Unite response to Industrial Strategy Green Paper consultation

November 2024

This submission is made by Unite, the major UK trade union with over 1 million members across all sectors of the economy including manufacturing, financial services, transport, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not-for-profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our union

1) Introduction: Context and approach to a modern industrial strategy

Green Paper Questions 1-3

1. How should the UK government identify the most important subsectors for delivering our objectives?
2. How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?
3. How should the UK government incorporate foundational sectors and value chains into this analysis?

Unite welcomes the government's commitment to an industrial strategy outlined in the green paper. For too long industrial policy has given way to the short-term political dramas of the day, a recurring barrier to industrial policy which demands long-term, bold thinking.

The need for urgency cannot be overstated. Workers across the UK are facing thousands of job cuts in foundation industries and heavy manufacturing, which together amount to rapid deindustrialisation. At the time of writing 2,800[1] jobs are being lost at Port Talbot steelworks, while the situation facing 3,000 further steelworkers at British Steel in Scunthorpe deteriorates daily. The planned closure of Scotland's only refinery at Grangemouth threatens 400 direct jobs and thousands more in the supply chain.[2] In Northern Ireland talks continue over the uncertain future of Harland and Wolff shipyard, after the holding company collapsed into administration.[3] Urgent action is needed at Luton where over 1,000 automotive workers face losing their jobs as Stellantis have announced plans to close the site within months. This is despite the Luton workforce doing their part to prepare the site for production of electric vehicles in 2025. An industrial strategy is welcome, but these workers cannot wait until Spring 2025 for intervention and support.

These dire headlines represent a tip of the iceberg. Industry is plagued by structural issues from underinvestment to out-of-control energy prices, decaying infrastructure, profiteering, the offshoring of manufacturing, and stalling markets for emerging green technologies (such as electric vehicles). As a result, the UK faces hundreds of 'Port Talbots' across industry unless the government is prepared to be bold.

Boldness must mean the government is prepared to directly intervene. This must range from emergency intervention (even the Conservative government was prepared to take British Steel[4] into receivership until a new owner could be found) to targeted investments, developing infrastructure, reining in corporate excesses through strong regulation, and being prepared to proactively shape markets.

Unite notes the focus of the green paper on supporting growth, particularly through emerging technologies and new industries. This is welcome but a priority of the industrial strategy must

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[1]'Grim' September ahead with 6,000 steel and oil jobs to go, BBC, September 2024, URL
[2] https://news.stv.tv/east-central/around-400-jobs-to-be-lost-as-grangemouth-refinery-to-close-in-2025
[3] https://www.bbc.co.uk/news/articles/c0jwyj745lno
[4] https://www.reuters.com/article/world/british-steel-enters-into-insolvency-ey-appointed-by-official-receiver-sky-news-idUSKCN1SS0YD/

be ensuring good and high-quality employment. In the case of carbon intensive industries which are facing decline, that must mean supporting genuine replacement work on a 'like-for-like or better' basis. Put bluntly, while an announced investment of £6.3 billion in UK data centres may be welcome in and of itself, it provides no answer or means of alternative employment for workers in Scunthorpe or Grangemouth.[5] Such answers can only come from a coordinated strategy.

According to a City of London report, produced with HM Treasury last year the finance sector is vital in economic output. The report states: "With 2.5 million people employed across the UK – over 1.1 million in financial services (FS) and more than 1.3 million in related professional services – the industry produced £278bn of economic output, 12% of the entire UK's economic output, and £100bn in tax revenue".[6] The sector is worthy of focus in an industrial strategy and the effect of automation and offshoring in particular and the impact on jobs and skills needs to be considered and addressed urgently.

However, we believe a piecemeal approach of focusing on "high growth" subsectors is not the right starting point. We need a joined-up strategy. Economic development works holistically: rebuilding "core" and foundational industrial sectors will have significant spillover effects on other sectors; whereas, on the other hand, growth in some other sectors such as speculative finance may actually harm the wider economy.

Given this, it is crucial to start with an overall view of the state and development potential of the UK economy; and to prioritise investment to rebuild the country's critical infrastructure and foundation industries. For example, we need well-functioning energy systems, transport and communication networks, foundation materials such as steel, as well as health and care systems that sustain a healthy population. These are the critical foundations on which our whole economy and society are based.

To give a concrete case: the broken state of the UK's energy system means we face some of the world's highest industrial energy costs. This then has massive knock-on effects across other industries. For example, much higher energy costs than other European steel producers is perhaps the biggest factor in the challenge to transition and rebuild our steel industry; and has also been cited as a critical obstacle for investment to develop a long-term domestic biofuels industry at Grangemouth or other sites.

This industrial strategy is an opportunity for the government to lay out its vision on the future shape of key sectors – ending the prolonged lack of major strategic decision making which has resulted in political drift and industrial neglect.

As one priority example, the UK must make a political decision on its commitment to hydrogen. The UK has established technological leadership in research and development and a nascent supply chain for hydrogen. However, the industry lacks the institutional support of one focal point for coordination, investment and scale up – as the Faraday Institute did for electric batteries. Such support would be vital for building an industrial eco-system for hydrogen for multiple industries.

Such a commitment is directly linked to the future of multiple industries. In the case of steel, it relates to the UK's lack of a DRI (directly reduced iron) facility, which can use hydrogen as

[5] https://www.gov.uk/government/news/record-breaking-international-investment-summit-secures-63-billion-and-nearly-38000-jobs-for-the-uk

[6] https://assets.publishing.service.gov.uk/media/64ad6d32fe36e0000d6fa6a9/State_of_the_sector_annual_review_of_UK_financial_services_2023.pdf

an energy source for the creation of 'green iron.' Iron is vital for electric arc furnaces (as proposed at both Tata and British Steel) to be able to produce virgin steel of sufficient grade for use in defence, aerospace, automotive and other industries.

The sheer investment costs of a DRI facility and the need for resilient and plentiful energy may mean such a facility should be publicly owned as a critical national capability similar to Sheffield Forgemasters.[7]

It may be that the government considers alternative options to hydrogen-based green iron, such as electrolysis[8] which is being developed in the United States.[9] The significant public investment needed in this technology once again makes this a political decision. Alternative energy sources for steel making, such as the use of UK-made Small Modular Reactors and nuclear energy are, again, strategic political decisions.

Beyond steel, such strategic decisions on the government's preferred vision for industries can be equally applied to industries including automotive and the oil and gas sectors.

The common thread across all of these issues is chronic under-investment as years of uncertainty have left the UK lagging behind comparable nations. The UK has the lowest private investment rate[10] of the G7 advanced economies. Likewise, since 2000 the UK average public investment rate has been just 2.5%, compared to 3.7% across OECD countries. Unite notes research by the Resolution Foundation which shows a public under-investment gap of over £500 billion.[11]

This is out of step with international norms. The US Inflation Reduction Act alone is worth $300 billion in deficit reduction and $369 billion in energy security funding.[12] The Act's significant pro-worker and pro-union obligations for employers are a direct result of ongoing dialogue between the administration and trade unions such as the USW (United Steel Workers). The Act's limitations have been successfully challenged by the collective strength demonstrated by the UAW (United Autoworkers) in their strike at the 'Big Three' automotive employers and organising drives such as the Ultium battery plant in Tennessee (the company received $2.5 billion in federal support). Both examples show how trade unions are demonstrating the critical role of workers in delivering successful industrial policy. As experts such as Professor David Bailey, an industrial strategy expert from Birmingham University, have noted, geopolitics barely features in the green paper[13]. But industrial policy does not exist in a vacuum. Proactive industrial strategies backed up by investment in the US and Europe are re-shaping global industries. Likewise, industrial policy in China is having an impact on UK industry in terms of export demand, but also the emergence of Chinese competitors such as BYD and Great Wall into the UK and European markets.

A comparable industrial strategy will necessitate the Labour government being prepared to move away from the self-inflicted political problem of overly restrictive 'fiscal rules' being a barrier to investment. While all investment must be focused on delivering a result – be that defending employment, generating social value or stimulating economic growth – the government is in danger of getting in its own way. At best arbitrary or restrictive 'fiscal rules' paint the government into a corner and at worst end up as an unacceptable excuse for inaction or continued austerity. This government has a historic majority and a perishable

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[7] https://www.sheffieldforgemasters.com/news-and-insights/news/07/sheffield-forgemasters-change-of-ownership/
[8] https://worldsteel.org/wp-content/uploads/Fact-sheet-Electrolysis-in-ironmaking.pdf
[9] https://www.electra.earth/
[10] https://data.worldbank.org/indicator/NE.GDI.TOTL.ZS
[11] https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/03/Cutting_the_cuts.pdf
[12] https://www.democrats.senate.gov/imo/media/doc/inflation_reduction_act_one_page_summary.pdf
[13] https://theconversation.com/the-uks-new-industrial-strategy-is-welcome-but-heres-what-is-missing-241410

store of political goodwill. It must use both. Unite welcomed the Chancellor's announcement of additional public sector investment in the 2024 Budget,[14] but this loosening of 'fiscal rules' must now be following into investment in industry and infrastructure.
While investment from both the state and industry has fallen, the amount of money being taken out of the productive economy has only increased. The UK economy remains blighted by profiteering across critical industrial sectors. Unite is continuing to expose profiteering, from the £45 billion extracted from the UK domestic energy system by multinationals[15], to the spiking profit margins of the UK's largest companies which rose 89% since the pandemic.[16] Profiteering is the major cause of the cost-of-living crisis, which will not end until workers see the rising pay and living standards they deserve.

In addition, UK companies are increasingly using their spare capital not to reinvest but to buy back their own shares, resulting in boosted returns for shareholders. Last year 40% of the FTSE 100 launched share buy-back schemes. Even a 1% tax on such buybacks would raise £225 million in a single year.[17]

In this context, Unite proposes new conditionality for funding to protect jobs. Companies cannot be allowed to receive subsidies if that money will then be offshored out of the UK or passed on to shareholders. It is, for example, unacceptable for the owners of Grangemouth refinery to have received £500,000 with no conditions to protect jobs from the current threat of closure.[18]

We recognise the government's ambitions to increase public investment and use this to "crowd in" additional private investment. Our concern is there is very little detail on how this "crowding in" or "catalysing" is meant to work.

As is widely recognised, the UK faces a problem of chronic under-investment by both public and private sectors. Over the last 40 years, UK business has lagged behind in delivering investment into industry. A laissez-faire approach has failed, and we are sceptical that this will suddenly change just as the result of holding investment summits or inviting businesses to join the Industrial Strategy Council or other quangos.

We urge the government to take a more pro-active and strategic approach. This needs to include a role for public ownership: in some cases, full ownership; in others, taking leading stakes.

We have argued that there is a clear case for full re-nationalisation of core industrial infrastructure, such as energy, water, and transport systems. We have particularly focused on the energy system, beginning with the transmission and distribution grid. These industries have three key features: 1) they are "vital" critical infrastructure, basic to human life and national security; 2) they are "foundation" industries, i.e., all other industries rely on them; 3) they are formed largely of "natural monopolies", at national and/or regional levels. On all three grounds: public ownership makes most sense in terms of economic efficiency, cost for the public, and national security.

For many other industries, we argue that there is a key role for the government to take stakes to drive investment. We see the government acting as what economists such as Prof.

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[14] https://www.unitetheunion.org/news-events/news/2024/october/unite-response-to-reeves-budget
[15] https://www.unitetheunion.org/unpluggingenergyprofiteers
[16] https://www.unitetheunion.org/what-we-do/unite-investigates
[17] IPPR & Commonwealth Research, URL
[18] https://www.pressreader.com/uk/sunday-mail-uk/20241020/281526526524314?srsltid=AfmBOorA2e_FqFz_eMZnt2DLleAAqhPKF-YD2ED7aJPrUMWGb_KAmtMb

Mariana Mazzucato have termed an “Investor of First Resort”: not just passively calling for private investment but taking a lead to coordinate and build investment partnerships. This makes most sense where there is a priority need to rebuild and transition.

Such investment partnerships can be set up at industry-level, but also at regional level, focusing on key local investment hubs. This is what we have called “Green Industrial Zones” (in our Workers’ Plan for Port Talbot). To give a concrete example: in the transition at Grangemouth refinery, the government should take over PetroChina’s 50% stake and use this to lead a new transition and management partnership. This involvement would both: 1) allow government to help shape a long-term just transition which benefits workers and communities; and 2) give security to encourage participation from other long-term investors.

So where will the funding come from for these targeted investment projects? Alongside direct government investment, we agree that the National Wealth Fund (NWF) has a key role to play.

