House of Commons

Business, Energy and Industrial Strategy Committee

Industrial Strategy: Sector Deals

Seventeenth Report of Session 2017–19

HC 663

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Business, Energy and Industrial Strategy Committee

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Summary

In choosing to place Industrial Strategy within the title for the latest rebranding of Whitehall's business department, the Prime Minister set her Government apart from her predecessors, who refused to embrace the term. The Department for Business, Energy and Industrial Strategy published its plans for British businesses in November 2017. Among its five foundations of productivity and four cross-cutting grand challenges, were proposals for a new type of Government intervention: sector deals to support productivity growth in specific industries.

Sector deals were launched with four industries already having been able to negotiate a settlement with the Government. While no new money from the Government was officially available, those sectors that managed an early deal found that existing funds could be repurposed to meet the challenges that Ministers had decided were a priority. The construction sector, on which we focused part of our inquiry, struggles with low productivity and a potentially unsustainable business model. The Government's decision to support it with an early sector deal reflects its scale of operations within the UK, including for the public sector, and the need for a coming together of an often fragmented and dysfunctional sector, for it to remain sustainable. We found that despite this deal, funding promised from Government has been slow to appear, an issue beginning to affect other sector deals. We recommend that the Government prioritises releasing this funding and ensuring all its sector deal commitments are met. There is no point in the Government and businesses announcing sector deals if they are not then carried out, failing to realise the potential economic benefits.

We found that other sectors that have sought a deal have not shared the success of the construction sector. The steel industry presented a united front and a set of ambitious proposals to the Government, only to be rebuffed. Meanwhile, the Industrial Strategy promised to work with low productivity sectors, such as retail and hospitality, with the potential for even small productivity gains across people-heavy sectors having a significant beneficial impact on the UK's overall productivity. Yet we found that so far neither the retail nor hospitality sector has been able to make significant progress on securing a sector deal of their own, with the Government seemingly focused on sectors in which R&D investment rather than policy changes can make an achievable difference. We recommend that the Government be more transparent on the sectors with which it is willing to do a deal, and if it is to honour its 'open door' offer to industry, should reengage with those sectors currently left behind.

Even those sectors that have managed to secure a deal, such as offshore wind, have found the process for negotiating and agreeing a deal to be difficult and opaque. We found that the criteria for deals are vague and the decisions are subject to delay in Whitehall. We recommend that the criteria are made clearer and more closely align with the foundations of productivity that are meant to underpin the Industrial Strategy. The Government has also set artificial barriers in who can negotiate a deal. They require an identifiable leader for each sector but have refused to engage directly with trade bodies. They require sector councils but lack consistency on who they should actually

represent, leaving workers and small businesses in the dark. We recommend that the Government engages fully with trade bodies and makes sector councils representative of the breadth of the industries that they are meant to represent.

Cross-cutting policies may have a more significant long-term impact than sector deals by dealing with challenges that extend beyond industry classifications. However, while the Government and business continue to pursue deals, we found that more should be done to ensure that the Industrial Strategy is used as a lever to support diversity in industries, support innovation through Catapults, and deliver across the UK. We recommend that the Government do more to ensure that any benefits of the Industrial Strategy and sector deals are shared across the UK rather than focusing almost entirely on London and the South East. BEIS itself needs to lead by example, and we recommend they end their London-centric approach on policy to recruitment.

Solving the UK's productivity puzzle and reducing the 'long tail' of low productivity businesses would have an enormous impact on the UK economy. It is too early to tell what impact the Industrial Strategy and sector deals will have on this challenge, but we welcome that the Government has finally established an Industrial Strategy Council to measure success and make recommendations to the Government. We recommend that the Council includes sector deals as part of its scrutiny of the Government, and we look forward to engaging with them as they begin their work.

1 Introduction

The Government's Industrial Strategy

1. The Government published the Industrial Strategy White Paper ("the Industrial Strategy") on 27 November 2017, promising to "create an economy that boosts productivity and earning power throughout the UK."[1] This followed a Green Paper and consultation in January 2017 that sought views on building on the UK's strengths, closing the gap between the most and least productive industries and areas, and making the UK a more competitive place to start and build a business.[2] The strategy that resulted is focused on four cross-cutting policies, badged as grand challenges (AI and data economy, future of mobility, clean growth, and an aging society) that are intended to put the UK at" the forefront of the industries of the future"[3] and on five foundations of productivity (ideas, people, infrastructure, business environment and places) intended to underpin all the activities under the banner of Industrial Strategy.[4] Included within the 'business environment foundation' of productivity is a commitment to establish sector deals, as partnerships between industry and government to boost employment, innovation and productivity.[5]

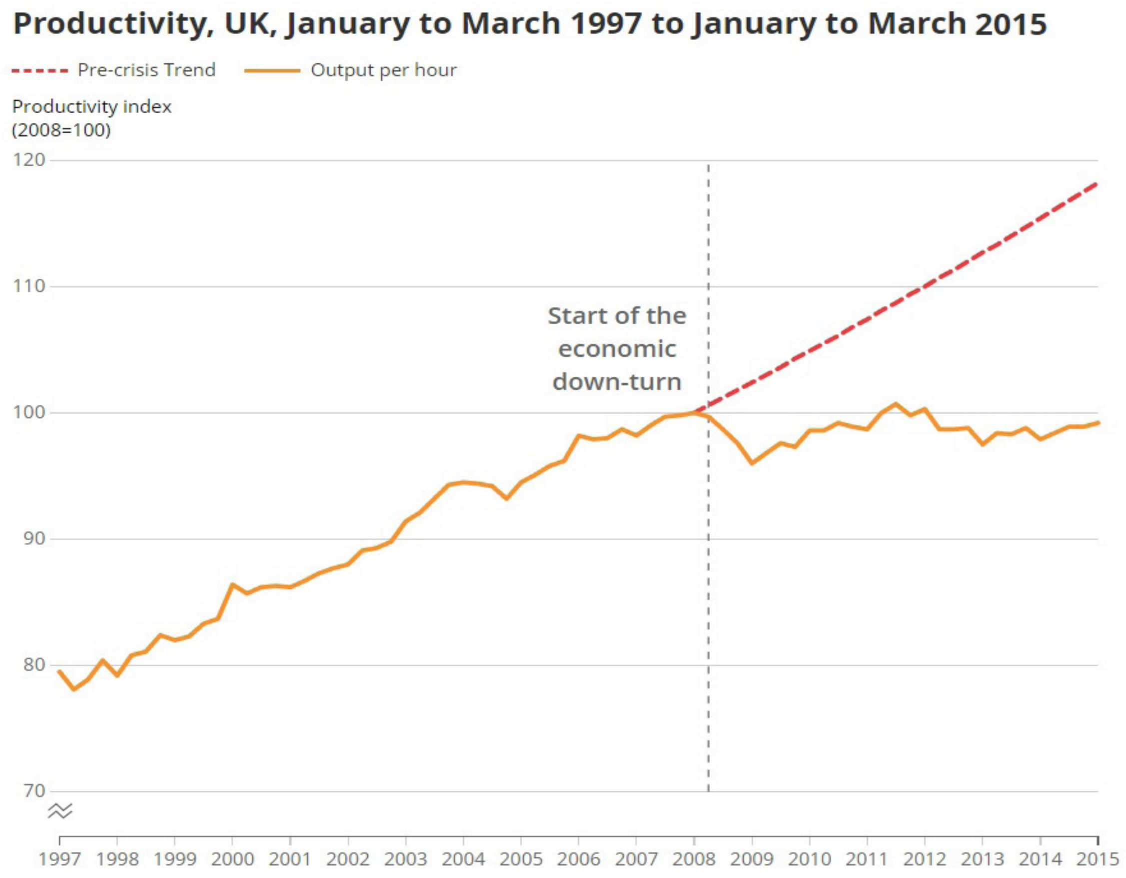
Productivity

2. The Industrial Strategy is the latest attempt by Governments to tackle the 'productivity puzzle' whereby the UK's productivity has grown much more slowly since the 2008 economic downturn than it had previously, despite other economic measures having improved. This contrasts with past recoveries which saw productivity return to the previous rates of growth.[6]

While productivity levels have been an issue for other developed nations in the G7, only Japan has suffered from a lower productivity level than the UK since the 2008 downturn.[7] The number of potential inputs for productivity and the means by which these can be affected has meant that there is no agreed explanation for the UK's performance, instead economists have pointed to a range of issues including access to finance, low investment, low pay growth and changes to employment.[8]

1 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 10
2 Department for Business, Energy and Industrial Strategy, Building our Industrial Strategy: Green Paper, January 2017, p 6
3 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 10
4 As above.
5 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017,p 192
6 Office for National Statistics, Labour Productivity Statistics: July to September 2018, January 2019
7 Office for National Statistics, What is the Productivity Puzzle?, July 2015 (accessed 22 February 2019)
8 As above.

Figure 1: Productivity Puzzle (ONS)



Source: Office for National Statistics, Labour Productivity Bulletin Q1 2015, July 2015

3. The UK's productivity level is affected by wide variations between businesses, with the most productive quartile between two and five times more productive than the least productive quartile. These most productive businesses are not uniformly located in any specific sectors of the economy or regions; however, newer and smaller businesses, those in the hospitality and distributions sectors, and those located in Wales and the North East are disproportionally represented in the least productive ten per cent of businesses, a group the ONS describes as "the laggards".[9] Up to 95 per cent of these low productivity firms are providing services targeted wholly or mainly at the people who live in those areas.[10]

9 Office for National Statistics, Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain: "the laggards", July 2017 (accessed 22 February 2019)

10 Q173 [Andrew Carter]

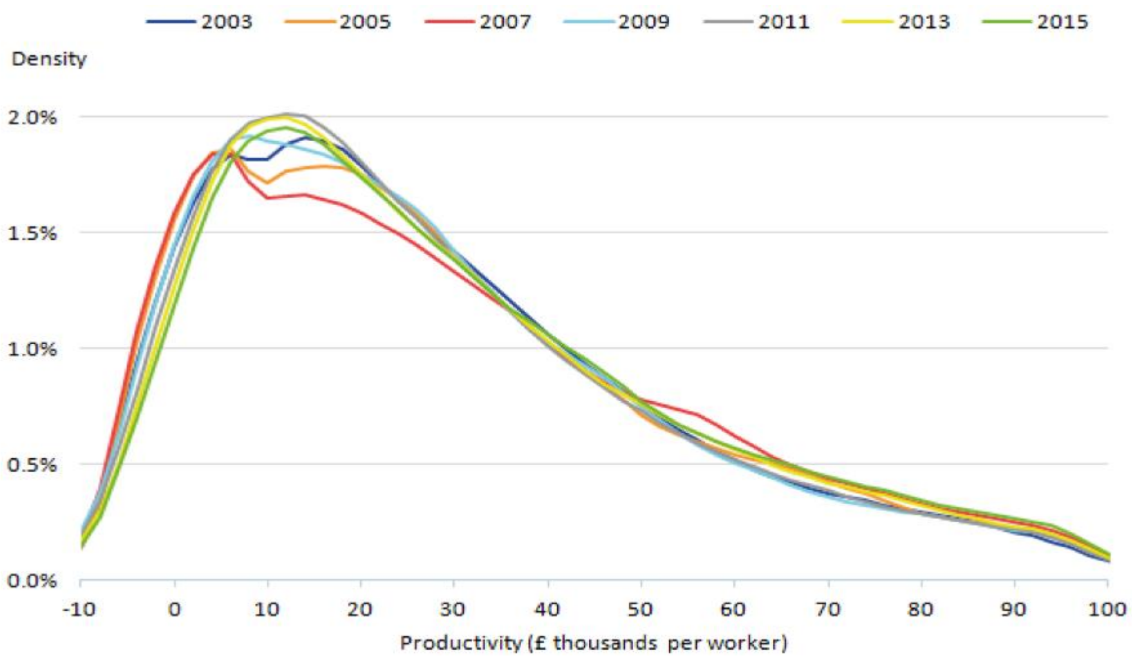
What is productivity and how is it measured?

Productivity in its simplest terms is the total output produced per input within an economy.[11]

Productivity = Output / Input [NOTE: to be displayed as output over input]

An increase in productivity therefore reflects a greater efficiency in the production of goods and services from inputs such as labour, capital and materials, causing a rise in living standards.[12] Productivity outputs are most commonly measured as the total output, gross value added, or gross domestic product.[13]

Figure 2: Long Tail of Unproductive Businesses (Distribution of real firm-level productivity, Great Britain, 2003–2015 (ONS))



Source: Department for Business, Energy and Industrial Strategy, Business Productivity Review: call for evidence, May 2018, p 13

11 Department for Business, Energy and Industrial Strategy, Business Productivity Review, May 2018, p 9.

12 Office for National Statistics, Productivity Handbook, February 2016, p 2 and Organisation for Economic Co-operation and Development, Measuring Productivity Manual, July 2001, p 12

13 Total Output represents the value of the goods and services produced. It is broadly equal to the value of the sales plus any increase (and less any decrease) in the value of the inventory of finished goods not sold and work in progress. Gross value added represents the difference between total output and intermediate consumption for any given sector or industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs that are used up in production. Gross domestic product is broadly the same as GVA but with taxes and subsidies on products accounted for. (See Office for National Statistics, Productivity Handbook, February 2016, p 4).

