

**PRESS RELEASE – 4<sup>th</sup> March 2024**

**Ahead of the March Budget, the UK Semiconductor Industry Urges The Chancellor to Provide Meaningful Support To Prevent UK Chip Industry Falling Further Behind Other G7 Countries**

The UK, like many countries, finds itself in a difficult position today with strained budgets, lower productivity, and a significant trade deficit. However, we continue to demonstrate incredible innovations in science and technology through our universities and early-stage startups. There also exist numerous domestic small to medium-sized chip companies across the UK (outside London) engaged in profitable business across the globe. Unlike other countries, though, we are reticent to invest heavily in high-tech industrial growth, preferring instead to monetise existing assets through external investors. But this is a mistake, we need to invest now, across the whole of the UK, in the technologies which will secure our future.

Ahead of the Chancellor's Budget this week, Techworks – the UK Deep Tech and Semiconductor Trade Association – is urging HM Treasury to find effective mechanisms to support the UK semiconductor sector, ensuring it can compete globally. In order to turn Innovation into Product Design and then to scale up Manufacturing and supply.

Semiconductors are the enabler for our future society in emerging applications such as AI, Telecommunications, Quantum, Engineering biology, Blockchain, Crypto-currency and many other technologies. Whilst the government positions the UK as a superpower in such emerging technologies, we cannot become a significant player, returning high GDP in these technologies, without also possessing a domestic semiconductor sector to fuel the necessary innovation and onward supply chains.

Today, the UK offers the lowest level of incentives to the semiconductor industry among the G7. Such measures mean that international competitors are effectively subsidised to compete unfairly against UK businesses. Furthermore, in many countries, schemes exist to stimulate domestic demand providing a guaranteed baseline business, and for good reason: the sector creates high value jobs across all skill levels and almost a further 6 jobs in the wider economy beyond for each chip employee (*research from Oxford Economics for the US Semiconductor Industry Association*).

In time, a country's international credibility will depend increasingly on possessing a domestic semiconductor sector.

In the UK today, there is some private investment and government funding available to support early-stage research and innovation projects. However, there is a serious lack of private or public money to support later stage growth of companies as they scale up to become globally competitive, which often leads to promising businesses being bought by foreign acquirers which, in turn, often leads to the technology and the jobs being lost overseas.

It is often said that the UK must invest in skills and attract foreign investment to create industrial capability in the UK, which is true. However, we must also support the UK domestic business we have, while we still have it, through government backed incentives in both design and manufacture and across all stages of business growth from early stage to small, medium and larger scale up.

Charles Sturman, CEO of Techworks and chair of TechWorks' Semiconductor Leadership Group (SLG), commented, "*Society, geopolitics, economies, and whole industries are being transformed by emerging (deep) technologies and these, in turn, are enabled by the semiconductor industry. UK Chip manufacturers and vendors need a level playing*

*field to compete globally and this means, as a minimum, a support mechanism for capital expenditure and access to finance for the necessary step-up expenditure to remain competitive.”*

Although the UK does not try to compete with ultra-high volume chip manufacturers in the Far East, it does have world-leading companies who export millions of chips in important new markets such as power electronics for EVs & renewable energy, 5G radio communications, photonics for augmented reality and high-performance computing and MEMS (nanoscale structures) for sensors in life science, automotive & robotics.

To scale and maintain their market lead, these companies need support which is difficult to find from traditional financial markets in the UK due to the long-term, capital-intensive nature of the industry coupled with investors’ lack of market understanding and desire for a short term, low-risk gain. In the long term though, such companies can grow to be highly successful and well protected from competition if they can maintain their lead through appropriate investment.

Ahead of the Chancellor’s Budget, we urge the treasury to:

- Change Capex rules (UKRI / InnovateUK funding and R&D Tax Credits) to allow significant capex recovery when investing in strategic enhancements to semiconductor manufacturing. (e.g. the present full expensing as R&D Tax Credits is capped at 25% against profits and only for new equipment).
- Create a matched funding or lead investor scheme in support of strategic upgrades to UK facilities where applicable companies can demonstrate ability to lead globally through such enhancements.
- Incentivise domestic demand to grow UK supply chains, increase UK business collaboration and increase national resilience.
- Direct government institutions to lead the financial markets in improving access to patient / long-term capital in the UK, creating investors with an appetite for, and understanding of, the semiconductor sector to enable chip companies to scale from small to large over a meaningful period of time.
- Increase the supply of engineers and technicians through apprenticeship system reform, offering employers more flexibility in how they use their Apprenticeship Levy contributions.

Charles Sturman, added, “The Chancellor’s Budget is an opportunity for the government to show that it recognizes the challenges faced by the UK’s semiconductor sector and is prepared to get behind it to support this strategic industry, as was indicated in the government’s own strategy published last May.

*This is an opportunity to invest for our country’s future and to help UK high-tech business remain globally competitive.”*

TechWorks Semiconductor Leadership Group (SLG) consists of executives from across the UK semiconductor industry and is supported by TechWorks; the UK’s Deep Tech Trade Association. The group provides a unified and balanced industry voice to support the UK Government by identifying strengths, challenges and opportunities which define the semiconductor sector. The group is chaired by TechWorks’ CEO Charles Sturman and includes executives from leading chip technology firms including Bourns, Clas-sic, Imagination, Paragraf, Plessey, Pragmatic and XMOS.

Techworks is the UK trade and industry association for Deep Tech and Semiconductor, comprising of 280 member companies. We enable cross industry collaboration between organisations to address shared opportunities and challenges across Semiconductor design and manufacturing, Automotive electronics and IoT Cyber Security. Our mission is to ensure the UK realises its full potential through collaboration across industry, academia and government.

To find out more about the Techworks Semiconductor Leadership Group please visit -  
<https://www.techworks.org.uk/nmi-slg>

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