

Business, Energy and Industrial Strategy Committee

Oral evidence: Industrial Strategy: Sector Deals and Productivity, HC 277

Tuesday 13 November 2018

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Watch the meeting

Members present: Rachel Reeves (Chair); Vernon Coaker; Drew Hendry; Stephen Kerr; Mr Ian Liddell-Grainger; Sir Patrick McLoughlin; Albert Owen; Antoinette Sandbach; Anna Turley.

Questions 278-397

Witnesses

I: 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.

II: Richard Harrington MP, Parliamentary Under Secretary of State, Minister for Business and Industry, Department for Business, Energy and Industrial Strategy; Alex Williams, Head of Sector Deals, Department for Business, Energy and Industrial Strategy.

Examination of witnesses

Witnesses: Dr Diana Montgomery, Fergus Harradence, Richard Warren and Hannah Vickers.

Chair: Thank you very much, the four of you, for coming to give evidence to our Committee today, specifically on the construction sector deal. We have two panels this morning. The Minister, Mr Harrington, will be giving evidence straight after you. We will kick off straightaway with a question from Ian Liddell-Grainger.

Q278 **Mr Liddell-Grainger:** Diana, prior to the sector deal and looking at the vagaries of the economy, how well has the construction sector been doing in your eyes?

Dr Montgomery: It has been doing pretty well on average, but some sectors are clearly stars. Over the last couple of years, housebuilding has been incredibly strong, as we are aware. Infrastructure is pretty good—our forecasts suggest that, subject to delivery, infrastructure underpins a lot of construction over the next two to three years. Regarding the sectors that are perhaps slightly more tricky, we are seeing a drop, albeit from a peak, in commercial offices and things. That is about a third of London and we are seeing a drop of 15% to 20%. There are a lot of cranes and activity now, but not many new starts. Construction is quite patchy but overall positive—flat.

Q279 **Mr Liddell-Grainger:** Can you give us some regional variations from Scotland down to the south-west? Forget London—we know that. Is the midlands holding steady? Is Scotland holding up?

Dr Montgomery: The hotspots are Manchester and Leeds, much more than London. London has slowed right down. That band across the north-east and particularly the north-west is incredibly strong. There is some activity in some of the other cities such as Bristol. Scotland is a bit quieter. That middle band is really strong at the moment across residential, commercial and all sorts of other investment.

Q280 **Mr Liddell-Grainger:** Taking that as our benchmark, let us look at the global situation. We have to compete in a global market and we will be doing a bit more of that after March. How do we differentiate ourselves as a country and as companies to compete?

Dr Montgomery: It is a tricky one. The UK market is quite strong. We have a shortage of housing, as we all know, so companies naturally are keen to invest in the UK. At the moment, what we are hearing—most of my member companies are headquartered either in the UK or overseas—is that they are having to compete with China and Singapore for investment in capital. At the moment, due to the uncertainty, they are not winning that capital investment. That is not because the fundamentals are not strong; it is just that, at the moment, others are able to make a more certain business case. Once we get past that, the UK is a good place to invest.



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Q281 Mr Liddell-Grainger: All building depends on steel. We do not produce an awful lot of steel compared with China, but I am very interested to know how the steel sector is doing. From that, what are the challenges that we face now and in, say, six months' time?

Richard Warren: At the minute, we would certainly say the steel sector is doing pretty well. Steel prices have certainly recovered from two years ago, but when you ask steel companies or go a little deeper, it is often in comparison to 2015 and 2016 that we are doing well. On a long-term trajectory, there are still significant challenges for the sector. That said, production should be up again this year, after three years of contraction. As I said, steel prices have certainly recovered and companies are making profits, and we are starting to see investment again in the sector.

Some long-existing challenges still need addressing, particularly around electricity prices and business rates, which are fairly standard things for our business environment. The big challenges, without wishing to divert into that conversation immediately, are around trade and Brexit, particularly around what is happening in the US with section 232 tariffs and the knock-on impact on trade around the world.

Q282 Mr Liddell-Grainger: From what you have said—this is for both Hannah and Fergus—there are going to be global opportunities for the UK. How are we going to exploit them?

Fergus Harradence: The challenge is really the one that you set out: how does the UK differentiate itself in a global construction market, which is very dynamic but where everybody does the same thing and everyone works relatively inefficiently at this point in time? If we can do what we have set out in the sector deal in terms of our objectives of moving the UK sector from being one that is primarily based on using onsite construction techniques to one that is much more based on using digital design and project management technologies supplemented by offsite manufacturing techniques, we should be able to produce better assets much more quickly and cost-effectively without some of the uncertainties that you get with current onsite construction techniques. That would be a very compelling proposition to take to global markets.

Hannah Vickers: Just to reinforce what Fergus says, already in the consultancy sphere we do well internationally with our large companies. For example, we employ about 60,000 people in the UK but about 250,000 internationally. A lot of our companies are either overseas-owned or have offices overseas. UK consultancy has a very strong brand for quality we can export.

The step-change that I am hoping to get out of the sector deal for my members is increasing productivity and bringing forward some more product-based offerings around digital design, offsite manufacturing and consultancy, which really would differentiate us. We have recently done some benchmarking that shows that productivity within UK consultancy



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firms is exactly the same as that of European consultancy firms, so we are starting from a level playing field.

What I am hoping is that, by embracing the R&D and the digital transformation, we will be able to differentiate ourselves and then be able to sell overseas. In doing so, we are doing a lot of work on the future of consultancy, but it would be more of a product-based offering than a man-hours offering, so to speak. If we can design that and use the sector deal as the catalyst, it gives us something that is much more exportable than the current offering, which is selling people.

Q283 Mr Liddell-Grainger: Following that line of argument—this is to all four of you—what help have you had from the Government to do with the deal? Have you been getting direct help or indirect help? What have you had?

Hannah Vickers: We have been working with the Construction Leadership Council to help shape the strategy around the deal. The tangible things we have noticed to date are more specific policy announcements. Things like the R&D tax credits have had a big impact. We know now that we are spending probably 3% or 4% of the consultancy firms' revenue on R&D, which we did not have before because we did not have that incentive. It is the same with things such as the apprenticeship levy, which is allowing our consultancies to retrain our staff. We saw a marked difference in our benchmarking this year. The number of fee-earning staff, who ordinarily would not be allowed to retrain or would have had that restricted, is double that of the European consultancies because of certain small-scale Government interventions. That gives me hope for when we get into the tangible deliverables from the wider sector deal.

Fergus Harradence: The Government have supported the sector in a number of ways. There has been significant Government investment over the last eight or nine years in various major projects, which has helped the sector, undoubtedly. It has driven innovation through things like the CompeteFor platform, which started with the Olympics and has gradually, over time, metamorphosed into the i3P consortium, which has been a mechanism for private sector clients and firms to get together to drive innovation. You have had support from Innovate UK and the research councils for various aspects of R&D and research into innovation. UK Trade and Investment, now in the Department for International Trade, has Infrastructure Exports UK—it has a network of staff based overseas who can support firms to access market opportunities.

The Government have done various other things, such as the BIM mandate announced in 2011 and introduced in 2016, which again provides a huge incentive for the industry to adopt and use new technologies, which is something that we need to do to differentiate ourselves and make ourselves more competitive.



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The issue has probably been that, until we had the framework that was provided by the sector deal, we did not necessarily have a strategic framework and co-ordinating mechanism for all of these separate initiatives. What we have tried to do by creating the sector deal is bring them together and brigade them, targeted on a coherent set of objectives and outcomes that we want to achieve.

Dr Montgomery: Following on from what Fergus says, bringing the industry together under a sector deal has been hugely helpful, because it has focused people's minds on the challenges of productivity and process waste. Where Government is most effective in supporting industry is by mandating BIM. In 2011, that was a huge step in the right direction. Similarly, from 2019, five Departments will look to move to offsite manufacturing. That sends a very clear message to companies that that is the direction of travel, particularly as Government procure about one-third of construction activity, so they are a heavyweight player.

On procurement, there has been a lot of discussion about whole-life costing and value rather than cheapest price. We have yet to see that delivering on the ground, but if that does carry through and the likes of Crown Commercial start to buy against value, it will have a huge impact. It will allow companies to think about the quality, carbon and environmental impacts as well as just value engineering, so it is really important as we move forward.

I chair the business and academic advisory or challenge board of the Industrial Strategy Challenge Fund. The investment in the Active Building Centre in Swansea has been a huge spotlight shone back on energy efficiency, which is really positive.

The industry is losing a little bit of momentum because of the delays in the announcement of the core construction hub, which was, in theory, supposed to be announced in July and we are still not quite there. That will start to allow industry to come together and focus on a place and start to put people in to develop new systems.

The other important piece is the mapping that UCL will be doing to make sure we do not reinvent the wheel, because we are very good at that.

Richard Warren: Steel is in a slightly different position from the wider construction sector. We are part of it, but there is also an awful lot of the steel sector that is not supplied into the construction sector. We have been working on our own sector deal for quite some time. A significant component of that does relate to construction, but there is a large element that sits outside it. To date, that has not been as successful as the construction sector deal, although discussions continue.

Areas where the Government certainly have helped include the announcement in the Budget this year around the Energy Transformation Fund—£315 million to try to reduce energy costs for the sector is certainly a help. It does not fundamentally shift the difficulty we have



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with high electricity prices in the UK, but it will provide us with some help to reduce our energy consumption.

