

Business and Trade Committee

Oral evidence: Industrial policy, HC 440

Tuesday 20 February 2024

Ordered by the House of Commons to be published on 20 February 2024.

[Watch the meeting](#)

Members present: Liam Byrne (Chair); Douglas Chapman; Antony Higginbotham; Julie Marson; Charlotte Nichols.

Questions 1 to 23

Witnesses

I: Lord Harrington, Chair of the Harrington Review on Foreign Direct Investment.

Examination of witness

Witness: Lord Harrington.

Q1 Chair: Welcome to today's session of the Business and Trade Select Committee. We are commencing the oral hearings for our inquiry into industrial policy. I am absolutely delighted, Lord Harrington, that you have been able to join us to open the batting this morning. We are very anxious to talk to you about the excellent report that you produced for His Majesty's Government about foreign direct investment, which is obviously a critical part of making sure that we have an industrial policy that works for the country.

Perhaps I could just start off, Lord Harrington, by asking you for any reflections you have on how the world is changing now and how it may have changed since you produced your report. We have now had the IRA in America; we have had the Green Deal in Europe. Do you think the international competitive landscape is getting tougher for attracting FDI?

Lord Harrington: Yes, it is like business. Business changes, and the way countries organise themselves to attract foreign direct investment changes. If the businesses I was involved in in my previous life had remained the same today as they were 25 years ago, they would be bust. It is not any more complicated than that.

More specifically, in the past Government was organised in a way that reflected Parliament. It reflected the Civil Service. The cliché is that it was very siloed. Each Department had its own priorities. If you take, for example, the Home Office, its visa policy was based on a whole number of reasons, none of which were, "What is the effect on investment?"

Similarly, there are very good civil servants in the Department of Health and Social Care whose job is to beat up pharmaceutical companies to get the lowest price possible for the drugs. Every country does that because, as you would know, most Governments are the biggest customer, but there was no one who would consider the investment effect of that deal with GSK or Pfizer.

I believe that that system is not commensurate with the modern world, where Governments are openly incentivising companies to invest in their country. That does not just mean money—obviously, in the end, it is money, but a lot of it is about providing consistency of policy. Again, politicians make policy changes for their own political reasons, good or bad, but they do not consider the investment implications.

For example, take the industrial strategy published in 2016. I could pick many sectors, but if you pick automotive, for example, after a lot of discussions with industry, economists, modellers and whoever, there was a consensus that 2050 was the right date. Forget for the moment what one's views are about whether that was the right policy or not. It was decided and generally agreed.



HOUSE OF COMMONS

Only four years later, it was decided without a lot of warning that that would be changed to 2030. Again, people may approve of the policy or not, depending on their views on stuff, but if you are an investor, you are thinking, "I have done all this planning and now it has changed." Then a few months ago it was changed to 2035. It is all those types of political decision that are taken by Governments. In terms of the investment consequences, the mentality of big pension funds, sovereign wealth funds and investors is that they want consistency.

Q2 Chair: Do you think it is now tougher than it was, say, five years ago, for the UK to attract foreign direct investment? I am thinking in particular of the competitive threat from Bidenomics or the green new deal. Do you think it is now getting harder for us to win that kind of investment in the face of some pretty big subsidies and incentives elsewhere?

Lord Harrington: It is. The IRA is a very significant enhancement of what was happening before, but it is typical of the way things evolve. The Government have to react. The review, which is based on evidence from 200 companies, sovereign wealth funds and pension funds, calls for a system of organisation of Government to be able to deal with things as they change in the market.

The review is evidence-based. It was accepted by the Government and opposition alike, I am pleased to say, because I do not regard this as a particularly political matter, in the same way that the industrial strategy in its own right was acclaimed by people across the House, but it is no good having a system that is not flexible. The traditional system of organisation, with siloed Departments, is just not reflective of what goes on in the modern world with our competitors.

I must say that the Chancellor, who was the person behind this review, sees that absolutely, and really asked me to look beneath the surface of why we won the deals that we won, and significantly, why we lost some deals. He wanted me to move away from the kneejerk idea that it is because of Brexit, which I have been on the record as saying many times in a previous life. Other people are saying it is because of corporation tax. We got evidence from so many companies; they were very helpful. AstraZeneca lent us their management for quite some time to deal with our team to get really beneath the surface. A lot of the evidence came down to the way Government is organised, which is just not reflective of the modern needs of business.

