

techUK Response to Business and Trade Committee Inquiry on the Industrial Strategy

Introduction

techUK welcomes the opportunity to contribute to the Business and Trade Committee's Inquiry on [the Industrial Strategy](#).

techUK is the trade association for the tech sector and represents around 1,100 members across the UK sector, the vast majority of these members being UK-based SMEs.

techUK prepared and published a comprehensive response to the Government's Industrial Strategy consultation in November 2024. The Committee can find that response [on our website](#).

In this response, we outlined in detail that tech sector is the United Kingdom's modern [economic success story](#), with the industry's contribution to the UK economy growing by 25% between 2010 and 2019, and now adding over £150bn per year gross value add. Within this techUK's members employ 1.1 million people and had a combined turnover of £329 billion in 2023 with an estimated annual growth rate of 10%. Beyond its own success the tech sector is a driver of growth and innovation across the entire economy. Virtually every other business sector has a 'growth plan' predicated on greater digitisation and the use of new and emerging technologies like AI and the cloud. Digitisation further enables inclusion and lowers barriers to accessing often critical public and private services for businesses and individuals, flowing through to economic growth. This is not only directly because of investment in digital services, but due to the impact use has on total factor productivity. Raising the rate of digitisation can have significant benefits, the OBR estimates that a faster than expected increase in the use of digital technologies such as AI could raise an extra up to £47bn for the Treasury per year through increased taxes from a better performing economy, and cost savings by reducing inefficiencies through digitisation.

The tech sector therefore has a critical role to play in both the key growth sector and in the horizontals underpinning growth across the economy in the Industrial Strategy.

We also welcome the work of this Committee's inquiry in helping to assess the progress the Government makes in implementing its objectives, though we note that to do this effectively will require more time and information than is available to us in the short term, and we therefore support the Committee's view that this should be an iterative process taking place throughout the rest of this Parliament and beyond.

We should also note that the final Industrial Strategy, along with dedicated growth-driving sector plans, have not yet been published. Understanding these will be vital to any future inquiry into the Industrial Strategy process. Nevertheless, there are elements of the Government's approach so far that we are able to comment on and draw attention to, and we are eager to assist the Committee in this inquiry.

As the Committee has requested responses be limited to 3000 words, we are limiting our response to the planned implementation of the Industrial Strategy. In this, we welcome the establishment of the Industrial Strategy Advisory Council, and support their work to consult with business ahead of the Industrial Strategy's publication. However, we are focusing on

this area as here is where there are the most outstanding questions for the Government, including as to how they will further empower the Industrial Strategy Council with powers to implement the final Strategy.

Of the questions posed by the Committee, our response has greatest relevance to questions 1, 4, 6, 8, 9, 10 and 11.

Industrial Strategy Institutions

techUK agrees with the Government's [Invest 2035](#) document that the Industrial Strategy Council must be responsible for the overall implementation of the strategy, and we welcome this Council overseeing the implementation of the Strategy. In order to best facilitate the Industrial Strategy Council in continuing its consultative work, we would encourage the Government to give the Council the powers to create structures that further welcome and incentivise partnership with the private sector, academia, trade unions and local government. In deploying the right incentives across the Industrial Strategy, the Council can ensure that its work continues to have positive benefits well beyond its own areas of focus and across the wider economy.

techUK would urge the Government to give the Industrial Strategy Council the power to established groups focused on tackling strategic tasks and goals that should be fulfilled as part of the Industrial Strategy, as this will allow the Council to retain its capacity for strategic oversight. We welcome the recently unveiled model of the UK Regulatory Innovation Office, which has established key questions and goals that it will seek to work towards, as providing a model for how this should be administered.

It is essential to consider that the Industrial Strategy will not be delivered by the UK Government alone. Any implementation will require working closely with the private sector on designing and implementing policy, including sub-sector growth plans. For this reason, we are pleased to see private sector, academia, and union voices all represented on the Industrial Strategy Advisory Council. This body will be most effective and impactful when these groups are moving as one, and thus searching for collective agreement will be vital.

It is for this reason that trade associations should play a role on the Industrial Strategy Council itself, given trade associations have memberships that range across large sectors of the economy. techUK for example has a membership that encompasses telecoms, healthcare, emerging technologies, financial technology, AI, public sector services and more.

Indeed, the Industrial Strategy Council and any related bodies should take advantage of those institutions that already exist in the private sector as far as possible. The Industrial Strategy Council needs to be able to effectively sort through a large amount of information and set directions based on the information they receive and should be enabled to focus on this, instead of establishing a vast bureaucracy. Trade associations already maintain significant infrastructure for seeking the views of their memberships, and it is this ready-made infrastructure should be utilised by the Industrial Strategy Council to quickly gain useful feedback on a wide variety of issues. They also serve as useful bodies for the distillation of consensus amongst the sectors they represent. This bottom-up policymaking, recommended by the [Institute for Innovation and Public Purpose at UCL](#), will also mean the Industrial Strategy does not require Government to spend time imposing anything on an unwilling private sector and instead will allow more time and political capital to be spent on actual implementation.

