

Written evidence, submitted by Makers Alliance, relating to the Investment in Northern Ireland inquiry (INI0030)

Context

Makers Alliance was created in 2021 following working done by Queens University, Manufacturing NI and Invest NI through the first part of the pandemic to address productivity, competitiveness and Industry 4.0 adoption within the manufacturing / makers community in Northern Ireland. Today it is working through three key objectives:

- Advising Dept. for Economy on the funding and structures for City & Regional Growth Deal projects with direct connection to manufacturing;
- Growing and nurturing greater east-west activity between local manufacturers and UK wide organisations such as UKRI / Innovate UK, the Catapult Network or relevant national government departments, and;
- Creating a roadmap for the future of manufacturing in Northern Ireland.

Makers Alliance is not a member or lobbying body, its function and purpose is to provide the voice of industry to government, supporting and informing on how the manufacturing can grow in Northern Ireland.

To provide some context around the manufacturing sector in Northern Ireland:

- A quarter of the Ulster Business Top 100 (largest businesses by turnover) are manufacturing organisations, from agri-food to life-sciences, from nanotech to crushing and screening machines.
- In total there are over five thousand manufacturing businesses based in Northern Ireland, many small or micro-SME businesses
- Last estimate was direct employment linked to these businesses was circa 214,000
- Delivering £10billion per annum to the local economy
- £6billion in exports by the sector to year end in 2019

Summary

The terms of reference highlight a wide range of areas, some risks or current issues, other opportunities, many are very closely intertwined and therefore we have developed our response in line with the three core objectives of Makers Alliance. We have not responded on the following items:

- The economic effectiveness of investment under the New Deal for Northern Ireland and New Decade, New Approach funding;
- The potential impact on investment of GB regulatory divergence from NI¹, and;
- Delivery of the prosperity agenda of the Good Friday Agreement

City and Regional Growth Deals (CRGD) provide a once in a generation opportunity for Northern Ireland to develop infrastructure to support research and development, innovation, productivity and export. They currently however need to ensure they reflect industry need, are properly interwoven into both UK and ROI structures, have sustainable

¹ EU Reach Regulation still applies in Northern Ireland, UK divergence from REACH legislation would act as a considerable drag on those needing to comply with both UK and EU legislation in this regard.

business models, enhance and develop skills and have sound governance structures. At this stage there is significant work to do across all these elements.

Business has much to do to ensure it seizes this opportunity, in both the short to medium and the long term. Effective use of the Super Deduction, R&D tax credits and other support is vital to build capability and knowledge. Exerting greater input and influence on curriculum delivery, developing sector attractiveness and diversity coupled with embracing apprenticeships with ambition to export will all ensure sector growth and impact.

City & Regional Growth Deals

The development and implementation of the CRGD deals and associated projects is an opportunity to develop networks, infrastructure and capacity to transform communities, institutions and industry across all parts of the region, with place-based impacts previously not achieved. The context for these investments and backdrop should be seen clearly in terms of the structural issues of the Northern Ireland economy. The Ulster University Economic Policy Centre Competitiveness Index² has shown two decades of stagnation and decline in the NI economy with this predicted to grow further in the next decade. CRGD projects and activity provide opportunity across the four key foundational policy areas that can enable restructuring and growth in the local economy:

- Business environment – build export and competitiveness, knowledge transfer and activity enabling social inclusion, inclusive growth and ambition;
- Physical infrastructure – places and facilities that allow collaboration between businesses and anchor institutions;
- Education and skills – can if structured right and industry focused provide the opportunity to build the full range of skills while reshaping the learning and opportunity landscape, and;
- Innovation, research & development – this has been at the heart of the CRGD projects and can become a launch pad for further growth in niche areas, unique capabilities or further intellectual property and patents.