However, the new funding of £5.8 billion for the NWF (or even the £28 billion total including the previous UKIB capital) is far from adequate. Compare Germany’s national investment bank KfW, with funds of £580 billion. This is around 15% of Germany’s GDP, compared to 1% for our NWF.

To build a serious national wealth fund, able to drive the investment and industrial strategy we need, requires ambition on a bigger scale. This means, first of all, a substantial increase in public investment rates: even beyond the step forward taken in the recent Budget, which in fact projects the public investment rate as falling slightly over a five year horizon. This is much better than the major drop projected under the former government’s plans. But it is not enough to drive investment and boost growth.

But secondly, we agree with the government that boosting industrial investment – both into the NWF, and in general – requires drawing on the assets of our pension funds. Indeed, to stick with the German example, KfW’s overall capital is to a large degree sourced from pension funds, particularly through bond issuance.

Unite welcomes the creation of a statutory and independent Industrial Strategy Council with trade union participation. It is hoped such a body can help insulate industrial policy from the short termism which has been endemic in British politics and industry. The evidence in this submission will demonstrate the importance of worker and trade union involvement at all levels. That must include the participation of workers through their unions in sector level plans, the role of collective and sectoral bargaining at industry levels, and the indispensable role of trade unions locally. This includes direct worker and trade involvement in the transition of industries.

While industrial strategy is broader than any one sector, manufacturing is at the centre of it. Unite has produced a recent *Manufacturing Matters* strategy document, authored and endorsed by senior representatives across industries.[19]

2) Growth-driving sectors

Green Paper Questions 4-6

4. What are the most important subsectors and technologies that the UK government should focus on and why?

[19] https://www.unitetheunion.org/media/xtzocybe/manufacturing-matters-booklet.pdf

5. What are the UK's strengths and capabilities in these subsectors?
6. What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?

Unite notes the eight "growth-driving sectors" that "will be prioritised across services and manufacturing" - Advanced Manufacturing; Clean Energy Industries; Creative Industries; Defence; Digital and Technologies; Financial Services; Life Sciences; Professional and Business Services. While the majority of Unite's industrial sectors are covered by this list it is clearly not exhaustive. For example, it does not include the role of an integrated transport strategy or the role of the public sector. Most alarmingly, it does not directly include steel and the oil and gas industries (including refineries) which are among the most as risk. While the identified industries may be prioritised on the basis of potential growth, they are not the same as the sectors where workers most urgently need support and intervention. This shows the gap between a strategy focused only on growth and a strategy focused on employment – that is defending (and improving) existing jobs, transitioning jobs and creating new jobs.

Unite notes the research of the TUC which shows up to 318,000 – 342,000 direct jobs in manufacturing and between 397,000 – 436,000 jobs in supply chains are at stake in the following sectors and sub-sectors:

Sector	Direct jobs at risk		Supply chain jobs at risk	
	Estimate 1 (based on EU list)	Estimate 2 (based on ESC list)	Estimate 1 (based on EU list)	Estimate 2 (based on ESC list)
Refineries	9,000	7,200	24,700	19,700
Chemicals	27,800	66,500	31,400	75,300
Iron and steel	48,100	31,000	47,900	30,800
Cement and lime	7,700	1,200	9,900	1,600
Paper, pulp, and printing	8,100	15,000	6,400	11,900
Rubber and plastics	11,500	88,200	4,100	31,500
Glass and ceramics	23,900	38,500	11,900	19,200
Textiles	10,500	15,300	3,400	5,000
Wood	5,000	6,600	1,500	2,000
Automotive	112,400	112,400	162,000	162,000
Shipbuilding	10,400	10,400	5,200	5,200
Aerospace	22,200	22,200	23,400	23,400
Manufacture of engines, turbines, furnaces, and boilers	16,800	16,800	8,000	8,000
Manufacture of construction and mining machinery	5,000	5,000	1,800	1,800
Total	**318,400**	**436,300**	**341,600**	**397,400**

Figure 1: Manufacturing and supply chain jobs at risk of offshoring without an industrial strategy[20]

[20] Pulling all the levers: Learning from Biden - a UK clean industrial strategy that protects workers and the climate, TUC, 2024, URL

The following Unite case studies highlight major industries - including oil and gas, automotive, energy, and defence and aerospace - to draw out key themes for how Unite sees an industrial strategy at work.

Oil, gas and refineries: urgent support needed for a just transition
The oil and gas industry, including the North Sea, is a vital foundation industry for the UK and is strategically critical for the country's energy needs. Over 120,000 jobs are sustained directly or indirectly by the UK upstream oil and gas industry with a further 85,000 jobs supported in the wider economy.[21]

The situation facing workers at Grangemouth refinery is especially acute and urgent. The threatened closure in 2025 would result in 400 direct job losses while taking £400 million out of the Scottish economy.[22]

Unite believes Grangemouth can and must have a future. Firstly, the threatened closure must be halted and for negotiations on the future which must follow Unite proposes sustainable aviation fuel (SAF) as one commercially viable option. This has been backed by Edinburgh, Glasgow and Aberdeen airports, which are calling for a domestic and reliable source of SAF.[23] Indeed, research commissioned by Sustainable Aviation UK shows that SAF production could create between 1,060 and 2,310 jobs in Scotland and generate between £153 million and £332 million Gross Value Added per year.[24] Unite notes that RAF Lossiemouth in Scotland, one of the largest RAF stations in the UK, is also using SAF for aircraft including Typhoon and Poseidon submarine hunters.[25]

The process of transition is as important as the final result. Unite workplace reps at the refinery are demanding a negotiated transition, where government investment supports the development of an alternative plan for the site.

Beyond Grangemouth, North Sea oil and gas remain central to the economy of the whole of Scotland and the wider UK. Unite is clear on the need for immediate government action. The North Sea cannot be left exclusively to market forces as the sector is of vital economic interest and paramount to the security of supply. There is a national interest to be taken into account. The UK and Scottish governments have been slow to the point of collective failure in response to the deteriorating situation.

Unite's demand is 'no ban without a plan' – that must mean a halt to plans to any ban on new licences until a fully-funded plan guaranteeing jobs for North Sea workers on commensurate pay and conditions. Unite has identified over 2,000 jobs are at risk on North Sea platforms between 2024 to 2028 alone.[26] As the example of the North Cormorant installation shows, the danger to these workers is a salami slicing of jobs until closure. Unite has around 200 members working on the North Cormorant installation. They are employed across several different companies, including: Taqa, Wood, Bilfinger, Sparrows, Odfjell and Aramark. Jobs include Control Room Ops, Catering, Cleaning, Scaffolding, Rope Access, Crane Ops, Electrical and Mechanical maintenance, Decks, Roustabouts, Drillers, Heli-Admin.

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[21] https://www.ukeiti.org/oil-gas#:~:text=OEUK%20estimated%20that%20in%202023,supported%20in%20the%20wider%20economy.
[22] Unite chief: Grangemouth refinery closure "horrific act of industrial vandalism"
[23] https://news.stv.tv/scotland/scottish-airports-back-campaign-to-create-eco-friendly-jet-fuel-facilities-at-grangemouth-and-st-fergus
[24] https://www.transport.gov.scot/publication/disability-and-transport-findings-from-the-scottish-household-survey-1/transition-to-low-and-zero-emission-aviation/
[25] https://www.raf.mod.uk/our-organisation/stations/raf-lossiemouth/news/raf-defends-uks-skies-using-sustainable-aviation-fuel/
[26] Oil and Gas | No ban without a plan campaign

Around 65% of those affected by the end of the North Cormorant are Scottish constituents and round 25% hail from North East England. Redundancy consultations do not happen all at once and they will be conducted by each of the employing companies. There is no 'big bang' moment. Rather consultations will happen with groups of between 20 and 80 at a time. These are the mechanisms by which the North Sea dies by a thousand cuts.

Unite members in the oil and gas industry have made their position clear; they will not suffer the same industrial vandalism that impacted coal mining workers and left communities economically impoverished.

Unite has identified the following essential elements in a plan:

- Ongoing targeted support for the oil and gas sector required to sustain energy security, protect jobs and deliver the decarbonisation of industry.

- A workers' plan for transition with formal negotiated arrangements between government, workers and employers in the oil and gas industries.

- A right for every worker to job-to-job transition, no gaps between existing industries and progression to decarbonised jobs on a 'like for like or better' basis.

- An industry obligation to develop training and learning with relevant skills funding streams at national, sector and company level with full involvement of trade union representatives.

- Urgent public investment and clarity on projects necessary to establish and secure UK decarbonisation with conditions and content clauses that respect workers' rights and deliver high quality, well paid jobs and apprenticeships.

- Financial resources from government to support impacted communities and industry supply chains through transition.

Unite is clear that a fair transition can only be developed through worker involvement and leadership with trade unions in decision making. There can be no decisions taken without workers, there can be "nothing about us, without us".

Further, we are clear that it would be irresponsible not to issue oil and gas licences when there is no secure replacement. While there is much commentary on the number of jobs which will be created in renewable industries, Unite members are yet to be convinced on the often quoted 480,000 green jobs with no clarity coming from either government or industry.

There is no protection right now for any workers transferring into another industry. Their skills, jobs, pay, and terms and conditions could be severely impacted which is something Unite will not allow to happen. There is also real concern that the same volume of jobs will not be created in future energy technologies and renewables, with many jobs being in the construction stage. The need for a serious economic plan and industrial mapping of jobs and skills is long overdue.

Workers with the ingenuity across industry must be architects of transformation; they must be involved in the development of future skills and job roles as we move to the delivery of a low carbon net zero economy. It cannot simply be left to government or employer interests to dictate how the future is organised within our key sectors such as oil and gas.

This is vital for high carbon industrial clusters and communities such as our members in the oil and gas sector. Skills anticipation, investment and job sustainability is therefore central to ensuring that workers are upskilled as jobs and technologies change, and where there is any redeployment of the workforce that every worker has an opportunity to transfer to equivalently remunerated skilled jobs.

The need for domestic green manufacturing: for both jobs and national security
The government has indicated ambitious plans for the energy transition. For example, NESO's Clean Power 2030 plan aims to treble offshore wind capacity, double solar capacity, and rapidly increase battery capacity, in five years.

We welcome this ambition. But one major question is left out. Where will all these wind turbines, solar panels, and batteries be made? Where will the components and materials they require be produced?

This is a vital question on at least two counts. First, jobs. A just transition to green energy requires creating hundreds of thousands of new jobs. Workers demand that these jobs must be available to those facing the end of old industries and must have commensurate pay and conditions to jobs they replace. For example, in the North Sea we face the loss of 35,000 oil and gas jobs by 2030. Unless equivalent local jobs are in place to replace them, we face the decimation of North Sea communities equivalent to the destruction of coal-mining communities in the past.

The reality is there are very few permanent jobs in maintaining wind farms, or in CCS after the initial construction phase. The clear route to creating good new green jobs is to build local manufacturing, as we have argued in our North Sea campaign. Building domestic green manufacturing hubs, particularly in the communities impacted by the energy transition, should be a main target for industrial strategy and investment.

Second, this is not only a jobs issue, but also one of national energy and supply chain security. There is no question over the fact that we need wind turbines, green steel, or sustainable aviation fuel (SAF). The question is whether we make it locally or are dependent on imports. When other countries worldwide are also going through similar transitions, import dependency means we may face critical shortages of key materials or components – or jumps in costs.

It also means we may face real security issues in a climate of increased geopolitical turbulence. Particularly when many of the main suppliers of these inputs are potentially unfriendly foreign powers such as Russia and China. We should learn the lesson of the recent global supply chain shocks in 2021-2.

The automotive industry: crisis in electrification
Automotive is the standout example of an industry for which industrial strategy must be sophisticated in its approach to regulation, shaping the market, investing in infrastructure, identifying risks for jobs, and reckoning with the strategies of multinational employers and geopolitical realities. The only hope for navigating this is if the strategy has a clear aim by which all interventions are judged: sustaining and creating jobs. The announcement that Stellantis intend to close Vauxhall van plant in Luton within months – despite preparations for the start of electric vehicle production for 2025 – shows the immediate need for action.

The importance of the sector cannot be overstated – it sustains 198,000 jobs in manufacturing, 813,000 jobs across the wider industry and accounts for £47 billion of trade.[27] Since 2017 Unite reps in the industry have marked 2024 as a pivotal year for judging

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[27] https://www.smmt.co.uk/reports/smmt-motor-industry-facts/

the success of the transition to electrification as it was the year the cost of electric vehicles (EVs) was forecast to reach price parity with ICE (internal combustion engine) vehicles and remove a major barrier to demand. The UK's stalling EV market – market share for EVs is forecast to fall below the government mandate at 18.5% for 2024[28] - show this has not been achieved.