Q3 Chair: Can we just push on that a little bit? One of the great strengths of your report is the number of people that you spoke to. Could you just give us a sense of the key strengths of the UK that really attracted people to say, "Yes, we are going to invest here"?

Lord Harrington: I understand that, and there are a lot of strengths. Superficially, there are the soft ones, which matter. Yes, they do like the language. Yes, they do believe in the rule of law. They think it is a fair system here. Kids want to come to school here. Executive people who



HOUSE OF COMMONS

could work anywhere in the world want to come and work here. That is like being 15-love ahead before you start, which is very good. That is not nothing. That is very good.

Also, if you look at the more high-tech types of businesses, the universities here are very good and spin off start-up businesses, which provide the basis, for example, for what a lot of advanced manufacturing companies look for.

We have a lot going for us. There are a lot of things that are clichés. For example, we could say, "The Government do not spend much money on helping business", and all this kind of thing. I am not making a political point. These are things that commentators say. If you look at research and development, while these are not exact figures, approximately speaking in 10 years it has gone up from £9 billion to £29 billion. That is not nothing.

The relevance of the report is that the money is all over the place. It is difficult to access. It is in pots, challenges and competitions, so it is difficult. It is not really a business-facing way of saying, "If we want some help from the Government, how are they going to help us?"

Q4 **Chair:** Is that the principal weakness then? You have listed a set of strengths there. When it comes to weaknesses, what would be on that list?

Lord Harrington: I shall go through the weaknesses in summary. The first point, which I have already made, is about consistency of policy. There are a lot of changes in policy that have taken place—again, maybe for perfectly good political reasons; it is not for me to say. I am not in the Government, but the investment effect of that leads to uncertainty. Several CEOs said in the course of this review something along the lines of, "We prefer a good policy. Everybody would prefer a good policy. Second would be a bad policy, because we can work to it, but it is the changing of the policy that we find difficult". That is the number one, overriding matter.

The second thing is that there is a list of things that could be a lot quicker, slicker and more agile. One is the availability and organisation of financial help. I have said, for example, how much we do in R&D. If you take the aerospace industry, for example, it works quite well. They produced a study showing that, for every pound of Government money, there is £7 of private investment, but it is all very patchy and difficult to access. On aerospace it is easier, because the Government effectively subcontracted it to a very good organisation, but a lot of it really is all over the place.

Then you come to a series of obstacles. For example, I have already mentioned visas. There is the connection to the grid; I can quote plenty of examples of being held up by the old-fashioned and not very business-friendly way of allocating grid slots, which is basically a taxi cab rule of



HOUSE OF COMMONS

first come, first served. Whether it is building one house or a £100 million investment, you still take your turn because the person who applied for the grid connection to one or two houses applied first.

We spend a significant amount of money on skills, but there is no system up to now that says, "This package that we need to offer Company X will involve a skills placement in that area, so we are going to allocate resources to that because, although we are the DfE, we also have to look at the investment into the country aspects of it". The issues are skills, connection to the grid and visas.

There is the local planning system. A lot of the publicity is about housebuilding, which I could drone on about for ages, but it is not particularly relevant to this Committee. As far as the commercial side of it is concerned, it is a clear example. Other countries have been able to turn round and offer packages to investors. "This is what we are prepared to offer you: a site with planning permission, connection to the grid, some money, some form of technical college or something like that, and X number of visas available".

It is about the Government being able to react and say, "This is what we are prepared to offer", so that they have something to compare with other countries and in a reasonable amount of time. It is not always money. It really is not. It is about some money, because a lot of them want money for skills and stuff like that, but they also want to be able to say to boards, "We are partnering with the British Government", even if the British Government are quite a small share of it.

There is a list of those things, of which the Chancellor is very well aware. I know there has been progress on some of those, and he has had separate reports done on the grid connection and things like that, but these are the kind of obstacles that have come up.

Q5 **Antony Higginbotham:** Lord Harrington, thank you for being with us. You have set out quite an articulate list of weaknesses in the system. Do you think the Government understood those weaknesses and that is why they commissioned the review, or did they not understand the problem and commission the review to try to figure out what was wrong?

Lord Harrington: The Chancellor understood these things very well. Remember that he and his civil servants are meeting with companies all the time, so they were not oblivious to it whatsoever. It is part of this aim that this Government or the next Government or any Government have of trying to make us as competitive as we can be, and I feel that they were aware of that.

