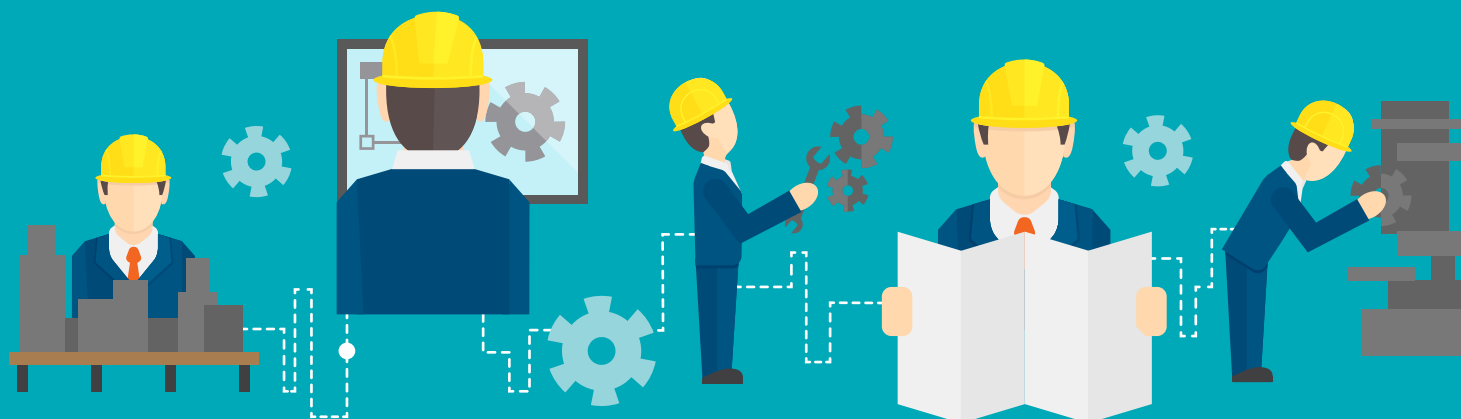


Manufacturing 2015

The North West Review

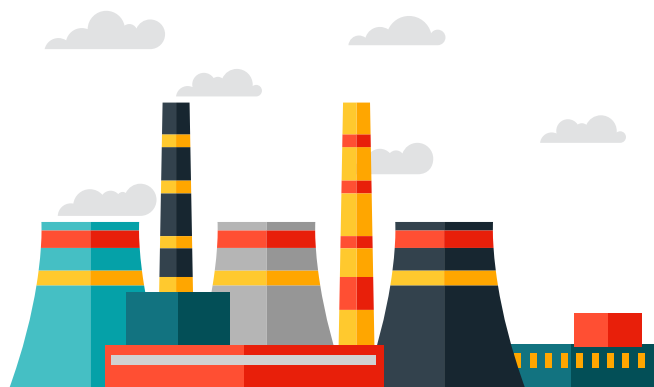


Introduction

“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 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 North West 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, Michael Oliver, OBE DL, Founder and Chairman of Oliver Valves, one of the region’s leading manufacturers, shares his views on the sector. We would like to thank Michael 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



The manufacturing sector has undergone a rollercoaster-ride over the past six years and for many firms the turbulence is still being felt.

Yet for others, the recession has proved to be the springboard for major expansion, fuelled by a strong demand from abroad for British manufactured goods.

Manufacturing has always been critical to the North West economy and the region is the powerhouse of the UK's

manufacturing sector, employing some 315,000 people in the region and accounting for 14.2% of UK manufacturing output.

Manufacturing growth is being driven by a range of sectors, from food and drink to healthcare, chemicals and pharmaceuticals, as well as aerospace and automotive. Exports, particularly to emerging economies in the Far East and Middle East, are helping to drive demand.

There are also the challenges inherent to the industry such as access to growth capital and skills shortages which affect firms wherever they are based.

The same can be said about the looming issue of the UK's membership of the European Union and the impending referendum. For many manufacturers this is an unwanted distraction and most are of the opinion that the vote should be brought forward and dealt with as quickly as possible rather than having it meander on for another two years.