An industrial strategy must first diagnose the issues of the industry. Firstly, if the aim of an industrial strategy for automotive is to accelerate the transition to EVs and support UK jobs it must be acknowledged that the majority of the vehicles manufactured in the UK are exported and the majority of vehicles driven in the UK are imported. Not a single UK-made vehicle features in the 'best seller' list of battery electric vehicles for 2023. The majority of UK-made EVs are exported.

BEST SELLERS Battery Electric Vehicles

FULL YEAR 2023

1	Tesla Model Y	35,899
2	MG4	21,715
3	Audi Q4 e-tron	16,757
4	Tesla Model 3	13,536
5	Polestar 2	12,542
6	Volkswagen ID.3	10,295
7	Kia e-Niro	10,084
8	BMW i4	8,940
9	Volkswagen ID.4	8,495
10	Skoda Enyaq iV	8,136

[29]

Therefore, an isolated policy such as introducing a car scrappage scheme (as successfully introduced by the last Labour government in 2009) may increase EV sales in the UK, but it would largely benefit imported vehicles and would not by itself support UK jobs without UK-content level provisions.

This situation is not only a direct result of the prolonged absence of an industrial strategy, but it is also the intentional strategy of multinational employers. The employers' mitigation responses to disruptions and lower production volumes in 2021, 2022 and 2023 have become fixed features which have pivoted the industry away from volume-led production to prioritising making and selling fewer, but more expensive vehicles. This is an approach led by Stellantis before Covid and has since been followed by BMW, JLR, Ford, Nissan and then the premium players in their drives for electrification.

As a result, European carmakers (including those with UK factories)[30] were able to significantly increase revenue even as production volumes and sales fell. In 2022 total revenue grew 14.9% despite a 1.9% fall in sales.[31] The continued focus on price and

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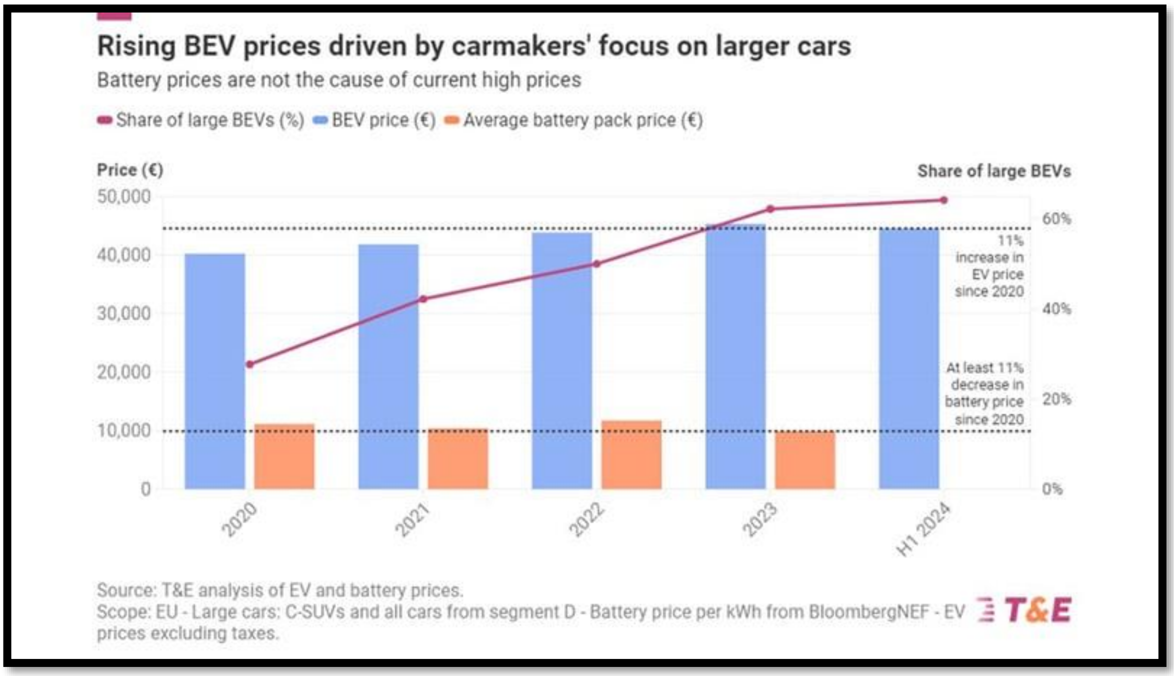
[28] https://www.smmt.co.uk/2024/10/unprecedented-ev-discounting-shores-up-september-new-car-market/
[29] https://www.smmt.co.uk/2024/01/new-car-market-delivers-best-year-since-2019-as-fleets-fuel-growth/
[30] https://europe.autonews.com/automakers/led-bmw-2022-profits-soared-europes-biggest-automakers
[31] https://europe.autonews.com/automakers/led-bmw-2022-profits-soared-europes-biggest-automakers#:~:text=Net%20profits%20rose%2022%20percent,the%20largest%20luxury%20automaker%2C%20Ferrari.

revenue over volume has resulted in factories in the UK shifting production to either the commercial sector or the premium passenger sector. As a result, it is a Europe-wide problem that in 2024 prices of EVs have not come down, but in some cases they have gone up![32] Indeed, the increasing market share of Chinese automotive sales in both Europe and the UK (e.g. MG) may mean European and UK manufacturers further cede the affordable EV car market to these new entrants and 'double down' on the profitable premium and commercial vehicles.

For workers, this 'revenue over volume' strategy means UK production volumes remain significantly under capacity. In 2023 the UK industry made 905,117 cars and 120,357 commercial vehicles, but by August 2024 yearly production for cars had fallen 8.5% to 522,823.[33] UK production sites – such as Nissan Sunderland or BMW Plant Oxford – were built for high volume production and so a prolonged shift to lower volumes places many jobs at risk. This is even more severe for the 79,000 jobs in the components and logistics supply chain, which rely on sustaining large volume production. This has been the root cause of several industrial disputes within the sector, added to by OEMs (Original Equipment Manufacturers) seeking to claw back the cost of major investments by reducing supply chain costs, ultimately resulting in pay suppression.



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To remedy this, an industrial strategy can seek to develop market demand for EVs – for example, with significant investment in standardised, accessible and affordable charging infrastructure – but employers must also be compelled to do their part to meet rising demand with affordable models.

Few industries are as susceptible to reacting to changes in market demand as automotive as employers currently 'hedging' their EV strategies by announcing prolonged production of ICE or hybrid options currently shows. It is therefore realistic that employers would react to rising demand from European and UK consumers for affordable EVs with EU-UK content. If, however, the future of the sector is to be predicated on lower production volumes and a focus (or retrenchment) to the premium and commercial sectors then an industrial strategy

32 https://europe.autonews.com/guest-columnist/ev-prices-europe-rise-despite-record-low-battery-costs
33 https://www.smmt.co.uk/2024/09/car-production-falls-as-factories-continue-model-transition/
34 https://europe.autonews.com/guest-columnist/ev-prices-europe-rise-despite-record-low-battery-costs

must consider where jobs can be created for those which will be lost and how workers can transition to them.

Unite commends the British Academy research into the automotive transition which focuses on capability gaps[35] within UK manufacturing, not only in EV battery production but also in the supply chain for EVs and battery components. Such research demonstrates where like-for-like jobs could be created for those which will be lost in the transition. Similarly, Unite has identified missing capability such as hydrogen commercial vehicles and components (i.e. hydrogen fuel cells and tanks), and EV battery recycling which can offer an alternative future to sites such as Ford's Dagenham engine plant. This is the level of work a sector plan must take up.

Alarmingly, despite the significant number of jobs at risk, no 'risk register' currently exists at industry or government level to identify which workplaces face closure due to the transition. This is further evidence that industry has lost control of the components supply chain it has sought to fragment time and time again over thirty years to drive down costs. Unite urgently calls for the development of such a risk register to consider OEMs down to tier 1, 2 and 3 component suppliers.

Unite, in partnership with TUC and STUC, is developing our own approach for supporting workers where sites in the ICE vehicle supply chain are at risk. The transition of such sites to diversification or new production (in the automotive or other green industries) must receive greater public support. This can range from support for upskilling and new apprenticeships, mapped against the existing skills of the workforce and those required for new production, as well as capital funding or clear routes to tender. Conditionality for such support must include the employers entering into genuine consultation and negotiation with the workforce via their union reps on diversification and transition plans to defend and sustain jobs. This can be done through existing collective bargaining arrangements, resulting in clear commitments to site and job security or through new 'future collective agreements', especially for this purpose which have been developed by the unions using international precedents.

It must also be noted that the prolonged absence of industrial strategy has compelled employers in the industry into 'playing chicken' by winning subsidies and government support by threatening to relocate production. Nissan, Stellantis, BMW and JLR/Tata have obtained millions from the government with such an approach. Unite supports government investment to secure jobs, including for these employers, but they must come with clear conditions such as job guarantees.

An industrial strategy could also learn the positive lessons of the Chinese industry which can leverage a far greater vertical integration of the supply chain than 'western' counterparts and establish a 25% manufacturing cost advantage.[36] A proactive strategy of reshoring and developing the supply chain can give OEMs resilience while lowering manufacturing costs and 'anchoring' vehicle production in the UK (for export and domestic demand.)

The automotive industry is one area where the government must make major political and strategic decisions as to what it believes the industry should look like by 2035, 2040 and 2050.

Firstly, the structure of the industry. Does the government believe the UK automotive industry's future is in high-volume production, as has historically been the case? Does the government envisage a more specialist industry, focused on the premium and commercial

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[35] https://www.thebritishacademy.ac.uk/publications/enabling-a-just-transition-in-automotive-evidence-from-the-west-midlands-and-south-australia/

[36] https://www.smf.co.uk/commentary_podcasts/why-labour-is-right-to-hold-off-on-tariffing-byd/

sectors, their supply chains and R&D? This clearly has major ramifications for job numbers and distribution.

Secondly – and relatedly – a political decision must be made on the industry's relationship to China. Several major OEMs, particularly in the premium sector, are heavily invested in exports to China and therefore oppose UK tariffs on Chinese imports. At the same time Chinese OEMs have a limited, but rapidly growing market share in the UK and a foothold in the industry. Geely own LEVC and Lotus while MG is owned by SAIC, manufactured in China and has been one of the fastest growing SUV and EV brands in the UK since the pandemic.

The UK government may take the view of repeating the approach to the Japanese manufacturers in the 1980s and 1990s by seeking to encourage further Chinese foreign direct investment (FDI) in the shape of new production facilities. This may be one route to retaining large-volume manufacturing of affordable electric vehicles within the UK – especially if the Chinese OEMs can use UK sites to overcome EU tariffs - but it would require exceptionally strong conditionality of public funding which must include union access and recognition to prevent an 'Amazon effect' for pay and conditions across the sector.

Thirdly, the government must take a view on the technology it will support through bodies such as the APC (Advanced Propulsion Centre) or investments such as the automotive transformation fund. As mentioned with regards to steel, the UK can be an international leader in hydrogen if given appropriate support for coordination, scale-up and infrastructure. This could provide an alternative future for major sites in need of transition, such as Dagenham Engine Plant and similar supply chain workplaces.

Likewise, there are significant areas of the sector which can be supported to scale-up to grow the UK's automotive manufacturing base. This includes significant gaps in the UK supply chain for battery electric passenger vehicles, the supply chain for EV battery manufacturing, facilities for EV battery recycling and material reclamation, components for EV and hydrogen heavy vehicles, the development of UK mineral exploration such as lithium and magnetic materials. All of these areas could provide economic growth and jobs, but this must be part of a coordinated plan with conditionality placed on public funding, the creation of good jobs on a like-for-like or better basis compared to existing jobs in the sector, and a genuine pathway for workers to transition to this work if required.

It is not sufficient for the government to be agnostic regarding such decisions or to simply 'let the market decide' as that is the route to further uncertainty and precarity for which workers will pay the price. This is the lesson of the announced closure of Vauxhall Luton.

Unite does not believe that regulation alone with achieve the necessary results. As such, the union is critical of the government's zero emission vehicle (ZEV) mandate. While EV demand is low, it is more likely that employers will intentionally decrease their sales (and production) of ICE in the UK to ensure EVs are a larger proportion of sales to avoid incurring significant penalties. The union is currently facilitating dialogue between the industry and government on potential changes to ZEV, such as credits for exports or EV sales including higher UK content.

