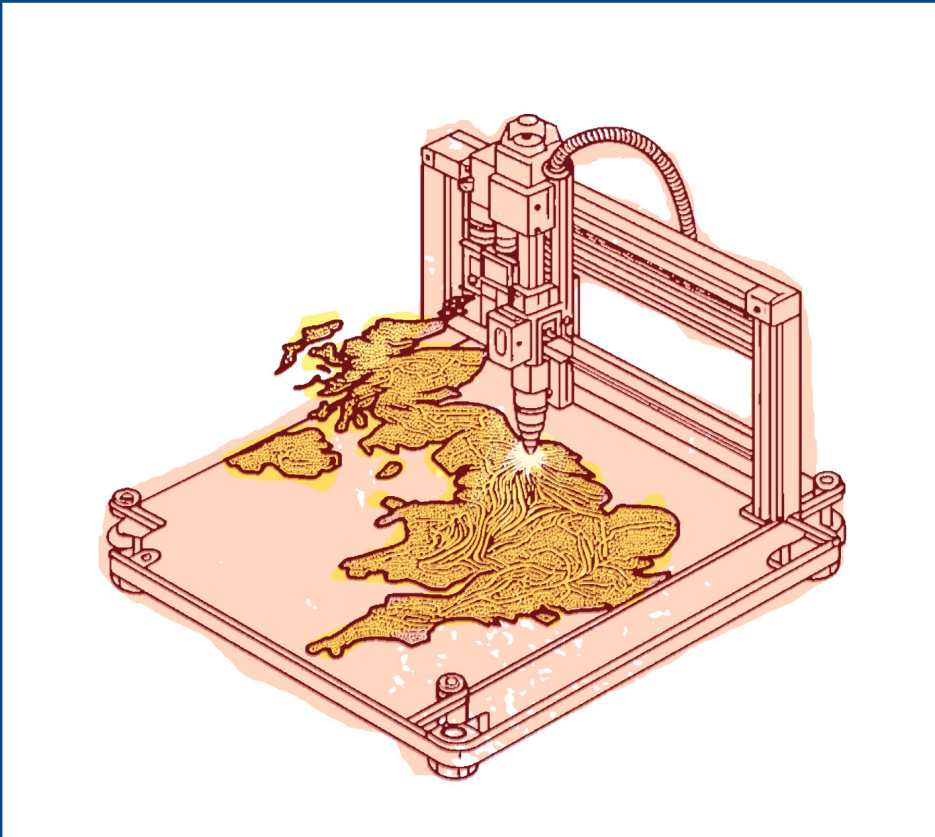


Beyond the White Paper

How to revive British industry



Industrial Communities **Alliance**

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Manufacturing matters

The British economy is fundamentally imbalanced. We sell too little to the rest of the world and too much of what we consume comes from abroad. We have a robust service sector but for decades we've neglected manufacturing. The country's prosperity and growth are lower as a result.

Yet manufacturing is of vital importance:

- Almost half the value of all UK exports still comes from manufacturing
- Manufacturing, with just under 10 per cent of the UK workforce sells almost as much to the rest of the world as the other 90 per cent put together
- And at a time when UK productivity is flagging, it's manufacturing that's still delivering improvements

It's also wrong to assume that manufacturing doesn't matter any more in its former heartlands in the Midlands, the North, Scotland and Wales. Far from being 'post-industrial', many of these places remain the 'most-industrial' in the country:

- Manufacturing accounts for 15 per cent of jobs in Britain's older industrial towns, and many more through local supply chains and consumer spending

A revival in British industry would be especially beneficial to the economies beyond London and within the UK's regions and nations it is the places beyond the big cities that would often gain most. These include many of the UK's most economically disadvantaged communities.

The White Paper

In June 2025, the Labour government published its White Paper, *The UK's Modern Industrial Strategy*.

There are plenty of good things in the White Paper – high ambitions, lower electricity prices for energy-intensive sectors, a commitment to support ‘foundational industries’ such as steel and chemicals, funding for a range of interventions and much more.

