



BRIEFING PAPER

Number 07682, 14 October 2016

Industrial strategy

By Chris Rhodes

Contents:

1. Defining 'industrial strategy'
2. Industrial strategy under the May Government
3. Implications of Brexit
4. Industrial strategy under the Cameron Government, May 2015 to July 2016
5. Industrial strategy under the Coalition Government, 2010 to 2015



Contents

1. Defining 'industrial strategy'	4
1.1 Key legislation	4
2. Industrial strategy under the May Government	5
2.1 Role of the Department for Business, Energy and Industrial Strategy Cabinet Committee on industrial strategy	6 8
2.2 Interaction with other policy areas	8
ARM takeover	8
Northern Powerhouse	9
2.3 Reaction to May's industrial strategy	10
2.4 BIS Committee inquiry	11
3. Implications of Brexit	12
State Aid	12
Trade	13
Labour market	13
4. Industrial strategy under the Cameron Government, May 2015 to July 2016	14
Steel industry crisis	14
5. Industrial strategy under the Coalition Government, 2010 to 2015	15

Summary

'Industrial strategy' refers to government intervention which seeks to support or develop some industries to enhance economic growth. UK Governments have taken a range of approaches to this policy area in the past, but in recent decades a non-interventionist philosophy has prevailed.

One of Theresa May's first actions as Prime Minister was to create a new [Department for Business, Energy and Industrial Strategy \(BEIS\)](#) by combining most of the functions of the old Departments for Business, Innovation and Skills, and Energy and Climate Change. This move has been characterised as "the re-introduction of 'industrial strategy' to the political lexicon."

This note brings together the limited information that has been published since Theresa May became Prime Minister which provides clues as to the how the Government's industrial strategy will operate.

Emerging strategy in brief

Broadly, the Government's industrial strategy appears to feature the following elements:

- Stricter **merger and acquisition rules**, with more emphasis on a 'public-interest test' for foreign take-overs
- New **corporate governance** structures, including consumer and employee representation on boards, and greater transparency around executive pay
- Continued work towards **higher productivity**, including through the development of the science and research base in the UK
- Delivery of **infrastructure projects**
- Increased **house-building**
- Continued support for **regional development** of cities and other economic areas outside London

Impact on other policy areas

Several policy decisions have already been interpreted by commentators as indicative of the Government's industrial strategy including the foreign takeover of software firm ARM and the apparent change of emphasis surrounding the 'Northern Powerhouse agenda'.

Impact of Brexit

In common with almost all areas of Government policy, industrial strategy could be radically altered by the UK's decision to leave the EU.

Aspects of industrial policy that could see particularly significant changes include the application of State Aid rules, trade and the labour market.

Previous industrial strategies

The May Government's use of the phrase 'industrial strategy' contrasts with the Cameron Government of May 2015 to July 2016.

The then Secretary of State with responsibility for industrial policy, Savid Javid, preferred to use the phrase 'industrial approach'. He characterised this as "non-interventionist but highly engaged."

The Coalition Government approach to industrial strategy was focused on support and engagement with 11 sectors, and support for eight 'key technologies.'

1. Defining 'industrial strategy'

'Industrial strategy' refers to government intervention which seeks to support or develop some industries to enhance economic growth.

Intervention in industry can occur with varying degrees of intensity:

- At one extreme, an intensive industrial policy could involve government assuming a near-monopoly position within a particular industry by nationalising the means of production.
- At the other extreme, government would allow domestic industries to collapse under the pressure of international competition, regardless of the importance of the industry in terms of employment or strategic advantage.

In recent decades, UK industrial policies can be located somewhere between these poles. Governments have generally not taken ownership of key firms within sectors that they view as important, but neither have they allowed the market to completely dictate the industrial structure of the economy.

Box 1: Horizontal vs sectoral industrial policies

The types of interventions that governments take to support or develop industries can be classified as 'horizontal policies' or 'sectoral policies'.

