

**SPEECH FOR WEST MIDLANDS REGIONAL OBSERVATORY ANNUAL CONFERENCE,
MONDAY 13TH OCTOBER**

‘BETTER EVIDENCE – BETTER POLICY’

Thank you Richard and thank you to Rosie for inviting me to speak this morning at what is an important event for the region.

I'm very grateful to the Observatory and its partners for the State of the Region Synthesis Report being launched here today.

I'd like to start by thanking you all for everything you do to provide the rigorously researched data we need to improve strategy and policy making and the quality of public services.

And I'd like to thank all the partners who commission or contribute to your research.

Now eight days ago I had no idea I was going to be doing this job, let alone speaking to you, but I am delighted to be here as it gives me the opportunity to say a little about my work as the new Regional Minister for the West Midlands.

The first thing I'd like to do is pay tribute to the work of my predecessor Liam Byrne, who I think everyone in the region will agree did an absolutely first class job as regional minister. Indeed, much of his approach is now being adopted by my counterparts in other regions – and providing yet more evidence of the West Midlands leading the way!

And having grown up here, living and working in the region, there could be no better job for me in the government than the opportunity to stand up and fight for the West Midlands.

My role is clear: I won't be the Government's man in the West Midlands, but the West Midlands' man in the government.

As the Prime Minister has made clear, the government's entire focus, from Number Ten down has to be on doing everything in our power to safeguard the stability of our economy.

So our number one priority will be to help maintain the security of families in the Midlands and the companies on whom the region's jobs and prosperity depend.

This has been an extraordinary period which is why I want to devote a few minutes to discussing our response to what is an unprecedented financial crisis.

Globalisation means that billions of pounds can be shifted right around the world at the touch of a button.

Who would have thought it: sub-prime lending in States putting at risk the livelihoods of people in the Midlands?

But whilst this crisis might have been caused by bankers thousands of miles away, it's having a real impact on families and businesses here in the West Midlands.

The movement of finance on which companies and people in our region has been jeopardised. Successful firms can't raise the funds they need. Families working hard to get on the housing ladder not able to get a mortgage.

What they need is a government on their side acting to get the financial system on a proper footing, so we can keep the moving forward, with companies growing, employment increasing and prosperity on the rise in the future.

And that is why last week we saw the government taking swift and decisive action to maintain the stability of the banking system.

Why too the Government has made some major changes to the way it analyses urgent problems.

You all know of course that the Prime Minister has established a National Economic Council to coordinate the government's response to these immense economic challenges.

That will be supported by two structures. First a Regional Economic Council which to ensure that the issues and concerns of each region including of course the West Midlands are heard and acted upon across Government. It will bring together Regional Ministers and RDA chairs with representatives of business and trade unions. Chaired by Alistair Darling or Peter Mandelson it will meet at least quarterly. Its meetings will be an important opportunity, and we will need to have strong evidence for the arguments we make.

Second, a new Regional Council will be chaired by Liam, be made up of Regional Ministers and meet weekly to allow us to put the most recent perspective on any discussion we have.

My focus will be no less clear here in the West Midlands. The questions have to be how we help take the region through the downturn - and how we prepare for the recovery.

This is not the first time we have faced tough times. The West Midlands has experienced foot and mouth and severe flooding, the collapse of MG Rover and the decline of the pottery industry in North Staffordshire. But we have come through each time. And I would like to pay tribute to Advantage West Midlands for the work it has done since 2002.

Look at the record:

- Helped create or safeguarded 83,323 jobs
- Helped create 6,241 businesses
- helped 123,210 people get better skills
- cleaned up 726 hectares of Brownfield land.

Right around the region you can see the work the agency is doing:

Sorting out New Street. Driving forward the regeneration of the south side of Birmingham city centre.

Transforming Fort Dunlop, developing Ansty Park and the next phase of Keele Science Park.

Overhauling the Business Link, boosting entrepreneurial activity, providing £65 million in venture capital for 400 companies, ensuring 95% of the 6,000 Rover workers who lost their jobs have now found work.

Working with Wedgwood in Stoke-on-Trent, and I look forward to a close working relationship with Nick Paul, Mick Laverty and their staff.

I think this is a record Nick, Mick and the rest of the AWM team should be proud of.

It's clear to me that we need properly funded development agencies like AWM taking the regions through the downturn and those who argue we should abolish or curtail the activities of our RDAs need to explain how a record like this could be delivered in any other way.

So there are two initiatives I want to announce today:

We will be the first region in the country to call a regional economic summit to bring together government agencies, businesses, local authorities and employees to work out how we can meet this challenge together.

I have asked Advantage West Midlands to bring all of these together next month so we can plan our response to this crisis.