4. Low productivity businesses act as "a drag on the rest of the economy"[14] While the issue outdates the productivity puzzle,[15] it shares the lack of a single cause for this 'long tail' of unproductive businesses. As part of the Industrial Strategy, the Government launched a Business Productivity Review in May 2018, which sought evidence from business to improve understanding of productivity and interventions to improve it.[16] The consultation set out a range of potential macroeconomic issues, such as regulatory and monetary policy, tax policy, resource allocation and changes in investment in capital, while focusing on three firm-level themes that could affect productivity: leadership and management, technology adoption and diffusion, business support and advice. We have previously considered these firm-level issues in the context of small and medium-sized enterprises in its inquiry and report into *Small Businesses and Productivity,*[17]

Our Inquiry

5. In its report *Industrial Strategy: First Review*, our predecessor Committee in the 2015–17 Parliament recommended against prioritising sectoral strategies over horizontal policies and specific missions, based on mixed results from earlier attempts and concern that deals would prioritise preferred industries and lead to a siloed approach from sectors.[18] The adoption of the grand challenges are an acceptance of the importance of cross-cutting, cross-sector missions to tackle the long-term issues affecting the UK. **We welcome that the Government has accepted the recommendation of our predecessor Committee and recognised the importance of cross-cutting strategies, their grand challenges, to go beyond a siloed, sectoral approach.**

6. We decided that the decision to proceed with sector deals and the potential this will have to shut out certain sectors from Government support and interest warranted further scrutiny. Rather than examine the full sectoral landscape of the UK economy, we chose to focus on four different sectors of the economy, each at a different stage in the sector deal process and with different productivity challenges:

a) Construction: a sector announced in the Industrial Strategy as being one of the first expected to receive a sector deal;[19]

b) Offshore Wind: a sector seeking a deal, and which has previously received significant Government support;[20]

c) Hospitality: a sector disproportionally represented in the ten per cent lowest productivity businesses and lacking in signs of growth;[21] and,

14 Institute of Directors, Lifting the long tail, October 2018, p 6
15 Speech by Andrew G Haldane, Chief Economist, Bank of England, The UK's Productivity Problem: Hub No Spokes, 28 June 2018, pp 5–6
16 Department for Business, Energy and Industrial Strategy, Business Productivity Review: Call for Evidence, May 2018.
17 Business, Energy and Industrial Strategy Committee, Fifteenth Report of Session 2017–19, Small businesses and productivity, HC 807
18 Business, Energy and Industrial Strategy Committee, Second Report of Session 2016–17, Industrial Strategy: First Review, HC 616, paras 54–55
19 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 11
20 Q226 [Sykes]
21 Office for National Statistics, Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain: "the laggards", July 2017 (accessed 22 February 2019)

d) Retail: a sector identified in the Industrial Strategy as low productivity but with high employment and vital to the economy.[22]

7. We invited evidence from businesses and organisations in these sectors and from other interested parties on how sector deals are agreed, what benefits they bring both locally and nationally, and how success should be measured by industry and Government. Our inquiry received 29 pieces of written evidence and held five oral evidence sessions, including from the sectors on which we were focusing, academics, think tanks, former National Infrastructure Commission Chair Lord Adonis, the BEIS deputy director for sector deals and from Richard Harrington MP, Minister for Business and Industry. The Committee also held a private meeting on business productivity with Sir Charlie Mayfield, Tony Danker and Jessica Northend of Be the Business and visited the Advanced Manufacturing Centre in Sheffield and Manufacturing Technology Centre in Ansty, both part of the High Value Manufacturing Catapult. We are grateful to all those who contributed to our inquiry.

22 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 171

2 Establishing Sector Deals

Making Deals

8. Sector deals, as announced in the Industrial Strategy, are the latest in a series of bespoke arrangements between central government and other bodies since 2011. Following the passage of the Localism Act 2011, the Coalition Government established City Deals in which individual local authorities could negotiate deals with the Government for the devolution of new powers intended to improve economic competitiveness and enable cities to establish or support "innovative projects to unlock growth in each area".[23] The first set of deals were completed in July 2012 covering the eight largest cities outside of London, and were expected to create 175,000 jobs and 37,000 apprenticeships by 2032.[24] This wave included a commitment of Government spending of £2.3 billion from eight Government departments over 30 years and is intended to fund 40 programmes.[25] Since this first wave, more than 30 further City Deals and City Region Deals have been agreed or are in negotiation across the UK.[26]

9. The Industrial Strategy Green Paper included an offer to industries to seek their own deals with Government:

> Leadership from business has been key to the success of sectoral policies in the UK and other countries. We propose to set an 'open door' challenge to industry to come to Government with proposals to transform their sectors through 'sector deals'. The Government will work with sectors that organise themselves behind strong leadership to help deliver upgrades in productivity.[27]

The expectation from BEIS was that proposals would involve addressing regulatory barriers; promoting competition and innovation; working together to increase exports; and working together to commercialise research.[28] The Industrial Strategy, published in November 2017, cast sector deals as a major part of the work being undertaken to improve the UK's business environment—identified in the Industrial Strategy as a foundation of productivity—with the opportunity to create "significant opportunities to boost productivity, employment, innovation and skills"[29]

10. Make UK (previously EEF - the manufacturer's organisation) simplified sector deals as "targeted support for different sectors based on self-identified need" in their written evidence to us.[30] They argued that the principle behind such an approach is

23 Cabinet Office, Unlocking Growth in Cities, December 2011, p 6
24 As above, p 1.
25 National Audit Office, Devolving responsibilities to cities in England: Wave 1 City Deals, Report by the Comptroller and Auditor General, HC 266, July 2015
26 *City Deals*, Standard Note SN07158, House of Commons Library, October 2018 and Speech by Rt Hon James Brokenshire MP, Secretary of State for Housing, Communities and Local Government, TheCityUK National Conference, 22 November 2018
27 Department for Business, Energy and Industrial Strategy, Building our Industrial Strategy: Green Paper, January 2017, p 20
28 As above.
29 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 192
30 EEF - the manufacturers' organisation (ISP0012) (EEF has changed its name to Make UK in February 2019. We have retained the previous name, as used during our inquiry, in footnotes for ease of reference)

sound. However, as we heard from EEF, those seeking a deal, and some of those which have managed to secure a deal, clarity on what the support may be, what needs will be considered, and what constitutes a sector have all been lacking since the Government unveiled the concept of sector deals in the Green Paper more than two years ago. This lack of clarity has not been a barrier to the sectors which have secured a deal to date.[31] The Industrial Strategy Green Paper, although presented as a consultation, included the trailing of deals for the automotive, nuclear, creative industries, life sciences sectors and for industrial digitalisation, all of which had been agreed or were in advanced discussion and had named industry leaders already attached to the projects.[32]

Industrial Strategy Challenge Fund

11. Among the criteria for a sector deal, the Government identifies that when considering the deliverability of proposals:

> we will consider reprioritising existing sources of government funding if there is a solid evidence base but there is no new government funding available for sector deals.[33]

This lack of new money, alongside criteria that discourage sectors from seeking legislative or policy changes,[34] has been seen as favouring sectors that have received significant state funding.[35] Supporting only high performing sectors such as automotive and aerospace that include highly successful companies and established relationships with Government[36] risks ignoring the challenge of the 'long tail' of productivity where marginal gains could have a significant impact on UK growth.[37] In practice, the Government has been able to repurpose existing funds towards sector deals, primarily from its research and development-focused Industrial Strategy Challenge Fund (ISCF).

12. Richard Warren of UK Steel told the Committee that sector deals were "fundamentally a transformational R&D fund" and largely "activities that were ongoing anyway and a big slug of money for R&D".[38] The sector deals announced to date (covered in Chapter 3) do include significant R&D funding announcements, such as £125 million in match funding for a 'future flight' challenge in the Aerospace Sector Deal,[39] £79 million in match funding for 'disease detection' in the second iteration of the Life Sciences Sector Deal,[40] and £58 million in match funding for an 'immersive technologies' challenge in the Creative Industries Sector Deal.[41] These commitments come from waves of the ISCF,

31 The deals to date are: Artificial Intelligence, Aerospace, Automotive, Construction, Life Sciences (two deals), Nuclear, Offshore Wind, and Rail (See Department for Business, Energy and Industrial Strategy, Introduction to Sector Deals (accessed 7 March 2019).

32 Department for Business, Energy and Industrial Strategy, Building our Industrial Strategy: Green Paper, January 2017, pp 102–103, and EEF - the manufacturers' organisation (ISP0012)

33 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 211

34 As above.

35 The Institution of Engineering and Technology (ISP0008)

36 Trades Union Congress (ISP0003)

37 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 172

38 Qq287–289 [Warren]

39 Department for Business, Energy and Industrial Strategy, Aerospace Sector Deal (accessed 27 February 2019)

40 Department for Business Energy and Industrial Strategy, Life Sciences Sector Deal 2 (accessed 27 February 2019)

41 Department for Business Energy and Industrial Strategy, Creative Industries Sector Deal (accessed 27 February 2019)

with Ministers able to set the priorities of the Fund either to match sector deals or to align with the grand challenges that they have chosen as part of the Industrial Strategy.[42] The Government presented the ISCF as a key driver of the Industrial Strategy under the Ideas 'foundation of productivity', celebrating that they would be "[i]nvesting £725m in new Industrial Strategy Challenge Fund programmes to capture the value of innovation."[43]

Industrial Strategy Challenge Fund

The Industrial Strategy Challenge Fund is part of a £4.7 billion commitment from Government intended to improve research and development in science and business over a 4 year period, as part of the Government's commitment to increase R&D spending by 2027 to the 2015 OECD average of 2.4 per cent of GDP.[44]

The Fund is designed to tackle specific challenges in cases where

- we already have world-leading research and businesses that are ready to innovate; and
- the global market is large or fast-growing and sustainable.[45]

The Fund is organised in waves, with a bidding and shortlisting process managed by Innovate UK, part of the new UK Research and Innovation body established in 2018. The third wave of funding was announced between October 2018 and January 2019 and includes challenges on disease detection, industrial decarbonisation, digitalisation and digital security.[46] Each challenge has an 'up to' funding figure committed by the Government, subject to industry co-funding and business case approval.

13. By focusing the grand challenges and the majority of sector deals to date on high-tech industries, the ISCF is currently directed only businesses and academics in those sectors, limiting the opportunities for other sectors to secure financial support from Government for innovation.[47] Nor is it sufficiently reaching all of *those* sectors. Andrew Jamieson, Chief Executive of the Offshore Renewable Energy Catapult told us that the ISCF needs to do more for offshore wind, and Chair of the Offshore Wind Industry Council criticising the lack of a strong enough connection between Deals and the Fund.[48]

14. In a promotional video from Innovate UK for the ISCF, Tom Thackray, Director of Infrastructure at the CBI, describes the Fund as "building on things that the UK is strong at already."[49] The first sectors chosen for a deal support this view, but this need not be the case for those that follow. An industrial strategy that only supports the most strong and successful sectors is the Government choosing to leave other sectors behind. Chris White and Dr Benedict Wilkinson of the Policy Institute at King's College London argue that

42 Q336 [Harrington]
43 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 58
44 HM Treasury, Autumn Budget 2017 Red Book, November 2017, p 44 and Meeting the 2.4% target, Russell Group press release, 27 November 2018 (accessed 26 February 2019)
45 UK Research and Innovation, Industrial Strategy Challenge Fund (accessed 26 February 2019)
46 Industrial Strategy Challenge Fund Wave 3 Shortlist, Innovate UK press release, February 2019 (access 5 February 2019)
47 University of Sheffield (ISP0004)
48 Q257 [Jamieson], Q259 [Sykes]
49 Innovate UK, Industrial Strategy Challenge Fund: for research and innovation (accessed 1 March 2019)

this is an inherent feature of any strategy which is focused on sectors.[50] As Lord Adonis, formerly Chair of the National Infrastructure Commission, told us, the very concept of an industrial strategy was until recently associated with "bailing out."[51] **A widened scope for the Industrial Strategy Challenge Fund and Innovate UK could enable a move from supporting established and high-profile sectors, if the Fund or other streams of R&D investment are made available to industries not yet at the forefront of innovation.** ***The Government should ensure that Innovate UK has sufficient funding and flexibility to support innovation and productivity growth in sectors beyond those receiving sector deals or those meeting current Ministerial-set grand challenges.***

50 Policy Institute at King's College London, Creating, not picking winners: How to develop an industrial strategy which works for everyone, November 2018, p 20

51 Q2 [Lord Adonis]

3 Who Gets a Deal?

The Pioneer Sectors

15. The Industrial Strategy announced that deals for four sectors had been agreed by the Government,[52] in what the Minister described as "the first stab" at sector deals:

- Life Sciences;
- Automotive;
- Artificial Intelligence; and,
- Construction.[53]

By the end of 2018 the Government had announced deals for a further four sectors:

- Creative Industries;
- Nuclear;
- Rail; and,
- Aerospace.[54]

A further three, as yet unnamed, sectors were in formal negotiations with the Government on the content of their deals.[55] The life sciences sector, which secured the first deal in December 2017, have already received a second sector deal.[56] This second stab included further R&D investment, the extension of projects such as genome sequencing, and an attempt to include more businesses in the scope of the deal.[57] The Minister described businesses in the first Life Science Sector Deal as "the pioneer ones,"[58] and it is clear to us that there are lessons to be learned from the pioneer sectors and businesses as other parts of the economy work with the Government to secure their own deal.

