

## A global recovery means it's time for frank discussions with your suppliers

Maintenance is one of the first to suffer when recession hits, downward price pressure inviting production managers, engineers and machine operators to coax machinery into keeping running without spending money on it.

Inventory also comes under severe pressure, for both production stock and MRO consumables; the overall result is a greater risk of operational downtime if something does go wrong and interruptions in supply hit just when companies need to be able to deliver.

Some businesses are already exceeding previous productivity levels and extended lead times are proving that products that were easy to remove from stock are now far harder to replace, lead times on some critical items are extending to several months. Many component manufacturers that rely on high-grade materials are already issuing official and unofficial statements warning of limited supply, so the time to act is very much now.

Those of us who remember the last recession will probably recall the crisis that hit rolling bearings as the market began to recover. Some larger sizes and less commonly used configurations were on 12 month lead times overnight, manufacturers failed to deliver even pre-ordered products, and this slowed the production of large items such as wind turbines, it also caused major downtime events for heavy industry users.

In order to offset some of the recessionary damage to the economy, and as the cycle begins to swing the other way into positive growth, communicating predicted production schedules to your suppliers and updating

maintenance schedules is one of the best ways to avoid supply issues as the recovery takes hold globally.

Businesses that are able to react quickly to market demands and continue to provide uninterrupted supply as demand grows again will be in the best position to take advantage of growth, improving their market position and increasing profitability. Manufacturing and process companies can only be sure of this if the supply chain is healthy and robust and the production environment is fit for additional capacity, so what is to be done?

As one of Europe's largest component manufacturers and suppliers, both to industrial OE and MRO customers, ERIKS has taken action to counteract possible supply issues caused by the global economic recovery. By talking to its suppliers and providing an honest and open estimate for expected volumes the company has been able to work in partnership with suppliers allowing them to do the same and provide a better picture of requirements moving forwards.

Even though ERIKS, as Europe's largest distributor, has more leverage than most with suppliers to secure vital stocks for customers and also has the advantage of its own extensive manufacturing facilities to plug-the-gaps, ERIKS is still recommending that any business working with them opens a dialogue now to protect their own supply chain. Having an open and frank discussion about production planning and maintenance requirements is the best way help guarantee supply and avoid sharp price increases where possible.

In a classic case of the supply-and-demand cycle at work and given the steep global economic downturn experienced in 2009, price increases for critical feedstock materials published earlier in 2010 signify an increase in volume demand for metals at a rate that cannot be readily absorbed by a supply chain that is running lean. This is being compounded by transportation cost rises due to exponential fuel price rises.

Reports from the electronics manufacturing industry for example show the average price for critical materials such as copper and zinc has already exceeded 2009 levels, when the global economy and materials demand was more robust. The primary reason identified for the increases, apart from financial speculation, is that many of the key production sites have been turned-down in an attempt to save money, and their ability to turn capacity back on remains uncertain.

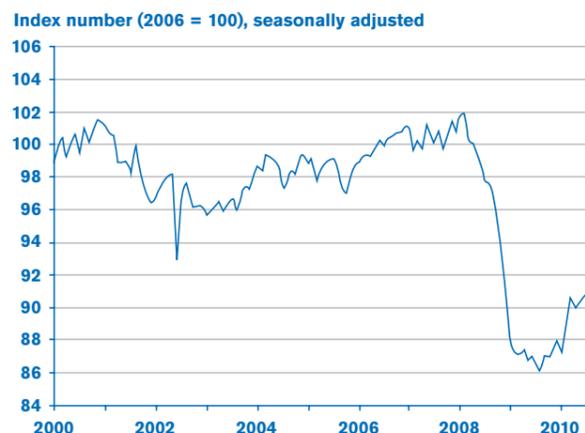
ERIKS is actively working with customers to develop maintenance schedules and meet future production schedules with appropriate supply volumes by ensuring that the right stocks are in place, and would encourage any UK based industrial company to adopt this policy as best practice as soon as possible.

### New red tape rules must be backed by real culture change

The Forum of Private Business welcomed the Government's announcement that a 'one-in, one-out' regulatory system in order to stem the growing burden of red tape on small firms.

The new system is part of a package of measures the Government hopes will create a culture of 'regulation as a last resort'. It will be overseen by a strengthened Regulatory Policy Committee tasked with scrutinising proposed regulations and the implementation of EU legislation in advance of policies being formed.

Last year, the Forum's 'Cost of Compliance' survey revealed that 81% of businesses surveyed believed the existing regulatory framework was not robust, unrealistic and unfair.