We will be establishing a new West Midlands Council of Economic Advisers to bring together business leaders such as the CBI, the Chambers of Commerce, the Institute of Directors, the Federation of Small Businesses, the Engineering Employers Federation, the West Midlands Business Council and the TUC along with my ministerial colleagues Pat McFadden from the Business department and Ian Pearson from the Treasury to make sure that the views of businesses in the West Midlands and what is happening in the regional economy are heard more loudly than ever before in Whitehall.

This work will be in addition to the long-term strategic work already underway to develop the region's economy.

The West Midlands regional economic strategy remains in place. Of course we need to tackle the immediate global crisis, but the RES is in place to tackle the fundamental issues of the West Midlands economy. In good times and bad, we need better skills, better jobs and more businesses.

We need better links between centres of excellence such as the universities and business so we are more entrepreneurial as a region.

I have every confidence that, if we all pull together, we will emerge from all this even stronger than ever as a region.

Crucial to all of this will be the work of the Observatory and this report will be hugely important, providing the evidence base for us as we undertake this work and tackle the challenges facing the region.

Liam was right to say the region faced five big challenges.

Challenges in transport and trade.

In Skills and Science.

In turning round the West Midlands reputation.

If the region gets a grip on these issues it will be possible for us to create new wealth – as we emerge, as we will, - from this downturn. With that wealth we can build new communities and new homes and create new jobs.

So it was no surprise when I came to look at my advance copy of the State of the Region Report 2008, to find homes and the economy featuring prominently among the 12 themes.

The challenges - and the successes are there for us all to see. Despite the events of the last few months housing affordability remains an issue - and the report recognises the nature of the problem of affordability in rural areas too, which is why we must ensure we continue to develop the new homes the region needs.

We need to look very carefully at which parts of the region, both urban and rural, can provide these homes. And only last week the evidence base for this was extended by the publication of the independent report by Nathaniel Lichfield and Partners, commissioned by Baroness Andrews, which looks at options for delivering higher housing numbers in the region.

The need for new housing, and particularly affordable housing, is not reduced by the current market downturn - in fact, the demand for affordable housing is likely to be greater as a result of economic difficulties. So we do need to ensure that we prepare now for the recovery when it does take place

And this is why on day one of this new job I was so keen to meet house builders such as Persimmon and Bellway to hear about their current position, and what they felt Government might do to help. I am convinced about the importance of bringing forward the right land, in the right place, at the right time, taking into account the current difficulties which the industry is experiencing. There are many examples within this region of local authorities which are bringing forward land and are determining the planning applications needed to support the market, and I will want to ensure that examples of good practice are identified and widely disseminated across the region to improve efficiency and help unblock important land.

In terms of economic change, I was particularly struck with the evidence of the growing link with emerging economies, [page 8] such as India and China. Indeed the success of the West Midlands is that our exports to those economies, and to the likes of Brazil and Russia have grown faster than other regions of the UK. This leaves this region perhaps less vulnerable to economic conditions in Europe.

And just as the world is changing, so too - as this report makes clear - is our region's economy

There are greater movements of people and jobs than ever before

Companies can shift production and move jobs overseas almost overnight.

We can't hold back the tide of economic change.

But what we must do is show people that they can get the skills they need to get a new better paid job if they lose the one they've got.

So what your report calls on all of us to do is agree that there is no better investment we can make than in improving education and skills.

Everyone – not just students at school or college – getting new skills

Around the world, countries and companies are investing in new skills and if we're going to be able to prosper and compete and persuade business to invest here and bring high skill, high wage jobs to the West Midlands we must enable many more people to study and to get skills in the future.

But let us also be clear, that no matter what the size of the challenge, the region is in better shape now than it was in 1997 to meet them. After a decade of growth, we've got high levels of employment and lower inflation and interest rates than in previous downturns. That is what the evidence base tells us.

The regional economy is some £30 billion bigger than in 1997. Educational attainment is up, investment in the NHS has brought real results. Crime is coming down. There are 100,000 extra people in jobs and 200,000 homeowners.

And on that platform we'll move on to delivery of the next round of medium term targets. To close the region's £10 billion output gap we need to achieve a great deal. Through our Regional Economic Strategy and our partnership on local area agreements we need

44,000 extra people in work

1900 new businesses each year

110,000 more workers in training

75,000 more people lifted up to level 2+ qualification and

And another 70,000 more graduate jobs

These are relatively straight forward targets – but I don't underestimate in any way how challenging they are to achieve. Reaching these headline targets means the region has had to boil down huge amounts of data and analysis utilise key analysis and thinking and exploit our knowledge base.

And so I am delighted to welcome the launch of the West Midlands Observatory's State of the Region Report 2008. It will be an invaluable tool to me as I refine our agenda of ensuring the region delivers the new homes, and new jobs that we need to build the fairer and more prosperous region that we all want to see.