In advance of this supplement, Squire Patton Boggs in partnership with TheBusinessDesk.com conducted a comprehensive survey gauging the opinion of manufacturers not just in the North West, but in Yorkshire and the West Midlands and the North West as well.

The results provide a clear picture of the manufacturing sector, the companies operating within it and the challenges they face. I hope you find it useful.

Chris Barry

Managing Editor – TheBusinessDesk.com

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%

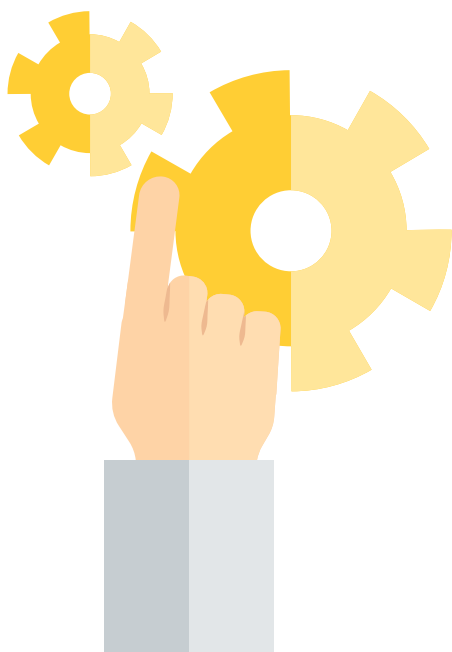
of respondents want to see the UK remain part of the EU

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

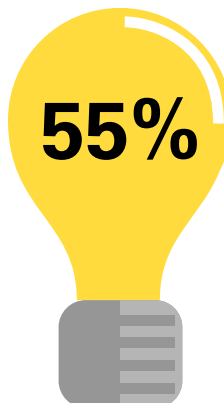
43% responded that greater collaboration with suppliers followed by use of new technologies would have greatest impact on their bottom line

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

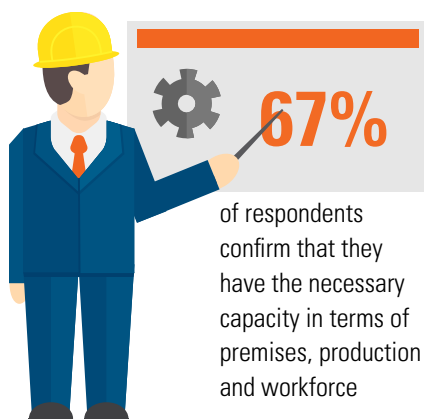
Production and Collaboration



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



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:

Phil Millward

UK and Ireland HR director,
General Motors

Alan Purvis

Managing Director,
Mettler Toledo Safeline

Carol Holden

Chief Executive,
North West Automotive Alliance

Dale Brimelow

Director, Duo UK

John Radford

Managing Director, Balluff UK

Jenny France

NW Manufacturing Lead, Lloyds Bank

Neil Burns

Managing Director, Croft Filters

Kris Matykiewicz

Head of Business Engagement,
University of Manchester

Ruth Topham

Associate Director, KPMG

Stephen Fitzsimons

Membership and External Affairs
Manager, EEF North West

Rob Elvin

Manchester Office Managing Partner,
Squire Patton Boggs

Paula Cole

Partner, Squire Patton Boggs

Darren Warburton

Partner, Squire Patton Boggs

Business leaders addressed a range of issues affecting the manufacturing sector at a round table event in Manchester.

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, the Northern Powerhouse, reshoring, skills, currency and the holy grail for British industry at the moment – how to increase productivity.

Barry invited opinions from the panel following CBI president Sir Mike Rake's recently publicised comments that businesses should make known their desire to stay within a reformed EU and received a robust response from the panel.

Purvis said it would be "a disaster" if Britain withdrew from the EU. "We import and export an enormous amount of equipment and services and I think it would be very dangerous to tamper with it. That doesn't mean however that reform isn't needed, but a referendum is a very dangerous thing because it could have unexpected consequences."