There were a few big deals we had lost, but we have won a lot of deals as well. I do not want people to think that this is like "Apocalypse Now", but if we had organised ourselves quicker and better, we would not have lost some of the deals we did, because a lot of companies just get fed up with it. They get fed up with going from Department to Department: "You



want some money. You are going to have to go to British Business Bank, UK Infrastructure Bank, the Faraday battery challenge, this pot or that pot". Companies know the Department for Transport has this policy in that field, but they just want one Government relation person, and they need to sort out the other stuff.

For an investment decision, you want a package. The Government were aware of that, certainly at the top. I know, for example, that the Chancellor was, and Kristen McLeod, who works with him, is a very accomplished civil servant and was director of the Office for Life Sciences when I was at BEIS. They know what business says, and they wanted a detailed report suggesting how we could deal with it.

Q6 **Antony Higginbotham:** Do you think that was the motivation? They got the topline issue, but they just wanted the detail below it so that they could effect change.

Lord Harrington: They asked me to come up with positive suggestions for how to make us more competitive that were within the Government's power to do. Part of that is organisational. I cannot change or influence big Government policy, but I do make the point about consistency. I took it in good faith when I was asked to do this by the Chancellor. They wanted a roadmap of what to do, based on an objective opinion.

I do not think I am regarded as a Government stooge in many ways. The Chair is sniggering, because he remembers Brexit days and things when I had the whip removed. Seriously, I think I was asked to do it because I have had business experience as well as knowing how Whitehall works. I do not flatter myself. I think it was just a combination of those things.

It was felt that, after taking evidence, I could come up with some objective reasoning. I think it was in good faith. They just wanted to organise Government to make it much more business-friendly. I took that as I was given it, and I made sure everyone was consulted, including the Opposition and anyone who was prepared to speak about it, because this is so complicated, and there is no magic solution. If anyone has read it, it is 125 pages, largely because most of it is evidence. It is easy to come up with recommendations, but particularly for matters with civil servants, where there are so many complex interest groups, it had to be evidence-driven.

Q7 **Antony Higginbotham:** That leads me on to my second question. What was the reaction of the business community that you met once it had been announced, and subsequently if you have spoken to them?

Lord Harrington: It was mixed. That sounds like a politician's answer. On the one hand, I had lots of requests to give evidence. I divided it into sectors. I divided it into businesses, financial institutions, think-tanks, et cetera. That is the plus side. We were inundated.

Secondly, there was a cynicism generally about reports that happen. Review, review, review. Everyone watches "The Thick of It" or "Yes



Minister", and they all think it is an excuse to shove something to the backburner. Yes, they will give evidence, but nothing is going to happen. I understand that. That has not happened. As I said, I took the Chancellor on good faith in asking me to do it. I do not think they were shoving this off. They genuinely wanted an objective view. I have not changed my mind on that.

Q8 **Charlotte Nichols:** Lord Harrington, your report described the UK's investment policy landscape as conflicting, unstable and rife with delays. You commented that the ideal for business is good policy but the second choice is bad policy that is at least consistent to work to. That is something I have heard from a number of businesses and trade bodies in my time in Parliament. You also note that the UK is home to the world's third-largest stock of foreign direct investment, so how do you explain that contradiction?

Lord Harrington: We are pretty good at foreign direct investment. For the last 20-odd years, we have been third behind China and the United States for inward investment. Credit is due on that front. Yes, that is a fact, and the stock is high, but I will caveat that by saying, as the Chair said at the beginning, that things change. More recent indications are that, while we have won some very good deals, we have also lost others, which shows how the market is changing. I am sorry to make it sound like a business, but effectively between countries it is like that. It is a competitive market.

Also, our stock hides certain things. I do not mean because of dishonesty, but, for example, American private equity buys a lot of British companies. There is no question about that. It does, and I could go on about Scale-Up Britain and the fact that we are good at R&D and venture capital, but then companies leave. That is, in a way, foreign direct investment. It is money coming into the country to invest in a company, but it is a share squat. British or other institutions own it, and then it is bought by big American private equity.

If you were being very purist about it, you would say it might be foreign direct investment, but it is not greenfield foreign direct investment, although, in fairness to these companies, they all have growth plans, and when they put more money on top of that, that would be, if you like, pure foreign direct investment.

