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DID YOU KNOW?

Some large manufacturing firms have been critical of Chancellor George Osborne's plan to introduce a new levy on businesses to help them reach apprenticeship targets, claiming it is 'little more than a tax on business'. The levy stems, in part, from the need to create 600,000 new apprenticeships each year to meet the goal of 3 million by 2020. Sceptical manufacturing firms are concerned that businesses may rebrand established positions as apprenticeships in order to meet the target and recoup levy costs. However, as the levy will not come into force until 2017, the government promises to provide more details on the scheme to ensure employers get more back than they put in.

4th Quarter 2015

2015 Manufacturing Industry Recap and 2016 Outlook

As 2016 approaches, it is important to reflect on the manufacturing industry's successes and strengths that were highlighted this past year.

Recent advances in technology have helped shape UK manufacturing, transforming it into a struggling but agile sector. It employs more than 2 million Britons and annually contributes an estimated £140 billion to the economy. It is also responsible for more than 70 per cent of research and development investment, and accounts for more than 50 per cent of exports.

Within the industry, the most robust sectors are chemical, machinery, food and drink, and automotive. The products these industries produce are cost-effective, as they are manufactured close to the consumer. Yet, despite the sector's growth, it faces a key challenge in 2016—providing students with a better education in science, technology, engineering and maths.

Apart from improving education, the government is predicting that future sources of new and additional manufacturing revenue will come from the following:

- Selling technological knowledge and outsourcing the production to another party
- Making changes in product ownership, by providing more robust products for 'collaborative consumption'
- Shifting to a 'circular economy' way of doing business, with end-of-life products remanufactured and returned to original specifications or better



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The Stagnant UK Manufacturing Industry

The UK manufacturing industry has gradually become stagnant as the number of manufacturers exporting products has fallen to a six-year low. The British Chambers of Commerce (BCC) estimates that weak demand from the oil and gas sector and a strong pound has caused the majority of the stagnation.

The BCC's assessment was echoed in the purchasing manager's index (PMI) for September, with the manufacturing industry's score dropping to 51.5—indicating that the industry is nearly in a contracting market (a reading below 50 indicates contraction).

However, the UK economy as a whole is strong and healthy—with robust growth in business and professional services. This positive growth is expected to continue as the UK economy changes to meet shifting market needs.

Product Recall and Brand Damage: Learning from Volkswagen's Mistakes

On 18th September, the United States Environmental Protection Agency (EPA) found Volkswagen to be in violation of the Clean Air Act after it was discovered that the manufacturer had intentionally programmed diesel engines to activate specific programming during emissions testing. When activated, these 'defeat devices' produced compliant emission readings, but were, in reality, actually 40 times more than the legal limit. An estimated 11 million vehicles worldwide that were manufactured between 2009 and 2015 have these devices installed. Now, the manufacturer has the momentous task of earning back the respect and loyalty of the global public.

Regardless of whether you manage an international manufacturing company, a local garage or a regional manufacturing firm, it is essential that your business conducts itself with integrity and honesty. Keeping your business' actions and policies transparent proves to your shareholders and the public that you stand behind your business' decisions and are willing to accept the potential consequences of those decisions. To help protect your brand and avoid Volkswagen's mistakes, do the following:

- Ensure that contracts, sales targets, criteria for promotions, etc, do not incentivise or encourage non-compliant behaviour.
- Look for warning signs of non-compliant behaviour, especially in instances where temporary solutions are put in place for ongoing problems. While quick fixes and workarounds can save you time in the short term, they can be costly if you are not complying with industry regulations.
- Avoid following examples set by other non-compliant companies in your industry. In some cases, non-compliant behaviour may appear to be the norm. However, companies are never exempt from regulatory checks. Be proactive and ensure that you have an action plan in place that outlines all the necessary steps you need to take to avoid non-compliant behaviour and what to do if you are investigated by a regulatory body.

The Volkswagen scandal illustrates to all industries the importance of conducting business in a compliant and honest manner. Putting the aforementioned tips into practise can help companies—large or small—prevent the crippling financial and reputational damages caused by non-compliance.

Recent Fines and Prosecutions

Laundry firm prosecuted after worker suffers third-degree burns

A Stockport laundry firm was fined £20,000 and ordered to pay £7,915.50 in costs after an employee fell through a mezzanine floor onto an industrial iron below and suffered third-degree burns. In its investigation, the HSE discovered that the firm failed to perform regular inspections of the work environment which resulted in the deteriorated quality of the floor.

Woodham Ferrers firm fined for ignoring safety law

An Essex window and door manufacturer was fined £15,000 and ordered to pay £2,240.50 in costs for repeatedly failing to inspect its local exhaust ventilation system over the course of 10 years. In its sentencing, the HSE cited that the manufacturer's fine was determined, in part, by the decision to ignore the HSE's previous enforcements.

Polythene firm sentenced after employee's life-changing injuries

A Widnes film polythene manufacturer was fined £40,000 and ordered to pay £10,333 in costs after an employee became trapped in a machine, causing him to sustain injuries to his kidney, spleen and lungs. In its investigation, the HSE discovered that the manufacturer had identified and addressed a similar problem with another machine, but had failed to apply the same solution to all of its equipment.