



Driving sustainable growth

Foreword

Welcome to *Driving Sustainable Growth*, the North East Chamber of Commerce's Manifesto 2011. This sets out the priority issues on which NECC will focus its rigorous campaigning activity during the year.

NECC is the region's leading business organisation. Our 4,000 members cover all parts of the region, all industrial sectors and all sizes of business. The priorities set out in this Manifesto have been drawn up following extensive consultation with these businesses, including through our range of local and sub-regional committees.

The Manifesto therefore represents a uniquely powerful agenda for North East business. It makes clear what it is that North East businesses want in order to create jobs, encourage new investment and generate success.

The challenge for the next year is to maintain and accelerate the growth that businesses have started to deliver in 2010. This needs to happen against the backdrop of the efforts to tackle the UK's deficit. Cuts across a series of public sector budgets will require difficult decisions on priorities. The outcome of these choices will perhaps be felt more keenly in the North East due to the public sector's relative size in our economy.

It is critical that policy leaders and decision makers

recognise the need for the North East's private sector to grow, in order to replace jobs lost in the public sector and create the tax revenues which will rebuild public finances. Improving the conditions for businesses to flourish in our region must therefore be their overriding consideration. We must also ensure that all the new organisations which will emerge in the North East in the coming months truly have business interests at their very heart. They and we must all work tirelessly to excite businesses to grow and succeed.

This Manifesto clearly sets out what this will mean in practice.

NECC will forcefully represent members' views to local, regional and national bodies to make sure this is clearly understood and quickly acted upon.



Martyn Pellew
NECC President

Introduction

The start of 2011 comes in the midst of a period of significant change for businesses in the North East. Some of this is very positive – UK growth figures are improving, predictions of a ‘double-dip’ recession are starting to fade, and talk of ‘recovery’ is being replaced by more straightforward ‘growth’. It would be dangerous to assume this is a foregone conclusion, but signs of renewed health are there. NECC will ensure up to date information and intelligence on the state of the North East economy is provided to key decision makers during 2011.

There are also major changes to policy. 2011 will be the first full year of the new coalition government, which is implementing a series of often radically different ideas to the previous administration. This includes re-structuring the architecture of government in the North East, with the regional development agency (RDA) on its way out, and local enterprise partnerships (LEPs) on their way in. Action being taken to tackle the UK deficit is adding to a sense of flux in policy. This is perhaps being felt more keenly in the North East than any other part of the UK, due to the prominence and investment levels of the RDA and the relative size of the public sector in the region’s economy.

A shift is therefore required in the relationship between the private and public sector in the region. Businesses will welcome the opportunity to take a greater lead and a bigger share of the economy. But the public sector’s role as a major customer and employer in the North East means adjusting to this change won’t be without its challenges.

This state of flux needs to be replaced quickly with stability. Government bodies both in Whitehall and the North East must quickly establish and communicate the policy framework in which businesses will need to operate, in order that they can effectively plan the investments that will deliver the wealth, employment and tax revenues this region requires.

However, it does create an opportunity, which the business community must grab, to work with such bodies to shape these reforms to policy in order to address barriers to growth and create better conditions for business in the North East. Businesses must also be clear in articulating where reform would in fact be damaging, and in prioritising the investments that should be made with limited funds available.

This Manifesto therefore outlines NECC's lobbying priorities under the following three themes:

- **Safeguarding** assets and policy positions which are critical to maintaining **the recovery**;
- **Reforming** areas of policy to bolster the **competitiveness** of North East businesses and UK plc;
- **Investing** in priority areas where this will unlock economic **growth**.

Strong leadership will be required in the North East both to take the decisions needed within the region, and to make a clear case to Government for action which will unlock the specific opportunities that exist here. NECC and its members will work closely with local authorities and others, including through the North East Economic Partnership and LEPs, to ensure business is at the centre of this change.



Safeguarding the recovery

While a new Government in Whitehall and new partnerships in the North East are rightly assessing where policy needs to change, they must pay heed to the assets and policy positions which businesses have identified as beneficial and wish to see protected.

Some elements of support for businesses must be maintained. While some skills funding has been poorly targeted, support for apprenticeships is vital both to de-risk the investment required by businesses and to give young people the confidence to follow this route. The Government has signalled its commitment to apprenticeships and must follow this up by ensuring the right funding is provided to encourage sufficient take-up, especially in the North East where unemployment among young people showed a worrying rise in the recent recession. Backing for innovation in sectors where the North East shows genuine strength, including low carbon vehicles, renewable energy, process industries and plastic electronics, must also be continued. This includes maintaining innovation centres which have brought world class expertise to the region.

