

WA BRIEFING

The government's *Modern Industrial Strategy*

23rd January 2017

INTRODUCTION

Standing on the threshold of Number 10 in July last year, Mrs May [pledged](#) to fight the “burning injustices” plaguing British society, to expand opportunity for all and to allow people to “go as far as your talents will take you”. Today her government published the [Modern Industrial Strategy green paper](#), in a milestone towards delivering that objective.

Mrs May has not shied away from the scale of the challenge since entering Number 10, reiterating the need for government to intervene and create an economy that works for all at her party’s [conference](#) in October and, most recently, at [Davos](#) last week. The need to address regional inequalities and inject more fairness into the economy have also been hallmarks of Theresa May’s speeches in recent months.

She has been clear in her worldview that capitalism needs fixing, and that businesses and free markets cannot be relied on to address the issues fuelling the rise of populism internationally on their own.

For Mrs May, setting out an industrial strategy offers a framework for her domestic agenda and attempts to signal that her government is doing more than managing the challenges posed by Brexit. It also offers the chance to build on the Conservative Party’s current dominance of the political landscape, to see off the UKIP challenge once and for all, and take advantage of Labour’s weakness.

Today’s green paper puts some flesh on the bones of what that strategy looks like for the first time.

THE TEN PILLARS

The [Modern Industrial Strategy green paper](#) is wide-ranging in its ambition. It addresses ten ‘pillars’:

- Investment in R&D
- Skills
- Infrastructure
- Creating the right conditions for businesses to start and grow
- Procurement
- Supporting free trade and attracting inward investment
- Energy
- Developing the UK’s competitive advantage in ‘world-leading’ sectors
- Delivering balanced regional growth
- Building local capacity and institutions to ‘bring together sectors and places’.

There are some reflections that immediately come to mind before looking at the specific proposals contained in the green paper:

- It is a discussion document, and it’s taken six months to get this far. The government will need to pick up its pace if an industrial strategy is to bear fruit in time for Brexit (not to mention the next election). This amplifies some of the criticisms that have been made of Mrs May’s governing style

already. Number 10 cannot oversee everything, and attempting to do so will hold up policy development.

- The green paper is all-encompassing, to the point of being unwieldy and unsustainable. It attempts to give something to everyone. If everything is a priority, nothing is a priority.
- What's more, some of the ten pillars contradict each other. Should the UK invest in building on competitive advantage, or should government be delivering balanced regional growth? UK Sport delivered a record haul of Olympic medals at Rio because it ruthlessly invests in sports where British athletes excel – at the cost of other sports.
- Some of the pillars identified are hackneyed. Every government wants to create the right conditions for businesses to start and grow, and access to finance is a perennial issue that no government has been able to nail. Will this time be different?
- Despite all of this, particular priorities do shine through. Mrs May wants to deliver for the North, and after some apparent hesitation she has embraced George Osborne's Northern Powerhouse strategy. Addressing the UK's productivity challenge also continues to be crucial. And ensuring the supply of affordable energy remains a priority.
- Politically, the absence of Philip Hammond from today's papers suggests Treasury is not playing the overarching role it may have done previously. No new money has been announced today – allocations were made by Philip Hammond at the Autumn Statement in November. But it's unthinkable that George Osborne wouldn't be front-and-centre today if he were still in Number 11. Successive prime ministers have tried to curb Treasury dominance by empowering a business department, and early indications are Mrs May is succeeding where others have failed. This is not least because of her decision to appoint Greg Clark as Business Secretary. Not only is he competent and a hard worker, but he shares Mrs May's vision of the role government should play in the economy.

SECTOR DEALS

Today's green paper is accompanied by the [announcement](#) of five informal sector champions for life sciences (Sir John Bell), low-carbon emission vehicles (Richard Parry-Jones), industrial digitalisation (Juergen Maier), creative industries (Sir Peter Bazalgette), and the nuclear industry (Lord Hutton).

Each will be working on sector deals, packages of support from government to advance particular sectors. Number 10 has been clear it will consider other sector deals where businesses can come together with shared concerns and an ambition to work together.

This partnership approach will be welcomed by businesses, and could deliver real results for high-value industries that each support significant numbers of jobs. It also dovetails nicely with the government's ambition to seek access to the EU's customs union on a sector-by-sector basis.

For sector deals to be worthwhile the government will have to show it can respond rapidly to the needs of these growing areas. By way of example, a Modern Transport Bill was pledged at last year's Queen's Speech and so far it has not seen the light of day.

Today's announcements will generate a flurry of positive headlines for Theresa May. But if she wants to tackle the growth of populism and cynicism, and get the economy match-fit for Brexit, she will have to demonstrate a real commitment to doing things differently and delivering concrete results.

CONTACT

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