increase regional airport capacity
- Improve digital capacity – especially in rural areas

## Green Manufacturing

**57% of respondents have Green Manufacturing on their agenda**

- Of the 57%, implementing an energy reduction programme and improving on waste management were the priority strategies

# A View from the Sector

## Attendees:

### Lucy Thornycroft

Regional Director, CBI

### Jane Robinson

Director, Cutting Technologies

### Andy Tuscher

Regional Director, EEF

### Michael Bates

former Managing Director,  
Harrison Spinks

### Alan Bates

Managing Director, Klinger

### Phil Ball

Managing Director, Kodak

### Gary Cromack

Head of Production, Leading Edge

### Prof Timothy Deviny

Leadership Chair in International  
Business, Leeds University Business  
School

### Prof Chee Yew Wong

Professor of Supply Chain Management,  
Leeds University Business School

### Paul Madin

Operations Director, Sheffield  
Forgemasters International

### John Alderton

Partner, Squire Patton Boggs

### Karen French

Partner, Squire Patton Boggs

### Paul Mann

Partner, Squire Patton Boggs

### Alex Turner

Editor, TheBusinessDesk.com

## Business leaders from across the manufacturing sector met to discuss the major challenges raised by the survey at a roundtable event in Leeds

High on the agenda at the lunch hosted by law firm Squire Patton Boggs in partnership with the TheBusinessDesk.com was Britain's continued membership of the EU, reshoring, increasing productivity, skills shortages and the price of energy.

Turner received a robust response when he opened the event by asking for the panel's opinion about the effect an EU exit would have on manufacturing.

Tuscher said that it would be "economic suicide", adding that the EEF has a clear mandate from its members to promote that message. "I think it's very clear that we want to be a part of Europe, although we would like to see an element of reform. Europe remains our biggest export market and part of our success as an exporter is down to the fact that we're part of this massive economic market."

Thornycroft agreed with this sentiment adding: "When it comes to the EU, I think that it's important to focus on jobs and growth – those issues that we would regard as domestic policy."

Robinson added that while Cutting Technologies doesn't export "directly", she is nevertheless "frightened to death" of coming out of Europe. "I think that many companies don't understand that even if they don't export directly, their goods might still be exported further down the line. As a consequence, they might be more affected by leaving the EU than they are aware."

Cromack said that as a company that is looking to begin exporting to Europe to continue its growth, it is the uncertainty surrounding our EU membership that is currently causing greatest concern. "If we did leave the EU, it's my belief that we would still feel like a part of it anyway. We would simply be without a voice there."

There was broad agreement with this sentiment and Tuscher added: "Europe is our biggest single export market and if you want to influence what's happening there, you have to be a part of it to do that."

Alan Bates raised his concern that the outcome could be comparable to the referendum in Scotland. "When you look at what happened in Scotland, there was certainly a great deal of uncertainty there following the referendum. The price of oil dropped. My fear is that England will become unattractive like Scotland became."

Turner subsequently asked Deviny how damaging to British industry he believes it would be to have a long period of uncertainty following the outcome of a referendum.

Deviny replied: "I think that the role of the EU has been to remove transaction barriers. But I do think that it's a case of whether we would rather be in the room when the decisions are being made or on the outside moaning about it."

"In terms of the nature of the outcome, many politicians seem to be saying that they would rather be on the outside – but Europe will continue to do what it does independent of the UK. I think that it would be stupid and significantly detrimental. Taxes on financial transactions would be much more likely to occur if the UK was on the outside. And ultimately, the UK will have to buckle because we are part of a global trading system."

Alderton added that he believes that the main challenge will be "winning the hearts and minds". "I think that there's a danger that momentum could gather surrounding an out vote. I hope that the parties put significant investment into ensuring that the man on the street understands the implications of this."

## Skills Shortages...

Turner subsequently moved the roundtable's focus to ongoing issues surrounding skills shortages within the manufacturing sector. Kodak is among the Yorkshire-based manufacturers that are backing the new University Technical College Leeds. The UTC will deliver a manufacturing and engineering focused curriculum via project work, work experience, vocational and academic learning based on industry needs.

Ball said: "In my experience, manufacturers in the region have huge problems getting the right skills in place and the age profile of many of their employees – with many in their 50s – is also an issue. The main motivation behind the development of this college was to overcome these issues.

