‘Made in Britain’

A speech given by Ron Dennis CBE,

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My lords, ladies and gentlemen, good afternoon.

Thank you for inviting me to speak at this important event.

As a motor racing man, and as a car man, but above all as a businessman, I am very concerned about the debate in this country over the need to rebalance our economy and reinvigorate our shrunken manufacturing base.

To my mind, this debate is long overdue - 20 years overdue, probably.

From the early 1990s onwards, the UK has focused ever more obsessively on financial services - to the neglect of its manufacturing.

Policy-makers, opinion-formers, market-makers and pundits prized financial engineering, not real engineering.

That wrong turning was at least partly the cause of the financial crisis and economic downturn of 2009, and the legacy of colossal debt that we are still struggling to manage.

Moreover, a generation of graduates aspired only to climb onto the City bandwagon and make their fortunes.

In the face of this, very few sectors of manufacturing and engineering in Britain managed to hold their own, let alone grow.

Meanwhile, in Japan, companies such as Toyota, supported by Government policy, have continued aggressively to reinvest in research and development.

In 2009, for example, Toyota topped the car manufacturers' global R&D league table with an annual R&D investment of £6.4 billion – a 7.6% increase on the previous year.

By contrast, the gross expenditure on R&D in the UK in 2008 was, as a proportion of GDP, just 1.8%.

It was 2.8% in the United States.

(PAUSE)

Today, despite the very worrying decline in the size of our industrial base in the past two decades, Britain's Formula 1 innovation and engineering strength remain world-renowned and world-respected.

But although I still take a close overview of McLaren Racing, now I am equally if not more focused on a different challenge.

Our new production car company, McLaren Automotive, will be fighting against the established all-foreign-owned brands that have had the global supercar market more or less to themselves until now.

But our cars will be made in Britain, by workers living in Britain.

So McLaren Automotive represents something very special for UK plc.

Not only are we expanding Britain's industrial base, but we are also creating something in a market segment where currently this country has very little.

What McLaren Automotive is doing at the high-value end of the engineering industry, we need other British companies to attempt to achieve in a host of different market segments.

If we do not build our industrial market shares in this way, Britain will simply be unable to generate the growth and wealth it needs to ensure a return to prosperity for our people.

And, as I say, that is why I am so concerned about the nature of the current rebalancing debate.

For the past 10-15 years, the UK, and our Government, have disproportionately focused energies, policies and funding to support the short-term goals and rewards within financial services.

Today we have little or nothing to show for that.

So Britain's heritage in world-class engineering now requires, more than ever, long-term practical engagement and support, in order to create a world-leading position and long-term sustainable rewards.

For too long there has been too much empty rhetoric about the importance of manufacturing and engineering in Britain, and rebalancing the economy away from financial services.

Now is the time for more than empty rhetoric.

We need to encourage a pragmatic approach to address the fact that we as a country have fallen behind many other countries that have nowhere near the heritage, expertise and potential that we have in Britain today.

In a global manufacturing competitiveness report published last month by Deloitte, Britain was ranked only 17th.

That puts us behind countries such as Australia, Poland and Mexico, and a full nine places behind Germany.

But merely talking about it is not an option any more.

Plenty of people are talking about it - saying that rebalancing is a good thing, much-needed, critical for the future, etcetera.

But very few people are actually doing what we need to do in order to make rebalancing a practical reality.

As a motor racing man, and as a car man, but above all as a businessman, I am only interested in practical steps that directly address our challenges and enable all of us to deliver on our objectives.

What has to be done is not, to borrow a phrase, rocket science.

Perhaps I could call it racing science.

Because it does require fast action on a whole range of fronts, and with this in mind I would propose that our key industry objectives over the next years should be as follows.

We must increase the percentage of the UK economy that relies on manufacturing.

We must increase our competitiveness on the world stage.

And we must increase foreign direct investment in manufacturing and engineering.

With this in mind, I suggest to you today a clear four-point plan that we need to address together as an industry, and with Government.

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The first of my four points is education.

Education - and in particular Science, Technology, Engineering and Maths, collectively known as STEM - sits at the very heart of Britain's opportunity to lead the world in advanced engineering.

I love the arts, and I regard them as very important.

But it is up to all of us, as employers, as colleagues, as parents and as a Government, to reignite in young people a sense of passion in studying Science, Technology, Engineering and Maths, in order to open up more employment opportunities in those areas.

We have already made some progress as employers, working with Government, as can be seen by some of the young talent represented here this afternoon.

The young talent that, through apprenticeship programmes, is ensuring that key technical skills are not lost, but are retained and continuously improved.

And I am very proud of our own scheme at McLaren.

However, we also need to make more efforts to encourage graduate-level study in the sciences.

There there is some evidence that young people overseas are more committed to, and more interested in, those subjects, than are young people in the UK.

For example, I understand that Cambridge University received more than 50% more science-focused applications from outside the UK for the 2008-09 admission year than from students within the UK.

Reports in recent years tell of falling numbers of UK-domiciled entrants to engineering and physical science courses at our universities, as well as a declining flow of students taking the A-levels that are the qualification routes to those degree subjects.

One of the biggest issues appears to be the drop-out from science and maths at post-16 level.

So the good work that has been carried out under the STEM initiative must be continued and built on, in order to ensure that a quality pipeline of talent is maintained.

