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Regeneration and Sustainable Development: Natural Partners

Thank you for inviting me. It is a real pleasure to be here. I hope I have a special relationship with Newcastle University. Well it is special for me I can't speak for the University.

My father was a medical student at Newcastle University in the fifties and I believe it was at the University May Ball that he first met my mother. So without the University I would not be here.

Whether or not that would be a bad thing is for you to decide.

Newcastle University is an important part of the city and the region's economy. And I'd like to thank them, and the Foundation for Science for organising this important debate.

I should also congratulate the Foundation on its choice of speakers, as we are all answering the question in different ways.

I shall be looking more at the political and economic issues raised by sustainable economies. And as I am a great advocate of more interaction between science and politics I think that is entirely appropriate.

Can cities move towards sustainable economies without stimulus?

'can' is such a weasily word. In an infinite universe almost anything can happen. I am more interested in what will happen. And particularly what will happen here, in Newcastle, the city I grew up in.

So I will focus on Newcastle, though what I say applies to cities and regions and the country as a whole in these difficult economic times.

I also want to say that my definition of sustainable is very different from the other speakers.

A sustainable economy is one in which everyone in Newcastle has a good job, without destroying the planet.

There is no point in having a sustainable city where people don't have jobs.

And so when I talk about sustainability I also mean regeneration.

I want to start by saying that the Government is an important part of the economic ecosystem

This is particularly true in the North East which has the highest proportion of public sector jobs in Great Britain.

But I would argue that regeneration rarely happens by accident. We are all familiar with Newton's First Law of Motion:

A body remains at rest or if in motion continues to move in a straight line at a constant speed unless acted upon by an external force.

So given that's not where we are now, a move towards a sustainable economy requires an external force.

Now the private sector *can* provide that. But right now, in the North East, I do not believe that it will.

Regeneration must have the private sector at its heart. But unless it is already strong, it cannot do it on its own.

When you look around the world there are some common themes to successful regeneration

- A strong local authority with clear aims and objectives
- Strategic investment from central and local government.

The Norra Älvstranden area of Gothenburg, Sweden, has a lot of similarities with Newcastle and Gateshead. Formerly the site of shipyards employing thousands, the industry went into decline in the 1970s.

However, unlike the UK, the Swedish Government avoided mass redundancies, implementing retraining and redeployment schemes, and investing in education and research facilities in the area.

From the beginning, local authorities, universities and leading companies collaborated to create a cluster of knowledge-intensive firms, along with the facilities and environment to help them flourish. This was all part of a wider strategy.

Area-Based Initiatives such as the flagship regeneration New Deal for Communities programme in Newcastle have had some success in achieving place-based regeneration over the last 10 years.

In it's evaluation of the scheme last year, DCLG last year acknowledged that "neighbourhoods change for a whole raft of policy and market-related factors: trends over which regeneration bodies have little, if any, control".

That is a rather candid acknowledgement from the Department responsible for regeneration – that its regeneration delivery bodies can play a part but ultimately neighbourhood renewal is at the mercy of the economy.

What we need now is more economic development. More Jobs. Jobs in sustainable industries that have real value. Jobs for graduates, but also for apprentices – in National Apprenticeship Week its important to emphasise that.

To grow, we need to rebalance our economy so that it is not reliant on one sector our region. Our worth comes from what we produce. Growth needs to come from new technologies.

We often perceive manufacturing as 'of the past', 'in decline', 'used to function but is now just left over remnants', 'old fashioned', 'etc.

The UK remains one of the world's leading manufacturers. We are the 6th largest in the world. Yes, not as large as China or Germany, but not lagging at the back. Advanced manufacturing is a platform from which we can grow our economy.

Despite the difficult economic times, despite this government's industrial incoherence and vicious cutting I believe that Newcastle has the opportunity to be at the forefront of the green industrial revolution.

And that is not simply because I am an optimist by nature. I am also an engineer.

160 years ago the city was leading the UK into the Industrial Revolution, one of the most innovative cities in the world.

A highly productive regional economy: Sir Charles Parsons established his engineering works here and invented the multi-stage steam turbine literally helping to power Britain into a new era.

Then in the seventies and eighties our industrial base was destroyed by a combination three factors.

- Global economic change
- Bad management and industrial relations
- The Thatcher Government's scorched earth approach to industry

The North East and other regions were left dependent on the public sector. We lost a generation of manufacturing talent.

However, as any business technologist knows skipping a generation of technology means that you lose the profits and opportunities of that technology.

But it does not necessarily mean you are badly placed to profit from the new.

As an electrical engineer I spent three years in Nigeria helping to build out a new GSM network.

Nigeria had almost entirely escaped the first telecommunications revolution. In 2001 fixed penetration stood at just 1%.

But by the time we had achieved 10% coverage with our mobile phone network, Nigeria had some of the most advanced mobile banking applications in the world.

Now I'm not comparing Nigeria with Newcastle, but I am saying that the opportunity to command the strategic heights of the new industries is here.

My vision for the future of Newcastle is a city of well-educated, highly-skilled people working in sustainable industries. That is what has to be the driving force behind the next phase of regeneration.