"As a sector, I do think that we've brought some of these issues on ourselves by not investing enough in training down the years."

Tuscher added that – in his experience – many parents still have misconceptions about the scope for a successful career in manufacturing.

Robinson added: "I'd agree with that – I regularly go out to promote the sector and I do think that there are still huge misconceptions among parents about the opportunities in the manufacturing sector."

Thornycroft said that most of the CBI's members don't believe that the education system is providing the skills that are needed. "I also believe that vocational subjects can sometimes be seen as second best – and that's a perception that needs to be changed."

Deviny added that if you examine the background of the chief executives of most Fortune 500 companies, most are found to have engineering backgrounds. He joked: "You don't want the head of your company to be a chief financial officer."

Professor Wong said that – from his conversations with manufacturers – the main issue tends to be graduates' attitudes when it comes to a career in manufacturing. He explained: "I do think that there's a mindset among many graduates that they've spent money on university for three years and consequently manufacturing is not what they want to do.

"Instead, I think that many graduates think that they want to work in London in one of the banks – simply because that's where they'll make the most money. I've consciously set out to show these graduates just how interesting a career in supply chain management and logistics can be – and it's not a case of sitting in front of a computer for eight hours."

And small and medium-sized manufacturers shouldn't be overlooked. Ball added: "I work with the Local Enterprise Partnership (LEP) to show graduates how working with SME manufacturers can bring more rapid career advancement. These businesses are often fantastic places to learn."

" I think it is very clear that we want to be part of Europe although we would like to see an element of reform. Europe remains our biggest export market and part of our success as an exporter is down to the fact that we're part of this massive economic market"

*Andy Tuscher, Regional Director, EEF*





“the economic crisis fundamentally changed the way many manufacturers behave . . . . .that’s the big advantage of reshoring – you don’t have so much cash tied up for such a long time”

*Phil Ball, Managing Director of Kodak*



## Productivity, Reshoring and Growth...

Turner subsequently asked the panel’s opinion about the best ways to improve productivity within the manufacturing sector.

Madin said: “When it comes to measuring productivity, I do think that it’s important to ensure that you are measuring products in the same way. But my impression is that companies have become much more efficient when it comes to productivity.”

Devinny agreed, adding: “I think that when it comes to productivity, it can be a silly argument as it’s not altogether clear what we are comparing or contrasting.”

Tuscher continued: “There’s an increasing number of global organisations who are actively repatriating to the UK – and they wouldn’t be doing that if this country wasn’t productive. They need to get their production right and the quality right. Here in the UK, we’re very good at ensuring high quality.”

This sentiment was echoed by Ball, who added: “I think that the economic crisis fundamentally changed the way that many manufacturers behave when it comes to investments and cash. When budgets are being squeezed, it makes a difference if you’ve got a period of eight to 10 weeks of supply chain when those products are on route to you. And that’s a big advantage of reshoring – you don’t have so much cash tied up for such a long time.”

The panellists were in broad agreement that there remain issues surrounding the lack of financial support that exists for capital expenditure projects.

Tuscher said: “The Local Enterprise Partnerships haven’t been able to do what the Regional Development Agencies did because they didn’t have the same huge budgets. They’ve had to balance the books.” He called on manufacturers to take advantage of all available funding at their disposal to achieve growth.

Cromack said that Leading Edge has recently benefitted from the 100% capital allowance for new machinery from the regional growth fund. He added: “If you want funding, you’ve got to go out and seek it. I think that some companies can expect the funding to come to them.”

Robinson agreed with this sentiment adding: “We’ve also benefitted from the 100% capital allowance. I think that there’s an apathy among some businesses which regard the process of accessing funding as too time consuming. And there is a lot of form filling – but it’s quite right that it isn’t easy to access the cash when it’s public money we’re talking about.”

Mann expressed his opinion that there’s undoubtedly greater awareness about sources of funding among the manufacturers he works for. He added: “But I do think that there’s still a long way to go in this respect. It still frequently surprises me that there aren’t even greater tax savings being made when they can be.”

There was also unanimity among delegates about the importance of innovation within the manufacturing sector.