And, in order to kick-start this today - and not in two years, five years or 10 years - we need practical steps to encourage students to consider this seriously.

Those who achieve the highest honours in their studies need a clear incentive to continue into industry and into companies such as McLaren Automotive.

Equally, I would like to draw your attention to the recent work of the Royal Academy of Engineering, with which I have been involved in recent years.

Earlier this month the Royal Academy announced the results of a survey by Cambridge University's Institute for Manufacturing.

The survey called for "a high-level debate around the skills agenda and a closer co-operation between industry, academia and Government".

Equally, in its latest National Strategic Skills Audit, the UK Commission for Employment and Skills highlighted the importance of increasing skills levels if long-term economic growth in the UK is to be secured.

They were not optimistic, however.

On the contrary, the Commission suggested that by the year 2020 - which is the year pinpointed by the respected 2006 Leitch Review as the year in which the UK should have joined the top eight OECD countries for jobs, skills and productivity - those goals will not have been achieved.

I am also minded to mention the work of Anthony Seldon, the Headmaster of Wellington College, in connection with his decision to teach happiness and positive psychology in timetabled lessons.

We industrialists may scoff at the word 'happiness' used in that context.

No matter: if you substitute words such as 'fulfilment', 'motivation' and 'performance' in its place, Seldon's message remains.

And if schoolchildren and students can be persuaded to feel happy to study Science, Technology, Engineering and Maths - or to feel fulfilled and motivated to perform well in those subjects - then the size of the UK's talent pool in these crucial skills areas will grow.

Lastly, I would encourage Government to work even harder in partnership with the manufacturing sector, where long-term incentives are needed to attract and retain the best brains, to find mutually beneficial and sustainable solutions.

For example, a scheme whereby science graduates are reimbursed part or perhaps even all of their student loans after they have worked in a British-based science or engineering role for a period of three years.

This would be funded by tax concessions against profit for the companies for whom those students are working.

I recommend this measure for sound business reasons as well as for altruistic reasons.

I read in *The Times* the other day that the combined turnover of all UK companies spun out from university research in 2007-08 is just £1.1 billion.

We must introduce measures that push that figure up.

(PAUSE)

The second item on my four-point plan is research and development.

Advanced engineering and manufacturing will always rely heavily on R&D.

The multiple partnerships between the private sector and leading academic institutions demonstrate clearly what can, and what has been, achieved in this area.

I am encouraged by the new Government's attitude to R&D.

It has confirmed its role as a facilitator to bring together industry and researchers, as well to support the role of technical education and advanced apprenticeships.

However, it isn't enough.

To fast-track these solutions and create a leadership position for Britain, we need an incentive programme that makes it easier and more affordable for companies to purchase the new equipment critical to successful R&D.

In my view, further optimising the tax regime for claiming allowances on capital expenditure used in R&D is a fair and pragmatic way to achieve this.

(PAUSE)

The third item on my four-point plan is what I term 'participation in success'.

Long-term commercial success is only achieved by working together - with Government, with our customers, with our suppliers, and most importantly together in the workplace.

Incentivising our own people to participate in our collective success, creates and sustains an environment where everyone goes the extra mile to win, which ultimately increases the value of the entire organisation.

You will notice I used the word 'win'.

It was not a coincidence.

The ethos of a successful Formula 1 team - to win - is worth trying to emulate across wider industry.

Not rocket science but racing science, I called it earlier.

Speed of reaction, attention to detail, innovative thinking and, yes, a will to win, are crucial values that all employees should be encouraged to embrace.

Many of the most successful engineering companies in the UK already incentivise their most important people to stay for the long term, as we do at McLaren.

But it is not just private enterprise that should bear the cost of keeping our best people in Britain.

It is also the responsibility of Government to work with us to do so.

We need to maintain and improve company share schemes, in order to make it easier for all of us to reward and retain our best talent.

(PAUSE)

The fourth and final point of my four-point plan is what I will term 'dare to be different' or even 'dare to try'.

Only through making the seemingly impossible possible, will we create breakthrough engineering solutions to some of the most complex challenges.

And, along the way, this means experimenting with ideas, many of which will fail.

Indeed, in order to succeed, we will have to be prepared to increase our failure rate!

In our experience, failure is crucial to success.

Daring to be different in order to create something truly excellent is a hallmark of Britain's engineering and manufacturing heritage.

However, there remains a stigma attached to failure that runs through our schools and universities, and through many companies too.

We must eradicate it.

Some world-leading engineering/manufacturing organisations, such as Mercedes-Benz and Tata, reward people who dare to try.

And, through this, they have developed breakthrough ideas that have evolved into commercial successes.

This approach is only found in a handful of companies.

But it has long been the established practice in Formula 1.

We need it to be widely adopted, and it needs to start in education.

(PAUSE)

So, to conclude…

…my lords, ladies and gentlemen, this is not only a vision for McLaren Automotive.

It is a vision for Britain.

It is a vision for mobilising the very best of what we have, in order to better compete on the world stage, and thereby recapture our leadership position.

It can be done - but only via clear, results-driven objectives that are agreed by private enterprise and Government together.

I look forward to not only talking to many of you here today in order to mobilise support, but most importantly to…

…making this really happen.

Quickly.

Thank you.

ENDS