

**FOR THE
MANY**
NOT THE
FEW

RICHER BRITAIN, RICHER LIVES

LABOUR'S INDUSTRIAL STRATEGY

Richer Britain, Richer Lives

Labour's Industrial Strategy

For decades, policy-makers have assumed that the best way to secure a successful economy is to leave the market to its own devices. This approach helped lead to periods of growth, most notably in the early 2000s. But it has also allowed long-term economic problems to accumulate. Inequality has ballooned as the economy has shifted towards low-paid, insecure jobs. A decline in Britain's manufacturing base and our over-reliance on the financial sector, centred around London and the South-East, have created vast regional and sectoral imbalances. While the South-East struggles with a rising cost of living crisis, post-industrial northern and coastal towns have seen their economies and communities held back. We have also seen the current account, productivity growth, wage growth and investment all deteriorate, while Britain's spending on research and development is more than a quarter below the OECD average.

We need to start learning the lessons of this failed economic experiment in free market fundamentalism. The role of government has to be about more than redistribution, it must be to ensure we all share in our country's growth in the first place. It matters where growth comes from, as the absence of vibrant local economies destroys the fabric of communities, and damages quality of life. And, while the British economy needs to create value, it must be so much more than just monetary value in the form of profits for employers – it must be social value through the creation of jobs, goods and services so that we can all live richer lives in a richer Britain.

All this is occurring against the backdrop of a growing climate crisis which threatens not just lifestyles but the very civilisations we live in and environments we depend upon in the UK and abroad. Confronting this threat will require systemic changes in the ways we organise our economy and society. With countries across the world beginning to decarbonise their economies, fighting climate change is rapidly becoming the largest mobilisation of capital the world has ever seen. Britain needs to be geared up to harness this change. Doing so will bring forth benefits not just in exports and growth but also new high-quality jobs in green tech and innovation, cheaper energy bills, cleaner air and safer communities.

This is why we need an industrial strategy. By this we mean a vision of the kind of economy we want and a plan for how to deliver it. Because, while we do face significant challenges, Britain also has great strengths we can build on: our world class universities and extraordinary heritage of scientific research; our booming creative industries; and our cutting edge manufacturers, from ceramics, to steel, to automotive. A Labour government will take bold steps to make the most of these strengths and provide support and investment where it is needed. This is not about old-fashioned centralisation or 'command and control.' It is about the state bringing workers and employers together with other stakeholders, and working with them in a way that is proactive, integrated, and long-term, drawing on best practices from other countries to preserve our existing strengths and create future winners.

A Mission-Led Industrial Strategy

Renowned economist, Mariana Mazzucato, advocates a mission-oriented industrial strategy, whereby the public sector makes strategic investments to catalyse the private sector to innovate across different sectors to meet the key public policy challenges of our age — from climate change to changing care needs in the context of an ageing population. Key to this approach is the need to think about innovation cross-sectorally and across the entire innovation chain.¹

In its report on the Industrial Strategy Green Paper, the House of Commons Business, Energy and Industrial Strategy Select Committee endorsed this approach, recommending "A 'mission-based' approach, shaped by a vision as to the direction we want the economy to move towards, underpinned by a foundation of strong horizontal policies."² It is also supported by the Research Commissioner of the European Commission, Carlos Moedas.³

Labour's industrial strategy will adopt this approach, setting two initial missions - one focussed on outputs related to the green economy, and one focussed on the

¹ Mazzucato, M. (2013), *The Entrepreneurial State: debunking public vs. private sector myths*, Anthem Press: London, UK, ISBN 9780857282521 and <https://marianamazzucato.com/projects/mission-oriented-innovation-policy/>

² <https://www.parliament.uk/business/committees/committees-a-z/commons-select/business-energy-industrial-strategy/news-parliament-2015/industrial-strategy-report-published-16-17/>

³ https://ec.europa.eu/commission/commissioners/2014-2019/moedas/announcements/presentation-rise-group-publication-future-eu-research-and-innovation-policy-best-possible-future_en

inputs necessary to make the UK an innovation nation. We will be consulting on further missions in the course of the parliament: for example, on innovations that address the needs of the 21st century care economy.