Michael Bates said that this was one of the best ways to ensure that a company keeps growing. “When it comes to innovation – you’ve got no choice. We’re fortunate in that the owner of Harrison Spinks is an amazing engineer who likes to challenge the status quo by placing innovation at the heart of what he does. On one level, we’re a luxury mattress maker – but the way that we make them is totally different to anyone else in the world – not least because we grow our own hemp and flax.”

Harrison Spinks develops and manufactures the machines that its springs are produced on ‘in house’ in order to meet its own design requirements. Down the years, the company has also diversified the use of its springs into alternative markets including upholstery, car seats, office furniture, footwear and baby mattresses.



## Environmental Impact... and the Cost of Energy

Turner subsequently sought the panellists' opinion about the impact of the manufacturing sector on the environment.

Tuscher stated that many manufacturers still see environmental compliance as a "cost" – although they're fully aware that their obligations need to be fulfilled.

He explained: "These days, all new buildings have to be constructed in the most environmentally friendly manner.

"Whether it's by making use of green energy or water capture, these can add to the cost of their construction bill.

"I'm aware of some companies who've implemented these best practices and – as a result – their business rates have tripled.

"At the moment, I don't think that there's necessarily joined-up thinking across the sector."

Ball said that it was also his impression that all manufacturers are aware of their environmental responsibilities – but the main issue for most of them remains "energy costs".

He explained: "If you have an energy intensive business and you compete with the US then we're at a tremendous disadvantage in this country.

"The energy costs overseas are a fraction of what they are here and it makes it virtually impossible to compete – there just isn't a level playing field.

"If you are working in an international business where you have comparable manufacturing processes across the globe, it's a huge advantage to be based in a lower energy cost location."

Paul Madin, of Sheffield Forgemasters, echoed this sentiment adding that energy efficiency was of paramount importance to his organisation. "I think that the playing field should be more level when it comes to energy use.

"Our energy bill is £1 million per month and that means that we simply can't compete with some of the big foreign businesses.

"But when it comes to implementing best environmental practice, there can be some surprising benefits.

"At Forgemasters, our 100 tonne furnace kicks out an awful lot of metallic and non-metallic dust which is all captured in what we call a bag plant.

"Up until fairly recently, we've always sent that to landfill at great cost. But we've recently found a company in Poland that wants to buy it from us, for reasons known to them.

"So now, rather than it being sent to landfill, there's a cost benefit for us.

"It's surprising what can come out of being green – and I think that manufacturers are becoming increasingly aware of this."



"When it comes implementing best environmental practice, there can be some surprising benefits"

*Paul Madin, Sheffield Forgemasters*



# Our View on Yorkshire Manufacturing



The manufacturing sector continues to power Britain's economy in myriad ways – and this is clearly evident here in Yorkshire. Following a ground-breaking survey into the state of the sector, Karen French – head of manufacturing in the Leeds office of Squire Patton Boggs specialising in the manufacturing sector – lends her insight into current and future developments...

Karen French is in no doubt about the reasons why Yorkshire's manufacturing sector should be celebrated not only regionally and nationally – but also internationally.

"This region has been at the forefront of heavy industry in Britain for more than a century and that's unlikely to change for the foreseeable future," she explains.

"Yorkshire is renowned around the world for its steel industry and this has provided us with an enviable pedigree both nationally and also internationally.

"And we should be immensely proud of this heritage – it truly puts us on the map."

But French knows from first-hand experience of working with manufacturing clients across Yorkshire that the breadth of manufacturing expertise goes beyond this.

"Quite apart from this solid base of heavy engineering, the wider manufacturing sector is also strong," she adds.

"There are some outstanding businesses that have been about for years – and sometimes generations – as well as other manufacturing sub-sectors which are also rapidly emerging.

"For example, this region's advanced manufacturing sector is burgeoning and gaining an exceptionally strong reputation."

French has noticed that many Yorkshire manufacturers remain "cautious" when it comes to undertaking deals currently.

She believes that this owes much to a "regional mindset" that she's observed many times down the years.

"As a region, I've always thought that we're our own biggest fan – as well as being our own worst critic," she explains.

"Many companies remain cautious after their experiences in the recession, but manufacturing deals remain steady.

"It's also my impression that the sector as a whole is very much aware of the challenges it's facing at the moment.