The proposals in the White Paper are also a big improvement on those in the consultative Green Paper published the previous autumn. Ministers have been listening and responding.

But do the proposals in the White Paper go far enough?

In the summer of 2024, in the immediate wake of the general election, the Industrial Communities Alliance published *Ten Steps to Revive British Industry: proposals for a Labour government*. We’ve gone back and looked at how the White Paper compares with the proposals we put forward.

The comparison reveals that there is still some way to go to provide an Industrial Strategy that can genuinely be expected to deliver the revival that’s needed, especially in the less prosperous older industrial towns beyond the big cities.

The commitments in the White Paper provide a starting point but it’s still early days for the Labour government.

This booklet explains what the government needs to do next to deliver an industrial revival.

Industrial Communities Alliance

The proposals here come from the Industrial Communities Alliance, the all-party association of local authorities in the industrial areas of England, Scotland and Wales.

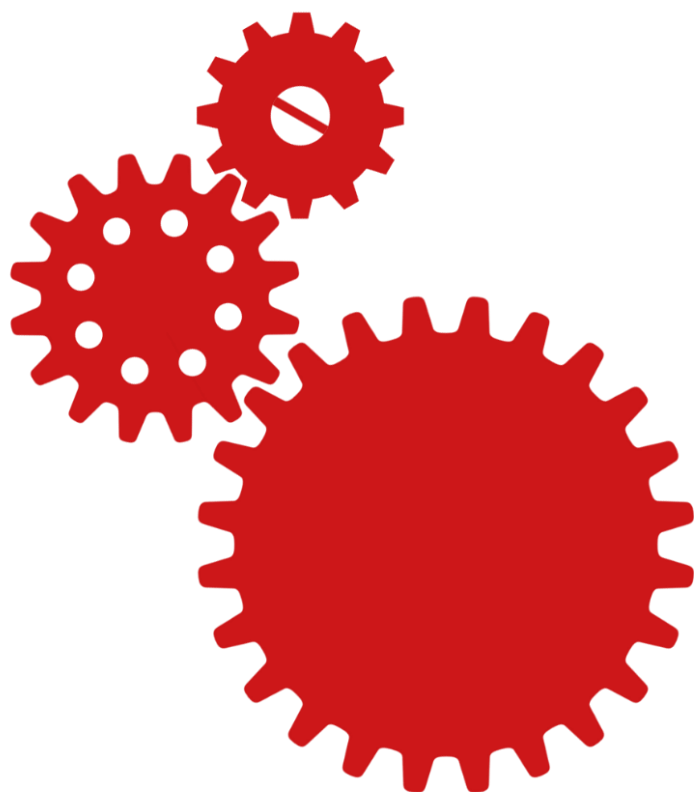
Alliance member authorities cover many of the places that have suffered most from the failure to nurture Britain's industrial base. Whole sectors – coal, steel, textiles, shipbuilding, heavy engineering – have disappeared or been reduced to a shadow of their former selves. Significant industry nevertheless remains in many of these cities, towns and smaller communities.

More than perhaps anywhere in the country, Alliance member authorities have long experience in working to rebuild local economies.

The proposals here therefore aren't the product of a one-off study by a consultant or think tank. Rather, they draw on the accumulated knowledge, experience and views of local authority members and officers across the country. On industrial matters, that body of expertise is formidable.

