

**HOW MANUFACTURING
CAN HELP **REBALANCE** THE
NORTHERN IRELAND ECONOMY**





Challenging times...

These are hard times. The year on year growth in public expenditure that underpinned the good performance of the Northern Ireland economy in recent years is over. With household budgets under pressure from debts and the threat of unemployment there will be little growth from personal spending either.

We need manufacturing to help renew our economy, restoring the growth we need to provide the jobs we need and pay for the better public services we deserve. Manufacturing has a bright future, a green future, producing the goods we need today in a sustainable way and producing the means to tap renewable sources of energy that will end our dependency on fossil fuels and fight climate change tomorrow.

Support for manufacturing is not at the expense of other public spending, it is what makes public spending possible as manufacturing more than pays its way, paying corporation tax and employer's levies, rates, its employees income taxes and national insurances, and contributing to those in other sectors: paying farmers for their produce, generators for their electricity, banks for their services and engaging professionals across all disciplines from law and accountancy to health care.

Placing a higher burden on manufacturing is counter-productive. No taxes are generated by closed firms and empty factories, so the emphasis must be on stimulating activity and creating sustainable jobs.

The recent admission that dozens of firms have been in contact with Invest NI only to subsequently locate in the Republic of Ireland to access the lower tax rates available there is conclusive proof that in a world characterised by mobility we need to give a positive reason to companies to invest here. Our offer has to be competitive, and this is more important now than ever as growth in the service sector flattens out. Manufacturing is not though some sort of sleeping beauty which can easily be awoken in the economy. It needs a consistent policy framework and a low and competitive cost base.

We need to act decisively and radically. And we need to act now. This Manifesto sets out changes we can make today, actions which will protect and create jobs in Northern Ireland, establishing a path to recovery.

We fully support the campaigns to make Northern Ireland an Enterprise Zone and to lower Corporation Tax, as we see these facilitating the necessary rebalancing of the economy. They are not however 'silver bullets' that will magically transform the economy and should not be a distraction from the task in front of us. Similarly, ensuring a competitive cost base is an absolute priority but is also not enough to bring about the scale of change necessary.

Changing Northern Ireland begins with changing ourselves, a task for us, not others. Manufacturing Northern Ireland therefore asks everyone in Northern Ireland to work together for change, change that focuses on creating sustainability in the economy and the environment. We need to unleash our enterprise, raise our skills, invest in our infrastructure and harness all our energies, including public servants, to make Northern Ireland a place in which investment makes sense.

We need to step up our game, not step away.

Michael Wightman, Chairman MNI

Our Ten Commitments

In asking for others to work with us in rebalancing the economy we understand that we must also embrace change and make our own commitment.

To prosper, manufacturing in Northern Ireland will:

1. Be outward looking, embracing global markets
2. Deepen links within NI, including universities and colleges
3. Innovate in markets, products and processes
4. Raise value added, move up the value chain and into high value sectors
5. Use and develop highly skilled workers
6. Be knowledge intensive
7. Achieve high productivity
8. Invest in equipment, design, markets, processes and people
9. Grow sustainably, minimising costs and environmental impact
10. Provide employees with sustainable employment and reward.

Why Manufacturing Counts

Manufacturing in Northern Ireland competes with the world's best and punches above its weight:

- Sales by NI manufacturing companies were **£16.2 billion**¹ in 2008/9. This is bigger than the totality of public expenditure in Northern Ireland.
- These sales represent an **increase of 6%** over the previous year, and within this exports were up by 7.1% to £5.8bn. **Exports beyond Europe were up by 8.5%.**

The rest of the world is thus a growing market for Northern Ireland, not a threat.

However the last two years have been tough. Manufacturing has taken its share of pain, and continues to do so, with daily news of redundancy and closures, even in our renewables sector.

- Manufacturing has seen **over 10,000 jobs lost since March 2008**², after a couple of years of broad stability reflecting the growth in local confidence achieved by capping Industrial Rates and thereby nullifying the threat it posed to investment.
- The rate of loss is slowing, with only a marginal fall (0.7%) in the year to June 2010. This leaves **74,670 employed** in the sector.
- This is an average of over **4,000 per constituency.**
- Around **one family in five relies on manufacturing for a wage.**
- Manufacturing provides **jobs across all abilities and locations – 70%** of manufacturing jobs are **outside Greater Belfast.**
- Over **30,000 jobs could be created in renewable industries** to meet our 2020 renewables target.