The North East requires fresh investment in transport infrastructure, which is detailed elsewhere in this Manifesto. But there is also a need to ensure the assets the region already has continue to operate effectively. The arrival of inter-continental travel to the North East in the shape of a daily Emirates flight from Newcastle International Airport to Dubai has been a major fillip for business. Connections such as these must not be undermined by punitive taxation, or by imposing constraints on the growth of aviation. The East Coast Main Line must be maintained as a high quality north-south link through the region, including by ensuring the

region is connected from day one to planned high speed services, with a detailed timetable for how it will be linked into the network.

Other changes which are already taking place must be managed to ensure they do not create any adverse impact on the business community. Examples include the juxtaposition of 'localism' with cuts to local government budgets. Local authorities must resist the option to plug gaps in central funding by increasing taxes or service charges for businesses. Additionally, new migration controls, while a key election issue and seen therefore as a priority for action by Government, must be implemented without damaging firms' ability to recruit the skilled workforce they need, particularly in an area like the North East with a relatively small labour market.



In 2011, NECC will campaign for:

Transport

- A tax and regulatory system which supports air links between the North East and key markets;
- A detailed timetable for inclusion of the North East in a high speed rail network.

Skills

- Support for employers taking on and retaining apprentices to de-risk this investment.

Finance

- Continuation of targeted support for businesses through the Finance for Business North East programme.

Tax

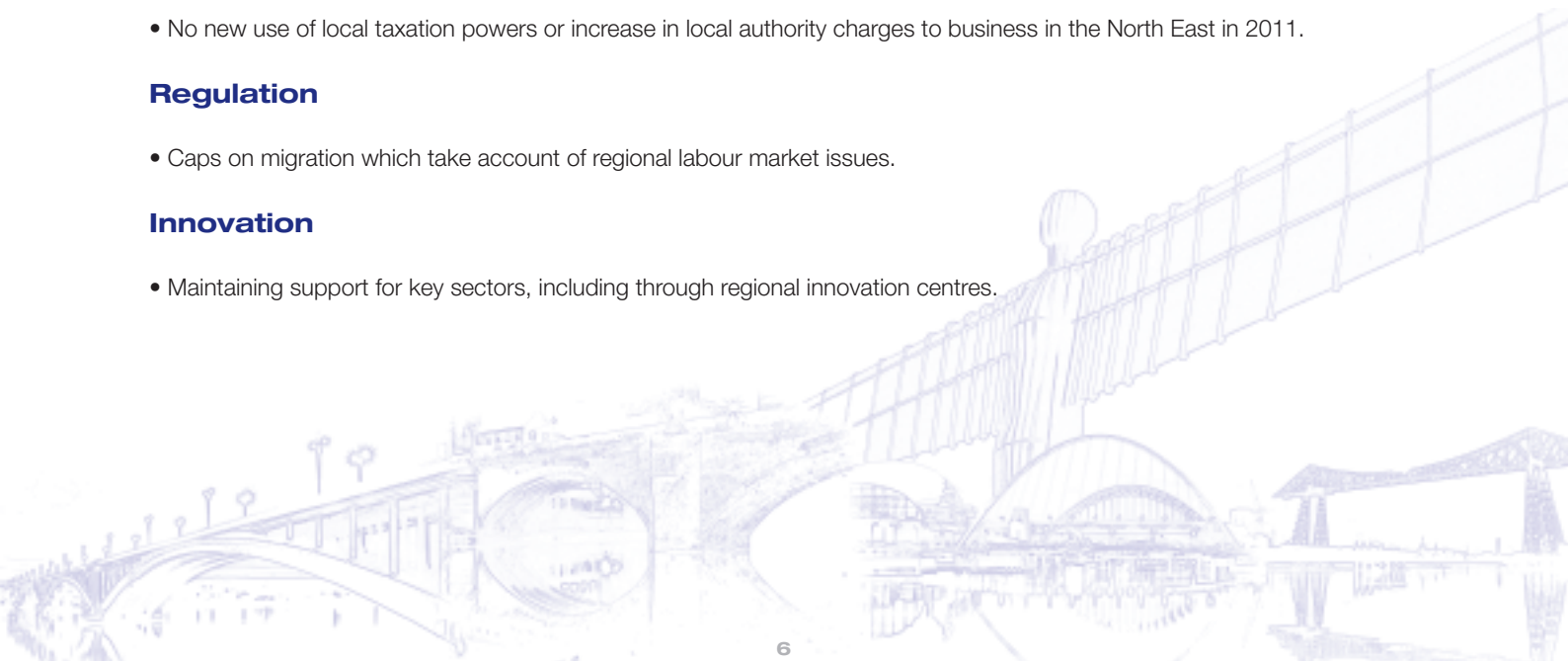
- No new use of local taxation powers or increase in local authority charges to business in the North East in 2011.