His words were echoed by Millward, who said: "I think reform is necessary. It's for the government to negotiate that. It's obviously a huge market – 500 million people – but there are many things they've got to renegotiate and change relative to red tape, protectionism and employee rights, which are critical.

"But remaining as a member of the family is very necessary from our perspective, but it's for the people of this country to decide that."

Matykiewicz reinforced the earlier contributors when he said: "I'm always hearing 'what do we get out of the EU and how much we put into it'. In terms of research funding, the UK gets vastly more than it puts in and vastly more than its fair share of the EU research funding. It's one of the areas where the UK punches well above its economic and population weight."

Elvin said that when Squire Patton Boggs combined with a US law firm five years ago it was clear the US sees the UK as part of Europe and "would not see us in a better light if we weren't part of Europe."

Fitzsimons said the last thing the 6,000 members of EEF, the manufacturers' organisation, needed was uncertainty.

"What you may see is companies putting off investment decisions and I think you will see a little bit more of that if the referendum goes against what most people want, which is to stay in."

Warburton said businesses may have to refine their expectations as to what question will be put to the public in the referendum.

"The vast majority of people would vote to stay in the EU on a reformed basis, but I also think we have to lower our expectations as to what the government can achieve in its negotiations to achieve reform," he said. "Then the question becomes, do we vote to stay in on an unreformed basis, and that process has to start now.

"I don't think the government will bring back anything particularly substantive in terms of our relationship with Europe. For example, free movement of people is one of the founding principles of the EU, and if you're going to be in the club, that's the rule."

Radford, whose company is German-owned, said putting up trade barriers after leaving the EU would be "a real challenge" for his company.

"80% of our business takes place inside Europe and most of our customers are exporting into Europe," he said.

The hot topic of the Northern Powerhouse – much talked about by Chancellor George Osborne – provided a moment of levity when Burns revealed the HS2 route was set to go right through Croft Filters' Warrington factory.

"It's not good news for us," he said. "But I think the North is a special place and I think there is a lot of inter-trade taking place on a northern basis.

"Despite the problems we've got with HS2, the North is a very good place to be. And I believe the business of devolving power and finance to the North is a good way to go."

Topham said the concept was something that "couldn't really be argued about".

And she went on: "it is a lot about Manchester at the moment, which is great for the city, but there's always a risk of creating a two-speed North. The challenge is that we need everyone to work together as part of a region."

Millward said investment in rail would be critical for the motor industry but he warned of the risk of fragmentation across the region because of no joined up approach.

"Unless everybody links together, you'll never get the infrastructure plan that is required. But it gives us a great opportunity as a region to gets its stakeholders together to determine the plan that we need and desire.

"I don't think we should pour cold water over it. It deserves to fly and we should all get behind it."

"In terms of research findings, the UK gets vastly more than it puts in and vastly more than its fair share of the EU research funding. It's one of the areas where the UK punches well above its economic and population weight"

Kris Matykiewicz, head of business engagement at the University of Manchester

Cole said the Northern Powerhouse would work, but it was essential that HS3 – the proposed upgrade to the trans-Pennine rail link – be part of the equation, while Matykiewicz said it was a "sensational opportunity" for the region.

Holden said the Northern Powerhouse was a very accurate expression because historically the North West had a very heavy influence in the commercial vehicle manufacturing sector for the UK and a lot of it is still residual, but for exports.

"When they talk about the powerhouse, we really are for the automotive industry," she said.

Barry then posed the question: "Are the Department of Education and Business Innovation and Skills (BIS) getting industry's need for more technical skills and education around the STEM subjects and is the focus around the new technical colleges and universities going to deliver?"

Purvis said, speaking from the perspective of a manufacturing firm which employs 300 people in Salford, when he joined the firm more than six years ago there was no apprenticeship scheme, no technology "on the shelf" and no evolution of the skills of the workforce.

"But when I went looking for help, I found plenty," he said. "We've now got an apprenticeship scheme and we've got a good relationship with the University of Manchester doing a lot research and feeding into our products.

"I don't think companies walk towards the problem enough. If a company knows 20% of its workforce is going to retire within the next five years, which is roughly the case with my company, and there's going to be a skills gap, what the hell is that company doing about it?"