Greening the Northern Ireland economy

There are clear, growing and profitable global markets which Northern Ireland is well placed to serve:

Our **food and drink sector** generates wealth throughout our economy and sustains the agricultural sector. It is our largest exporter, and an outstanding example of 'innovating within tradition', introducing state of the art production processes whilst preserving the traditional brand qualities that consumers seek, continually expanding product ranges and market reach.

As the UK attempts to reduce its huge food deficit and consumers become increasingly aware of "food miles", expanding markets exist on our doorstep. Continued success is dependent on ensuring that Northern Ireland becomes synonymous with sustainable and environmentally responsible production, showing that, for example, compliance with the EU requirements under the 'Nitrates Directive' can open new opportunities rather than closing down existing activities.

Making renewables, through applying our long standing tradition in engineering to meeting tomorrow's energy needs. Our unrivalled wind, tidal and wave resources, combined with the development of outstanding facilities at Belfast & Londonderry ports for servicing off-shore developments, will put Northern Ireland in a pole position in this sector.

While the renewables sector is growing fast there is still time for Northern Ireland to target this sector and establish a centre for excellence for green technologies. This would see our firms, large and small, working together, in partnership with our universities and research facilities and utilising our natural resources, which include ideal test beds for the varying technologies.

Major opportunities for carbon reduction, efficiencies and market growth exist across all sectors with increasing awareness of the "Carbon Standard" and a growing market for low carbon environmental goods.

Research estimates that over 30,000 new jobs could be created to achieve our target of 40% renewables by 2020. Further capturing just a tiny fraction of the predicted 1.2 million green jobs in the UK means huge potential for employment growth.

Zero carbon housing, where key elements will be prefabricated off-site to meet the desired levels of insulation and energy efficiency, thereby protecting against climate change and ending fuel poverty, through the use of solar panels and other carbon saving technologies.

The transformation of much of house building from site based construction to off-site fabrication means that Northern Ireland can compete into markets that were previously closed to it by reason of distance. The potential for retro fitting new low carbon technologies to the existing housing and public building stock will bring much needed employment relief in the construction supply chain.

These three examples have one thing in common: they depend on Northern Ireland building a reputation for being green. We do not see environmental responsibility as a cost on business, rather we see it as core to a sustainable economy. In putting the economy at the centre of the Programme for Government we call for equal importance to be placed on protecting and enhancing our environment, both natural and built.

We therefore call for InvestNI and the Enterprise Trade & Investment Minister to champion the opportunity in renewables by identifying the most attractive markets and niche sectors, through promoting technology transfer and networking, and helping firms understand where to start.

Manufacturing can contribute much to the making of the fairer, greener society we all want. In particular it can contribute to addressing climate change, to providing training and employment for all ages, both genders and a vast spectrum of skills, including those with low skills that are routinely excluded from other sectors.

Climate change actions:

To fight climate change MNI wish to see prompt action on the following issues:

- Domestic ratepayers with carbon neutral homes are exempted from rates for 5 years. This period of exemption should also apply to manufacturers making their operations carbon neutral
- deepen the co-operation between InvestNI and the Green Bank (Carbon Trust) so that all industrial support is automatically 'carbon proofed', enhancing the 'one stop shop' principle
- provide (i) competitive 'Feed in Tariffs' to replace the ROC system currently being used to encourage micro-generation at factories and (ii) Renewable Heat Incentives, on the same basis as those provided to competitors in Great Britain.

Skilling the Northern Ireland economy

Northern Ireland needs world class skill levels to compete in the global economy. We are heartened by the recent drives to place industry's needs at the centre of the strategy for training and development.

Much remains to be done however, notably in relation to the basic skills of numeracy and literacy. An economy is created not out of its factories and machines but out of the talent of its people. In looking at the much needed rationalisation of Government, in particular the development of a 'Department for the Economy' as suggested by the Independent Review of the Economy, we would stress that the current dislocation between the output of our education system and the needs of the economy must be addressed.

Not everyone can work in the 'smart economy' and the failure to provide many of our school leavers with the skillset they need to access employment is a profound failing, one that weakens our society and has the potential to deepen divisions.

Skill actions

- Here MNI calls for a proper appreciation of the value of skills, of the opportunities for workers in renewable technologies and for manufacturing itself:
- No Employers National Insurance should be charged where an individual is undergoing a recognised training programme (this can be effected by means of automatic offsetting grant)
- Prioritise relevant green economy skills, such as wind turbine maintenance
- Promote manufacturing as a rewarding career choice.

