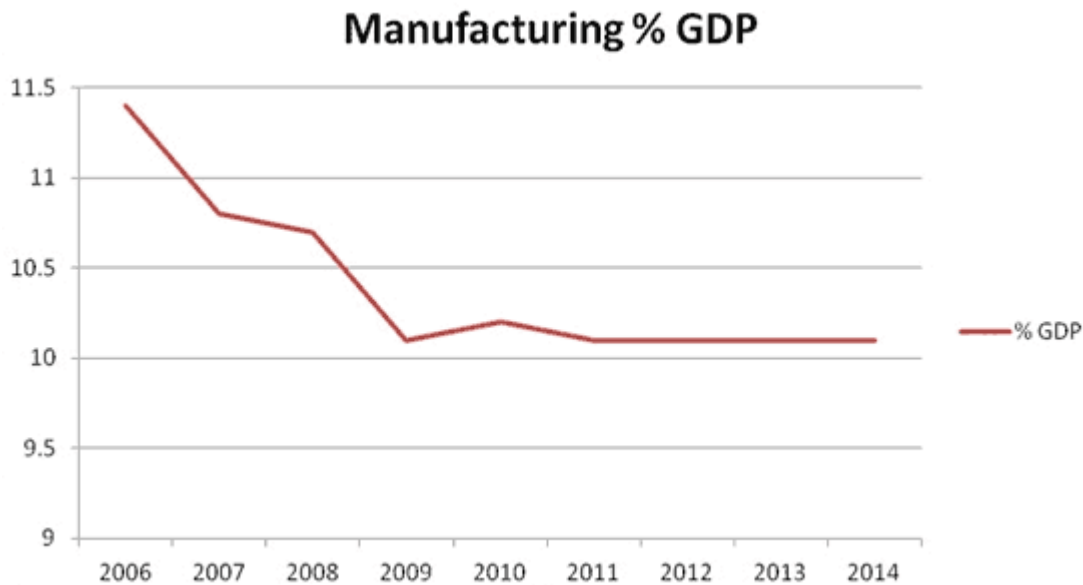


# The mythical “march of the makers”

In his 2011 Budget speech, George Osborne said he wanted “a Britain carried aloft by the march of the makers<sup>i</sup>.” However, the fact is that manufacturing’s proportion of GDP has flatlined<sup>ii</sup> at 10.1% of GDP for the past six years.



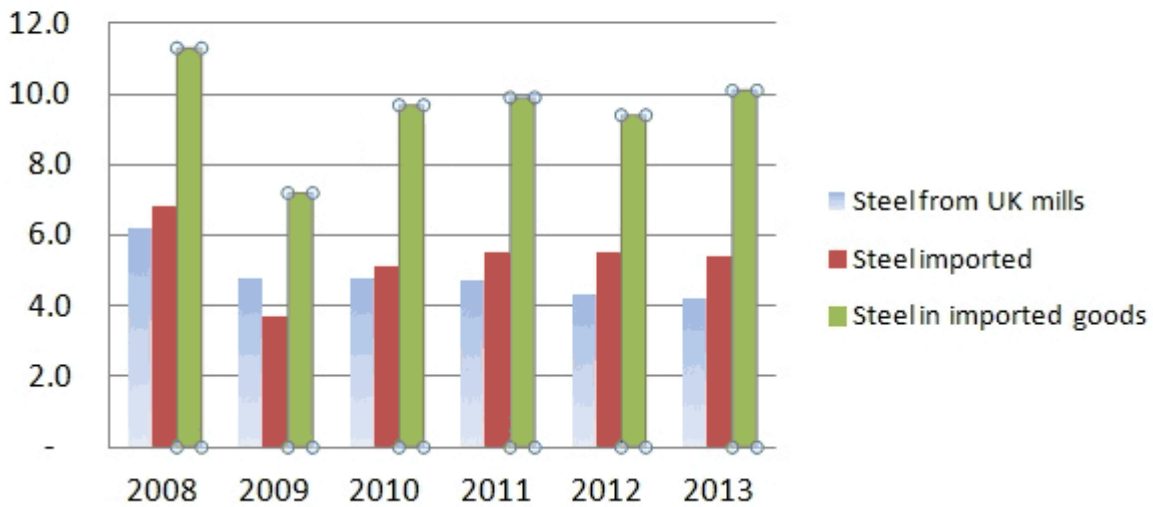
O new TUC analysis based on ONS data shows that manufacturing’s heartland is in serious trouble: our energy intensive industries – iron and steel, cement, ceramics, basic metals, paper etc – have shed over 1,000 business and 36,000 jobs since 2008. As we show below, imports are rising, jobs, plant and investment are down.