Horizontal policies are policies which address market-wide issues. They provide the "resources and economic environment" which make it easier for businesses and individuals to be productive. Examples of this type of policy include adjustments to regulatory frameworks, establishing tax regimes which favour business, policies which foster innovation or policies which encourage skill development.¹

Sectoral policies (sometimes called 'selective' policies) include any policies directed towards one specific sector in the economy. Examples include subsidies to support the production of low carbon technology, providing 'seed funding' for high technology clusters and support for research and development in particular industries.

In practice, industrial policies generally have aspects of both categories, and the two types of policies are "highly complimentary."² For example, an education system which seeks to emphasise the importance of science, engineering and maths ('STEM' subjects) is horizontal in ambition because it seeks to provide pupils with a grounding in subjects which are valuable in almost all careers. But this strategy could also be viewed as sectoral or selective because it targets a particular sector and aims to make a particular part of the workforce more productive or employable.

1.1 Key legislation

Industrial strategy can involve Government providing financial assistance to companies in specific industries. Several pieces of legislation provide for financial assistance to industry. These are largely consolidated into the [Industrial Development Act 1982](#) (IDA).

The IDA was most recently amended in the [Enterprise Act 2016](#). The Enterprise Act provides for instances of up to £30 million worth of assistance to be provided without a resolution from Parliament. It also increases the limit on the cumulative amount of financial assistance that can be provided to businesses by Government to £12 billion.

¹ Department for Business, Innovation and Skills, [Industrial strategy: UK sector analysis](#), September 2012, pp 7

² *Ibid*

2. Industrial strategy under the May Government

So far, there have been no thorough explanations of how the Government's industrial strategy will operate. However, there had been some speeches and other announcements which provide a guide as to the direction of the Government's policy in this area.

Broadly, the Government's industrial strategy appears to feature the following elements:

- Stricter **merger and acquisition rules**, with more emphasis on a 'public-interest test' for foreign take-overs
- New **corporate governance** structures, including consumer and employee representation on boards, and greater transparency around executive pay
- Continued work towards **higher productivity**, including through the development of the science and research base in the UK
- Delivery of **infrastructure projects**
- Increased **house-building**
- Continued support for **regional development** of cities and other economic areas outside London

In [the speech launching her campaign to be Conservative Party Leader](#), Theresa May outlined proposals to "make the economy work for everyone", which included many ideas related to industrial strategy:³

I want to see an energy policy that emphasises the reliability of supply and lower costs for users. A better research and development policy that helps firms to make the right investment decisions. More Treasury-backed project bonds for new infrastructure projects. More house building. A proper industrial strategy to get the whole economy firing. And a plan to help not one or even two of our great regional cities but every single one of them.

On corporate takeovers she stated:

A proper industrial strategy wouldn't automatically stop the sale of British firms to foreign ones, but it should be capable of stepping in to defend a sector that is as important as pharmaceuticals is to Britain.

On corporate governance and executive pay she stated:

And I want to see changes in the way that big business is governed. The people who run big businesses are supposed to be accountable to outsiders... So if I'm Prime Minister, we're going to change that system – and we're going to have not just consumers represented on company boards, but employees as well.

...I want to make shareholder votes on corporate pay not just advisory but binding. I want to see more transparency, including

³ Conservative Party, [Speech by Theresa May: together we can make Britain a country that works for everyone](#), 11 July 2016. This speech is sometimes referred to as the "Birmingham speech".

the full disclosure of bonus targets and the publication of “pay multiple” data: that is, the ratio between the CEO’s pay and the average company worker’s pay. And I want to simplify the way bonuses are paid so that the bosses’ incentives are better aligned with the long-term interests of the company and its shareholders.

[The Economist](#) summarised the speech as follows:⁴

Although the details are yet to be fleshed out, Mrs May gave some indication of what [the industrial strategy] might entail in her Birmingham speech: raising productivity, a commitment to infrastructure projects (such as the north-south HS2 railway), more house-building and a regional policy that will “help not one or even two of our great regional cities but every single one of them”—perhaps a dig at the previous government’s championing of Manchester, Birmingham’s great rival.