We see rebalancing the economy towards industry as a win-win strategy:

- What the UK economy needs to foster prosperity is a shift towards production, industry and exports
- What a shift towards industry would also deliver is a fairer Britain, with less reliance on London (with all its attendant problems of congestion and high costs) and the potential for a sustainable revival in many of the hardest-pressed cities, towns and communities up and down the country



1. Set the right context

Industry needs the right economic context in which to flourish. Too often, British industry has been damaged by instability, U-turns and short-sighted responses to immediate crises. It is easier to promote investment, growth and jobs when the management of the economy reflects companies' needs. At a minimum that means:

- An exchange rate that enables British businesses to compete effectively in domestic and international markets
- Trade deals, especially with the EU and United States, that provide access for UK exports
- Interest rates that make borrowing affordable and foster investment in plant and machinery
- Fiscal policies that recognise the need to sustain the overall level of spending in the economy
- Regulation that ensures the protection of workers, consumers and the environment but doesn't hinder investment and growth
- Taxation that makes investing in Britain worthwhile but still ensures that companies pay their fair share

The White Paper emphasises the need for competitiveness and the Treasury has a wider commitment to economic stability. That's all good news.

The challenge is now to deliver on aspirations and promises. Regulatory obstacles need to be removed. Interest rates need to encourage investment. Domestic and international markets need to keep growing. None of this will be easy.

2. Focus on industry

There's too little emphasis on industry in the White Paper. The list of eight priority sectors (the 'IS-8') at which support will be targeted extends deep into the service sector, well beyond what would normally be thought of as 'industry':

- Advanced manufacturing
- Clean energy industries
- Creative industries
- Digital and technologies
- Financial services
- Defence
- Life sciences
- Professional and business services

This broad-brush approach misses the point in much of older industrial Britain, where it's manufacturing that still underpins much of the local economy. Getting the manufacturing sector growing again is what these parts of the country need,

By way of contrast, financial, professional and business services, creative industries and digital all tend to cluster in the cities, while life sciences flourish around universities such as Oxford and Cambridge. In most of the older industrial towns and communities away from the cities it's hard to see any of these sectors offering much of an economic lifeline.

Some of the government's chosen sectors are already doing very well and are likely to continue to do so regardless of the strategies that are put in place.

Getting back to basics would help. The UK economy, and its older industrial towns in particular, need a revival in manufacturing.

3. Target more manufacturing

It's 'advanced manufacturing', not all the manufacturing sector, that the government's Industrial Strategy targets.

The *Sector Plan* published alongside the White Paper identifies 760,000 jobs in advanced manufacturing, accounting for 29% of all UK manufacturing jobs. However, within advanced manufacturing it's just six 'frontier industries' that are given priority:

- Aerospace
- Advanced materials
- Agri-tech
- Automotive
- Batteries
- Space

The six frontier industries employ just 240,000, or only 10% of all manufacturing employees. More than half these jobs are in automotive.

This is a very narrow base on which to try to build an industrial revival. Food & drink, chemicals, ceramics, glass, textiles, furniture and much more are all missing. It means that if a locality doesn't have a significant presence in one or more of the frontier industries the Industrial Strategy doesn't offer very much.

Just about all of what is left of British manufacturing really ought to be regarded as 'advanced', even if the products themselves are not always high-tech. Simply to stay in business, just about all manufacturing businesses have had to invest in up-to-date technology, design, skills and working practices. There are many manufacturers across a wide swathe of industry, old and new, that are in truth deserving of support but as things stand only a minority will be prioritised for help.

4. Protect sovereign capability

In an uncertain and fragmenting world, the UK needs to protect its sovereign industrial capability. The White Paper promises to support what it calls 'foundational industries' but the government needs to go further.

Over the last fifty years the list of industries from which Britain has withdrawn has become far too long. This is rarely because there is no demand for their products. Britain is still a major trading nation but no longer builds merchant ships, for example. And the ships that dock in UK ports come laden with goods that Britain no longer makes.

Steel is the latest example of a major British industry whose very existence is under threat.

It's time to say enough is enough: the UK economy needs a large and varied manufacturing sector to deliver sustainable prosperity so it's vital to hold on to what we've still got. That doesn't mean saving every factory, but it does mean retaining capability here in the UK and where possible reshoring production from abroad.

The government should back free trade – but not at any price. The danger is that British manufacturers are exposed to competition from countries that fail to respect workers' rights, health and safety standards or environmental obligations. At worst, firms face competition from surplus production dumped on the world market at subsidised prices by state-owned corporations.