It is quite complex, but nevertheless it deserves stating again that for greenfield foreign direct investment, we are consistently third, and we are good at it. Like with everything else, statistics are statistics, but you cannot live off last year's statistics. You have to look to the future, and also, as I say, with that caveat about what I call share squats. It is being a bit scathing, but we must bear that in mind. Also, share squats are cheap. Our stock market is cheap. The currency has been very good for foreign investors. There are all those reasons, but they are not fundamental to an investment in growth and the economy.



Q9 Charlotte Nichols: In terms of those changes that you referred to, are the factors that historically drove strong foreign direct investment into the UK still in play today?

Lord Harrington: Yes, they are. For example, a lot of the soft factors are still there. There is a propensity for people to want to invest here. One of the short-term boosts we had was for renewables. That is a really good system. I was at BEIS, so I did not do it, but I could get glory about the investment in renewables and the contracts for different sectors. Nevertheless, it did attract investment. If you were cynical, you would say that was just bringing in foreign investment based off Government subsidies, but nevertheless it is foreign direct investment. It is a very complex area. It really is.

For example, if an Arab sovereign wealth fund wants to buy a hotel—and they all buy the best five-star hotels, with Claridge's in Qatar and all these things—it is foreign direct investment and it is because they like this country, but is it helping or not if it just swaps ownership?

I know I keep repeating this, but I am more interested in how we are going to attract new investment where we have missed out in the past. Some of our competitors, such as the United States, have more resources than we do to throw more money at it. I am looking for and have called for a very targeted approach in outward looking for direct investors. We cannot compete everywhere, but one of the reasons for these recommendations is that we say, "What are we good at? What companies in that area do we need to attract and what do we need to attract them?"

Q10 Julie Marson: Since 2020, the Government have said they are focusing mainly on high-value, high-impact investments. Is that the right approach? It sounds almost obvious. Who would not want high-impact, high-value investments? Is that the right approach that the Government are taking?

Lord Harrington: It has to be, because we have limited resources, as everybody does, and you look where you can maximise the effects of it. The Government deserve some credit for, for example, the advanced manufacturing plan that came about. I am sure you have looked into it. It is very good in that sector, because it is saying, "This is something that we are good at".

Again, as I said before, we have really good universities and everything. I saw at Cranfield last week that they are making aircrafts out of 3D printing, and people come from all over the world. It is fair that the Government should say, "What resources have we put into that kind of thing?" The Government have made some progress on that, so I would not criticise that.

If I could make a slightly negative comment, I would say that the Chancellor named five sectors at the beginning of his tenure, including life sciences and digital, and they are huge sectors. If I could offer a view



HOUSE OF COMMONS

based on my experience, it would be that we need to target within those sectors, because otherwise it is too thin.

Yes, I would fully support what they said. I would support some of the things that have been made in advanced manufacturing and the creative industries. They have had what we used to call sector deals; it is called a vision arrangement. They are on the right track, but they are all over the place. It is not saying, "This is the overall strategy". It is saying, "These are things we need to do", and that is another argument. I am quite pleased with what has been said, and they are right to mention very high-value stuff.

Q11 Julie Marson: Just to dig a little bit deeper into what you have said, you mentioned going deeper into those industries and targeting more specifically within those industries. What else should the Government do to improve their performance?

Lord Harrington: I would say this, but I hope that the Government implement some of the recommendations in the review, such as having a ministerial investment group at a very senior level, which is like a board. It is saying that they will outline the business investment strategy, which is the point we were making before. We cannot do everything. What is it we are good at, and what do we need to do to attract others?

If you take examples in the evidence from companies like Airbus and Toyota when we asked them what they want Government to do for them, they might easily say, "Just write us a cheque", but it was not just that. For example, I am almost certain that it was Toyota that said, "We want suppliers here so that we can get clusters around us, and we could do with a package to attract those suppliers here".

That, for me, is a very legitimate use of Government money. Toyota is very good at making cars, and it has international acclaim from all its factories all over the world. What do we need to do to help them? We need to make it into an ecosystem. There are lots of examples like that. These are things Government can do, and I hope that some of the suggestions, which maybe we could go into if there is time, will bring that about.

Q12 Douglas Chapman: To what extent do you think that there is a one-size-fits-all approach to foreign direct investment in the UK? Is there anything else we could be doing in terms of the nations and regions to help them grow and attract further investment?