The biggest thing that the Government have done, certainly in terms of construction for the steel sector, is the work they have been doing on public procurement of steel. Back in 2015 and 2016, public procurement guidelines published by the Cabinet Office started to address some of the things Diana just said around whole-lifecycle costing, certain things that central Government Departments can do—clearly not to explicitly target UK steel in public construction projects, but to open up the opportunities and improve transparency. That said, significant work still needs to be done—transparency of procurement in public projects for steel is still not quite there. We continue to have discussions with officials and Ministers on this.

Q284 Mr Liddell-Grainger: Can I come on that? Something you just said is interesting. Have you engaged with the UK Government? You spoke about guidelines and parameters and so on, but have you engaged with the Government on steel? Have you had physical meetings, et cetera?

Richard Warren: We have had several discussions on the sector deal, and by “several” we are talking dozens. That includes probably 10 or 11 directly with Ministers and with the Secretary of State.

Mr Liddell-Grainger: Okay. That is good.

Q285 Anna Turley: I want to focus on the construction sector first. It was interesting to hear that you have felt a sense of value so far from the sector deal and its impact, particularly on creating a strategic framework, setting objectives and so on. Could you say in a bit more detail specifically what the sector deal has meant? Is anything happening under the sector deal that would not have happened anyway?

Hannah Vickers: From what we have seen so far, given that we only had the announcement in July and some of it remains outstanding, it is helping industry to have the confidence to invest. We are seeing more in terms of people retraining their staff and investing in R&D. I have SME members who are setting up separate businesses because they can see they need to go in a different direction in future and have a clearer understanding of how Government will create a stable policy environment to do that. I would say it is early days.

As Diana touched on, we risk stalling the goodwill that has been built up around the sector deal and the momentum that we are starting to get in the industry because there are dribs and drabs of announcements coming out. Commitments to things like the Transforming Infrastructure Performance programme and the publication of the Government Construction Strategy have not been met, which gives an air of caution to their investments, but they are certainly ready for this.

They recognise that that cross-Government approach helps to tackle some of the systemic challenges. Past initiatives such as the Department



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for Transport's Transport Infrastructure Efficiency Strategy are helpful, but that is only one segment of the market. To get something that gives a wholesale commitment under the themes of the sector deal does make quite a big difference in terms of consistency. If we can get it to hit the market, so to speak, when they come out and procure—that is true to the ambitions of the sector deal—that is when you will have the fundamental change in industry to respond to it.

Q286 Anna Turley: Fergus, is there anything specifically you would like to say?

Fergus Harradence: There are two specific examples. The £170 million investment that the Government have made in the Transforming Construction programme over four years represents the single biggest injection of funding into R&D in the sector in over a decade. We anticipate that that is going to leverage about £250 million worth of industry co-investment over that period. What we are looking to do is rapidly accelerate the development and commercialisation of new construction technologies, and that would not have happened without the sector deal.

The second area that I would point to is the level of investment in skills. The introduction of the apprenticeship levy and the move to a different set of apprenticeship standards, which have to be developed through consortium employers, had posed quite significant challenges for a very fragmented sector like construction, which is largely comprised of SMEs, often employing one person. They were really struggling to engage with the system. The framework that we have been able to put in place, which has enabled the industry to engage effectively with the Institute for Apprenticeships, means that we are developing apprenticeship standards for the industry, ones that will enable them to train people in traditional skills, but also looking to the future. We will develop ones that will enable the industry to train people in the skills they will need over the next five to 10 years in things like digital technologies, onsite assembly and logistics management. This is something that has been catalysed by the process of developing the sector deal.

I would also reiterate the point that Hannah made. This industry has consistently come up with various initiatives over the years, but sheer forces of inertia within such a fragmented sector have often meant that these have not gone anywhere at all. A few people have adopted them, but they have not achieved the level of adoption that you need to drive change within the sector. If you brigade them under a common strategic approach and link the related initiatives, you have a much greater chance of these succeeding and a much greater chance of them having an impact.

Q287 Anna Turley: Diana, can I ask you specifically? You mentioned the Industrial Strategy Challenge Fund. Could you say a bit more about how that is meeting the needs of the industry, and could you also say how much funding is coming from the sector in that as well?



Dr Montgomery: As Fergus just said, there is £170 million from the Government, which will leverage about £250 million from industry. I would start by saying that, in a way, the sector deal comes at the perfect time. Construction is in the eye of the perfect storm, with the outcomes of the Carillion insolvency and with Dame Judith Hackitt's review. Construction has to change a number of things now whereas, in the past, as Fergus said, a number of similar reports have suggested the need for the sector to change but there has been no absolute drive. The sector deal gives a bit of a way forward for the sector to come together.

Productivity is a huge issue and, as I mentioned, process waste. If you look at any project, the number of times that stuff is checked, rechecked or redone is pretty ridiculous, particularly when the outcome does not necessarily deliver the quality you would expect. For me, from the sector deal or certainly from the industrial strategy and when we get the core innovation hub, it is about using manufacturing techniques, looking at lean, looking at the entire construction process and getting rid of the waste and improving productivity.

The big thing for us is that it will improve partnering through the supply chain. Construction can be quite fractured, so the supply chain spends a lot of time speaking to itself. When you are looking for innovation and a better way forward with limited skills because we have an ageing construction population, you can start to bring parties together. We have seen it in some early projects—one quite old one is the Olympics, where there was a partnership to deliver very clear aims, which worked really well. For me, the hope of the innovation hub is that it is not about innovation. We do not need more innovation and have lots of things that are really forward-looking. It is about giving the whole supply chain the confidence to use them.

Q288 **Anna Turley:** Moving to steel, Richard, I know you share my frustration. It is probably hard to sit and listen to the construction sector saying how helpful the deal has been when, as a steel sector, we have been fighting tooth and nail for a long time to try to get a sector deal. I know from my conversations with Government the barriers that I was told of were that the sector was not coming together, was not working sufficiently in partnership and was too fragmented. What we are hearing here is that the sector deal can play a role in overcoming that. That is perhaps something of a chicken-and-egg thing and maybe some Government commitment on a steel sector deal would enable the sector to come together. Could you tell us a bit more about what you have presented to Government and what you think the barriers are as to why we do not have a deal yet?

Richard Warren: Certainly. First, I just want to touch on one of your comments. The idea that the steel sector has not come together I find quite unbelievable, in the sense that the steel sector is fairly unique: you have six chief execs in a room and you have 100% of the steel production of the UK. When we presented our steel sector deal proposal



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to the Secretary of State, there were six chief execs in the room, all the major unions and the Scottish and Welsh Governments in support of that. We provided a pretty unified voice on what fundamentally was required for the steel sector. That is not to say that there were not individual company requirements and that bilateral discussions were not ongoing at the same time, but certainly the core fundamentals of what the sector required were very much presented as a unified voice.

Without going through bullet point by bullet point, what the sector was offering was a vision of increased investment in the sector, increased steel production capacity, increased jobs and increased productivity. What it required in return—this is perhaps why the steel sector deal was being slightly more difficult than other ones that have been successful—was a couple of fairly major things in a business environment, which I have already mentioned, around electricity prices and business rates. Fundamentally, where we are now, that did not fit into the model that eventually emerged for a sector deal, which has largely been activities that were ongoing anyway and a big slug of money for R&D. For some sectors, that obviously fits perfectly and is an extremely good model. The steel sector did not, perhaps, fit into that model, which is why we have had difficulty arriving at a deal.

Q289 **Anna Turley:** Do you think there is ever going to be one? Are Government still looking into it?

Richard Warren: Clearly, industry and Government are never going to say, “We will no longer have discussions”. Where there is common ground we will continue those discussions. All we can say at the minute is that active and constructive conversations are no longer happening.

Q290 **Sir Patrick McLoughlin:** You say that, at the moment, active discussions are no longer happening. You rightly talked about the six chief executives and the unions being 100% of the industry. Have you given up on a sector deal? Is it your view the Government have given up on a sector deal with the steel industry?

Richard Warren: As I said before, the Government and industry will never say 100%, “We are no longer having conversations”, but the model that all other successful deals have been based on, which is fundamentally a transformational R&D fund, is not a model that we can follow on its own. There is a lot of cart before horse. The steel industry requires more fundamental things before it could commit to that level of R&D funding. A big part of our sector deal proposal was R&D funding, but that alone—and that is not forthcoming either—would not constitute a sector deal that all the six major steel companies could sign off.

Q291 **Chair:** What would a sector deal for steel need to do?

Richard Warren: Fundamentally, what has been asked by all six chief execs is to bring in the investment that is, quite clearly, required in the sector to increase the capacity and to broaden their range of products to meet future markets’ and customers’ needs. The starting point is a more



competitive business environment. We are fairly unique across manufacturing in that electricity prices do mean that much to us. We have companies where electricity costs represent over 100% of their GVA—all their profit and employment costs. End electricity costs represent more than that currently. That is how important electricity costs are and that is, perhaps, the biggest blocker to a sector deal.

Q292 Anna Turley: Could you say something about how that is competitive internationally, both in terms of electricity costs and business rates, which I know are a significant disadvantage internationally as well?

Richard Warren: Indeed. Each year, we produce our figures for the cost disparity. We will be updating the figures, but at present, we pay roughly 50% more than they do in France and Germany. Business rates are between five and 10 times higher in the UK. Bring that together and that is £100 million additional cost to the steel sector. We have had commitment from the six steel companies that if a level playing field was provided, that £100 million would be reinvested in the sector. That is a 50% increase in capital investment on business as usual. I realise this is a discussion on the construction sector and I do not want to dominate the conversation.

