

Panel Discussion: What Does a Good Industrial Strategy Look Like?

Panelists:

- Rt Hon Greg Clark MP
- Professor Irene Tracey CBE, Vice Chancellor of the University of Oxford
- Vicky Pryce, Chief Economic Advisor at CEBR

Moderator: Professor Greg Clark CBE

PROFESSOR GREG CLARK: Welcome to our panel on industrial strategy. We have three distinguished panelists joining us today. I'll start by asking each of them about their views on progress and lessons learned in this area. Greg, as someone who has led much of the effort on industrial strategy over the last decade, what do you think the progress has been and what have we learned?

RT HON GREG CLARK MP: Thank you, Greg. It's very nice to be reunited with the person who in my life is the other Greg Clark. That was a very flattering introduction, but I think I ought to acknowledge that the work I did as Business Secretary on industrial strategy very much drew on some of the work that Peter Mandelson and Vince Cable before them had put in place. And the answer to your question is that it's been stopped up. They started it, various successors stopped it. I tried to build on what they had started, thinking that we wanted to make it proof against a change from another government. Little did I know that an incoming change of secretary of state in a conservative government would scrap what we'd done. So I can't pretend anything other than that it has been intermittent, should we say?

As for lessons learned, I would highlight three key points:

First, a strategy needs to be enduring. A short-term strategy is a contradiction in terms, so it should take the long view.

Second, it needs to be consultative and collaborative, not partisan. When developing the industrial strategy, we engaged extensively with universities, economists, businesses, trade unions, leaders of cities and regions and councils across the country to create something that would be broadly owned and respected.

Third, a good strategy should be integrative. Government tends to operate in silos, with different departments sometimes promoting policies that are not only not consistent, sometimes one undermines the other. The point of having a government-wide, a country-wide industrial strategy is to try to integrate those strands together, to resolve any conflicts and differences rather than see them play out.

PROFESSOR GREG CLARK: Thank you, Greg. Irene, from your perspective as a university leader, what do you see as the rationale for having a national industrial strategy, and what should be its core elements or priorities?

PROFESSOR IRENE TRACEY: Thank you, Greg. As vice chancellor of Oxford and a scientist myself, I believe universities are the engine room for driving industrial strategy aspirations. We generate the talent pool and discoveries that fuel innovation.

I think we need to focus on making the university sector more open and porous in collaborating with industry. This includes creating more flexible career structures for academics to move between academia and industry.

We also need to address practical barriers. We can't build the labs and buildings quick enough for what we've got. Every company we spin out, I could spin out another two, but I can't because I haven't got the capital investment.

We need better access to skilled CEOs. Academics rarely are good at running companies. We're very good at being the chief scientific officer or technical officer. What we need is better access to skilled people from the private sector who are going to help us build the companies.

Importantly, we shouldn't focus solely on science and technology. The UK's strength in humanities and social sciences is a key differentiator that we should leverage. That's again something that will make us different to everywhere else.

Lastly, we need to think about the whole pipeline - from primary school education through to commercialization of research. This includes addressing skills shortages in key areas. For example, if you really want to do fusion and really get that going, you need thousands of physicists. Well, we just don't have thousands of physicists with PhDs. We also need to ensure we can attract global talent through a welcoming immigration system.

PROFESSOR GREG CLARK: Thank you, Irene. Vicky, what are your thoughts on the priorities and core elements for a national industrial strategy?

VICKY PRYCE: I think the first thing to do when you're developing industrial strategy is not reinvent the wheel. Yes, of course, technology has moved very significantly. AI wasn't mentioned at a time that I was involved in national strategies. But we did do the first innovation strategy under Patricia Hewitt when I was working for the government myself, and we even brought in Michael Porter to talk about clusters.

We need to work closely with localities and the regions. One thing we did, or this government did originally in the coalition and then stayed like that, is abolish the regional development agencies where an awful lot of money was going through. You have to watch how you relate to those entities if they're there, if they get recreated possibly.

We should be wary of industry capture, where certain sectors push hardest for support. It's important to maintain an objective economic perspective on value for money.

The strategy needs to be agile and able to adapt as circumstances change. Right now we are in a situation where Europe is going to compete very aggressively. We have the Draghi report which is coming out, which is looking at European competitiveness, more protectionism taking place, trying to rival, with lots of tariffs for products coming from outside the EU, particularly from China. And then the US, with not just the Inflation Reduction Act, but also the CHIPS Act, the Infrastructure Act, which is forcing companies to want to do more in the US than perhaps elsewhere.

So be agile, aware and keep on talking. It's not necessarily just a question of money, but I'm afraid the effort needs to be not just doubled, trebled, but quadrupled and a lot more, given that the competitive environment is getting worse for us.

PROFESSOR GREG CLARK: Thank you all. We've received many questions from the audience. One popular question is: Should industrial strategy setting be independent from government? Greg, what's your view?

