

The Tyneside challenge

The theme of this year's forum, 'The North East in a Global Age' sets out the challenge facing business leaders and policy-makers in the region.

All regions have their individual strengths and weaknesses, shaped by geographical position, their relationships with other regions or simply by the arbitrary chances of history.

The challenge we all now face is to adapt these individual characteristics to the challenge of globalisation.

This is a challenge that cannot be ignored by any region in this country. I want a Britain in which all regions make the most of their potential.

Any politician who hopes to become part of the government of this country must be a 'one nation' politician. We have to understand and support all corners of the country we aspire to govern.

A political party which hopes to govern cannot be seen as the representative only of narrow class, regional or any other interests, and the cruel truth for the Conservative Party after 1992 is that we let ourselves be portrayed as such. And after 1997, in terms of the seats we held we actually became the party of the countryside and the south of England. By and large our support was male, elderly and rural. We need to add as many who are female, young and urban.

We are acutely aware that our lack of representation in our cities is still a critical weakness.

I do not believe in fiefdoms, or no go areas for any political party, and I want to see the Conservative Party as active in our great cities as much as we are active now in the suburbs and the countryside.

As part of these revival plans David Cameron has asked me to be Shadow Minister for Tyneside, taking in both Newcastle and Gateshead.

I do so, not just as someone with a specific interest in this area, but also as the Shadow Secretary of State for Trade & Industry. I want this combination of responsibilities to be a mutually fruitful exercise.

At this year's Conservative conference I undertook to submit our DTI policies to what I have called the 'Tyneside Test'

The Tyneside Test means that, instead of sitting cosily in London, I and my DTI team will be asking what our policies will do for the school leaver looking for a job, for the manufacturing business facing stiffer international competition, for the entrepreneur wanting to start a business, and to test such searching questions against the experience and advice gathered here in the North East.

All our DTI policy-making will be assessed against, and shaped by, our findings and judgments reached here. My fundamental assumption is that if it's good for Tyneside then it will be good for the rest of the country too.

One of the key questions we need to address is what do we mean by regional policy in this era of globalisation?

The North East is competing, not just with the rest of the UK, or even with regions across the North Sea in Europe, but with regions across the world. But has operation of the UK's regional policy become an incoherent mess? Why for instance do we permit our RDAs all to have competing offices abroad? Where should their primary focus lie?

Labour's own former Minister for Regeneration has admitted that: 'quite often an awful lot of money gets spent, but there is very little to show for it.' (Stephen Timms, 2004) I'm not sure this is entirely fair, but it forces us to examine quite how far the successes of regeneration have spread much beyond the much-praised landmarks we all admire.

Of course there is a role for regional cooperation on issues such as the development of transport infrastructure - one message I have heard loud and clear is the need to upgrade the A1 - but I believe that the key to long-term economic success has to be enterprise. But a climate of enterprise is fundamentally a cultural phenomenon: it is not something that can be created just like that by government diktat.

In terms of what government does, whereas well-focused RDAs can be of great benefit, the same cannot be said of regional assemblies.

We would scrap unelected regional assemblies, and I believe we need to look at devolving many of the responsibilities for economic development back to local authorities.

This week is enterprise week, which is an annual UK-wide week of activities inspiring people in their teens and twenties to be enterprising - to turn ideas into something real.

To me, and for this region in particular, every week needs to be enterprise week. If you don't have new small business at the local level, you'll never have successful bigger business at the global level.

There are some underlying trends in the UK generally, and in the North East specifically, which should make us concerned.

We have seen over a million jobs lost in manufacturing since 1997, and the brunt of these job cuts have been felt in traditional industrial regions such as the North East. Manufacturing employment is now lower than in the 1840s.

Energy costs in the UK are higher than those faced by our competitors, and they have been especially punitive in the manufacturing sector.

Britain is in the midst of a transformation from being a net energy exporter to become a net importer.