Likewise, Unite was critical of the previous government for unilaterally announcing a ban date on the sale of ICE vehicles (2030 then 2035) without any strategy to achieve it. Unite believes the ban date must remain set at 2035. A strategy to achieve it must prioritise defending jobs. Unite notes that responsibility for the 2030-2035 ban remains with the Department for Transport, rather than the Department for Business.[37] This may be a legacy

[37] https://www.fleetnews.co.uk/news/dft-confirms-ban-on-sale-of-new-fossil-fuel-cars-from-2030

of the political government, but it shows a continued lack of coordination which does not prioritise the defence (or transition) of jobs in the industry. Any review of the ban date must be carried out with trade unions – not only through bodies such as the Automotive Council, but by inviting the direct input of trade union convenors who represent thousands of workers in major automotive plants.

Energy: Ratcliffe-on-Soar power station

The closure of the last UK coal power station at Ratcliffe-on-Soar in September 2024 where the workforce was successfully redeployed provides a stark contrast to the simultaneous and devastating end to coal use in the Port Talbot steelworks.[38]

In 2020, representatives from Unite and the other recognised unions set about planning and negotiating for a solid transition plan for the entire workforce. By this point, the unions had prior experience of negotiating and ensuring a smooth transition for the workers at EDF's Cottam coal power plant, followed by West Burton A. Early engagement, cooperation, and collaboration" was seen as crucial in minimising the impact of the site closure on employees.

The three unions brought similar proposals to Uniper Executives who were receptive and engaged collaboratively with the unions. While the closure of the plant led to job losses, a successful plan was put in place that meant there was a coordinated process to identify new jobs for workers to move across into, backed up by funding and support for workers to reskill, retrain and find new high-quality jobs, whilst also ensuring the plant was able to continuously produce electricity.

Achievements of the transition plan included:

- Internal transfer opportunities to new, high-quality jobs within Uniper. For example, in the onsite Technology Centre, Connah's Quay Power Station and Cottam Development Centre power plant.
- External job opportunities due to relationships which Uniper developed with businesses within the sector, such as Enfinium's Skelton Grange plant.
- A 'Peoples Hub' was created to effectively work as an on-site job centre. This hosted job fairs that included participation from local employers such as Drax, as well as other Uniper-owned sites.
- Flexible release was granted, allowing all workers to leave for new employment prior to their agreed redundancy date, while still being entitled to their full redundancy package.
- Workers were able to attend external training courses which were fully funded by Uniper. They were also released from their normal working schedule to attend these courses.
- An enhanced voluntary redundancy package.

Defence: Aerospace and shipbuilding

Unite represents the concerns of tens of thousands of members working in the UK's world leading defence sector in primes, their supply chain and in government defence. In 2023 this industry added £12 billion to our economy, £9.5 billion in exports and employed around 164,000[39] workers, with almost 7,000 apprentices.

Unite sees industrial strategy as an important route for ensuring that the UK's defence industry supports UK manufacturing and critical industries and generates social value, while providing the Ministry of Defence (MOD) with supply chain resilience and sovereign capability.

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[38] https://www.tuc.org.uk/blogs/last-uk-coal-plant-closes-and-successfully-redeploys-workforce
[39] https://www.adsgroup.org.uk/about/sectors/defence/

Unite notes the Government's new 'Trinity House Agreement' with Germany which includes a new Rheinmetall large calibre gun manufacturing facility. This work is expected to support unionised jobs at Sheffield Forgemasters and shows the important link between defence policy and industrial strategy.

Similarly, aircraft procurement by the RAF can be used to sustain jobs within critical UK sites. By purchasing Typhoon aircraft rather than American-made F-35s, RAF procurement can sustain work for multiple years at sites including BAE Warton and Rolls Royce Derby. The development of the Typhoon and Tempest aircraft - supported by the Global Combat Air Programme (GCAP) – must be supported with multi-year funding commitments from the UK government.

Unite also sees the RAF New Medium Lift Helicopter (MMH) contract, and the design, manufacture and testing of British military satellites, as opportunities to sustain jobs across the UK from Yeovil to Portsmouth.

In Belfast 1000 jobs are at risk following the planned takeover of Spirit Aerospace by Boeing. While other global Spirit sites supply Boeing, the largest customer of the site in Belfast is Airbus. The government must intervene to prevent the break-up of this operation and to put pressure on Airbus to take over the Belfast site.

Similarly, in the shipbuilding industry, jobs are at risk at the iconic shipyards of Harland and Wolff in Belfast, Appledore, Arnish and Methil. Unite believes that Navantia, which is the main contractor to build three support ships for the Royal Navy, should take over the company and commit to the long-term future of the shipyards.

Unite notes the recent announcement concerning a defence industrial strategy (expected to be published in the first half of 2025) and that *"UK based defence firms will be prioritised for government investment that will drive economic growth, boost British jobs and strengthen national security".*[40] We also note its alignment to the Strategic Defence Review to which Unite made a submission.[41]

3) Creating a pro-worker environment: people and skills

Green Paper Questions 7-9
7. What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?
8. Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?
9. What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

Unite notes the green paper's commitment to creating a pro-business environment and contends that a pro-worker environment is, at the very least, equally important. This should consider skills and upskilling, the vital role of health and safety as well as legislation to protect and enhance rights at work.

[40] https://www.gov.uk/government/news/national-security-is-the-foundation-for-growth-defence-secretary-launches-new-strategy-to-boost-uk-jobs-and-growth
[41] https://www.politicshome.com/ugc-1/1/36/0/September%202024_Unite%20response%20to%20Str.pdf

Employment rights
Legislation that protects and expands workers' rights is fundamental for economic growth and Unite welcomes many proposals set out in the Employment Rights Bill. It is vital that the Bill contains watertight rights which deliver real change in the workplace. Unite is concerned that parts of the Bill contain significant loopholes which employers may be able to exploit.

Fire and rehire
In its plan to 'Make Work Pay', Labour committed to "end the scourges of 'fire and rehire' and 'fire and replace' that leave working people at the mercy of bullying threats" and Unite has been consistently calling this exploitative practice be banned outright. The Bill, however, falls short of an outright ban by allowing employers to justify 'fire and rehire' tactics if they can demonstrate an economic need, such as financial difficulties threatening the firm's viability. Unite points to high-profile cases, like British Airways and P&O Ferries, where employers used fire and rehire to slash wages and replace workers with lower-paid staff. Without a complete ban, employers can exploit this loophole, especially since tribunals are reluctant to challenge the business's claim of financial hardship. Unite's demand for a complete ban on fire and rehire practices would prevent employers from using financial pressures as a justification to undermine pay and conditions, ensuring that businesses cannot exploit workers to cut costs.

Access
Unite's call for stronger union access rights in the workplace highlights another gap in the Bill. Unite is demanding a clear and simple right for unions to access workplaces, which would allow workers to seek representation and support on issues such as pay, health and safety, and discrimination.

The Bill, however, only gives unions the right to request access, leaving it up to employers to grant or refuse access, and providing limited recourse if access is denied. This creates a situation where employers, particularly those hostile to unions, can block or delay access to union representatives, which prevents workers from organising or seeking support when facing issues such as unsafe working conditions or harassment.

There is also a lack of clarity on when access can be denied, and the Bill fails to set out penalties for employers who refuse access. Unite's demand for a clear right of access, with strong penalties for non-compliance, would ensure that unions can effectively represent workers, improving working conditions. This kind of support is vital in sectors that suffer from high turnover and poor recruitment, such as the social care sector, which struggles to retain workers due to poor pay and conditions.

Collective bargaining
Unite strongly supports expanding collective bargaining rights to ensure fair pay and conditions and as a key lever to stimulate growth.

The Bill's commitment to Fair Pay Agreements (FPAs) for low-paid sectors and the School Support Staff Negotiating Body is a step in the right direction, but the Bill lacks ambition and does not adequately address the broader issue of private sector collective bargaining. Currently, only 15% of workers in the private sector have collective bargaining rights, which the statutory recognition scheme has failed to expand.

Unite demands that the Bill include new powers for ministers to introduce sectoral bargaining in parts of the private sector, where requested by unions, and reform the recognition process to make it easier for workers to secure collective bargaining.

The current Bill also fails to address union-busting tactics used by employers, particularly in large companies like Amazon, and lacks clear proposals to protect workers during the recognition process. By expanding collective bargaining, workers can secure better pay and conditions, which would reduce turnover and improve retention, especially in low-wage sectors.

Zero Hour Contracts

Unite is calling for a complete ban on zero-hours contracts. The Bill proposes a right to guaranteed hours contracts, but these would be calculated over a 12-week reference period and could still allow employers to offer very limited hours to workers. Under this proposal, workers could be pressured to accept low hours or opt out of guaranteed contracts out of fear of losing their jobs and they would still be subject to fluctuating hours and income. In sectors like hospitality, where zero-hours contracts are widespread, workers face uncertainty and stress about how many hours they will be given, making it difficult to plan their finances or secure stable childcare. Unite's demand for a total ban on zero-hours contracts would guarantee workers a stable income, improving their job security and well-being.

Skills

Britain's highly skilled workforce is often cited as a reason for manufacturing to locate or re-shore operations in the UK. However, under-investment in apprenticeships, training and re-skilling has created a skills gap which threatens investment and the future of whole industries.

An industrial strategy must plug the skills gap by increasing investment in apprenticeship schemes and vocational and further education while ensuring wider access to skilled work to capture the talents of disadvantaged groups, including those without formal academic qualifications.

For an industrial strategy to have real meaning for young workers it must be a guarantor of 'gold standard' vocational apprenticeships which are, and are also clearly perceived to be, a real alternative to solely academic qualifications.

Apprenticeships must have a nationally recognised qualification in a recognised occupation as the outcome, with the necessary underpinning technical knowledge and assessment of competence through college and work-based learning in combination. There must be a diversity of people accessing these apprenticeships with targets for a greater recruitment of disadvantaged groups including working class men and women, Black and Asian Ethnic Minorities and other under-represented people as part of breaking down barriers and achieving real equality.

Unite shop stewards have extensive experience in securing high quality apprenticeships at firms including Rolls-Royce, BAE Systems, Vauxhall and Bentley Motors (VW). With the former two, along with Toyota and Nissan, having developed their own UK training academies to ensure their supply chain for skilled engineers meets theirs, and potentially their own supply chains', requirements.

Tripartite bodies such as the Automotive Council, which includes Unite, have already begun supporting innovative measures such as a 'clearing house policy' (like UCAS) to help young people obtain skilled apprenticeships in the automotive industry and the supply chain. Industrial strategy should use this successful precedent to replicate such bodies across UK manufacturing so-as to connect candidates more easily with potential employers and vice-versa.

Unite views apprenticeships as a positive route for workers to gain vocational skills that supports sustained quality employment.

Unite has developed an Apprentice Charter that sets out a vision for apprenticeships enabling employers and trade unions to jointly commit to recruitment and engagement of apprenticeships as the gateway to a skilled workforce across the UK economy. The key features of a positive apprenticeship experience are identified as:

- An apprenticeship will be an identifiable job with a purpose
- All apprentices will receive a fair rate for the job and rights at work
- Apprenticeships will deliver high quality training and provide clear skills development
- Offering apprenticeships to existing staff and employees to enable upskilling and occupational opportunities for our workforce.
- Committing to trade union engagement and involvement with apprenticeships at every level.
- Embedding policies that ensure apprenticeships are accessible and achievable for everyone.
- Delivering apprenticeships in an environment that enshrines the highest standards of employee wellbeing and health and safety.
- Addressing occupational segregation on grounds of sex, race, disability, sexual orientation, and gender identity to provide equal access to apprenticeships.
- Committing to engaging apprentices to strengthen workforces not replace them.

In the construction sector Unite proposes straightforward requirements from public and commercial sector clients to contractors at the procurement stage that stipulates to participant companies that they must commit to the delivery of apprenticeships for the development and sustainability of a highly professional skilled workforce. This should include ratios on projects of apprentices to craftspeople.

Policy needs to promote the upskilling of workforces to ensure they are able to deal with the threats to jobs that can come from developments such as offshoring and automation.

Health and Safety

Restoring the Health and Safety Executive’s (HSE) effectiveness and funding is a key challenge. The HSE has lost almost £1 billion from its budget over the last 15 years. Consequently, there is a vast reduction across all work that the HSE carries out such as inspections, investigations and campaigning. In addition, HSE staff have suffered real terms pay cuts resulting in HSE inspectors leaving this line of work. HSE funding needs to return to pre-2010 levels, adjusted for inflation.