This kind of engagement is something the Government does successfully already. To take two examples, the Government supports the [UK Spectrum Policy Forum](#), an organisation that is part of techUK, to aid communication between spectrum-utilising sector and the

Government on spectrum-relating issues. The Forum has spurred Ofcom to review policy regarding use of the 3.8-4.2 GHz, and the Government on Spectrum Annual License Fees. techUK also hosts a regular forum on implementing the Telecoms Security Act, providing the Government and Ofcom with regular opportunities to communicate with business on how implementation of the Act is progressing.

As part of this bottom-up policymaking, techUK believes that the Industrial Strategy Council should also consult widely with local authorities and devolved governments as part of an effort to combat the idea that the UK's nations and regions should be competing with each other. Instead of fighting for larger parts of the UK's economic 'pie', a spirit of co-operation is needed to grow that pie's total size to benefit all. As was recognised in a [regional conference](#) organised by the CBI in Birmingham in 2024, a region cannot be a world-leader or national-leader in every sector. There must also be a recognition amongst the Governments both national and devolved that their main competitors are not each other but other countries around the world, and that intra-UK 'beggar-thy-neighbour' policies will be bad for the UK as a whole in that global competition.

Instead, the United Kingdom's nations and regions must take better advantage of the fact that they are part of one country, and should see co-operation as a way not of 'losing' opportunities and potential strengths to other areas, but as a way to bolster those comparative advantages they already possess. As part of this, techUK recommended the funding of dedicated Digital Champions in every local authority. These roles would be specifically tasked with working closely with industry to unlock local delivery barriers, enable easier access to public assets, and help facilitate the deployment of essential connectivity infrastructure. Digital Champions would play a pivotal role in supporting local communities, driving business growth, enabling digital public services, and fostering local regeneration.

The Government must use the structures of the Industrial Strategy to attempt to foster intra-UK co-operation through involving the nations and regions in areas where they possess strength and bringing those strengths together when creating sub-sector deals and pursuing task and finish goals.

Delivering the Industrial Strategy

In order to fulfil these goals and tasks, the Council should have the power to establish task and finish groups, modelled on the Task and Finish Groups that have worked well for regulators and Government Departments who have turned their attention to specific policy questions or problems. The task and finish groups would be tasked with solving or delivering on key questions and goals arising from the strategy and should be chaired by a member of the Industrial Strategy Council. These groups would be tasked with designing, delivering and evaluating the Industrial Strategy on a day-to-day basis.

techUK has called for the greater use of these Task and Finish Groups across Government previously. For example, the Council should be able to establish a temporary body to answer a question such as 'how do we eliminate the long-tail of productivity in the UK?' which will then have a membership of trade bodies, companies, unions, Government Departments (notably the Treasury) and bodies such as the Regulatory Innovation Office, and academia tasked with devising solutions. These bottom-up suggestions will then be far more likely to have buy in from the actors required to implement them. They can also assess the outcomes of interventions made and progress made towards the goals assigned to them. It is likely that such Task and Finish Groups run under the Council could also be aligned with the ['Missions for Government'](#) and Mission led approach set out in the Government's election manifesto.

By using these temporary groups, the Industrial Strategy Council will be prevented from becoming a large planning bureaucracy, and it will make co-operation between the Government and those stakeholders necessary for the success of the Industrial Strategy mandatory. The Council itself must have a dedicated secretariat that can directly and regularly communicate with relevant stakeholders to maintain these task and finish groups.

These bodies should also be charged with assessing the wider supply chains that the UK is operating in. Tech supply chains are especially complex and intricate, and it is unlikely the United Kingdom will be a world leader across a supply chain but will instead have pockets of strength. Task and finish groups should identify where the UK has strengths in a supply chain and where the UK relies on other countries. Similarly, these groups should identify where in the UK's nations and regions existing capability exists to fulfil policy goals and that policy recommendations build on existing infrastructure and success instead of recreating activity elsewhere. Involving regional trade associations and representative organisations, alongside Combined Authorities, would ensure those areas without Combined Authority representation will still be able to participate and have their economic strengths represented.