"But there's a real commitment to overcome them."

"this region's advanced manufacturing sector is burgeoning and gaining an exceptionally strong reputation"

## Overcoming the Challenges... Skills Shortages

French believes that one of the main challenges facing Yorkshire's manufacturing sector currently surrounds the shortage of skilled workers.

She believes that the new University Technical College Leeds – which has been established to deliver a manufacturing and engineering focused curriculum via project work, work experience, vocational as well as academic learning based on industry needs – will undoubtedly make a real difference.

And this needs to be part of a “fundamental shift in mindset” that results in manufacturing becoming as popular to youngsters as other careers.

“I think that overcoming issues surrounding skills continues to be a huge challenge – but it's also an issue that's undoubtedly at the top of the agenda.

“I think that there's obviously a need for apprentices to come into organisations to ensure their ongoing success and longevity – and my impression is that this situation is improving.

“But it shouldn't stop there...

“In Yorkshire, there are a lot of very successful financial and professional services firms – and there's no shortage of educated people who are only too happy to embark on a career with them.

That said, manufacturing careers need to be up there as an attractive career path for our youngsters and graduates so that they have a broader awareness of the industry and are encouraged to look at the manufacturing sector as an equal to the offerings of the Financial Services Sector.

“I believe that this is an issue that does need to be addressed by the government.

“From talking to manufacturers, there needs to be a more joined-up approach in connecting both schools and universities directly with manufacturers at the start of students' career journeys.”

## The Forthcoming EU Referendum...

While talking with manufacturing clients, French has heard first-hand on many separate occasions that there's a consensus of agreement that we need to remain in the EU.

But she remains concerned that the referendum will be “unduly rushed into”.

“My impression resolutely is that manufacturers want to remain in Europe. It's been our largest single trading partner for years.

“As a nation, we're in limbo at the moment as we wait for the referendum to take place and this is undoubtedly affecting overseas investment flowing into Britain.

“But the situation we find ourselves in currently can be likened to a double-edged sword.

“While there's consensus that the referendum needs to take place quickly to determine a decisive result, if it happens too swiftly then there's a real risk that there won't be opportunity for a proper debate into the issues.

“And that could affect the final outcome adversely from a manufacturer's perspective.”

“overcoming issues around skills continues to be a huge challenge – there needs to be a more joined up approach in connecting education with industry”

“Embracing technological innovation is also an intrinsic part of ensuring best practice within an organisation... some might describe it as 'closing the circle'.

## Increasing Productivity... and Best Environmental Practice

French believes that Yorkshire manufacturers are “incredibly focused” when it comes to increasing their productivity in the most appropriate way to meet their individual needs.

She has also seen a distinct trend for companies to look at reshoring as a way to achieve this.

“My impression is that many companies are becoming increasingly aware that they could save money if they bring back manufacturing to this country and this region.

“If they’ve got a facility in Keighley – rather than one on the outskirts of Shanghai, in China – then the supply chain is far easier to manage and a company is also likely to cut its carbon footprint in terms of moving products around.

“But I think that the process of reshoring can also be easier said than done...

“Manufacturers looking to bring production back here are still going to find the skills gap an issue.

“And that’s before they’ve considered energy costs in Britain that are sky-high compared with other parts of the world.”

French has also observed manufacturers giving far more consideration to sustainable manufacturing processes – and methods of transporting goods – than has ever previously been the case.

“This has simply become the most cost effective way of running a business.

“Those manufacturers that think through what they do with their waste – and whether there’s any way of generating money from it – as well as how best to transport goods are immediately providing themselves with a competitive advantage.”

## Accessing Finance... To Ensure Innovation

Embracing technological innovation remains of “fundamental importance” when it comes to ensuring growth within a business.

French explains: “Generally, it’s my impression that there’s far greater awareness about the benefits of accessing funds linked to innovation within manufacturing.

“I don’t think that this process is made as straightforward for manufacturers as it could be.

“But being able to access appropriate funding in order to innovate and sustain growth is imperative not only for individual companies but for the sector as a whole.

“Embracing technological innovation is also an intrinsic part of ensuring best practice within an organisation... some might describe it as ‘closing the circle’.