What’s more, consideration needs to be given to the nature of recruitment whereby training to be a HSE inspector usually takes 3-5 years to reach a reasonable level of competence, and in the case of specialised roles 10 years.

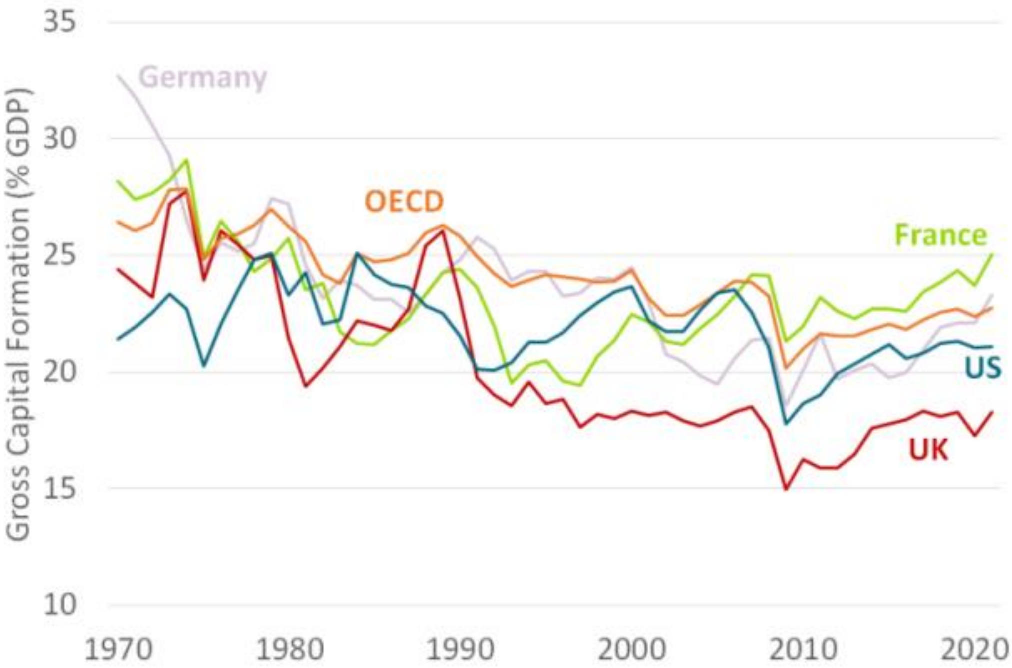
Unite, the TUC and other unions will continue to push for increased funding for HSE and other enforcement agencies, increased rights for union safety reps and the reinstatement of a tripartite committee. All of these are needed to have effective enforcement bodies that can regulate, campaign and consult through official bodies with unions and industry.

4) Investment, innovation and R&D

Green Paper Questions 10-11 and 21-23
10. Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?
11. What are the barriers to R&D commercialisation that the UK government should be considering?

21. What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (e.g. buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?
22. What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?
23. The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?

Investment in the UK is now significantly lower than other countries in the Organisation for Economic Co-Operation and Development (OECD) group of advanced economies. Investment levels average just 17.9% of GDP, compared to 20+% in comparable countries[42]. This is a long-term issue as investment rates have been declining internationally for decades.[43]



This is a process that began in the 1980s as the City's big banks and investment firms began to make huge profits by directing resources into speculation rather than productive investment.

Public sector investment is not filling the gap. In the UK, public sector investment is just 2.4% of GDP compared to 3.9% in the US and 6% in Japan. The previous government experimented with setting up investment banks, but it sold off the Green Investment Bank in 2017 and the UK Infrastructure Bank is 147 times smaller than Germany's equivalent.[44]

[42] https://www.ippr.org/articles/now-is-the-time-to-confront-uk-s-investment-phobia
[43] Gross capital formation (% of GDP) | Data (worldbank.org)
[44] https://policymogul.com/key-updates/14994/labour-government-s-new-infrastructure-bank-will-have-no-effect-on-growth-and-is-147-times-smaller-than-germany-s

All the evidence suggests we can't rely on corporations and financial markets to invest in the real economy. The UK urgently needs new public investment infrastructure to both increase and direct investment on at least the scale of Germany's KfW (around £330 billion).

An investment policy must not be fettered by arbitrary fiscal rules or a return to austerity. Both are political choices which must be rejected.

Conditionality: no money for nothing
While it is of vital importance that government intervention and investment is forthcoming across industry, such financial support cannot be offered without clear guarantees and obligations.

Industrial policy must be based on investment, not tax cuts, and this or any other forms of financial support such as procurement contracts, must come with strict conditions linked to defending and improving jobs, pay and conditions.

In 2023, the then Tory government promised a £500 million[45] 'support package' to Tata Steel which did not come with job protection guarantees for workers at Port Talbot. Likewise, Petroineos, owners of Grangemouth refinery, are reported to have received £500,000 with no conditions to protect jobs from the current threat of closure.[46] All government investment must come with obligations to avoiding compulsory redundancies and genuine negotiation and consultation with the workers via their trade union in cases of transition.

Conditionality must go beyond direct subsidies. As the case of GKN has exposed[47], public investment in research and development must come with conditions that the resulting product will be manufactured in the UK.

Similarly, financial support through enterprise zones – including or similar to freeports – cannot amount to tax giveaways but must be conditional on the creation of high quality jobs and guaranteed trade union access and recognition.

As the following section will make clear, conditions must also be attached to funding awarded through procurement.

Procurement: build local, buy UK
The UK's annual public procurement budget is worth £407 billion (gross spending on public sector procurement 2023/24) an increase of 5% compared with the previous year[48]. This can and should be used to create a stable, internal market to support UK manufacturing with targeted procurement, tied to UK job guarantees, resulting in clear social value, creating UK jobs, sustaining industry and reviving communities.

Ensuring that procurement is tied to high standards and active, demonstratable due diligence extending across supply chains, must be a linchpin of future policy.

Public procurement spending is essential for the continued prosperity of UK manufacturing and for the rebalancing of our economy both sectorally and geographically, it means UK tax money is spent in a way that maximises social benefit on both public services and goods,

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[45] https://www.theguardian.com/business/2023/sep/15/tata-steel-seals-500m-uk-support-package-but-big-job-losses-feared
[46] https://www.pressreader.com/uk/sunday-mail-uk/20241020/281526526524314?srsltid=AfmBOorA2e_FqFz_eMZnt2DLleAAqhPKF-YD2ED7aJPrUMWGb_KAmtMb
[47] https://www.apcuk.co.uk/news-events/news/gkn-automotive-supplies-one-millionth-edrive-system/
[48] https://commonslibrary.parliament.uk/research-briefings/cbp-9317/

supporting UK shipbuilding, automotive, print and steel making, protecting and creating secure, highly skilled, well-paid employment. It is fundamentally essential to the growth of the UK economy and the stability of our communities.

The shameful approach by recent governments driven by economic and ideological austerity, has seen public money used to fund a purchasing policy for both services and goods that prioritises the lowest upfront cost. This needs to be replaced by one which proactively supports UK manufacturing over the long term while also investing in its sustainability, supporting communities and its skills base. The economic and social benefits over the medium and longer term are far higher than the short-term approach of immediate lowest cost.

The woeful record on procurement is exposed by the ‘Steel Procurement Pipeline,’ which shows that of the £158 million of steel product procured by the public sector less than 43% – or £68 million by value – was produced in the UK.

Again, official figures show how easily this could be improved. The same ‘Pipeline’ shows an intention to use a minimum of three million tonnes over the next decade, worth £2.5 billion in value. Unite is a signatory of the UK Steel Procurement Charter and has supported cross-sector lobbying work alongside workers in the aerospace, shipbuilding and automotive sectors of our union.

Similarly, the automotive industry is indicative of the missed opportunity of public sector procurement. From electric cars to commercial vehicles and hydrogen/battery hybrid buses, the UK automotive sector can provide vehicles suitable for all UK public bodies. Yet, data collected by Unite reveals that 74% of vehicles procured by public bodies in the UK are not produced in the UK.

It’s clear that the decision to award procurement contracts to the cheapest bidder is another example of ‘race to the bottom’ economics. Article 26 of the European procurement directives and guidelines - coupled with the UK government’s ‘Green Book’ and guidance on the use of Value for Money and evidence of Social Value (2022) – can be interpreted to allow public bodies to award procurement contracts based on social value.

Local authorities, NHS Trusts and other local bodies should seize on this chance and introduce clear social value policies for their own procurement work.

In the rail industry the impacts of the previous government’s short sighted decision making were starkly exposed, with the awarding of the contentious 2011 Thameslink contract. This was awarded to German based Siemens to manufacture 1,200 new train carriages instead of Bombardier, a company with manufacturing facilities in the UK. Soon after the announcement Bombardier announced that half of its workforce in their Derbyshire facility would become redundant. A similar Transport for London contract to supply new deep line Tube replacement carriages was again awarded without UK content protection in the contract, to Siemens Mobility and is being supplied from outside the UK.

UK procurement strategy must support companies that:

- Are based in Britain or have a strong UK manufacturing footprint and actively support local and ethical supply chains as well as having an ‘end of life’ sustainability plan.
- Recognise trade unions and have a proven record on support for collective bargaining, worker rights, good employment practices and transparency with executive pay.

- Implement best practice equality policies actively increasing the diversity of their workforce at all levels, ensuring equal pay and undertaking union recognised gender and equality audits.
- Provide high quality apprenticeships, training and retraining throughout careers.
- Pay their fair share of tax.
- Have a record of paying suppliers and freelancers on time.
- Have a proven environmental record and best practice standards.

5) Infrastructure and energy

Green Paper Questions 14-17
14. Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?
15. How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?
16. What are the barriers to competitive industrial activity and increased electrification,
beyond those set out in response to the UK government's recent Call for Evidence on industrial electrification?
17. What examples of international best practice to support businesses on energy, for example Purchase Power Agreements, would you recommend to increase investment and growth?

Energy
Unite has been at the forefront of exposing Britain's broken energy system most recently laid bare by energy profiteers like National Grid extracting cash for overseas' shareholders through ever more expensive bills[49].

It is time our energy infrastructure was brought back into public ownership so that the British people and economy benefit rather than foreign wealth funds. Unite has highlighted how:

A nationalised transmission and distribution system could save £3.8 billion a year.

The UK's transmission and distribution companies have used their monopoly concessions to make an average of £3.8 billion in net profits between 2019 and 2021[50].

In *Renationalising energy: costs and savings*[51] Unite maps out the UK energy network and the companies that own it to reveal that public ownership could have saved us all nearly £45 billion in 2022 (over £1,800 per household) and that public ownership of the UK's energy supply could cost £90.3 billion, equal to two years of profits at the 2022 level.

Unite welcomed the announcement that the government is set to invest over £21 billion in carbon capture technology at sites in Teesside and Merseyside which is predicted to create

[49] https://www.unitetheunion.org/news-events/news/2024/november/national-grid-profits-underscore-case-for-public-ownership-of-energy
[50] https://www.unitetheunion.org/news-events/news/2024/november/national-grid-profits-underscore-case-for-public-ownership-of-energy
[51] https://www.unitetheunion.org/what-we-do/unite-investigates/unplugging-energy-profiteers-the-case-for-public-ownership

over 4,000 jobs[52]. This is good news for the UK as a whole and the North East and North West in particular. However, it is vital that this be only the first step in such investment.

We are insisting that the jobs created are well-paid, skilled unionised employment. We also remain concerned that there hasn't yet been any indication of any similar investment in Scotland where tens of thousands of offshore workers face an increasingly uncertain future, exacerbated by the government's decision to ban the issuing of further licences in the North Sea.

Unite supports the expansion of nuclear power and was sceptical of the previous governments plans to do so after years of timewasting[53]. Any plans for nuclear need to include small modular reactors as part of Britain's balanced energy mix and delays in projects like Sizewell C and Hinckley Point cannot continue.

Transport

It is clear that improving connectivity can attract new investment,[54] and Unite believes this must include transport as well as digital connectivity. For example, accessible, reliable and affordable public transport is not only a social good it but ensures access to jobs and skills. (As an example, the Gravity Campus which will host the Tata battery plant in Somerset is 50 minutes away from the largest city, Bristol, by car but 2.5 to 3 hours by bus, a barrier to a large population of skilled workers being able to take these jobs.)