Lord Harrington: There is no one-size-fits-all approach. I feel that you need a structure that adapts to different circumstances. For example, one of the main recommendations, as I have said before, is having the senior-level committee that has the Secretaries of State from all the relevant Departments. We are not saying, "The Department for Business and Trade deals with business; you deal with transport; you deal with health; and you deal with other things". The Government have to



HOUSE OF COMMONS

organise themselves to reflect what other countries are doing for investment decisions. Similarly, the Civil Service has to be organised like that.

Each decision is not one size fits all. For example, look at the criteria that the Government have taken into consideration when looking at Tata, Moderna, Google and others. These are wins for us, and the criteria have been very flexible, but there has to be a structure that deals with it.

Say, for example, you want to invest here. It is almost like applying for a loan from a bank. You are saying, "Here are the forms. Here is what I need in terms of some money. Here is what I need in terms of a site, grid connection, visas and some skills". It is this package, but that package is totally different for each investment decision, just as it would be for a financial institution.

On the regional piece, Douglas, which was the second bit that you mentioned, I looked at this very carefully, because I am a great believer in devolution, and I feel that the mayoral authority is one of the great gains that we have had in recent years; I say that not just because Greg Clark is sitting behind me. I happen to believe that when the history of Government in recent years is written, it will be one of the main gains we did.

Forget which political party holds the mayoralty. They are institutions that are big enough to deal with foreign direct investment decisions, so I am in favour of more devolution. Unfortunately, a lot of the country is not covered by those big devolved institutions, and it is quite difficult. For example, a small district council might have the best intentions, but they just are not big enough. In other countries that have federal systems, it is much easier. Each state in Germany has an investment agency that can deal with it. We are making big progress on that, but I would be in favour of more regional devolution.

Q13 Douglas Chapman: You feel that that is a key element to what the future might look like. Scottish Development International, for example, is punching above its weight at the moment. Outside the south-east of England, for the last six years Scotland has been one of the top areas or the top area in the UK for attracting new investment.

Should we not be trying to think about how to give SDI, for example, or the Welsh authority, Northern Ireland or some of the other authorities greater autonomy and greater resource in terms of using the benefits of their own resources and their talents in a problem area to boost the economy? We have a very imbalanced economy in the UK. You say there has been success. If all that success continues to be focused on London and the south-east, then we are losing a huge amount of potential that the country should be taking advantage of. It just seems to be totally disjointed.



Lord Harrington: I agree with the premise that you are saying. Scotland is a good example. Manchester is a brilliant example; MIDAS is basically a development agency for that area, but I must repeat that a lot of the parts of the country do not have a scalable entity that they can operate effectively as an independent organisation.

I believe that we need specialisation. Some areas specialise in life sciences. Other areas specialise in the creative industries. I believe in devolution. Ironically, we imposed a constitution on West Germany after the Second World War that was ideally suited for this kind of organisation, but we did not impose it on ourselves.

I believe in the regional piece, but in the end, this country is quite fragmented, and if the money is coming from central Government, as a lot of it does, in the end, central Government have to influence those decisions. At the moment, it is not organised in a way that is conducive to investment decisions, which is the reason for the recommendations.

Q14 Charlotte Nichols: I want to come back to the point about renewables that you were making earlier. Investment in renewables accounted for nearly a third of total greenfield FDI projects and more than half of capital invested since 2022. Of course, it is not controversial to say that everyone is in favour of greening our economy.

Despite that, the overall impact of the sector on jobs and productivity has been muted, and there has been criticism from a number of trade unions within the energy space, including GMB and Prospect, that while we have essentially had large-scale investment from countries such as South Korea and Denmark, for example, in wind, it has had a distorting effect on the labour market here. We have seen closures of BiFab in Scotland and Appledore down in Devon, for example.

While there is money coming in, and of course while we are expanding the renewable sector in the UK, both of which are good, do you think that the other impacts of that have been something that has been desirable?

Lord Harrington: I will not say they are desirable, but any investment decision has consequences, and any Government policy has consequences. If we say, as a Government, that we are going to concentrate on certain areas, like we have been talking about in an investment strategy, other areas will say, "We are at a disadvantage".

What you are saying is inevitable. I do not quite know a way around it, because, in the end, we cannot throw money at every kind of industry. The Government have to have these priorities, and some of them have consequences. The move to a green economy, which I am in favour of, as I hope everybody around this table and in this room is, will have consequences.