First mission: 60% of the UK's energy will come from low carbon or renewable sources by 2030 to help us meet the challenge of tackling climate change

Analysis for the Committee on Climate Change has identified high potential for UK business to capture market share in each of the main sections of the low carbon economy. The analysis suggests that

“the UK low carbon economy could grow from around 2% of UK total output in 2015 to up to around 8% by 2030 and around 13% by 2050...This corresponds to a UK low carbon economy market size of between £210 billion and £600 billion in 2030 and between £510 billion and £1,400 billion in 2050. The levels of UK employment associated with the low carbon economy are between 1 and 2.2 million in 2030 and between 2.5 and 5 million in 2050.”⁴

The projected UK turnover related to the low carbon economy is forecast to rise from between £43 billion and £125 billion currently to between £214 billion and £595 billion in 2030, reaching between £514 billion and £1,430 billion in 2050 [Low and high estimates].⁵

To deliver our mission and seize the economic opportunities presented by energy transition, we will:

- *Transform our energy system*

A Labour government will undertake a thorough transformation of our energy system, delivering energy for the 60 million not the Big 6. We will:

⁴ Ricardo Energy & Environment, UK business opportunities of moving to a low carbon economy, for the CCC, March 2017 pg. V

⁵ Ibid.

- Set up local, publicly-owned Energy Service Companies (ESCOs) to rival the big six by supplying households with both energy and services to reduce energy demand
 - Support local renewable energy generation
 - Expand the customer base for renewables by setting a minimum floor on how much of the energy supplied by our new ESCOs has to come from renewable sources, and by reintroducing the obligations for renewables on existing suppliers
 - Take strategic control of our distribution and transmission networks in order to ensure faster incorporation of renewable energy, and make the investments and adjustments needed to transition to a low carbon economy
- *Cultivate strengths in growing markets for green tech*

Goldman Sachs has put the global market for the low carbon economy at over \$600 billion.⁶ Our National Investment Bank and Sector Councils will support business in making the most of this opportunity.

For example, the Parliamentary Advisory Group found that the UK already has what it needs to develop a Carbon Capture and Storage (CCS) industry but it requires government leadership.⁷ The Conservatives' decision in 2015 to abandon their £1bn competition to build plants demonstrating CCS technology at commercial scale has significantly set Britain back in this area. A Labour government will commit £2.25 billion capital investment in CCS over the parliament and explore other areas of green tech in which Britain has potential comparative advantage.⁸

The CCC identifies the following areas as those in which the UK has high or medium-high actual or potential competitive advantage:⁹

- Electric vehicles

⁶ Goldman Sachs, November 2015, <http://www.goldmansachs.com/our-thinking/pages/new-energy-landscape-folder/report-the-low-carbon-economy/report.pdf>

⁷ <http://www.ccsassociation.org/news-and-events/reports-and-publications/parliamentary-advisory-group-on-ccs-report/>

⁸ Own calculations based on: Oxburgh (2016): Lowest Cost Decarbonisation for the UK: the critical roles of CCS. Report to the Secretary of State for Business, Energy and Industrial Strategy from the Parliamentary Advisory Group on Carbon Capture and Storage (CCS).

⁹ Ricardo Energy & Environment, UK business opportunities of moving to a low carbon economy, for the CCC, March 2017, table 5

- Transport telematics
- Energy storage
- Low carbon chemical processing
- Green financial services

We will provide targeted support through our National Investment Bank and sector policies to encourage these industries.

- *Invest in renewable energy infrastructure*

In addition to investing in our transmission and distribution infrastructure to make it smarter and more equipped for a low carbon future, we will support large low carbon and renewable energy generation projects, including:

- Providing the investment to enable the tidal lagoon in Swansea to go ahead, and act as a pathfinder for further tidal lagoons. Swansea tidal lagoon has been estimated to create 2,260 direct full time equivalent jobs during its 5 year construction and subsequent operation. More than 1,000 UK businesses are registered to be part of the supply chain.¹⁰
- Continuing construction of Hinkley Point C and underwriting Moorside.
- Expanding the renewable heat initiative, including heat pumps and district heat networks as well as increasing R&D spend on syngas and hydrogen.
- Look at ways to support the future development of off-shore wind and reviewing how to further encourage the take-up of solar panel installation amongst households.
- Developing our Strategic Gas Reserve as part of our energy system transition.