Unite has long been committed to a policy of full public ownership of buses and we see this as the best way for the bus system to operate in the interests of passengers, communities, the environment and the wider economy. Unite sees little benefit to bus users, communities or workers in private companies cherry picking routes to provide profits to pay to shareholders while fares rise, bus routes are withdrawn and the terms and conditions of workers in the industry are eroded.

Public ownership of our buses would create a more integrated network of properly regulated bus services which would be run for the benefit of passengers rather than to provide excess profits for operating companies. It would lead to greater accountability, improved reliability and better value for money.

Whilst striving towards the ultimate goal of public ownership, the use of 'franchising', made possible by the Bus Services Act 2017, was an opportunity to repair some of the damage done by deregulation and give more control to communities. We see this very much as a potential staging post for transition to public ownership.

Finally, an integrated transport and industrial strategy would allow a procurement strategy which supports UK bus manufacturing. The UK has the largest ZEV (zero emission vehicles) bus market by volume in Europe, with manufacturing capacity to supply all types of ZEV models. In the first half of 2024 almost a quarter (23.2%) of all new vehicle purchases were ZEV[55]. Publicly owned bus companies must take advantage of funding, such as the ZEBRA scheme (Zero Emission Bus Regional Area), to decarbonise fleets and further support UK bus manufacturing. Unite is deeply concerned about the offshoring of bus manufacturing, noting reports from ADL that: "production of the Enviro200EV could take place in other

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52 https://www.unitetheunion.org/news-events/news/2024/october/investment-in-carbon-capture-welcome-but-must-be-only-a-first-step
53 https://www.unitetheunion.org/news-events/news/2024/january/unite-union-government-s-nuclear-plan-urgently-needs-clarity-after-years-of-government-time-wasting
54 https://theconversation.com/the-uks-new-industrial-strategy-is-welcome-but-heres-what-is-missing-241410
55 https://www.smmt.co.uk/2024/08/bus-investment-grows-again-with-greenest-rollout-in-europe/

countries due to economic pressure. However, a decision has not yet been made."[56] This is wholly unacceptable. Public funding for bus procurement – like ZEBRA – must include conditions to support UK manufacturing.

Pensions and mobilising "workers' capital"

Unite notes the Chancellor's proposals for pension funds to invest in UK infrastructure.[57] Unite is concerned about use of the Local Government Pension Scheme (LGPS) without adequate protections. While the union is supportive of the approach in principle, it cannot be allowed to conflict with fiduciary duty, so investments must have the right risk and return profile.

The previous UK government had a poor track record of staying the course on UK infrastructure projects when they become politically unfavourable. Therefore, government must guarantee and underpin any investment from pension funds.

Similarly, the deferred pay of workers including the LGPS cannot be 'lenders of last resort' and asked to support infrastructure projects that the private sector isn't interested in.

Unite is concerned that pooling has not delivered the promised returns and cost savings. The government must propose improvements to this approach including union member nominated representatives on the pools with full voting powers, not just observers as is the case in some pools now.

As we have previously commented for the Pensions Investment Review, Unite fully agrees with the objective of better mobilising our pension funds for investment to rebuild and transition our industries.

As a union, we are actively involved in the management of major workplace pension funds through our trustees and reps. We understand workplace pension funds to be "workers' capital": they are deferred wages of our members and other workers, and workers have a direct interest in managing and directing these funds. We note these points on how pension policy reform can contribute to industrial strategy.

Re-opening defined benefit (DB) funds will help boost industrial investment. The government should enact policy to support the re-opening of DB schemes (and the reinvigorating of DB provision). Closed DB schemes represent a large proportion of total UK pension fund assets. However, because they are closed, they have shifted away from growth assets and into bonds and other investments that match their investments more closely. Reopening DB schemes would not only benefit members but help drive investment towards more "productive" asset classes.

Investment must be into well-targeted vehicles. Simply redirecting pension funds to UK equity markets is not necessarily the most efficient strategy. It is important to remember that UK-listed or incorporated companies are not necessarily UK employers. Without an explicit investment approach led by pro-worker industrial strategy, the benefits of economic activity driven by increased investment will not necessarily be broadly felt. In fact, increased allocations to asset classes such as private equity may simply serve to enrich intermediaries and extend their ownership and control of important parts of the UK economy. The experience of Thames Water demonstrates how such investments can be very damaging. Thus, we advocate targeting pension fund investment through strategic vehicles such as the National Wealth Fund, or specific government-led partnerships such as the "Green Industrial

[56] https://www.electrive.com/2024/10/14/adl-reveals-further-details-on-the-revised-enviro200ev/

[57] https://www.gov.uk/government/news/chancellor-reeves-pension-funds-can-fire-up-the-uk-economy

Zones" discussed above. These vehicles can attract pension capital through green bond issuance, amongst other means, as in Germany's KfW model.

Consolidation is not necessarily the "silver bullet": in-house management is a way forward. Consolidation in the DC market should bring about some economies of scale. However, there is a danger that large-sized pension pools simply end up externally managed by major asset managers whose goals are not well aligned with industrial strategy. "Capture" of funds by asset managers also means extraction of high fees – a perennial complaint of pension funds today. To address this, we propose two key measures. First, we need to encourage in-house management – whether by consolidated pension funds; or by consortia of pension funds grouping together to set up in-house management. The example here is the "Australian Model", where one of the leading pension fund managers, IFM, is owned by a consortium of union-linked funds.

Worker representation is key. We must not allow consolidation to sever the critical link between the workplace and occupational pension funds. We continue to defend the role of worker trustees and representatives in occupational pension funds: indeed, this role needs to be expanded, to promote active strategizing about how these funds are directed into industrial investment.

6) Regulatory environment

Green Paper Questions 18-20
18. Where you identified barriers in response to Question 7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?
19. How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?
20. Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?

It must be a fundamental aim of industrial strategy to end endemic short termism which is given by lack of regulation of corporate governance. This must mean corporations – and directors of those corporations – have to accept their responsibilities to their workforces, communities and to the supply chains.

Ending dangerous short termism can only be tackled by recognising that it is a system problem built into law. The periodic exposure of 'bad apple' bosses are high profile outliers who expose the rotten state of UK business culture and the feebleness of the laws and regulations which should protect workers and the wider economy.

For example, all too often company announcements concerning job cuts are fed into and welcomed by the market in a cynical move to push up share prices. This is done without any real consideration for the long-term consequences to organisational stability or social responsibility. There is also no doubt that such short-termism is only encouraged by the UK having some of the weakest legal protections for workers in Europe, something we hope will be addressed in forthcoming legislation such as the Employment Rights Bill.

Meaningful corporate governance should focus on promoting longer-term perspectives which benefit industry, workers and the economy at large.

- Stronger promotion of collective and sectoral bargaining.

- Extending the scope of collective bargaining, both in terms of issues and workers covered.
- Pension fund performance to be looked at on a long to medium timescale, rather than short term basis.
- More transparency in relation to costs, charges and renumeration structures of fund managers and full disclosure of voting records.
- Greater attention to be paid by asset managers and analysts to employment relationships when assessing company performance.
- Better definition of trustee's fiduciary duty in respect of long-term investment and environmental, social, and governance (ESG) issues.
- Reform of the takeover regime so mergers and takeovers are subject to long term company interest tests.
- Amendment to director's duties under the Companies Act to make director's primary duty to promote the long-term success of the company.
- Mandatory equal pay audits.
- For remuneration reports to include the distribution of pay throughout the company by grade and to provide the ratio between company director pay and the median and lowest employee pay.

Mergers, acquisitions and takeovers
Industrial strategy must include scrutiny and prevention of takeovers which are not in the interest of workers, the company or the nation. It is vital that companies or investors demonstrate they have a long-term agenda for a company they are seeking to take over, rather than short term asset stripping.

In 2018 Unite opposed the takeover of GKN by asset-stripping investment firm Melrose.[58] The concerns of our members came to pass in 2021/22 when Melrose announced the offshoring of GKN Driveline from Birmingham, resulting in 500 job losses.[59] As the shop stewards demonstrated, the site was capable of manufacturing vital components for electric vehicles, the R&D for which had been funded by the UK taxpayer.[60] The former site has now been turned into a logistics park,[61] wasting an opportunity to support advanced manufacturing work in an emerging green industry.

Likewise, Unite members at Spirit Aerospace in Northern Ireland remain in limbo since the takeover of their company by Boeing in July. Aerospace rival Airbus intends to take over wing production lines in Northern Ireland; however, no assurances have been given to workers, in particular those on non-Airbus production lines, leaving all workers concerned for their future.[62]

Unite represents the majority of the 3,700 Spirit employees in Northern Ireland. It has warned that uncertainty over jobs at Spirit represents a huge threat to the wider Northern Ireland economy and its vital aerospace sector. Unite estimates that a further 7,000 workers are employed in the wider Spirit supply chain. Such takeovers and acquisitions must come with obligations for transparency.

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58 https://www.bbc.co.uk/news/business-43584083
59 https://www.bbc.co.uk/news/uk-england-birmingham-57182660
60 https://www.apcuk.co.uk/news-events/news/gkn-automotive-supplies-one-millionth-edrive-system/
61 https://www.business-live.co.uk/commercial-property/plans-unveiled-77m-logistics-park-29516239
62 https://www.bbc.co.uk/news/articles/ckdglkyqdewo

Unite proposes:

- Workers and their union representatives must be informed and consulted on business and financial plans before any takeover is confirmed. The company letter to shareholders must then accurately reflect this consultation.

- Reform of the takeover code which includes the removal of barriers to companies sharing non-public information with worker representatives, including bid documents and negotiate safeguards to protect jobs and conditions.

- A mergers and takeover commission to oversee this issue.

- For the Secretary of State to block takeovers which are not in the national interest, which must include social grounds as well as UK strategic capability.

AI and regulation

Unite notes the increasing pace and impact of automation, new technologies and Artificial Intelligence (AI) in the workplace including surveillance technologies. We also note how these technologies can automate jobs, exacerbate workplace inequalities, increase workplace pressure and stress, drive down skills, violate basic human rights and accelerate rampant profiteering and wealth inequality.

Unite calls for the development of a comprehensive package of legislative, regulatory and workplace protections to ensure the positive potential of technology is realised for all including the fair distribution of productivity gains. This needs to include:

- protections of workers' data, human characteristics, acquired knowledge and experience, as the intellectual property of the worker;
- a collective bargaining framework ensuring that such intellectual property is properly recognised, valued, and compensated;
- a legal duty on employers to consult trade unions on the use of intrusive forms of technology and AI in the workplace;
- a legal right for all workers to have a human review of decisions made by AI systems so they can challenge decisions that are unfair and discriminatory;
- amendments to the UK General Data Protection Regulation (UK GDPR) and Equality Act to guard against discriminatory algorithms;
- a programme of re-skilling and up-skilling existing workforces;
- support for the creation of new training and apprenticeship schemes reflecting changing job roles.

Furthermore, the introduction of AI systems into workplaces without regulation or protections will further entrench discrimination. Women, Black and Asian ethnic minority, disabled and LGBT+ workers are most vulnerable to discrimination by algorithm and AI. Workers need protection from AI-powered decision-making, particularly 'high-risk' decisions like recruitment, performance assessments and discipline.

The use of AI systems like language software can replicate racist stereotypes, including linguistic discrimination by assigning speakers of African American English worse results. The unregulated collection of data can be used to victimise on the basis of special categories of personal data, including trade union membership, known as 'digital blacklisting'.

Therefore, legislation must also include:

- The right for trade union consultation and negotiation on the introduction and use of new technologies at work, including the collection, handling and misuse of data;

- Statutory Workplace Equality Representatives with legal protections to ensure collective oversight of the misuse of AI and new technologies at work;
- Preventing use of AI for 'digital blacklisting' and discrimination;
- The extension of public sector equality duties to ensure AI does not embed discrimination in public bodies. This should include a role for the EHRC in regulating the use of discriminatory AI systems, backed by statutory guidance and equality impact assessments.