Office for National Statistics figures: Index of Manufacturing

## Boosting home-grown industry will bring down offshore wind deployment cost

The UK faces significant challenges in meeting its renewable energy targets for 2020. Offshore wind is widely expected to make a major contribution. However, rising costs have been associated with its deployment. A new report from the UK Energy Research Centre (UKERC) explains why costs have risen significantly since the mid 2000s – and suggests ways in which these costs may be reduced in future.

UK ERC's report states that while the UK has big ambitions to maintain its position

as a world-leading player in offshore wind, it is today importing 80% of equipment and services from abroad. This presents a substantial opportunity to bolster the UK's manufacturing industry while building a low carbon economy.

According to the report's chief author, Dr Robert Gross, Head of Technology and Policy Assessment at UKERC, "The UK is not yet fully benefiting from being a world-leader in the field; in effect UK consumers are subsidising Danish and German wind

energy companies. This report suggests that policies could do more both to bear down on costs and support a UK based industry."

The full report can be downloaded from the UKERC website: [www.ukerc.ac.uk](http://www.ukerc.ac.uk)



### Machinery exports to the US subject to new legislation

OEMs exporting machinery to the US would do well to review the motors being used, as new legislation coming into force in December puts into place a new minimum efficiency standard, raising the baseline from NEMA Energy Efficient to NEMA Premium Efficient.

The Energy Independence and Security Act of 2007 comes into effect on 19th December, replacing the current EPAAct legislation which has been in force since 1997. The result of the new law is that almost all low voltage, 3-phase electrical induction motors will be covered by the new legislation.

### A New Standard A New Opportunity!

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## EEF joins with HSE and TUC in Safe Maintenance Campaign

EEF, the manufacturers organisation, the Health and Safety Executive (HSE) and the TUC are joining forces to tackle one of the major causes of serious injury in manufacturing. The organisations have joined to run a series of events around Britain to provide expert advice and help as part of the European Safe Maintenance Campaign.

More than a quarter of fatalities in manufacturing involve maintenance work and it is also responsible for many other serious injuries and ill-health. As well as being the subject of the EU Safe Maintenance Campaign, HSE is focusing on maintenance as part of its inspection programme.

Steve Pointer, EEF's Head of Health and Safety Policy said, "The fact that maintenance is not directly part of the manufacturing process means that it is all too easy to forget when thinking about health and safety. But everyone has to carry out maintenance in one form or another and it can present some serious risks. That is why we are working together to help manufacturers manage maintenance risks."

Attendance at the half-day seminars costs just £25. The five events are to be held at Newport (19th October), Sheffield (4th November), Warrington (9th November), Glasgow (23rd November) and Leamington (30th November).



For further information and booking visit [www.eef.org.uk/safemaintenance](http://www.eef.org.uk/safemaintenance) or call 0845 293 9850

## Imitation parts causing real problems in industry

According to the British Compressed Air Society (BCAS), imitation compressed air system parts have become a serious problem in recent years. And it doesn't just hurt legitimate companies; it hurts the individual buying the parts, as well.

Imitation parts are those manufactured, packaged and represented in a way to mislead you. Imitators often duplicate a trademark exactly, or alter it just enough that the average customer won't notice the difference. The people who make and sell these fakes want you to think you're getting a part produced by a reputable company.

Also, most fake parts distributors use trademarks without obtaining the owner's permission. This is a criminal offence.

BCAS says that while imitation parts may be cheaper, they could cost you a lot more in the long run. Imitation parts typically don't last as long as genuine parts, making it necessary to replace them more frequently. Also, these parts typically aren't built to your compressed air systems specifications and can lead to other mechanical problems and system breakdowns. In addition some fakes are produced from substandard materials that don't hold up or perform like genuine parts.

## Nuclear power generation technology innovation to benefit from new £2 million investment

Twenty feasibility studies aimed at stimulating innovation in civil nuclear power generation technology are to share £2 million of support from the government-backed Technology Strategy Board.

The studies will address a wide range of challenges, from non-destructive testing, waste handling and condition monitoring to materials modelling, advanced manufacture and maintenance technologies and construction methods. All the studies – which will last between 6 and 12 months –

are industry-led, many having SME's as the project leader or a major contributor. The studies will assist UK businesses in developing technologies to support the civil nuclear industry, while strengthening the supply chain.

Iain Gray, Chief Executive of the Technology Strategy Board, said that many of the applications for funding were made by Small and Medium-sized Enterprises (SME's) currently working in other sectors, and that this was particularly welcome.

