

Industrial Policy and the UK's North-South Divide

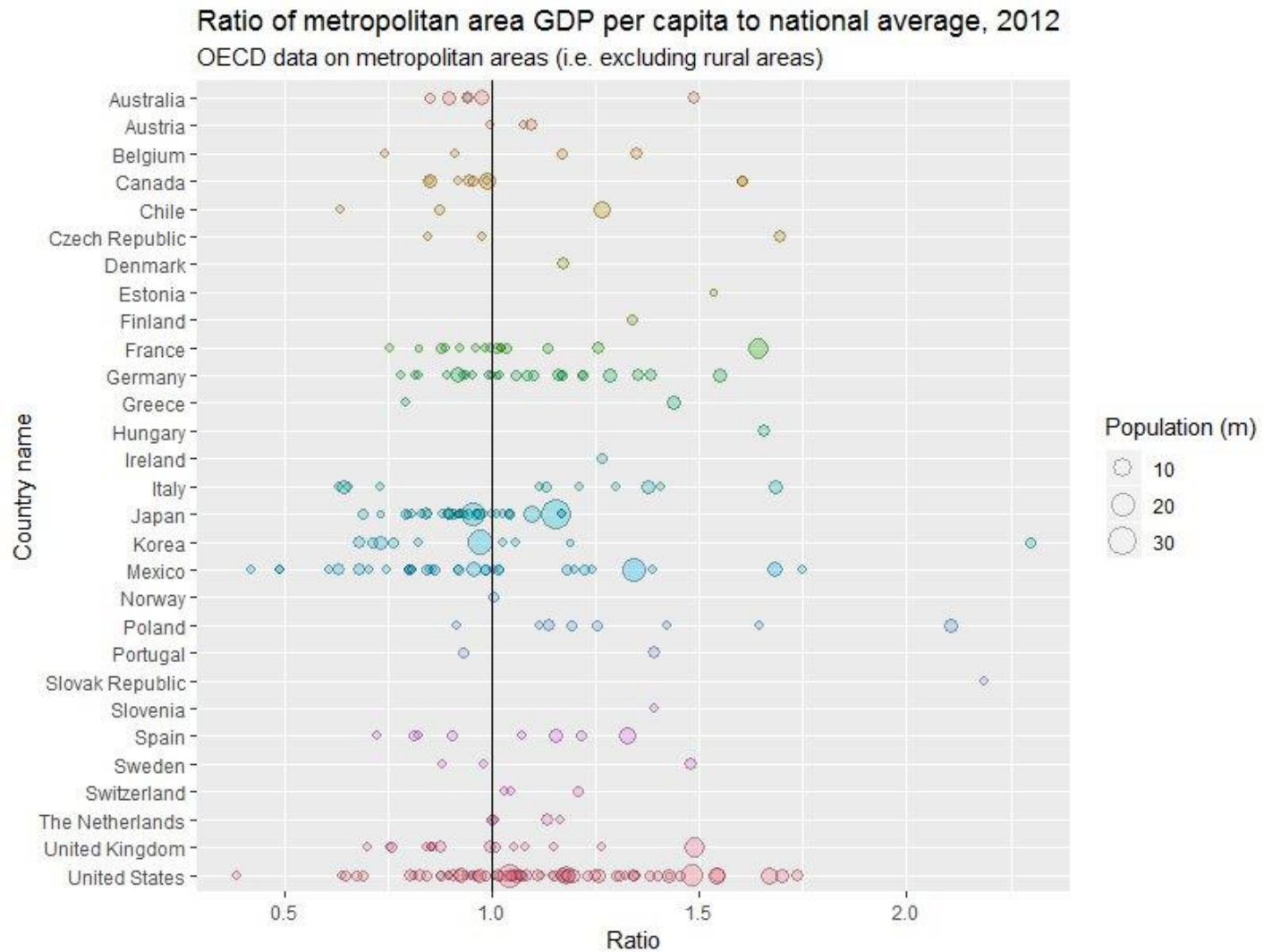
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UK has more poor regions than most of EU



The Final Report of the Industrial Strategy Commission

“An industrial strategy should not try to do everything everywhere, but it should seek to do something for everywhere. In 5 or 10 years’ time we should be able to pick anywhere in the UK and say how the strategy has helped that place, its people and industries.”

