

Speech: North East Economic Forum: Exchequer Secretary speech

Introduction

Good morning everyone. It's great to be here in Gateshead today.

This was an area I used to come to regularly when I was growing up.

I'm not actually from the North East – I'm a Yorkshireman born and bred – to the point where I even spent part of my career working for Yorkshire Tea!

But we used to head up the A1 to play the local rugby teams here.

And what's been fascinating to see is just how much this whole region has changed over the decades.

Now when you head up the A1, you're welcomed by that great show of Northern pride – the magnificent Angel of the North.

You see the world's first ever tilting bridge crossing the Tyne to join two vibrant, modern cities.

You see the curved glass of the fantastic Sage Gateshead drawing visitors from across the world.

And you come to the Baltic centre as we have today – and you don't find an old flour mill, you find a contemporary arts value of international renown.

It's certainly changed a fair bit over the years.

Former glories

These are all visible signs of what's been happening in this area – and I think in cities across the North the confidence and self-belief has returned, and is growing.

I don't want to focus too much on the glories of the past.

But the fact is that there was a time when our Northern cities didn't just lead the UK forward – they led the world. When George Stephenson built the first ever public steam railway to take coal between Stockton and Darlington.

When Charles Parsons was developing the steam turbine in Newcastle which revolutionised transport and energy.

When Harry Brearley found a way to make stainless steel – or rustless steel as it was called initially – down in Sheffield.

Restoration

I'm admittedly biased as a Northerner myself.

But the way I see it, our Northern cities used to be the drivers of this country's economic, scientific, and social progress in the 19th century.

That's something that fell away badly in the 20th century as these once powerful cities were allowed to fall into decline.

And now what we want for the 21st century is to recover that ground and see their resurgence.

That's what we're talking about in government, when we talk about our Northern Powerhouse.

It's not a short term project with budgets attached on skills or transport.

It's an idea, an ambition and a promise.

It is a long term government commitment that we will restore our Northern cities to their former place at the vanguard of the UK's economy.

Recommitment

Earlier this month, my colleague at the Treasury, Philip Hammond spoke for the whole of government when he made it clear that the Northern Powerhouse isn't some flash in the pan government project.

It's an economic imperative that is, will remain, and must be at the very top of our agenda.

And it's not just about cities like Manchester, Sheffield and Leeds.

It's the North as a whole – it's Newcastle, it's Sunderland, it's Gateshead, it's Hull.

It's every Northern town and city that has unlocked, untapped potential.

Both to offer a better life for the people who live there – with great jobs, great transport, great attractions adding to all the natural appeal these areas already have in spades.

But as well as improving the quality of lives here, it's also about fulfilling the potential of the North East – and North West and Yorkshire and the Humber too – to really power our national economy forwards as was once the case.

To drive our scientific advances.

To make our cultural mark on the world stage.

Lots to offer

Now in many ways, we can see these things happening already.

The Great Exhibition of the North that will be held here next year is all about showcasing our world-class art, culture and innovation – both past and present. I understand Stephenson's Rocket built in Newcastle is going to be on display.

There also remains a powerful tradition of manufacturing here in the North East – particularly in terms of chemicals, metals and transport equipment.

Particularly of course in cars. The automotive industry is very important in the UK and is a real speciality of this region.

Sunderland's Nissan plant alone produced almost 30% of all UK-built cars last year, and builds more cars than Italy.

And this is a region with a global reputation for life sciences too. Newcastle's Centre for Life is at the helm of that – not only bringing talented researchers together, but also inspiring our next generation of young scientists with their exhibitions and events.

So I was pleased to see it get a funding boost just this month of £2.6 million from the Business Department and Wellcome.

Beyond its manufacturing and scientific prowess, this a great place to invest. Last year, foreign investment in the North East created more jobs relative to the working age population than any other region outside London.

And we saw a faster increase in the number of businesses operating in the North East than anywhere else in the country.

Since 2010, nowhere in the country has seen bigger productivity gains than we've seen here in the North East. Unemployment has fallen most here.

And pay has risen most – an average of 11.5% higher than 2010.

The issues

But in celebrating what this region has to offer, and has achieved, I won't gloss over the issues.

It's the problems that this government is working on.

For example, I just mentioned pay rising here – but we also have to remember that earnings here are still a fair way under the UK average.

That's to be expected when hand-in-hand with that, we have 27% per cent of the population aged 16 and over with no formal qualifications, the second highest rate for any English region.

And despite having some of the best universities in the country, the North

East itself has far fewer graduates than the UK average – with just over 31% compared to 38%.

Productivity is another case in point.

Good gains have been made here, but there remains a prominent productivity gap – 12% compared to the UK average and 33% behind London.

Some good things, but some real challenges.

So what can be done to start to turn these things around?

In short, we need two things.

A North that's ambitious and empowered to lead the way.

And a government that's prepared to back it all the way.

Devolution

Now on the former, we've been undertaking the biggest transfer of power away from Westminster to English regions in living memory.

Only a few months ago, six mayors were elected in England – three of which were in the North – Ben in Tees Valley, Andy in Manchester and Steve in Liverpool.

I was saddened to learn last year that the North East would not be electing a mayor, but I understand and respect local leaders' decisions in this area.

However, government was clear at the time that we would continue to work with those authorities committed to devolution and we're having constructive discussions with the North of Tyne authorities on a potential deal and conversations all over the country on what can be done.

Each of the new Mayors has unprecedented powers and funding for local priorities such as transport, planning and skills.

These will make a real difference tackling issues locally and for helping to address the productivity challenge our economy faces.

I'm looking forward to working with these great regional ambassadors and seeing what we can achieve together.