This end of term Budget must offer immediate relief for energy intensive industries from the cost of renewables on their energy bills. But in truth, an incoming government will have to rebuild with industry and trade unions a new roadmap for our foundation industries. It’s long overdue.

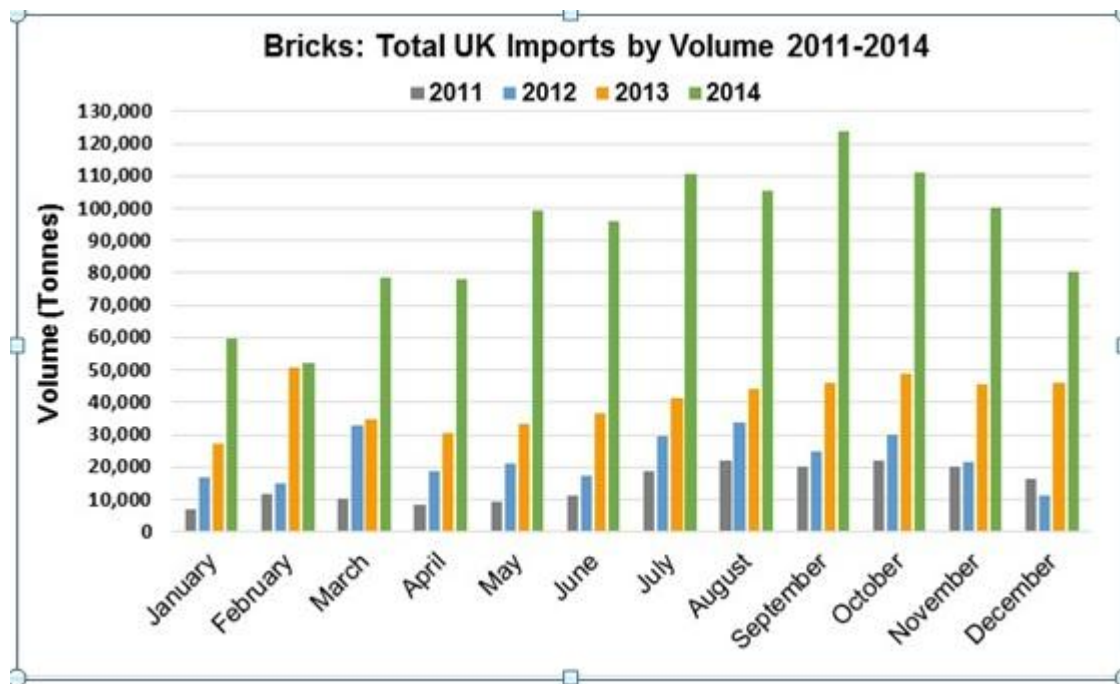
**So here’s an end-of-term audit of some of our foundation industries<sup>iii</sup>:**

**Steel:** UK steel production has fallen by 2 million tonnes over the past six years, to its lowest level (4.2 million tonnes) for at least 40 years. Steel imports have increasingly outstripped domestic production – the steel trade gap is an unprecedented 1.2 million tonnes.