Supply chain responsibility
Unite supports new legislation to make UK companies responsible for their supply chains. The disruption of 2021-22 shows that major manufacturers have lost control of component and logistics supply chains following decades of fragmentation to drive down costs.
In the automotive industry Unite is challenging pay suppression in the UK supply chain, where the final assembly companies at the top of chain are cutting costs, resulting in attacks on pay further down the chain.[63]

Similarly, Unite continues to call for a 'risk register' where final vehicle assemblers disclose their supply chain to help identify the sites most at risk from closure during the transition to electrification. The fact no such list is currently held by the companies themselves, industry trade federations or by government shows – at best – that these employers have lost control of their supply chains or are unwilling to accept any responsibility for them. Again, we have seen these companies such as Vauxhall continue to focus on 'low-cost countries' for new component manufacturing, including Morocco and Serbia.[64]

The UK risks lagging behind other nations in this critical area:

Germany	Supply Chain Due Diligence Act (2023) prohibits disregard of occupational health and safety protections and withholding of adequate wages mandated by national legislation within Germany. In the value chain, the law applies to all products and services of an enterprise and includes the actions of direct and indirect suppliers.
France	'Law de Vigelance' (2017) covers risks and harms to health and safety, human rights and the environment and applies to companies with a head office in France and over 5,000 employees.
Norway	Transparency Act (2022) covers fundamental rights and 'decent working conditions' within Norway, and in terms of the value chain it applies to companies' own operations, its subsidiaries, all suppliers and subcontractors
European Union	Corporate Sustainability Due Diligence Directive (2024) the world's first set of legally binding rules to hold EU and third country companies and their subsidiaries accountable for violations of human rights and harms to the environment. It places a

[63] https://www.reuters.com/business/autos-transportation/volkswagens-profit-falls-restructuring-costs-weigh-first-half-2024-08-01/
[64] https://www.bbc.co.uk/news/business-65612295

	duty on companies over a certain threshold to carry out human rights and environmental due diligence in their operations and across their value chains – to identify, mitigate, prevent and remedy adverse impacts. Trade unions and workers' representatives will be involved in developing and implementing effective due diligence policies, plans and strategies in companies and their subsidiaries, throughout the value chain.65 This regulation can be built on in the UK, strengthening the approach to include, for example, all businesses, reversal of the burden of proof, and a different approach to civil liability.

Unite supports the demand of the TUC for new legislation to establish and enforce organisations' global value chain responsibilities would be to enact robust mandatory due diligence legislation which:

- is comprehensive in scope, covering core labour rights, local employment laws, human rights and environmental protections
- imposes duties on businesses and other organisations (including public sector bodies) without restriction, and applies throughout global value chains
- is premised on core legal duties to respect and prevent adverse human rights and environmental impacts
- imposes substantive due diligence obligations on organisations
- provides for a tripartite regime of civil, regulatory and criminal liability in order to provide an accessible and effective deterrent
- enables trade unions to play a vital role within the due diligence process and use of accountability mechanisms.

Unite believes such legislation must apply to the logistics as well as component/value chain.

7) International partnerships and trade

Green Paper Questions 24-25
24. How can international partnerships (government-to-government or government-to-business) support the Industrial Strategy?
25. Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?

Any industrial strategy for the UK must be seen in its geo-political context and consider the vital role of exports for sustaining jobs and the hardwired reality of internationally integrated supply chains. While some sectors – such as energy, foundation industries, transport and infrastructure – can be primarily considered in terms of domestic demand, that is simply not

[65] European Trade Union Confederation (2024) 'Workers' rights secured throughout the supply chain', available at: https://etuc.org/en/pressrelease/workers-rights-secured-throughout-supply-chain

the case for advanced manufacturing. Sectors like automotive and aerospace are built for export, with global markets and long supply chains.

This is underscored by the manufacturing PMI (Purchasing Managers Index) which, at the time of submission, stands at 51.5. This limited growth is being driven by domestic demand but is being held back by decreasing export demand which has fallen for the thirty second time in as many months. S&P report UK manufacturers are being impacted by subdued market conditions in Europe, lower demand from the United States and the impact of the property crisis in China.[66]

Europe
Unite has little interest revisiting the political theatre of the Brexit years; nevertheless, it is an unavoidable reality that the nations of Europe, individually and as a single market trade bloc, continue to be our largest and closest trading partner.

As of 2024, goods exports to the European Union (EU) were 11% below pre-pandemic/Brexit levels[67]. Monthly data analysed by Aston University shows a 27% drop in UK exports and a 32% decline in imports from the EU.[68] This is partly due to the impact of non-tariff barriers on small and medium business in supply chains as well as the confusion and delay to the implementation of new customs checks[69].

Beyond the statistics, an industrial strategy for the UK cannot ignore developments in Europe. Key investment decisions for sectors like automotive continue to be made in Europe. The industry is dominated by companies with European headquarters – such as BMW and Stellantis - or employers who see UK production primarily aimed at the European market, such as Nissan. At the time of writing the severe cost cutting announced by VW in Germany[70] is already having a knock-on impact for component suppliers in the UK as well as for transport works in car delivery handling imports. Likewise, stalling demand in Europe for electric vehicles is impacting production volume in the UK, as will the entry into the European market by Chinese competitors like BYD and Great Wall.

Unite, along with the TUC and sister unions, is committed to seeking improvements to the UK-EU Trade and Cooperation Agreement (TCA) and is a participant to the UK Domestic Advisory Group.[71]

The TCA will be reviewed in 2026 and Unite believes this is an opportunity to strengthen the agreement by:

- Giving trade unions the power to bring cases when working rights are attacked
- Removing the high bar requiring proof that violations of Level Playing Field commitment affect trade
- Obliging the UK to *at least* keep up with any improvements in EU standards of workers' rights

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[66] https://www.pmi.spglobal.com/Public/Home/PressRelease/0414a99481814d97aca7e253168521ce
[67] https://researchbriefings.files.parliament.uk/documents/CBP-7851/CBP-7851.pdf
[68] https://www.aston.ac.uk/latest-news/eu-uk-trade-deal-continues-stifle-trade-27-drop-exports-2021#:~:text=exports%20since%202021-,EU%2DUK%20Trade%20Deal%20continues%20to%20stifle%20trade%20with%2027,drop%20in%20exports%20since%202021
[69] https://news.sky.com/story/portsmouths-new-brexit-border-post-could-be-demolished-without-ever-being-used-13099358
[70] https://www.reuters.com/business/autos-transportation/volkswagens-profit-falls-restructuring-costs-weigh-first-half-2024-08-01/
[71] https://assets.publishing.service.gov.uk/media/662f5756372544f5dc86969b/2024-02-22_DAG_Minutes.pdf

Trade deals
Unite is not opposed to new trade agreements but is very sceptical about modern 'Free Trade Agreements' (FTAs) or 'comprehensive trade and investment partnership' agreements, which go far beyond trade itself into areas of privatisation and deregulation. Unite has published our own analysis and critique of modern trade deals and the implications for workers.[72]

A primary demand from Unite – which will be echoed by sister unions and the TUC – is for any new trade agreement to contain strong labour chapters to protect and advance workers' rights.

That must mean an ability for unions to take up legal cases directly and on issues which go beyond limited 'economic impact' to employers.

The election of Donald Trump in the United States once again raises the issue of tariffs and their potential impact on UK exports. Unite opposes trade wars due to the impact on workers, as seen during the 2018-2022 tariffs on steel and aluminium.[73] For this reason, Unite has not supported calls for the UK to place tariffs on Chinese vehicles, due to the retaliatory impact of UK automotive exports to China. However, Unite does see an important role for safeguards, especially for industries of strategic importance.

On the issue of tariffs and safeguards for trade, Unite has maintained a dialogue with the Trade Remedies Authority (TRA) via the TUC and commends their important work. Unite supports the need for investigations and the use of safeguards to protect against issues such as the Chinese dumping of steel, which resulted in the closure of Redcar steelworks in 2015 and over 2,000 job losses.

The investigations into economic impact conducted by the TRA are important, but the scope must be expanded beyond industry and consumers to include social impact and impact on workers specifically.

Likewise, trade unions must have the ability to raise issues and request investigations directly, as is the case in the United States.

Unite notes media reports of a potential new trade deal with the United States. Unite does not support neo-liberal FTAs such as the Transatlantic Trade and Investment Partnership (TTIP), which attempted to embed privatisation and posed a clear risk to our NHS and other public services. Unite would not oppose a trade deal with the United States in principle but would adamantly oppose such a deal on the terms of TTIP. Just as our sister trade unions in the United States, such as the USW, will expect a 'seat at the table' with their trade authority, so UK trade union's must be actively consulted on trade negotiations with the US – with access to the text prior to ratification - to ensure any such deal benefits and does not threaten UK workers.

Beyond the possibility of a new trade deal with the United States – and this should not need to be said to a Labour government - the UK must not enter into new trade agreements with countries which ban trade unions, carry out human rights violations or are committing acts of genocide.

That means ceasing any negotiation on an FTA with Turkey, due to abuses of labour and human rights as reported by the KESK and DISK trade union confederations. Trade unions face strike bans and political repression in Turkey. The Turkish government is also

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[72] https://www.unitetheunion.org/media/3694/unite_trade-report_final_march-2021.pdf
[73] https://www.reuters.com/world/uk/uk-us-trade-chiefs-meet-tuesday-steel-tariffs-source-2022-03-22/

conducting an ongoing campaign of ethnic cleansing against the Kurdish minority, which has extended across Turkey's borders into Iraq and North Eastern Syria.

Similarly, the government must not enter into an FTA with the Gulf States, where trade unions are banned and forced labour, severe exploitation of migrant workers and other labour rights abuses are widespread – as are attacks on women and LGBTQ+ rights.

FTA trade talks with Israel must also be suspended in light of the war in both Gaza and Lebanon.

Beyond these most egregious examples, another feature of FTAs is that the trade-offs to achieve market access result in pitting sectors of the economy against each other. For example, the recent trade deals between the UK and Australia and then New Zealand offered increased access to the UK market for agricultural imports in exchange for expanded access for manufacturing exports. Such trade deals must come with industrial impact assessment to demonstrate the impact on each industry and the knock-on impact on jobs.

8) Importance of place

Green Paper Questions 26-29
26. Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?
27. What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should we determine which sites across the UK are most critical for unlocking this investment?
28. How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?
29. How should the Industrial Strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales, and Northern Ireland?

Unite welcomes the recognition in the green paper of the importance of our cities, regions and devolved nations. It is not a coincidence that the industries and workplaces cited in this submission as needing most urgent support – in Port Talbot, Scunthorpe, Grangemouth, Belfast - are in regions and devolved nations neglected by industrial policy.

Clusters
The strategy should actively seek to reduce economic disparities by creating industrial clusters in underdeveloped areas. This decentralisation will foster inclusive economic development and contribute to regional balance. From aerospace in Northern Ireland and the South West to automotive in the West Midlands, North West and North East, Unite has seen the success of manufacturing clusters and the potential to extend this model further.

The creation of regional industrial clusters can help stimulate local economies, foster innovation, and reduce the concentration of wealth and opportunity in major cities. These clusters can also attract a diversified talent pool, fostering regional self-reliance and resilience. Policy makers should provide infrastructure, skills training, and investment to ensure these clusters are sustainable and competitive on a global stage.

Freeports and special investment zones
One approach which must be overhauled are freeports and the wide panoply of special investment zones and enterprise zones which proliferated under the previous government.

These zones fell short of their cited objectives of creating jobs and attracting investment and instead became areas for tax giveaways with minimal obligations or return.

Unite has supported workers in each of the freeport locations first announced for England in March 2021 and then in Wales and Scotland in 2023. In all cases the process of establishing freeports has been disjointed, protracted, overly secretive and confused.

Unite has always noted the prediction that the customs opportunities of the freeports have been overinflated, with minimal opportunities for 'tariff inversion'.[74] As has now been reported, by 2024 only six companies have taken up customs sites across eight English freeports; three in Liverpool and one each in Solent, Thames and Teesside.[75]

Unite believes this is partly due to the disjointed and confused implementation, where the principal employers which form the freeport boards filled the vacuum left by government. In the end, despite the promises and the potential benefit of targeted investment in these areas, in nearly all cases the freeports focused only on tax breaks and unlocking government seed capital. Little has been delivered in terms of job creation.

Unite notes the objection that the freeport model is more likely to relocate existing investment rather than attract new Foreign Direct Investment.[76] Indeed, in practice freeports have even been in competition with each other. For example, the monopile factory planned by SeAH[77] is one of the very few exceptions where significant new manufacturing jobs are expected to be created within a freeport – and even in this case the investment was relocated from the Humberside freeport to the Teesside freeport.

Similarly, the selection of the freeport locations pitted regions against each other, with locations chosen on the basis of short-term political expediency – particularly local and mayoral elections. This explains why areas such as Bristol, Sunderland and the West Midlands were overlooked or rejected despite having credible and necessary cases for investment support.

It must also be noted that despite the promises, freeports have done nothing to slow deindustrialisation. The steelworks of Port Talbot and Scunthorpe, and the refinery of Grangemouth are all in freeport zones.

