



Response of the Midlands Engine to HM Government's Green Paper

Building our Industrial Strategy

The Midlands Engine welcomes Her Majesty's Government's consultation on a national Industrial Strategy which will build on the UK's economic strengths whilst tackling underlying weaknesses to secure our future as a competitive, global nation.

We can be a key partner of government as it seeks to drive growth across the whole country, upgrade infrastructure for a 21st century economy, cultivate world-leading sectors and promote international trade and inward investment.

The Industrial Strategy will become a central feature of the partnership between government and the Midlands Engine and a key driver of improved performance and increasing economic growth across the region.

The Midlands Engine offers the government our unqualified backing in the belief that working together, with the appropriate level of support, and investment where possible, we can prove the point that when the Midlands succeeds, Britain succeeds.

Sir John Peace

Chair, Midlands Engine

April 2017

Response of the Midlands Engine to 'Building our Industrial Strategy' - April 2017
(HM Government Green Paper - January 2017)

The Midlands Engine welcomes the ambition of Her Majesty's Government to build an Industrial Strategy that addresses regional economic imbalance and tackles the long-term challenges facing our national and regional economies.

The Midlands Engine can be a key partner of government as it seeks to drive growth across the whole country, upgrade infrastructure for a 21st century economy, cultivate world-leading sectors, and promote international trade and inward investment.

We share with government a vision of an economy that serves everyone well. The Midlands Engine commits to build on our regional economic strengths, exploit local opportunities to drive growth and productivity, and overcome any barriers to our achieving this.

We welcome the clarity of focus provided by the Industrial Strategy's ten pillars and the emphasis on the importance of both a sector-based, and a place-based approach to growth, as reflected in the Midlands Engine Strategy. We believe this approach better enables Midlands Engine partners to identify growth potential and address barriers to growth, particularly as we meet the challenges and grasp the opportunities that present as the UK leaves the European Union.

We believe that the Industrial Strategy can establish the context and stability for a longer-term policy framework that provides business investment certainty alongside;

- Political Investment that recognises the importance of stable regional and local institutions, and collaboration and partnership amongst them, that will help drive the implementation of the strategy such that the impact of their efforts is greater than if each had acted alone.
- Financial investment that ensures resources are sufficient to meet our agreed and deliverable ambitions and the particular need to provide certainty arising from significant likely changes to sources of funding.

When the Midlands succeeds, Britain succeeds.

The Midlands Engine is the partnership ensuring that the Midlands will enjoy increasing economic growth, improved productivity and the creation of more wealth that is shared more widely amongst Midlanders. We are determined to build our collective identity, to develop our competitive offer and to promote the Midlands to the world. The Midlands has:

- An economy worth over £200 billion
- A population of almost 12 million people
- A quarter of the UK's manufacturing capacity
- 20% of all UK exports
- A 4.6 million strong workforce
- 20 universities

Since its launch in December 2015, the Midlands Engine partnership has already:

- Carried out a comprehensive Science and Innovation Audit.
- Attracted £180 million funding for the Energy Research Accelerator.
- Established the £250 million Midlands Engine Investment Fund for growing SMEs.
- Developed the Midlands Connect Strategy, a long-term vision for improving transport connectivity, and secured £22m funding from the Department for Transport to progress it.
- Secured support for 20 overseas trade missions.
- Brought the private and public sector together to promote our shared offer and major investment opportunities in a pan-regional Investment Portfolio.
- Come together in an unprecedented collaboration at Mipim 2017 to promote the Midlands offer on a scale that makes sense in global markets.

The Chancellor of the Exchequer launched the government's Midlands Engine Strategy in March 2017. It includes over £400m of investment in the region.

A strategic location, the quality, scale, and the advanced manufacturing and export oriented nature of our economy mean the Midlands is the heartbeat of the UK's economy.

We have an internationally competitive and highly connected manufacturing base, recently strengthened by Toyota's decision to invest a further £240m in their production facilities in Derby.

Enriched by a range of complementary sectoral strengths, illustrated by HSBC's relocation of its retail banking headquarters to Birmingham, the Midlands Engine is positioned perfectly to drive improved economic performance for the UK and to make a substantial and lasting contribution to the delivery of the government's Industrial Strategy.

We have a well-developed evidence base of our strengths. The Midlands Engine Science and Innovation Audit (2016) identified key sectors and industries vital to a regional Industrial Strategy and essential assets of a national Industrial Strategy.