Q293 Albert Owen: Going to the construction sector now, the Government have put a lot of emphasis on productivity, as has BEIS as a Department, yet it is almost entirely absent from the construction sector deal. Why is this? You would dispute that?

Fergus Harradence: Yes.

Q294 Albert Owen: You concentrated on other things when you gave your answer.

Fergus Harradence: Yes. I would say the fundamental aim of the construction sector deal, as with all the sector deals and the wider industrial strategy, is to drive up productivity in the sector.

Q295 Albert Owen: But the five foundations are not in it specifically are they?

Fergus Harradence: Yes. The construction sector deal document links various initiatives to the five pillars of productivity that were set out in the industrial strategy.

Q296 Albert Owen: How does this fit in? Can you explain?

Fergus Harradence: The overarching objective is to drive up the low level of productivity in the construction sector, which is much lower than the relatively low level achieved by most sectors in the UK and is certainly a long way below what the best sectors can achieve like manufacturing. The figure that we included in the construction sector deal is that, on average, since 1997, the level of productivity improvement in the construction sector has been 20% lower per year than in most other sectors. The question is how you raise that level of productivity. We believe the way in which you raise that level of productivity is by



investing in those things that drive productivity improvements, which are primarily things like innovation and skills. This is why the sector deal has significant components and chunks of it are aimed at doing exactly that.

Q297 Albert Owen: Can I just ask the two other colleagues on the panel where the successful clusters are in the UK? Are there cluster sectors?

Hannah Vickers: I would say it is a mixture. It is not necessarily across sectors—certain businesses also stand out. Already we have started to see some of the SMEs start to pick up the themes because they are more agile. I have mentioned already that some are considering even their governance structure and how their businesses are structured to start on more R&D products, because for consultancy that is where they are likely to head.

We do well off the back of major projects. We had quite a lot off the back of London 2012 that we have then been able to go and export, and the same with Crossrail. Specifically in those spaces, it is around the integration piece of projects—how you integrate design, construction, operation and then whole-life benefits. Some of that is what we are being asked overseas, so you could say that that was a standout sector from consultancy's point of view.

Dr Montgomery: Manufacturing is in an interesting place. As Fergus says, manufacturing as a whole has increased productivity about 3% a year and construction about 0.4%—it is a pretty flat line. I have been to three plant openings in the last six months for bricks and blocks and insulation. Investment has gone into the manufacturing side of construction, and that is what you would expect in any manufacturing plant: highly automated, using robotics; and very high-quality analytics to make sure the quality is there—it is down to millimetres or even microns in some cases. That is exactly what you would expect across the whole of manufacturing, and then we send it out on to a wet, muddy construction site. It is that piece, for me, that the sector deal is about, and particularly the Industrial Strategy Challenge Fund. It may be that you do offsite manufacturing in a warehouse and then ship it to site. The new Heathrow model will look at something like that, with distribution hubs.

You may also look at things that are called, excitingly, “flying factories”, where basically you put an offsite manufacturing piece next door to a big development and start to manufacture at least out of the weather, with people with different skills, before it is moved on to site.

Onsite, we are starting to see investment from the brick manufacturers, for example, in robots to build brick and block walls, because there will still be a role for some of the more traditional methods.

It is about how we can keep that momentum. The slightly disappointing thing with the delay on the hub is that companies were genuinely quite excited over the summer about, for the first time, Government starting to



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understand where they can tip the balance and move the sector forward. As Hannah said, we are just losing a little bit of momentum. I spoke at her conference last week and we were just feeling the, “Well, when is it going to happen?” and I think people are keen to get on with it.

Potentially, what we would like to be able to do—we are starting to see people move in from manufacturing into, for example, the housebuilding sector and others—is to bring those techniques and be able to improve the productivity. That will make companies more stable and more profitable as well.

Q298 Albert Owen: Can I just move to steel and ask Richard, as a localised industry, where the impact of the sector deal would be felt most?

Richard Warren: The sector deal for steel or for construction?

Albert Owen: Steel. You are Mr Steel here.

Richard Warren: Clearly, the steel sector is condensed. The biggest economic impact is in south Wales and the Yorkshire and Humber region—80% of the jobs are focused on those areas. They are clearly important jobs in those areas. They pay nearly 50% more than the regional average. These are highly paid, highly skilled jobs.

Q299 Albert Owen: You were saying about research and development being a big part of it. If you were to agree a deal, would they be in those localised areas or would they be centralised elsewhere?

Richard Warren: A huge amount of it would be localised. In terms of the partners as part of the R&D proposal, Swansea University is a very important element. Universities in Sheffield around the AMRC, Sheffield University itself and the Materials Processing Institute up on Teesside are all very important players, and a huge amount of the R&D would happen here. Importantly, a commitment was made that the fruits of that R&D would be commercialised in the UK. That was obviously the entire point of it.

Q300 Albert Owen: Thank you very much. Can I move on and ask you all a question? Are there specific challenges for Scotland, Wales and Northern Ireland that the Government should be seeking to tackle?

Dr Montgomery: It is a very tricky one, because construction is nationwide. Whilst manufacturing is often concentrated in the north-east, the north-west and the midlands, as you expect, with construction projects, if you look at the national infrastructure plan, projects are pretty much across the UK. In some ways, that is the strength of construction. Ironically, as I suggested earlier, we are seeing an awful lot of activity in the north-east and north-west. It is an unusually national sector.

The really exciting piece, as Richard just suggested, is the work that Swansea University has done for steel, but also on buildings as power stations—they can generate more power than they use—and how that is



being translated into the Active Building Centre. That will be very interesting. The demonstrators are in Neath. We have the active classroom, active office and they are doing some housing. It is not just another set of technology; it is integrating a number of technologies and they are working with a lot of SMEs. That is really quite interesting for south Wales. There are some real hotspots that the sector deal is pulling through.

Q301 Albert Owen: Fergus, can I ask you what sort of relationship you have with the devolved Administrations? The purpose of the industrial strategy was to spread wealth throughout the whole of the United Kingdom.

Fergus Harradence: We have regular discussions with our counterparts in the Scottish, Welsh and Northern Irish Governments.

Q302 Albert Owen: The example given is south Wales. Is that because the Welsh Government are adding value to it and are the other devolved Administrations doing the same?

Fergus Harradence: The Welsh Government have invested in it, but so did the Engineering and Physical Sciences Research Council. Over the years, a lot of funding has gone into the work that the specific consortium based at Swansea University are doing, and it has come from both the Welsh Government and parts of the UK Government. The reason that we funded it is that we recognise that it is potentially world-beating technology, with huge potential if you incorporate this into a whole range of different types of built asset. What Swansea University is doing now is proving the sheer variety of built assets you can put it into, from houses through to classrooms and office blocks.

Q303 Albert Owen: Can you give examples from Scotland and Northern Ireland where there is a similar kind of thing?

Fergus Harradence: You have the Construction Scotland Innovation Centre, where they are doing a lot of work on the same things that we are doing work on—it is about digital and offsite manufacturing technologies. Northern Ireland is a little bit less so in terms of innovation, but they certainly recognise the same challenges in terms of modernising the sector, driving up productivity and the fact that we face a huge demographic challenge within the industry.

Q304 Sir Patrick McLoughlin: I want to talk a bit about skills. I would like you to tell me what skills are needed by the industry overall. Take me through what you think the skills are over the next 10 years. We have been talking a little bit about offsite construction, and I saw some remarkable examples of that when I was in Transport—it was very much in its early stages, but the potential was fascinating.

Hannah Vickers: As far as consultancy is concerned, currently we are part of the sector that sells people and sells that interface and that bespoke design. We have a lot of traditional civil engineers, mechanical engineers—very traditional professions. Going forward, we will probably



diversify in terms of the types of skills. We are doing a piece of work to look at what the skills profile of the sector will be in the future, but I would expect, when that is concluded next year, that we will be looking at perhaps more of a mix. If we have digital design, for example, we would perhaps be looking at more software developers and data scientists working alongside the engineers. We would have a more diverse range of skills, which would help more broadly with our skills shortage, but also attract different types of people into the sector who perhaps did not have a route in before. We have been very traditional in that you are a chartered civil engineer or you are a chartered structural engineer, which are important and we need to retain, from a quality perspective, but equally, as we automate and have digital design and design for manufacture, you change part of the skill set so it gives a better blend.

Fergus Harradence: That is true at the vocational level as well. Over time, you are going to see a gradual increase in the demand for people who are capable of using technologies, like building information modelling, digital design technologies, and also things like augmented reality and virtual reality. You are going to need more people who are trained in what are, in effect, manufacturing disciplines, so they are capable of working in some of the factories that are producing component parts for various buildings offsite. You are also going to need a lot of people who are trained project managers, logistics specialists and people who are skilled in onsite assembly techniques. That does not mean that you are going to obviate the need for some of the traditional trades, because we are still going to have a large stock of historic buildings in the UK. We will still need some bricklayers, plasterers, carpenters, glaziers and some of the traditional artisan trades that we have demand for today.

Q305 **Sir Patrick McLoughlin:** Part of the job is going to be making it an attractive profession or business to go into, and there being an understanding of it as well. In a way, that is easy to do. I say “easy”—nothing is ever easy—but it is easier to do on some of the bigger projects, like Crossrail, Birmingham New Street Station and the like. What about the local builder, who we would also like to see a bit of a reinvigoration for as far as individual, smaller sites are concerned? How are we going to reinvigorate them, or are you not really looking at that? Do you think that will just be a natural spinoff of getting the industry able to attract people at the level you are talking about?