2.1 Role of the Department for Business, Energy and Industrial Strategy

One of Theresa May’s first acts as Prime Minister was to create a new [Department for Business, Energy and Industrial Strategy \(BEIS\)](#) by combining most of the functions of the old Departments for Business, Innovation and Skills, and Energy and Climate Change.

This move was characterised as “the re-introduction of ‘industrial strategy’ to the political lexicon.”⁵

BEIS’s responsibilities regarding industrial strategy is summed up in the memorandum attached to the [Ministerial Statement](#) outlining the Machinery of Government changes introduced by Theresa May:⁶

- Business and enterprise: cementing the UK’s position as the best place in Europe to start and grow a business – by supporting local growth, entrepreneurs, and making it easier for businesses to resolve disputes quickly and easily.
- Competitiveness: developing a long-term industrial strategy, supporting competitive markets, cutting red tape and protecting intellectual property.
- Science and innovation: ensuring that the UK is the best place in Europe to innovate, maintaining our world-leading research and science base to drive growth and productivity while reforming the system to maximise value from our investments.

⁴ The Economist, [A change of gear](#), 23 July 2016

⁵ Nesta, [ICYMI innovation policy roundup: industrial strategy back on the agenda](#), 22 July 2016

⁶ Prime Minister [Machinery of Government: Merging the Department of Energy and Climate Change with the Department for Business, Innovation and Skills to create the Department for Business, Energy and Industrial Strategy](#) 18 July 2016

Box 2: Ministerial responsibilities in BEIS

The Ministerial responsibilities in BEIS were outlined in a [press release from the Department](#)⁷, with additional material on the industrial jurisdiction of each minister [provided by NESTA](#), the innovation research charity:⁸

- **Rt. Hon. Greg Clark MP**, Secretary of State for Business, Energy and Industrial Strategy, with overall responsibility for the Department.
- **Nick Hurd MP**, Minister of State for Climate Change and Industry, will lead on industrial policy, with particular responsibility for advanced manufacturing, materials and automotive policy, in addition to climate change policy.
- **Jo Johnson MP**, Minister of State for Universities, Science, Research and Innovation (joint minister with [Department for Education](#)), with responsibility for research and innovation policy, in addition to Higher Education.
- **Baroness Neville-Rolfe**, Minister of State for Energy and Intellectual Property, with responsibility for nuclear and low power energy and the EU single market.
- **Margot James MP**, Minister for Small Business, Consumers, and Corporate Responsibility, with responsibility for regional and regulatory issues.
- **Jesse Norman MP**, Minister for Industry and Energy, will support Nick Hurd on industrial policy, and have responsibility for technology, infrastructure, aerospace and oil and gas.

In [a speech delivered to The Royal Society](#), Greg Clark (Secretary of State at BEIS) introduced his approach to the Department's areas of responsibility. Regarding industrial strategy he emphasised the following:⁹

- Successful industries in the UK must be recognised and supported, including automotive, aerospace and space
- Scientific research must be encouraged through support for relevant institutions
- New industries and technologies must be allowed to develop
- The interests of consumers must be protected and served through innovation and competitive pricing
- The contribution of employees and businesses owners must be recognised
- Local areas must be encouraged through transport, skills and "pro-business leadership".

Mr Clark elaborated on some of the points above at a [speech to the Institute of Directors](#) in late September. One point he emphasised was that the Government's industrial strategy would likely be more 'horizontal' than 'sectoral':

Many of the policies and decisions that form our industrial strategy will not be about particular industries or sectors, but will be cross-cutting.¹⁰

⁷ BEIS Press Release: [New ministerial portfolios confirmed](#), 1 August 2016

⁸ NEST, [BEIS ministerial portfolios confirmed](#), 5 August 2016

⁹ Greg Clark speech to Royal Society: [Introducing BEIS](#), 28 July 2016

¹⁰ Greg Clark speech to Institute of Directors: [The importance of industrial strategy](#), 27 September 2016

Cabinet Committee on industrial strategy

A Cabinet Committee for industrial strategy was established in July 2016 and included the Secretaries of State for 11 departments in order that the Government's industrial strategy has input from all policy areas.