Places

To have prosperous communities throughout the UK.

The United Kingdom has a rich heritage with world-leading businesses located around the country. Our cities, towns and rural areas have competitive advantages that will be essential to shaping our economic future.

Yet many places are not realising their full potential. The UK has greater disparities in regional productivity than other European countries²⁰⁹. This affects people in their pay, their work opportunities and their life chances.

Every region in the UK has a role to play in boosting the national economy. We will build on the strong foundations of our city, growth and devolution deals and continue to work in partnership with local leaders to drive productivity. We will introduce Local Industrial Strategies and further strengthen local leadership through Local Enterprise Partnerships and Mayoral Combined Authorities.

We will also introduce new policies to improve skills in all parts of the country, create more connected infrastructure, back innovation strengths, ensure land is available for housing growth, and strengthen our cultural assets.

We are working with our partners in the devolved administrations to deliver ambitious plans for communities across Scotland, Wales and Northern Ireland.

We will also continue to build the Northern Powerhouse and Midlands Engine to help create prosperous communities throughout the UK.

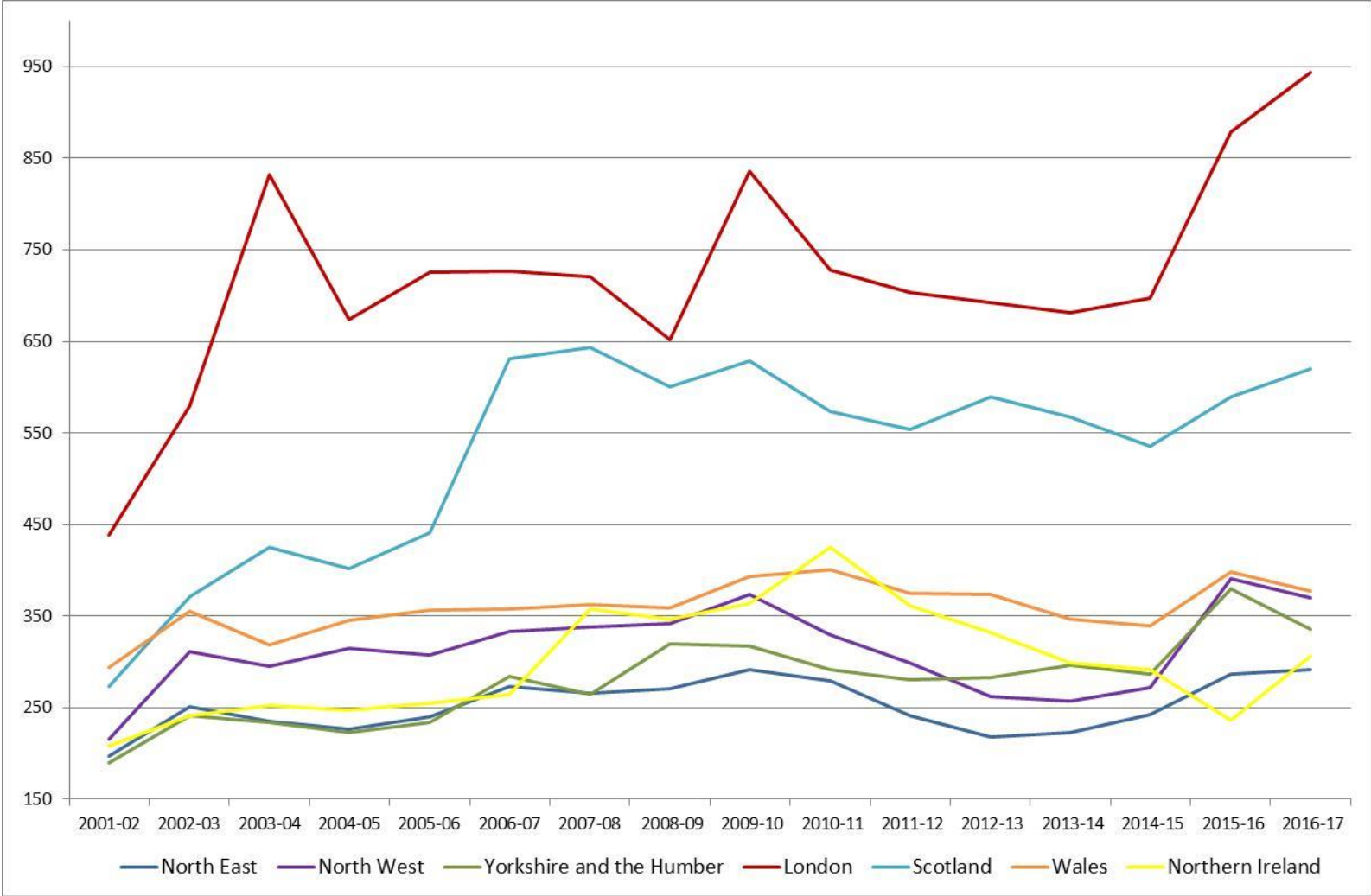
Key policies include:

- ▶ Agree Local Industrial Strategies that build on local strengths and deliver on economic opportunities
- ▶ Create a new Transforming Cities fund that will provide £1.7bn for intra-city transport. This will fund projects that drive productivity by improving connections within city regions
- ▶ Provide £42m to pilot a Teacher Development Premium. This will test the impact of a £1000 budget for high-quality professional development for teachers working in areas that have fallen behind

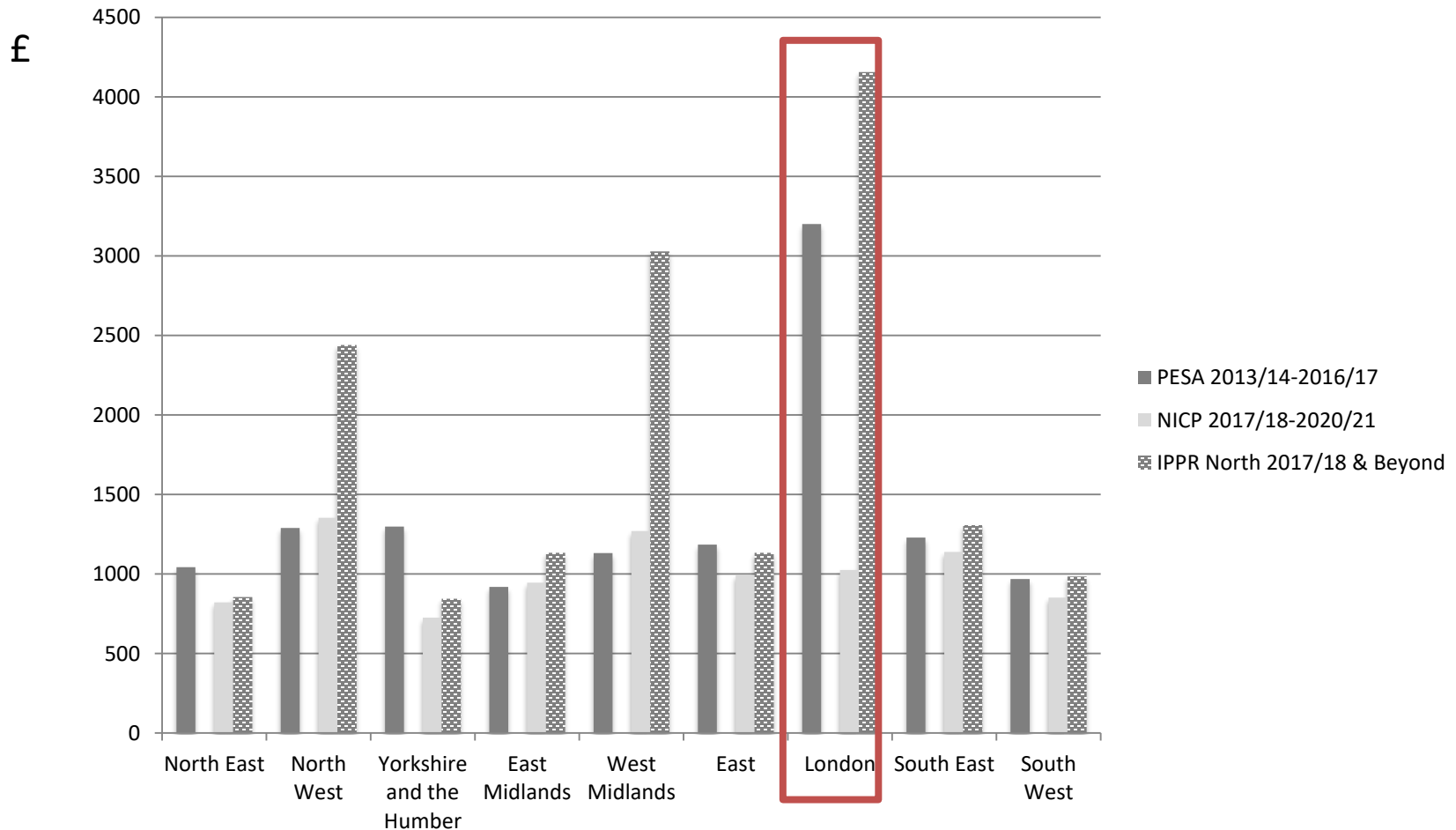
Public transport investment as an exemplar