Fergus Harradence: No, I do not, because the industry is very diverse and the kinds of companies that you are talking about—your small localised SMEs—recruit in fundamentally different ways from your large construction contractors and some of the firms in their supply chain. The challenge for us is to try to make some of the funding streams and training models more accessible to smaller firms, which is what we are trying to do through the reform of the Construction Industry Training Board and some of the initiatives that the Department for Education has put forward.



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Q306 Sir Patrick McLoughlin: One complaint that I get from medium-sized developers is that they are now being told they have to pay the training levy, but they are also having to pay into the CITB. They ask what other industry is having two levies put on them. How is that being approached? Do they have a fair complaint there, to say that?

Fergus Harradence: It is the only sector in the UK that faces a dual levy burden, but equally, it is also a sector in the UK that faces a very significant need to invest large amounts of money in training and retraining its workforce. There is an argument that says this is an investment that, ultimately, the sector needs to make if it is going to modernise itself and if it is going to continue to offer jobs for large numbers of people.

Q307 Sir Patrick McLoughlin: Was it fully understood when the training levy was brought in that there already was one as far as construction is concerned?

Fergus Harradence: Yes.

Q308 Sir Patrick McLoughlin: It was a deliberate policy that they would pay twice?

Fergus Harradence: It recognised the fact that the sector did need to invest significant amounts of money in order to train the people the industry needs. Around about 3.1 million people are employed in the wider construction sector, so we are talking about a very large number of people who work in the industry. It is not just about funding those people who are going through the FE system or undertaking apprenticeships now; it is about retraining a lot of the workers within the industry in more advanced technologies and techniques, new disciplines, as the industry evolves and adapts. One way or another, the industry is going to have to find the money to invest in this, and history suggests that the industry will not do that of its own volition. That is one of the reasons why, unlike the industry training boards in every other sector, the Construction Industry Training Board was retained whilst the others were abolished. The argument was that the level of market failure in terms of the investment in construction skills was so great that you needed a specific training model and funding model for that in this industry.

Q309 Sir Patrick McLoughlin: How well do you think the industry does in retaining its workforce?

Fergus Harradence: It could do better. The big issue that we see in the industry is that people tend to drift out of it in economic downturns. As the industry is very cyclical and the downturns can be quite profound, at that point you lose a lot of people within the industry, particularly a lot of the older workers—they tend to drift into different sectors and never return. That is a big problem for the sector.

Q310 Sir Patrick McLoughlin: Over the next 10 years, we could see a massive change in the way the industry is organised. I am thinking of the



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muddy building sites. If you go to Laing O'Rourke in north Nottinghamshire, there is a very impressive site of construction. Most of the Woolwich Station was constructed offsite and put into operation from there.

Fergus Harradence: Yes.

Q311 **Sir Patrick McLoughlin:** How much more of that is being done? That was an amazing company to see, but how much more of that is being done? On the A453, they almost built the bridge for that offsite.

Fergus Harradence: More and more investment is being made by the industry in offsite manufacturing facilities, because the industry collectively recognises that there is simply no way, in the context of the level of demographic change that they face, that they will ever be able to recruit sufficient workers to maintain the current labour in terms of business model. About one-third of the construction workforce in the UK is aged over 50 at this point in time, so it is a plausible assumption that, over the next 10 to 15 years, one third of people are likely to retire. Other people move out of the industry.

The level of recruitment we are seeing in the industry is still pretty significant, but it is not going to compensate for the number of people who leave. There are simply not that many young people or people who want to work in construction in the UK, so we have to do things differently, hence the industry is investing, and we are seeing that in residential development and in things like infrastructure. That is why we wanted to create the core innovation hub and invest in offsite manufacturing technologies, because it has to be the future for this industry.

Q312 **Sir Patrick McLoughlin:** I just have one very brief thing. I am sorry to go back to a transport project again, but we saw far more female engineers working on Crossrail. It is not really an industry that seems to do very well, overall, as far as diversity is concerned. If you look at airline pilots, the rail industry and construction, it is mainly a male-dominated industry, although projects like Crossrail did go a long way to try to become a lot more diverse. Do you see that happening?

Fergus Harradence: The industry's record on diversity is terrible. About 86% of the construction workforce is male. About 5% or 6% come from a black or ethnic minority background. The industry simply has to do better in terms of recruiting people from a more diverse base and incentivise them to undertake careers in construction. It is something that the industry recognises and we have incorporated it into the sector deal through the creation of the GoConstruct platform and various other industry initiatives. They are trying to offer opportunities for a much more diverse range of people to come into the industry and to support them to have careers in it.

It is a big challenge, because you have to accept that the industry does have an image problem. It is seen as an industry for men who want to



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work on dirty building sites. If we can change that and say, "This is a modern industry and it is all about digital design, offsite manufacturing, project management, higher-level skills, more rewarding careers and you are not going to be standing on a building site in freezing February weather, looking fairly miserable", hopefully we can attract a much more diverse range of people, who say, "This could be a really good industry to work in", because it is very satisfying when you can see the buildings and the other things that we are delivering and know what they contribute to our economy and society.

- Q313 **Vernon Coaker:** This is quite a big question, but could we try to focus down on it? The industrial strategy sets out criteria by which sector deals will either be judged or approved. Given that we all want to drive change and improve things, how realistic are those criteria that the Government have set? They want clear leadership to improve productivity. They can be too vague to mean anything. What is your view on these criteria? Are they realistic? Are they too vague? Do the Government give themselves a "get out of jail" card for it? You can criticise the Government, by the way.

Dr Montgomery: Absolutely.

- Q314 **Vernon Coaker:** I know you all want more sector deals and better deals, but if it is wrong, it is wrong, so you can criticise the Government.

Dr Montgomery: It is work in progress at the moment. The construction sector has had a Leadership Council for a couple of years now, which probably has not led the change that perhaps it should. We had a new chairman taking over a few weeks ago, Andy Mitchell, who runs Thames Tideway. In some ways, I would say Thames Tideway is a project that epitomises a lot of what is good about the new construction we are talking about. I have high hopes for Andy's chairmanship and for what he has talked about already, about making the Leadership Council genuinely leadership and genuinely inclusive, because at the moment it is not. Currently, it is a work in progress for leadership.

- Q315 **Vernon Coaker:** What about deliverable plans?

Dr Montgomery: We have some pretty big targets. In Construction 2025, which came out in 2011—we are still holding the sector to account on that—the targets were to reduce the time of construction by 50%, costs by a third, carbon intensity by a third, and reduce the trade gap by 50%.

- Q316 **Vernon Coaker:** You have developed some very specific things?

Dr Montgomery: Very specific targets, yes.

- Q317 **Vernon Coaker:** That is quite important, is it not—rather than having vague things, you have something really specific that the Government can look at and say, "This has been achieved" or not?

Dr Montgomery: Exactly. We have a number of projects within the Leadership Council, one of which is around innovation and housebuilding.



There is a really nice dashboard on the CLC website, which starts to chart against each of those and safety and performance. It would be very good if we could get that same dashboard across those targets, so we are monitoring, on a regular basis, how construction is performing in terms of KPIs. It is still work in progress, but there is certainly an example on the Leadership Council website of a dashboard that is starting to measure.

Q318 **Vernon Coaker:** Hannah, you wanted to say something.

Hannah Vickers: It was about the criteria useful for framing the problem. What I thought was missing was you probably need those in a combination. To me, what the sector deal brings is the ability to address a systemic failing rather than we have a productivity problem and it is part of a specific element of the industry. That, as a framework, is quite useful, but it probably should have that caveat around understanding it is a systemic issue that needs to be addressed.

Building on what Diana says, it is good to have the headline targets. With the new chair, what we really need to focus on is getting that plan. We have the high-level frame and we have the targets, but we are missing the plan. We need to focus very much now on delivery and I think there is a need to reformat the governance around the Construction Leadership Council. Historically, individual firms were represented, but we are quite fragmented and we are not making the most of trade associations as the bridge between Government and industry to help deliver. We have the reach out into industry, but we also have the resources and the ability to leverage funding from people like the SMEs, who you would not get represented on the Construction Leadership Council in their own right.

Q319 **Vernon Coaker:** One other thing is that the Government quite rightly want breadth in the sector and new entrants. Do you have specific measures for including or generating more new entrants, getting people into the industry who are not, doing business start-ups and all that sort of thing? Is that part of it as well?

Hannah Vickers: I can speak specifically for ACE and what we are doing in that space. In terms of attracting new individuals in and encouraging them to start up, we have things like our Technical Apprenticeship Consortium. That gives different people with different backgrounds a route into the industry, which is really helpful.

The other thing is, now we have this understanding about where the sector is heading from the clients and from Government, we are starting to look at how we can help start-ups. We are calling them "engineering entrepreneurs". Very much we are seeing this with the graduates we mentor coming out of university, who perhaps do not want to go and work in a big corporate. As a trade association, what can we do to offer them the advice and support that they need to set themselves up in business?

Q320 **Vernon Coaker:** Fergus, specifically on the construction sector and this



breadth question, how did BEIS measure that for the construction sector? Were there discussions with businesses or groups outside the Construction Leadership Council?

Fergus Harradence: Yes. For some time, we have used a definition of what we call the wider construction sector, which is based on the Office for National Statistics standard industrial classification codes, but encompasses the breadth of the sector from professional services through construction contracting—building things—right the way to product manufacturing. That was our starting point.

