

## Paul Howarth's Speech: AIRTO Annual Dinner & Recognition Awards 2019

27 June 2019

Good evening my Lords, Ladies and gentlemen. And welcome to the 2019 AIRTO Dinner. It's always a huge pleasure to welcome guests to such a prestigious venue as this one, and I hope you've all been having an enjoyable evening so far.

Hopefully I won't get in the way of that too much – but I do want to take a few minutes to talk about a couple of important topics this evening.

In particular, as Chairman of AIRTO, I want to begin by saying something about who we are and what we do. I know that a great many people here are already members of AIRTO and understand the role we play. But I want to make sure everyone appreciates that fully before you leave this evening. And if your company isn't already a member of AIRTO, then I'd hope that will give you some food for thought on your journey home.

We have well over 50 members now from across the Innovation landscape in the UK – ranging from building research to my own sector - nuclear energy, and from agri-tech to Scotch whisky!

More important though than simply the number of members is the impact those organisations across the IR&T sector have on our economy. Recent research showed that the sector has a turnover of almost **£7bn**, supports over **140,000 jobs** and contributes around **£35bn** to UK GVA,. Think about that for a moment – that's a lot of money each year. £35bn represents around 2.5% of total UK GVA, achieved with just 0.3% of government spending. To put it into context, £35bn is also nearly almost a Brexit – and that may not be quite the last time I use “the B -word” this evening.

And a sector making that level of impact needs to be working closely with Government whilst also challenging Government to ensure that policy and funding are delivering the biggest positive impact

possible. Not just for the bottom line of our businesses – but for society as a whole. AIRTO serves as that unifying voice for the sector – and also as a “critical friend” to Government.

So I’m pleased to say that this year we’ve seen some real progress in terms of our engagement with Government – across several departments – BEIS, Treasury, DIT and the Govt Office for Science. And I’m pleased to see many representatives from Whitehall here at this dinner. Hopefully we’re playing the friend slightly more than the critic tonight?

Our engagement with Government has covered a number of strands too – not least related to Industrial Strategy - including the Grand Challenges and the Industrial Strategy Challenge Fund.

We’ve also engaged productively on the commitment by Government to boost UK spending on R&D to 2.4% of GDP by 2027. We’ve held a number of roundtables involving representatives from bodies including – and I’ll need to take a deep breath here to get this list out – Treasury, BEIS, DIT, Govt Office of Science, UKRI, CBI, Royal Academy of Engineering and the Royal Society – among others!

The journey to 2.4% is clearly a vital element of the AIRTO policy agenda – it’s absolutely central to who we are, the bodies we represent and the work that they do. By which I mean the work that YOU do.

In terms of what we think the journey should look like, we’ve pressed a number of points home in the discussions we’ve been having and I make no apology for repeating those again here:

- We need to look at improving the VALUE we get from applications of the R&D outcomes - not just on the R&D itself. And that’s across the whole Innovation and Research sector - not just universities.
- We need to correct the imbalance of the “D” versus the “R” – and look to what other countries are doing in this respect. Not to slavishly follow them – but to recognise the difference and consider what the right ratio should be for a UK context.

- We need to ensure there is more real market PULL - and not just look at the technology PUSH. (Although there will certainly be cases where the technology needs to be created and developed before the market can fully understand the possibilities).
- There must be more support for the “D” - to give greater confidence for private interests to take on commercialisation risk and cost. We know from hard experience that Finance Directors and investors don’t make their decisions solely on the basis of exciting, “shiny-looking” science. And I’m sure I’m not the only one in the room to have learned that the hard way sometimes...
- In a similar vein, there needs to be more encouragement for private investment in R&D. The best way to secure further investment in future is to help today’s innovations to reach successful commercial application.
- And lastly – and very importantly – we need to recognise the vital role of government procurement, and understand Government’s role as a “customer”.

We’ve already published AIRTO’s “Position Statement” on how the UK can gear up to achieve 2.4% and what that might look like in practical terms. That’s “Phase 1” of our work programme on this. And we’ve been really encouraged by the feedback we’ve had on that work. If you’ve not already seen it – please download a copy from our website and give us your feedback. The response we’ve had so far has given us a lot of encouragement to continue and we will be doing that in earnest – working with our members, Government (whoever might turn out to be leading that Government) and others – over the coming months.

