

Inquiry into industrial sustainability

-= Strategic Alerts =-

1) UK manufacturers face challenges to the future supply of critical materials, which may threaten national security

Despite some progress over the course of the last Parliament, some policy-makers and businesses are often unaware of the use and availability of certain Critical Raw Materials (CRMs) in their supply chain, and there is a risk that access to these materials will be determined by national preferences in future.

CRMs are necessary for the production of countless items crucial to the UK economy and maintaining our way of life, such as smart phones and computers. Indeed, much of our basic infrastructure is dependent on such products.

According to a 2012 EEF survey, 80% of senior manufacturing executives considered limited access to raw materials was already a business risk and a threat to growth, and many identified it as the top risk they face.¹ Meanwhile, a major study for the Institute of Actuaries in 2013 concluded economic stability can only be maintained with proactive action on resource efficiency from both governments and business.²

China is by far the largest producer of CRMs, and is constantly expanding its control of mining operations around the world. And unlike the US, Japan and Germany, the UK does not yet have a strategic plan for protecting its access to crucial resources. In the face of global geo-political uncertainty and the extensive internationalisation of vulnerable supply chains, the national security of the UK itself is under threat without decisive government intervention to improve the management of critical resources.

2) Further devolution of powers could be a barrier to a more sustainable system;

The UK is currently poised to devolve further responsibilities to the regions, counties and local councils. However, the issue of waste management is a national one and should be coordinated at the state level.

Waste management across the country is incredibly fragmented, with collection and treatment decided at the local level. Councils have already seen cuts of 40% since 2010³, with only some corresponding increase in legislative authority. The national Landfill Tax and the creation of WRAP have been influential in increasingly diverting waste from landfill, but may prevent the UK moving up the waste hierarchy.⁴

Further devolution of powers in this area could be a barrier to implementing a truly sustainable industrial system. Devolution of governing authority is a wide-ranging national debate –

¹ <http://www.eef.org.uk/about-eef/media-news-and-insights/media-releases/2012/aug/government-must-take-stronger-action-over-looming-raw-material-shortage>

² <http://www.actuaries.org.uk/research-and-resources/documents/research-report-resource-constraints-sharing-finite-world-implicati>

³ <http://www.theguardian.com/public-leaders-network/2015/jul/08/local-government-emergency-budget-2015-key-points>

⁴ <http://www.eea.europa.eu/publications/managing-municipal-solid-waste/united-kingdom-municipal-waste-management>

however, any steps in this direction must take into account its impact on efforts to facilitate a system-wide change in our use (and re-use) of material products.

3) **The UK needs to close the gap between the worst and best performers on non-labour productivity to make a meaningful difference**

Our analysis has shown that energy and material efficiency are not being treated as a key strategic focus for many businesses, and the UK is missing out on significant economic, employment and carbon-reduction opportunities due to the failure of many to match the most sustainable performers.

The benefits of moving to a broader adoption of best-practice efficiency methods are substantial. The *Next Manufacturing Revolution* report found that a conservative estimate of the impact of such a shift amounts to:

- £10b pa in additional profit for the sector;
- 300,000 new jobs; and
- A 4.5% reduction in the total annual greenhouse gas emissions of the UK

While the best performers in terms of efficiency in UK manufacturing can still achieve more, the majority of businesses are only doing half as much. This gap between leading companies and the rest of the pack must be reduced, and can be achieved through greater information sharing and collaboration. Government must also work with industry to ensure that barriers to greater collective action on material and energy efficiency are overcome.

4) **Transitioning to a sustainable industrial system depends on the leadership of UK manufacturing companies, and of UK government.**

Meaningful action on implementing industrial sustainability measures must come from the top. This inquiry has heard time and again that positive change within a business is dependent on the signals received and actions undertaken directly by the Chief Executive and top management. It simply is not enough to make general pronouncements and delegate authority. Too often, this results in responsibility for sustainability being transferred to individuals with no real power to instigate change.

It is the leaders of businesses that must be convinced of the advantages, and the necessity, of pursuing cost-savings through sustainability measures as an equivalent goal as increasing sales, and to take a direct interest in setting out a company-wide strategy. Only then will the concept embed itself throughout the business, and only then can optimal efficiency and sustainability be achieved.

Similarly, the goal of sustainability must be clearly articulated from government. Responsible global companies are increasingly making decisions based on countries' sustainability agenda. Mixed messages, half-hearted initiatives and lack of focus on sustainability issues from the Prime Minister on down have an extremely negative effect on investment and corporate decision-making toward a more sustainable and more competitive UK manufacturing sector.