“And when all the components of this circle – from fostering the next generation of skilled workers to promoting innovation and implementing best environmental practice to shortening supply chains – are in the right balance, a manufacturer truly knows it’s operating in the leanest and most appropriate way possible.”

## Squire Patton Boggs’ Public Policy Practice: Getting Clients Heard When It’s Needed Most

Squire Patton Boggs’ Public Policy Practice is providing an ever-increasing number of businesses with “a voice” in the corridors of power across Britain and Europe.

The practice develops strategies that ensure clients get their perspective heard at the right time, by the right people.

It also assesses – either in advance or in real time – what government policies could affect those organisations’ business interests and seeks to shape discussions before they become legislation.

In Britain, the law firm has a long-standing reputation for excellence in this area having worked on behalf of a wide variety of different clients.

Following the merger last year of Squire Sanders with Washington-based lobbyists Patton Boggs - one of the largest lobbyist firms in America - Squire Patton Boggs is now targeting ambitious growth across its global Public Policy Practice.

Karen French explained: “I believe that Squire Patton Boggs’ Public Policy Practice has rapidly become one of our firm’s key unique selling points (USP).

“Clients across all sectors are increasingly showing an interest in what we can do for them in order to ensure that they have a voice regionally, nationally as well as in Europe.

“Sometimes, it’s about presenting your case clearly to the right people - and that’s something at which Squire Patton Boggs has always excelled both in Britain and internationally.”

Squire Patton Boggs Public Policy Practice now has a presence in all major capitals across five continents.

# A View From...

## Sheffield Forgemasters International

Mark Tomlinson, Group Development Director for Sheffield Forgemasters International gives his views on the manufacturing sector....

### How has Sheffield Forgemasters International evolved since being founded?

Sheffield Forgemasters International Ltd (SFIL) is a world leader in supplying total engineering packages to solve industry's needs. With over 750 staff and a turnover of approximately £80 million, it is the largest privately owned forgemaster in the world, and one of the largest private sector employers in the Sheffield City Region. The company specialises in a broad range of heavy and complex forged and cast steel products as well as supplying primary ingot and bar feedstock. SFIL also uses its world-class technical resources to conduct a range of non-manufactured services from research and development (R&D) and design to establishing material requirements, producing material specifications and simulating downstream operations for its customers.

SFIL produces some of the largest bespoke engineered products in the world for the highest integrity requirements. The company has capacity for components with finished weights of up to 350 tonnes for castings and 170 tonnes for forgings.

The company is also a leading innovator in the development of safety-critical castings and forgings to the world's civil nuclear power generation markets and carries ASME accreditation as a materials supplier and component fabricator.

Finally, SFIL is the world's leading supplier of castings to the offshore sector and has designed and manufactured more than 46,000 tonnes of components. The company has operated in this market for more than 20 years and SFIL castings are tried and tested in structures around the world.

### How important do you regard manufacturing to the success of "UK PLC"?

Manufacturing is critical to the health of the wider economy. A healthy balance of manufacturing, financial and service industries is required to ensure a robust economy which is responsive to global trends.

UK PLC needs more high-skilled, well paid jobs and needs to rely on innovation and R&D to maintain its position amongst the leaders of the developed world. Manufacturing directly addresses all these key areas. Workers in manufacturing are, on average, better paid, more highly qualified and more productive than those in other sectors. Manufacturing also accounts for two thirds of all UK exports, so it is a vital link in the balance of payments equation.

Manufacturing forms the foundation of the economy with its emphasis on long term strategies and its significant investment in plant, people and R&D. Without the steadying influence of a strong manufacturing base, even modern economies can fall foul of short termism and become prone to unpredictable cycles of boom and bust, driven by markets and speculation.



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## How important to your business is exporting?

As a company, our export share is between 60 - 80%. There is no UK competition for the components we make, and only a small number of companies worldwide are able to match our products. We supply a global market with very specialised products and so exporting is essential to our business. We have established overseas offices in the US, Germany and China and deal extensively through a network of appointed agents in other countries.