Looking forward – we’ve already identified our three main priorities for next stage of feeding in to the Comprehensive Spending Review – “Phase 2”.

- Firstly, rebalancing the research and applied development mix in favour of development

- Secondly, improving access to private finance to fully exploit R&D outcomes. This is particularly important in some challenging fields where exploitation isn't always straightforward – for instance in highly regulated sectors or where there are other issues limiting the appetite for risk.
- Finally – and by no means least – our third priority is around exploiting the UK's knowledge assets in the IRT sector in international markets.

And that leads me to mention the “B word” again.... I imagine there is a spectrum of views in the room around our exit from the European Union, and I don't propose to get into a discussion on the merits or otherwise of Brexit. But the one thing we have to do is prepare for it.

That applies to every sector of the economy – but we have some particular challenges and characteristics. For a start – the IRT sector is genuinely global. Our members collectively have a footprint on every continent of the planet (including every major economy and some less major ones). From France to the Falklands, from Iceland to Azerbaijan and from Hong Kong to Hawaii, you're never far from an AIRTO member. And we rely on international collaboration and trade – not just to be able to work effectively, but to allow us to deliver the maximum value to our shareholders, our workforce and to society at large. So – with the uncertainty that we are all very familiar with just now - it's never been more important for the IR&T sector to speak with a coherent and compelling voice. And to make sure that voice is heard.

We have a great track record of exporting our products and services all over the world, and we also act as a catalyst for substantial inward investment into the UK. As the UK moves into a new era in terms of our international relations we absolutely must ensure that we limit any negative impacts from our exit from Europe and that we're ready to capitalise on the opportunities which the “new world” will bring.

Working closely with Government will be key to achieving this – and indeed the sector's relationship with Government is at the centre of a lot of AIRTO's work. Already this year we've made formal

submissions to Government on a number of the strands of activity I've already mentioned – preparations for a possible “no deal Brexit”, frameworks for future international collaboration on R&D as well as an initial submission relating to the Comprehensive Spending Review. But this is just the tip of the iceberg. Through our network of contacts (the AIRTO central team and our wider membership), we are in direct contact with Government officials almost constantly on the matters which are of most importance to us.

That's not always about us lobbying for funding or policy change from Government – we're also keen to work with officials to serve the broader national interest. One specific piece of work at present is looking at how we can collectively boost the value delivered by public investment in research and innovation. That involves looking at how Public Sector Research Establishments can be helped and incentivised to deliver more, in the national interest, alongside other parts of the IRT landscape such as Catapults, RTOs and universities.

Finally – as well as our outward-facing initiatives, we in AIRTO are doing a lot to look at how we can identify and share good practice across the sector and specifically within our membership.

We're working hard on improving diversity and inclusion across the IRT sector. And that's not just because it's the right thing to do. We have a special reason to want to promote diversity in our work. It's a well established fact that a diverse team of people will think more creatively in terms of identifying different solutions and approaches to a challenge.

So it's clear that diversity in the innovation community is more than just about equality and fairness – it's about doing what we do better – and so it's about good business!

[Possible comment here to welcome the diversity in the room – if it's not too “male”??]

Other areas where we are working hard across the membership to share best practice are within our Special Interest Groups. We've launched new SIGs recently – one on the route to 2.4% and one on Legal Affairs and Procurement. We're also looking into the possibility of a SIG on “Financing

challenging development areas". And we are always open to hearing from members about possible other areas where members think we can work effectively together for mutual benefit.

I'm originally a physicist and I have a personal passion for innovation and for using that innovation to deliver business success and wider value to society. It's my immense privilege to lead the UK's National Nuclear Laboratory -and similarly to lead AIRTO. I have the pleasure of working with a very capable team within the AIRTO secretariat and with many of you through the wider membership and I'm grateful for all the support and help you offer to me to help us collectively achieve the best outcomes for our sector and for society.

I'll close there and introduce our Guest Speaker for the evening – Mike Short.