

LGA Urban Conference
6th February 2007

Firstly I would like to thank you for your invitation to address this conference. The subject matter of which allows me to talk about three of my main political interests and Shadow responsibilities, encouraging entrepreneurship, urban regeneration and Tyneside.

Conservatives need to be seen as the party which has the interests of urban areas at its heart. 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 the process of revitalising the Conservative Party in our urban centres, David Cameron has appointed Shadow Cities Ministers key cities across Britain and I have been made responsible for the Tyneside cities of Newcastle and Gateshead.

The Labour Party claim to be the party which represents the interests of our urban centres, and economically disadvantaged areas, but our urban areas are too often let down by Labour's complicated and contradictory bureaucratic schemes which take power away from local people. 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." So said Stephen Timms in 2004

I agree with him!

They have been too centralised, too un-responsive to the needs of local communities, and, most importantly, they fail to understand the vital importance of enterprise to urban regeneration. Rather than encouraging enterprise-led regeneration government policies have undermined it. Businesses which should be playing a far more important role in bringing prosperity to our city centres have been burdened with more taxes, higher cost and more regulation, leading to slower growth and declining productivity and investment.

In 1997 the Labour Government promised action to deal with areas which had suffered due to the decline in traditional manufacturing industries, such as the North East. But Labour's record in Government has been one of rising regional inequality and a reduction in social mobility and an acceleration of the decline in manufacturing, with over million jobs lost in since 1997.

Alan Milburn has recently stated that it would now be impossible to imagine somebody like himself, born and bred in a council house, reaching the Cabinet in 25 years' time. And the Education Secretary Alan Johnson, himself a former postman, has said it is getting ever harder to escape poverty in Britain.

This slowing down in social mobility and the lack of progress in reducing regional inequality is one of the most significant failures of the Blair premiership. Reducing inequality, was supposed to be at the centre of Blair's programme for Government, but as your report *Prosperous Communities*, points out his legacy has been at most a negligible narrowing of regional inequality, or on some measures actual growth in inequality. For example, in 2002, the North-East's output per hour was 81 per cent of London's; by 2004, it was 79 per cent.¹

¹ Prosperous Communities II: Vive la Dévolution!, LGA, 5th February 2007

I believe that the great challenge for the next Conservative Government will be to ensure that we have policies which encourage economic success in every part of this country. As part of that exercise I have instituted the Tyneside Test

The Tyneside Test means that, instead of sitting cosily in London, I and my Shadow 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.

As part of this process, I have asked our Small Business Task Force to look at the effectiveness of the Government's business support schemes and the future role of regional development agencies.

We are in the early stages of this consultation, but I will share with you the direction of our early thoughts about the future shape of these bodies. One of the questions we are addressing is whether the significant increase in RDAs budgets since their inception has led to a similar increase in the economic status of the regions they are responsible to, or if there might be more effective ways to support economic development. In the case of One North East, for example, £9.9m was spent on promoting enterprise, while more than twice that sum - almost £23m - was spent on running the agency.² Close to £1m was spent on boardroom and executive management pay.³

One question we need to look at is whether the regional level is the best level to deliver support for economic development, or if a more localised approach would be more effective in encouraging the growth of entrepreneurship.

² One North East, Annual Report & Accounts 2005/ 06, July 2006, p 37.

³ *Ibid*, pp50-51

I welcome the LGA's report, published yesterday about the importance of sub-regional areas to economic development. The geographic size and shape of the regions covered by RDAs doesn't always correspond with areas which are linked economically. The economic needs of a town or city may not necessarily be similar to other towns or cities within the Government Office Region. This is why in many cases, local authorities will be in the best position to understand the economic needs of their area and to nurture economic growth .

I believe that well focused RDAs can play an important strategic role in regional economic development, but we should look at devolving some of their functions to local authorities, because we believe that it is local people who have the best ideas about what their communities need.

We live in a globalised world, with ever increasing international competition, but Labour's record has been one of falling productivity and falling international competitiveness.

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? I believe that the plethora of RDA offices abroad competing against each other for inward investment and export opportunities has the effect of reducing the effectiveness of marketing Britain in key overseas markets and therefore the chances of all regions in the UK to win inward investment and export opportunities.

I believe that regions will not thrive by relying solely on inward investment from the public or the private sector. We need to see more indigenous growth, more businesses being created in areas like Tyneside and more local companies succeeding nationally and internationally.

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.

Local empowerment and economic success are essential if we are going to improve the quality of life in all parts of urban Britain.

We need to see a revival in civic pride by taking action in all areas which would make a city a good place to live in whether it is design, in tackling anti-social behaviour and improving the local environment.

Regeneration which works in the interest of local communities for the long-term will only happen if communities have a greater say over the nature of development in their area.

I believe that we need a planning system that works in the interests of businesses and local communities. Giving power back to local authorities will give them more of a say about the nature of developments and more influence to ensure that development works in the interests of their local community.

The complexity of the current system is damaging our economy. Take, for example, a recent report into what is supposed to be the Government's flagship regeneration project in the Thames Gateway, pointed out that the competing priorities of 37 public bodies was strangling the whole regeneration project.

This is why we believe that we need to remove the regional layer of planning policy as part of our commitment to abolishing Labour's unelected Regional Assemblies, and return these powers to elected local authorities.

People will be more accepting of development if they have greater control over the impact it will have on their local area, rather than simply having development targets imposed from above, either from Whitehall or unelected regional quangos.

As well as giving local people more of a say over the nature of development, it is important that development is sustainable and improves rather than diminishes quality of life. We must ensure that attempts to reform the planning process do not mean taking away the rights of residents to object or allowing existing controls such as the protection of green belt to be abandoned.

I think that those who care about the future of our town centres or the protection of our green belt should, be concerned about the some of the proposals contained in the Kate Barker's report on our planning system, commissioned by Gordon Brown which would threaten the future of green belt and encourage more commercial development on the edge of towns.

I strongly believe that sustainable development means well designed development; nothing gets me angrier than grotty architecture. As well as my aesthetic sense, and perhaps most importantly, bad architecture and inappropriate development can have a serious impact on the quality of urban areas and that the quality of life and even the health of local people.

Local authorities, have a duty to work with business and with local people to ensure that, development is appropriate and of the highest quality.

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Our cities have been let down for far too long. We as Conservatives are designing policies which will encourage the transformation of our great cities. We want to work with local government and the LGA to make this transformation happen. Conservatives are now the party of localism; we want to empower local people, local communities and through them local authorities. Your report *Prosperous Communities* is important contribution to the devolution debate and the empowerment of the local level.