- *Reduce demand for heat*

Buildings are responsible for almost 37% of UK carbon emissions.¹¹ A Labour government will insulate four million homes as an infrastructure priority to help those who suffer in cold homes each winter, by offering those on low incomes grants to improve the energy efficiency of their home, giving homeowners interest-free loans to improve their property, and improving Landlord Energy Efficiency regulations.

¹⁰ The Role of Tidal Lagoons: Final Report, Charles Hendry, December 2016, <https://hendryreview.wordpress.com/>

¹¹ [Building the Future: Economic and fiscal impacts of making homes energy efficient, October 2014, Cambridge Econometrics](#)

Previous analysis by Cambridge Econometrics¹² found that every £1 invested by government in such a programme would generate £3.20 in increased GDP; £1.27 in tax revenues through increased economic activity; and create up to 108,000 net jobs per year.

We will consult on modern standards for homes, including building ‘zero carbon homes.’

We will also establish an Energy Efficiency Fund to enable industry to make the necessary investments to bring down their long term energy consumption.

- *Maintain Britain’s climate commitments*

We will continue our commitment to the EU’s Renewable Energy Directive, the Europe-wide renewable energy target, and reaffirm Britain’s commitment to the COP21 agreement, which was negotiated as an EU member state. We will retain membership of the EU Emissions Trading Scheme (ETS) until at least 2020 as a means to drive down overuse of fossil fuels.

We will remain a member of Euratom.

Second mission: We will create an innovation nation with the greatest proportion of high-skilled jobs in the OECD and 3% of our GDP on Research and Development by 2030 as part of our commitment to moving us to a high skilled and more productive economy.

Labour has set out a radical strategy to improve the UK’s physical infrastructure but public investment to stimulate growth is not only about ‘shovel-ready’ projects. It must be composed of a portfolio of activities that aim to transform our economy, producing a more highly skilled workforce, and higher quality goods and services at affordable prices.

¹² *ibid.*

Investment in research and innovation is a key tool of this portfolio and will drive forward such growth through increased productivity, wages and turning the potential challenge automation poses to the UK workforce into an opportunity.

The UK currently has world-leading technological industries and research institutions; 3 out of the top 10 universities in the world are here in the UK¹³ and we enjoy a comparative advantage in the pharmaceuticals, intellectual property and aerospace sectors.¹⁴

However, the UK currently lags behind other OECD countries in terms of investment in research and development, spending only 1.7% of GDP compared to the OECD average of 2.4%.¹⁵

Research suggests that an increase in R&D expenditures of 1% leads to an average increase of 0.61% in economic growth.¹⁶

However, investing in new research and innovation is not just about future growth. Boosting the take up of existing innovation, particularly in low wage sectors, and directing it towards societal and technological challenges such as automation is necessary to create the high-skilled, high pay workforce of the future.

Low-wage sectors,¹⁷ such as hospitality, agriculture and administrative services employ a third of the UK workforce and produce almost a quarter of the UK's GVA,¹⁸ yet typically the employment they provide is low wage, low security, low skilled, and at serious risk of automation. For instance, in 2015 40 per cent of retail workers were classified as being in low pay;¹⁹ it has also been suggested that 60 per cent of retail jobs could be automated, and that 97 per cent of retail sales roles are 'computerisable.'²⁰

¹³ Times Higher Education 2016/17 rankings, accessed via https://www.timeshighereducation.com/world-university-rankings/2017/world-ranking#!/page/0/length/25/sort_by/rank/sort_order/asc/cols/stats . The three are (1) University of Oxford, (4) University of Cambridge, (8) Imperial College London.

¹⁴ House of Commons Library analysis

¹⁵ <https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm>

¹⁶ [Erdil Şahin B. The Relationship Between R&D Expenditures and Economic Growth 1990-2013](#)

¹⁷ Defined by the IPPR as agriculture, forestry and fishing, wholesale and retail trade; repair of motor vehicles and motorcycles, accommodation and food services, administrative and support service activities, arts, entertainment and recreation.

¹⁸ http://www.ippr.org/files/publications/pdf/low-wage-sectors_May2016.pdf?noredirect=1 pg.9

¹⁹ http://www.fabians.org.uk/wp-content/uploads/2017/01/FABJ4765_Retail_report_260117_WEB_.pdf pg. 13

²⁰ [ibid.](#) pg.17

However, this is not an inevitable trend. The risk of job losses due to automation is lower if skill levels are higher,²¹ and the OECD has found a link between skill level and job quality.²² It is therefore vital to significantly increase the level of high-skilled work in the UK to address the societal challenges of the future.