These projects however need co-ordination, governance and sustainability. The use of Shared Prosperity, Levelling Up or other mechanisms can help, coupled with growing east-west collaboration. Furthering the embedding and activity of Innovate UK, enabling ARIA and the wider UK Catapult Network will be fundamental to the success of CRGD. For the manufacturing sector ensuring there is a strong industry voice in this activity is vital. Ensuring that industry and projects can deliver on Design Smarter and Made Smarter solutions is vital. The pilot programmes and ongoing investment in the North West of England around Made Smarter, Be the Business and their engagement with Metro Mayors / LEPs provides a template that NI should consider.

Growing East-West Connectivity

Closely linked (and noted above) to the future success of the CRGD projects is the improvement and connection between regional institutions, businesses and government and national resources. A legacy of the past along with a reflection of the EU structural funding (and historic category 1 status) has meant business has been driven through the

² https://www.ulster.ac.uk/_data/assets/pdf_file/0011/797285/Competitiveness-Scorecard-for-NI.pdf

nature of funding to work alongside LEDU / IDB and over the last two decades Invest Northern Ireland. The nature of this funding has been, overall, on a case by case, non-competitive nature in comparison to BEIS / Innovate UK funding which would be themed and competitive. This creates behaviours and habits, closely linked to the scale and nature of the businesses, place based culture and lack of any incentive for national organisations to get involved.

Where this connectivity has happened, we have seen growth, engagement and changes in approach. The Digital Catapult has not been the sole catalyst or driver across that sector, but it's activity and reach has supported the growth of the technology, cyber security and AI activity. The interest of key UK institutions, such as Turing Institute, are testament to this. Another example is the vision of Invest Northern Ireland to enable the local growth of the ADS activity in the region. This has over the past decade seen the region with some of the greatest take up of the SC21 supply chain excellence program, ATI investment in conjunction with Queens University Belfast and reflected in the appointment of Sir Michael Ryan as Industry Co-Chair of the UK Aerospace Growth Partnership³.

Northern Ireland manufacturing has much to offer, however from a public procurement and wider activity it is missing out. The opportunity to level-up is clear, for example NI receives only a quarter of the defence spend of Scotland and over twenty-five times less than the south-east of England. As region EU structural funds have been key to developing some important clusters, the appropriate use of new UK funding mechanisms and wider engagement of national organisations is vital in both sustaining and widening this. Whether this is through minimum spending targets is unclear, however informed solutions can and must be sought to address and ensure a regional, place-based opportunity is not wasted when linked to the CRGD projects and HM Treasury expectations from these.

A key element of this activity must be on the de-carbonisation of the regional energy and the associated opportunity for sustainable, reduced cost energy. With some key local industry spending the equivalent of their research and development budget on increased energy costs the impact of doing nothing or not being ambitious is potentially catastrophic. As a place, Northern Ireland has three critical renewable sources of energy in abundance: wood, water and wind. Key local manufacturing and technology businesses such as Balcas, Wrightbus, Catagen, Bloc Blinds and Energy Store are examples of where innovation, opportunity and impact can be created. Investment by businesses such as Spirit Aerosystems and Thompson AeroSeating are looking to accelerate FlyZERO focus in the aerospace sector.

Investment, appropriate and informed public procurement and collaboration can see these and others provide good work, skills and environmental impact both locally, nationally and internationally. There is the opportunity to create a real and impactful NetZERO super cluster in the region and help build a circular economy coupled to Smart Cities and other UK policy focuses.

³ Sir Michael Ryan is the GM and Vice President of Spirit Aerosystems in Belfast, has been a longstanding member of the Economic Advisory Group to DfE in NI and is currently voluntary Chair of Makers Alliance.

Roadmap for Manufacturing

Many of the areas outlined in the terms of reference for evidence are reflected in the future roadmap for manufacturing in Northern Ireland. Currently the roadmap is focusing on seven key themes. These are outlined below (in no order) and with some comment against each as to how they relate to this call for evidence.

This has not been created in isolation. Working closely in conjunction with Manufacturing NI and a panel of eighteen industrialists from across the manufacturing sector, these key themes reflect their input and wider engagement with manufacturing businesses, local and regional government. Recent engagement highlighted:

- Supply chain and raw material availability driven by wider global issues and pandemic were universal, though many hope it is not a medium-long term issue;
- Labour and skills were the number one issue through to medium term and a sustained issue (predominately around skills) in the long term;
- Energy and environmental issues were seen as a consistent long-term risk;
- Only aerospace supply chain businesses were seeing sales as an immediate through to medium term issue, this creates concern locally and nationally for UK's position as second largest global supplier, and;
- Competitiveness and productivity were recognised as a key priority, closely coupled to innovation and technology.

