

NORTHERN WAY CONFERENCE, 25 OCTOBER 2005

Dermot's closing remarks

- The Northern Way is all about making the case for investing in the North – in skills, jobs and enterprise. After a year and a half, it's now time for the Northern Way to move beyond process and focus on delivery.
- We need to target and tailor the £60 billion of central government funding to the needs of the North. We need to use that mainstream public investment to attract further private investment. And as we've heard today, we need more research on what's going on.
- At the heart of the Northern Way lies that £30 billion output gap. If the North's productivity and employment were the same as the England average, then it would be £30 billion better off. This gap is made up of deficits in skills, employment and enterprise. So our strategy needs to focus on these key issues.
- That will involve some difficult choices ahead. How will the Northern Way decide between competing priorities for funding? And how will it avoid jam-spreading across the North?
- Some big issues stand out.
 - Skills are a key part of that output gap. But is the Level 2 target right for the North's cities? How can we give them more flexibility to shape their own labour markets?
 - Enterprise is also key. But it's not all about start-ups. We need to focus on growth companies too. Government policy has been too preoccupied with a headcount of start-ups.
 - Transport features heavily in the Business Plan. But there are probably too many bids in there. Can the Northern Way pick the most important?
 - Governance is key to delivering all this. But the current arrangements are far from ideal. Our cities and towns need more powers to deliver their own development plans.
- The Northern Way should set its sights on the Comprehensive Spending Review in 2007. But the CSR will be tight. So we have to be realistic. Central government cannot fund everything that the North wants. Nor should it. The public sector is already big enough in the North, around 50-60 per cent of the economy.
- Public investment needs to attract more private investment. And cities need more powers to spend mainstream funding – and more incentives to raise their own revenues. A more diversified funding system like this would help the Northern Way deliver.

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