Innovation, particularly in the service sectors, is the only way to drive up productivity, provide these high skilled jobs and ensure economic growth. The Manchester Institute of Innovation Research has found 'a positive association between innovative firms and their level of expenditures on formal and informal training compared to non-innovative firms' and that 'firms benefit from a significant positive effect by developing their 'knowledge pool.'²³

Everyone will be a part of our innovation nation: businesses and workers. Rather than destroying jobs, the Fourth Industrial Revolution can deliver good, high quality jobs if businesses invest in them and British citizens are empowered to fill them.

To reassure British workers that the technology revolution will improve their lives, and to signal to investors the direction our economy is taking, we pledge to deliver the highest proportion of high skilled jobs in the OECD and will make all jobs decent jobs.

The next Labour Government will kick-start progress towards achieving the innovation nation by:

- Introducing a National Education Service, including provision of adult education and life-long learning, so that working people are able to reskill throughout their life-times.
- Raising R&D spending to 1.85% of GDP, by committing to an additional £1.3 billion of public investment in our first two years in office.

²¹ <http://www.oecd-ilibrary.org/docserver/download/5jlz9h56dvq7-en.pdf?expires=1493903786&id=id&accname=guest&checksum=0392DAB5738E314E625FEE79F887C12E> pg. 34;
<http://documents.worldbank.org/curated/en/896971468194972881/pdf/102725-PUB-Replacement-PUBLIC.pdf>
pg.132

²² <https://www.oecd.org/std/labour-stats/Job-quality-OECD.pdf> pg.3

²³ <http://www.innovation-policy.org.uk/compendium/section/Default.aspx?topicid=17> pg.4

- Encouraging the private sector to invest more in R&D through public sector investment in R&D, which has a well-established link with levels of private sector investment,²⁴ through the long-term, patient finance provided by our National Investment Bank.
- Underwriting Horizon 2020 projects approved before we leave the EU and ensuring that the UK remains a part of Horizon 2020 after our exit from the EU.²⁵
- Reviewing Government channels for dispersing public R&D funding with a view to encouraging greater regional equality so that the economic benefits can be felt across the country.
- Broadening our understanding of innovation away from the commercialisation of elite science to encompass innovation in the service sector, including hospitality and care. As Nesta has argued, innovation is also driven by management and workforce skills as well as the influence of customers.²⁶
- Establishing a new retail Catapult Centre. Productivity improvements in the retail sector are often achieved through diluting the quality of the service, e.g. through longer queues, longer aisles, and requiring customers to drive further out to shop. The Fabian Society recently reported that increasing managerial innovation and sharing best practice in the retail sector can drive up productivity by improving quality, as well as sales and business growth in what is typically a low wage, low security sector.²⁷ To increase the quality of jobs in the retail sector we will therefore establish a new Catapult Centre to ‘support the development and adoption of managerial innovation in retail.’²⁸
- Establishing a new Materials and Metals Catapult Centre in Teesside, as supported by UK Steel, the Federation of Small Businesses and the CBI, to encourage innovation in the metals and materials industry, securing the future of UK steel.²⁹

²⁴ [House of Commons Science and Technology Committee, The Science Budget, 3rd November 2015](#) para. 32

²⁶ <http://www.nesta.org.uk/blog/getting-it-right-time-four-ideas-better-industrial-strategy/>

²⁷ [The Fabian Society, The Future of British Retail, January 2017](#) pg.30

²⁸ http://www.fabians.org.uk/wp-content/uploads/2017/01/FABJ4765_Retail_report_260117_WEB_.pdf pg.30

²⁹ [Financial Times, 23rd May 2016, Campaigners lobby for ‘catapult’ hub to propel steel innovation](#)

Horizontal policies to Strengthen the Business Environment

A Labour government will build our mission orientated industrial strategy on the foundations of strong horizontal policies that address the weaknesses in our economy and tear down barriers to success.

