

Prime Minister
10 Downing Street
London SW1A 2AA

20 October 2016

Dear Prime Minister

Industrial Strategy

Thank you for your reply of 7th October to our letter of 21st July. We welcome the key role you envisage for the Council for Science and Technology in developing an industrial strategy that builds on our existing strengths as a country.

The attached paper sets out the Council's views on the key questions the industrial strategy should seek to address and how the Government might do so. It has been informed by wide-ranging discussions between the Council and special advisers and senior officials from Number 10, BEIS and Treasury.

We believe there is a compelling case for putting science (including social science), engineering, technology and design at the heart of the UK economy and industrial strategy. These represent some of our greatest qualities on which we must capitalise, not just to drive growth and productivity but to tackle important societal challenges.

Our views are framed through four lenses.

1) Supporting research and innovation. This includes skills, access to finance, and infrastructure (both conventional and digital). Above all, we recommend the Government should set a target for a substantial increase in public sector R&D spending. There is strong evidence that this is critically important. Moreover, we note that releasing untapped potential within our research and innovation base can help to tackle economic imbalances within the UK and power regional growth.

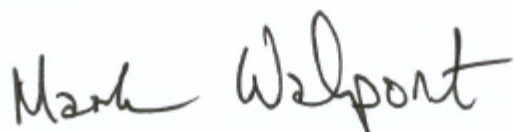
2) Addressing societal challenges. We propose three areas where science, engineering and innovation can have a broad impact, including on the economy: healthy lives; cities and transport; and clean energy.

3) Exploiting our comparative advantage in technology. Here we suggest criteria to assist government in making investment choices for technologies promising a boost to inclusive growth and productivity. The annex contains a preliminary assessment of seven technology areas that score well against these criteria.

4) Deploying Government's policy levers. These range from shaping regulation to intelligent use of procurement. Where Government invests in research and innovation, we recommend having the strongest element of competition to deliver the best outcomes and taxpayer value.

We hope the paper can be of use during formulation of the industrial strategy. We remain at your disposal to provide further advice whenever this might be helpful.

We are copying this letter to the Chancellor, the Secretary of State for BEIS, the Minister for Science and Higher Education and the Cabinet Secretary.



Sir Mark Walport
Co-Chair



Professor Dame Nancy Rothwell
Co-Chair