



North East Economic Forum
2007 conference workshop report

There is a role for inward investment in the future development of North East England. However, it is a different role from that which inward investment has taken in the past. More specifically, the actual role varies between sectors and markets. Inward investment is part of the mix of economic development strategies and should not be pursued at the expense of the development of indigenous businesses in the region and new business start-ups. Past inward investment was based upon the attraction of mobile investment through subsidies, the availability of relatively cheap labour, the English language, and, more recently, access to European markets and deregulated labour markets. Such investment was important in providing employment and income at a time of the decline of staple industries, and in some cases was of great importance in introducing new management approaches and supply chain opportunities. The North East is no longer able to attract such investment. Other locations can offer higher subsidies, lower costs and lower regulations. Further, much past inward investment is now leaving the region in the search for lower costs. It can also be argued that such investment has in many cases weakened the underpinning capacity of the region's economy because it tended not include R and D, design and product innovation or other 'HQ' functions such as marketing or corporate finance. However, other types of inward investment are playing an important role in the development of the region. For example, international investment has been critical in the rebirth of the Process Industries in Tees Valley. The region is also now proving attractive to innovation-based investment such as Clipper, designing and developing the world's largest wind turbine, Yanmar developing biodiesel applications and RNL developing stem cells. These investments are being attracted because of existing strengths, access to knowledge and access to skilled people. Moving forward, the region should build on this progress, seeing inward investment as one tool alongside the development of existing businesses and the establishment of new businesses.

Different markets and sectors will have differing needs in respect of both the significance of inward investment relative to these other tools, and in terms of the type of inward investment. Future inward investment should be focussed on high value added activity, that is clearly excellent, and that complements our existing and emerging strengths. It should be focussed on filling gaps in the region's offering in key sectors and markets and should boost the achievement of critical mass.

Much of this is likely to be in technical and creative activities. Inward investment should not be pursued at the expense of indigenous businesses. We need to recognise that much inward investment is now linked to attracting people and talent. Our quality of life, universities and the ability to sustain careers are therefore key. We should be prepared to seek new skills and new people to the region. We need to focus on enhancing the offering of the region for people looking to live, work and set up businesses here, including through graduate retention. We also need to recognise that much inward investment to this region is now concerned with accessing knowledge and particularly the region's growing reputation for enabling the first introduction of new products. Universities and the Centres of Excellence are therefore particularly important. Other locational factors are important, including speed of planning decisions, access to finance, and transport and communications. These factors are equally relevant for indigenous businesses. While focussing on these high value-adding targets, there is a need for balance, for example by attracting large employers in the service sector. Much actual employment will be in lower skill occupations. The key to future policy is, therefore, clear analysis leading to the targeting of particular companies and activities. When these are targeted, the region needs to develop a coherent and integrated approach to attracting such investment. In parallel, the region needs to focus on the attraction of and retention of skilled and motivated people. Supporting this activity is focussed investment in particularly types of infrastructure, including transport, premises, skills, access to knowledge and access to innovation capacity.

Inward Investment should not be pursued at the expense and in competition with indigenous businesses and new start-ups. Inward investment can have a damaging effect on the success of existing businesses, for example by competing for skilled labour or through knowledge transfer. In many instances, indigenous business is more likely to stay and grow in the region in the long term.

There is a clear need to have an honest assessment of what we are excellent in as a region. Reference was made to the work that had been done in the early 1990s asking what could we be excellent in the arts. At the time the region was under performing but through ambition and focus we have now become world class in various aspects of culture. The region is growing strengths in stem cell research, renewable energy, marine based industries and automotive manufacture but the key question might be 'what could we be good at in 20 years time?.'

There is a need to promote excellence. Promoting examples of excellence will help us better understand it. Eaga, Wellsteam, Tanfield, Sage plc, the Sage Gateshead are great role models and examples of how successful businesses attract talent and aspirational people. The businesses are all equally committed to excellence. We need to back the vision of individuals as a region. Most innovation and economic growth had its origins in backing the vision of individuals.

South Tyneside College's Centre of Vocational Excellence in Marine Training or Gateshead College's Automotive Centre of Vocational Excellence show that excellence in education can lead to practical support for industry in the region. The fact that Maerske shipping relocated its training centre to Newcastle was due to the strength of the education sector. The fact that Nissan train their staff in Gateshead is down to the quality of the service.

The George Cox review about building on the UK's strengths. We need our own equivalent of that as a region. 'We have not been good since Victorian age at selling our best ideas.' India and China are putting huge investment into research and design and companies such as Apple, struggling some years ago with its computer product, has rediscovered itself through innovative design to become a global leader as an entertainment company.