RT HON GREG CLARK MP: No, I think one of the reasons that you elect a government is to have a view as to how they want to shape the country and help the country develop. So I think the government needs to lead it, but I do think its demeanor should be very inclusive, very collaborative. I think it should be monitored independently. When in my term in office, we set up an industrial strategy council, chaired by Andy Haldane, to see whether we were doing what we said we would and how that was going. And I think that scrutiny is worth great.

PROFESSOR GREG CLARK: Irene, here's a question for you: How do you turn science into successful businesses? Do universities have the capacity, funding and skills to effectively commercialize their research?

PROFESSOR IRENE TRACEY: Some do, yes, but that's still a journey that we're on. For some of the big universities that largely are around in the southeast, they now have fairly seasoned tech transfer offices. What we're really good at is that bit of the pipeline which is to come up with the new idea, to train people to be scientists, to then encourage a sense of entrepreneurship and development, to then be clever and smarter at locking down the IP and not just doing the IP thing and putting it in a drawer, but then doing something with it.

Where we need help is the next bit of pipeline, and that's really where government and others come in and the private sector or other forms. It's the bit that's going to keep the companies in Britain. Because the thing that breaks my heart is we're all public funded universities, even though Oxford and Cambridge are heavily supported through philanthropy. We put all this investment in training and talent development, discovery, research, through our great research councils of the government, funds and charities that support all medical research. We are really now much better at doing that first phase of spin out and getting that company up on its feet, but at the point that it's ready to go big and grow, we let too many go and they go then, and all the benefits of them largely realized in other countries.

PROFESSOR GREG CLARK: Thank you. Vicky, there's interest in your thoughts on regional economies. Outside of the "golden triangle" of London, Oxford and Cambridge, where do you see potential for growth?

VICKY PRYCE: That's an incredibly difficult question. There are areas where life sciences are important, where manufacturing, including electric vehicles and so on, is important, where automation is beginning to happen. But there is just one thing that is a real worry, which is that in the last ten years, regional inequality has increased and increased quite significantly, and it's going to cost, therefore, an awful lot more to try and get together in a way that you can ease out those.

So in some ways, I would say, forget about the levelling up, but actually have an industrial strategy that doesn't bite stuff and encouraging the right type of infrastructure to develop in

various areas, that keeps people there. And there is a link there with universities, which is that if you look at productivity across the UK economy, where you have the highest productivity, there is a very direct correlation with the number of graduates you keep in an area and your productivity, and I think that's seriously important.

Rather than saying, as has been said of various industry secretaries in the past, are we going to make that region strong in this and that region strong in that? It's difficult to sustain if some of those strengths are not there. So there's just no point. So you have to let it grow, but have the conditions of that happen is to grow.

And one of the things, of course, that we have missed out on for a number of years until Horizon established, is collaboration in Europe, and I think that needs to be strengthened as much as possible. Thinking again about some of the manufacturing sectors, they have suffered because of the origin issues, you know, whether anyone wants to come and invest here to export to Europe. But just ensure that where that spark is, you don't get it, but have the infrastructure around it that develops itself.

PROFESSOR GREG CLARK: Thank you. We're almost out of time, so let me ask each of you for a final piece of advice. Imagine it's July 5th and a new government is in power. What advice would you give to the new Secretary of State responsible for science and industrial strategy? Vicky, let's start with you.

VICKY PRYCE: I would say, a) listen to what people are saying, b) exercise judgement and look at the evidence and do your value for money calculation really well. Big infrastructure projects, if they lead you to nothing in the end of the day or cannot be afforded, are not going to be the solution. It's the people that matter.

PROFESSOR GREG CLARK: Thank you. Irene?

PROFESSOR IRENE TRACEY: Be ambitious. Really be ambitious. You don't want to set the target too low. So be ambitious, be collaborative and be collaborative in a cross-party way, but in a private way. And draw all the strength of the academies and everything else. And the university sector stands ready to serve. We're public servants. We're here to do our part and so just ask us what they need for help.

PROFESSOR GREG CLARK: And Greg, your advice?

RT HON GREG CLARK MP: The first thing I would say is, think of place. Have place very prominent. A new government is likely to be elected on a manifesto literally promoting growth. Growth doesn't happen in the abstract. It only happens in particular places where firms locate, expand, people get jobs. And you need to have that concept. Traditionally, the Treasury and the Business Department have operated on a national level. They haven't really recognized place, and so I would have that as a big part of it.

The second thing is to be serious, don't be too political about it, and draft a strategy in a way that isn't ephemeral and is ticking sort of fashionable boxes. Some of these things are hard. The productivity puzzle, as it's sometimes called, has defeated many people over quite a period of time. And so this is an opportunity to really have an intellectual exercise as much as drawing on experience, try seriously to get it right.

PROFESSOR GREG CLARK: Thank you all for your insights. This concludes our panel discussion on industrial strategy.