[The new Cabinet Committee met for the first time](#) on Tuesday 2 August 2016. A press release summarised the Committee's priorities:

The new committee, which will bring together Secretaries of State from more than 10 government departments, will help to drive forward an industrial strategy that will aim to put the United Kingdom in a strong position for the future, promoting a diversity of industrial sectors and ensuring the benefits of growth are shared across cities and regions up and down the country.

In particular, it will focus on addressing long-term productivity growth, encouraging innovation and focusing on the industries and technologies that will give the UK a competitive advantage.

The Prime Minister's spokesperson later commented that the Committee has agreed that "solving the puzzle of how to improve productivity would be at the heart" of the Government's industrial policies.¹¹

2.2 Interaction with other policy areas

A number of decisions taken early on by the May Government have been analysed by commentators as either consistent with or in conflict with the Government's statements on industrial strategy.

ARM takeover

On the 18th July 2016, [it was announced](#) that Arm Holdings, a Cambridge-based technology firm, had accepted a £24 billion takeover bid from Japanese firm SoftBank.

[Greg Clark welcomed](#) the bid, characterising it as "a huge vote of confidence in the British economy..." and highlighting the fact that SoftBank wants to increase employment at ARM and keep ARM's headquarters in Cambridge.

However, the Government's support for this takeover led some commentators to question the robustness of the new industrial strategy, and of the Prime Minister's caution around foreign takeovers. Nesta commented that:¹²

...we can perhaps deduce that [Theresa] May considers some industries more requiring of intervention than others...

Iain Wright MP, Chair of the BIS Select Committee, commented that:¹³

...There is a tension...On the one hand, it is a good thing that Britain is open for business...[but there is]...always the risk that foreign-owned firms headquartered in other than Britain will move things away from the UK.

¹¹ Guardian, [Theresa May stresses importance of reducing north-south productivity gap](#), 2 August 2016

¹² Nesta, [Industrial strategy back on the agenda](#), 22 July 2016

¹³ Financial Times, [Government welcomes ARM takeover but tech leaders mourn loss](#), 18 July 2016

The need to maintain inward investment following the EU referendum result has been suggested as a possible motivation for the rise of the industrial strategy agenda. Nesta have suggested that:¹⁴

...private investment may take a hit [following the EU referendum result], and industrial strategy may be a method of introducing economic stimulus.

Further information on takeovers and Government policy in this area can be found in the House of Commons Library Briefing Paper on the topic: [Mergers and takeovers: the public interest test](#).

Northern Powerhouse

One of the hallmarks of the Cameron Government was the 'Northern Powerhouse agenda'. This was a loosely defined combination of transport infrastructure projects, increased funding for business and research, and increased political devolution to the North of England, particularly around Manchester.

Since Theresa May became Prime Minister there has been no formal change of Government policy in this area. Indeed, a special advisor on English devolution to the former Chancellor George Osborne has become a member of the Number 10 Policy Unit, leading the Unit's work on industrial strategy, which suggests that the overall agenda is still a priority.¹⁵

However, there have been reports of "reluctance" from Theresa May to endorse the Northern Powerhouse agenda. It has been suggested that the Prime Minister prefers a regional policy which explicitly promotes a wide range of rural and urban areas outside London, rather than focusing exclusively on the North of England.