Unite's direct experience of the freeports has included several industrial disputes with companies receiving financial benefits, while the union has succeeded in extending collective agreements to cover freeport areas[78] or to propose freeport-wide agreements with regional authorities and principal employers.

If freeports, or any special investment zones, are going to continue or be overhauled then at a minimum this must include strict conditionality for funding or tax relief. Conditions must include the type and quality of jobs which will be created, as well as trade union access and recognition.

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[74] https://blogs.sussex.ac.uk/uktpo/2020/07/28/tariff-inversion-in-uk-freeports-offer-little-opportunity-for-duty-savings/
[75] https://www.ft.com/content/9c7a0b55-271c-4b5f-8463-2ffa9b3535ea
[76] https://www.tuc.org.uk/sites/default/files/2020-07/DIT%20Freeports%20consultation%20TUC%20response%20final.pdf
[77] https://renews.biz/75685/seah-to-relocate-uk-monopile-factory-in-amep-blow/
[78] https://www.unitetheunion.org/news-events/news/2021/july/unite-signs-historic-freeports-recognition-deal-with-xpo-on-nestle-contract-at-east-midlands-gateway

Devolved nations
A national Industrial Strategy must be dynamic enough to align with the specific needs and powers of regions with devolved governance. This alignment requires joint decision-making, policy flexibility, recognition and understanding of the regional landscape and economic strengths and weaknesses.

Wales
Manufacturing is at the heart of the Welsh economy, from the foundation industries of steel in Port Talbot, Newport, Trostre and Shotton, to the advanced manufacturing centres of Airbus in Broughton, Aston Martin at St Athens, and Toyota's battery plant in Deeside.

Even before the devastating closures at Port Talbot and Llanwern, the Welsh manufacturing base was already reeling from major closures, such as the reverberation of the closure of Ford's Bridgend engine plant and Honda at Swindon on both direct jobs and the wider supply chain in Wales.

As in the rest of the UK, manufacturing does not exist in isolation in Wales but is hit by crises upstream in the economy. The importance of the aerospace sector to Wales and its interconnected industries of aviation and defence is undeniable. Wales is a centre of excellence for aerospace manufacturing and Maintenance, Repair and Overhaul (MRO) related activities with over 160 companies employing a total of more than 23,000 people. State-of-the-art facilities now manufacture, supply, maintain, repair and overhaul, civil and military aircraft from around the world.

With just 5 percent of the UK population, it has around 10 percent of the UK's aerospace industry which includes 20 of the UK MRO market. It has an annual turnover of around £6 billion, with nine out of the ten of the sector's largest companies in the world based in Wales.

Within aerospace there are several identifiable clusters in Wales, from Airbus Wing Manufacture to MRO, interiors and defence work. To further illustrate the importance of the sector to Wales, Unite members working at Airbus Broughton, part of its pan-European production system, produces up to 800 sets of wings a year. The MRO cluster, mainly situated in South Wales, employs approximately 6,000 people, and includes British Airways Maintenance Cardiff, Avionics, as well as GE in Nantgarw. BAE Systems, General Dynamic and Airbus Defence at Newport are also key players within the defence sector.

Unite is working with allies in the Welsh Government to strengthen support for manufacturing while continuing to lobby central government for support in R&D as well as skills and re-training opportunities to support advanced manufacturing alongside major infrastructure projects.

Unite is working nationally and locally to ensure a future balanced energy mix. A key part of this programme is the demand for central government commitment to a new nuclear power station for Wales at Wylfa, Anglesey.

Scotland
Political failure and missed opportunities at both Holyrood and Westminster have allowed Scotland's greatest assets from the North Sea and surrounding coastline to its windy highlands left in the hands of overseas states and private corporations with very little benefit to the workers of Scotland. From BiFab to Seagreen and now Grangemouth and the North Sea, we've seen profits off-shored and opportunities to rebuild and transition the Scottish manufacturing sector lost.

As Seagreen demonstrates, Scotland may be the world's sixth largest producer of wind power but there can be no 'green recovery' if public money is going into the pockets of energy giants, private financiers, and sovereign wealth funds. Such public investment, and equity stakes, must be leveraged to create and sustain jobs here.

In the oil and gas sector we see threats to the giant INEOS site at Grangemouth with announcements by Petroineos that it intends to end refining operations while Labour has announced its intention to pull the plug on new oil and gas exploration opportunities. Government inaction and corporate interests must not be allowed to result in the industrial destruction of Scottish manufacturing.

Oil and gas products will power the UK for generations to come as we transition to a decarbonised future. Importing either crude or refined product from overseas does nothing to protect the environment, UK economy or skilled workers and communities.

The need to refine alternative fuels, from hydrogen and ammonia to sustainable aviation fuel has never been greater, but refined oil and gas products support industry across the UK from chemicals and paints to plastics and pharmaceutical manufacture, key sectors in our economy. About half of the energy from today until 2050 is likely to come from oil and gas, tapering off to a fifth by the end. In 2035 gas is likely to still be supplying 30% of energy and oil products twenty two percent.

Investing in carbon capture, storage and use (CCSU) and other decarbonising technologies – alongside new plant and equipment to make the products of the future, is key to ensuring UK energy and fuel security into the future and Scotland must be at the centre of this.

Such projects should not pit workers in green manufacturing firms against each other, no matter where in the UK they are. The approach taken to building the Royal Navy aircraft carriers, which were built in sections across six shipyards from Rosyth to Portsmouth, should serve as a future precedent.

Unite is clear that it would be irresponsible not to issue oil and gas licences when we don't have a secure replacement. While there is much commentary on the number of jobs which will be created in renewable industries, Unite members are yet to be convinced on the often quoted 480,000 green jobs and their quality with no clarity coming from either government or industry.

Meanwhile, manufacturing centres such as Alexander Dennis (ADL), Britain's biggest bus maker – based in Falkirk – has invested in battery technologies and new design opportunities to decarbonise bus travel both here and overseas.

Unite is deeply concerned about the offshoring of bus manufacturing, noting reports from ADL that: "production of the Enviro200EV could take place in other countries due to economic pressure."[79] This is wholly unacceptable. Public funding for bus procurement – like ZEBRA – must include conditions to support UK manufacturing.

Defence shipbuilding remains strong with both Rosyth and the Clyde busy with both new build and refurbishment work, while our nuclear submarines remain at Faslane supporting the local economy and providing secure, skilled jobs in the community.

More generally, across Scottish manufacturing Unite is calling for urgent investment in projects to sustain jobs and valuable skills. The state, both at Holyrood and Westminster,

[79] https://www.electrive.com/2024/10/14/adl-reveals-further-details-on-the-revised-enviro200ev/

should not act as an operating partner or simply hand out tax breaks, but must take public ownership and/or equity in key sectors vital to the Scottish and UK economies.

Northern Ireland

In Northern Ireland Unite has experience of failed industrial policy at devolved level. 'Economy 2030' was published by the previous government in January 2017 as a successor to the Economic Strategy of 2012.

Economy 2030 was a path-dependent strategy reflective of how historical decisions shaped current and future industrial policies. The other fundamental weakness of Economy 2030 is the lack of any analysis of the impact of Brexit and the potential benefits of cross-border collaboration on the industrial strategy - particularly the opportunities presented by the Republic of Ireland's renewables sector.

Lessons from 'Economy 2030' which must be considered for this industrial strategy include:

- Joint decision-making: national government should involve regional authorities in the design of industrial strategies from the outset. This ensures that policies account for regional development plans.
- Advisory sub-committee: establish national-regional industrial strategy sub-committees within the Industrial Strategy Council (ISC). This should include representatives from both national and regional authorities and stakeholders including trade unions to regularly review, adapt, and align strategies.
- Policy flexibility: A "one-size-fits-all" approach doesn't work. The national strategy must allow room for regional variations in implementation to reflect local circumstances.

Aerospace is a vital element of Northern Ireland manufacturing and has a global footprint. Every major commercial aircraft programme in the world depends on structures, components and services sourced from Northern Ireland.

The aerospace sector in Northern Ireland is a strategic part of the UK's manufacturing economy. There are 40 manufacturers and 180 MRO operations, operating across 225 workplaces in Northern Ireland and the region is home to over 5% of the total number of aerospace companies in the UK.

Jobs within the sector provide significant revenue to the region, generating one of the highest levels of Gross Value Added (GVA) among all the sectors of the economy. Aerospace supports over 10,000 jobs, providing a significant contribution to government revenues and to the wealth of local communities.

However, the sector like many others continues to be impacted by a shortage of skills across the supply chain and is directly linked by the wellbeing of the wider aviation and defence sectors. There is a real need for ongoing action by government both regionally and nationally to support a pipeline of work into the sector – just as the French government has done with a €15 billion intervention to protect French aerospace and aviation skills and jobs - while also delivering on climate change commitments to decarbonise fuels and revolutionise propulsion and aviation aerodynamics with new and developing advanced materials and manufacturing techniques.

With significant investment at Wrightbus we see the development of hi-tech hydrogen propulsion systems for bus and coach manufacture with Northern Ireland at its heart while at Harland and Wolff, from a recent occupation to save the yard, we've seen it develop and grow to the point that it now has the opportunity to lead the manufacture of the UK's three Royal Navy Fleet Solid Support (FSS) Ships, as part of the Team Resolute with Spain's

Navantia. At the time of submission, there are talks over the uncertain future of Harland and Wolff shipyard, after the holding company collapsed into administration.[80] The government must commit to securing the maximum work content for the yard, and its UK supply chain, including its partner yard at Appledore.

9) Partnerships and institutions

Green Paper Questions 30-32
30. How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?
31. How should the Industrial Strategy Council interact with key non-government institutions and organisations?
32. How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

A successful industrial strategy must be guided by and include the active participation of workers and their trade unions. Nobody is in a better position to help inform an industrial policy proposal than the people expected to implement it on the ground. Unite has a wealth of experience and knowledge from our senior representatives which must be recognised as an invaluable contribution to an industrial strategy at all levels.

Unite welcomes the planned Industrial Strategy Council (ISC)[81] as a statutory body which must place it beyond political short-termism. It is important and welcome that trade unions will be represented on this body. It is vital that this is genuine participation and not tokenism.

Furthermore, a comprehensive understanding of the entire industrial landscape is essential in order for the ISC to effectively deliver the Industrial Strategy and address the three questions above. It is therefore imperative that the ISC has clear and unambiguous Terms of Reference (ToR) and the necessary range of expertise, independence, and representation across all sectors and regions.

Membership of the ISC should include:

1. Diverse representation: industry leaders, academics, public sector representatives, trade unions, and NGOs from key sectors like manufacturing, technology, and sustainability.

2. Regional representation: members from different UK regions and devolved nations.

3. Skills and expertise and experience: experts in economics, innovation, technology, finance, sustainability, and education.

4. Diversity: gender, ethnic, and socioeconomic diversity is essential to ensure broad representation.

5. Policy experience: practical experience in public policy and international industrial strategies. (industrial?)

6. Long-term focus: members should consider long-term societal and industrial challenges.

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80 https://www.bbc.co.uk/news/articles/c0jwyj745lno
81 https://www.ft.com/content/38b26727-8d86-4a74-9d91-f02009dba9bb

7. Term limits and rotation: to ensure fresh perspectives and retain expertise over time.

Trade union participation must not be reduced to the Council alone but must be a core part of industrial strategy at every level. This must include sector plans. From automotive to defence, oil and gas and beyond, Unite senior representatives and officers are ideally placed to identify the issues sector level plans must resolve. Unite's participation on the Automotive Council[82] and similar industry bodies is evidence of this.

Collective bargaining at national, company and workplace levels is of course the lifeblood of trade unions. One critical role of an industrial strategy must be to defend, strengthen and advance collective bargaining. For example, extending collective bargaining to cover the implementation of AI and new technologies in the workplace, or ensuring the transition taking place in industries such as steel, oil and gas and elsewhere is achieved on the basis of negotiation and worker participation.

As this submission has sought to make clear throughout, Unite welcomes a new commitment to industrial strategy. Our union has long been calling for it and our members have certainly been impacted by its absence. It is imperative that the Government recognises a successful industrial strategy cannot be conceived, planned and implemented from Westminster or Whitehall. The only way to address the deep structural issues facing industry, the only way to make sure the strategy achieves its social and industrial goals and the only way to ensure industrial strategy is not again consumed by political short-termism, is with the support and active participation of workers and their trade unions.

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[82] https://www.automotivecouncil.co.uk/