16. While the deals agreed to date are more than just R&D money and existing work that UK Steel suggested to us that they were, each announcement has been heavily focused on the Government and business investment underpinning each deal.[59] For life sciences the first deal, widely welcomed by companies and trade bodies,[60] saw £500 million of government programmes alongside more than £1 billion from the sector,[61] while the second includes a range of business investment into medicines and technology research

52 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, pp 193–202
53 Q365 [Harrington]
54 Department for Business, Energy and Industrial Strategy, Introduction to Sector Deals (accessed 19 February 2019).
55 Department for Business, Energy and Industrial Strategy, Forging Our Future: Industrial Strategy - The Story So Far, December 2018 (accessed 19 February 2019)
56 Department for Business Energy and Industrial Strategy, Life Sciences Sector Deal 2 (accessed 27 February 2019)
57 As above.
58 Q393 [Harrington]
59 Qq287–289 [Warren]
60 American Pharmaceutical Group (ISP0010), ABPI (ISP0023), MSD (ISP0015)
61 Department for Business Energy and Industrial Strategy, Life Sciences Sector Deal (accessed 27 February 2019)

and additional funding from the Industrial Strategy Challenge Fund.[62] The Nuclear Sector Deal announced more than £100 million of Government investment, alongside £32 million of new investment highlighted from the industry.[63] The Committee saw first-hand the work being undertaken on nuclear manufacturing and research during a visit to the Nuclear AMRC[64] in Sheffield; however, in an already highly productive sector,[65] the sector deal's ambitious aims of a new approach to power plant building and a more competitive supply chain will be challenging to meet following the decisions by investors not to proceed with the Wylfa and Moorside projects, and the decision of Rolls Royce to consider exiting the civil nuclear sector.[66]

17. The automotive sector will receive more than £1 billion in long-term R&D funding from Government, alongside consumer grants and infrastructure investment, with match funding in many areas from the industry.[67] The sector has been highlighted to us as a model for industry engaging with Government,[68] and in 2017 was the most productive automotive sector in Europe.[69] However, the automotive sector also faces significant challenges in the UK as we leave the European Union and as a global industry that finds itself disrupted by technological developments, leading to changes that the Business Secretary has accepted will be "painful".[70] To date this has included the cancellation of the manufacture of Nissan's X-Trail in Sunderland,[71] the planned closure of the Honda plant in Swindon by 2022,[72] and Dyson's decision to locate manufacturing of its electric vehicles in Singapore.[73] The Government has cited the Automotive Sector Deal as a means by which the UK can become a global leader in new power and navigation technologies, on which much of the sector deal funding is based,[74] but **Honda's decision to consolidate its operations in Japan as it focuses on electrification, and Dyson's choice to locate itself and the construction of its electric vehicles in Singapore should cause the Government to question whether a sector deal or other Government interventions can solve the challenges faced due to Brexit and global changes to the automotive industry**.

The Construction Sector Deal

18. Launching our inquiry, the Committee chose to look at construction as a sector that had secured a sector deal with Government by the time the Industrial Strategy launched. It is a coherent sector, with a major supply chain and a presence across the UK. Construction is a substantial industry with a turnover of £370 billion and employing nine per cent of the UK workforce (3.1 million people).[75] However, before securing a

62 Department for Business Energy and Industrial Strategy, Life Sciences Sector Deal 2 (accessed 27 February 2019)
63 Department for Business Energy and Industrial Strategy, Nuclear Sector Deal (accessed 27 February 2019)
64 The Nuclear Advanced Manufacturing Research Centre, part of the wider AMRC site in Sheffield that is itself part of the High Value Manufacturing Catapult. See Chapter 6 for further detail of the Catapult Centre network.
65 Nuclear Industry Association (ISP0002)
66 HC Deb, 12 November 2018, col 35, HC Deb, 17 January 2019, col 1324–4, and Rolls Royce to offload civil nuclear unit, The Times, 3 March 2019
67 Department for Business Energy and Industrial Strategy, Automotive Sector Deal (accessed 27 February 2019)
68 Q6 [Lord Adonis], Q58 [Professor Jones], Unite the Union (ISP0005)
69 David Bailey, Aston University, Brexit UK Auto and Industrial Policy, 2017
70 HC Deb, 19 February 2019, col 1344–5
71 HC Deb, 4 February 2019 col 57–9
72 HC Deb, 19 February 2019, col 1344–4
73 "Honda: End of the road for UK's industrial strategy", The Times, 20 February 2019
74 HC Deb, 19 February 2019, col 1344–5, Q340 [Harrington], and Department for Business Energy and Industrial Strategy, Automotive Sector Deal (accessed 27 February 2019)
75 Department for Business Energy and Industrial Strategy, Construction Sector Deal (accessed 27 February 2019)

deal it did not share all the characteristics of the other pioneer sectors that have been deemed 'established' parts of the economy, which benefited from high productivity and substantial Government investment in developing the sector.[76] Rather, the construction sector has suffered from unpredictable work, cyclical investment and poor collaboration,[77] contributing to the sector's productivity being 21 per cent lower than the UK average.[78] With central government investing more than £11 billion on physical infrastructure in the UK in 2016 and local government investing more than £7 billion, it is in the public interest that the construction sector is sustainable and can become more productive.[79] The vast restructuring of Kier Group throughout 2018 points to an industry that continues to face significant challenges and one where failure, as we saw first-hand in our inquiry into the collapse of Carillion, is catastrophic for businesses, employees, suppliers and customers.[80]

Construction Sector Deal

The Construction Sector Deal includes offers from Government to the sector of investment from the Industrial Strategy Challenge Fund into a 'manufacturing better buildings' programme focused on industrial digitalisation, reform of the Construction Industry Training Board (CITB), the creation of new training models, support for off-site construction, improved public sector procurement and support for exporting the UK's infrastructure skills.[81]

In return, the sector has committed to aligned funding on 'manufacturing better buildings', reform of the CITB, increased apprenticeship numbers and standards, and improved payment practices and performance.[82]

19. As with all sector deals, the Construction Sector's agreement has been framed across the five foundations of productivity featured in the Industrial Strategy; however the deal prospectus demonstrates the limit of this approach, with the 'places' foundation limited to only offering Government action to "ensure high quality training is available in all nations and regions of the UK" and action from both the sector and Government to "strengthen the supply chain for mineral and construction products across the whole of the UK."[83] Similarly, on the foundation of 'infrastructure', both sides of the deal only offer limited commitments, including restating an existing Government announcement of investment from the National Infrastructure and Construction Pipeline.[84]

20. Those engaged in the construction sector were supportive of the deal, either as trailed in the Industrial Strategy or as published in July 2018, although Unite the Union, representing some of those working in the sector, were critical about the lack of engagement

76 The Institution of Engineering and Technology (ISP0008), University of Sheffield (ISP0004)
77 Q321 [Dr Montgomery] and Department for Business, Energy and Industrial Strategy and Ministry for Housing, Communities and Local Government, Modernise or die: The Farmer Review of the UK construction labour model, October 2016.
78 Office for National Statistics, Breakdown of contributions, whole economy and sectors, January 2019 (accessed 1 March 2019)
79 Office for National Statistics, Developing new statistics of infrastructure, August 2018
80 Business, Energy and Industrial Strategy Committee and Work and Pensions Committee, Second Joint Report of Session 2017–19, Carillion, HC769, and "Strong market-leading positions and record order books of £10.2bn providing confidence for the future" , Kier Group Press Release, 20 September 2018
81 Department for Business Energy and Industrial Strategy, Construction Sector Deal (accessed 27 February 2019)
82 As above.
83 As above.
84 As above.

with workers and the flaws in the construction business model, much of which was not covered in the sector deal.[85] Those that did welcome the deal were positive not only about the outcomes listed in the document, but the wider effect the deal would have on the sector, praising the deal for focusing minds on the challenges of productivity and waste and helping industry having the confidence to invest.[86] Balfour Beatty, a tier 1 construction firm, supported the deal as announced in the Industrial Strategy as an intermediate step in the work of Government and business to improve the sector, and highlighted the need for the negotiated deal to reach small businesses and supply chains to ensure it can have an impact.[87]

21. Fergus Harradence, BEIS Deputy Director for Construction and a member of the Construction Leadership Council that negotiated the sector deal, highlighted to us that the sector deal has the potential to be a unifier for the sector, against a history of previous initiatives that have come up against "sheer forces of inertia within such a fragmented sector".[88] Dr Diana Montgomery, representing the Construction Products Association described the sector as "dysfunctional". The representatives from whom we heard expressed some concern that the sector deal was losing momentum because of delays to the release of some of the agreed funding, such as for the core construction hub project, while other announcements were coming in dribs and drabs rather than in a strategic way.[89] This is a complaint we have heard in private from other sectors with a deal, and risks harming the trust between these sectors and the Government.

22. When even the UK's most productive and technologically developed sectors are facing uncertainty and disruption, it is crucial that the Government ensures it supports sectors such as construction, which contributed around nine per cent of the UK's GVA in 2017.[90] BEIS highlighted to us the need for modernisation in the construction industry in terms of the risks the industry faces: demographic change and a marginal and, in the long-term, an "unsustainable business model."[91] **We welcome that the Government identified the importance of the construction sector to the UK economy and ensured it secured an early sector deal.** ***The Government should now deliver on its promises to the industry and ensure its commitments in this and every sector deal are fully funded. In return, the construction sector must work together to deliver the changes needed to improve its workforce, business model and uptake of technology for it to be a sustainable part of the economy.***

Who Wants A Deal?

23. Describing the first sectors to receive a deal, Claire Perry MP told a Westminster Hall debate on sector deals that they were not "superior, priority or target" but were simply the deals that were closest to the line already, and that other sectors would be considered.[92] Of the potential further deals, Alex Williams of BEIS told the Committee that the quality of

85 Balfour Beatty (ISP0001), Specialist Engineering Contractors' (SEC) Group (ISP0027), City & Guilds (ISP0029), Unite the Union (ISP0005), Q282 [Montgomery, Vickers]
86 Q282 [Dr Montgomery], Q284 [Vickers]
87 Balfour Beatty (ISP0001)
88 Q285 [Harradence]
89 Q282 [Dr Montgomery] and Q284 [Vickers]
90 Department for Business Energy and Industrial Strategy, Construction Sector Deal (accessed 27 February 2019)
91 Q330 [Harradence]
92 HC Deb, 19 December 2017, col 308–9WH

these bids varied from letters suggesting sectors to get a deal, to fully worked up proposals.[93] While the volume of bids received was higher than expected, and made the sector deals policy "a victim of its own success" according to BEIS,[94] it was perhaps inevitable given that the Industrial Strategy Green Paper described the policy as "an 'open door' challenge."[95] By the time the Industrial Strategy itself was published, the Government appeared to have become less open to approaches, cautioning that "sector deals are not required for every sector,"[96] although the Department confirmed that all those that have sought a deal have a dedicated sector lead within Government.[97] As we heard from sectors such as a retail and steel (both covered in Chapter 4), no sector will want to admit it is not seeking or has little chance of achieving a bespoke deal with Government that could improve productivity and drive investment.[98]

24. Our predecessor Committee called for horizontal or cross-cutting policies rather than a sectoral approach.[99] Some of the evidence we received was sceptical of the benefits of a sectoral approach, or was concerned that a sectoral focus would divert funding away from other productivity challenges.[100] While privately some trade bodies have told us they are applying for sector deals only because they do not want to miss out on access to potential funding (including existing funding streams), other sectors have welcomed the galvanising potential they can have for a sector, and the increased engagement with Government they can bring.[101] Other bodies have welcomed the concept of a sector deal, but recommend more novel approaches to how they are organised. Disability Rights UK have argued the case for a Disability Sector Deal, which combines support for healthcare and assistive technologies with support for increasing the number of disabled people in work.[102]

25. **The Government have not indicated whether the list of sectors seeking a deal is shrinking or growing, but the slow progress in achieving deals beyond the pioneer sectors, and the lack of clarity in what might be possible, is in the interests of neither business nor Government. The pioneer sectors had the benefit of early Government support and a close working relationship. While the Government has argued that there is no requirement for sectors to have a deal and no deadline for concluding one, many sectors have invested resources in their proposals sector deals, in already challenging business environments.** ***The Government should confirm whether sector deals are still open to every sector of the economy, and be clear on the level of engagement a sector pursuing a deal can expect from Government. The Government should provide a roadmap for sectors seeking a deal, making clear the milestones and timescales for reaching a deal.***

93 Q374 [Williams]
94 Q373 [Williams]
95 Department for Business, Energy and Industrial Strategy, Building our Industrial Strategy: Green Paper, January 2017, p 20
96 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 207
97 Q376 [Williams]
98 Q288 [Warren], Q78 [Dickinson]
99 Business, Energy and Industrial Strategy Committee, Second Report of Session 2016–17, Industrial Strategy: First Review, HC 616, paras 54–55
100 Q58 [Professor Jones], EEF - the manufacturers' organisation (ISP0012), The Institution of Engineering and Technology (ISP0008), Trades Union Congress (ISP0003)
101 Q82 [Nicholls]
102 Disability Rights UK (ISP0031)

4 Proposals for a Deal

26. By the end of 2017, 52 sectors were either seeking a deal or had achieved one. A year later, eight deals had been agreed. The sectors either still waiting or having given up on a deal have not been made public by the Government, but during the course of our inquiry we have heard in detail from four sectors that are included in that number. Each sector from which we heard has provided a valuable insight into the sector deal process and the workings of their industry and provides lessons beyond their sector that should be heeded by other businesses and by Government.

Offshore Wind

27. Offshore wind is a comparatively new sector compared to the established industries that were among the earliest to secure a sector deal. Starting with two turbines in 2000, the sector has now expanded to almost 2,000 turbines delivering enough electricity to power 7 million homes, placing the UK as the global leader.[103] The industry provides 11,000 jobs and is responsible for 23 per cent of construction contracts in the UK, focused in coastal communities that can otherwise struggle to attract investment and deliver high quality jobs.[104] By 2018, before any sector deal, the offshore wind industry had already been able to reduce its generation costs to well below its 2020 target of £100 per megawatt hour,[105] in part thanks to the construction and operation of larger and more productive turbines.[106] While it is an industry that has received significant Government support through subsidies including the Renewables Obligation and Contract for Difference,[107] Emma Pinchbeck of trade body RenewableUK described the sector as on a route to subsidy-free generation in the next decade.[108] In addition to the UK generation and employment benefits of the sector, it is also a sought-after exporter of technology and expertise, with more than 20 countries importing from the UK sector.

