

Speech delivered by Jonathan Shaw at RES Partnership Conference 29 January 2009

Intro

Thank you very much for inviting me to speak today. This was always going to be an important event, allowing us collectively to take stock of progress in implementation of the Regional Economic Strategy. But this event is now more important than ever given the current economic situation, which William Thomson has just described so clearly.

We now know, of course, that the UK is in recession. And we cannot ignore the implications that this has for all of us – as employers or employees, as home-owners, as savers or borrowers. It would be very easy, given these circumstances, to allow ourselves to be distracted from the medium to long term priorities set out in the RES. But we owe it to residents and businesses across the South East to make sure that we are not just focussing on surviving the current downturn. We need to be preparing imaginatively, taking the steps necessary now to ensure that, when things turn for the better - and they will turn for the better - we are ready to respond, ready to grasp the new opportunities that will undoubtedly flow from the upturn to follow.

SE Economic Context

You may have heard from last week's disappointing labour market statistics that the claimant count for this region is up by 8,600 on the month and around 39,000 on the year to 104,900.

Of course, every time a worker loses their job it is a personal tragedy. That is why every Jobcentre across the country is taking steps to help people who lose their jobs. If the worst does happen and people do become unemployed, we have put in place a 5 point plan agreed with Jobcentre Plus to support anyone who becomes unemployed. And I have been pleased to endorse the progress that JobCentre Plus, the LSC, SEEDA, Sector Skills Councils and others have made in pulling together a rapid recovery plan for major redundancies.

People who are worried about their situation need to know that there are jobs out there. In the last month, Jobcentre Plus has taken an average of around 10,000 new vacancies across the country every working day.

So, even though the claimant count is rising, that does not mean people are not finding work. Most people who lose their job find another one quickly. We want to reassure people that employers are still recruiting, that there are still jobs out there and that we will do everything we can to help them into these jobs. There remains significant inward investment to the region, which translates into more jobs and more hope for the future. This month, while there were 320,000 new claims for Job seekers allowance, over 231,000 people around the country flowed off unemployment benefits, 20,000 of these were in the South East. And we should recognise that, since 1997,

employment in the South East has actually grown by 383,000. We still have the highest employment rate of all the English regions.

My point is not to underplay the very real difficulties that many people and businesses are facing – but rather to emphasise that it is not **all** doom and gloom. Some positive things are still happening. And they are happening in the South East.

Government's approach to current economic situation

The global economic crisis requires a global solution and the UK is leading the international response to the current problems being faced around the world, which started of course with the US banking sector. We will continue to do everything we can to help people, and to minimise the effects of this global situation on families and the economy across the UK, including of course the South East.

That's why we have been working so hard to come up with solutions that will give real help to families and businesses. We have stopped the collapse of the banks and we have got money moving in the economy with our fiscal injection. We will continue to do everything we can to maintain stability, support the economy and expand the lending that is needed by credit-worthy businesses and by families.

Through the pre-budget report in November, the Government has delivered financial help to small firms in the form of billions of pounds worth of loan guarantees and trade finance guarantees. We've also brought forward billions of pounds worth of infrastructure spending around the country, including here in the South East. That means jobs - here, this year - and strengthened regional economic capacity for the long term.

Our hosts today, SEEDA, were given a key role through the PBR to support small businesses and at least £15 million is now available for small businesses across the South East, including the £10m Rapid Rescue Response Package announced in August.

In November, the government also provided an additional £1.3 billion to maintain and strengthen support for job seekers. Two weeks ago, the Government announced that we are investing support worth an additional half a billion pounds to guarantee more support to every person looking for work for longer than six months. And last week the PM and Chancellor announced more support for businesses and homeowners by unlocking the credit flows to get money to those who need it most in the economy.

This is all real help, now.

Regional Strategies

Yet it is precisely now, in such a downturn, that it is most important to reflect on our long term strengths and to put in place the conditions for future success. We need to work together strategically to make sure that we know what skills our businesses are looking for, we help ensure people can get the

skills they need to take up jobs, we identify future opportunities in new sectors such as green jobs, and we help people to set up their own business.