Newcastle already has the foundations on which to build

Newcastle hosts the Government's Marine Management Organisation, in recognition that this city will be a world leader in sustainable management of our marine environment.

Thanks in part to this University, the North East leads the UK in electric vehicles

And the North East has the greatest wind reserves in Europe – another way of saying it's very windy! NaREC in Blyth, founded and funded by One North East, is helping us support that industry

Whilst NePIC, also funded by One North East, enables new, innovative businesses in the green process industries to expand.

Our Universities have a big part to play. This new Newcastle Institute for Research on Sustainability demonstrates the University's commitment to building a sustainable future.

But business must be a part of this, working in collaboration with universities, sharing knowledge and resources when times are hard.

As the Shadow Secretary of State for Business Innovation and Skills, John Denham, said recently in the House:

Our universities are huge drivers of growth. This year above all years, the Business Secretary should have told every vice-chancellor to concentrate every effort on promoting growth and their business links in the regional, national and international economy. Instead, every university is preoccupied with working out how the shambolic, unfair and unnecessary new fees system is meant to work.

So I would ask the University, are you doing all you can?

How many jobs in Newcastle owe their existence to business inspired by the University, rather than those merely servicing the University?

I still meet young people on our council estates who see the University as a block of real estate rather than an open door to the world of work and business.

The Science City project is still a building site rather than an industrial hub.

In fairness I know this is more to do with recent actions from the Government, and I shall come onto this.

But I do want to emphasise that there is a great opportunity for the regeneration of Newcastle in becoming a leading city for renewable and sustainable technologies. We all have a part to play.

Growth

So my answer to the question “Will cities move to a sustainable economy without Government intervention” is no – not at this point in the economic cycle.

And I think to be honest there is cross party consensus on that.

We all agree that we need growth. We all agree Government has a role to play in that. The pressure on this Government now comes precisely from the fact that it does not have a coherent strategy for growth.

At best there is an aspiration

And a hope that by cutting the public sector ruthlessly, the private sector will spring forward.

We should ask those companies helped by Grant for Business Investment, One North East or Knowledge Partnerships how their abolition helps them spring forward.

But I am not here to make party political points. Or at least not only for that reason.

We all agree we need growth. Growth in advanced manufacturing to help rebalance the economy. Growth in sustainable industries to help meet our emissions targets and save the planet.

The 80 billion pound question is – how.

I think Government has a role in four main areas – and I will finish by briefly going through each.

Competition environment

In competitive markets there are many incentives to innovate and grow.

Future markets which do not exist are by their very nature not competitive. Here I think government has a duty to ensure a level playing field - for example with supply chains.

New and emerging industries don't have established supply chains, so smaller companies have more difficulty establishing themselves in the market. This is bad news for our renewable sector.

I am concerned to see that this Government has such a 'hands off' attitude. It does not seem to understand the competitive ecosystem for new industries. If reforms to the planning system and the removal of targets for wind farm planning approvals go ahead, the UK will cede more ground to international competitors.

Infrastructure

The second major area where I see government having a role is in infrastructure. Small companies developing new markets may not have the time or resources to put in place vital infrastructure: a test bed for wind turbines for example, or the massive steel press that the new nuclear power industry needs.

The test facilities at Narec and Nepic help small companies grow. Now is not the time to be cutting and abolishing them. And whilst the Technology Innovation Centres are certainly a good idea – they were our idea after all - 500 applications for six centres speaks to confusion not leadership

Transport links are a key part of the necessary infrastructure, for example port improvements or high speed rail.

And the Government's decision to push back universal broadband to 2015 has implications for growth, as well as rural economies.

Skills

The third area is skills. I believe we need to prime the skills pump for new industries. Engineering UK's recent study calculated that under 19 participation in Further Education in all levels of engineering and manufacturing had fallen by a staggering 43.2% in the last five years.

We need more engineers and technologists, scientists and entrepreneurs if we are to move to a sustainable economy.

This Government's abolishing of the EMA and withdrawal of 80% of public funding from HE are not going to help us fill the skills gap.

I fear we are in danger of losing our world leading position in science and engineering as a result.

Finance

Finally, let's talk money! Direct government funding of R&D is an important part of ensuring a science base from which we can grow. Large and innovative companies tell me they do their R&D here in the UK because of the ability to link in with great public sector research institutions – our Universities. The recent decision of Pfizer to pull out of the UK is very worrying. Is a lack of investment and vision making the UK dispensible in world research?

But Government can support innovation and the move to a sustainable economy by other means as well as direct finance. Tax incentives such as the R&D tax credit and the patent box which reduces taxation on revenues from new patents. The current Government is continuing with the patent box policy, its position on tax credits is unclear. And when it comes to making sure VC and bank lending is available, well, even their own ministers are unconvinced.

I am concerned that this indecisiveness is part of a wider incomprehension of the relationship between Government and growth. Uncertainty kills business more quickly than bad news – business can respond to difficult circumstances and some will flourish, but uncertainty is arsenic for new business.

So in conclusion

No, cities cannot move towards sustainable economies without public sector intervention

And

Yes, we can be the power house of a new industrial revolution

But only if this Government changes direction!