

PM Tony Blair – speech to the CBI Manufacturing Annual Dinner 18th October 2004

I am delighted to be here in the West Midlands - the cradle of modern industry. Birmingham has long been famous as a centre for industrial innovation ever since the Lunar Society began meeting here in the 18th century. Luminaries such as Boulton, Watt and Wedgwood, a combination of scientists and entrepreneurs - revolutionized industry. I am glad to say that the Society still meets. Although, thanks to some significant improvements in technology such as street lighting their meetings are no longer confined to the full moon!

In 1997 our overriding objective was to deliver macro economic stability. And that is what together we have achieved: 29 consecutive quarters of growth, low interest rates that save mortgage payers on average £2,600 a year, and just last week unemployment reached a record low. There are nearly 2 million more people in employment. Over 1 million people have been helped into work by the New Deal. In 1997 people living in France, Germany and Japan were all wealthier than us. In 2002 we had overtaken them all. Britain is working. We know that this has all been built on a foundation of macroeconomic stability. We will never throw that away.

I want to talk about manufacturing's part in securing our future prosperity.

Last year manufacturing created £150 billion of our wealth, three and a half million of us earned our living directly from the sector which accounts for over half of all our exports, three quarters of business R&D.

Manufacturing has had some tough times. Not just here but in all industrial countries. But the fact is that British industry produces about a third more today than it did 20 years ago and has driven up its productivity by a quarter over the past seven years alone. We have world beating companies - our pharmaceutical industry exports more by value than any of its foreign competitors, our engines power many of the world's aircraft, one quarter of all Ford cars in the world will have an engine with "Made in Britain" stamped on it. The phenomenal success of the new MINI, with over half a million already produced, has - in a reversal of the idea that production only ever leaves these shores - seen engine production actually being transferred from Brazil to the UK.

And the UK is also at the forefront of many of the emerging sectors such as nanotechnology and biotechnology that will shape the way we create wealth in the future.

The point is that you do not have to look far to see manufacturing alive and kicking here in Britain. What our success stories have in common is that that they are about the appliance of science and technology with highly skilled people.

But with China and India emerging as big economic powers we need to do much better.

That is why this Government worked with you on a Manufacturing Strategy and I pay tribute to Patricia Hewitt for this initiative. It is already delivering results – R&D tax

credits, worth £600 million to business, the Industry Forum Network and the Manufacturing Advisory Service which has already helped over 2,000 businesses.

There is more to be done. I am delighted that GKN's Kevin Smith has agreed to jointly chair with Jacqui Smith a new Manufacturing Forum.

The challenge for Government is to make sure it focuses its resources to where it will make a real difference.

A drive to promote innovation, so we maximise the results from our increased public investment in the country's science base, will be at the heart of the 5 year programme the DTI will publish shortly.

Time and again when I speak to business leaders the issue of skills comes to the fore. You, as employers, need employees with basic skills in literacy, numeracy and information technology – skills which are still too often lacking in new and older employees. You also need higher level skills, and employees with the capacity to acquire those skills where they do not already have them at every stage in their working lives.

The literacy and numeracy hours are now a standard part of the primary school day for every pupil, and test results among 11-year-olds have risen sharply.

In secondary education, Specialist schools and academies are being extended nationwide, because of the compelling evidence that they perform better than old-style comprehensives. One of the reasons for this success is the sponsorship they receive from business and other sponsors, which focuses them on practical results and outcomes. I would strongly encourage every business represented here today to play a part in school sponsorship; by doing so you can make a real difference to the effectiveness of secondary schools in your own areas of business.

Today's Tomlinson report is an important step forward, and Charles Clarke will follow with a White Paper in the New Year setting out a reform plan for 14-19 education.

Let me be clear that the purpose of reform will be to improve upon the existing system, not to replace it. As Mike Tomlinson has said, and Charles Clarke reiterated, GCSEs and A-levels will stay. So will externally-marked exams. Reform will strengthen the existing system where it is inadequate. There will be greater challenge at the top, for those on track to higher education. There will be a sharper focus on the basics of literacy, numeracy and ICT, so that the great majority of young people achieve practical competence at GCSE-level in these skills. There will also be improved vocational provision, starting from the age of 14, so that those on a pathway to apprenticeships at the age of 16 or 17 are motivated to succeed with more relevant courses – including job-specific training – as well as the basic and general skills they also need.

I would particularly emphasise this vocational element. At present, the prospectus for 14 year-olds wanting to go on after school to apprenticeships and other work-with-training is too ad hoc, and often demotivating. Even with the availability of new vocational GCSEs, which are a step forward, there is not a clear and simple pathway

for the 14 to 19 year-old pupil wanting, say, to become a plumber or go into the hotel industry, in terms of the course they follow up to GCSE and its progression into a modern apprenticeship thereafter. And there is also insufficient emphasis on the basic English and maths skills they need too. More than one in ten of all pupils still leave school at 16 without achieving any grade at all in English and maths GCSE.