28. The growing success and increased productivity of the offshore wind sector invites the question of why the industry needs a deal with Government to continue its growth.[109] It already receives subsidies and support from established programmes, with innovation supported by the Offshore Renewable Energy (ORE) Catapult, part of the UK's network of Catapult Centres supported by Innovate UK. The industry has also been supported by the Offshore Wind Industry Council (OWIC), an industry and Government collaboration established in 2013 to drive the success of the sector, and who are responsible for negotiating the sector deal.[110] In evidence to us, OWIC described the potential deal as "a long-term framework for ensuring that the UK economy can reap more of the benefits of Government and bill payer investment."[111] Benj Sykes, Vice President at Ørsted and co-chair of OWIC, told us that as well as the quantifiable benefits of a deal (see text box below), the additional benefit of a sector deal would be to hold the industry together, rather

103 Qq200–202 [Sykes]
104 Q203 [Pinchbeck], Q269 [Sykes]
105 Schemes contracted in 2017 were at a rate of £57.50 per megawatt hour. (See Q205 [Sykes])
106 Energy UK (ISP0019)
107 Ofgem, About the Renewables Obligation (accessed 22 February 2019) and Low Carbon Contracts Company, What is a CFD? (accessed 22 February 2019)
108 Q203 [Pinchbeck]
109 Energy UK (ISP0019)
110 Offshore Renewable Energy Catapult, Work With Us (accessed 22 February 2019)
111 Offshore Wind Industry Council (ISP0017)

than fragment where commercial competitiveness overrides collaboration.[112] Emma Pinchbeck, speaking for both developers and supply chain focused on the certainty of R&D investment and collaboration.[113] Andrew Jamieson, Chief Executive of the ORE Catapult, which is focused on R&D, investment and already receives Government support as part of its funding model, told us that while competition has been successful in driving down prices and increasing productivity, the industry risks "going into various corners and not speaking to each other" without the galvanising support of a deal.[114] While fragmentation is a normal part of competitive business, as a relatively new sector in which the UK is a world leader the Offshore Wind Sector Deal is tasked with allowing the sector to maintain its position and mature.[115]

Offshore Wind Sector Deal

The Offshore Wind Sector Deal was announced on 7 March 2019 and includes the following commitments:

- Providing forward visibility of future Contracts for Difference rounds with support of up to £557m, with the next round to open by May 2019, with subsequent auctions around two years thereafter.
- Depending on the prices achieved, this could deliver up to 30GW of offshore wind by 2030.
- Setting a voluntary target of 60 per cent lifetime UK content in domestic projects commissioning in 2030.
- Increasing the representation of women in the workforce to a third by 2030.
- Setting an ambition of increasing exports fivefold to £2.6bn by 2030.
- Establishing the Offshore Wind Growth Partnership (OWGP) with up to £250m to support productivity and increasing competitiveness.[116]

29. The offshore wind sector is a highly successful and highly productive one, but it is one which Emma Pinchbeck described as "overlooked" compared to other similar sectors that had received a deal.[117] While it features throughout the Industrial Strategy White Paper as a UK success story, and closely fits the Government's Clean Growth Grand Challenge it was not mentioned as a potential sector for a deal in 2017. By October 2018, the sector felt it was weeks away from being able to sign a deal.[118] It has taken until March 2019 for a deal to finally appear, but it is a welcome step for an industry that can help towards decarbonising the UK economy. **We welcome the agreement of an Offshore Wind Sector Deal and the potential it to boost clean growth and deliver investment in parts of the UK beyond London and the South East, especially neglected coastal regions.** ***The Government should pursue further sector deals that similarly seek to deliver environmental and societal benefits alongside the economic boost they can bring to industry.***

112 Qq226–227 [Sykes]
113 Q230 [Pinchbeck]
114 Q231 [Jamieson]
115 Department for Business, Energy and Industrial Strategy, Offshore Wind Sector Deal (accessed 7 March 2019)
116 As above.
117 Q232 [Pinchbeck]
118 Q263 [Sykes]

Steel

30. We considered steel as part of our focus on the construction sector; however, the challenges faced by the steel industry and their experience of seeking a steel sector deal are significantly different to the wider construction industry. In 2015 and 2016, the industry faced a sharp decline as businesses took the decision to close sites and international orders were cancelled, part of a "perfect storm" of falling steel prices and higher production costs.[119] This led to the closure of the Sahaviriya Steel Industries (SSI) plant in Redcar in September 2015, a reduction in capacity at the Tata Steel site in Port Talbot, and an overall loss of 7,000 jobs in the sector.[120] Our predecessor Committee undertook an inquiry into the Government's handling of the steel crisis, in which they found that the Government, while working hard to mitigate the crisis, had not translated their actions into a measurable impact, nor had they provided enough certainty for the sector.[121]

31. In November 2018, Richard Warren of UK Steel told us that the sector was now "doing pretty well" compared to 2015–16, with steel prices having recovered and there being new investment in the sector.[122] Nonetheless, the sector had been actively seeking a sector deal (see Table 1 below), holding at least ten meetings with the Government on a deal intended to "increase the capacity and to broaden their range of products to meet future markets' and customers' needs."[123] The need and potential for a deal has seen businesses and their major unions (Unite, GMB, Community) work together in support of the proposals, alongside the Scottish and Welsh Governments.[124]

Table 1: UK Steel sector deal proposal

Key Sector Commitments	Key Requests of Government
- Increase investment from £200 to £300 million, £1.5 billion over five years - Increase 'online' production capacity from 10 Mt to over 14 Mt - Increase employment by 2,300 to 33,700 - Providing £30 million/year of new matched R&D funding via a new "Future Steel Challenge Fund" - Deliver end to end supply chain engagement through the architecture of the 'Future Steel Challenge Fund'	- Eliminate the £50 million/year electricity price disparity - Establish a "Future Steel Challenge Fund" with match-funding of £30 million/year - Facilitate new investment through access to capital, grants and innovative tax credits - Strengthen the steel procurement guidelines and their reporting mechanisms - Remove plant and machinery from business rates valuations

Source: UK Steel, A Steel Sector Deal: Executive Summary, September 2017

The commitments from the sector cover the 'people', and 'ideas' foundations of productivity identified by Government, while asks of the sector are almost entirely in the 'business environment' and 'infrastructure'. As a localised industry, especially in the south Wales and Yorkshire and Humber regions, the deal also sits closely with the fifth foundation

119 UK steel hit by perfect storm of falling prices and high costs, Financial Times 29 September 2014
120 UK Steel Industry: Statistics and Policy, Briefing Paper CBP-7317, House of Commons Library, January 2018, p 12
121 Business, Innovation and Skills Committee, First Report of Session 2015–16, The UK steel industry: Government response to the crisis, HC 546, para 47
122 Q280 [Warren]
123 Q283 [Warren], Q290 [Warren]
124 Unite the Union (ISP0005), Q287 [Warren]

of 'places'.[125] The business environment changes being requested are significant, with business rates and electricity prices identified by the industry as the greatest challenges, alongside trade and Brexit.[126] Richard Warren told us that compared to EU competitors the UK steel industry faces 50 per cent higher energy costs and business rates five to ten times higher, leading to these costs easily outstripping the profit and employment costs for some businesses and elsewhere representing costs that could otherwise be reinvested in the sector.[127]

32. By November 2018, we were told that active and constructive conversations on a sector deal were no longer happening.[128] Richard Harrington MP, Minister for Business and Industry, told us that while the Government would "really like to do a deal" and had not ruled one out, the deal the sector presented was "a list of Government asks" and when the sector was asked what they were prepared to do, "we had no proposals".[129] The proposals on increased investment, extra jobs and match funded R&D contained in the 2017 sector deal prospectus produced by UK Steel contradicts the Minister's description of the proposed sector deal, and in fact match some of the proposals we have seen in successful sector deals to date.[130] We have since received further evidence from Gareth Stace, Director General of UK Steel, confirming that the sector had presented a revised, simplified deal to the Minister, which would see any savings from business environment improvements reinvested in UK operations.[131]

33. The Minister declined to comment on the merits of the steel sector's proposals on energy prices and business rates during his appearance before us.[132] Yet it is clear that these are the major stumbling blocks for the steel sector achieving a deal. The Industrial Strategy itself promised that for steel it would:

> engage with industry, as well as with the unions, the devolved administrations and other partners to develop a commercially sustainable proposition in a competitive global market.[133]

By the time this promise was made, the major asks of a deal were already well known to Government, featuring in the sector's deal prospectus, our predecessor's report and the All-Party Parliamentary Group on Steel and Metal Related Industries' January 2017 report 'Steel 2020: Forging a Future for the British Steel Industry.'[134] **The Government's misrepresentation of the steel sector's proposals for a sector deal suggest that it is unwilling to meet the requests of the sector.** ***The Government should return to discussions with the sector on a potential deal and provide clarity on the asks and***

125 Qq297–298 [Warren]
126 Q280 [Warren]
127 Qq290–291 [Warren]
128 Qq288–289 [Warren]
129 Q369 [Harrington]
130 Letter from Gareth Stace, UK Steel to the Chair, 26 November 2018 and UK Steel, A Steel Sector Deal: Executive Summary, September 2017
131 Letter from Gareth Stace, UK Steel to the Chair, 26 November 2018
132 Q369 [Harrington]
133 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 239
134 All Party Parliamentary Group on Steel and Metal Related Industries, Steel 2020: Forging a Future for the British Steel Industry, January 2017

offers that could enable the Government to meet its commitment to develop the UK steel industry, supporting a now commercially sustainable sector in a competitive global market.

Retail & Hospitality

34. Dealing directly with the UK's productivity gap, the Industrial Strategy pledges:

> Some of the biggest opportunities for raising productivity come in sectors of the economy that have lower average productivity levels, but where many people work and which are vital to our economy.
>
> We will work closely with sectors such as hospitality, retail and tourism on each of the foundations of productivity in order to be able to progressively drive up the earning power of people employed in these industries and enhancing our national productivity.[135]

In the retail sector the past year has seen high-street brands such as HMV, House of Fraser and L.K. Bennett enter administration, while others like Laura Ashley, New Look and Carphone Warehouse all closed a significant numbers of their stores.[136] For hospitality, chains such as Byron, Jamie's Italian and Prezzo had to close branches to survive, while pubs continue to close at a rate of around 18 per week.[137] While closures are a natural part of the business life cycle, net closures in the retail and hospitality sectors have cumulatively totalled more than 3,000 in the past two years, suggesting structural issues rather than individual business models are primarily at fault.[138] Among the reasons cited for the potential decline of both sectors are the rise of online retail, the level and disparity of business rates, and the wider challenges faced by the high street.[139]

35. For both the retail and hospitality sectors, the most significant cost is people, with the retail sector employing 2.8 million people and hospitality 2.6 million people in 2017, combining to almost 20 per cent of the entire UK workforce.[140] Of this workforce, almost 70 per cent in retail and half in hospitality are in small or medium-sized enterprises, with the vast majority of these limited to serving customers in the area in which they are located.[141] Local services such as these represent 95 per cent of the least productive businesses, with extremely limited opportunities for growth (see Table 2 below).[142]

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135 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 171
136 The shops shutting this year as HMV enters administration, Daily Mirror, 28 December 2018
137 Pubs closing at rate of 18 a week as people stay at home, BBC News, 7 August 2018
138 Q76 [Nicholls], Q101 [Dickinson]
139 BRC (ISP0025), Fabian Society (ISP0016), Q95 (Nichols)
140 Retail Sector in the UK, Standard Note SN06186, House of Commons Library, 29 October 2018, p 4 and British Hospitality Association, Submission to the Migration Advisory Committee, July 2017, p 1.
141 Q173 [Carter]
142 As above.

Table 2: Retail productivity growth options

TABLE 2: Options available to different types of business

	SMALLER	LARGER
Increase prices	X	X
Reduce staff	✔	✔
Reduce pay differentials	✔	✔
Invest more in technology	X	✔
Find supply chain efficiencies	X	✔
Offset against other cost savings	X	✔
Invest more in training	X	✔

Source: British Retail Consortium, Retail 2020: Fewer but better jobs, February 2016, p 10

Speaking on these least productive sectors, Andy Haldane, Chief Economist at the Bank of England, has argued that gains in the lower performing sectors would have a significant impact on UK productivity.

> Imagine [if] productivity growth in the second, third and fourth quartiles of the distribution of UK firms' productivity could be boosted to match the productivity of the quartile above. That sounds ambitious but achievable. Arithmetically, that would deliver a boost to aggregate UK productivity of around 13 per cent, taking the UK to within 90–95 per cent of German and French levels of productivity respectively.[143]

This support for productivity growth in less productive sectors and businesses is shared by Be the Business, the business-led successor to the Government-commissioned Productivity Leadership Group established to make recommendations to Government on how to tackle the productivity puzzle.[144] Be the Business advocate the benefit of marginal productivity gains and the diffusion of good practice as a means by which UK productivity can grow while tackling the 'long tail' of unproductive businesses. That Be the Business is headed by a retailer, Sir Charlie Mayfield, chairman of the John Lewis Partnership, is an indicator of the importance of such productivity gains to the sector.