## UK steel production and trade, million tonnes

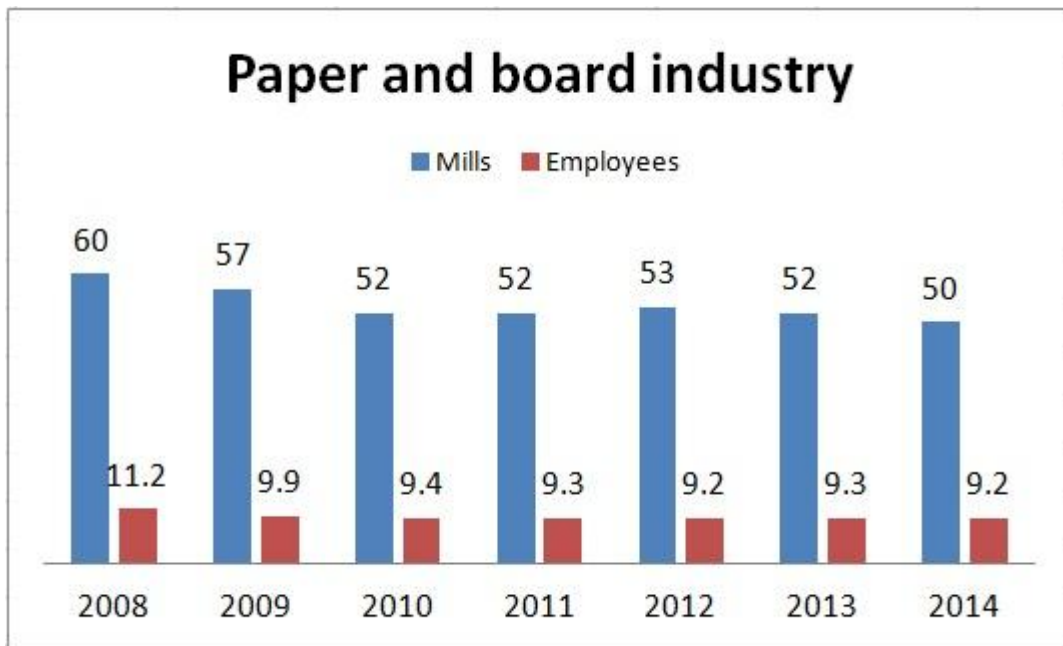


**Bricks:** the UK's brick imports doubled in 2014 to 1.1 million tonnes in 2014. Our brick imports were mainly sourced from Belgium, The Netherlands and Germany, at an import cost of £101m, to counterbalance which, the UK exported £4m worth of bricks.