The regions Universities can provide the base from which to promote excellence but research on its own is not enough. We need a base of manufacturing to support research and design. The example of the Tanfield Group and Wellstream are excellent illustrations. The relationship between academia and industry is key and the role the initiatives like Knowledge House is coming more the fore. No longer can we operate in silo's it is imperative to adopt a joined up approach, the region's universities should be the breeding ground of the industries of tomorrow. They should be encouraged as "hot houses of creativity".

By 2020 we will have risen from 23% to 40% of the workforce having a university education but most teaching in schools is done from the 30% lowest achievers. We need to value education if we want to promote excellence. Keeping graduates in the region is crucial for both public and private sector but to achieve that we need to provide excellent opportunities and pay good salaries. We need to back aspiration vision such as that in culture or renewable energy and keep investing in it even when we get knocked back as a region.

The Region's Centres of Excellence enable the North East to have a clear focus on three sectors which can have a direct impact. They are about harnessing ideas that can translate into economic success. CELS the centre of excellence for Life Sciences has a goal of expanding the healthcare economy by £1 Billion over the next 10 years. This is a huge target but they have broken down the challenge into manageable pieces.

Excellent healthcare needs excellent science but they have made clear choices as to where the organisation can make a difference. There could have been many areas, such as public health, fitness and leisure but the greatest impact will be achieved through transformational medical research generating economic activity. Life Science enterprises generate some £1.4 Billion from only 10,000 working in the sector. Every individual contributes £120,000 to GVA. Business incubators are crucial to new companies.

The phrase 'world class' is one that is possibly overused but can play an important role when used correctly. It is positive and aspirational to talk about world class, and this should be encouraged when striving for excellence in the region, but also needs to be grounded in fact. What are we world class in? Where do we stand up to the rest of the world as an example that people would seek out. The World Summit on Arts and Culture came to NewcastleGateshead because other nations wanted to see what had been achieved in cultural regeneration.

As a region we need to make choices. If excellence is a league table not everybody can be top of the league in every sector. We need to choose those things that can make a difference and build on our natural strengths. We need to choose things that have a multiplier effect. We need to ask where we might not be excellent now but have the potential to be so in the future e.g. Diversity of our population. Those promoting excellence must strive for excellence themselves whether they are private companies or public agencies.

One thing which we can really be excellent in and promote better is the quality of life of the region.

The rise and potential of the Knowledge Economy for the North East...

What does the Knowledge economy mean? When we refer to the Knowledge economy we refer to the use of knowledge to produce economic benefit from high technology, this can be in the field of (ICT), Education, Research and Development and professional knowledge, e.g. lawyers, doctors, fashion design.....

Whilst a reasonable definition it does alienate market sectors who are driving innovative growth say from manufacturing, retail and the public sector. In addition the need for a sectoral or themed approach for the region will help drive investment and skills focus.

The knowledge economy requires an integrated plan and strong leadership to drive all aspects/ingredients:

- * Innovation
- * Research and Development
- * Competition
- * Direct Blue Chip company inward investment
- * World-class research and education establishments
- * Access to good venture capital
- * Highly skilled workforce
- * Available commercial property
- * Transport and ICT infrastructure
- * Business collaboration and networks (e.g. business angels)
- * Flexible and Agile organisations and workforce

How is the North East positioned and viewed in the Knowledge economy? Using The Work Foundation and the UK competitive index/Eurostat definitions the North East is one of the highest moving regions in the last ten-years from 9/11 to 7/11 (44.6% to 57.7% employment in knowledge economy). The gap between 7th place and 6th place is 0.3 of employment.

So how can we accelerate the knowledge economy in the North East?

- * Improved access to finance (venture capital)
 - * Integrated strategies and improved regional leadership specific to this economy
 - * Improved innovation, incubation and hatchery in the North East to encourage knowledge intensive entrepreneurship
 - * High tech employer lead links to Education, skills and training
 - * Direct blue chip scouting for inward investment
- Referring to the NEEF action plan - 'North East in the Global Economy' it describes the North East with a 32% of employment in public services, making this one of the North East best assets in the knowledge economy. The provocation to accelerate the knowledge economy in the North East should harness its best assets. In Public Private Partnerships today the public sector is using 'anchor' contracts like BPO/ICT to attract private sector inward investment and therefore knowledge economy job creation/fulfilment investment (e.g. South Tyneside Authority). This could be encourage on a regional basis to drive a step change.

- Councils must act to understand recent migration patterns with both objective and subjective material
- Migration has both an economic and social perspective, and the issue must be addressed holistically
- Communication between agencies around the migration agenda is critical - the various service providers (translators, ESL, JCplus etc) must be co-ordinated through a clearly led multi agency approach
- Talent attraction is a global issue and the most successful places and those which make themselves most open to new influences
- But the indigenous population cannot be seen to be "left behind", hence the importance of strong political leadership and excellent communciations

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