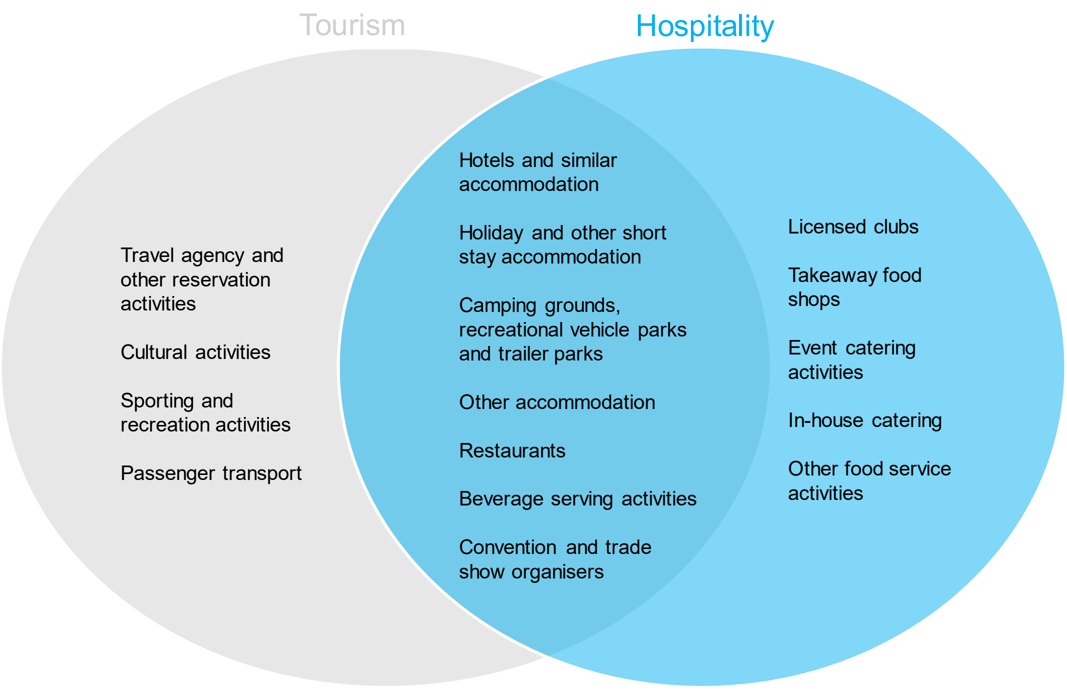
36. The retail sector's initial proposal for a sector deal was targeted at potential marginal gains by identifying digital skills as the main potential driver for its growth in the UK. The sector proposed industry-funded training for up to 1 million workers, in exchange for greater flexibility in the administration of the apprenticeship levy.[145] Such a deal was in line with previous British Retail Consortium (BRC) work on the challenges faced by the industry, with the 2016 report Retail 2020 estimating 900,000 fewer jobs in retail by the end

143 Speech by Andrew G Haldane, Chief Economist, Bank of England, 'Productivity puzzles', 20 March 2017, p 19
144 Be the Business, About Us (accessed 25 March 2018)
145 BRC (ISP0025)

of the decade, and the need for the sector to therefore provide 'better' jobs.[146] In evidence to us the John Lewis Partnership, a BRC member, highlighted technological innovation as both a "vital component in improving productivity" and also part of a "structural shift" in the composition of retail businesses.[147] The business has already invested heavily in digitalisation and automation, with new facilities operating with "relatively few Partners" albeit combined with proactive work on reskilling.[148] Proposals for a retail sector deal focused on digital skills have received the support of Usdaw, the major shopworkers' trade union, reflecting the wide recognition of the changing nature of the sector.[149] However, despite the potential productivity gains and the enthusiastic support from industry and workers, we heard that progress on the deal had stopped as the Government, and more specifically the Department for Education, were unwilling to discuss the sector's proposals on apprenticeships.[150] Work with Government has continued, but the new Retail Sector Council has come up against the same barriers, with the Department for Education not attending meetings, even when focused on skills.[151]

37. For the hospitality industry, trade body UK Hospitality has joined with other hospitality, tourism and leisure sector groups to work towards a tourism sector deal, which would directly impact the many hospitality businesses that are part of the tourism sector, as well as potential indirect benefits for other business in the sector (see Figure 3 below).[152]

Figure 3: Tourism and Hospitality Sector cross-over



Source: British Hospitality Association, Economic contribution of the UK hospitality industry, September 2015, p 4

146 British Retail Consortium, Retail 2020: Fewer but better jobs, February 2016, p 10
147 John Lewis Partnership (ISP0030)
148 As above.
149 Usdaw (ISP0006)
150 Q78 [Dickinson]
151 Qq138–139 [Dickinson]
152 Tourism Alliance (ISP0009), British Beer & Pub Association (ISP0014), Q82 [Nicholls]

The proposed sector deal is focused on four strands:

- boosting productivity and extending the season;
- improving skills and encouraging people to work in our sector;
- improving connectivity to attract visitors into the UK and allowing them to more easily travel out from London; and,
- introducing Tourism Zones to support the regeneration of destination and further boost successful destinations.[153]

For the hospitality sector, the focus within this has been on employment and skills, including the need for greater investment in leadership skills as a means to boost productivity.[154] The proposed sector deal, as published by VisitBritain in 2017 provides an ambitious list of asks from the sector, lacking any R&D investment that has been the focus of deals to date, and seeking significant policy changes on business rates, immigration and skills, while also aiming for a marginal productivity boost of one per cent.[155] Nonetheless, the Government highlighted tourism in the Industrial Strategy as a potential sector to engage with in the Industrial Strategy, and appears to have remained engaged with the potential deal, with the Department for Digital, Culture, Media and Sport entering formal negotiations in November 2018.[156]

38. Both retail and hospitality are lower productivity sectors. While retail has seen productivity grow three times faster than the UK average growth in recent years, its overall productivity remains below the UK average.[157] Business leaders and trade unions want to see the Government deliver for people-heavy, low productivity sectors in order to deliver the marginal productivity that could tackle the 'long tail' of unproductive firms.[158] **The Government has committed to 'work closely' with the retail, hospitality and tourism sectors to deliver the foundations of productivity.** ***We recommend that the Government now deliver on this promise and publish an action plan for how it is going to work with low productivity sectors to provide the productivity boost they so urgently need. BEIS should ensure that other Government departments, including the Department for Education and HM Treasury, are fully engaged in developing and delivering this plan.***

Other Sectors

39. **The sectors we have covered in this chapter occupy very different parts of the economy and have widely divergent asks of the Government. They represent only a small sample of the sectors which, offered the chance at a bespoke deal with Government, have jumped at the chance of a sector deal. The Government has, in the past, indicated it is willing to engage with any sector that wants a deal,** ***it should now ensure that no sector that has approached it with a credible offer is shut out of the sector deals process.***

153 Tourism Alliance (ISP0009) and Visit Britain, Tourism Sector Deal Submission, October 2017, p 7
154 Qq82–84 [Nichols]
155 Visit Britain, Tourism Sector Deal Submission, October 2017, p 21
156 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 192, and Visit Britain, Sector Deal for UK Tourism (accessed 25 February 2019)
157 Q77 [Dickinson]
158 Trades Union Congress (ISP0003)

5 Criteria for a Deal

The Current Criteria

40. Launching sector deals in the Industrial Strategy Green Paper, the Government offered suggestions on the content of sector deals and the asks of Government that businesses could consider making, but there was no indication of the measures by which proposals would be judged.[159] Nor did the consultation questions give respondents an opportunity to comment on or propose any criteria for a deal.[160] Sectors nonetheless prepared their bids and submitted them to Government without any indication of how their bids would be evaluated, with some being developed and actively encouraged by Government before the Industrial Strategy itself was published.[161] Those that did wait for the Industrial Strategy to be published were offered "[q]uestions sectors should ask themselves as they develop their deal proposals,"[162] which the strategy confirmed were the Government's criteria for a deal.[163]

Questions sectors should ask themselves as they develop their deal proposals

- Is there clear leadership from the sector?
- Does the sector deal represent the breadth of the sector?
- Does the proposal include a rigorous analysis of the comparative strengths and weaknesses of the sector?
- Will the specific proposals have an impact on productivity, earning power or the availability of good work?
- Can the specific proposals be delivered?
- Is there a clear offer from the sector?[164]

41. Of the sectors that submitted evidence to the Committee, those which had received a deal or were in the process of securing one were mostly positive about the criteria that the Government has set.[165] Sectors without a deal and bodies representing a range of sectors were critical of the vagueness of the level of detail in the Industrial Strategy.[166] While the Offshore Wind Industry Council was positive about the criteria in their written evidence, their co-chair Benj Sykes told the Committee that the process felt "a little bit like blindfold

159 Department for Business, Energy and Industrial Strategy, Building our Industrial Strategy: Green Paper, January 2017, pp 97–105
160 As above, p 105
161 EEF - the manufacturers' organisation (ISP0012), Fabian Society (ISP0016)
162 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 208
163 As above, p 207
164 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, pp 208–211
165 Nuclear Industry Association (ISP0002), Energy UK (ISP0019), Balfour Beatty (ISP0001), Offshore Wind Industry Council (ISP0017), Balfour Beatty (ISP0001), Civil Engineering Contractors Association (ISP0011)
166 EEF - the manufacturers' organisation (ISP0012), The Institution of Engineering and Technology (ISP0008), Trades Union Congress (ISP0003), Fabian Society (ISP0016), City & Guilds (ISP0029)

darts sometimes."[167] The offshore wind sector has been able to secure a deal despite this barrier, primarily because it has nonetheless managed to secure "very good dialogue with officials in BEIS at a number of levels, and also ministerial engagement" which was built on the long-running relationship the sector has had with the Government.[168] Sectors without a deal, such as steel (covered in detail in Chapter 4) have argued that their proposals fully meet the criteria for a deal, while the Government has disagreed.[169] The Trades Union Congress (TUC) argued in their evidence to us that criteria for leadership and representing the breadth of the sector seemingly disqualify the small business and people heavy sectors such as retail, hospitality and tourism, while in practice those sectors have nonetheless sought a deal, albeit without success to date.[170] The Institution of Engineering and Technology told us that the outline for a deal in the Industrial Strategy did not amount to a formal exposition of criteria, and that this vagueness strongly benefited established sectors to secure a deal.[171] Ultimately, this lack of clarity is dangerous for the reputation of the Government with businesses and trade bodies. EEF, representing a number of manufacturing sectors, told the Committee that "there is now a wave of expectation from sectors that has been built up, which will soon come crashing against the wall of reality being built by government during closed-door negotiations" and similar to previous devolution deals, the outcome is likely to be "disgruntled sectors walking away from negotiations feeling their time has been wasted."[172]

42. Appearing before the Committee in November 2018, Richard Harrington, Minister for Business and Industry, was willing to accept the criticisms of sectors on the lack of clarity of the "top-line rules" in the Industrial Strategy and agreed that in practice the criteria for a sector deal were "more complex than that".[173] Since then the Government has not sought to update the criteria for a deal or provide businesses with any more certainty over what is being expected. **The Government risks losing trust from sectors seeking a deal if it is not transparent about the criteria by which it is assessing proposals for a sector deal.** ***We recommend that Government should publish updated criteria which accurately reflect what they are looking for in sector deals. Sectors should be able to judge whether they may be able to meet these without having to commit significant resources to a deal at his stage.***

New Criteria for a Sector Deal

43. Among the existing criteria for a sector deal is measuring whether proposals will have an impact on "productivity, earning power or the availability of good work".[174] The TUC argued in their written evidence that the measures should extend beyond productivity boosts to fully cover employment, innovation and skills.[175] Each sector deal prospectus presents the commitments agreed against the five foundations of productivity that the

167 Offshore Wind Industry Council (ISP0017), Q261 [Sykes]
168 Q261 [Sykes]
169 Letter from Gareth Stace, UK Steel to the Chair, 26 November 2018; UK Steel, A Steel Sector Deal: Executive Summary, September 2017); and, Q369 [Harrington]
170 Trades Union Congress (ISP0003)
171 The Institution of Engineering and Technology (ISP0008)
172 EEF - the manufacturers' organisation (ISP0012)
173 Qq78–79 [Harrington]
174 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 210
175 Trades Union Congress (ISP0003)

Government has focused,[176] and yet in the criteria set out in the Industrial Strategy there is no requirement for each of the foundations to form part of the bid.[177] The result has been that some sector deals find themselves with little to announce against some of the foundations of productivity. The Construction Sector Deal has almost nothing specific to be said on 'places' or 'infrastructure', despite the differing potential of these deals to boost productivity across the UK.[178] We heard the case from the Centre for Towns and the Centre for Cities of the need to take into account local criteria for sector deals and to reflect that a sector operating across different parts of the UK will face different challenges, and from Professor Richard Jones of the independent Industrial Strategy Commission of the need for a universal offer for places to ensure they can attract employment.[179] Despite this, the sector deals criteria to date do not require any places based commitments from either businesses or the Government.