What we tried to do when we were shaping the sector deal, as well as engaging with the Construction Leadership Council as the main forum, was to make sure that we were in contact with firms and representative bodies that, as far as that was possible, cover the breadth of the sector, while recognising that that is a very big challenge in such a large and differentiated industry, where there are over 200 individual trade associations and about 950,000-odd individual firms. With the best will in the world, we cannot talk to all of them.

Q321 **Drew Hendry:** Diana, you said earlier that your sector deal could improve productivity, but I would like to ask the panel whether sector deals are the best way to improve productivity in your particular sectors.

Dr Montgomery: For construction, as we are all coming back to, the sector deal provides a framework for the sector to come together. In a way, going back to the last question, at the CPA we have 20,000 companies in our membership, because we have 35 trade associations as well as the big companies. What we try to do is communicate that out, so it is about sharing learning.

In some ways, some of the stuff around digitalisation is the opportunity for smaller companies to come in and do things differently. We are doing a piece of work currently looking at what disruption looks like in the sector, because that is when it starts to get really interesting. The sector deal, particularly with some of the R&D challenges, opens the door to smaller companies, partnering with universities and others, to come in and do things differently. Certainly on the industrial strategy advisory group that I lead, we have one digital SME just helping us understand how easy or difficult it is to apply for funding to move his business on. Yesterday he was saying that they are very successful, but getting venture capital investment to grow to the next level is tough.

The sector deal is right for construction. If you had asked me when I was in a different sector, I might not have agreed so fully, but for construction, because it is so dysfunctional, you need that framework to allow companies and particularly smaller companies to understand what the opportunity is.

Richard Warren: As I said previously, the model that has been put forward for sector deals—or has emerged, probably, more than being put



forward—has not fitted the steel sector perfectly. There are a number of measures that we require. I will not repeat around business environment, but there is clearly an element around R&D. Those elements together will bring the investment that is required in the sector to increase our capacity and production, which flows through to a productivity increase. If all those measures came together and could be packaged up in something that could be called a sector deal, fantastic. Certainly, from our point of view, given that we are a fairly condensed sector—it is very easy to get the whole sector in the room together—it is not fundamentally important to us whether we get those measures through what is called a sector deal or whether they happen in a more piecemeal fashion.

Hannah Vickers: The fact that the sector deal can aggregate up demand is really going to be fundamental in making the change in productivity. I will give you an example. We have the five Departments that have committed to offsite manufacture. That is a huge commitment. If we can get that coming to market, as it sounds like it will do, you will be completely disrupting the model for design. Instead of my designers designing for site-specific conditions for each project within those five Departments, they would perhaps be designing for certain segments of society. You might have something like one specific design for a disabled school that you could then deploy around the country. They would design it once. They would spend the time working with Diana's members to really invest in R&D to have the best product and the best customer experience within that school. They would be able to have the pipeline of work to test it and understand it and improve it, so you would get a much better product.

In doing that, because you are not having to pay to design it and pay for the person hours to do that each time, you are getting the productivity improvement and a better product. That would not happen if we did not have the ability of the sector deal to aggregate up demand, which would then stimulate the market to respond.

Q322 **Drew Hendry:** It is a fairly obvious question, because we heard about the cyclical nature of particularly construction earlier, but how vulnerable are your sectors to economic fluctuation, and will there, within the sector deal, need to be contingency for short-term fixes, for example?

Dr Montgomery: Construction is made up of different sectors and I think we will see, particularly with offsite manufacturing, investment made more perhaps on infrastructure, where we have the pipeline and national infrastructure plan that gives that confidence. Offsite manufacturing is like any manufacturing; companies need to make capital investment and then they need to see a payback. Depending on what sort of offsite it is, in my world, investment for something like a glass float line or a brickworks or something like that, you are looking at a payback of 10 years or more. If you go up to cement works, you are probably looking at 30 years, so needing that visibility of pipeline.



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Other parts of the sector are harder. Housebuilding is cyclical and nothing at the moment will change that. The housing associations are starting to look very constructively, if you will excuse the pun, at having those longer-term partnerships with the supply chain. That will help, but they are not the volume of housebuilding.

I would say infrastructure is where you will start to see that investment first. In terms of roads, the A14 is the most recent example of really good offsite manufacturing to deliver it.

Construction is spoken about as one sector, but it is incredibly diverse and the hardest nut to crack, if you like, because virtually half of construction, in value, is repair, maintenance and improvement, and that one is a long way down the line in terms of what is achievable. We are focusing, first and foremost, on infrastructure, then direct pull through into housing and things like that.

Q323 Drew Hendry: We are hearing a lot about the need for long-term planning and investment. Will Brexit negate any of the benefits of the sector deals?

Dr Montgomery: It is just creating uncertainty, as I am sure you have heard from every other manufacturer in every other sector. Companies write business cases, as I said before, that go to their boards and they will compete for investment with other countries that perhaps do not have that degree of uncertainty.

Q324 Drew Hendry: What are you most worried about?

Dr Montgomery: The continuing uncertainty. As I say, we have a national infrastructure pipeline that provides a real blueprint for where investment is going. We have companies and we have been talking to banks that are keen to invest in construction—the underlying economic fundamentals are really strong—but at the moment everybody is slightly holding back. It is the uncertainty we are worried about. It is almost that above everything else.

The only other piece is that, whilst 80% of the products we use here are made here, a lot of the raw materials are imported. Particularly things like softwood, which is pretty key to housebuilding given we do traditional pitched roofs, most of that is imported, so frictionless customs arrangements are going to be pretty key for construction.

Q325 Drew Hendry: We heard earlier from Fergus about the demographic challenges within the industry and particularly the challenge of getting young people and women into the industry. How does Brexit impact on those challenges?

Dr Montgomery: The challenges run across manufacturing. We have exactly the same challenges, with perhaps a slightly better environment and certainly our pay is above that of construction. We still struggle, particularly where we are based, in the north-east and north-west, where



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we are competing with more exciting sectors, like automotive and aviation, to get people to come and work on construction product. Even at a manufacturing level, it is not easy. We are also running out of people who did their apprenticeships in the time of nationalised industries—so setters and really traditional manufacturing skills.

It is about the UK needing to be attractive. As you start to understand what the sector deal can deliver in terms of digitalisation and getting towards standardised products, you understand that we do not have standard products. In automotive, you can go to a number of manufacturers for the standard products. We do not have standard ceiling heights, for example, in residential, so you cannot make a standard plasterboard and have to make many different sizes. It is just really silly things like that. The sector deal will start, hopefully when it is announced, to allow organisations that are good at standards to work together to come up with some standardisation around construction. That will help productivity enormously.

I said we were a perfect storm, but labour shortages, for all sorts of reasons—demographics or whatever—are going to be the single thing, for me, that drives digitalisation and offsite manufacturing. Pragmatically, if you want to get construction happening, you will need to do it with fewer people, who potentially are more skilled, better paid and with ongoing training. In some ways, from a negative preface, we deliver something that is much better in the long term.

Q326 Antoinette Sandbach: Diana, you spoke earlier about the dashboard that you set up and that there had been some specific targets. Is there an implementation plan by the industry to implement the sector deal, and how is progress going to be monitored?

Dr Montgomery: It is early days yet, and particularly early days as the Construction Leadership Council has a new chair as of a few weeks ago, so it is a difficult question. We certainly have the targets and manufacturers are the first to say, “What gets measured gets done”, so at least we have the targets. Measurement is really hard. Even something that should be as simple as measuring the carbon performance of a building is far from easy, because I am sure you have heard before that the EPCs that you have with your house are not perhaps the most exact science. We will start off with the dashboard and have some crude measures and then, potentially, improve that measurement as we measure.

Take even a simple thing such as what offsite manufacturing is and how that is defined. Is it, as many think, craning in completed pods with the bathrooms and toilets all fixed? I would argue it is a continuum. Offsite manufacturing may be bringing in plumbing systems where bits of pipe have been stuck together, through to complete fire door assemblies—practically, hinges and door furniture cannot be substituted—and you have a system that performs. It is a continuum and how we understand and how we genuinely measure those steps forward is something that the



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Leadership Council will think about very early on, and then keep it incredibly simple.

The piece that Hannah has talked about is what we now need to do, as trade associations, is engage all of our membership—ACE, ourselves, with Build UK, can act together and get at all of the industry. My favourite phrase is, “Let us find what the low-hanging fruit are and really deliver so people working in construction start to feel things are being done differently.” Once we get to that stage, we will have the confidence, we will probably bring investment in and then we can move things on.

In some ways, it sounds really basic, but we need to get that. I am only seven years into the construction sector—I come from manufacturing—but as I came in I heard of the many false starts under important pieces of work by Egan and Latham about what needs to be done, but the business case was never quite there. It is making sure that, this time, particularly, as I said about the beginning, with the perfect storm construction is in, we move it on and people go, “Yes, it is different. We are getting buildings built faster, for better value, which perform better.”

Q327 Antoinette Sandbach: Fergus, if these expected benefits do not appear, who should be accountable and what action should be taken?

Fergus Harradence: Depending on the individual commitment that has not been met, it could be Government, it could be industry or it could be a combination of both. The intention on the part of both sides is to deliver everything that we can in the sector deal. We have a joint implementation plan with the Construction Leadership Council.

Q328 Antoinette Sandbach: I am interested in that. Has that been published?

Fergus Harradence: It has not been published. It is an internal document; it was not designed for publication. It is designed to track all the commitments in the sector deal and the progress that we have made towards achieving them. What we have committed to doing is, every year, publishing an update on what we have achieved in that year and where we are in terms of the implementation.