"But when I went looking for help, I found plenty, we've now got an apprenticeship scheme and we've got a good relationship with the University of Manchester doing a lot research and feeding into our products"

*Alan Purvis, managing director
Mettler Toledo Safeline*



Fitzsimons agreed with him when he said: "Some companies do give up. It's arguably easier in Greater Manchester, because you've got the Business Growth Hub. If you're in Lancashire, funding for skills is not as easy to come by.

Millward said things had improved but the talent reservoir in the country was "still terrible".

"That could have a significant impact on this Northern Powerhouse," he said. "We've got nearly 5,000 employees and we are having to look to Poland and Hungary to find the skills that we require."

Brimelow, whose Manchester-based company makes plastic bags for mailing, said his company has struggled to find new recruits and as a result has begun working with Manchester College.

"We've spread out to the wider community and approached a couple of local schools and invited them in to show there is an alternative to going to university, with our training programmes and apprenticeships.

"Every business has to try to attract people, because the pool is not there."

Topham pointed out there was still a gender divide which needed tackling in education.

"For boys, the aspirations seem to be to go to London or work in manufacturing, which is seen as a little bit second class, which is not the case.

"For girls there is still this subconscious prejudice about what roles they will perform."

Reshoring continues to be a burning issue and something which is an increasing trend for business as companies bid to improve their supply chain.

Fitzsimons said, sadly, the number of businesses reshoring their goods and services was "only a trickle".

"We can't think of that many companies who have visibly and vocally moved something back from overseas," he said.

"It is something that we feel passionate about and that we would like to see a lot more of. For example, if you look at the textile sector in the North West, people think it has disappeared.

"But as soon as you start looking at all the textile companies in the North West that are manufacturing, if we can nurture that sector again, bring it into the 21st century and publicise the fact that it is very modern, that's the sort of area, then we can perhaps see some of these activities coming from overseas.

"Particularly when you look at utilising machinery rather than people, it's highly cost effective to do it in the UK again."

Purvis, meanwhile, pointed out that shipping material by air from China costs three times as much than shipping it to China.

"It depends on your lead time, delivery cycles and how much time you've got to do things," he said. "An extended supply chain from a low-cost South East Asian country with low labour costs isn't necessarily the economic benefit that it looked like five or 10 years ago. It's changed because transport is a big part of the cost of delivery."

Millward reported that General Motors was about to launch a new Astra car at its plant in Ellesmere Port.

"One of the agreements we struck with the trade unions was to increase our UK supply content from 10% with the current model to 25% with the new model," he said. "We're currently at around 23.8%, but it has been so difficult to try to get to that situation, but nevertheless it is progress."

Also high on the agenda was the thorny issue of energy costs and measures by companies to become "more green".

Topham said: "This is something as a firm at KPMG we are seeing a lot more of now and we have a sustainability team.

"A lot of people see it is a negative thing, but in a lot of cases, businesses are using it to generate more funds, so not only do they meet their green measures, but it also releases a lot of cash for them.

"Things like lighting and power, but also waste management – particularly in the food and drink sector – is an area we're seeing a lot of activity at the moment. With the right strategy, it can be a win on two fronts."

Millward described energy costs as a "phenomenal" issue for the motor industry and called on business to establish forums where companies can get together and start sharing best practices.

"I don't know of one, so why don't we do that?" he said. "Because processes are driven by energy and a lot of manufacturing processes rely on this sort of thing.

"It's about the pooling and sharing of knowledge in a way that benefits everyone."

The critical issue of productivity was also discussed following the comments by the Bank of England Governor Mark Carney, that it was a drag on growth.

Carol Holden said the automotive industry was an ideal model for how the UK can improve productivity.

"If people want to know how to improve productivity, they need to look at the automotive industry," she said. "Our productivity is better than Germany's."

Phil Millward agreed: "It's all about investment, skills and supply chains, first time quality and it's all about sharing, something the automotive industry does quite well, even though we are parochial in certain ways.

"They get together and they start to talk about their problems, opportunities, what they're doing that someone else could consider and that's how it works."

