



John Mills
**Institute for
Prosperity**

Manufacturing **Unlocked**

A Blueprint for Reviving
Manufacturing up to 15% of GDP

INTRODUCTION

BY JOHN MILLS

For over a decade, Britain has been plagued by low rates of economic growth, and with it has followed stagnation in levels of prosperity, productivity, and standards of living. Throughout that same time, investment levels have slipped down to well below the world average, and Britain's manufacturing industry has been decimated to less than 10 per cent of GDP.

The economic and social impact of these developments has been widespread and very damaging for many. It has left millions, particularly outside London and the South East, feeling left behind and believing that our economy no longer works for them. There are towns and regions across the UK that have been hollowed out by deindustrialisation over the last generation. As light and heavy industry slowly and painfully retreated, thousands of well-paid skilled jobs disappeared as did investment and prosperity.

Couple that with the long-term effects of the COVID-19 pandemic, and our economic future looks very bleak.

I founded The Institute for Prosperity in 2020 to help find solutions to these alarming economic problems. Bringing together voices from politics, business, and academia, our focus is to promote economic growth policies.

A big factor in the decline of our once-booming manufacturing sector is that our economy has been run mainly to the benefit of services, where we have substantial natural advantages, which has left UK manufacturers, on whom we still depend on to pay our way in the world, wholly uncompetitive.

This paper is a blueprint for jumpstarting our manufacturing industry. It proposes 10 key policy changes to turn the tide on this decline and create a 'manufacturing revival'. These policies have the potential to drive a vibrant manufacturing revival in the UK, which will be critical to increasing economic growth, rebalancing the economy across the whole of the UK, and increasing living standards.

At its heart is a proposal to increase our competitiveness. The stark reality is that it's simply not profitable to launch a new manufacturing site in the UK as it is in many other parts of the world. The cost of producing most goods in the UK is much higher than it is elsewhere.

However, we cannot achieve a revival in manufacturing without a raft of other complementary supply policies on education and training, taxation and investment allowances, directing finance to the manufacturing industry, discouraging short-termism, establishing priorities for infrastructure, and avoiding excessive energy charges.

The 10 points cover all the bases required for unlocking our manufacturing potential. In a nutshell, we have identified the most effective financial incentives and economic policies that benefit both supply (manufacturing infrastructure, research & development, and education & training) and demand (exchange rate and competitiveness). Ultimately, we must make it pay to site new industry here; we must ensure we are competitive in world markets; and we must invest in skills for the future.

Unless we begin to address Britain's growth problem, we will never be able to cope adequately with future costs already on the horizon, such as climate change, education, the long-term funding of the NHS, and adequate social care and pension provision as our population ages.

This is our proposal to transform our economy, make it fit for purpose in the 21st century, and ultimately, begin to get our economy growing at over three per cent GDP again.

Yours faithfully,



John Mills

Founder of John Mills Institute for Prosperity

OUR KEY TOP 10 SUPPLY AND DEMAND POLICIES:

01

Make it pay to site new industrial capacity in the UK

02

Restore technical training

03

Reward capital expenditure

04

Better finance for manufacturing

05

Make infrastructure pay

06

Reduce energy costs

07

Plan manufacturing better

08

Invest in Research & Development

09

Keep innovation British

10

Be more ambitious

OUR KEY TOP 10 SUPPLY AND DEMAND POLICIES:

01 Make it pay to site new industrial capacity in the UK

- Rebalance our economy by getting the proportion of our GDP coming from manufacturing up from less than 10 per cent to around 15 per cent by addressing both demand and supply-side reforms, entailing a radical reassessment of macroeconomic and exchange rate policy. This will ensure that the UK manufacturing industry is competitive in world markets.

02 Restore technical training

- Reverse cuts to the training budget to create a more skilled workforce and to fill critical skill shortages, particularly in manufacturing and engineering.
- Implement a national target to ensure that the necessary number of school leavers move into technical training in further education colleges.
- Create a 'Lifelong Learning' budget to help retrain and reskill non-graduates in the manufacturing sector.
- Establish a bespoke Manufacturing Careers Advice Service providing first-class advice to school leavers and support for job-seekers.

03 Reward capital expenditure

- Create incentives for increasing capital expenditure through manufacturing investment allowances to cover 100 per cent of costs.
- Further Government collaboration with industry as a guarantor on investments and loans.

04 Better finance for manufacturing

- Encourage banks to lend a multiple on invested capital with longer repayment periods.
- Establish a National Investment Bank, which prioritises levelling up the UK and investing in a manufacturing resurgence.

05 Make infrastructure pay

- Prioritise Government investment on projects with the highest rate of social return.
- Reward long-term investment in infrastructure projects over short-term investments.
- Mandate the Government to publish and reveal the percentage of Government procured products and materials which are produced in the UK.

06 Reduce energy costs

- Introduce a Green Investment Allowance to encourage green capital investment in energy-saving processes.
- Ensure that the costs of mitigating climate change are shared by consumers and taxpayers, not just industry and businesses.

07 Plan manufacturing better

- Overhaul planning rules to provide more space and power for manufacturing and industrial activity.
- Review the Community Infrastructure Levy and Section 106 contributions to ensure they do not delay or discourage industrial developments.
- Support a UK Carbon Border Adjustment Mechanism to ensure domestic businesses are not beaten unfairly on price.