Q329 Antoinette Sandbach: In its minutes, the Construction Leadership Council said that BEIS was going to draft the implementation plan, including mapping which organisations were involved, as well as setting out the oversight and governance structure. Is that the unpublished document that you are talking about? Has that been done?

Fergus Harradence: A small amount on the implementation was included in the sector deal document itself but, yes, everything else that you have referred to is what I have been talking about. The implementation plan covers all the commitments. We will work out which organisation is going to be responsible and which organisations are going to be involved.

Q330 Antoinette Sandbach: You said you “will” work out.



Fergus Harradence: It is developing. Obviously, there are some elements of the construction sector deal where we are bringing new organisations into the mechanisms as we go along and things just change and develop naturally over time.

Q331 **Antoinette Sandbach:** Given that you have said you are obviously hoping to achieve everything in the plan, what is the stick to the carrot, as it were? Where is the stick if that is not being delivered?

Fergus Harradence: The stick is that, unless the industry modernises, demographic change and the fact that its business model is marginal and, in the long term, unsustainable—

Q332 **Antoinette Sandbach:** But we have just heard from Diana that there have been a number of false starts. What lessons have been learnt from those false starts?

Fergus Harradence: The main lesson that has been learned is you need to have a comprehensive framework and you do need a high level of buy-in from both industry and Government to the objectives that you are trying to deliver and a commitment to the programmes that underpin them. This is what we have tried to do through the sector deal, whether it is on the innovation side, the skill side or some of the other work that we want to do on business models, payment and contracting practice and things like that.

Q333 **Antoinette Sandbach:** Hannah or Richard, do you have anything to add on my questions?

Hannah Vickers: We have talked about it already, but if we start to see that consistency of commitment and bringing that to market, that will be the difference. Before, it has been strategy rather than delivery, so if we start to see Departments procuring for offsite, that will be the point at which we say, “Okay, this is something different; we have got further than we have done previously”. That is the acid test. The way that you hold industry to account is to make sure that you do that, because if you go out to market for something and we are not ready to respond and submit a successful tender, then our businesses will go out business. There really is a crunch point about knowing whether this is working, but it does rely on the clients coming to market in a different way.

Q334 **Antoinette Sandbach:** Do you agree with that, Richard?

Richard Warren: Indeed. Given that the steel sector deal has struggled and continues to struggle, the benefits that we see from the sector deal process come from, clearly, our key customers, construction, automotive and aerospace. The more transparency that can be given to an implementation plan, with progress against those targets—for example, the automotive target of 50% of components sourced from the UK—will be of benefit to the sector.

Q335 **Antoinette Sandbach:** Fergus said that the implementation plan was



not going to be published. Would you like it to be published?

Richard Warren: Published or shared or consulted with the steel sector—any of those would be fine. One of the difficulties we have with our process is that, in discussions we have with Government, we are often compared with other sectors or certainly unnamed sectors: “It has not been ambitious enough. You have not made the correct investment commitment”. There has been very little transparency on what other sectors or individual companies have committed to, saying, “I am investing X, Y and Z”. That bit has been very difficult to find our way through.

Q336 **Chair:** Thank you very much. Thank you, all four of you, for coming to give evidence to our Committee this morning.

Examination of witnesses

Witnesses: Richard Harrington MP and Alex Williams.

Chair: Thank you very much, Minister, and also Alex Williams, for coming to give evidence to the Select Committee this morning on the issue of the industrial strategy, sector deals and productivity. I am mindful that many members want to get in questions today, so we will head straight into the detail.

Q337 **Drew Hendry:** What has the industrial strategy achieved in the 12 months since it was published?

Richard Harrington: As you correctly said, it is a month since the White Paper was produced, and I would argue, and I really believe, that we have made excellent progress in that time. We have agreed six sector deals, which are already done. Those are on life sciences, the automotive industry, the creative industries, artificial intelligence, and the nuclear and construction sectors.

We have more in the pipeline. The Prime Minister announced these four transformational missions that deliver on the four grand challenges that are mentioned in the White Paper. Wave 2 of the Industrial Strategy Challenge Fund has gone through. Wave 3 is on the verge of coming to fruition. We have set out the six local authorities for the Transforming Cities Fund; that is £840 million, which is partly being used as we develop the local industrial strategies for Greater Manchester and the West Midlands, which are due to launch later this year. That is quite a lot in a year.

Q338 **Drew Hendry:** Have you seen any activity within those things that you read out? It has been 12 months. You have said that you have put all these in place. There are six sector deals and four missions, but what activity have you seen from industry?



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Richard Harrington: Actually, I am quite amazed. I am comparatively new to this, but the major achievement is how we have got business and Government working together. For example, I sit on the automotive industry council—

Q339 **Drew Hendry:** Sorry; because of time I am going to try to be quite to the point here. There is nothing tangible yet.

Richard Harrington: There are lots of tangible things.

Q340 **Drew Hendry:** But nothing that you can give us this morning to say, “Yes, this has happened”.

Richard Harrington: I could give you 100 things.

Q341 **Drew Hendry:** Just one would do.

Richard Harrington: Okay. There is the Faraday battery challenge, which, with the automotive industry, is a way of challenging Government research and development funds to develop, with industry, a technology that we hope will put this country ahead of other countries. That is one thing. I could go through aerospace; I could go through all of these.

Q342 **Drew Hendry:** Just moving on, how do you feel that the uncertainty over Brexit and migration has affected the industrial strategy?

Richard Harrington: I do not think it has affected the industrial strategy, because industrial strategies are much longer-term than that. There is an argument that uncertainty over Brexit and migration has affected business decisions—I accept that fully. I am sure as we do a deal with the European Union, we will get the benefit back from those things, but I accept that. The industrial strategy is a long-term partnership and relationship for the future, between Government and business. It realises, in the European Union or out of the European Union, there is a big world out there, and I feel it is of great benefit to the country.

Q343 **Drew Hendry:** You talked just now in your reply about having a long-term vision. How do you feel that can be achieved within the context of Brexit, when even the Chancellor cannot tell us what is going to happen in three months with the Budget?

Richard Harrington: To go on to the Brexit stuff briefly, you were the one that asked me, respectfully, to be specific—

Chair: With respect, Minister, Brexit is likely to have quite a big impact on our industrial strategy, so it is a fair line of questioning.

Richard Harrington: I will talk about Brexit with pleasure.

Chair: If those are the questions that Drew Hendry is asking, those are the questions you should answer.

Richard Harrington: His question is very reasonable, but it is the big Brexit issue. Yes, I think the Government will do a deal with the European Union for a future trading relationship, but as far as business and the



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industrial strategy is concerned, which to me, certainly in my narrow job of being Business Minister—

Q344 **Drew Hendry:** The question specifically was about how the uncertainty has affected it.

Richard Harrington: It has not affected the industrial strategy or the sector deals at all.

Q345 **Drew Hendry:** Should it not have? Should there not be some flexibility in them?

Richard Harrington: It has affected business thinking and short-term planning. I accept that point, but that is not really relevant to the industrial strategy, because that is on target and that is a big comprehensive relationship for the future of the UK's business, and that is within Europe or not within Europe.

Q346 **Drew Hendry:** Has your Department undertaken any work on what a no-deal Brexit might mean, then, for the industrial strategy as a whole?

Richard Harrington: Yes, I have regular meetings with most of my sectors about—

Q347 **Drew Hendry:** What work has been undertaken?

Richard Harrington: There are the technical notices that came out. There is specific planning with particular sectors, for example, life sciences, chemicals—

Q348 **Drew Hendry:** You referred to the technical notices. They are about if there was a no-deal scenario, and that would obviously have an impact on the overall strategy. What work have you done on how that would affect the strategy?

Richard Harrington: We have been through, for particular industrial sectors, no-deal planning for them. Of course it affects them and how they are going to do it.

Q349 **Drew Hendry:** And it would affect the strategy?

Richard Harrington: Yes, it would, but the strategy is flexible for either within the European Union, a Chequers-type plan, or outside the European Union. It transcends all of them. There are lots of things that affect businesses' views. For example—and I am not making a political point, Mr Hendry—fear of Jeremy Corbyn is as much a problem for business as fear of Brexit. The industrial strategy overrides all of that. That was a political point.

Q350 **Drew Hendry:** Just to finish, Minister, I just want to be clear on this. You are saying that there has been work done—impact assessments—on the industrial strategy in the circumstances of a no-deal Brexit.

Richard Harrington: There are regular discussions with all of the industrial sectors I deal with—



Q351 **Drew Hendry:** So there have been no impact assessments?

Richard Harrington: Those would include assessments.

Q352 **Drew Hendry:** Assessments but no impact assessments?

Richard Harrington: I am very satisfied that we have done everything we can in Brexit-planning for these companies. It overrides the industrial strategy.

Drew Hendry: Thank you. I can see I am not going to get an answer, but thank you.

Q353 **Chair:** When you speak to British industry, Minister, do they say that they think that their industries will flourish more under a Chequers-type agreement, a no-deal Brexit or the arrangements we currently have with the European Union?

Richard Harrington: Most of the industries I have spoken to would be quite happy with a Chequers-type plan, because it facilitates frictionless trade—frictionless in terms of physical borders and in terms of regulatory borders.

Q354 **Chair:** Businesses are saying to you that they are as happy with Chequers as they are with the status quo.

