Department for
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Darren Jones MP
Chair of the Business, Energy and Industrial Strategy Committee
House of Commons
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Dear Darren,

Thank you for your letter.

We are strongly committed to supporting UK manufacturing which plays a vital role in the UK economy, by driving innovation, exports, job creation and productivity growth. Manufacturing generated £191 billion in UK GVA in 2018, making the UK the 4th largest manufacturing economy in the EU by output. Manufacturing supports almost 2.7 million jobs, accounts for 65% of all business expenditure on UK R&D, and for almost half of total UK exports (49% - 2018). Manufacturing productivity has increased nearly twice as fast as the UK economy as a whole over the last 10 years.

It is however of course a difficult time across the sector, with collapsed demand, supply disruption, and cancelled orders having had a severe impact, especially for some of our most strategically important industries such as aerospace and automotive. The impacts on the worst affected UK businesses have been primarily demand-driven and we are engaging broadly with industry on how we can best support and stimulate demand as part of our recovery strategy.

We are working to ensure our manufacturers have the support they need to maintain production effectively and have put in place an unprecedented package of Government support during the current crisis.

As part of the economic recovery from Covid-19, we are working on creating good jobs, tackling weak growth and productivity, levelling-up our regions and transitioning to a net zero economy. Maintaining support for manufacturing is especially important in relation to our objective of levelling-up across the UK economy. Most UK manufacturing jobs (95%) are based outside of London (North West, West Midlands & Southwest), which is helping to ensure more even growth across the economy.

We have put in place unprecedented levels of financial support to help businesses get through the crisis. Beyond this many firms are getting support from established market mechanisms, such as existing shareholders, bank lending and commercial finance. In exceptional circumstances, where a viable company has exhausted all options and its failure would disproportionately harm the economy, we may consider support on a 'last resort' basis. Due to commercial sensitivity, the Government cannot comment on individual cases, but as the British public would expect, we are putting in place sensible contingency planning and any such support would be on terms that protect the taxpayer.

In relation to CLBILS, I can confirm that approvals continue to rise. By 21 June, 315 facilities were approved with a total value of £2.1bn. We expect that CLBILS approvals will continue to rise more gradually than those for schemes supporting smaller firms; this reflects the increased complexity of larger facilities and the consequent increase in time required to process applications. You should note that the published figure for total applications (709 as of 21 June) includes applications which may have been withdrawn or which are still in progress, as well as any declines.

I of course recognise that Government should continue to monitor the scheme to ensure that viable businesses, including manufacturing firms, can access it if needed. As you note in your letter, on 26 May we amended the scheme to increase the maximum loan size to £200m, which will help more firms address their liquidity needs. At the same time, we sought to address concerns around the seniority requirements, by clarifying that relevant collateral can be considered at the level of the borrower rather than the group (except where the borrower is a financing vehicle). This is designed to mitigate the risk that proposed facilities are blocked because, for example, a lender to a foreign parent company will not permit a dilution of its security.

In addition, the British Business Bank continues to work to accredit new lenders to offer CLBILS facilities, ensuring that firms can approach a range of potential lenders. As of 17 June, 16 lenders were accredited for CLBILS, with 9 able to offer facilities of over £50m.

Looking beyond the crisis to the recovery, we recognise that our industrial strategy will need to evolve and adapt. Digital technology has played a strong role in enabling some manufacturers to remain operational highlighting the importance of our investment in programmes, such as Made Smarter to encourage more of our manufacturers to adopt digital technology to improve product and process.

We are working in partnership with industry in many ways to help manufacturing businesses take advantage of innovations and new technologies. This includes providing £20 million to the Made Smarter North West pilot to help manufacturing SMEs in the region adopt digital technologies to improve their productivity and competitiveness, investing up to £147 million in a Manufacturing Made Smarter Industrial Strategy Challenge Fund, over £600 million in the seven High Value Manufacturing Catapult centres, and £113 million for eleven Manufacturing Hubs.

The Business Productivity Review set out the steps we will take to boost business productivity, focusing on leadership and management skills, technology adoption and external support. We are investing £56 million to create a Small Business Leadership programme to strengthen local networks and expand Knowledge Transfer Partnerships. The Government is also providing Be the Business with up to £25.5m (of grant funding) over four years to increase firm level productivity. This provides support to SMEs such as online advice and resources, webinars, peer networks and coaching to help deal with immediate impacts of COVID and prepare for post-COVID recovery.

Kind regards,

THE RT HON ALOK SHARMA MP
Secretary of State for Business, Energy & Industrial Strateg