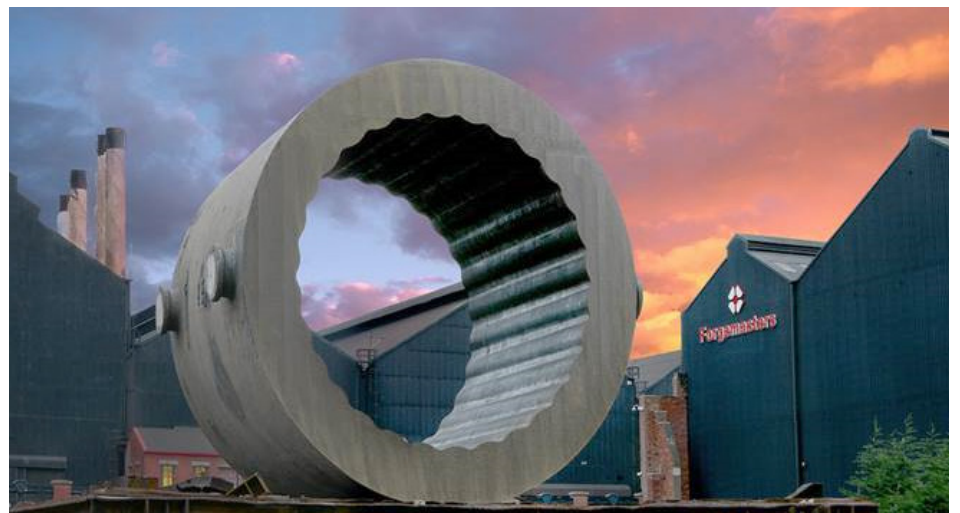
As foreign economies develop, their requirements change as the local demands go from the need for infrastructure development to the establishment of modern industries. SFIL can provide a mixture of goods and non-manufactured services such as technology transfer to contribute to this journey. This expansion from the traditional manufacturing company standpoint allows us to leverage our knowledge, experience and reputation to deliver increased value and returns.

## What advice would you give to manufacturers wanting to achieve solid growth?

Clear focus and direction is essential to mobilise all the resources you have at your disposal. A team that all pulls together can achieve amazing things and setting the context and heading of that effort in a way that can be clearly understood and implemented all the way through an organisation is a key business skill.

As manufacturers it is important to realise that efficiency is a prerequisite, but that for companies in developed economies it is only through know-how, innovation and constant improvement that a sustainable competitive advantage can be achieved. Manufacturers in high cost economies like ours need to be better than our competitors at making today's products and we need to work hard to ensure that we will continue to be better at making the products of tomorrow.

"Manufacturing is critical to the health of the economy. A healthy balance of manufacturing, financial and service industries is required to ensure a robust economy which is responsive to global trends"



## What are the main challenges facing the manufacturing sector currently?

For the sector in general, the biggest issue is lack of demand due to the global financial situation. Manufacturing, particularly in the UK, appears to have suffered from a reduction in productivity but I believe that this is a function of reduced order-load rather than a decay in our abilities. Companies in advanced manufacturing in particular are reluctant to lose highly skilled staff when demand reduces. Given the lack of suitably trained people in the job market and the time needed to train up new starters, manufacturers must adopt a longer term view of the economic cycle and the labour market. For that reason I believe that a resurgence in consumer demand will inevitably lead to rises in productivity. It is therefore important to raise consumer confidence to levels that unlock purchasing decisions across the wider economy. This will allow the type of longer term planning that results in the building of projects that we supply such as power stations, oil rigs, steel processing factories and chemical plants.

### Energy costs...

For SFIL in particular, as an energy intensive manufacturer, a big issue facing us is the 'non-power' costs of gas and electricity we are subject to. These 'UK only' add-on costs mean that energy is up to 50% cheaper in mainland Europe. Action on climate change has had a positive effect on the carbon intensity of our electricity supply network, particularly in relation to that of places like China and India. However, if the 'green taxes' to pay for this make our products uncompetitive we will end up raising global emissions by 'exporting' production and jobs to more polluting regions whilst simultaneously harming our economy along the way. Government has recognised that the cripplingly high costs are unsustainable for energy intensive users and has promised to address this. However, neither the extent nor the start date of any assistance has been determined, so we are all keen to hear more as soon as possible.