Public spending on transport, per capita

London, devolved nations, northern England 2001/02-2016/17



Actual & projected per capita transport spend

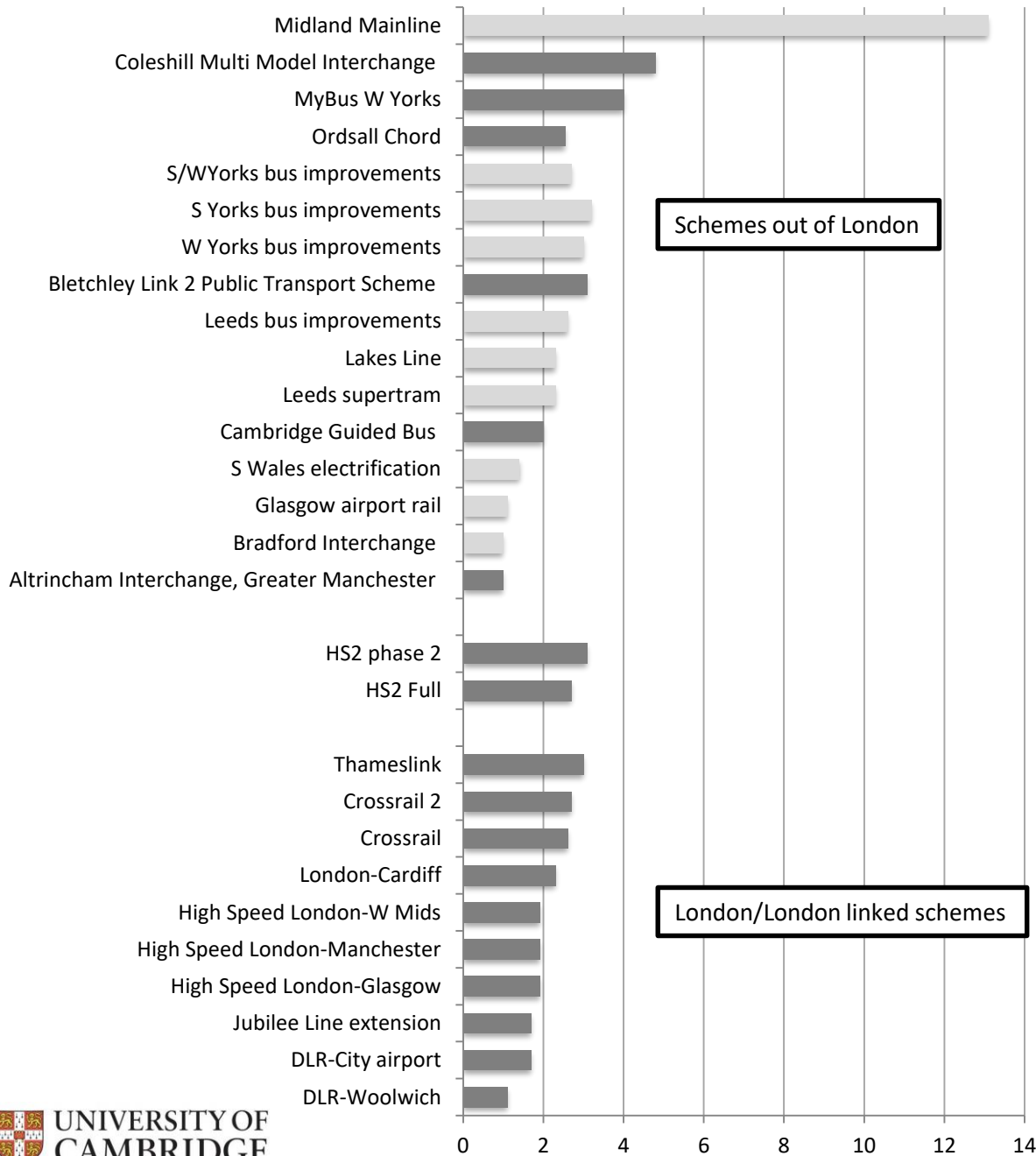


IPA omits:

- Local government spending when provided jointly with central government, eg Crossrail (£2.3bn) and Thameslink (£765 mn)
- London Underground renewal (£1.1bn) and line upgrades (£1.1bn)
- Private sector spending when central or local government is the co-funder, eg Barking Riverside extension (£61mn)
- HS2 beyond 2021/22
- Crossrail 2 (£31 billion)

IPPR North includes:

- Regional allocations of national programs
- HS2 beyond 2020/21 spending round
- All public and public/private spending categories (government share)
- GLA and TfL funding on the grounds that central government guarantees them
- All spending in NICP beyond 2020/21



BCRs for specific public transport projects

Schemes with dark shading were approved

London/London linked schemes

Limitations of CBA

- Green Book 2018 a major advance – more emphasis on ‘wider’ effects
- BUT still applies marginal analysis to non-marginal interventions
- No systematic tools for evaluation projects that could change future growth profile or have system effects

Politics sets the priorities



As it should - transparently

- Transport for Greater Manchester uses productivity measures as a 'sifting test', BCRs not used to prioritise.
- Investments prioritised based on impact on GVA per £ invested.
- The CBA appraisal a hurdle project needs to clear, after priorities have been established.

Industrial Strategy Council

“The work programme of the Council will be developed by the Chair and its members and its remit will include reviewing the impact of the Industrial Strategy to date and its contribution to UK economic growth, as well as **recommending a series of success measures** for the implementation of the Industrial Strategy White Paper.

It will also provide advice on delivery against these measures and their contribution to UK economic growth and **ways to improve the measurement of success**, particularly in terms of productivity and the better use of data across government.

The Council will publish a **regular public report assessing progress on implementation of the Industrial Strategy against success measures and on ways to improve measurement and evaluation.**”

Conclusions

- CBA inappropriate for non-marginal projects
- Public transport investments have strong regional skew
- Funding decisions should be taken on basis of a strategic view about economic development around the UK.
- Industrial strategy acid test of changed political climate for approach to out-of-London
- What further devolution? Change of philosophy?
- Will regional success measures be institutionalised?