Alongside our cutting-edge finance and service businesses, and our world-class, sector-deal seeking ceramic design and manufacture industries, the Midlands has clear market and sector strengths, underpinned by cross-sector enabling capabilities.

Driving growth and improving productivity are the key long-term priorities of the Midlands Engine.

Midlands Market and Sector Strengths identified by our Science and Innovation Audit.

- a) **Next Generation Transport:** aerospace, space, automotive, motorsport and rail sectors; high performance system simulation, advanced digital design and validation, advanced materials processes, digital manufacturing, and supply chain.

Working in partnership with business, Midlands Innovation's Transport Innovation Accelerator will build on the historical strengths of the Midlands to create a national hub for transport innovation. This will act as a global beacon of excellence for technology companies with export potential, attracting talent and inward investment.

- b) **Medical Technologies and Pharmaceuticals:** medical devices, software as a medical device, diagnostics and diagnostic imaging, and pharmaceuticals.

We are harnessing the Midlands' industrial manufacturing focus on medical technologies and pharmaceuticals using the region's advanced research, development and roll-out capabilities; investing in, expanding and more effectively co-ordinating our network of Science and Innovation Parks, accelerating new medical product development by leveraging multi-site clinical trial infrastructure, and better connecting new defence-medicine developments to academic, clinical and hospital infrastructure.

- c) **Future Food Processing:** food processing efficiency, zero waste food chain, and food product innovation.

We are scaling-up the impact of existing assets alongside new investment in identified innovation gaps. Without duplicating existing regional or national investment, and requiring integrated working with and within the agri-tech and university sectors, we will connect existing activities, leverage industrial support, increase productivity, create high-skill jobs and propel the Midlands towards becoming a global leader in food and drink innovation.

- d) **Energy and Low Carbon:** geo-energy, thermal energy systems, nuclear, energy storage and smart energy systems.

The Midlands Energy Research Accelerator builds on recognised strengths to deliver investment outcomes that will be enduringly collaborative and industry-based capabilities for the design and development of large-scale future-demonstration projects. The Midlands is home to a critical mass of research and innovation assets. Work is already underway.

Cross-sector Capabilities

- a) **Advanced Manufacturing and Engineering:** leading-edge technical knowledge, and practical know-how in designing, validating, producing, and servicing new products and industrial processes across diverse, integrated sectors and markets.

A drive to exploit supply-chain innovation by supporting a large portfolio of cross-cluster technology transfer projects towards commercial application will reap significant reward.

- b) **Digital Technologies and Data:** academic, research and industrial base exploiting and understanding data and information and the use of digital technologies in product, process and service development, and research commercialisation.

The Digital Spine program – the UK’s first purpose-connected Digital Network – can support business growth acceleration, test beds, access to finance and skills, and help to position the Midlands as an exemplar in the application of cutting edge digital technologies in the public and private sectors.

- c) **Systems Integration:** academic, research and industrial expertise in increasingly complex energy and transport systems, through to manufacturing and service delivery.

These Midlands strengths can be at the heart of the UK’s Industrial Strategy.

National Industrial Strategy Pillars

1. Investing in Science, Research and Innovation

The acknowledgement of the importance of driving regional economic growth through the Industrial Strategy Challenge Fund is welcome, particularly the ambition to redress low levels of public and private Research & Development (R&D) spend relative to some competitor nations, the imbalance between public and private sector funding of R&D, and the regional imbalance of public R&D funding, which can drive increased science, innovation and commercialisation of research across the Midlands.

The Midlands Engine Innovation Group has developed a portfolio of innovation projects, focused on our strength sectors that can address the economic challenges of the region and maximise the potential of the opportunities outlined above.

As well as maximising our market and sector strengths, the portfolio includes a range of projects that exploit our cross-sector capabilities in local, national and international markets. We would welcome a conversation with government as to how these projects can be delivered.

The Midlands Engine recognises the value of the UK Science and Innovation Audits in helping to develop the evidence base for regional research strengths and innovation capability. The Midlands audit was in the first wave, and is the only whole region to have been addressed as yet. The Audit highlighted strong in-region capabilities in industry and in our universities which provide both scale and excellence across the full range of scientific and research disciplines.

The Midlands offers students, academics and businesses a complementary mix of research-oriented and teaching-focused Higher and Further Education institutions, and early-stage ‘pure’ and later-stage ‘applied’ industrial collaboration models.