### Apprentices...

The next challenge for the industry is the provision of suitably trained personnel. SFIL is fortunate enough to have a long established apprenticeship scheme to develop talent internally, this huge commitment to the future is a significant investment for companies the size of SFIL, but is almost impossible for SMEs to contemplate. Schemes like the AMRC training centre in Sheffield allow smaller companies to take on a single apprentice in a purpose-built training centre. The success of such centres relies on the curriculum being defined by industry to keep it modern and relevant.



Richard Hunt, corporate partner at Squire Patton Boggs comments: "One of the oldest steel businesses in the world, Sheffield Forgemasters is a true regional manufacturing success story. Leveraging its heritage in the steel and heavy engineering industries, the company has established a market leading reputation for its high quality engineered products and technical innovation; a reputation that is world-wide.

"This is a business that has taken time to develop long-term relationships in international markets; not only establishing its own offices, but collaborating on projects with other manufacturers in the global supply chain. The company has used its unique expertise to unlock opportunities world-wide and is blazing a trail for manufacturers in the region looking to other markets to generate growth."



"efficiency is a prerequisite, but that for companies in developed economies it is only through know-how, innovation and constant improvement that a sustainable competitive advantage can be achieved"



# Conclusion

## Winning in the Future – Facing the Manufacturing Challenges

There can be no doubt that the manufacturing sector is facing unprecedented challenges across the board, driven by the uncontrollable; government policy, energy supply and overseas markets, together with the controllable; the sector's approach to skills, collaboration and innovation.

Through our survey and manufacturing roundtables it is clear that the sector is positive and ready to face the challenges to cement a profitable future for UK manufacturing.

**Skills:** This is the biggest challenge the sector is facing. Manufacturers would like to see positive government policy around the STEM agenda, and there also needs to be greater collaboration with education institutions to build the brand of manufacturing as a sector offering interesting, rewarding and challenging careers. Skills training funded by industry through statutory apprenticeship levies is one interesting idea currently being debated; an idea which has the potential to reshape technical education to ensure it is technically and industrially relevant and delivers the highly skilled workforce required for the future.

**EU Referendum:** It is clear that the overwhelming majority of the manufacturing sector wishes to remain part of Europe and sees it as a critical factor in the long term success of the sector. Manufacturers now have the opportunity to join together and deliver a single message to government.

**Government support:** The sector would like to see increased support for innovation, industrial R&D and the commercialisation of new products. Technological innovation will give UK manufacturing a competitive advantage and manufacturers need to work more closely with government to focus on creating a long term strategic plan to drive the sector forward.

**Collaboration:** Supplier collaboration goes hand in hand with innovation as new technologies are developed and used to create competitive advantage, so inter-relationships across the supply chain become more critical. The development of the Asian market means that the price advantage of Far Eastern manufacturers is narrowing; reshoring to shorten the supply chain will become ever more apparent.

**Infrastructure:** Current UK transport infrastructure is seen as a major hindrance to growth – the physical movement of goods and people is a major challenge facing the sector. There is a need for manufacturers to join forces and work with government in the development of a coherent, UK-wide transport strategy. The timing of HS2 and HS3, together with the infrastructure connectivity throughout the Northern Powerhouse economies to major ports and airports, is critical to growth in the sector.





# Key Contacts

For more than 100 years, manufacturing, engineering and distribution companies have looked to Squire Patton Boggs for creative solutions to their legal challenges. Years of working closely with manufacturers and their suppliers has strengthened our commercial and business understanding of the sectors we serve. Our lawyers continue to stay ahead of the financial, regulatory and intellectual property issues faced by our clients in fast changing environments. The lawyers in our specialist practice areas are aligned to industry groups across our four UK and 40 other offices worldwide; they are familiar with our clients' diverse products, technologies and business models. This expertise and global reach ensures we can bring you the most appropriate commercial advice, relevant to the specific sector you operate in, regardless of your business locations.

We can provide the comprehensive services your company needs to succeed in the global marketplace, whatever the stage of your growth cycle. This includes acquisitions, divestitures, finance and capital markets transactions and tax planning. We can draft your global compliance policies or resolve cross-border disputes and regulatory issues. Additionally, within your organisation we can advise on every kind of workplace issue – from immigration to commercial leases to data protection.

With one of the strongest integrated global platforms, and known for our pre-eminent Public Policy Practice and deep-rooted relationships in Washington DC and Brussels, we can help you manage your industry concerns in the UK and overseas.



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