"80% of our business takes place inside Europe and most of our customers are exporting into Europe"

John Radford, managing director Balluff UK



"One of the agreements we struck with the trade unions was to increase our UK supply content from 10% with the current model to 25% with the new model," he said. "We're currently at around 23.8%, but it has been so difficult to try to get to that situation, but nevertheless it is progress"

Phil Millward, UK and Ireland HR director at General Motors



Our View on North West Manufacturing



The manufacturing sector continues to power Britain's economy in a myriad of ways – and this is clearly evident here in the North West. Following a ground-breaking survey into the state of the sector, Rob Elvin – managing partner of the Squire Patton Boggs Manchester office, and a specialist in the manufacturing sector – lends his insight into current and future developments.

Rob Elvin regards manufacturing as the “lifeblood” pumping through the veins of the North West's prosperity.

“This region's manufacturing heritage is the linchpin of our ongoing success on many different levels,” he explains.

“For a start, there are some outstanding manufacturers based in this region – and while many of these have been founded comparatively recently, others can trace their pedigree back generations.

“And our manufacturing heritage counts for a lot when it comes to raising our profile both nationally and internationally and attracting non-UK investment into this region.”

Elvin points to the ongoing success and growth of the £800 million Airport City Manchester development – which has received major funding from Chinese investors – as evidence of how the success of manufacturing in the North West continues to manifest itself.

Currently taking shape at the side of Manchester Airport, this development aims to enhance and stimulate the North West's economy by creating world-class advanced manufacturing and logistics premises.

Elvin is also aware from speaking to manufacturing clients that the pool of talent on which this region can draw is deep because of the leading universities and colleges based here.

Many of these excel in science, technology, engineering and maths (STEM) subjects – and are actively working with manufacturers to meet future staffing requirements.

He adds: “I do believe that the manufacturing sector in this region has the recipe for success right on so many levels.

“Squire Patton Boggs is increasingly finding that our manufacturing clients are looking to export – and this process is made easier because of the airports and ports based here.

“America and China are the two destinations that our expertise is most regularly consulted on and because of our extensive network of offices in both these territories, it's something that we're more than able to assist with.

“We're also regularly being consulted in relation to compliance with international and national regulatory systems and, for example, the sanctions placed upon Russia lead to a significant amount of work for us from manufacturing clients concerned with how to carry on trade in Russia in light of

“This region's manufacturing heritage is the linchpin of our ongoing success on many different levels”

the barriers created.”

The Forthcoming EU Referendum...

With many of his clients either exporting currently – or looking to do so in the near future – Elvin is acutely aware of the repercussions of a “no” vote in the forthcoming EU referendum .

And – personally – he says he’s yet to meet a manufacturer who thinks that an EU exit would be good for business.

“This is an issue that’s preoccupying many manufacturers based in this region right now because – when it boils down to it – many believe that leaving the EU would have a negative impact on their trade.

“My impression is that manufacturers are concerned that the referendum will not ask the right questions and the electorate will not have been provided with sufficient information to allow them to make an informed decision.

“And many manufacturers are starting to think through appropriate ways of letting their staff know the facts about both sides of the argument so they can make a properly informed decision when it comes to voting day.”

Skills Shortages...

Equally important is the ongoing issue of skills shortages within manufacturing.

While this is an area where North West manufacturers have an advantage due to the universities and colleges specialising in STEM subjects, it remains a topic of concern to Elvin’s clients.

“There seems to be a particular issue finding senior employees as well as those with advanced technical skills.

“It’s really gratifying to note that the number of apprenticeships is increasing as an ever-growing number of companies invest in them.

“But it’s still going to take a long time to develop these apprentices so that they can handle more senior roles.”

Elvin believes that all the major political parties should agree on a course of action to tackle the issue of skills shortages within the manufacturing sector.

“Currently, some of the very good ideas from the coalition government – like the creation of the National College for Advanced Manufacturing – appear to be in limbo, and it would be great for manufacturing if the new government could come out and support the previously announced initiatives.