As industry moves towards lower-carbon production methods it is important that there is protection from imports produced by cheaper carbon-intensive methods. The White Paper promises a 'carbon border adjustment mechanism' from 2027, a full year later than the EU, in the meantime exposing UK producers. There are huge risks in delay.

5. Support business investment

Business investment underpins productivity, especially in the manufacturing sector. The UK has a dismal recent record in investing in plant, machinery and skills, and this has contributed to stagnating wage levels and living standards.

The retention of the ‘full expensing’ system, allowing firms to offset investment in plant and machinery against tax, is good news. The White Paper’s commitments to the British Business Bank and to the new National Wealth Fund are also welcome.

Investment Zones and Freeports – now rebranded as *Industrial Strategy Zones* – provide incentives to invest in specific places. Widening the range of businesses eligible for the on-site incentives would be a useful further step.

But the public sector shouldn’t be expected to do all the heavy lifting.

Manufacturing firms need long-term financial support at reasonable rates of interest. The banks, however, prefer to invest for short-term financial gain. Money that should be used to support business investment is instead used to finance ever more household borrowing and speculation on world markets. The big banks and financial institutions should be challenged over their behaviour.

An industrial revival cannot be delivered by just a handful sectors and the UK has never had a good record of ‘picking winners’. In practice, growth and jobs can emerge from unexpected sources. What’s needed is investment support across a wide swathe of industry.

6. Restore aid to the regions

Making a difference in the least prosperous parts of the country requires the restoration of regional aid. Disappointingly, the White Paper makes no move in this direction.

When businesses make investment decisions there needs to be a clear signal that they will receive extra support if they invest in the parts of the country most in need of jobs and growth. Investment aid of this kind was a cornerstone of UK regional policy from the 1960s until very recently and it delivered many thousands of new jobs. Funding was also supported by a carefully crafted Assisted Area map that evolved over the years as patterns of disadvantage shifted.

Following Brexit, the Conservative government declined to include an Assisted Area map in its new subsidy control regime. All parts of Britain are therefore now treated equally. The result is that investments that once would have gone to the less prosperous parts of the Midlands, North, Scotland or Wales – the JLR car battery plant in Somerset for example, supported by £500m of public money – now go elsewhere.

- There should be a new Assisted Area map, drawn up to target investment to the places that need it most
- UK government departments should ensure that their multiple budgets for supporting investment, R&D and training take full account of the new map

A key tool in rebuilding Britain's industrial base is the ability to offer companies public sector financial support to deliver investments that otherwise wouldn't have gone ahead, or not gone ahead on the same scale or timetable, in the places where more jobs and better jobs are needed most.

7. Invest in skills

Industry needs a ready supply of skilled workers. Some of these may be trained to degree-level, especially in science and technology, but much of the demand is for apprentice-level skills. In practice, too much of British industry faces a skills shortage.

In the 1980s and 90s, when manufacturing employment plummeted, the old apprenticeship system broke down. It wasn't perfect, but what it has been replaced by is a hotchpotch of short-duration schemes and college courses that hasn't really plugged the gap. Too many of Britain's most skilled workers are now getting too old.

The Apprenticeship Levy, introduced in 2017, didn't work. The number of apprenticeships fell and the completion rate plummeted. Rebranding under Labour as the *Growth and Skills Levy* offers the opportunity for a fresh start:

- Apprenticeships and vocational training need to be placed on an equal footing with academic qualifications
- A partnership between government, employers and unions – through Skills England for example – should make sure that training reflects the needs of the labour market
- The rebranded Levy needs to be structured help up-skill existing employees as well as new workers
- The Treasury should deploy the substantial surpluses from the Levy to support enhanced training opportunities
- The pitifully low rate for apprentices in the National Minimum Wage, which fuels drop-out rates, should be abolished

8. Deliver affordable energy

British industry needs affordable energy so that it can remain internationally competitive. The good news is that the White Paper recognises this challenge.