Average bills have risen by 70 per cent for gas and 65 per cent for electricity since 2003 and this is having a huge impact on the profitability of energy intensive users.

A lack of energy liberalisation in European markets costs UK consumers an estimated £10 billion, and growing fears of future dependence on imported gas are already being factored into prices.

We have seen yet another energy review, but we have not yet seen any action from the Government apart from the launch of further consultations, and yet another shuffle of an energy minister out of his job.

The cruel fact is that on all the Government's energy goals things are moving in the wrong direction.

Carbon emissions are rising, supplies are becoming less secure, competitiveness – high in the 1990s – is declining, and fuel poverty is on the increase.

In the face of such pressures, and global competition, can the North East find a path to prosperity in the future?

My recent visits have shown me just what advantages the North East has which could be developed into economic success. The urban core of Newcastle has shown considerable growth over the past few years and compared to other similar international regions has performed well on many measures.

This afternoon I met a group of students from Northumbria University. The region's higher education institutions are a huge advantage in boosting research and development and for improving competitiveness. They have been remarkably successful in encouraging the development of high-tech and creative industries, significantly in the bio-sciences sector.

But we need to see a climate in which more of their ideas, and their entrepreneurial graduates, lead to the establishment of new businesses locally.

The region has fewer businesses per 10,000 people than any other region in England, or Scotland, or Wales or Northern Ireland, and unfortunately there are few signs of improvement.

It would take a 50 percent growth in the number of businesses for the region to catch up with the level of the second to last region, Scotland, and a 70 percent growth in the number of businesses to reach the UK average.

Another figure which shocked me came from the consultants, the Centre for Economics and Business Research, which claimed that the North East now relies on the public sector for 61.5 percent of its economic activity, the highest for any English region. And it is set to increase further.

An economy which is so dependent on the public sector simply isn't going to be able to offer people all the opportunities they deserve. There needs to be a balance between the wealth-creating side of the economy and the wealth-reliant side. The public sector will never grow as quickly as the private sector overall, so over time the gap between this region and others will widen rather than narrow.

The North East needs a new direction. I am acutely aware of the animosity many people feel towards previous Conservative governments for the effects their policies had on local industry. None of us will benefit from continuing to fight old battles for ever and a day. Instead of looking to the past, we should look to the future, set aside old enmities, and unite to implement a vision for the benefit of all.

In doing so, long term self-perpetuating growth cannot be developed from outside investment alone. It must also be generated by the efforts and initiative of the people who live here.

Public sector investment is vulnerable to Gordon Brown's spending squeeze over the next few years. Many of the large-scale investments in electronic goods assembly have succumbed to the attraction of cheaper labour in eastern Europe or elsewhere.

The North East needs to be an attractive place for inward investment, but for that we need to ensure that we have the skills base to ensure that more investment is in high-skilled, high value-added sectors.

A virtuous circle of investment and new business growth needs the development of the local small business sector.

Sir Peter Vardy is someone who has shown that North Eastern small businesses can develop into world beating companies.

He is doing what he can to help the development of other regional businesses and has set up a fund with £50 million to invest in new ventures in the region, but much to his disappointment he has found that whereas capital is available in the North East, there aren't the enterprises to take advantage of it, and he is now considering applications from ventures in the North West, Midlands and Wales.

This is the challenge we need to face up to. We need to see a climate in which enterprise is encouraged and is seen as a public good.

We need to see both the physical and the social infrastructure, which allows business to flourish.

We need to see central government policies which help businesses in the North East and elsewhere to develop and grow, rather than those which stifle them with red tape and extra costs.

These are all part of the Tyneside Test, and I am determined as Shadow Secretary of State for Trade and Industry and as Shadow Minister for Tyneside to get our policies right for Tyneside and for Britain.

I hope all can participate in that endeavour, and I hope it can make a significant contribution to the future prosperity of this region and of everyone in this, the country, which one day we hope to govern.