“It’s an issue that needs cross-party agreement after appropriate and careful consultation.”

A Strategy to Meet Energy Needs...

Elvin adds that the politicians also need to find common ground on a coherent energy policy that will meet the future needs of ‘UK PLC’.

“For years, there have been calls on successive governments to create a coherent energy policy – but we’ve still to get anything like this implemented.

“I do believe that the manufacturing sector in this region has the recipe for success right on so many levels”

“It’s really gratifying to note that the number of apprenticeships is increasing as an ever-growing number of companies invest in them”

“It’s this spirit of innovation which is the main reason, I believe that the manufacturing sector will continue to flourish in the North West”

“And this – combined with escalating energy costs – is a source of major concern to many manufacturers.

“At one point, we appeared to be moving towards a new nuclear future but that subsequently stalled. The renewables sector is now in a state of flux, and another change in government policy has left question marks over the viability of solar and wind energy projects in the UK.

“But the question is this – what’s going to bridge the gap as the older fleet of traditional fossil fuelled power stations are increasingly shut down?

“These issues need to be resolved with a coherent policy that has cross-party agreement so that it won’t falter if there’s a change of government in the future.”

Increasing Productivity...

Increasing productivity remains of “intrinsic importance” to all Elvin’s manufacturing clients.

“I think that manufacturers in this region are becoming increasingly sophisticated in the ways that they identify production gains,” he adds.

“Because of the spirit of entrepreneurship that permeates the region, I think that companies are far more open to new techniques and systems than they might be elsewhere.

“Many of our clients are large manufacturers and I’m also aware of the benefits they enjoy from welcoming employees from other parts of the world who bring different expertise when it comes to increasing productivity.”

Elvin has also discerned an “increasing interest” in reshoring over recent years.

“For many companies, it can simply make sense to shorten their supply chain by increasing the amount of manufacturing that takes place in the North West.

“But my impression is that this movement is not fast, although gaining momentum.”

Innovating for Excellence...

Officially recognised as the birthplace of the Industrial Revolution and, more recently, as the region where Graphene was discovered – there have been many separate examples of the North West’s appetite for innovation.

“And that’s before you’ve considered our success in the chemicals sector which is estimated to be worth in excess of £10 billion.

“It’s this spirit of innovation which is the main reason why I believe that the manufacturing sector will continue to flourish in the North West.”

Elvin also believes that one of the reasons why products manufactured here prove popular overseas is because they’re synonymous with “excellence”.

“Down the years, I’ve noticed that there’s a real confidence in products manufactured in the North West.

“And when you’re supplying component parts to overseas companies – for example – in the automotive or energy sectors, the quality of those parts is of paramount importance.

“Companies are winning contracts on the back of this region’s reputation as an innovative destination which excels in manufacturing products of real quality.

“And that’s exactly the way it should be.”

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.

Rob Elvin 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...

Oliver Valves

Michael Oliver OBE DL, Founder and Chairman of Oliver Valves – a manufacturer of high pressure valves for the oil and gas industry based in Knutsford, Cheshire – gives his views on the manufacturing sector

How has Oliver Valves evolved since it was founded?

"From the modest surroundings of my family garage in Hale, I founded Oliver Valves in 1979 to manufacture instrumentation, subsea and pipeline valves for the oil and gas industry. In the years since, I've transformed the business to become the largest privately-owned valve manufacturer in Europe, supplying valves to many of the world's biggest energy companies, including Shell and BP.

"Headquartered in Knutsford and with annual revenues of over £80 million, the business employs more than 250 employees in 10 offices internationally. We sell a catalogue of over 8,000 products in 80 countries across North America, South America, the Middle East, Africa and China.

"Our focus has always been on super-critical applications with demand for 100% reliability. Customers depend on us because they need equipment that is guaranteed to have zero defects. Replacing valves – especially those on subsea applications – is not an option. For this reason, our strategy has always been to win business based on the standards of the products we supply on time, rather than on cost."