44. The criteria for sector deals require that proposals represent the breadth of the sector, but there is concern that this does not do enough to ensure that small and medium-sized enterprises are represented in deals, or have a chance of securing a deal.[180] Even sectors that have received a sector deal, such as construction, have highlighted to us the challenge of ensuring that small businesses are represented in discussions and included in the structures for securing a deal.[181] Similarly, many of the sector deals established to date are for industries that have large and/or complex supply chains,[182] with the offshore wind sector heavily promoting the benefits to the current UK supply chain and the potential benefits of a sector deal to help grow the supply chain.[183]

45. The lack of transparency in what the Government is actually looking for in a sector deal is, as we have already concluded, a barrier to sectors which may wish to secure a deal. It has also been a barrier for us to accurately reflect what might be suitable criteria for the Government to recommend. **Given the lack of transparency on the actual criteria for a deal, we are unable to recommend to Government a full set of potential new criteria; however, *we recommend that in setting new criteria, the Government should ensure all sectors embed the Industrial Strategy's five foundations of productivity in deal proposals and, at a minimum, include a requirement to deliver regional growth, increase skills in the sector, and provide support for the supply chain.***

Representing the Sector

46. First among the current criteria for sector deals is "clear leadership from the sector."[184] The Industrial Strategy sets out what this should mean:

> We have asked for deals to be proposed by an identifiable leader who can bring together an appropriately broad representation of the sector. A key part of that leadership will be in ensuring appropriate and proportionate

176 The five foundations are: ideas, people, infrastructure, business environment and places.

177 See, for example, Department for Business Energy and Industrial Strategy, Automotive Sector Deal (accessed 27 February 2019)

178 Department for Business Energy and Industrial Strategy, Construction Sector Deal (accessed 27 February 2019)

179 Qq194–197 [Professor Jennings, Carter), Q66 [Professor Jones]

180 Trades Union Congress (ISP0003)

181 Q285 [Harradence]

182 For example the Automotive, Nuclear, Construction and Aerospace Sector Deals.

183 Q210 [Jamieson], Q222 [Sykes], Q230 [Pinchbeck], Offshore Wind Industry Council (ISP0017)

184 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 208

> arrangements to implement the commitments in the deal. The sector's leader or deal champion should generally be a single individual with sufficient authority in the industry to negotiate a deal's content directly with government ministers with the full backing of the sector they represent.[185]

In the Industrial Strategy Green Paper the Government had already identified early sector deal champions including Sir John Bell for life sciences, Lord Hutton for nuclear and Sir Peter Bazalgette for creative industries.[186] When the life sciences and nuclear deals were agreed and published, it was their champions who were signatories alongside the relevant Ministers.[187] Each further deal that has been signed has followed this model, with Ministers and a leading figure from the industry as signatories in each deal prospectus. For Sir John Bell and Sir Peter Bazalgette, their role as sector deal champion followed on from Government-supported reviews they undertook into their sector.[188] While the Government portrayed these first deals as those that "were closest to the line already," rather than being explicitly prioritised, their placement at the front of the queue represents their status as established industries with close links to the Government.[189]

47. The need for a leader with whom the Government can negotiate should be possible for any sector seeking a deal, although it presents challenges for industries made up of small businesses or has a diffuse membership.[190] The identity of that leader has caused problems for the steel industry when attempting to negotiate a deal. The steel industry initially appointed Roland Junck of British Steel as their sector deal lead; however, we were told that he found it was not possible to act on behalf of the industry, and negotiating a deal was taking a significant amount of management time. As a result, the industry asked Gareth Stace, Director General of trade body UK Steel take over the role.[191]

48. In its criteria for sector deals, the Government looks for deals that represent the breadth of the sector, and set out that "[t]his is likely to mean involving more businesses than are necessarily members of a relevant trade body, and in the case of steel the Minister told us that "we wanted it not to be trade bodies; we wanted it to be industry generally"[192] For the UK steel industry, its trade body had managed to gather chief executives from the entire UK steel production, trades unions and representatives from the Scottish and Welsh Governments as part of the group supporting the deal, but the Government has refused to accept that they meet this criteria. **The Government's approach to sector leadership gives the unrealistic expectation that a single figure can represent diverse and disparate sectors, but that a trade body cannot effectively represent even a joined-up sector such as steel in the sector deal process. The Government's current approach risks shutting out well-organised and coherent sectors from the sector deals process, because of its unnecessary focus on a single named negotiator.** ***We recommend that***

185 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 208
186 Department for Business, Energy and Industrial Strategy, Building our Industrial Strategy: Green Paper, January 2017, p 102
187 Department for Business, Energy and Industrial Strategy, Life Sciences Sector Deal (accessed 27 February 2019) and Department for Business, Energy and Industrial Strategy, Nuclear Sector Deal (accessed 27 February 2019
188 Sir Peter Bazalgette was not the creative industries signatory, as the role was taken by the Creative Industries Council by the time of publication of the Industrial Strategy.
189 HC Deb, 19 December 2017, col 308–9WH
190 Trades Union Congress (ISP0003), Balfour Beatty (ISP0001), Construction Products Association (ISP0024)
191 Q369 [Harrington]
192 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 208 and Q369 [Harrington]

the Government no longer refuses to negotiate with trade bodies in cases where they can demonstrably represent the breadth of the sector, including trade unions and small businesses.

Sector Councils

49. Sectors that have secured a deal to date have either already had or have created councils that enable businesses and Government to work in partnership, such as the longstanding Automotive Council, the more recent Construction Leadership Council and Offshore Wind Industry Council, and the new AI Council.[193] These bodies are usually co-chaired by a senior industry figure and a relevant Government Minister, with these business co-chairs being the eventual co-signatories of a sector deal, such as Nicola Mendelsohn CBE of Facebook for creative industries, Nigel Stein, then of GKN Ltd, for automotive, and Gordon Wakefield of Siemens Mobility UK for rail.[194]

50. The creation of sector bodies has been welcomed by sectors, including those without a deal such as retail, and continue to be valued by those with a deal.[195] The hospitality sector, while part of the recently established Tourism Industry Council, told us that a dedicated sector council, especially combined with a lead Minister, would be "immeasurably helpful and would increase productivity."[196] The Construction Leadership Council (CLC), while instrumental in establishing the sector deal, was criticised by many of those in the sector that gave evidence to us, including the Construction Products Association and the Civil Engineering Contractors Association and trades unions, for failing to represent the breadth of the sector and for not leading change in the sector effectively.[197] Hannah Vickers of the Association of Consultancy and Engineering was critical of the focus of the CLC's focus on senior figures from major companies rather than the inclusion of trade bodies that could more effectively represent the breadth of the sector.[198] Unite the Union, which represents a range of workers in the construction sector, were critical of the failure of the CLC to include any meaningful representation for workers, unlike other examples such as the Automotive Council, while Balfour Beatty, a large construction firm, noted the need for small businesses to be included in future collaborative working with the Government for the CLC and the sector deal to be effective.[199]

51. The creation of sector councils are a welcome collaboration between industry and Government, although with 52 sectors receiving or seeking a deal, it is unclear whether it will be sustainable for Ministers to be part of so many different bodies.[200] **If sector councils are, as it appears to date, to be an integral part of all sector deals, the Government should make this clear in its criteria for a deal, and provide greater transparency on the establishment, membership and operation of such councils.** ***We recommend that the Government lay before Parliament a statement setting out the establishment of any sector councils, and clearly publicise any vacancies or changes to membership.***

193 Q225 [Sykes] and content of each Sector Deal.
194 See Creative Industry and Rail Sector Deals.
195 Qq138–140 [Dickinson]
196 Qq142–143 [Nicholls]
197 Construction Products Association (ISP0024), Civil Engineering Contractors Association (ISP0011), Trades Union Congress (ISP0003)Unite the Union (ISP0005), Q313 [Dr Montgomery]
198 Q317 [Vickers]
199 Unite the Union (ISP0005), Balfour Beatty (ISP0001)
200 HC Deb, 19 December 2017, col 309WH

52. **If the Government intends to use sector councils as a means by which sectors can be represented, such bodies should be required to meet the established criteria required for sector deals.** ***We recommend that the sector councils should engage with the full breadth of the sector in order to maintain confidence including, but not limited to, workers and trades unions, small businesses and trades bodies.***

Measuring Success

53. Each sector deal commits the Government to an annual review of the deal.[201] To date, the Life sciences and Automotive Sector Deals have passed their first anniversary but are yet to have an annual review or report published by the Government. The life sciences sector negotiated their second sector deal and published that before their first deal had been agreed for a full year, using that prospectus to offer some examples of progress to date but without a full analysis.[202] The Government is also creating implementation plans with sector deals, such as construction, but these are not designed for publication despite the help they would give to businesses in the sector, and to inform other sectors seeking deals.[203]

54. To date, the Government has published nothing that would enable an analysis of how sector deals are performing, making it impossible for those within the sector or other observers to judge to what extent the deals have met the criterion of having "an impact on productivity, earning power or the availability of good work."[204] Organisations such as Disability Rights UK and City & Guilds have suggested criteria for success to us that are more specific than the Industrial Strategy's focus such as looking at labour market change and disability employment, while each sector will have their own specific targets based on the outcomes they expect to see from a sector deal.[205] ***To encourage further sector deals and to increase business awareness of the content and process, the Government should make as much information as possible relating to the creation and monitoring of sector deals available to the public, including annual reports, metrics and summaries of the implementation plans created for each deal.***

55. As part of the Industrial Strategy, the Government established an Industrial Strategy Council intended to assess progress and make recommendations to the Government.[206] It took 12 months from the launch of the strategy to the establishment of the Council—a rate of progress with which the Minister told us he was satisfied—in part because of the challenge of clearing the participation of a diverse senior figures from industry, academia and other organisations.[207] The council is now meeting under the chairmanship of Andy Haldane, Chief Economist at the Bank of England, and is currently considering the metrics of success by which the Industrial Strategy should be judged.[208] **We welcome the overdue establishment of the Industrial Strategy Council and the diverse range of**

201 See, for example, the Automotive and Life Sciences Sector Deal.
202 Department for Business, Energy and Industrial Strategy, Life Sciences Sector Deal 2 (accessed 27 February 2019)
203 Q327 [Harradence], Q334 [Warren]
204 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 210.
205 City & Guilds (ISP0029), Disability Rights UK (ISP0031)
206 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 11.
207 Q355 [Harrington]
208 New Industrial Strategy Council meets as membership announced, Department for Business, Energy and Industrial Strategy Press Release, 1 November 2018, Q356 [Harrington]

voices it contains, and *we recommend that the Council sets the metrics and criteria of success for sector deals as part of its work programme and publishes regular scrutiny of the process and deals agreed by Government.*

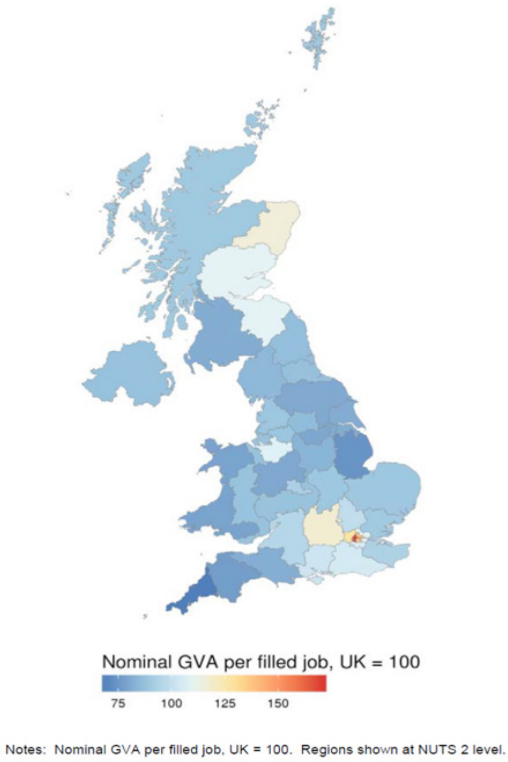
6 What difference can a deal make?

56. The proposed content of a sector deal is for each industry to decide, and is subject to discussion with the Government. In our inquiry we have not sought to be prescriptive on what the Government should be willing to offer to business. However, we recognise that with business and Government engaged in negotiations, there is a chance for sector deals to make important changes in policy areas where progress on both sides has been lacking.

Places

57. In offering 'places' as a foundation of productivity in the Industrial Strategy, the Government offers a vision of "prosperous communities across the UK", supported by the creation of Local Industrial Strategies, a new Transforming Cities fund for improving connections with cities, and a Teacher Development Premium to support "areas that have fallen behind".[209] The UK suffers from a significant regional disparity in productivity (see Figure 4 below), with the most productive areas limited to London and the South East and clusters around Manchester and Aberdeen, and with further disparity within those areas.[210] As well as a 'long tail' of unproductive businesses, Andy Haldane, Chief Economist at the Bank of England, has pointed to a 'long tail' of unproductive regions.[211]

Figure 4: Productivity by UK region in 2017



Source: ONS and Speech by Andrew G Haldane, Chairman of the Industrial Strategy Council, Industrial Strategy and Institutions, 6 March 2019 [unpublished]

209 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, pp 10–11

210 Regional Studies Association, Spatially rebalancing the UK economy: The need for a new policy model', March 2015, and Office for National Statistics, Regional and Sub-Regional Productivity in the UK, February 2019

211 Speech by Andrew G Haldane, Chairman of the Industrial Strategy Council, Industrial Strategy and Institutions, 6 March 2019 [unpublished]

58. By framing sector deals as R&D focused and by promoting the first deals with established sectors, there is a significant risk that the benefits of these early sector deals will be felt only in already successful areas that have already secured R&D investment.[212] Early sector deals do not only benefit the South East, for example life sciences has clusters across the UK, but they nonetheless heavily support investment in these areas and existing successful clusters.[213] While later sector deals such as nuclear, aerospace and rail cover regional clusters outside of these areas, and the offshore wind sector is focused on coastal and non-south eastern sites as a geographical necessity, BEIS confirmed to us that there is no regional assessment of sector deals before their announcement, and analysis will only be considered for deals where there are specific regional commitments embedded at launch.[214]