National Investment Bank³⁰

One of the major causes of imbalances in our economy is that in recent years the pursuit of short-term return has guided investment, both public and private, disproportionately towards London and the South-East. Delivering growth that is better distributed across the country will require lending decisions to be based on the long-term objectives of stable growth and fairness alongside rate of return. Our National Transformation Fund (see next subsection) will upgrade our infrastructure while ensuring a fairer distribution of government investment. Our National Investment Bank and network of Regional Development Banks will address funding gaps in lending to the private sector, which SMEs can be in particular need of, while serving as a vital instrument for reviving local economies and incentivising economic activity in areas in line with the objectives of our industrial strategy.

The initial financing of the NIB will be via a small government bond issue included within the National Transformation Fund. This equity financing would cover the costs of establishing the bank and its regional offices, running costs, and initial on-lending. The Bank will then attract private sector finance and take advantage of cheaper capital to lend to under-served areas of the economy.

Nine Regional Development Banks – one in each of England’s regions – will be allocated funding centrally in line with the Aims and Mandate of the National Investment Bank. We will also work with the devolved administrations to set up a Regional Development Bank in each of the UK’s other nations.

National Transformation Fund

³⁰ See Labour “A National Investment Bank for Britain” report at <http://www.labour.org.uk/pages/additional-resources>

94% of businesses see the quality of infrastructure as a decisive factor when planning future investment.³¹ Labour will significantly increase investment in UK energy, transport and digital infrastructure.

We will take measures to upgrade our transport system across our regions and nations including: upgrading the Tyne and Wear Metro rolling stock and strategic investments in rail freight in the North East, building a Crossrail of the North to create a new east-west corridor across the North of England, opening a second Brighton Main Line, deliver the East-West Rail link for the East of England and beyond, and delivering the funding for Midlands Connect. We will deliver rail electrification and expansion across the whole country, including Wales and the South West. We will link High Speed 2 with other rail investments and take HS2 into Scotland. We will retrofit buses to improve comfort and environmental standards, establish a Port Improvement Fund, and reverse the cuts to 'Access to All.' Our Transport Expansion Fund will fund local and sub-regional transport projects, particularly local bus networks.

As outlined above, achieving our first mission will involve transforming our energy system by taking a public stake in our transmission and distribution infrastructure and investing in expanding our sources of low carbon and renewable energy. In particular, we will ensure that Swansea tidal lagoon has the funding to go ahead, underwrite Moorside nuclear plant and invest in cutting-edge low carbon heat. We will also double energy R&D and reduce demand for heat and lower bills by insulating homes.

We will futureproof the UK's digital infrastructure; introducing a Universal Service Obligation of superfast broadband (30 Megabits per second) to be delivered by 2022 and instructing the National Infrastructure Commission to report on how to rollout 'ultrafast' broadband across the UK within the next decade. We will improve mobile internet coverage by reforming mobile operators' licenses³² and work with local authorities to provide free public Wi-Fi in city centres³³ and on public transport including the rail network. Cities like Sheffield and Newcastle have already

³¹ CBI, Turning Momentum into Delivery, 2015, page 8, <http://www.cbi.org.uk/news/infrastructure-survey-2015/infrastructure-survey-2015/>

³² <https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2015/mno-variations>

³³ Cities like Newcastle and Sheffield have already implemented free Wi-Fi at no cost to the local authority: <https://www.newcastle.gov.uk/news-story/free-outdoor-wifi-launched-newcastle> and <http://www.sheffieldnewsroom.co.uk/cc-wifi/>

introduced free public Wi-Fi, at no cost to the local council. Newcastle City Council implemented this by entering into a 'concession contract with BT for 10 years at no cost to the councils'³⁴ and Sheffield Council allowed a provider to offer 'free connection in exchange for exclusive use of street assets used to provide wireless communication services.'³⁵

Skills

A skilled workforce is associated with a more productive economy and higher wages, but one-in-four jobs are going unfilled because of a lack of skilled labour. Labour's National Education Service will rise to that challenge. We will:

- Introduce free, life-long education in FE colleges, enabling everyone to upskill or retrain at any point in life.
- Abolish tuition fees for anyone studying their first undergraduate degree.
- Drive up quality of apprenticeships by requiring the Institute for Apprenticeships and Technical Education to report on an annual basis to the Secretary of State on quality outcomes of completed apprenticeships.
- Double the number of completed apprenticeships at level 3 from 94,000 in 2015-16 to 200,000 by the end of the Parliament.³⁶
- Invest in FE teachers and facilities to enable the sector to remain a world-leading provider of adult and vocational education.

