

The Rt Hon Greg Clark MP
Chair of the Commons Science and Technology Select Committee
House of Commons
London
SW1A 0AA

24th November 2020

Dear Chair,

Research and innovation have the potential to drive an economic and health recovery in the UK. The Government has clearly articulated its ambition for a greater proportion of the UK's economic activity to be research and innovation led, and has set a target of approximately doubling research and development (R&D) investment across the economy to 2.4% of GDP by 2027.

The contribution of businesses to UK R&D is substantial. According to the Office for National Statistics, business accounts for around 70% of all R&D activity in the UK.

The impact of the pandemic on business R&D is uneven. In some sectors, R&D activity appears to have held up well, perhaps due to ongoing demand or due to transfer to new national priorities. However, about a quarter of that business R&D occurs in sectors that have been hard hit by the coronavirus pandemic: aerospace, automotive, oil and gas. According to ONS data for 2018, those sectors account for around £6bn of UK R&D investment. Businesses in these industries have suffered from a collapse in demand and unprecedented market conditions, resulting in structural business change and job losses. BP, Shell, Rolls Royce, Airbus and Boeing have all announced cuts to their workforce of between 10 and 20% this year, numbering between 10,000 and 25,000 jobs per company. The Society of Motor Manufacturers estimates 11,000 UK jobs were cut by carmakers and their supply chains in the six months to July this year.

It is unclear how these corporate transformations have and will impact on R&D activity within companies, and how those impacts will reverberate in the UK's wider R&D ecosystem. CaSE has heard anecdotally that R&D has been scaled back significantly, as companies focus on keeping cash in the business. We hear and that regrowth of R&D activity in these companies is expected to take years and is likely to be tightly prioritised on future growth areas for those businesses. One could imagine cross-sectoral impacts, for example on the adoption by other manufacturing sectors of automation processes led by the aerospace industry; or in the pace of advancement of cross-sector programmes such as battery technology.

Given the apparent blows to R&D in some quarters of business, and the Government's desire to grow the UK R&D system as a whole, it seems wise to understand the current dynamics of the system in order for Government to set the best calculated conditions for R&D growth.

The House of Commons Science and Technology Committee has the opportunity to assess the state of UK business R&D and to take a cross-Government view of how to coordinate a national effort to secure, incentivise and grow business R&D in the UK in pursuit of wider national goals. The Committee could investigate further to identify those areas of business R&D that have been most significantly affected and the implications of this so that Government strategies for R&D to support economic recovery are well informed. There are likely to be indicators of trends across sectors, such as national business surveys and demand for R&D tax credits. However, coherent data is lacking, and the Committee has a unique capability that could be used to gather and assess it.

Further, the Committee could explore the potential opportunities from a shift to more future-facing R&D, for example the emphasis from energy and transport companies on accelerating their 'green revolution', and how these could dovetail with other Government priorities such as NetZero and "Building back better" if the right support is available. The Committee could consider how the UK can pitch itself as the home of future-facing business R&D, as businesses re-invent themselves. The UK has the skills and breadth of excellence across science, engineering and social science to make exceptional innovations that work and are well received. Positioning the UK as the best place to conceive, develop and grow next-generation technologies could help attract and retain that R&D which is prioritised as essential for the future of hard-hit businesses and sectors.

The Industrial Strategy Council and the National Centre for Universities and Business support a 'refresh' of the Industrial Strategy in line with the UK's new societal and market environment. I encourage the committee to consider the value of a business R&D strategy, as part of an Industrial Strategy refresh. This could provide a national, coordinated and concerted approach to attracting and retaining business R&D in the UK, and a platform in which it could help drive recovery and prosperity for the future.

Yours sincerely,

A handwritten signature in black ink that reads "Sarah Main". The script is fluid and cursive, with the first name "Sarah" and the last name "Main" clearly distinguishable.

Dr Sarah Main
Executive Director
Campaign for Science and Engineering