20 February 2025

Invest 2035: LCCI Submission to the Business and Trade Committee Call for Evidence

The London Chamber of Commerce and Industry (LCCI) is the capital's largest independent business advocacy organisation, representing the interests of over 10,000 businesses. As a champion of London's global status as a premier destination for trade, investment, and business growth, LCCI works tirelessly to address the key challenges facing businesses. Through proactive engagement with policymakers, stakeholders, and local communities, we aim to ensure that London's businesses—and, by extension, the UK economy—thrive. This submission reflects our commitment to raising awareness of these challenges and providing actionable policy recommendations that support sustainable growth, innovation, and long-term resilience.

1. **What Industrial Strategy will maximise economic growth, productivity and good, high-skilled jobs across the UK? How does the Government's plan measure up to this design - and how should the Government best measure progress?**

A robust Industrial Strategy should integrate investments in foundational infrastructure, targeted skills development, and sector-specific support while promoting cross-sector collaboration. The strategy must be underpinned by clear, quantitative metrics—such as GDP growth, productivity gains, export performance, and employment quality—and use a balanced scorecard approach to monitor progress. This design would ensure that the UK's diverse regions, including London as a global hub, contribute to sustainable, high-skilled job creation.

2. **What fraction of the 'growth gap' between currently forecast growth (e.g. by the Office for Budget Responsibility and the International Monetary Fund) and the Government's growth target (namely the highest sustainable growth rate in the G7) could, and should, the Industrial Strategy help close?**

Recent data show that the UK economy is structurally dominated by the services sector—accounting for approximately 72% of GDP—while manufacturing contributes about 17%. This highlights that the bulk of economic activity and, therefore, the potential for productivity gains lies within the services sector. By addressing critical barriers in high-value services—such as finance, professional services, creative industries, and fintech—and enhancing manufacturing through advanced automation and sustainable practices, the Industrial Strategy has a significant role in narrowing the growth gap.

If targeted policy interventions in the services sector can unlock latent productivity and foster innovation—through initiatives like enhanced skills development, streamlined regulation, and increased digital infrastructure investment—the Industrial Strategy could realistically close roughly 60–70% of the existing growth gap between current forecasts and the Government's ambitious target. This presumption is based on the potential of targeted policy interventions across key sectors, such as fintech, creative industries, and advanced manufacturing, alongside strategic investments in infrastructure and regional development.

Further improvements in the manufacturing sector, though representing a smaller share of GDP, would add additional momentum to overall growth. Although precise quantification requires detailed macroeconomic analysis, this approach positions the UK to achieve growth rates comparable to the highest sustainable levels in the G7, leveraging its strengths in both services and manufacturing.

3. **What Industrial Strategy is required to deliver the Government's carbon reduction targets set out at COP29, de-risk the economy from geopolitical threats and close regional gaps in growth?**

An effective Industrial Strategy for carbon reduction and economic resilience must integrate green innovation with robust infrastructure investment and regional development. This approach should include support for sustainable aviation, renewable energy projects, and digital transformation initiatives while addressing regional disparities through targeted local growth plans. The Green Skies report by LCCI (Sustainable-aviation-report-pdf_ext.pdf) clearly demonstrates that the aviation sector is already taking decisive action—modernising fleets, investing in sustainable aviation fuels, and enhancing operational efficiency—to reduce its carbon footprint significantly. Moreover, industry stakeholders are keen to collaborate and implement these changes, underscoring the sector's readiness to contribute to a resilient, low-carbon future. The strategy can mitigate geopolitical risks and drive inclusive, sustainable growth across all regions by aligning environmental goals with economic policies.

4. **Should the Government prioritise economic sectors or 'grand challenges'? If sectors are the proper focus, has the Government prioritised the right growth-driving sectors of the economy? What is the best industrial strategy design for these sectors? How should the Government identify and invest in future sectors?**

A sector-focused approach is recommended, complemented by addressing grand challenges such as sustainability, digital transformation, and skills shortages. The Government has identified key growth-driving sectors (e.g., finance, fintech, creative industries, aviation, MedTech, and advanced manufacturing) that align with the UK's strengths. The best design would involve targeted investment, robust data-driven monitoring, and active collaboration with industry and regional chambers (such as LCCI) to continuously refine priorities and support emerging sectors. Additionally, large-scale infrastructure projects are vital enablers of business growth; for example, initiatives like the London Airports Expansion and the Lower Thames Crossing—both strongly supported by LCCI—demonstrate how investments in critical transport and logistics infrastructure can dramatically enhance connectivity, spur economic activity and attract global investment. This integrated approach will ensure that future sectors are identified, nurtured, and invested in while addressing the grand challenges that shape long-term national competitiveness.