Richard Harrington: I did not say that. Some businesses such as Dyson and others, and Lord Bamford, have very strong views that we should leave. Some businesses say that we will be much better off in the European Union. Given this country voted to leave, most businesses seem content with an arrangement that will allow business as usual for them in terms of frictionless borders, tariff-free borders and regulatory alignment.

Q355 **Chair:** What do you think, Minister?

Richard Harrington: I agree with that.

Q356 **Albert Owen:** In your first part in the pre-Brexit responses to my colleague, Drew Hendry, you said about the immediate successes. It was about like marking your own homework, in many ways. You have appointed an Industrial Strategy Council. Why did it take 12 months for that council to be set up and to meet?

Richard Harrington: That is a very good point. We have done it properly and we have very high-calibre people. Some of them had to get clearance from their own organisations. For example, Andy Haldane holds a very senior position with the Bank of England—we were very lucky to get him, but there were various internal mechanisms within the Bank of England before he could be freed up.

The fact is it has sat. We have had the first meeting. They are very influential people who are very independent, and I am very satisfied with the progress.



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Q357 **Albert Owen:** When do you expect the council, now it is set up, to come forward with measures of success?

Richard Harrington: They are committed to produce an annual report, and this is an independent report. All we can really do is provide a secretariat to assist them. They are fully at liberty to produce reports periodically on particular subjects and sectors. It really is up to them. We are not dictating to them; they are there to hold us to account.

Q358 **Albert Owen:** That is good to hear, and I will push you a bit on that. They are going to produce an annual report, but there are going to be interim reports. They are going to meet three times a year. They will meet once a year with the Chancellor and the Secretary of State for BEIS. Is that right?

Richard Harrington: I am not sure who they will be meeting in which meeting, but at the first meeting there were, in descending order of importance, the Prime Minister, the Chancellor, the Secretary of State for BEIS and myself.

Albert Owen: I forgot you, sorry.

Richard Harrington: I was right at the bottom of that list, but I was there and I have taken a full part in it.

Q359 **Albert Owen:** There will be an annual—

Richard Harrington: There will be an annual report, but it is really up to them. We are not dictating to them how they do it.

Q360 **Albert Owen:** Just to be clear, will they have access to the Secretary of State and the Chancellor once a year?

Richard Harrington: No, they will have as much access as they want.

Q361 **Albert Owen:** I am talking about the chair. The chair would meet officially—

Richard Harrington: The chair will have as much access as the chair wants, and indeed individual members will do. The chairman, Andy Haldane, for whom I have a lot of respect and who knows well various members of the Committee, is not the sort of man that can be pushed around. He would not have taken this job if he did not have the access to the people.

Q362 **Albert Owen:** Sure. I do not want to get into the personality; it is more the mechanisms. The council is required to agree a programme with BEIS and the Treasury. You said it is very independent. Which one is it? Do they have to agree a programme, and, if there are disagreements, will we get reports of those disagreements and comments?

Richard Harrington: They are very free to print whatever reports they want.

Q363 **Albert Owen:** I was thinking here on behalf of the Government. Would



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you expect, with the openness and accountability, for any issues to be minuted and those minutes to be produced, so that we can, when we are next talking to you, have some information so that we can hold you to account?

Richard Harrington: I would expect them to do that. I cannot speak for them, but with people of the calibre of Andy Haldane, Nicola Mendelsohn and Kate Barker, I am sure they could be summoned to this Committee or any other committee, and would give a full and frank report of what they were doing.

Q364 **Albert Owen:** Sure, but it is our main role to hold the Department to account as well, and you make your announcements to Parliament, so we are holding you to account as well.

Richard Harrington: You would be, and quite rightly so.

Q365 **Albert Owen:** If the Government are meeting with the council, would you expect, from the Government's perspective, those accounts to be made public?

Richard Harrington: Yes, that would be very reasonable.

Q366 **Albert Owen:** Can I move on now, and ask how the Government decided which sectors would be included in the White Paper? How did you come to that decision?

Richard Harrington: It is fair to say that, in the White Paper itself, the sectors that were named were a kind of first stab at it. We have evolved our thinking since then. I accept that we could have worded it in a more explanatory way, but we did not want it to appear that that was the list and that was it. That would have been wrong, and I hope we have shown by our actions since then that it is much broader than that. I do not know if you would like to comment on that, Alex?

Alex Williams: Of course. For the four deals that were announced in the White Paper and the two that we have agreed subsequently, the first five were announced in the Green Paper that was published in January 2017. As the Minister said, they were on a trial basis—that this was an approach—and subsequently we committed to an artificial intelligence sector deal, through the digital strategy, in March of that year. You have just heard from the construction sector, which made sufficient progress, in our view, that around the summer of 2017 we committed to agreeing a deal with them.

Q367 **Albert Owen:** On the industrial digitalisation sector deal, that is not a sector is it?

Alex Williams: It is an enabling technology for growth across a number of sectors.

Q368 **Albert Owen:** There is a bit of fraud there, is there not? You are calling them sector deals, and, by your own admission, it is not a sector.



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Alex Williams: In all fairness, we have not actually concluded an industrial digitalisation deal.

Q369 **Albert Owen:** Would it be branded as a sector deal?

Alex Williams: It has resulted in the publication of the Made Smarter Review, which the Government have backed quite substantially, with the establishment of a new Made Smarter Commission, a piloting of their technology diffusion approach in the north-west, and most recently, in the Budget, the announcement of a commitment to a Made Smarter Industrial Strategy Challenge Fund bid through Wave 3.

Richard Harrington: If I may, Mr Owen, you have a valid point. Some industries are quite easy to divide into a sector, self-evidently, but some things do transcend nearly every sector. Digitalisation is a good example. For example, take a deal with the coatings industry, or ceramics, for that matter. They affect a lot of the other sectors. I am not really in favour of arbitrary definitions. We have to be flexible enough. The principle I have is if there is a coherent group of industry that have got together and are prepared to co-operate, I am not going to be pedantic, saying, "That is a sector and that is not a sector". It is just a partnership.

Q370 **Chair:** On that point, we had evidence this morning from Richard Warren from UK Steel, who said that the Government and the steel sector had all but given up on trying to agree a sector deal, and that the differences were too wide, because the Government were insisting on R&D being the central part, and the issues in steel, Richard Warren said, were more fundamental, about basic competitiveness, so as a result there would be no sector deal. That is a coherent sector, a very important one and one that has faced a lot of challenges. What message would you give to the steel sector, Minister?

Richard Harrington: What you have said is very valid, Ms Reeves. If I could perhaps explain, they are a sector, yes, and the trade body, which Richard is a member of, are a classic representative trade association of a sector. However, one of the factors for a sector deal for us is that it is industry-led. Originally, the industry appointed Roland Junck, a Luxembourger, who is the chief executive or chairman of British Steel, who are based up in Scunthorpe, as the sector deal lead. He reached the conclusion that he could not act on behalf of all of the companies. It was a lot of management time and was very difficult. He asked Gareth Stace, who is Richard's boss, to take command of it. We wanted it not to be trade bodies; we wanted it to be industry generally. We had so many discussions with them; most weeks I see them on different things, and I hope they said that.

Chair: They said there were lots of meetings.

Richard Harrington: Just because there is not a sector deal, it does not mean that we are not listening to what they say and are trying to do. The main thing is that their proposals to us were a list of Government asks. For example, it would have mentioned about energy prices and it would



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have mentioned about business rates. I am not commenting on the merits or otherwise of those asks, but they were industry asking Government. When asked, "What are you prepared to do?"—we should remember that these things are a partnership—we had no proposals. I would really like to do a sector deal with them, but at the moment it is just not possible.

Q371 **Albert Owen:** Briefly, on some further industry-led sector deals that you mentioned in the White Paper you would probably make an announcement about, when is the next wave going to be, and how many will there be?

Richard Harrington: We have got another three in the pipeline.

Q372 **Albert Owen:** When will they be announced?

Richard Harrington: By the end of the year, I hope.

Alex Williams: Some by the end of the year, hopefully, yes.

Q373 **Albert Owen:** Have Government ruled out deals with any sector other than steel so far?

Richard Harrington: No, we have not ruled them out, and I do not rule out steel. It is just that at the moment we are nowhere near it.

Q374 **Vernon Coaker:** You are clearly involved in a lot of the sector deal discussions. How many deals are in the pipeline? There was a Westminster Hall debate where the Minister then said 52 approaches had been made. How many potential deals have you considered over the pipeline? There are potentially nine by the end of the year, with the six and the three that you have just mentioned. What about the other 43?

Alex Williams: The total number is a challenge. We are probably slightly a victim of our own success.

Q375 **Vernon Coaker:** That number—52—is right?

Alex Williams: Those were expressions of interest, which ranged from a letter saying, "X sector deserves a sector deal", right the way through to some of the more worked-up proposals, such as the three that we are looking to progress in the coming months. They exist on a spectrum.

Q376 **Vernon Coaker:** There are still expressions of interest from 52 different sectors? I know at the moment there are nine. Is there a programme to do that? Are the resources available? Is there a programme to go through those systematically? Do you see what I mean? Could I ring you up and say, "Where has my letter got to?"?

Alex Williams: It leads to the expression of the expectations of sector deals that we set out in the White Paper, of which there are six. We intend to progress with those proposals, on a case-by-case basis, that best meet those expectations.



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Q377 **Vernon Coaker:** There are 43 out of the 52, if we take the nine away, that have at the very least submitted a letter; some of them have done more than that. Do they know where they are in the pipeline? Have you gone back to them? Do they ring somebody up? Do they know who to ring up?