Government backing

1. Connectivity

But it's not just about what local leaders and businesses can do.

Because as I said, the second thing that's needed is a government that is active in backing you.

A clear example of that is when it comes to improving connectivity.

I could be biased. I spent several years as a transport minister. But connectivity matters.

That's both about ease of movement between places – which doesn't just make people's lives easier, it helps businesses win investment and save money too.

But it's also about digital connectivity too – and it's really important that in this new era of information, the North East, and North more generally, is well connected.

I know from first-hand how much that matters for businesses and families – there are still villages and homes in my own constituency in Yorkshire that can't get mobile reception let alone high-speed broadband.

So that requires serious investment from the government and that's what we've been focused on.

This year, for example, I launched a Digital Infrastructure Investment Fund to improve the UK's internet connections.

And we've already started to deliver full fibre in the North East through the Superfast Programme – with potential for much more through our £200 million Local Full Fibre Networks programme.

And on transport links, there's a huge amount going on. Over 20 schemes in the North East will receive investment from the £380m allocated to the region from the Local Growth Fund.

Just today, the first phase of upgrading the A1 between Leeming and Barton is opening – with the full road due for completion this winter. When fully complete this will create a motorway standard route between London and Newcastle for the first time.

But effective transport means a lot more than just creating motorways. We are investing in our major 'A' roads too, such as the improvements to the A19 at Testos and Downhill Lane in South Tyneside, and between Norton and Wynyard in Stockton-on-Tees. We are also making further improvements to the A1 at Newcastle and south of Gateshead – all of these will help to speed up so many daily journeys.

And we are investing in local roads too. We've provided £21 million towards the Morpeth Northern Bypass, the last section of the A1 to South East Northumberland link road. This will relieve congestion to Morpeth, and improve links to development sites in the area. We are not buying tarmac and bridges just because we like them. We are buying opportunity and access across these areas.

There's also the Great North Rail project – in the next five years, well over £1 billion will be spent operating, renewing, enhancing and maintaining the rail infrastructure across the North of England.

This will dramatically improve journeys for passengers across the North. There will be more and faster services across the region, including between

Newcastle, Manchester and Liverpool.

By 2020 all the trains will be brand new or completely refurbished, and all the Pacer trains will be gone.

And train manufacturing has also returned to the North East. There are now over 1,000 staff and apprentices at the Hitachi site in Newton Aycliffe, producing state-of-the-art modern intercity trains. The first of these trains will be in use on the Great Western line from this Autumn.

I first came to visit this site when it was a green field.

2. Industry support

Beyond connectivity, it's about supporting our industries as the future marches on.

We're working on a modern industrial strategy to do just that.

But meanwhile, we're making good progress in key areas for the region.

As I've already said, life sciences is real strength in the North East.

And we're working with the leading immunologist and geneticist, Sir John Bell on how we support the life sciences sector. The industry-led Life Sciences Industrial Strategy was published at the end of August. We are now working with Sir John and others in the sector to agree an ambitious Sector Deal – with offers and asks on each side of the table.

We've also made a substantial real terms increase in government investment in Research and Development – an extra £2 billion a year by the end of this Parliament. This will include funds targeted at cutting edge healthcare and medicines.

And here in the North East, we've allocated £8.6 million from the Local Growth Fund to the Life Sciences Incubation hub. This hub, the product of a collaboration between Newcastle University and Newcastle City Council, will take forward the LEP's ambition to develop a life sciences super cluster for the North East – with significant new facilities for research, and space for science-based businesses.

And we are investing now in our manufacturing capacity. Nearby, Redcar is home to the headquarters of the £100 million Centre for Process Innovation, part of our High Value Manufacturing Catapult network.

We're investing half a billion in advanced propulsion technology.

And just nearby – in fact, I'm going to go and take a look this afternoon – there's the International Advanced Manufacturing Park – where £75m of publicly funded infrastructure will support a predicted £400 million of private sector investment, and the creation of over 5,000 jobs across the advanced manufacturing and automotive sectors.

The point that I'm trying to make is that government is serious about investment in our scientific and industrial development, which is so central to this region's economy.

3. Skills

And the third and final factor I'll mention today, is what we're doing on skills.

Because let me take you back to that stat I gave you earlier.

27% per cent of over-16s in the North East having no formal qualifications.

Which means lower wages, and less opportunity and freedom to live the lives people want.

So it really matters that we make a big difference here – not only for people on an individual level, but for our businesses which rely on their talents to succeed.

I think this is an issue for the UK as a whole but particularly where we are.

So we've got a lot of work going on here.

We're completely reforming technical education for a start – we need to see bright people coming through who can work in the advanced industrial roles the 21st century needs.

We're really pushing apprenticeships – again to give people the skills businesses need, and we've done a lot of work with employers to make them really useful, stretching training opportunities.

I hope that the many fantastic businesses in the North East that already take on apprentices – from Hodgson Sayers in the construction and manufacturing sector to Sage Gateshead in the creative – will lead really lead the way as business and Government works together to deliver 3 million apprenticeship starts in England by 2020.

Conclusion

So there is a lot of action happening to lay the foundations for that Northern resurgence.

The Northern Powerhouse is about cultural aspiration but the policies around devolution and transport and skills will help.

And the thing to stress is that this isn't a one-sided venture.

This isn't a bunch of politicians in Westminster laying down the law.

And I don't think it would be.

This is a team effort.

This is about government, business, and local authorities across the North all working together.

And the message I want to end with here in Gateshead is this:

It will take hard work.

It will take investment.

It will take ambition.

It will take partnership and collaboration.

But the North East can once again be the engine of the UK's economic, scientific and cultural progress.

Let's not lose any opportunity to see that happen.