The Midlands Engine is a major driver of scientific research. Our institutions secured funding of £1.4bn, representing 30% of all UK Research Council funding, between 2010 and 2015.

2. Developing skills

Industrial Strategy should start in school. No child should leave school unready for work. Skills development should be demand-led, with key sectors and industries of the future prioritised, supporting innovation and supported by ready access to growth finance for businesses.

There is enthusiasm for delivery of the skills agenda to sit with Midlands Local Enterprise Partnerships (LEPs), the West Midlands Combined Authority (WMCA) and Midlands Local Authorities, and for the role of the Midlands Engine to be to influence national policy in support of local delivery by universities colleges, businesses and other providers.

We welcome the Midlands Skills Challenge and emphasise its importance to local agencies and delivery partners developing a long-term delivery-focused plan to meet the skills needs of the Midlands economy.

The Midlands Engine would welcome a conversation with government about piloting introduction of the new T-Level and will put high-value apprenticeships at the heart of our approach to meeting our skills challenge.

3. Upgrading infrastructure

The Midlands foundation of this pillar is Midlands Connect our sub-national transport strategy, recently endorsed by Secretary of State for Transport. We have identified how transport connectivity supports economic growth in different sectors and locations across the Midlands - and importantly how and where lack of connectivity acts as a barrier to growth.

We have set out a focused set of priorities and will work with government and national agencies to deliver locally-agreed, regionally focused strategic infrastructure investments, establishing a 25-year rolling programme of strategic road and rail improvements that includes the Midlands Rail Hub. Along with the implementation and opportunities of HS2, these initiatives can help boost the economy by up to £5bn and create an additional 300,000 jobs by 2040.

We are also committed to putting in place the digital infrastructure required to drive a 21st century economy. We will continue to focus on fibre broadband roll out and improved mobile connectivity, even as work gets underway to develop proposals for establishing the 5G test-beds that will put the Midlands at the vanguard of the next wave of digital technology.

4. Supporting businesses to start and grow

The Midlands Engine Investment Fund will provide loan and equity funds, particularly for SMEs, to enable business growth and scale-up of Midlands businesses. £250m is a start but it is unlikely to be enough given the ambition for growth amongst businesses in the Midlands.

To address this demand the Midlands Engine will consider the power of pooled public sector resources as well as other innovative sources of investment finance.

The Midlands Engine will also work to address the challenge of smaller and pre-revenue businesses seeking support for growth. Inadequate patient capital and a weak angel investment culture can be a barrier to growth for some firms.

In continuing our work with No 10, BEIS and HMT, the Midlands Engine will develop a supply chain investment programme for supporting aerospace, automotive and other manufacturing companies to improve their competitiveness and productivity with a view to it becoming available nationally: Made in the Midlands, benefitting the whole UK.

5. Improving procurement

The Midlands Engine will support LEPs and local authorities in pursuing the government's stated aims of improving procurement and further developing the UK's supply chains.

For example, the Midlands Engine will work with government and partners to ensure that the region's world-class rail and power-engineering clusters take full advantage of the opportunities offered by future rail investment and the transformational possibilities of HS2, particularly in the design and build of train and track.

We will work with public agencies across the Midlands to drive innovation in procurement and work with local trade bodies to ensure that Midlands SMEs tender successfully for public procurement contracts.

6. Encouraging trade and inward investment

We will work with the Department of International Trade (DIT) to double the number of Midlands businesses that are exporting, offering specialist export support to SMEs, especially those new to exporting, and addressing the main causes of in-market failure, not least via maximising the benefit of the sharing of real-life experience and advice by the DIT's Trade Champions.

The Midlands Engine will work with DIT to develop and deliver a programme of trade missions for key sector and high growth businesses best positioned to benefit directly, and to spread that benefit through their supply chains. Sectors supported by the Midlands Engine Challenge Fund will be a focus of this work.

We will work with DIT's Birmingham-based Midlands Engine Investment Hub to build on our success at Mipim 2017 and the production of the Midlands Engine Investment Portfolio to promote the Midlands, globally, as a first-class investment destination of choice.

7. Delivering affordable energy and clean growth

The Industrial Strategy offers an opportunity to accelerate support to industry; expand focused university research capability; and provide infrastructure investments in improved energy generation, storage and distribution that will enable advanced manufacturing.

Midlands assets are focused on driving forwards and delivering UK leadership in key areas of energy research through to rapid translation into industrial pilot and demonstration-scale activities. The Energy Innovation Centre at the University of Warwick brings together all the processes needed for rapid prototyping and testing of batteries. The European Bioenergy Research Institute at Aston University works with SMEs on innovative ways to recover energy from many sorts of waste. Birmingham is determined to become the Energy Capital of the UK.