Alex Williams: All of them have dedicated sector leads within Government that they interact with regularly.

Q378 **Vernon Coaker:** Why did the offshore wind industry say that it felt like blindfolded darts sometimes?

Alex Williams: The offshore wind industry have a dedicated team within BEIS that interact with them.

Q379 **Vernon Coaker:** Why did they call it blindfolded darts sometimes?

Richard Harrington: I will answer that, if I may, because it is my responsibility now. I do not think we were very clear at the beginning in telling people exactly what was expected of them. If you meant that as an implied criticism, it is perfectly reasonable.

Q380 **Vernon Coaker:** It is not a criticism; I am just asking why they are saying it. I did not say it.

Richard Harrington: I would agree with that, because we tried to set the top-line rules in the White Paper. We could go through them all; I am sure everyone has read them; they are about breadth and all the other things. To turn that into practice in a sector deal, we perceived it as being more complex than that. For example, we had to make sure that there were lots of different factors to do with it—for example, place, and that it represented a comprehensive selection of people in the industry, not just one or two dominant companies. I could go through a lot of things. These have evolved with them.

As the Chair pointed out, I am speaking on behalf of the Government so this is not just my view. I hope most sectors, in time, will do a sector deal, providing they are national and they are not representing just one or two companies. For example, we have had proposals—I should not embarrass them by saying which sector, because they might not want it to be public—that are really good, but where it is basically one business park and one science school and things on it, but not that there is anything wrong with that. We try to make that into a national sector deal, but these things take time.

Q381 **Vernon Coaker:** That is very helpful, but it would also be helpful for us, as a Committee, to know where these other 43 have got to. There are nine by the end of the year. Are these other 43 just expressions and not going to get anywhere, or are they being discussed? Is there clear guidance for them? It is all those sorts of things. Has the Department got enough resources to deal with them?



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Richard Harrington: I will answer first from my end of things, and then Alex can continue. From my end of things, I have a meeting every fortnight that is a kind of implementation group. I have people there from the Number 10 Policy Unit and our officials. In many cases, we are bringing in officials from other Departments. For example, DCMS is the champion of one sector deal, and food and drink might be to do with DEFRA. We go through two things: first of all, those deals that are already announced, in terms of how we are actually delivering on what has been promised; and secondly, we go through what they call a star chamber. It is not really that, but people in politics like those titles, as you know. People putting forward a deal for that sector have to put it to us and we question them about how ready it is.

We also discuss, which goes directly to your point, how we are progressing with the others. It is not quite articulated in terms of the 43, but in terms of the others, because it is for us to help them. In some cases, we feel we have to write the sector deal for them, because some, such as life sciences under Sir John Bell, had got very well paid and very smart people to do it, because they have those resources. Another example is the creative industries under Peter Bazalgette. Others have not got those resources, and they have never done anything like that.

For example, my former sector, in my business life, is a very wide industry. There are tons and tons of different groups and different interests, and most people have had nothing to do with the Government. I managed it for 25 years. I belonged to the trade association, and in a good year I subscribed to CBI, but you did not really know much of what was going on. In these sectors we have to make sure that companies like that are brought into it. It is an evolutionary process, but I am totally committed to as many industries as possible.

Q382 **Stephen Kerr:** What assessments have been done by BEIS in relation to the regional impact of sector deals?

Richard Harrington: I will ask Alex to answer that.

Alex Williams: Again, the flexibility of the approach and the differing nature of various sectors mean we have not taken a one-size-fits-all approach. It is quite hard to compare, say, the construction sector, which is generally geographically diffuse, with sectors such as the nuclear industry, where you would expect to see a degree more articulation of commitments to the south-west, the north-west and north Wales, for example. We have approached it on a case-by-case basis, but with a clear expectation, where there are strong regional centres—

Q383 **Stephen Kerr:** Have regional impact assessments been carried out since the deals were launched?

Alex Williams: Not specifically, no, but each of the deals commits to a review one year after the launch.

Q384 **Stephen Kerr:** Is regional impact part of that?



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Alex Williams: That is something we consider where those deals have specific commitments around the regional impact.

Q385 **Stephen Kerr:** That is important. Obviously I am a Scottish Member of Parliament. Are you entirely happy with the profile BEIS has in Scotland? They are all in Aberdeen, are they not? They do not seem to be anywhere else in Scotland.

Alex Williams: We have interacted quite closely with the Scottish Government. I would concede that some of our aims at the beginning of the sector deal process were very much not with great expectation of any policy movement in areas of devolved responsibility, and that probably meant we did not engage as effectively as we could do, using this as perhaps a means of extolling the virtues of various sectors with Scotland, Wales and Northern Ireland.

Q386 **Stephen Kerr:** So BEIS could have a better profile in Scotland?

Alex Williams: Certainly in relation to the policy I work on. We are getting there.

Q387 **Stephen Kerr:** What about other Government Departments? Minister, you talked about other Government Departments buying in. Is that generally the case? Have other Departments in Whitehall bought in to sector deals?

Richard Harrington: Yes, I think they have, and that is because we have made them champions for sectors that come under their remits. We are the lead Department but they are responsible for helping to promote their sectors. That has been very effective.

Q388 **Stephen Kerr:** It is just that we heard from the British Retail Consortium in relation to their attempt to put together a sector deal how frustrated they were about the lack of buy-in from the Department for Education when it came to skills. It did not even bother to show up at an attempt to set up the new Retail Sector Council. It did not even enter the room.

Richard Harrington: I have had many meetings with the Department for Education in response to very legitimate questions brought about not just by the retail people but by quite a few different sectors. Skills is a very important part of the industry strategy—it all links in with the apprenticeship levy, with which there have been a lot of problems. The Department for Education is now focusing on these issues. We include them in everything. I do not think the British Retail Consortium has been at all unreasonable in the evidence it gave to you.

Q389 **Stephen Kerr:** I have one last point on decision-making around funding and investment. Is it the Treasury that makes the decisions?

Richard Harrington: The Treasury makes decisions for all aspects of Government spending.

Q390 **Stephen Kerr:** You can work on a great proposal around any kind of a



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deal—I have experience of this with the city deal in Stirling—and the Treasury can say, “No, we are not going to give you that money”.

Richard Harrington: Yes, that is correct, but that is true in Government generally, whatever complexion politically.

Q391 **Stephen Kerr:** Yes, I know it is, but it does frustrate people when they are building proposals.

Richard Harrington: To give credit to the Treasury—I know I should not, because it is not fashionable—it is not a deal-buster by nature; it is really not. Take, for example, the Industrial Strategy Challenge Fund; yes, the Treasury is responsible, through the normal systems of public accounting, for signing off everything, but it accepts that there is quite a sophisticated process in place as far as the Industrial Strategy Challenge Fund is concerned, and it would be very strange for the Treasury, for something that does stack up, then to say, “The money is not available for it”, when it has already been announced that it is within that £750 million or whatever has been announced. It does not micro-manage it, but it is its responsibility to sign it off, because that is what it does, like in a business with a finance department.

Q392 **Stephen Kerr:** Are the Government entirely satisfied with the financial offers that have come for the sectors from business?

Richard Harrington: I would like give a politician’s type of waffling answer, but I know it will not be acceptable to you, Mr Kerr. The way I see it is that we can always do more. We work on a matched bargain basis, but there are some very good examples of them actually giving more. It is not just the money. Of course the money is important, but it is their buy-in. If they are paying, they will contribute in other ways. A lot of it, of course, is putting in management resources and other things. I want more, but I am very pleased with what we have had.

Q393 **Antoinette Sandbach:** You say they can always give more. Do you think new deals will need to be revisited and updated?

Richard Harrington: Do you mean generally speaking?

Antoinette Sandbach: Yes.

Richard Harrington: They will be updated, absolutely. For example, with life sciences, which was the first one, there is already talk of expanding it, and we really will push it on. This is an evolutionary process, not just a one-off.

Q394 **Antoinette Sandbach:** Does that mean that could be revisited by Government and/or industry?

Richard Harrington: Yes, very much so. We want to try to create an environment where they all want to be in it. The pioneer ones are in it, but as soon as they see advantages and as soon as they see research projects that can help them, they will come clamouring.



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Q395 **Antoinette Sandbach:** Are you going to publish annual reviews?

Richard Harrington: Do you mean individually by sector?

Antoinette Sandbach: Yes.

Alex Williams: Individually by sector, there is a commitment in all of them to do that.

Richard Harrington: Those will be published.

Q396 **Antoinette Sandbach:** Who is accountable, Minister, if they do not deliver the promised outcomes?

Richard Harrington: I feel I am. Legally, it might be the Secretary of State, but I am in terms of my personal responsibility for this and in my job as Minister for business, industry and implementing the industrial strategy. I am quite content to be called to order on this.

Q397 **Antoinette Sandbach:** In the previous session, I asked, effectively, what the stick was. There are obviously carrots, but what is the stick if the benefits are not delivered?

Richard Harrington: There is not really a stick, but there is not any need for a stick. They are not going to get suspended. If the industry loses interest in it, this is not just Government's alone. It used to be. When I was an A-level student, I went to visit the NEDC on a school trip. It was civil servants, and presumably Ministers—obviously, they did not show a bunch of sixth-formers the Ministers—choosing which businesses to invest Government money in. We do not want that again. This is a partnership. If it does not work as a partnership, it will not work as a sector deal.

Chair: Thank you very much, Minister and Alex Williams, for coming in to give evidence to us this morning.

Richard Harrington: Thank you, Chair and Committee.