Supply Chains

Overall, 41% of inputs into UK manufacturing are imported³⁷. There is some evidence that, driven by rising wages overseas, a greater concern for quality, and the impact of higher energy prices on transport costs, the offshoring trend is reversing. In 2013, 15% of manufacturing companies returned some production to the UK, compared to just 4% offshoring some production.³⁸

³⁶ <https://www.gov.uk/government/statistics/further-education-and-skills-statistical-first-release-october-2016>

³⁷ House of Commons Library analysis

³⁸ Manufacturing Advisory Service, 2013

Continuing this trend would bring significant benefits to the UK economy. It has been estimated that a £20bn increase in domestic production would directly create between 100,000-200,000 high quality jobs³⁹ and research suggests that a rise of 10 per cent in goods exported and a 10 per cent decrease in goods imported would contribute £45 billion to the UK economy.⁴⁰

Labour's commitments on R&D, skills, energy prices, investment finance, business rates and infrastructure will improve the UK's business environment and encourage companies to re-shore. In addition, we will implement the following measures to nurture domestic suppliers and encourage supply chains to relocate in the UK and support SMEs:

- a. Work with our new Sector Councils, bringing stakeholders in each sector together (see p. 16 on how this is constituted and already operates in some sectors) and large companies which act as an anchor for local economies to identify gaps in local and UK supply chains; particularly in communities impacted by offshoring.
- b. Mandate the National Investment Bank to prioritise lending to businesses to fill these gaps in local supply chains.
- c. Use public procurement to nurture local, responsible suppliers with the potential to fill identified gaps in private sector supply chains.
- d. Set up a new metals Catapult Centre to strengthen UK competitiveness in the production of critical materials – a key input for many sectors.

Procurement

We will use the £200bn government spends in the private sector to reshape our economy, by requiring any company bidding for a public sector contract to:⁴¹

- a. Give full trade union recognition for their workforce and comply with collective bargaining agreements

³⁹ <http://www.pwc.co.uk/services/economics-policy/insights/uk-economic-outlook/reshoring-a-new-direction-for-the-uk-economy-ukeyo-march14.html>

⁴⁰ <http://www.civitas.org.uk/pdf/RowthornCouttsBalancePayments.pdf> pg.12

⁴¹ [Labour announced its public procurement policy April 13th 2017, Labour will use £200 billion government purchasing power to upgrade our economy](#)

- b. Move towards a ratio of 20:1 between the lowest and highest paid staff, matching the target in the public sector, over a transitional period
- c. Pay their suppliers the full amount owed within 30 days, which can be particularly important for new businesses and SMEs
- d. Maintain high environmental standards in relation to energy use, emissions and waste disposal, while taking appropriate measures to aid the transition to a low carbon economy
- e. Provide training and apprenticeship opportunities proportionate to firm size
- f. Be fully tax compliant
- g. Adopt best practices in equal opportunities- the best businesses unlock the potential and talent of all their workers.

We will also encourage public bodies to support local jobs and businesses with local employment and content requirements by extending the rights of local authorities in left-behind areas to require local suppliers and jobs in public contracts, in accordance with World Trade Organisation procurement rules, as has happened in the US.

Energy prices

Industrial electricity prices in the UK are among the highest across all advanced economies.⁴² This places electro-intensive industries in the UK at a competitive disadvantage to producers overseas. Worse, under this Conservative government, the UK is moving in the wrong direction. Whereas UK prices in 2010 were equal to

⁴² <https://www.gov.uk/government/statistical-data-sets/international-industrial-energy-prices> Table 5.3.1

industrialised country averages, by 2015 UK prices were 40% higher than the average.⁴³

Moving towards a low carbon economy will benefit energy-intensive industries. Building the new energy infrastructure that we need will require hundreds of thousands of tonnes of steel, cement, glass and other structural materials, along with millions of precisely machined parts requiring thousands of hours of highly skilled work and administration.