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

"Due to challenges both overseas and at home, manufacturing in the UK has been in decline over the past decade or so. However, the sector still represents an essential part of our economy in terms of creating wealth and employment through exports. Over half of our exports are delivered by manufacturers which employ more than 2.6 million people, but the government is missing an opportunity to help encourage businesses to start and expand their current export operations.

"What we need is a big, special incentive to get exporters exporting more with self-financing tax incentives – if you could create 10,000 more Oliver Valves, the UK economy would see a significant boost. Increasing exports would not only reduce unemployment in the UK, it would also help reduce the national debt.

"One idea the government should entertain is offering exporters a unique tax credit equal to 25% of every £1 of their overseas sales which would then be used to offset their corporation tax. At no cost to the taxpayer, the money saved would be used by companies to increase their export activities, for example, by hiring more salesmen or by setting up joint venture distribution agreements."



"Our focus has always been on super-critical applications with demand for 100% reliability. Customers depend on us because they need equipment that is guaranteed to have zero defects."



“Our first order was from a Norwegian customer for 24 valves. We didn’t have enough money to package up the order so had to ship it using cardboard boxes from my local Tesco store.”

How important to your business is exporting?

“I’ve always said that exporting is one of the fundamental reasons for our success. When I started up in 1979, the thought of bringing potential customers to my modest start-up headquarters was not an option. Like any ambitious entrepreneur, I wanted to paint a picture of an established company with the resource and man-power to tempt top firms into working with me, so I did this by targeting businesses overseas by personally visiting and establishing overseas agents.

“Our first order was from a Norwegian customer for 24 valves. We didn’t have enough money to package up the order so had to ship it using cardboard boxes from my local Tesco store. Although we may have delivered the products at a loss, it was the first step on the ladder and we might not be where we are today without those humble beginnings.

“The international nature of the oil and gas industry, which was growing rapidly in the Americas – particularly Brazil – along with Africa and Asia, is a separate reason for the central focus on exporting. We were able to take advantage of the surge in demand by expanding into these markets and putting feet on the ground to build relationships with distributors. As a result, almost 90% of our business comes from exports.

“We expect further expansion to come from the less accessible, deeper, more remote oil and gas reserves energy businesses are continuing to target. As such, the demand placed on the valves used in the extraction will continue to become more intense, so our hard-earned reputation for 100% reliability and on-time delivery stands us in good stead to continue our success.”



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

“For those manufacturers looking at overseas markets for growth, my advice is simple – identify specific target markets that are precisely relevant to the product and service that you’re involved with and start small – don’t try to be all things for all people.

“In my case, identifying the right distributors and developing relationships with them was key to the sensational growth we have achieved. If you’re new to exporting, you should visit key customers in new markets with the distributors to get the ball rolling and help to show them how the product should be presented to a client.

“Separately, one of the biggest challenges of selling to overseas customers is convincing them that the service they will receive will be better than local competitors, so businesses must get close to clients on the ground. The prerogative should be to set up operations in new markets that can service all ends of the order processing spectrum, and invest in people who know the language and culture.

“At Oliver Valves, we tackled the challenge by investing in technical capabilities – not just sales and customer service – in our overseas offices to deliver design and engineering services more rapidly. This has helped us keep ahead of our competitors by not only providing a reliable product, but by being there for our customers, in their time-zone, whenever they need to talk to us.”

What are the main challenges facing the sector at this point in time?

“Remaining competitive in overseas markets is key to the sector’s health, and the current strong pound is making this increasingly difficult. This is particularly the case across Europe, where competitors are now able to price 10 to 15% lower than what we, and fellow UK firms, can afford. The economic slumps seen in major export markets are also posing some big problems, with companies across China and Brazil no longer purchasing the same levels of raw materials they were a couple of years ago.

“Although this issue has been highlighted numerous times, the skills gap in manufacturing continues to undermine the UK’s opportunity to take advantage of technical advancements. We’re seeing an increasing shift away from students concentrating on science, technology, engineering and maths and fewer apprenticeship opportunities for young people – two issues the government needs to address to get our manufacturing sector flourishing again.”



“Although this issue has been highlighted numerous times, the skills gap in manufacturing continues to undermine the UK’s opportunity to take advantage of technical advancements.”



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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