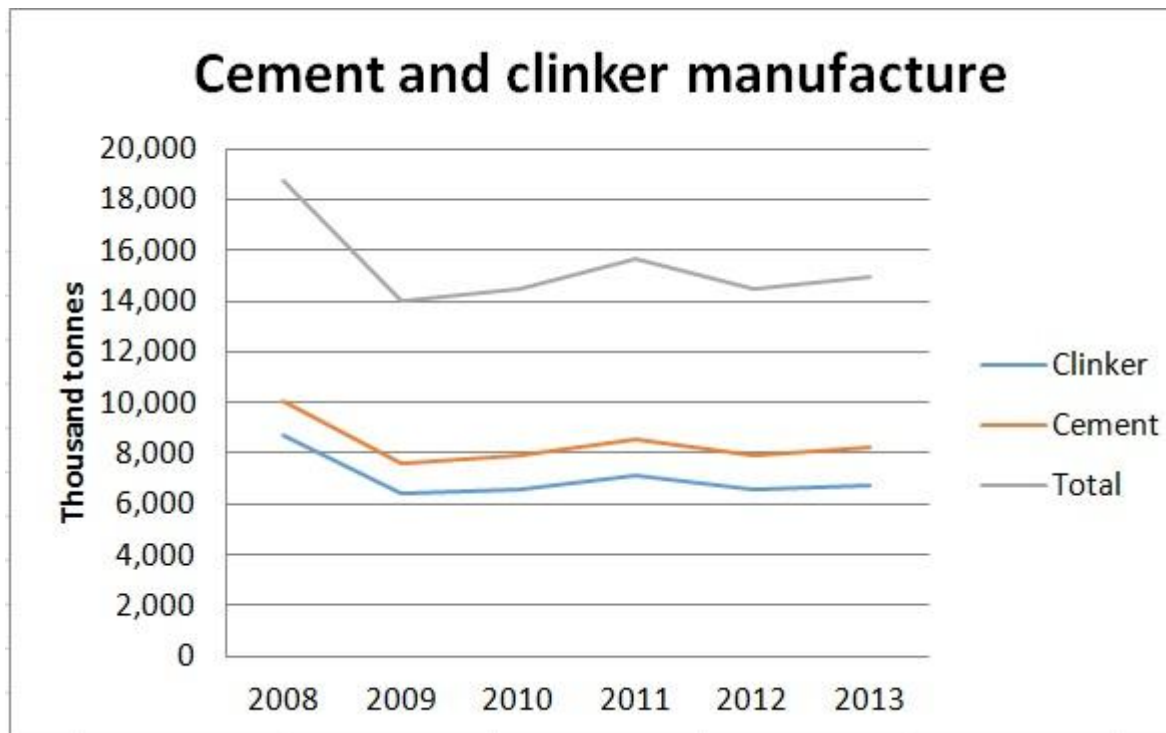


Source: HMRC trade statistics

**Paper<sup>iv</sup>:** The UK imports proportionately more paper than any other country in the world. All of our copier paper is imported. The industry has lost 10 mills and 2,000 employees between 2008-2014. This year began badly for the industry, with the closure of the Aylesford Newsprint mill, Kent, in February, with the loss of a further 300 jobs.



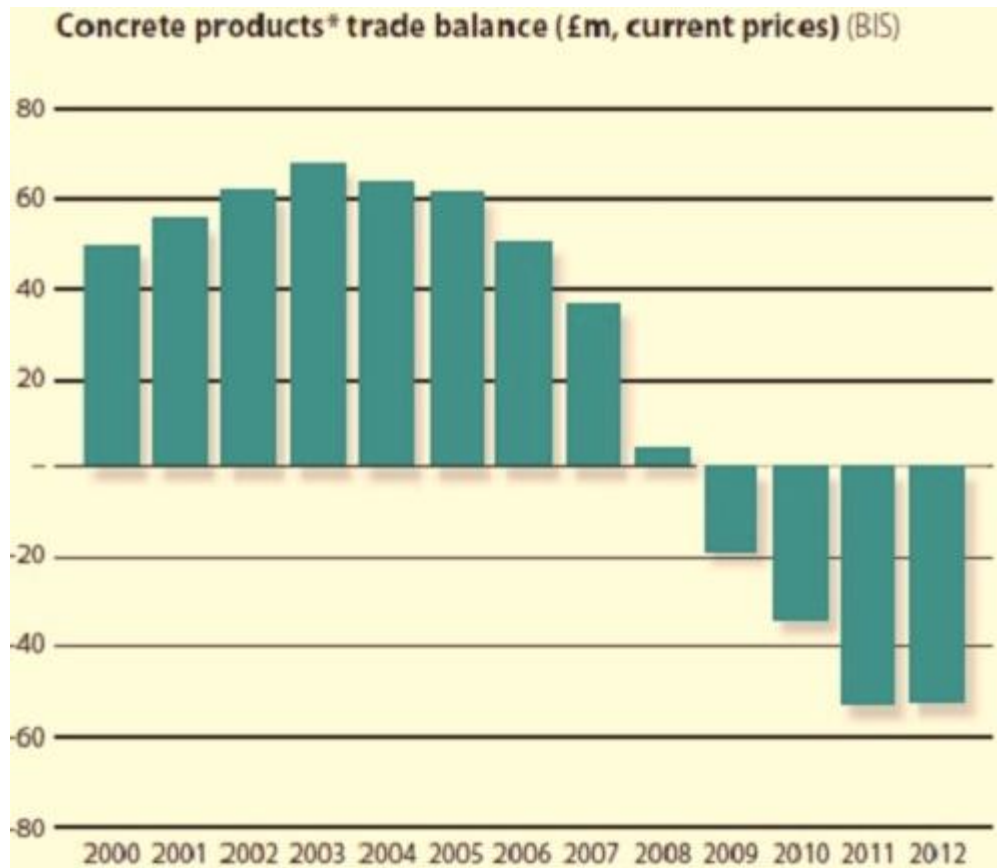
Cement<sup>v</sup>: the industry has shifted from a £2m trade surplus in 2008 to a deficit of over £60m. Over 10 years the cement import share has increased from 10% to 15%. Reflecting the long term slump in the UK construction sector, our production of cement and clinker has fallen by 21% since 2008.