Our long-term plans to reform the energy sector, would ensure that everyone – business and household – has access to secure and affordable energy in the longer-run. In the meantime, we will ensure that all strategically important, energy-intensive industries are able to access the energy they need at competitive rates, by:

- Funding further public investment in renewable generation through capital investment in line with our Fiscal Credibility Rule. This will remove an increasing amount from energy bills over time.
- Committing to not changing the rules on “embedded benefits,” that is, payments made to small embedded generators by suppliers for helping them reduce specific transmission charges during peak times. This will save money for the many energy intensive companies with their own onsite generators which don’t use the National Grid and shouldn’t have to pay for it.
- Exempting onsite energy generation from further business rates rises, including solar panels and wind turbines across businesses, schools and hospitals. This is covered by our existing commitment to exclude new plants and machinery from future business rates calculations.
- Reviewing strike prices (the price for electricity reflecting the cost of investing in low carbon technology) agreed by the current Conservative Government and introducing a transparent, value for money calculation when negotiating subsidy levels to avoid paying out too much in subsidies.

⁴³ <https://www.gov.uk/government/statistical-data-sets/international-industrial-energy-prices>

Strengthening Sectors Old and New

Though the scale of our ambition for Britain's economy requires us to look beyond sectors, by developing national missions and cross-cutting foundational policies, many of the challenges confronting our industries make themselves felt on a sectoral basis. Our industrial strategy will therefore include sector-based policies alongside our missions and horizontal policies.

A Labour government will provide greater support to the sectors in which Britain has a comparative advantage. For example, we will follow many of the recommendations of the Steel APPG report,⁴⁴ taking action to address uncompetitive energy prices, supporting British steel through public procurement where possible, stopping dumping, and growing supply chains.

Labour will introduce a £1 billion Cultural Capital Fund to invest in new facilities communities can be proud of and upgrade existing cultural and creative infrastructure for the digital age. The fund will invest in creative clusters across the country, based on a similar model to business enterprise zones.

Following the work of Ha-Joon Chang, we will also, crucially, cultivate new strengths by identifying areas in which Britain has potential strengths and helping them to grow. In doing so, we will follow the best practices of some of the world's most successful economies, who have created winners through targeted support at carefully selected sectors. We have already identified CCS, electric vehicles, transport telematics, energy storage, low carbon chemical processing, autonomous vehicles and Artificial Intelligence as areas of potential future strength. Identifying further key sectors will require a culture change in economic policy-making. We will deliver this change by learning from policy-makers in leading industrial economies, such as Germany and South Korea.

Building new strengths will enable Britain to carve out a new role for itself in the world and bring forward an integrated international trade policy and industrial strategy. However, unlike the Conservatives, Labour knows that focusing on a few elite sectors will not deliver on our ambition to transform Britain's economy. To drive up productivity and wages, for example, it will not be sufficient to expand a few R&D-intensive sectors – we need to encourage the adoption of innovations

⁴⁴https://d3n8a8pro7vhmx.cloudfront.net/stephenkinnock4aberavon/pages/481/attachments/original/1484924141/Steel_2020_Forging_a_future_for_the_British_steel_industry.pdf?1484924141

across all sectors that are big employers, including those less associated with R&D, such as retail and hospitality.⁴⁵

To drive through our sectoral policies, Labour will:

- Create a Minister for Manufacturing to give this key export industry a voice at the heart of government
- Set up sector councils, modelled on the highly successful Automotive Council, for every strategically important industry, bringing together government, business, trade associations, research councils, trade unions and businesses in the supply chain to collaboratively plan and take action for the future security and growth of each sector including SMEs.

Established under the last Labour Government, the Automotive Council brings together key players in driving forward the automotive sector and is a prime example of how businesses, government and the workforce can work together in the interests of every individual involved in an industry. Constructive cooperation in the automotive sector, for example, has made possible agreements around shorter working to prevent job losses during downturns.

Currently only five industries benefit from sector councils: the creative industries, construction, nuclear, professional and business services and the automotive sector.

Enhancing existing councils to ensure all include trade union representation and rolling out industry bodies across a greater range of industries will create more opportunities for collaboration with government to give sectors strategic guidance and strengthen the resilience across our whole economy.

Nesta, the innovation foundation, has called for the expansion of industry councils, *“offering them a role in allocating funds and shaping policy for their sector. (This is especially appropriate for sectors where incremental, rather than disruptive innovation is the norm).”*⁴⁶

⁴⁵ <http://www.ippr.org/blog/industrial-strategy-for-the-few>; <http://www.fabians.org.uk/the-future-of-british-retail/>

⁴⁶ <http://www.nesta.org.uk/blog/getting-it-right-time-four-ideas-better-industrial-strategy>