59. Throughout our inquiry we heard of the different challenges faced by different regions and types of areas, and the need for what Lord Adonis described as a geographical strategy.[215] The report of the independent Industrial Strategy Commission and Commission member Professor Richard Jones highlighted left behind areas such as coastal towns lacking infrastructure or deindustrialised former industrial areas failing to attract new businesses.[216] Professor Will Jennings of the Centre for Towns described the specific employment challenges and demographic changes faced by towns, and the six very different types of towns all of which require different support.[217]Andrew Carter of the Centre for Towns highlighted the economic geography within city regions and the degree to which industrial strategies ignore this in favour of broad approaches, meaning smaller cities struggle to differentiate themselves and attract investment.[218] **The Government has so far failed to demonstrate any analysis of the regional disparity and specific challenges that could be tackled by the use of sector deals.** ***We recommend that the Government require an analysis of the regional benefits of sector deals as part of the negotiations process. The assessments should be published alongside the deals themselves and regional impact should be measured as part of the review process for each sector deal.***

60. The lack of regional focus in sector deals is part of a wider issue that the Committee has identified with BEIS's approach to how it interacts with the country beyond London and the South East. Alex Williams, BEIS deputy director for sector deals, admitted to the Committee that the department had not engaged effectively as it could have done with the devolved administrations and had worked on the assumption of little potential for policy change in these regions.[219] Progress has been made on this since, and we were encouraged by the news that BEIS's regional impact and profile in Scotland is being worked on.[220] However, we have repeatedly raised the London-centric location of the BEIS workforce with Alex Chisholm, the Department's Permanent Secretary, who confirmed only around ten per cent of departmental staff are currently located outside of London.[221] Mr Chisholm

212 Qq287–289 [Warren]
213 ABPI (ISP0023), American Pharmaceutical Group (ISP0010), MSD (ISP0015), Life Sciences Sector Deal
214 See sector deals. Q269 [Sykes], Qq381–383 [Williams], Offshore Wind Industry Council (ISP0017), Energy UK (ISP0019), Nuclear Industry Association (ISP0002)
215 Q2 [Lord Adonis]
216 Q66 [Professor Jones], Industrial Strategy Commission, Final Report, November 2017, p 87
217 Q165 [Professor Jennings]
218 Q168 [Carter]
219 Q384 [Williams]
220 Qq384–385 [Williams]
221 Oral evidence taken on 2 February 2019, Work of the Department, HC (2017–19) 604, Q324

told us of the "terrific efficiency" of people being able to move between floors in the Department and access Parliament, as a justification for their latest recruitment in which only 2.2 per cent of staff were appointed outside London.[222] **While we welcome evidence that more is being done to engage the devolved administrations in sector deals, we are concerned that the BEIS's London-centric workforce risks the Department failing to recruit staff with experience outside of the South East and failing to engage with business around the UK. An Industrial Strategy working in the interests of the whole country needs to be supported by a diverse UK-wide organisation that will enable the whole of the UK to proposer.** ***BEIS should ensure that a greater proportion of staff, especially those working on policy issues, are employed outside London and the South East and should provide regular updates to the Committee on progress.***

The Catapult Network

61. As part of this inquiry, the Committee visited the Advanced Manufacturing Research Centre (AMRC) in Sheffield and the Manufacturing Technology Centre (MTC) near Coventry, both part of the High Value Manufacturing Catapult (HMVC). The HMVC is one of ten organisations established by Government under the Catapult Centre brand to drive innovation and economic growth by collocating businesses, scientists and engineers.[223] These centres have been supported by Government through Innovate UK and are expected to operate on a 'thirds' funding model, with a third each expected to come from public funding, private funding and mixed investment.[224] Established by the University of Sheffield, the AMRC has developed itself in a largely low productivity region by building on the existing skills and industries in the area to become an attractive location for new business investment, bringing a new Boeing factory to the area and allowing good practice from businesses such as Boeing to be shared with academics and start-up businesses, a success story highlighted in the Aerospace Sector Deal.[225] Professor Richard Jones identified the AMRC as an "enormous success,"[226] but warned that the current scale of the catapults, as a means to increase R&D intensity in the UK, as very small, while ADS Group, representing the aerospace sector, has called for greater coordination of aerospace work within the catapult network.[227]

62. During our inquiry we also heard from the Offshore Renewable Energy (ORE) Catapult, headquartered in Glasgow and with a large site in the North East of England, and intended to support component manufacturers and improve the offshore wind supply chain.[228] The ORE Catapult had previously been highlighted in the 2017 Government review of the Catapult Centre Network as failing to meet the necessary private sector investment required of their funding model.[229] The Catapult has since acted on this to raise its profile and increase investment, and was cited by the Offshore Wind Industry

222 Oral evidence taken on 2 February 2019, Work of the Department, HC (2017–19) 604, Qq 331 -333
223 Catapult UK, About Catapult (accessed 27 February 2019)
224 EY, Catapult Network Review, November 2017, p 18
225 Department for Business, Energy and Industrial Strategy, Aerospace Sector Deal (accessed 27 February 2019) and "Boeing Expands Production with Investment in New UK Site and US Facility", Boeing Press Notice, 24 February 2017.
226 Q55 and Q68 [Professor Jones]
227 ADS Group (ISP0022)
228 Q210 [Jamieson]
229 EY, Catapult Network Review, November 2017, p 18

Council, of which it is part, as a key enabler of the UK maintaining and growing its leading edge in the development and deployment of new technology.[230] and stands to benefit from the Offshore Wind Sector Deal, in a wider industry where R&D investment had declined.[231]

63. The 2017 review into Catapult centres identified a range of challenges for the network, and the outcomes of this work have yet to be fully reviewed.[232] We will continue to examine the network as part our Committee's work. Nonetheless, the potential for new catapults remains open. **We have been impressed by the work of the Catapult Centres that the Committee has engaged with in this inquiry.** ***The Government should ensure that Catapults are involved in the negotiation of relevant sector deals, and where such catapults do not exist, should work with sectors to consider their establishment on a case-by-case basis.***

People

64. The criteria for sector deals includes whether a deal will have an impact on "the availability of good work"[233] and the Industrial Strategy noted that "highly productive employers not only pay their workforce well, but also invest in their staff through training and development, good terms and conditions and opportunities to participate in the way the business is run."[234] As retail trade union Usdaw highlights in their evidence, the opposite can also be true as " lowly productive employers are more likely to pay poor wages, neglect staff training and development, offer poor terms and conditions and deny opportunities to have a say in the business."[235]

65. Low productivity and people heavy sectors that we covered, such as retail and hospitality, told us of the challenge for them of entry level jobs that are low-skilled and low-paid, and the need to focus on career progression and upskilling to change the perception of their industries.[236] However, these sectors are among the worst for low-pay and in-work poverty.[237] Around a third of jobs in retail and hospitality are low paid and the Resolution Foundation's 2018 report into Low Pay Britain found "shopfloor to top floor" move was largely a myth as only four per cent of sales assistants becoming supervisors or managers in the same sector five years later, and only one in ten managers having been sales assistants five years earlier.[238] Both UK Hospitality and the British Retail Consortium, from whom we heard, had previously highlighted the tension between higher pay—including even rises in the National Minimum Wage—and the risk of job losses in their sector.[239]

66. The provision of 'good work,' offering high quality jobs, secure employment and with effective and well-enforced rights, has been a focus of this Committee since the start of this Parliament, and we continue to await the Government's long-overdue final proposals

230 Offshore Wind Industry Council (ISP0017)
231 Q215 [Jamieson]
232 EY, Catapult Network Review, November 2017, pp 20–31
233 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 210
234 Department for Business, Energy and Industrial Strategy, Industrial Strategy: Building a Britain fit for the future, Cm 9528, November 2017, p 176
235 Usdaw (ISP0006)
236 Qq151–152 [Nicholls, Dickinson]
237 Joseph Rowntree Foundation (ISP0018)
238 Resolution Foundation, Low Pay Britain 2018 (accessed 1 March 2019)
239 British Retail Consortium, Retail 2020: Fewer but better jobs, February 2016, p 8 and "UKHospitality promotes job stability at Low Pay Commission" Hospitality and Catering News, 8 June 2018

on ending bogus self-employment.[240] **We have consistently opposed any attempts at undermining the National Minimum Wage, and do not believe that sectors should require a deal from the Government in order to provide 'good work'. We welcome the proposals to date from low-pay sectors that have focused on improving skills.** ***We recommend that the sector deals should not be sought or offered if they are being used as a mechanism for sectors to raise themselves only to meet basic employment standards***.

67. During our visit to the AMRC in Sheffield, we were disappointed to discover that their Apprenticeship Training Centre had only recruited a handful of female apprentices compared to a large number of men. During our evidence sessions we heard how 86 per cent of the construction industry is male and only 37 out of 157 employees of the ORE Catapult were women.[241] These figures are not outliers, but part of a disproportionately male workforce in many of the manufacturing and engineering sectors that have secured a deal to date. Emma Pinchbeck of RenewableUK identified some of the challenges facing the offshore wind sector, including training young people in the necessary skills, ensuring business and workplace practices encourage diversity, and ensuring visibility of women in underrepresented sectors.[242] The challenges apply to the entire energy sector and to many of the other sectors that we have considered during our inquiry.

68. Given the challenge that the energy industry faces to diversify its workforce, it is welcome that the Offshore Wind Sector Deal included a specific commitment to increase women in the industry to 30 per cent by 2030, up from 16 per cent now, and an ambition of reaching 40 per cent in work or training by that date.[243] **In agreeing sector deals, industry has the chance to set themselves ambitious targets to ensure they have a diverse and effective workforce and can improve the skills offer to their potential workforce. Catapult Centres, as Government-funded institutions, should be doing better on the front.** ***We recommend that the business and Government follow the example the offshore wind sector has set by including targets for greater diversity as part of sector deals in industries which are currently failing in this regard. BEIS should work with the Department for Education to ensure that no sector of the economy is missing out on potential talent for their workforce.***

240 Business, Energy and Industrial Strategy Committee and Work and Pensions Committee, First Joint Report of Session 2017–19, A framework for modern employment, HC 352

241 Q311 [Harradence], Q216 [Jamieson]

242 As above.

243 Q252 [Pinchbeck] and Department for Business, Energy and Industrial Strategy, Offshore Wind Sector Deal (accessed 7 March 2019)

7 Conclusions

69. Sector deals alone will not tackle the UK's productivity puzzle. The Automotive Sector Deal has not prevented Honda, Nissan and Dyson cancelling projects or taking jobs elsewhere. The Nuclear Sector Deal has not prevented investors withdrawing from the Wylfa and Moorside projects. While the Government has made clear it intends to continue with sector deals as a means of supporting and collaborating with business, we welcome the Government's concurrent pursuit of cross-cutting policies that should support businesses working on and investing in the long-term issues facing the UK. Many sectors seeking a deal have also been looking for wholesale changes to policies in the UK, such as energy prices, the apprenticeship levy and business rates. Sector deals alone will not solve these challenges and the Government should be taking action on them as well as on sector-specific issues.

70. Sectors that have received a deal or sought one have highlighted the ability they can have to bring their industry together, even in self-declared disparate and dysfunctional sectors such as construction. The Government has been overly prescriptive on how sectors should organise and present a deal. A focus on figureheads and new bodies risks shutting out sectors or breaking up successful relationships for the sake of vague Government criteria. For sector deals to succeed, the Government should keep its 'open door' promise to sectors seeking a deal, trusting them to determine the most effective leadership and not discriminate against any sector that can meet its criteria for a deal.

71. The process of negotiating a sector deal appears to be lengthy and confusing, other than for the handpicked sectors that featured in the Industrial Strategy as pioneers. Sectors have found themselves waiting in vain for clarity or investing time and resources in proposals for a deal only to find Government, or parts of it, to be unengaged. Even sectors that have secured a deal, such as offshore wind, compared the process of securing a deal to playing darts blindfolded. The criteria for securing a deal, announced after some deals has already been agreed, are broad enough that sectors are confident they can meet them, but vague enough that the Government can deny them. In the interests of transparency and fairness, this needs to change.

72. The newly-established Industrial Strategy Council has a crucial role in measuring and reporting on the potential success of the Industrial Strategy and its sector deals. The Government will need to work with the Council to ensure that the process and outcomes of sector deals can be fairly and independently measured, offering clarity on the potential for agreements to be made and the outcomes of deals to date. The Industrial Strategy was reluctant to offer new money to sectors seeking a deal, but those sectors engaged on the Government's current priority areas have seemingly been able to access significant funding for research and reform. Successive Governments have failed to resist the temptation to rebadge or re-announce funding streams as if it represented new money. This Government must be clearer to business, Parliament and the public on what funding is available to business and whether sectors not engaged in the narrow projects supported by the Industrial Strategy Challenge Fund can still seek and find financial support for their potential deals.

73. The Government's focus to date has been on the most innovative industries. It should not allow its pursuit of these sectors to dilute the work needed to improve our least productive sectors and to reduce the long tail of unproductive businesses. Nor can it afford

to ignore regional disparities, which could prevent sector deals and the entire Industrial Strategy from having an impact across the length of the UK and breadth of our economy, if it really wants to boost productivity and ultimately improve living standards.

Conclusions and recommendations

Introduction

1. We welcome that the Government has accepted the recommendation of our predecessor Committee and recognised the importance of cross-cutting strategies, their grand challenges, to go beyond a siloed, sectoral approach. (Paragraph 5)

Establishing Sector Deals

2. A widened scope for the Industrial Strategy Challenge Fund and Innovate UK could enable a move from supporting established and high-profile sectors, if the Fund or other streams of R&D investment are made available to industries not yet at the forefront of innovation. *The Government should ensure that Innovate UK has sufficient funding and flexibility to support innovation and productivity growth in sectors beyond those receiving sector deals or those meeting current Ministerial-set grand challenges.* (Paragraph 14)

Who Gets a Deal?