In my childhood in Yorkshire, we saw an extreme example of that with coal. I was brought up in Sheffield with steel. It hugely transformed society, and it took a long time for people to be able to retrain.



HOUSE OF COMMONS

Everybody knows this. I hope that the Government have learned that lesson, and I think it has, but that does not mean we are going to make these decisions and there will be no consequences elsewhere, because that is just the way economies work. It is for Government to see what we can do to mitigate those things.

That is a very fair point, but it should not affect the fact that we need to concentrate our efforts on the high-value stuff that really can help the country become more prosperous in the future.

- Q15 **Charlotte Nichols:** Certainly, but the companies that I referred to there were wind turbine manufacturers. In the case of more FDI into wind and renewables in the UK, it seems odd that the distortion effect of that has been closures of wind turbine manufacturers in the UK. You would expect it to follow that direct investment into those sectors would in fact grow the supply chain of those businesses, because the market in the UK would be growing.

Lord Harrington: You would have thought so, and I am not aware of those points, but what I would say is that if we have an industrial strategy or a proper investment strategy where we are ahead of the game, we can prioritise UK manufacturing instead of playing catch-up. I hope we are going to do that with hydrogen. I hope we are going to do that with lots of technical sectors I do not really understand, so that in the end, growth and foreign investment helps directly.

All foreign investment helps the economy, but helping directly means using our technology for manufacturing here. That will happen, but that does involve being very proactive and being at the beginning of trends as opposed to reacting to them afterwards.

- Q16 **Charlotte Nichols:** In terms of the broader point about the renewable sector and the share of FDI into the UK that is in the renewable sector, should we be worried that one sector is so dramatically outperforming others in attracting foreign investment? Do you think that there are lessons that the UK can take from the growth of FDI into renewables?

Lord Harrington: Yes. The only comment I would make about renewables is the point I made: I wish we got in earlier. A lot of manufacturing happens here with wind turbines, but we could have got in earlier. I did not want to particularly repeat that point.

There is more to life than renewables alone. It is part of a Government investment strategy, as I see it, to not concentrate too much on one sector. We have shown in the past in our industrial revolution that huge industrial bases in towns in the north of England and Scotland were basically single industry, because that was how the market worked. They got specialisation. We have to be careful about that.

I also believe in clusters. I am a great believer in clusters. The reality is that, if you get big manufacturers in, it will develop smaller businesses in those areas. It is all a balance, and we have to go with trends as well.



HOUSE OF COMMONS

Advanced manufacturing has a brilliant future in this country. Renewables are good, but they will not be at the top of foreign direct investment in the future, because it becomes a more mature industry.

Q17 Antony Higginbotham: I just want to follow on from those questions. We have had somewhat of a renaissance of manufacturing in the UK in recent years. We are now the eighth-largest manufacturer. I think about my neck of the woods up in Burnley in Lancashire.

To your point about clusters, we have one of the biggest aerospace clusters in the world, but even as we have grown, we still lag some of the big economies on getting that FDI into manufacturing. Why do you think that is? Do you think the advanced manufacturing plan will address some of those issues?

Lord Harrington: Yes, it will, because it is a strategy, and they have put very significant sums of money behind it, which you are probably more familiar with than me. I do not know the exact number, but they are quite significant sums.

Again, it is part of the whole strategy. The Chancellor set up this ministerial investment group, chaired by himself, with the Secretary of State for Business and Trade as the deputy chair. It is compulsory for all Secretaries of State to attend, and that is meeting very soon to work out a strategy. What do we need to be investing in? We have not had hunting lists before. They will also be dealing with live cases, so it is not just a committee. Everyone is a bit cynical about Cabinet-level committees, but this is a proper, long-term thing.

Q18 Chair: The group has not met yet, has it?

Lord Harrington: No, it has not, but I am told that the papers are prepared and it will be meeting imminently. As you well know from your time in Government, there is nothing less imminent than the Government saying "imminently", in the same way they always say "in the spring", but I am told it will be very soon.

Q19 Antony Higginbotham: To your point about fragmentation, you are right that not everywhere has a mayoral authority. In Lancashire, we are just about to get a combined county authority. You touched on the Aerospace Technology Institute as a good way of funding things, but we have similar bodies for all the different sectors of manufacturing.