08 Invest in Research & Development

- Increase R&D expenditure to the world average and then to comparable OECD countries.
- Incentivise R&D expenditure through research and development allowances.
- Enhance the public interest test to prevent takeovers of firms where strategic research and development are concerned, including manufacturing.

09 Keep innovation British

- Discourage innovation developed in the UK from moving abroad through tax incentives.
- Introduce restrictions on any innovation that has been publicly funded to guarantee it remains in the UK.

10 Be more ambitious

- Set a national target to grow manufacturing as a share of GDP by 50 per cent within 10 years.
- Make the UK the easiest place in the world to set up a manufacturing business through tax incentives.

ADVISORY BOARD

We are a cross-party organisation supported by an Advisory Board from across the political spectrum.



THE RT HON CAROLINE FLINT (CHAIR)

Caroline Flint is a Former Minister in the Blair and Brown Governments, Shadow Secretary of State from 2010-2015, and MP for Don Valley from 1997-2019. She has been on the frontline of British politics for 22 years, six of which as a Government Minister and five as Shadow Secretary of State. She was also the first woman MP for Don Valley, serving from 1997-2019.



JOHN MILLS

John Mills is founder and Chairman of JML, the consumer goods distribution company, which exports to more than 70 countries worldwide. He is also an economist and author, noted for his writing on Brexit, the Labour Party, and exchange rate policy. John founded the Institute for Prosperity in 2020 with the objective to put prosperity and economic growth firmly back at the centre of British political discourse.



STEPHANIE PEACOCK MP

Stephanie Peacock is Labour MP for Barnsley East and Shadow Minister for Veterans. Since her election to Parliament, Stephanie has served on the International Trade, Science & Technology, and the Women & Equalities Select Committees. She was a member of the Opposition Whips Office, Shadow Cabinet Office, and Office of Veterans' Affairs.



THE RT HON SIR VINCE CABLE

Sir Vince Cable is Former Leader of the Liberal Democrats, Secretary of State for Business, and former MP for Twickenham. He is currently a Visiting Professor at the London School of Economics, St Mary's University and Birmingham City University. He is also a columnist for *The Independent*.



LORD NIGEL VINSON

Lord Vinson is a Businessman, Conservative Peer, and Co-founder of the Centre for Policy Studies. He believes in personal ownership and giving people a stake in the community. He also thinks that many of the UK's economic and educational priorities have been wrong and that we have an unbalanced economy that needs rectifying.



PROFESSOR STEPHEN POLLOCK

Stephen Pollock is a Labour Peer and Professor of Econometrics and Computational Statistics at the University of Leicester. He is an econometrician and a mathematical statistician who has specialised latterly in time-series analysis and statistical signal processing. In addition to specialist scientific papers, Stephen has written on various topics, including medicine, agronomy, and paleoanthropology.



STEPHEN KINNOCK MP

Stephen Kinnock is Shadow Minister for Asia and the Pacific and Labour MP for Aberavon. He is a member of the Select Committee on the Future UK-EU Relationship and Secretary of the All-Party Parliamentary Group for Steel. He is also Chair of the All Party Parliamentary Groups on Post-Brexit Funding, Reuniting Britain, Palestine (co-chair), and Electoral Campaigning Transparency.



EMMA LEWELL-BUCK MP

Emma Lewell-Buck is Labour MP for South Shields. Elected to Parliament in 2013, she was the first woman to represent the town. Emma's previous experience as a social worker specialising in child protection and growing up on Tyneside in the 1980s has shaped her political views. She has long been committed to fighting for social justice for the most vulnerable in society.



JOHN PENROSE MP

John Penrose was elected Conservative MP for Weston-Super-Mare in 2005, winning the seat from the Liberal Democrats. In 2019 he achieved the biggest share of the vote in his constituency since 1970. He is currently a UK Anti-Corruption Champion and Chair of the Conservative Policy Forum.



KATHERINE FLETCHER MP

Katherine Fletcher is a Conservative MP for South Ribble. Prior to this, Katherine has run a manufacturing business, worked in management and IT consultancy and undertaken several operational and change & strategy leadership roles. She also helped to set up the Northern Powerhouse Partnership.



John Mills
**Institute for
Prosperity**

About the Institute:

The John Mills Institute for Prosperity is a cross-party research initiative that seeks to provide policymakers of today and tomorrow with new and innovative ideas, to increase levels of growth, prosperity and equality.

We firmly believe that Britain must raise its sights and reject one per cent of economic growth per year, which has become the new norm. By investing in economic growth and getting our economy to grow at over three per cent per year, we will increase levels of prosperity across the whole nation and ensure no one is left behind.

We are supported by an expert Advisory Board. With MPs and Lords from across the political spectrum, former ministers, academics, and business leaders, the Institute for Prosperity is made up of a diverse and broad range of opinions, ideas, and solutions. Many of our Board members represent or live in left-behind communities facing deep-seated economic challenges of the kind we are concerned about – this unifies us with a common goal to bring about measurable change.

The John Mills Institute for Prosperity initiative hopes to provide a forum for people to share and debate their ideas on how to get our economy to perform better. The old tried-and-tested solutions from the Left and Right no longer work. Bringing new ideas and people together is the only way to tackle our economic woes at the root.