Unfortunately, the measures to reduce electricity costs are limited to a handful of industries – “electricity intensive frontier industries in the IS-8...and foundational manufacturing industries in the supply chains”. The measures – relief from green and capacity market charges – also won’t come into effect until 2027.

Some manufacturing industries are unavoidably energy intensive. The energy input can’t be reduced much if at all, otherwise producers would have done so years ago. It might be possible to shift them to less carbon-intensive methods but this will take time and money.

In the steel industry for example, the high cost of UK electricity relative to supplies elsewhere in the world has for years been a drag on profitability and production. As new electric arc furnaces come into service, the steel industry’s electricity bills are set to soar even higher.

Simply closing down the UK’s energy-intensive industries would be a mistake that would do no more than transfer production and emissions to other countries with lower standards. Energy intensive industries need a clear signal that their international competitiveness will not be undermined.

The transition to a lower-carbon economy is an upheaval in technology and economics that puts jobs at risk as well as creating new job opportunities. Low-carbon electricity is a government goal, but it also needs to be low-cost electricity.

9. Use public procurement

Public procurement has the potential to play an important role in fostering British industry. Plenty of UK firms have the capacity to supply UK needs. Sometimes potential suppliers are right on the doorstep. But too often the contracts go elsewhere for little obvious reason.

The White Paper says the government wants to use public procurement “to strengthen domestic supply chains and support good-quality local jobs”. But the details are missing. There will be a consultation, the White Paper says.

The UK public sector spends more than £300bn a year on procurement, which represents more than a third of all public expenditure. Whilst respecting the UK’s commitment to international rules such as the WTO’s Government Procurement Agreement, to which the UK is a signatory, it’s possible to steer more business to British industry by:

- Embracing the greater post-Brexit flexibility provided by WTO rules
- Pushing the boundaries on ‘local content’ in public sector procurement contracts – a grey area in the rules that the United States and the EU have both exploited
- Making fuller use of pre-procurement engagement with potential UK suppliers, which is perfectly legal and helps refine requirements as well as place UK firms in a good position to make competitive bids
- Encouraging the inclusion of ‘social value’ clauses in procurement contracts to help deliver training, environmental benefits and boost the involvement of small firms

Local authorities are only too willing to play their part in supporting local businesses so long as they can be confident their actions are legal and above board.

10. Provide space to grow

Suitable sites and premises are a prerequisite for business growth. No suitable space generally means no new investment.

In much of older industrial Britain, where property values are low, private sector developers fail to invest in new industrial and commercial floorspace, except perhaps in prime locations with big-name users signed up from the start. This matters because most firms, especially smaller firms, rent or buy premises that are already on the market – they don't build for themselves.

- Where brownfield sites are contaminated, the extra costs often prohibit development – the sites have 'negative land value'
- Specialist market segments, such as the small business units once supplied by public agencies, have become neglected
- Historic buildings that would be re-purposed in more prosperous parts of the country fall into decay because the economics of refurbishment don't stack up

The key ingredient in these circumstances is gap funding from the public sector.

The White Paper promises a UK-wide *Strategic Sites Accelerator* with over £600m to bring sites to market faster by investing in land remediation, electricity grid connections and transport improvements. The first wave of sites is to be announced "within a year".

This is welcome but it isn't a total solution by itself. Smaller sites, business property development and in the case of data centres even enhanced water supply are also essential parts of the jigsaw.



Industrial Communities **Alliance**

The Industrial Communities Alliance is the all-party association representing local authorities in the industrial areas of England, Scotland and Wales.

The aim of the Alliance is to promote the economic, social and environmental renewal of the areas covered by its member authorities.

National Secretariat, 1 Regent Street, Barnsley, S Yorkshire S70 2EG

Tel: 01226 200768

Email: natsec@ccc-alliance.org.uk

www.industrialcommunitiesalliance.org.uk