Written evidence from Staffordshire County Council (ISG 110)

1. Staffordshire County Council welcomes this inquiry into our future national industrial strategy. We continue to have a strong focus on developing our economy and increasing prosperity for the benefit of all of our residents. There are now over half a million jobs within the Stoke-on-Trent & Staffordshire Enterprise Partnership area, with growth of around 20,000 jobs since 2009. An additional 3,200 businesses (36,600 in total) are now present in the area, and this has clearly been a key driver behind the recent jobs growth.

2. There has been a manufacturing renaissance in our area, and across the wider Midlands, in recent years with around 6,000 manufacturing jobs being created since 2009. Manufacturing will be vital to the future of our national economy as we move away from an over-reliance on service sectors, whilst areas such as ours have been key drivers of the recent manufacturing resurgence with over half of the total manufacturing, motor, and construction jobs now being located within counties. This growth has been supported by substantial investment in infrastructure, with counties investing £4.2bn in key infrastructure in 2015/16 alone. A good example of this is the new £40m motorway junction providing direct access to the i54 South Staffordshire Enterprise Zone, led by Staffordshire County Council in partnership with Wolverhampton City Council and South Staffordshire Council. The site is now home to major manufacturers including Jaguar Land Rover and MOOG, providing a significant number of high-value employment opportunities.

3. Whilst manufacturing provides significant opportunities for future growth, the diverse nature of Staffordshire has led to a number of other key sectors also being present in the area. Tourism is of particular importance as we are already home to a number of major attractions such as Alton Towers, Drayton Manor Theme Park, Tamworth SnowDome, the National Memorial Arboretum and the Peak District National Park, whilst professional / business services and digital / creative have also been important growth sectors in recent years.

4. In terms of Gross Value Added (GVA), the size of the Staffordshire and Stoke-on-Trent economy has grown by over £3.2bn since 2009 and now contributes over £20bn to national GVA per annum. Nationally, counties account for over 40% of total GVA. However, similar the majority of counties across the country, levels of productivity in Staffordshire continue to lag behind the national average. This impacts on living standards and we therefore offer real potential to improve national productivity levels for the benefit of our residents.

5. Over the coming years our industrial structure will have a vital role to play not only in overall economic prosperity but also funding for local services. The shift to 100% devolved business rates has the potential to create a number of opportunities and challenges for local authorities, with rural areas generally having relatively low levels of business rates income compared to their urban counterparts, whilst demand for services in county areas is growing strongly, often linked to an ageing population. There is therefore a clear opportunity for an industrial strategy to build upon the economic strengths of county areas in order to help address the funding gap for local services.

6. Overall, we therefore believe that an industrial strategy is important in supporting growth, and the aim of such a strategy should ultimately be to achieve the continued ambition to rebalance our national economy in terms of geography and sectors. This will be vital in ultimately achieving the Government's aims of, *"bringing our country together,"* and a desire to, *"build an economy that works for everyone, so we don't just maintain economic confidence and steer the country through challenging times, but we make sure that everyone can share in the country's wealth."*

7. Clearly not all of the questions posed by the Committee are relevant to local authorities, so our response is more detailed for a number of the lines of enquiry.

Q1. What does the Government mean by industrial strategy, and what does the private sector want from one?

8. The overarching aim of an industrial strategy should set out how the state will support business to drive economic growth. As stated within our introduction, we believe that there is particular value in an industrial strategy having a strong focus on wider Government aims, namely the rebalancing of the national economy.

9. A number of the questions posed by the Committee are interesting because they relate to a more interventionist and protectionist role for Government. There may be value for such a role for the state but only if the argument is a strong one.

10. An interesting aspect of this specific question is asking what the private sector wants from an industrial strategy. It would be expected that private sector companies will argue for support for their specific industrial sector, and Government therefore needs to be careful that the industrial strategy is not only supporting our existing businesses to thrive but also taking a longer-term view of how we wish our economy to develop.

Q2. How interventionist in the free market should Government be in implementing an industrial strategy, for example in preventing foreign takeovers of UK companies?

11. The automotive industry has been a particular success story of the local and national economy in recent years, with the development of the £500m Jaguar Land Rover (JLR) engine plant in South Staffordshire being one of our major success stories. This development has and will continue to create a substantial amount of jobs within our area whilst supply chain opportunities and reshoring is something that we are looking to build upon. This being said, it has to be questioned as to whether the Indian ownership of JLR has been detrimental in any way, and we cannot say that it has. Globalisation has broken down the barriers between economies across the world and by and large this has had a positive impact on our economy. This is evidenced by the vast growth in exporting by West Midlands companies in recent years, with the value of regional trade from the West Midlands being second only to the South East in 2015.

12. However, there is clearly an aspect of this question related to national security and companies considered to be in the 'national interest'. Where this is the case then there may be an argument for intervening in the market, although how we define companies to be in the national interest will be vitally important to stop intervening in the market when there is no real case to do so.

Q3. What lessons can be learnt from:

- **Previous governments' industrial strategies?**
- **Other countries' attempts to develop industrial strategies?**

13. In many countries innovation has been a key aspect of their industrials strategies. This is an area where we still require a great deal of improvement. Sir Andrew Witty's independent review of universities and growth considered how we can make best use of the world class research and development opportunities within our institutions, although how this has been enacted upon is not entirely clear and there is an obvious opportunity for a revamped industrial strategy to take this further. As it stands it does have to be questioned whether best use is made of funding for innovation, as we still believe that such funding is by and large directed to institutions that are most able and willing to deliver this funding as opposed to being directed to areas where the benefit would be maximised. This should also include how we can support the innovation activities of private sector research institutions and companies themselves.