3. Honda's decision to consolidate its operations in Japan as it focuses on electrification, and Dyson's choice to locate itself and the construction of its electric vehicles in Singapore should cause the Government to question whether a sector deal or other Government interventions can solve the challenges faced due to Brexit and global changes to the automotive industry (Paragraph 17)

4. We welcome that the Government identified the importance of the construction sector to the UK economy and ensured it secured an early sector deal. *The Government should now deliver on its promises to the industry and ensure its commitments in this and every sector deal are fully funded. In return, the construction sector must work together to deliver the changes needed to improve its workforce, business model and uptake of technology for it to be a sustainable part of the economy.* (Paragraph 22)

5. The Government have not indicated whether the list of sectors seeking a deal is shrinking or growing, but the slow progress in achieving deals beyond the pioneer sectors, and the lack of clarity in what might be possible, is in the interests of neither business nor Government. The pioneer sectors had the benefit of early Government support and a close working relationship. While the Government has argued that there is no requirement for sectors to have a deal and no deadline for concluding one, many sectors have invested resources in their proposals sector deals, in already challenging business environments. *The Government should confirm whether sector deals are still open to every sector of the economy, and be clear on the level of engagement a sector pursuing a deal can expect from Government. The Government should provide a roadmap for sectors seeking a deal, making clear the milestones and timescales for reaching a deal.* (Paragraph 25)

Proposals for a Deal

6. We welcome the agreement of an Offshore Wind Sector Deal and the potential it to boost clean growth and deliver investment in parts of the UK beyond London and the South East, especially neglected coastal regions. *The Government should pursue further sector deals that similarly seek to deliver environmental and societal benefits alongside the economic boost they can bring to industry.* (Paragraph 29)

7. The Government's misrepresentation of the steel sector's proposals for a sector deal suggest that it is unwilling to meet the requests of the sector. *The Government should return to discussions with the sector on a potential deal and provide clarity on the asks and offers that could enable the Government to meet its commitment to develop the UK steel industry, supporting a now commercially sustainable sector in a competitive global market.* (Paragraph 33)

8. The Government has committed to 'work closely' with the retail, hospitality and tourism sectors to deliver the foundations of productivity. *We recommend that the Government now deliver on this promise and publish an action plan for how it is going to work with low productivity sectors to provide the productivity boost they so urgently need. BEIS should ensure that other Government departments, including the Department for Education and HM Treasury, are fully engaged in developing and delivering this plan.* (Paragraph 38)

9. The sectors we have covered in this chapter occupy very different parts of the economy and have widely divergent asks of the Government. They represent only a small sample of the sectors which, offered the chance at a bespoke deal with Government, have jumped at the chance of a sector deal. The Government has, in the past, indicated it is willing to engage with any sector that wants a deal, *it should now ensure that no sector that has approached it with a credible offer is shut out of the sector deals process.* (Paragraph 39)

Criteria for a Deal

10. The Government risks losing trust from sectors seeking a deal if it is not transparent about the criteria by which it is assessing proposals for a sector deal. *We recommend that Government should publish updated criteria which accurately reflect what they are looking for in sector deals. Sectors should be able to judge whether they may be able to meet these without having to commit significant resources to a deal at his stage.* (Paragraph 42)

11. Given the lack of transparency on the actual criteria for a deal, we are unable to recommend to Government a full set of potential new criteria; however, *we recommend that in setting new criteria, the Government should ensure all sectors embed the Industrial Strategy's five foundations of productivity in deal proposals and, at a minimum, include a requirement to deliver regional growth, increase skills in the sector, and provide support for the supply chain.* (Paragraph 45)

12. The Government's approach to sector leadership gives the unrealistic expectation that a single figure can represent diverse and disparate sectors, but that a trade body cannot effectively represent even a joined-up sector such as steel in the sector deal

process. The Government's current approach risks shutting out well-organised and coherent sectors from the sector deals process, because of its unnecessary focus on a single named negotiator. *We recommend that the Government no longer refuses to negotiate with trade bodies in cases where they can demonstrably represent the breadth of the sector, including trade unions and small businesses.* (Paragraph 48)

13. If sector councils are, as it appears to date, to be an integral part of all sector deals, the Government should make this clear in its criteria for a deal, and provide greater transparency on the establishment, membership and operation of such councils. *We recommend that the Government lay before Parliament a statement setting out the establishment of any sector councils, and clearly publicise any vacancies or changes to membership.* (Paragraph 51)

14. If the Government intends to use sector councils as a means by which sectors can be represented, such bodies should be required to meet the established criteria required for sector deals. *We recommend that the sector councils should engage with the full breadth of the sector in order to maintain confidence including, but not limited to, workers and trades unions, small businesses and trades bodies.* (Paragraph 52)

15. *To encourage further sector deals and to increase business awareness of the content and process, the Government should make as much information as possible relating to the creation and monitoring of sector deals available to the public, including annual reports, metrics and summaries of the implementation plans created for each deal.* (Paragraph 54)

16. We welcome the overdue establishment of the Industrial Strategy Council and the diverse range of voices it contains, and *we recommend that the Council sets the metrics and criteria of success for sector deals as part of its work programme and publishes regular scrutiny of the process and deals agreed by Government.* (Paragraph 55)

What difference can a deal make?

17. The Government has so far failed to demonstrate any analysis of the regional disparity and specific challenges that could be tackled by the use of sector deals. *We recommend that the Government require an analysis of the regional benefits of sector deals as part of the negotiations process. The assessments should be published alongside the deals themselves and regional impact should be measured as part of the review process for each sector deal.* (Paragraph 59)

18. While we welcome evidence that more is being done to engage the devolved administrations in sector deals, we are concerned that the BEIS's London-centric workforce risks the Department failing to recruit staff with experience outside of the South East and failing to engage with business around the UK. An Industrial Strategy working in the interests of the whole country needs to be supported by a diverse UK-wide organisation that will enable the whole of the UK to proposer. *BEIS should ensure that a greater proportion of staff, especially those working on policy issues, are employed outside London and the South East and should provide regular updates to the Committee on progress.* (Paragraph 60)

19. We have been impressed by the work of the Catapult Centres that the Committee has engaged with in this inquiry. *The Government should ensure that Catapults are involved in the negotiation of relevant sector deals, and where such catapults do not exist, should work with sectors to consider their establishment on a case-by-case basis.* (Paragraph 63)

20. We have consistently opposed any attempts at undermining the National Minimum Wage, and do not believe that sectors should require a deal from the Government in order to provide 'good work'. We welcome the proposals to date from low-pay sectors that have focused on improving skills. *We recommend that the sector deals should not be sought or offered if they are being used as a mechanism for sectors to raise themselves only to meet basic employment standards.* (Paragraph 66)

21. In agreeing sector deals, industry has the chance to set themselves ambitious targets to ensure they have a diverse and effective workforce and can improve the skills offer to their potential workforce. Catapult Centres, as Government-funded institutions, should be doing better on the front. *We recommend that the business and Government follow the example the offshore wind sector has set by including targets for greater diversity as part of sector deals in industries which are currently failing in this regard. BEIS should work with the Department for Education to ensure that no sector of the economy is missing out on potential talent for their workforce.* (Paragraph 68)

Formal minutes

Wednesday 13 March 2019

Members present:

Rachel Reeves, in the Chair

Vernon Coaker	Sir Patrick McLoughlin
Drew Hendry	Albert Owen
Stephen Kerr	Mark Pawsey
Peter Kyle	Antoinette Sandbach
Ian Liddell-Grainger	

Draft Report (*Industrial Strategy: Sector Deals*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 73 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Seventeenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 19 March at 10.00 am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Wednesday 28 February 2018

Lord Adonis, Former Chair, National Infrastructure Commission and **Professor Richard Jones**, Member, The Industrial Strategy Committee Q1–71

Tuesday 17 July 2018

Helen Dickinson, Chief Executive, British Retail Consortium and **Kate Nicholls**, CEO, UKHospitality. Q72–159

Wednesday 12 September 2018

Andrew Carter, Chief Executive, Centre for Cities and **Professor Will Jennings**, Centre for Towns. Q160–200

Wednesday 17 October 2018

Benj Sykes, Vice President, Ørsted; **Andrew Jamieson**, Chief Executive, ORE Catapult; **Emma Pinchbeck**, Executive Director, RenewableUK. 201–277

Tuesday 13 November 2018

Dr Diana Montgomery, Chief Executive, Construction Products Association; **Fergus Harradence**, Member of Construction Leadership Council and Deputy Director of Construction, Department for Business, Energy and Industrial Strategy; **Richard Warren**, Head of Policy and Representation, UK Steel; **Hannah Vickers**, Chief Executive Officer, Association of Consultancy and Engineering. Q278–336

Richard Harrington MP, Parliamentary Under Secretary of State, Minister for Business and Industry, Department for Business, Energy and Industrial Strategy and **Alex Williams**, Head of Sector Deals, Department for Business, Energy and Industrial Strategy. Q337–397

Published Written Evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

1 ABPI (ISP0023)

2 ADS Group (ISP0022)

3 American Pharmaceutical Group (ISP0010)

4 Balfour Beatty (ISP0001)

5 BRC (ISP0025)

6 British Beer & Pub Association (ISP0014)

7 British Standards Institution (ISP0021)

8 City & Guilds (ISP0029)

9 Civil Engineering Contractors Association (ISP0011)

10 Construction Products Association (ISP0024)

11 Disability Rights UK (ISP0031)

12 Edtech UK / Jisc (ISP0028)

13 EEF - the manufacturers' organisation (ISP0012)

14 Energy UK (ISP0019)

15 Fabian Society (ISP0016)

16 John Lewis Partnership (ISP0030)

17 Joseph Rowntree Foundation (ISP0018)

18 MSD (ISP0015)

19 Nuclear Industry Association (ISP0002)

20 Offshore Wind Industry Council (ISP0017)

21 Royal Society for the Protection of Birds (RSPB) (ISP0020)

22 Specialist Engineering Contractors' (SEC) Group (ISP0027)

23 Specialist Engineering Contractors' (SEC) Group (ISP0032)

24 The Institution of Engineering and Technology (ISP0008)

25 Tourism Alliance (ISP0009)

26 Trades Union Congress (ISP0003)

27 Unite the Union (ISP0005)

28 University of Sheffield (ISP0004)

29 Usdaw (ISP0006)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	A framework for modern employment	HC 352 (HC 966)
Second Report	Leaving the EU: implications for the civil nuclear sector	HC 378 (HC 881)
Third Report	The safety of Electrical Goods in the UK	HC 503 (HC 920)
Fourth Report	Pre-legislative scrutiny of the draft Domestic Gas and Electricity (Tariff Cap) Bill	HC 517 (HC 865)
Fifth Report	The impact of Brexit on the automotive sector	HC 379 (HC 1018)
Sixth Report	The impact of Brexit on the aerospace sector	HC 380 (HC 1049)
Seventh Report	The impact of Brexit on the processed food and drink sector	HC 381
Eighth Report	Pre-appointment hearing with the Government's preferred candidate for Chair of the Competition and Markets Authority	HC 985
Ninth Report	The impact of Brexit on the pharmaceutical sector	HC 382
Tenth Report	Carillion	HC 769
Eleventh Report	Pre-appointment hearing with the Government's preferred candidate for Chair of Ofgem	HC 1353
Twelfth Report	Draft National Policy Statement for Geological Disposal Infrastructure	HC 1092
Thirteenth Report	Gender pay gap reporting	HC 928
Fourteenth Report	Electric vehicles: driving the transition	HC 383
Fifteenth Report	Small businesses and productivity	HC 807
Sixteenth Report	The response from business to the Withdrawal Agreement and Political Declaration	HC 384
First Special Report	Industrial Strategy: First Review: Government Response to the Committee's Second Report of Session 2016–17	HC 337
Second Special Report	Corporate governance: Government Response to the Committee's Third Report of Session 2016–17	HC 338

Third Special Report	Apprenticeships: Government Response to the Second Joint Report of Session 2016–17	HC 450
Fourth Special Report	Leaving the EU: negotiation priorities for energy and climate change policy: Government Response to the Committee's Fourth Report of Session 2016–17	HC 550
Fifth Special Report	Pre-legislative scrutiny of the draft Domestic Gas and Electricity (Tariff Cap) Bill: Government Response to the Committee's Fourth Report	HC 865
Sixth Special Report	Leaving the EU: implications for the civil nuclear sector: Government response to the Committee's Second Report	HC 881
Seventh Special Report	The safety of Electrical Goods in the UK Government Response to the Committee's Third Report	HC 920
Eighth Special Report	A framework for modern employment: Government response to the Second Report of the Work and Pensions Committee and First Report of the Business, Energy and Industrial Strategy Committee of Session 2017–19	HC 966
Ninth Special Report	The impact of Brexit on the automotive sector: Government Response to the Committee's Fifth Report	HC 1018
Tenth Special Report	The impact of Brexit on the aerospace sector: Government Response to the Committee's Sixth Report	HC 1049
Eleventh Special Report	The impact of Brexit on the pharmaceutical sector: Government Response to the Committee's Ninth Report	HC 1426
Twelfth Special Report	Carillion: Responses from Interested Parties to the Committee's Tenth Report	HC 1392
Thirteenth Special Report	Carillion: Government response to the Committee's Tenth Report	HC 1456
Fourteenth Special Report	The impact of Brexit on the processed food and drink sector: Government Response to the Committee's Seventh Report	HC 1461
Fifteenth Special Report	Electric vehicles: driving the transition: Government Response to the Committee's Fourteenth Report	HC 1881
Sixteenth Special Report	Gender pay gap reporting: Government Response to the Committee's Thirteenth Report	HC 1895