The Times quote an "insider with close links to Whitehall" as saying that:¹⁶

...the extra and unique focus on Manchester and the north would go, as would the 'powerhouse' brand...there could be a shift away from Manchester to Leeds and towns further south like Birmingham. He suspected that Mrs May would impose greater cost controls on the HS2 rail line and could curtail HS3, the cross-Pennines route pledged by Mr Osborne in 2014.

It is not clear if this change of focus will actually materialise into a meaningful policy change, or indeed if there has been an actual change of focus in Government.

However, it does appear that in whatever way regional development policy is formulated or branded, it will play an important role in the Government's industrial strategy.

In his speech to the Institute of Directors, Greg Clark emphasised the importance of regional policy:

¹⁴ Nesta, [Industrial strategy back on the agenda](#), 22 July 2016

¹⁵ Financial Times, [Theresa May shifts focus from Northern Powerhouse](#), 2 August 2016

¹⁶ The Times, [End of powerhouse feared as May shifts focus](#), 6 August 2016

...the truth is economic growth does not exist in the abstract. It happens in particular places when a business...is set up, or takes on more people, or expands its production. And the places in which you do business are a big part of determining how well you can do.

And they're very different places....

Yet for too long, government policy has treated every place as if they were identical...but what is needed in each place is different, and our strategy must reflect that.¹⁷

2.3 Reaction to May's industrial strategy

Below are the initial reactions to the Government's industrial strategy from trade associations and commentators.

The Confederation of British Industry (CBI) have been long-term advocates of a sector based industrial strategy that enables individual industries to engage directly with Government to resolve structural issues. [At their conference in May](#), the Director General of the CBI, Carolyn Fairbairn said that¹⁸

Industrial strategy needs to be by sector because that is how the world thinks and acts. And that is how our competitors are thinking and acting. It's about co-funding from Government and business in a partnership of equals.

The Government has not yet indicated the extent to which their industrial strategy will follow a sector based approach. For further information on this type of industrial strategy, see the later section in this note on the [Coalition Government's approach](#).

Richard Lambert, a former Director General of the CBI argues for a targeted industrial strategy:¹⁹

We do not need an industrial strategy for dying businesses such as steel, or for those like retail that flourish without direct government involvement. We do need one for sectors like aerospace, defence, life sciences and energy, where government is bound to play a part in success.

The British Chamber of Commerce stated:²⁰

We welcome the fact that BIS and energy are in one place, and hopefully the industrial strategy will reflect a focus on long-term thinking.

The Institute of Economic Affairs, a think tank, has expressed scepticism of the Government's approach so far. In a post entitled [Beware May's industrial strategy](#), they argue that:²¹

Britain does not need an industrial strategy, unless the term is interpreted so narrowly as to mean no more than a determination

¹⁷ Greg Clark speech to Institute of Directors: [The importance of industrial strategy](#), 27 September 2016

¹⁸ CBI press release, [Government and business must work together to revitalise a modern industrial strategy](#), 5 May 2016

¹⁹ Financial Times, [UK industrial strategy should be built on experience](#), 9 August 2016

²⁰ City AM, [Concerns raised after Theresa May unveils a department of industrial strategy](#), 14 July 2016

²¹ Institute of Economic Affairs, [Beware May's industrial strategy](#), 19 July 2016

to ensure that the prevailing regulatory and tax climate is one in which businesses of all types can flourish.

[Geoffrey Owen, the former editor of the Financial Times](#), argues against an overly active industrial strategy:²²

There is little evidence that the revival of industrial strategy in recent years has improved UK industrial performance. It may or may not do so in future, but that in itself should be a warning to the present government.

2.4 BIS Committee inquiry

The Business Innovation and Skills Select Committee have announced that they will conduct an inquiry in [the Government's industrial strategy](#). The scope of the inquiry is outlined below:

The Committee will consider what the Government means by industrial strategy and questions how interventionist in the free market it should be, such as whether it should prevent foreign takeover of UK companies.

Priorities for the private sector, in terms of what businesses want from a revamped industrial strategy, the pros and cons of a sectorial approach and possible geographical emphasis will also be explored by the Committee.

