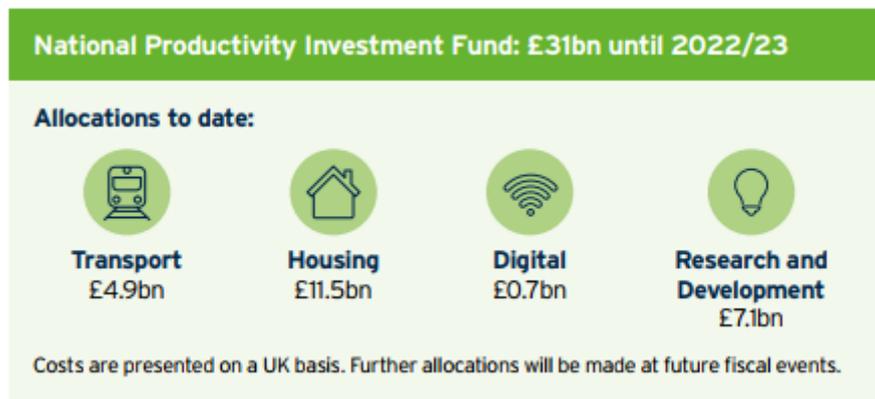


Industrial Strategy, November 2017

5 Foundations of Productivity

- **Ideas:** the world's most innovative economy
- **People:** good jobs and greater earning power for all
- **Infrastructure:** a major upgrade to the UK's infrastructure
- **Business environment:** the best place to start and grow a business
- **Places:** prosperous communities across the UK



Grand Challenges

These are in response to global forces that will shape our rapidly changing future, and which the UK must embrace to ensure we harness all the opportunities they present.



Key policies

Ideas:

- Raise total research and development (R&D) investment to 2.4 per cent of GDP by 2027;
- Increase the rate of R&D tax credit to 12 per cent;
- Invest £725m in new Industrial Strategy Challenge Fund programmes to capture the value of innovation.

People:

- Establish a technical education system that rivals the best in the world to stand alongside our world-class higher education system;

- Invest an additional £406m in maths, digital and technical education, helping to address the shortage of science, technology, engineering and maths (STEM) skills;
- Create a new National Retraining Scheme that supports people to re-skill, beginning with a £64m investment for digital and construction training.

Infrastructure:

- Increase the National Productivity Investment Fund to £31bn, supporting investments in transport, housing and digital infrastructure;
- Support electric vehicles through £400m charging infrastructure investment and an extra £100m to extend the plug-in car grant;
- Boost our digital infrastructure with over £1bn of public investment, including £176m for 5G and £200m for local areas to encourage roll out of full fibre networks.

Business Environment:

- Launch and roll-out Sector Deals – partnerships between government and industry aiming to increase sector productivity;
 - The first Sector Deals are in life sciences, construction, artificial intelligence and the automotive sector.
- Drive over £20bn of investment in innovative and high potential businesses, including through establishing a new £2.5bn Investment Fund, incubated in the British Business Bank;
- Launch a review of the actions that could be most effective in improving the productivity and growth of small and medium-sized businesses, including how to address what has been called the 'long tail' of lower productivity firms.

Places:

- Agree Local Industrial Strategies that build on local strengths and deliver on economic opportunities;
- Create a new Transforming Cities fund that will provide £1.7bn for intra city transport. This will fund projects that drive productivity by improving connections within city regions;
- Provide £42m to pilot a Teacher Development Premium. This will test the impact of a £1000 budget for high quality professional development for teachers working in areas that have fallen behind.

Early Priorities

- Establish a flexible regulatory framework to encourage new modes of transport and new business models;
- Seize the opportunities and address the challenges of moving from hydrocarbon to zero emission vehicles;
- Prepare for a future of new mobility services, increased autonomy, journey sharing and a blurring of the distinctions between private and public transport;
 - Launch a new innovation prize to determine how future roadbuilding should adapt to supporting self driving cars, with the West Midlands, a UK centre of expertise on connected and autonomous vehicles, being a key testing location for the best entries.
- Explore ways to use data to accelerate development of new mobility services and enable the more effective operation of our transport system.

Local Industrial Strategies

- Regional disparities in education and skill levels
 - According to research by the Confederation of British Industry, disparities in education and skills are the biggest drivers of regional variation in productivity.
 - In the West Midlands, only 66% of children in early years learning meet the expected standard across early learning goals (compared to 73% in the South East).
- Business Retention
 - The government remains committed to further business rates retention in England and is working collaboratively with local government on further reforms: 100% business rate retention has been piloted in five parts of the country since April 2017, including the West Midlands.
- Innovative Construction
 - £34m to expand innovative construction training programmes across the country, including a programme in the West Midlands, focused on supporting the country's housing needs and building upon existing good practice.
- 5G and Transport
 - A £5m trial to test 5G applications and deployment on roads in 2018, will help to test how we can maximise future productivity benefits from self-driving cars, building on the work already progressing on connected and autonomous vehicle trials in the West Midlands.
- Devolution
 - We have announced a deepening of the devolution deal with the West Midlands Combined Authority, which includes £6m for a housing delivery taskforce, £5m for a construction skills training scheme and £250m from the Transforming Cities Fund.

The Midlands Engine

The UK has greater disparities in regional productivity than other European countries. This affects people in their pay, their work opportunities and their life chances.

We will also continue to build the Northern Powerhouse and Midlands Engine to help create prosperous communities throughout the UK.

The Right Economic Geography

We have already encouraged collaboration to address shared challenges over regional corridors in the Northern Powerhouse and Midlands Engine. Such regional approaches can help to deepen pools of skilled labour, drive competition, and increase market access. There are also policy benefits to working at scale, including logistics and the promotion of the UK on the world stage

Infrastructure

High quality infrastructure between and within cities is vital to local productivity. We will continue to enhance connections across regional corridors of economic growth

£300m funding to ensure High Speed 2 infrastructure can accommodate Northern Powerhouse and Midlands rail services.

To support the delivery of the Midlands Connect Strategy, the government will provide £2m to develop options to address key constraints on the Coventry–Leamington rail corridor, and £4m for congestion measures.