Regulation

- Caps on migration which take account of regional labour market issues.

Innovation

- Maintaining support for key sectors, including through regional innovation centres.



Reforming for competitiveness

Some elements of reform will undoubtedly be beneficial to businesses, and the opportunity must be seized to make lasting changes which will create a more competitive business environment in North East England.

The Government has already made welcome commitments on reducing corporation tax levels over the medium term. This greater degree of certainty is something businesses have been seeking. It should be followed through in other areas of the tax system in order to ensure North East businesses have the confidence to invest, after a period of understandable reluctance in a turbulent economic period. Critically, businesses should be given assurances that tax policy positions in place when they make an investment will remain constant.

In other areas, Government has made positive comments regarding reform, but businesses need certainty that these will be reflected in action at ground level in the North East. On planning, statements about a presumption in favour of development must be backed with action, and not jeopardised by an approach to 'localism' which may in practice give succour to NIMBYism. On procurement, an aspiration to open up central Government contracts to greater competition must be echoed in public bodies in the North East, and not undermined by a heavy handed approach to achieving 'efficiency savings'. Both of these issues will require continuing culture change within North East local authorities and other agencies.

Changes must also enable markets to work better, allowing North East businesses to choose the services they need. Finance must remain available to North East businesses, including through an effectively functioning

banking system. Appropriate mechanisms must be in place to enable businesses to demand and receive the training they need to up-skill their workforce and to articulate future skills demand. And while a desire to give a tighter focus to use of public money for business support will be understood, this must be linked to changes which enable the private sector to effectively supply the services firms need.

One area in urgent need of reform is the way in which public funding for infrastructure is allocated and private investment is incentivised. Huge disparities in grid connection charges which direct development towards crowded areas of the South East, and transport funding formulae which favour spending to put sticking plasters on congestion rather than investment in capacity, must be reconsidered.



In 2011, NECC will campaign for:

Infrastructure

- Mechanisms which direct investment towards areas of capacity, not congestion – including through grid connection charges, transport spending criteria and use of water assets.

Skills

- A market which more flexibly enables providers to meet employers' medium-term needs and not just short-term demands.

Business Support

- Facilitating private sector provision of key business support products.

Finance

- Banking reform which does not undermine lending to businesses;
- Commitment from banks on speed of decision-making and transparency of process.

Tax

- Consistency of tax policy positions through 'grandfathering' to de-risk major investments.

Planning

- Policy and culture which proactively supports development.

Public procurement

- Reforms to create broader, simpler and smarter public procurement in the North East.

Investing in growth

With limited funds available in the region, partnerships between business and the public sector must carefully choose both how to spend the money available to them, and how to focus lobbying to central Government for investment.

It is critical to continue to make strategic interventions where the North East has genuine excellence in order to foster world class industries. This includes the low carbon sector and high value manufacturing, although less hi-tech industries such as tourism which make a valuable contribution to the North East economy must also not be overlooked. The focus must clearly be where carefully targeted spending will contribute to sustained long-term growth. Central to this will be backing for international trade in the region. The North East already boasts the largest volume of exports per head and the only consistently positive balance of trade in England, but this is on the back of the success of a relatively small number

of firms. More must be given high quality assistance to find markets to bring in greater wealth to the region.

Investment in infrastructure critical for businesses must also be prioritised. Cancellation of funding for strategic roads both into and within the North East flies in the face of business priorities and should be reversed. The North East must also put together coherent proposals to ensure it is at the forefront of moves to upgrade digital connections in the UK.



In 2011, NECC will campaign for:

Strategic sector support

- Targeted sector support where the North East demonstrates genuine excellence.
- Regional Growth Fund bids which unlock investment in low carbon industry, including R&D.

International trade

- Strategic export support in line with specific regional strengths and opportunities to broaden the base of exporters.

Digital

- Effective partnerships between the public and private sector to provide next generation broadband to businesses across the North East.

Transport

- Reversing the decision to cancel investment in strategic road connections to and within the North East.

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