To your point about Government ultimately being the decision-makers, is there an argument to try to bring these together if the Government are going to put the money in?

Lord Harrington: The system has to be simplified. You have mentioned one example, the ATI, where it really and clearly works, because the Government are saying, "This is the money. This body is perfectly capable of distributing it. They have the right people working on it".



HOUSE OF COMMONS

What I am really against is the fact that we have developed a system where the political classes, i.e. Ministers, and the Civil Service—the management class, if you like—will do anything rather than take a decision themselves. We have created so many.

The ATI is a good example of how it should be, because it is specific to one area of expertise, but if you take what I call the state banks that have been set up, such as Homes England and British Business Bank, it is basically Government money, and people pay Ministers and civil servants to take those decisions. I would not like that to be mixed up with a sector group such as the ATI, which is a perfectly legitimate body to spend the money that it is allocated.

- Q20 **Douglas Chapman:** We have all had a really good read of your report recommendations, but apart from the imminent activity we are expecting, what has been the progress in implementing the recommendations of the report, especially in terms of the business investment strategy?

Lord Harrington: As I have said, the investment group is meeting, and the Chancellor takes it really seriously. This is not just words; this is a serious committee, and it is permanent with its own secretariat. The top bit has been done well. They have convened a standing directors' group including each Department that has any possible interest. For example, the Home Office has a director who will be partly responsible and held accountable to that. Given that it is February and this effectively started at the beginning of January, there has been significant progress to date.

- Q21 **Douglas Chapman:** As the author of the report, are you getting feedback from Government to say, "We like recommendations 5, 6 and 7"?

Lord Harrington: Yes, I am. Ahead of this meeting, I met with the relevant civil servants and Kristen McLeod from the Chancellor's office, and I am very satisfied with the progress, but this is a continuing thing. This is changing the whole way that the Government is organised as far as investment is concerned.

Although I am officially finished with this, I am really looking at ways such as pushing the Government in the way this Committee hopefully will, and debates and questions in Parliament. This is the way the system works, but there is a lot of goodwill there. There really is, and I am finding that the Department for Business and Trade and the Treasury have learned the lesson of the whole silo system in the past. Maybe that is naivety.

- Q22 **Douglas Chapman:** On the Office for Investment, I was reading through a Public Accounts Committee report dating back to September last year. It says the Department acknowledges that most of the investment would happen anyway without support, and that its added value is marginal. It goes on to say that the methodology used does not capture the real



impact of the wider strategic objectives, such as levelling up, net zero and the UK as a science superpower.

When you go to the Office for Investment website, these are the very three things that it says its purpose is: levelling up, net zero and making the UK a science superpower. There are gaps here that the Committee wants to get its head around in terms of the rhetoric put out by the Government compared to what is happening on the ground.

Lord Harrington: Very briefly, that is not my experience of the OfI, but I would make this point: at the moment, it is 23 people, which in Government terms is like a corner shop. That is why the report calls for it to be beefed up, to be proactive as opposed to reactive, and to become a proper part of Government, because it is a bit ad hoc at the moment. It is in the Department for Business and Trade, and there is one person in Number 10 who is in charge of it, but it is really about beefing them up a lot. I hope they will be the secretariat, effectively, for the ministerial investment group. I take the point. They have achieved a lot with a small number of people, but it really needs beefing up a lot.

Q23 **Chair:** If there are a couple of recommendations in your report that you want us to underline in our recommendations, what would you pick out?

Lord Harrington: As I have said repeatedly in the course of this meeting, the topline is that if Number 10, the Chancellor and the Secretary for Business and Trade realise what has gone wrong and use this mechanism to make sure it is corrected, I believe that a lot of the ad hoc things that are being done at the moment, some of which are very good—we have mentioned the advanced manufacturing group deal and stuff like that—and some of which are very patchy, will be brought right into the centre of Government.

There has to be consistency, because if you take the National Security Council, that is a permanent institution. This ministerial investment group has to be the same, and I know that is the Chancellor's view. If the Chancellor, the Secretary of State for Business and Trade and Number 10 want it done, it will be done. The Civil Service has ways of slipping back when the emphasis is off. It is all of our jobs, assuming you all basically support the review, to make sure that does not happen.

Chair: Thank you so much for your evidence today. Thank you so much for the report, and good luck in finalising some of the implementation as we head into the Budget. That concludes this panel.