The RES is about the more medium term agenda for the SE economy. Most - if not all - of the RES priorities still remain important, so we must not lose sight of them amid the current economic crisis. The forthcoming South East Plan, which should be in place in the spring, also has a medium to long term focus. Together these will provide a good foundation for the future.

Of course, the advent of the new single Regional Strategy means that the inextricable links between the needs of our regional economy and our spatial planning will soon be will soon be more closely joined than ever before. I would encourage you to deliver a joint delivery plan for both of these as a first step towards the new arrangements.

The new Strategy is about driving forward, building on the foundations laid by the RES and SE Plan. I am, therefore, really pleased that this region is now well on the way to resolving how to take forward the practicalities of delivering SNR. I particularly welcome the work that has been done to secure effective joint working between SEEDA and the local authorities.

Regional Funding Advice

I know that this afternoon you will be looking to determine what the region should include in its Regional Funding Advice, RFA, which is due into Government at the end of February. I very much hope that you will use this opportunity to advise Government on what you think needs to happen to ensure that public sector investment is targeted in the most effective way to support the South East's regional priorities.

As I can't be here later to join in your discussions, I thought it might be helpful to set out three of the things that I see as most important:

Firstly, the economic context. In providing its advice, the region should be clear about its commitment to the longer-term strategic priorities for strengthening sustainable economic development. This is essential if the region is to achieve the ambitions set out in the Regional Economic Strategy and remain competitive in the global economy.

For example, building up our green skills and driving forward our environmental technology base are both essential if we are to be competitive in this growing area of the world economy. That's why SEEDA, as part of their strategy to boost the region's low carbon economy, has been supporting cutting edge industries in the South East such as Ceres Power which was set up to exploit fuel cell technology developed by Imperial College. It now has a strong partnership arrangement with British Gas to develop domestic combined heat and power units. A £500,000 grant from SEEDA enabled the company to de-risk the fuel cell manufacturing process so as to bring the technology to market.

Secondly, clear spatial priorities. These will provide a framework for the region's specific recommendations and should show consistency with existing regional and sub-regional strategies. This will also help to make the case for

public sector investment targeted in the areas where it is needed. A good example of this is the £80 million planned package of transport measures in the PUSH area which includes infrastructure connecting to the Strategic Development Areas close to Southampton and Portsmouth.

And finally, cross-regional buy-in and commitment to aligning plans and investment. As I explained to the RFA Steering Group when I met them last November, the greater the level of sign-up among partners across all sectors within the region, the greater the traction in Whitehall. I am looking forward to the next RFA Steering Group in February which will play an important role in securing that wide consensus.

On the A3 in Surrey, construction of a tunnel is underway to relieve the notorious Hindhead bottleneck. This is an excellent example of the region taking a difficult decision - and allocating more than two years budget on one scheme is certainly that - and holding its nerve against cost increases and competing priorities.

I hope these steers are helpful. I really want to encourage you to use the opportunity of the RFA to join up delivery across funding streams for the best possible outcomes in key places that will be instrumental to the continued success of this region.

Looking forward

I am certainly not going to attempt to predict how long it will take, but I do know that the current economic situation will improve and that we need to be prepared for the upturn.

Long after growth has resumed, there will be major consequences for the structure of our UK economy as a result of the current economic slowdown. The emerging economies of China and India are radically changing the global division of labour and forcing us to consider our comparative advantages and our emerging strategic markets.

To thrive in this new global environment, the UK's specialisations must be built on knowledge and value added. They will be in business and financial services, in the knowledge and creative industries, and in the technological and manufacturing process revolutions that will define the 21st century – for example, in the biosciences. The global shift to cleaner and more efficient energy usage will also throw open wide the market for new forms of energy generation and a host of other low carbon or carbon-free goods and services.

The South East is well placed to respond to these challenges. We need to work collectively to ensure that we tackle the skills, transport, planning, energy, infrastructure, environment, labour and education issues that will need to be addressed coherently to ensure we both encourage domestic growth and continue to attract foreign business investment.

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