

UNIONS

The Government cannot stand up for Britain's interests as it has no industrial policy, argues *Michael Dugher*

Laissez-faire coalition leads us down a cul-de-sac

In his Budget speech, George Osborne boldly declared: "We want the words made in Britain, created in Britain, designed in Britain, invented in Britain to drive our nation forward." Yet, as in so many areas when it comes to this Government, there is an ever-growing void between what ministers say and the reality of their decisions.

Tory ministers have been consistent in attacking Labour's economic legacy, but as uncomfortable as it now may be for them, their Government is acquiring a record all of their own. After nearly a year and a half in office, decision after decision makes it strikingly clear that this Government has no industrial policy, the lack of which is made all the more worrying by the relentlessly bleak economic news throughout this summer. It's Labour's job to expose the madness of their laissez-faire approach and to continue to lead calls for an alternative.

According to the Purchasing Managers' Index from Markit and the Chartered Institute of Purchasing and Supply, August saw activity at British factories slump for the second month in a row. The decline was driven by falling export orders, which saw their steepest slide in five years as overseas demand worsened amid intensifying fears for growth. Rob Dobson, economist at Markit, said: "The second half of 2011 has so far seen the UK manufacturing sector, once the pivotal cog in the economic recovery, switch into reverse gear."

This bad news followed a recent survey of 1,000 firms by the Institution of Mechanical Engineers that showed what little faith industry has in the Government's leadership when it comes to supporting manufacturing. For all the Government's talk of wanting to see a "private sector-led recovery" and a "rebalancing" of the economy, more than half of the companies surveyed said that ministers are performing badly and three quarters of respondents believe the Government is more committed to finance than manufacturing. This is understandable, given the Government's short but telling record.

Since the 2010 general election, the Government has cancelled loans to the Forgemasters and Outokumpu steel works and cut funding for the Sevenstone retail development. It has scrapped tax relief to the computer games industry and got rid of the Strategic Investment Fund, a fund set aside by the previous Labour administration that helped companies such as Nissan, Ford, Vauxhall, Airbus and Mitsubishi. The regional development agencies have gone, too.

In the defence sector, which is vital to aerospace, shipbuilding and high-tech

manufacturing, the Government has made major cuts in orders. The much-delayed defence industrial strategy white paper – due this autumn – is expected to confirm ministers' lack of ambition and continued determination to simply "buy off the shelf" from abroad, rather than look to support sovereign capabilities at home.

But perhaps the starkest example of the Government's indifference to British industry was its decision to award a £1.4 billion contract for the Thameslink project to the German conglomerate Siemens, rather than to Bombardier, this country's last remaining train manufacturer. As a direct result of the decision, Bombardier will have to lay-off of 1,400 workers. This is not only devastating for Derby, where the trains would have been built, but for the country as a whole, as it could mean the end of the nation's ability to make trains.

Transport Secretary Philip Hammond has defended the Thameslink decision, saying the Siemens' bid is better "value for money". Yet the actual difference between the bids has been reported as £15,000 a carriage – around £18 million in total. When you factor in the redundancy costs, the impact of the supply chain and the wider economy, not least the cost of those made unemployed receiving benefits and not paying taxes, the long-run "saving" to the Government looks extremely dubious indeed.

Hammond has tried to avoid responsibility, blaming the criteria set up by Labour and the constraints of European procurement law. But these excuses have quickly unravelled. The claim that the Government was powerless to intervene has also been shown to be untrue. In a written response to a parliamentary question I tabled, ministers admitted they did review "all aspects of the Thameslink programme, including the Thameslink rolling stock project" soon after the general election. The Government could have stopped the competition at any point, as Labour ministers did in cases in the past, but chose not to do so.

The chairman of the European Parliament's transport committee, Brian Simpson, has rightly said that the British Government is wrong to blame European Union rules, citing how other European countries are able to fit the specifications of the contract to the company in question. Other EU countries consider the social and economic impact of procurement decisions on domestic industry. This explains why Renault makes all the dustcarts in France and all trains in Germany are built by Siemens.

There are lessons here for Labour, too. There are a great many decisions of which we can be proud. The "industrial

activism", as it was called, that defined our later period in government, if not regrettably so much in our early years, stands in marked contrast to the approach of the Tory-led coalition. But too often the right decisions were made in spite of the system over which we presided in office. It was only thanks to the sheer tenacity of many hard-working ministers such as John Spellar or Willy Bach, who were willing to engage in hand-to-hand trench warfare with sections of the British civil service. The truth

is that parts of the civil service, especially at the Treasury, are intellectually and culturally incapable of standing up for British industry. Tory and Lib Dem ministers, happy to simply enjoy the trappings of office, seem content to sign off advice and recommendations without challenging their officials.

In response to the mounting criticisms over the Thameslink decision, the Government announced that it will look at the implementation of the EU procurement rules. Labour supports this.

And, as good Europeans, we should ask the question: why shouldn't Britain stand up for our interests in the same way that our European allies and neighbours are prepared to do? If we showed the same common sense and flexibility as other EU states, we would serve British industry rather better. ●

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