14. It would also be a significant step forward if the industrial strategy had a stronger focus on the labour market required to support growth in specific industries. This would be similar to the approach in Germany where the development of the manufacturing

industry has gone hand-in-hand with the creation of a world-class vocational education. This is an area where we are clearly improving but there is a long-way to go.

Q4. What tensions exist between the objectives of an industrial strategy and the objectives of other policies, and how should the Government address these tensions?

15. It is not clear that there should and will be any tensions between the objectives of an industrial strategy and wider policies, although this is very much dependent on the detail included within the industrial strategy. We would expect that further opportunities to engage in the development of the industrial strategy will allow us to explore this issue in due course.

16. That being said, wider Government policies may clearly have tensions with the aims of the industrial strategy if they are not fully considered and addressed. For example, the living wage policy will clearly have implications for businesses and particularly certain industrial sectors. It may be argued that increased labour costs could drive businesses towards innovation and automation, so within agriculture there is likely to be a shift towards greater use of agricultural technologies for instance. However, there are limitations to this particularly in some labour-intensive industries such as social care, and how such sectors are developed and supported in the future should be a key strand of our future industrial policy.

Q5. What are the pros and cons of an industrial strategy adopting a sectoral approach?

17. We do not believe that a successful industrial strategy can focus purely on horizontal policies, and therefore it’s inevitable that there will be a sectoral approach in some form. When it comes to the distribution of funding there is always an element of ‘picking winners’ and we see this continuing. Funding is of course always limited, and therefore often needs to be directed towards areas and projects where it is believed it will have the most impact. Innovation is a good example of this, where funding is often directed towards sectors and technologies which it is believed may form an important part of our future economy and drive growth.

18. However, the criteria to identify which sectors to support are clearly critical. In the past it has seemed that a variety of criteria have been used to identify key sectors, such as whether they are embryonic with strong growth potential, or very large sectors which may require some form of support. It has not always seemed clear as to what the ultimate aim(s) of industrial strategies has been and this should be clarified before

considering criteria for deciding upon key sectors. With this in mind, it is interesting that one of the questions within the inquiry seems to suggest that sectoral and productivity approaches would be mutually exclusive. Actually the overarching aim of an industrial strategy may be to improve national productivity and in order to achieve this we will focus on a number of key sectors.

19. Within Staffordshire we have a number of traditional industries that have declined in recent decades, not least the ceramics industry and coal-mining. However, we believe that propping up such industries is in general likely to be a poor use of resources as a failing industry will more often than not require ongoing public support. What has actually been most successful has been supporting workers within these declining industries in the short-term, and then encouraging and supporting new businesses to grow in the longer-term. As an example, the closure of the Holditch Colliery in Newcastle-under-Lyme led to the loss of over 1,000 jobs in 1996. Staffordshire County Council acquired the site, and after an extensive land reclamation and remediation programme, the area was fully landscaped and marketed to attract businesses to buy or rent land on the site. The site is now home to over 4,000 jobs. However at a time of reduced public sector resources, being able to undertake such developments is becoming more challenging. Therefore a key part of the industrial strategy should be providing local authorities, and partnerships such as Local Enterprise Partnerships, with the tools and resources needed to progress such projects.

Q6. Should the industrial strategy have a geographical emphasis?

20. As we have already stated, we strongly believe that the rebalancing of the economy should be an important overarching aim of the industrial strategy. Similar to our belief that productivity and sectoral approaches to the industrial strategy are not mutually exclusive, there is clearly an intrinsic link between sectors and geography.

21. As stated in our response to the previous question, local authorities and wider partnerships will have a vital role in implementing the industrial strategy, whilst devolution could provide at least some of the tools and resources required to do this. Local control of taxation is an important aspect of this, although this does need much greater thought. The devolution of business rates as an example opens up the opportunity for a tax increment financing type model for future investments, and this is something that we believe should be explored further.

22. A large part of Government interventions in supporting economic growth outside of London and the South East in recent years has related to strategic transport investments, alongside the provision of funding for local infrastructure projects. The

development of a sub-national transport body for the Midlands should support greater investment in our strategic transport network which we would wholeheartedly support. Investment in local infrastructure projects has opened up numerous employment sites and housing developments, although the scale of funding available and how this is distributed requires consideration. For instance, such funding is referenced within the self-sufficient local government consultation and therefore the overlapping aspects of these various inquiries need to be drawn together and not considered separately.

23. In terms of how the industrial strategy should work with local authorities and Local Enterprise Partnerships, we support recommendation 41 of Lord Heseltine's review into supporting economic growth which states that:-

24. "The Department for Business, Innovation and Skills and the Technology Strategy Board must set out a clear statement explaining how they and other government agencies will work with LEPs and the devolved administrations to better connect national strategy with local initiative."

25. There is a need to ensure that national and local strategies are better connected, and we believe that local areas are far better positioned to understand their local economies and required interventions than national policy makers. Therefore when developing the industrial strategy, we advocate an approach that has significant involvement from local authorities and Local Enterprise Partnerships to ensure that the benefits of the strategy are maximised. Ensuring engagement within the process will also ensure buy-in from the wide range of stakeholders who will be vital in achieving the aims of the strategy.

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