Midlands businesses and research institutions will develop and deliver to market clean technologies, refuelling infrastructure and next-generation vehicles moving towards a zero emissions future.

The world's largest off-shore windfarm, and its construction components, are being built in the Midlands.

8. Cultivating world-leading sectors

Our Science and Innovation Audit highlights the Midlands Engine as being the home of a number of world-leading, internationally important sectors including manufacturing and engineering, agri-tech, finance, bio-tech and medical research.

We will take full advantage of sector-deals, and support LEPs and local authorities to deliver locality-based, market-led approaches to innovation and skills policy and funding, reflecting place-specific opportunities and demand in our strength sectors; next generation transport, medical technology and pharmaceuticals, future food processing, energy and low carbon.

9. Driving growth across the whole country

Economic growth is not evenly spread across the country. Place-based policy changes and targeted funding, supported by businesses and universities, can unleash the potential of underperforming regions to grow faster and to redress that imbalance, learning from areas that share wealth well how to share wealth more widely in the Midlands.

National agencies, working closely with localities to meet local economic development needs, enable closer alignment of national priorities with local and regional economic potential. Devolved and sustainable sub-regional growth funds, with sufficient capital and revenue investment, can release local economic growth opportunities at the most appropriate geographies and counter-act the loss of European Structural and Investment Funds.

The Midlands Engine welcomes the government's desire to relocate arms-length public bodies - such as the Government Art Collection, Channel 4 and the Intellectual Property Office - and will be supporting local bodies to make the case for them to come to the Midlands.

10. Creating the right institutions to bring together sectors and places

The Midlands has strong institutional foundations. There is good evidence that targeted intervention alongside stable, consistent sub-national institutional structures have an important role in supporting the competitiveness of local economies.

Local authorities across the Midlands, including the new West Midlands Combined Authority under the leadership of a soon-to-be elected Mayor, Local Enterprise Partnerships, destination marketing organisations, and Further and Higher Education institutions are energetically committed to cross-boundary and cross-sector collaboration and partnership working, embracing input from the private sector.

With government providing additional local flexibility and directing resources at the most appropriate geographies, the Midlands Engine will work with its partners, at an appropriate spatial scale, to enable delivery of the Industrial Strategy.

Using the Industrial Strategy to build institutional capacity and stronger structures across the Midlands, we will be better placed to support businesses, industries and our thriving regional and local business-led cluster bodies to maximise growth opportunities.

11. Our 11th Pillar - Enhancing Quality of Life

Alongside their key role in delivering the Industrial Strategy, Midlands Engine partners will offer strong local leadership and commitment, working with government, to meet the aspirations set out in the Midlands Engine Strategy including the ambition expressed therein to enhance quality of life for Midlanders.

The recent Housing White Paper provides a welcome focus on delivering the right housing, at the right scale, for each Midlands area and its local communities.

The Midlands' central location and quality of life offer - affordability and liveability, world-class culture and sport, access to open countryside and to the coast - make it well-placed to attract dynamic, flexible, skilled and ambitious workers and their families, choosing to join us here to create the Midlands of the future.

Conclusion and Next Steps

The Midlands Engine welcomes Her Majesty's Government's consultation on a national Industrial Strategy which will build on the UK's economic strengths whilst tackling underlying weaknesses to secure our future as a competitive, global nation.

The publication the Industrial Strategy Green Paper and the launch of government's Midlands Engine Strategy represent a significant step forward and provide the Midlands Engine partnership with a timely opportunity to set out our long-term ambition to drive productivity improvements and accelerate economic growth. The Midlands Engine will respond to government with a renewed Vision and Action Plan in July 2017.

Working with government colleagues we will develop and deliver a range of, in-region, public-facing communications and marketing activities. We will share our key messages, forge a Midlands identity and get into the hearts and minds of Midlanders, energising home-grown advocacy for the Midlands as a successful part of a successful UK.

The Industrial Strategy will become a central feature of the partnership between government and the Midlands Engine and a key driver of improved performance and increasing economic growth across the region.

The Midlands Engine offers the government our unqualified backing in the belief that working together, with the appropriate level of support, and investment where possible, we can prove the point that when the Midlands succeeds, Britain succeeds.

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For further information please contact info@midlandsengine.org