5. **How should the Government approach economic sectors that have not been prioritised, including the foundational industries and supply chains on which the growth-driving sectors depend?**

The Government should adopt a balanced strategy that supports high-growth and foundational industries—such as manufacturing, logistics, and infrastructure—that underpin them. This approach can involve cross-sector investments, policy measures to enhance supply chain resilience, and targeted support programs that ensure essential sectors receive the necessary funding and regulatory support, enabling the overall ecosystem to thrive.

6. **What is the right balance of investment in 'horizontal' policy, such as skills, infrastructure, clean energy, transport, and sector-specific investment?**

A well-functioning Industrial Strategy must systematically address the barriers that impede growth-driving sectors while reinforcing key enablers. Infrastructure gaps, access to finance, regulatory complexity, and skills shortages remain critical challenges that must be tackled through targeted policy interventions. For instance, modernising electricity grids and expanding transport networks will provide the necessary backbone for sectoral growth, particularly in high-energy industries such as advanced manufacturing and aviation. Strengthening investment in digital infrastructure will further enable fintech, MedTech, and creative sectors to scale. Similarly, capital access barriers for SMEs require a refined approach—mobilising both private-sector financing and tailored public investment instruments to bridge the funding gap. A government-led framework supporting cross-sector innovation, improved supply chain resilience, and enhanced horizontal cooperation at the local level—including regional clusters—would ensure that emerging opportunities translate into long-term economic resilience.

7. **What is the right of quantum of public investment in industrial strategy? What is the best design of fiscal policy instruments (including the balance between capital spending, tax incentives and financial investments) to support the Industrial Strategy,**

learning the lessons from industrial policy worldwide to maximise value for money and crowd in private investment? How should the Government's methodology for making public spending decisions evolve? What kind of public investment has the best fiscal multipliers for industrial strategy?

A well-calibrated Industrial Strategy requires a balanced mix of public investment, tax-based incentives, and financial instruments designed to de-risk private sector participation. Rather than relying solely on direct public capital expenditure, the UK should adopt a strategic investment model that optimises fiscal multipliers through targeted interventions. International case studies suggest that public investment is most effective when it focuses on foundational enablers—such as infrastructure, skills development, and research commercialisation—while leveraging financial instruments to crowd private investment.

To maximise long-term impact, fiscal policy should integrate capital spending on infrastructure with tax-based incentives that stimulate business investment, such as full expensing for industrial equipment and R&D tax credits. Innovative financing mechanisms, including green bonds and public-private growth funds, would enhance private capital mobilisation. Lessons from industrial policy frameworks in countries like Germany and Singapore demonstrate that outcome-based funding mechanisms and long-term investment certainty are critical for sustaining business confidence.

The Government should adopt a data-driven, performance-linked investment framework to improve public spending decisions, ensuring that capital allocation is guided by sectoral productivity, export potential, and technology diffusion. Implementing transparent economic impact assessments for industrial investments—benchmarked against leading global economies—would ensure that spending delivers high fiscal returns and supports national competitiveness. By adopting a long-term, blended investment approach, the UK can position itself as a global leader in industrial policy while delivering sustained economic resilience.

8. **How should the Government modernise key institutions and 'levers' to support its industrial strategy, in particular to:**

8.1. Foster higher levels of innovation, which diffuse more effectively through the economy.

The Government should invest in innovation hubs and R&D initiatives that bridge the gap between academia and industry. Establishing regulatory sandboxes and collaborative platforms—leveraging the expertise and membership of bodies such as LCCI—can enable businesses to test new ideas in a controlled environment and accelerate the diffusion of innovative solutions. Tailored programs promoting sector-specific research and supporting knowledge-sharing are essential to drive widespread innovation across growth-driving sectors.

8.2. Make better use of public procurement.

To improve public procurement, the Government should streamline processes by adopting digital procurement systems and reducing bureaucratic red tape. Integrating social value criteria and best practices from leading associations—such as LCCI—can make the system more accessible, particularly for SMEs. Establishing regular feedback loops with business representatives and hosting joint procurement forums will help ensure that procurement practices are efficient and aligned with national growth objectives.

8.3. Mobilise equity investment and banking finance.

Mobilising equity investment and banking finance requires the adoption of innovative financial instruments. The Government should promote innovative mechanisms such as green bonds and public-private partnerships to attract domestic and international capital. Complementary measures—like tax incentives, risk-sharing schemes, and streamlined approval processes—can further reduce the risk profile of investments. By partnering with financial hubs and leveraging London’s global financial expertise, the Government can create an environment that encourages sustained private sector participation in strategic investments.

8.4. Sharpen the spur of competition.

To enhance competition, the Government should reform regulatory frameworks to lower barriers to market entry and ensure a level playing field for new and established players. This includes simplifying licensing procedures, reducing compliance burdens, and fostering an environment encouraging disruptive innovation. By using data-driven insights and collaborating with industry stakeholders—including chambers like LCCI—the Government can design policies that stimulate competitive behaviour, driving productivity and economic dynamism.