MNI supports the findings of the research and analysis carried out by Proskills, the Sector Skills Council for the process and manufacturing sectors. In its most recent work Proskills calls for short-term action to maintain skills, through the development of 'down time training' where a worker placed on a short week could receive training in the remainder of the week, and though training loans, where a new Government fund would sponsor training that is repaid by the firm as the individual deploys their new skills.

MIN fully believes that the asymmetry present in training, where skills that are lost in a recession are hard to replace even with a return to growth, creates a market failure that requires Government intervention to address. While firms may be the recipient of assistance this is misleading, it is the employee who benefits, as firms can always outsource to overcome a loss of skills but employees have no such alternative.

In the longer term Proskills identifies the following areas as priorities for new training:

- **Lean manufacturing;** moving to shorter production runs, greater product variants and zero waste requires highly skilled production engineers
- **Operating advanced manufacturing plant;** operators will be needed with the skills to work in computer controlled and highly automated plants. In this case it is accepted that new ways of working will lead to fewer being employed, but output will increase and it is this that an appreciation of the sector must focus on. It must be stressed that frontier technologies apply equally to manufacturing, the rise of communications, nano and other technology advancements raise the level of training that manufacturing in Northern Ireland needs.

MNI therefore urges the Department for Employment and Learning to continue its transformation of the training environment but move the focus from policy to implementation, to bring about the training providers, programmes and qualifications needed.

Competing in a Global Marketplace

Competitiveness is about the everyday costs of doing business. Disadvantaged by distance from markets, Northern Ireland needs to make sure that the costs under its control are under control.

Competitiveness Actions:

- MNI is asking the Executive to act to protect industry in Northern Ireland from excessive charges and to do so in a way that will promote investor confidence that it will be a place where investment for the long term is valued and rewarded:
- Ensure that Northern Ireland firms can avail of low energy costs, along with low energy and carbon use. It is noted that electricity costs have risen much faster in Northern Ireland than the EU average over the last decade. While an emphasis may be placed on lowering energy costs it is also important for the Regulator to foster greater energy security (e.g. encouraging major gas storage) and diversity (e.g. clean coal technologies for inexpensive base load).
- Mirror the experience in Ireland where the Large Industry Energy Users Network has been successful and resulted in demonstrable savings for business.
- Enshrine the present temporary cap on industrial rates into legislation
- Ensure that water and sewerage charges are maintained at a competitive level not only with our counterparts in Great Britain but with competitors in the Republic of Ireland.
- Above all else provide the assurance of stability in their cost base that manufacturers, particularly new direct investments require. MNI can spearhead this, encouraging the evolution of a policy framework that is for the long term, guaranteeing the competitiveness of manufacturing in Northern Ireland.



Actions summary:

- Task, at Director level, a named individual in InvestNI with taking responsibility for the renewables sector, and making 2011 a year of activity in aiding Northern Ireland firms embrace the vast potential of the sector.
- Combine the environmental support of the Green Bank with the commercial expertise of Invest NI, making a one stop shop for sustainable business development
- Target the creation of 30,000 'green' jobs in Northern Ireland by 2020.
- Establish a steering group to plan how to establish and resource a centre for excellence for green technologies.
- Transform factories to beacons of energy efficiency, tackling climate change, making firms more competitive, demonstrating to workforces that sustainability technologies are available and effective, and opening up new markets.
- Use the proven record in other countries of Feed in Tariffs (payment for supplies to the grid) to stimulate the micro-generation sector along with renewable heat initiatives
- Support skills in industry, urge DEL to task training organisations in NI with designing and delivering new courses in advanced manufacturing techniques
- Protect skills levels generally through this downturn with imaginative mechanisms that keep workforces able to work
- Promote green economy skills, so that the exploitation of Northern Ireland's remarkable renewables asset provides jobs locally
- Promote the attractions of working in manufacturing
- Deliver on employability across all abilities and locations, and the core employment skills of literacy and numeracy
- Deliver an energy policy that ensures it is both low cost and low carbon
- Protect the Rates Cap on industry
- Ensure competitiveness in all local costs and charges
- Create a longer-term policy framework that gives sufficient assurances as to the future that it allows companies to plan major investments.

Conclusion...

The actions we call for are straightforward and typically require little funding.

A failure to act will cost some their jobs but across all Northern Ireland everyone will lose if we kill the engine of prosperity, our hope for better times ahead.

NIM stands ready to support Government in the implementation of all of the above, believing active partnership to be at the heart of the new Northern Ireland and its needed new economy.

1 - all figures DETI/NISRA, drawn from the most recent Manufacturing Sales and Exports survey
2 - June 2010 Quarterly Employment Survey, DETI