## Profit sharing would boost engineering productivity

More than half of UK workers in the engineering sector surveyed believe they would be more productive if they were able to share in profits or have an ownership stake in their employer's business, according to the latest survey from workforce solutions leader Kelly Services. The findings are part of the Kelly Global Workforce Index, which obtained the views of approximately 134,000 people in 29 countries, including almost 6,000 in the UK.

The survey also found 30% of UK workers in the engineering sector are currently in an arrangement where some of their pay is tied to performance targets. Gen Y (aged 18-29) and Gen X (aged 30-47) employees are more likely to be on some form of performance-based pay than those in the Baby Boomer generation (aged 48-65).

However, of those not receiving performance pay, more than a third (37%) say they would be more productive if they had their earnings linked to performance outcomes, with Gen Y the most attracted to it.

## Changes recommended for CRC Energy Efficiency Scheme

The Committee on Climate Change has recommended that Government redesigns the Carbon Reduction Commitment (CRC) energy efficiency scheme prior to the start of the second phase (2013-2017), in order to reduce its complexity.

There are three principal recommendations. First, the Committee says the sale of an unlimited number of allowances at fixed price should be extended from the first phase into the second, rather than introducing a second phase cap and complex auctioning scheme. Secondly, separate league tables and revenue recycling should be established for the public and private sectors, and public sector financial budgets should be set to allow upfront investments in energy improvements. This will allow for the fairer treatment of the two sectors, as the current scheme is at risk of transferring funds from public to private sector organisations.

Finally, the Committee says participants should have to purchase CRC allowances to cover renewable energy generation, including heat. This is a departure from the current scheme whereby companies could receive double incentives for use of renewable energy. Financial incentives for renewable heat are important but should be introduced through the renewable heat incentive. League tables should be extended to cover renewable heat and renewable electricity, thereby providing additional reputational incentives for business.

The Committee also set out options for a more fundamental redesign of the scheme, which Government could consider in the context of a strengthened carbon price.

The full report can be downloaded from the Committee on Climate Change website at [www.theccc.org.uk](http://www.theccc.org.uk)

## Firms continue to expect growth in UK factory output



UK manufacturers still expect production to grow solidly in the next three months, and demand held up reasonably well in September, says the CBI. Responding to the latest monthly Industrial Trends Survey, 20% of manufacturers said that total orders were above normal and 37% said they were below. The resulting balance of -17% is down slightly on August, but the figure is broadly in line with the survey's long-run average and is consistent with the trend of improving demand seen over the past year.

Firms' position on export orders weakened slightly in September, with 23% of companies saying they were above normal and 27% below normal. The resulting rounded balance of -5% is down a little on

-1% in August, but this figure is well above the long-run average (-22%), and overseas demand is still considered to be much better than at the start of the year.

The improving trend in overall demand for UK-made goods and the need to replenish stocks has been accompanied by further expectations of growth in manufacturing output. In September's survey, 27% predict output will rise, compared with 16% expecting it will fall. However, price pressures in the manufacturing sector intensified for the second month running. A balance of +15% of firms expect to raise prices in the next three months, following +11% in the previous survey.

Ian McCafferty, CBI Chief Economic Adviser said, "The outlook for manufacturing activity seems to have held steady in September. Demand is still considered to be better than it was in the first half of the year, export order books are holding up reasonably well and expectations for production growth in the coming quarter remain solid. For the second month running, however, inflationary pressures appear to have picked up, as manufacturers anticipate a slightly faster rise in output prices over the next three months."

## Banks costing us engineering exports



A new survey shows that confidence is growing in Britain's core engineering companies. But it's no thanks to the banks, whose attitude to lending is still restricting growth and hindering export opportunities. Overall, the feeling is that the Government has not made any impact with its requirement for banks to lend to SMEs.

The body representing small and medium-sized companies in engineering, The Engineering Industries Association (EIA), says that a third of its members are more confident than they were six months ago. Three-quarters of them say that growth rates are higher or at least the same as last year.

Export demand is 48% stronger, but growth is being restricted by lack of access to finance, say members. Indeed, overall, there was a high level of dissatisfaction with the banks who appear to be keeping a tight hold on their money despite trying to appear to do the opposite.

Members needing access to additional overdraft facilities to enable export growth are instead seeing their overdrafts reduced. At the same time, companies that do not need finance are seeing their overdraft facilities increased as banks seek to give the impression that lending to business is increasing.

Summing up, EIA President Sir Ronald Halstead said, "Banks are inhibiting the growth of SMEs. They are slowing the supply chain in the UK. They are inhibiting export opportunities that would do much to establish British manufacturing abroad, improve our balance of payments and increase employment in the UK. The present devaluation of Sterling against the Euro and US dollar provides a tremendous opportunity for UK industry which could be lost."