Tomlinson proposes to establish a number of clearly defined vocational pathways to be available from the age of 14, which pupils will be able to follow with an expectation, if they succeed, of progression directly into apprenticeships or further vocational training at the age of 16 or 17.

We will also continue to expand the number and quality of apprenticeships in partnership with you as employers. Apprenticeship numbers have risen to 255,000 from just 75,000 in 1997 with 70,000 apprenticeships in manufacturing and engineering – the single largest group.

International surveys show that the UK continues to have amongst the lowest administrative burdens of any industrialised country in the world. But I know this is a major concern of yours and mine.

We have made some progress. Such as reducing payroll burdens for 1.2 million businesses through our plans to pay Working Tax Credit direct to individuals rather than through employers, in response to CBI concerns.

Half of all our major new regulation comes from the EU. I discussed this with the new President of the Commission, Jose Manuel Durao Barroso, last week, and he and the new Commission are firmly committed to regulatory reform and to the Lisbon process. We have already been working closely with the Dutch government on proposals to simplify EU law which should be agreed in November. We will be making better regulation a centrepiece of our Presidency of the EU in the second half of next year.

You have heard a lot of speeches from successive Prime Ministers about dealing with regulation, without, I would guess, being as impressed with their actions. The problem is cultural. For decades civil servants and politicians have prided themselves in dotting every i and crossing every t when legislating administrative rules. We need to change that approach to end gold-plating of European regulations, and rather than assuming everyone is a criminal who needs to be inspected to see if they are breaking the law, adopt a flexible approach to ensure we achieve our targets.

At the moment there is no downside for civil servants in making regulation overly thorough, only a downside if they leave a loophole. Therefore, as part of our civil service reforms, we want to start rewarding those who devise ways of meeting our policy objectives without regulation.

We need to simplify inspection and enforcement, reducing the amount of duplication and overlap, following Philip Hampton's review. We will provide clearer information to business about regulatory changes by extending the use of common

commencement dates, following the successful trial with employment legislation this year.

Later this week I will chair the new Panel for Regulatory Accountability we have established to scrutinise department's records on regulation, vet proposals on new regulations and encourage them to take deregulatory initiatives. If this process is to be effective we will need your help in identifying the regulations that are most burdensome and are most in need of simplification. I am also prepared to amend the Regulatory Reform Act to make it easier to get rid of redundant regulation.

In addition, I have asked the Better Regulation Task Force under David Arculus to look at a two new ideas in particular:

- The new Dutch approach of introducing a target for reducing administrative costs to bear down on paperwork burdens faced by business.
- And a 'one in one out' rule for regulation, where new regulations have to be matched by deregulatory measures.

The absence of a first class transport infrastructure is a real brake on business efficiency. We are making a big additional investment. But the truth is under-investment over many years has taken its toll and a booming economy has increased demand - by 25 per cent on the rail network alone since 1997.

The West Coast Mainline, the Birmingham Northern Relief Road, investment in new rolling stock and local transport systems will all bring improvement. But it isn't satisfactory as Digby often reminds us. This and security in pension provision, are the two long term issues that confront this or any Government. Over the coming months, we will be setting out the basic framework of how we make changes for the future that can command broad consensus and support.

A person working in manufacturing today is increasingly likely to be working in Computer Aided Design, Sales, Consulting, Research and Development, Logistics or Customer Care.

Last year I visited the Airbus plant in Broughton. Young people – many of them training as Apprentices - were learning skills at the leading edge of technology. I also visited Ford's engine plant in Dagenham. It was more like a science lab than a factory. A thousand miles away from the smoke stacks of common perception.

The students I saw earlier at the Heart of England Business & Enterprise School, were being trained in the skills needed to succeed in industry. Skills such as computer aided design. Skills we excel at so much so that last year NASA came to Britain to see how pupils here are getting to grips with industry-standard design and technology software.

There are exciting opportunities for the UK emerging. Language, education, global presence, a certain pioneering spirit and a natural curiosity and inventiveness are all much sought after capabilities in the global industrial world. All qualities that we have as a country.

You need no persuasion from me about the importance of manufacturing. But we do need to get the message out to people who, for understandable reasons, are less familiar with how industry works. We need to emphasise that modern manufacturing is precisely the kind of highly skilled knowledge intensive activity which we need to encourage.

When we came to office I promised we would govern in partnership with business. I promised we would embed economic stability, sustain labour market flexibility, invest in skills and education and avoid the mistakes of Labour Governments of the past.

I also know and understand the fundamental importance of tax rates and levels that incentivise success and reward hard work, for people and for companies. I have never believed in the politics of envy. On the contrary, the more successful entrepreneurs Britain has, the better.

We have maintained an overall burden of taxation well below the EU average for precisely that reason.

Tonight, I accept we have to go further. We have to invest in the new generation of science and technology opportunities; we have to take our academic and vocational skills base to a new and higher level; we have to make a decisive break with past attitudes to regulation from Governments of both colours; and we have to encourage, not hold back the enterprises of the future.

This is a great country. Britain is working. But in the future it can be better still. Work with us to do it.