Skills & Labour – in the immediate labour, due to a mix of pandemic / growth / Brexit, has created a bottleneck challenge for manufacturers, this is closely linked to a consistent disinvestment by the NI Executive in skills since 2011. We are now spending thirty percent less on TVET / FE / skills in real terms than a decade ago. The impact of the Apprenticeship Levy as a tax on business in Northern Ireland should not be underestimated. The private sector is spending over £35m on the levy with none of the money returned to the NI Executive spent on apprenticeships or wider skills activity. There is breadth of opportunity for industry and government to work collaboratively on sector attractiveness, provision of quality work experience (in place of careers advice), build workforce diversity and properly embed lifelong learning in the workplace. Urgent and structural reform of the skills ecosystem to reflect near neighbours such as Scotland or Republic of Ireland could act as catalyst for long term impact in this area.

Physical Infrastructure – while there is still need to focus on road, digital and rail infrastructure, the focus for the sector is delivering the physical infrastructure from CRGD projects that will create and drive future manufacturing success. As industry we see real opportunity and possibility in the CRGD projects. The rationale, knowledge and potential these projects can bring can give rise to new sectors, create potential FDI opportunity and bridge gaps that currently inhibit growth. Lessons from previous similar activity must be learnt. Industry needs and engagement is paramount, strong governance critical and financial models of sustainability not reliant on government funding paramount.

Energy & Environment – energy costs are spiraling, but prior to current cycle, Northern Ireland has a history of high energy costs and an over reliance on fossil fuels. This poses

both significant risk and opportunity. We have an exciting and burgeoning clean-tech manufacturing sector in Northern Ireland. This is an area where focused, carefully thought through national government investment can make both a place based and wider economic need. Taking breakthrough technologies on hydrogen creation, energy storage, building insulation and other areas can both develop new manufacturing sectors, whilst moving the traditional elements of the sector to a carbon neutral lower cost energy consumption.

Supply Chain Capability – NI has a greater propensity of SME business than any other region of the United Kingdom. Building a creating both resilience and ambition in our SME manufacturing businesses is critical. A return to thirty percent capital assistance under EU Category One Structural Funds is not going to happen. How we ensure they can foster collaborative arrangements in a secure manner while retaining their unique capabilities, becoming export focused and globally competitive. Investment and funding need careful consideration in this area, diversification is not always possible, especially as many are offering unique capabilities. The structures of local government, HE, FE and institutions such as Invest NI need to be more flexible, approachable and simpler to access to ensure maximum return on funds.

Technology & Innovation – investment across the public and private sector in research and development and innovation has fallen in Northern Ireland. A recent assessment has shown circa a hundred innovation interventions across the region from cross border initiatives (such as InterTrade Ireland), local institutions (FE, HE, Invest Northern Ireland) and national activity (such as Innovate UK). For the SME business base this is an impossible maze to navigate and, in many cases, sees duplication, replication and therefore inadequate return on investment. CRGD coupled with Shared Prosperity, Levelling Up and other UK wide activity can if streamlined and focused deliver the outcomes needed to sustain and grow manufacturing in Northern Ireland.

Productivity & Competitiveness – NI has a long-standing structural issue around productivity and competitiveness. Investment and collaborative activity that reaches outside of Northern Ireland is paramount in achieving this. Parochial, institution-based activity has been funded over the period of devolution but not achieved any improvement. Success cannot be measure in jobs created, emphasis on good work, investment in R&D, intellectual property creation and technology adoption are essential. A university structure delivering on research that adds value is something CRGD must ensure. How we educate and develop a culture of lifelong learning will enhance this. Value must be seen in creativity, problem solving, computational thinking more than rote learning and academic assessment.

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