Focus of the strategy

The Industrial Strategy Council should also seek to drive a strategic focus on growth and resilience – particularly of the underlying connectivity infrastructure that will underpin our economy and all tech adoption. Resilience is a critical component of the creation of a stable economy. It is important to not overlook this element, particularly for infrastructure. A hyperfocus on underlying resilience as well as growth will enable prioritisation on the interventions that will drive forward the UK economy. The pre-election Labour Industrial Strategy recognised this role of resilience thoroughly, so it is important that there is no tunnel-visioned focus on growth but that this growth should remain stable.

In order to encourage the growth of the UK's tech sector, and to make that growth as resilient as possible, it must be recognised that trade and taking a global approach are essential. In order to encourage the growth of the UK's tech sector, and to make that growth as resilient as possible, it must be recognised that trade and taking a global approach are essential. An Industrial Strategy should recognise the need to encourage growth through increasing export opportunities and tackling barriers to trade.

Accreditation sits at the heart of removing non-tariff barriers to trade, enabled by the worldwide network of mutual recognition agreements on accreditation through the International Laboratory Accreditation Cooperation and the International Accreditation Forum, and, at a regional level, through the European co-operation for Accreditation. Under these agreements, conformity assessment activity, such as certification or verification, accredited by an accreditation body in one signatory country is recognised as technically equivalent in all others. This leans on the 'assessed once, accepted everywhere' philosophy whereby conformity assessment bodies can demonstrate their competence across borders.

A mutual recognition agreement on accredited conformity assessment activity with the European Union represents an effective mechanism by which government can promote export opportunities for UK businesses through reducing or removing the need for duplicative product evaluation. This reduces operating costs and supports the integration of supply chains, contributing towards a more stable regulatory environment and promoting export-led growth. As conformity assessment is relatively more costly for small businesses, a mutual recognition agreement would bring greater benefit for UK SMEs' export opportunities.

Additionally, the development and delivery of national regulation should take international interoperability into account. An Industrial Strategy that defines national regulation through

reference to international standards, and globally recognised means of demonstrating that standards are met, leans into the global quality infrastructure and supports government-government and government-business partnerships. Government-government collaboration, such as through encouraging the use of international standards and globally recognised accreditation when creating and delivering policies, can minimise technical barriers to trade that may arise from multiple standards and duplicate conformity assessment provisions.

It is necessary for the Government to assess the geopolitical risks to complex tech supply chains in partnership with the tech sector to ensure that the UK can continue to have stable access to essential supplies in preparation for disruption.

Assessing success

The Industrial Strategy Council should constantly evaluate the Strategy's successes and failures. This is a key part of industrial policy [in South Korea](#), where assessment of learnings from specific strategy groups is a key part of shaping future policy.

As part of this, we would support measuring and evaluating the Industrial Strategy through using qualitative as well as quantitative results. This will allow better assessment of the overall changes to the business environment as effected by the measures deriving from the Industrial Strategy. Purely quantitative targets may also lead to a lack of focus on the wider business environment, and lead to excessive focus on what can be counted rather than what counts.

One key measure of success will be whether the Industrial Strategy Council becomes a point of consensus between the major parties at Westminster. While we welcome the plan to Industrial Strategy Council being put on a statutory footing as a way to establish its permanence, becoming a point of cross-party consensus would vindicate the Strategy as a policy vehicle and contribute to providing the long-term certainty necessary for the Industrial Strategy. This will also allow actions taken by the Council and its task and finish groups to be considered over a longer investment timeline of 5-10 years, matching those of the private sector, further crowding in investment.

Another consideration techUK would ask the Committee to account for is whether the notion of 'success' or 'failure' is the appropriate way of assessing the Strategy's outcomes. Instead, it may be better to assess whether any actions taken as part of pursuing the goals of the Strategy had the expected outcomes, and whether there were any unintended consequences. Doing so could reveal problems, or potentially unexpected benefits and spillovers, that the Industrial Strategy Council may wish to reform its approach to prioritise.

Finally, we would also urge the Committee to consider the impact of confidence in key technologies and institutions, both as an input into the Industrial Strategy and as an output. Perceived or established success in the economic sphere must create greater confidence in the ability of the UK economy to grow and embolden those who would make our economy more dynamic and take risks to commercialise their ideas. Similarly, unpredictable events may severely undermine confidence in technologies and institutions. When assessing the Strategy, there must be account taken of the emotional, 'animal spirits' that are just as essential for economic growth as frameworks and strategies conducive to economic growth. The most notable current example here for the UK tech sector is the culture of the UK when it comes to taking investments, with UK investors, including pension funds, seen as culturally less risk acceptant and less likely to invest in new and novel technology markets. This cultural impact, alongside the incentives and structures of our capital markets has left the UK as a relative under investor in innovative new technology start-ups and scale-ups. The Industrial Strategy must aid in reorienting this narrative and getting the 'animal spirits' excited for UK investment once again.