The Aylesford paper mill<sup>vi</sup> took an estimated 500,000 tonnes of recycled waste fibre from waste management and local authority sources each year. A key issue was the poor quality of much recycled paper available, a reflection on an serious weakness in the regulation of the UK's recycling strategy, which Defra appears to be believe should be left to market forces to resolve.

EEF's manufacturing review<sup>vii</sup> found that just over half of companies surveyed had some element of production located overseas, and this has increased from 2004.

More than seven in ten manufacturers surveyed about bringing jobs back to the UK said the cost of energy<sup>viii</sup> was a disadvantage. "UK companies have faced prices that are higher than the European Union median in seven out of the last nine years." carbon leakage is one result, as is reflected in the UK's emerging cement trade imbalance:



Next week we can expect another fanfare if the government publishes its **2050 roadmaps**<sup>ix</sup> for the energy intensive industries. Our heavy industries form an extraordinarily diverse sector, have vested heavily in energy saving technologies, and as the roadmaps may well show, they several **requirements in common** in the shift to a low carbon future:

- breakthrough technologies, such as carbon capture & storage for steel, cement and chemical manufacture.
- process specific innovations
- on site combined heat and power plant.

As well, the UK's heavy industries need a ten-year plan to relive the cumulative, transitional costs of energy and climate change policies *until such time as eco-innovations take effect*. This will vary by sector, with CCS for industry and power perhaps the highest priority. As we argued in *Building our low carbon industries*<sup>x</sup> (TUC and Energy Intensives Users Group, 2014) this points to the need for a vision for the energy intensive industries, with strategic government leadership coordinating public funding support and a regulatory framework for R&D and innovation.

The innovation challenge for these industries is comparable in magnitude to the £100bn need to decarbonise of our energy supply.

If the outgoing government has not fully appreciated the challenge this implies, the incoming one will certainly have to. Otherwise, from the evidence here, the UK will reach a manufacturing tipping point – a march of manufacturers overseas.

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<sup>i</sup> <http://www.theguardian.com/business/2012/mar/17/osborne-budget>

<sup>ii</sup> <http://www.telegraph.co.uk/finance/newsbysector/industry/engineering/11424693/Is-the-march-of-the-makers-rebalancing-the-economy.html>

<sup>iii</sup> Understanding the economic contribution of the Foundation Industries, Tata Steel, 2014:

[http://www.tatasteeleurope.com/static\\_files/StaticFiles/Functions/Media/Foundation\\_Industries\\_Report.pdf](http://www.tatasteeleurope.com/static_files/StaticFiles/Functions/Media/Foundation_Industries_Report.pdf)

<sup>iv</sup> Confederation of paper industries.

<sup>v</sup> at [http://cement.mineralproducts.org/downloads/industry\\_statistics.php](http://cement.mineralproducts.org/downloads/industry_statistics.php)

<sup>vi</sup> <http://www.bbc.co.uk/news/uk-england-kent-31604454>

<sup>vii</sup> . <http://www.eef.org.uk/resources-and-knowledge/research-and-intelligence/economic-briefing>

<sup>viii</sup> <http://www.eef.org.uk/resources-and-knowledge/research-and-intelligence/industry-reports/backing-britain-a-manufacturing-base-for-the-future>

<sup>ix</sup> <https://interact.innovateuk.org/web/chemistryinnovationktn/article-view/-/blogs/decc-bis-2050-industrial-roadmap-for-carbon-reduction-and-energy-efficiency-workshop-refining-sector>

<sup>x</sup> *Building our low carbon industries*, TUC/EIUG 2014

<https://www.tuc.org.uk/sites/default/files/tucfiles/buildingourlowcarboninds.pdf>