Modernising key institutions and policy levers is essential for driving the Industrial Strategy forward. By fostering innovation through collaborative R&D, streamlining public procurement, mobilising innovative financing solutions, and sharpening the competitive landscape, the Government can create a dynamic environment that supports high-growth sectors and underpins sustainable, long-term economic progress. Together, these measures will ensure that the UK remains competitive on the global stage while delivering high-skilled jobs and broad-based prosperity.

9. **How will the Government devolve economic power (e.g. to support regional growth and reach areas left behind) and re-organise Whitehall to ensure the requisite degree of policy coordination and delivery?**

The effectiveness of industrial strategy investments hinges on the balance between direct public expenditure, tax-based incentives, and financial instruments that crowd in private capital. A well-calibrated fiscal policy should deploy targeted funding mechanisms—such as blended finance, green bonds, and growth-focused equity schemes—that align investment incentives with long-term productivity gains. The UK must draw lessons from global best practices, where countries have successfully de-risked critical sector investments by leveraging outcome-based finance and public-private co-investment models. Additionally, reforming business rates and expanding full capital expensing will encourage firms to commit to long-term investments in infrastructure and innovation. Ensuring financial stability and predictability through long-term funding commitments, rather than fragmented or short-term grant programs, will further support industrial growth and economic transformation.

10. **What duties, powers and resources does the Industrial Strategy Council need to oversee the Industrial Strategy effectively?**

To serve as an effective oversight body, the Industrial Strategy Council must be equipped with clear strategic objectives, a robust analytical framework, and access to real-time business data from organisations such as LCCI. Its mandate should extend beyond policy review to include proactive industry engagement, independent impact assessments, and transparent benchmarking against international industrial strategies. A key function of the Council should be its ability to assess sector-specific performance, ensuring that policy interventions remain dynamic and responsive to market shifts. Additionally, regional and sectoral representation—including from business advocacy groups such as chambers of commerce—should be formalised within the Council's governance structure to ensure diverse perspectives inform decision-making. Adequate resourcing will be essential to its operational effectiveness, enabling it to produce rigorous, evidence-based evaluations that guide long-term industrial policymaking.

11. **How should Parliament most effectively scrutinise the progress of the Government's work, including scrutiny of commercially sensitive investments typically not disclosed to the public or Parliament?**

For parliamentary scrutiny to be both practical and business-aligned, oversight mechanisms must balance transparency with commercial confidentiality. Establishing a dedicated Industrial Strategy Committee within Parliament, supported by independent auditors, would ensure systematic monitoring of investment impact and policy effectiveness. Given the competitive nature of industrial policy, periodic closed-door reviews—allowing for the scrutiny of sensitive commercial investments—should be built into parliamentary processes. Furthermore, leveraging external expertise from business groups, academic institutions, and sector-specific regulators would provide a nuanced understanding of economic outcomes. Adopting an adaptive review framework, where industrial policy is assessed against predefined economic and productivity indicators, will enhance accountability while ensuring that interventions remain aligned with shifting market conditions.

Summary

In charting a transformative path for the UK's Industrial Strategy, our responses collectively emphasise the necessity of a holistic, sustainable framework that interweaves innovation, infrastructural modernisation, and robust stakeholder engagement. The proposed strategy must harness investments in foundational areas—from advanced manufacturing and digital connectivity to green transport and sustainable energy—while fostering sector-specific growth in fintech, creative industries, MedTech, and aviation.

Our analysis confirms that a comprehensive strategy anchored in performance-linked public investment, innovative fiscal instruments, and outcome-based policy interventions is essential to close the existing growth gap. By aligning horizontal measures—such as skills development, digital transformation, and sustainable infrastructure—with targeted support for high-value sectors, the Industrial Strategy can drive productivity gains, create high-skilled jobs, and achieve the UK's net-zero and global competitiveness objectives.

Key enablers include modernising the electricity grid, upgrading transport networks, and accelerating rail electrification, all of which are critical to underpinning the structural reforms necessary for a low-carbon economy. Moreover, we stress the importance of overcoming barriers related to complex financing pathways and fragmented regulatory regimes, which can be addressed through streamlined processes, innovative financial products, and enhanced cross-sector collaboration facilitated by bodies like the London Chamber of Commerce and Industry (LCCI).

While specific questions—particularly those concerning the precise quantum of public investment, devolved economic power, and detailed parliamentary scrutiny—require further quantitative analysis, our submissions articulate a clear vision: a resilient, sustainable Industrial Strategy that leverages both public and private capital, drives decarbonisation, and ensures that the UK's growth-driving sectors are well positioned for future global challenges. In this light, integrating data-driven insights, regional cooperation, and long-term investment frameworks will be pivotal to transforming barriers into catalysts for innovation and prosperity.