It will also look at the industrial strategies of previous governments and of other countries to see if there are any lessons to be learnt.

²² Financial Times, [The unhappy story of British industrial strategy](#), 20 July 2016

3. Implications of Brexit

This section provides an overview of some issues that might impact on industrial strategy and industry more broadly following the result of the EU referendum on 23 June 2016.

It should be noted that the Government's industrial strategy had not been set out in any detail at the time of publication, and the implications of Brexit are still very uncertain.

Further information on the impact of Brexit on a range of policy areas can be found in the House of Commons Library Briefing Paper, [Brexit: what happens next?](#)

State Aid

EU rules strictly prohibit most instances of financial support from Government to failing or threatened industries. These rules are known as 'State Aid rules.' Further information on their operation is available in a House of Commons Library Briefing Paper: [State Aid](#).

The UK will be a member of the EU until negotiations have been finalised so currently and until the formal exit, State Aid rules will still apply.

After the UK exits the EU, the extent to which State Aid rules will apply to the UK depends on the nature of the relationship with the EU that is negotiated. If the UK became a member of the European Economic Area (EEA), like Norway, then State Aid rules would still apply since they are broadly replicated in the EEA agreement.²³

If the UK negotiated a unique trade deal with the EU, then the likelihood is that some form of State Aid rules would still apply since the EU would probably require some form of state aid control.²⁴

If the UK were to leave without entering into any formal relationship with the EU, then theoretically, no form of State Aid controls would apply to the UK Government, and it would be free to provide any assistance to industries. However, various factors mean that the UK Government would be unlikely to begin subsidising failing industries:

- The UK has historically been averse to providing direct financial support to failing industries
- The UK would likely remain a member of the World Trade Organisation (WTO) following Brexit, and the WTO Agreement on Subsidies and Countervailing Measures restricts the use of subsidies, although less stringently than the EU State Aid rules.²⁵

²³ EEA website, [State Aid](#)

²⁴ Wolters Kluwer (competition law blog), [Together forever? How state aid law will affect the UK even after Brexit](#), 2 July 2016

²⁵ WTO website, [Overview of the Agreement on Subsidies and Countervailing Measures](#)

Trade

Many UK industries rely on trade with EU and non-EU member states. Whilst the UK is a member of the EU, trade deals are negotiated at EU level by the European Commission, meaning that trade negotiations have not formed part of the UK's industrial strategy for many years.

The precise nature of the trade relationship with the EU following the UK's exit will determine whether the current tariff-free trading relationship with other EU members will be replicated.

Regarding trade with non-EU members, the UK will likely be able to negotiate new trade deals after leaving the EU. This might mean setting its own tariffs and other regulations.²⁶

The only scenario following Brexit where the UK would not have the power to set its own external trade policy would be if it stayed within the EU Customs Union, like Turkey. It is unlikely the UK Government would see this as a desirable outcome following Brexit.

Labour market

[2.2 million EU nationals work in the UK](#), meaning that the implications of Brexit on the free movement of people between the EU and the UK could have an impact on the workforce of many UK industries.

It has been widely suggested that whatever arrangement is put in place post-Brexit, the rights of people already exercising free movement would be protected (that is, EU nationals working in the UK and UK nationals working in the EU would continue to have the right to do so).

However, for EU nationals wishing to begin work in the UK post-Brexit, their rights depend on the arrangement agreed during the negotiation process. In the February 2016 White Paper on [The process for withdrawing from the EU](#), the UK Government stated that "there would be no requirement under EU law for" the right to free movement to be maintained in the event of Brexit.²⁷

²⁶ LSE Centre for Economic Performance, [Life after BREXIT: What are the UK's options outside the European Union?](#)

²⁷ UK Government, [The process for withdrawing from the EU](#), February 2016, p17

4. Industrial strategy under the Cameron Government, May 2015 to July 2016

The Conservative Party victory at the 2015 General Election marked a change of tone related to industrial policy, relative to the Coalition Government's policy in this area, and the nascent industrial strategy of the May Government.

The Secretary of State at BIS during the Cameron Government, Savid Javid, told the Financial Times that "I don't particularly like the word strategy coupled with industrial." The term 'industrial approach' was widely used instead.²⁸

Savid Javid outlined the Cameron Government's industrial policy at a [Mansion House speech](#) in March 2016:²⁹

My approach can best be described as non-interventionist but highly engaged. It's about building on previous success, with a much wider dialogue. About listening to businesses from all sectors, working with them to remove barriers to growth and productivity, and creating the conditions in which they can thrive.

We'll still be talking to and working with the main sector councils. They do great work and they know their areas better than anyone. But I've taken the old strategy's closed shop and replaced it with an open door. A willingness to deal with representatives of all sectors and to respond positively to industry-led solutions.

Steel industry crisis

Savid Javid's time as Secretary of State with responsibility for industrial strategy coincided with the crisis in the UK steel industry of 2015 and early 2016. The Cameron Government's actions around this time illustrate how Javid's "non-interventionist but highly engaged" industrial policy operated.

As steel plants in Teeside and South Wales closed in the face of plummeting global steel prices, the Government did not provide direct financial support to keep them open. Rather it worked with potential buyers to secure deals that might preserve the industry in some areas. In addition, it developed re-training packages for areas which had seen closures, lobbied for changes to trade policy at EU level, and worked to find ways of mitigating price pressures in the UK including business rates and energy prices.

Further information on the steel industry and the Cameron Government's response to the crisis can be found in the House of Commons Library Briefing Paper, [Steel industry: statistics and policy](#).

²⁸ Financial Times, [Sajid Javid heralds Thatcherite approach to business policy](#), 16 September 2015

²⁹ BIS, [Savid Javid speech to Mansion House](#), 3 March 2016

5. Industrial strategy under the Coalition Government, 2010 to 2015

The Coalition Government came to power as the UK was recovering from the recession of 2008 and 2009. The Secretary of State at BIS, Vince Cable, expressed enthusiasm for a sector based industrial strategy as a way of boosting economic growth.

Vince Cable set out the Coalition Government's approach to industrial policy in a speech in September 2012. In summary, he highlighted that the Government has confidence in the market enabling economic growth, but that in some circumstances, "market failures" mean intervention is required:³⁰

A good industrial strategy allows for failures, and recognises that innovation may strike in an unpredictable place - we must be ready for that too. But as the credit crunch showed, there are huge risks to taking a complacent, hands off approach.

The Coalition Government's industrial strategy featured five key themes:

- Boosting the development of 11 key sectors
- Supporting the development of eight key technologies
- Increasing access to finance for businesses
- Developing the skills of employees in key sectors
- Using public procurement to create opportunities for UK firms and supply chains

A particularly important aspect of the strategy was the support for specific sectors. This involved the Government identifying sectors that they saw as strategically important, "tradeable" and with a "proven commitment to innovation."³¹ Further information on how the Government chose the sectors is available in the Government document, [UK sector analysis](#).³²

The Government's intervention in each of these sectors involved a high-level forum (such as [the Automotive Council](#)) that brought together industry leaders and relevant senior Government figures to discuss barriers to growth and other issues specific to the sector; a commitment to the development of specific training institutions or initiatives within the sector and some match-funded financial commitments to certain aspects of the sectors.

Further information can be found in the House of Commons Library Briefing, [Industrial strategy, 2010 to 2015](#).

³⁰ Vince Cable, [Speech: Industrial Strategy: Cable outlines vision for future of British industry](#), 11 September 2012

³¹ Vince Cable, [Speech: Industrial strategy: next steps](#), IPPR conference, 27 February 2012

³² BIS, [Industrial strategy: UK sector analysis](#), September 2012

About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcenquiries@parliament.uk.

Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).