

Angels of the North

Jim O'Neill explains why the Northern Powerhouse Partnership wants to boost the economy of the north of England and how that would benefit the whole country

The phrases “north-south divide” and “rebalancing the economy” have become near-clichés, often repeated by politicians but rarely addressed by policy makers. But if UK plc is to tackle the low productivity that has hobbled its economy for so long, it is crucial that regions outside London and the south-east really contribute – even more so as the country prepares to leave the European Union. This is the time for those regions to step up.

This is the reason I, together with my colleague George Osborne, came up with the concept of the Northern Powerhouse Partnership (NPP). Although Osborne was chancellor of the exchequer at the time, this was not a political move, designed to garner votes in the north of England. It was based on sound, economic evidence that the agglomeration effect of linking up the great cities of the north could dramatically boost the economy and create all the opportunities the north has been so dearly lacking – jobs, growth and inward investment. It is why Osborne set up the NPP, on whose board I sit, to represent the voices of business and civic leaders across the north and increase the economic contribution the region makes.

Although the initial impetus of the NPP was abruptly halted in the early months of Theresa May's premiership, momentum has picked up again. A visit in the summer by the prime minister – to see the impressive transformation of the SSI steelworks site on Teesside – and Philip Hammond, the chancellor, meeting the north's three elected mayors suggested a reinvigoration of interest. Then, transport minister Chris Grayling's private assurance to the NPP board that the government would commit to Northern Powerhouse Rail (NPR) was publicly confirmed at the Conservative Party Conference when the chancellor allocated £300m to ensure key High Speed 2 railway junctions would align with NPR.

The NPP has consulted with more than 500 people from businesses of all sizes, with universities and a range of other interested groups. Its report, *Powerhouse 2050: the north's routemap for productivity*, takes forward the findings of the Northern Powerhouse Independent Economic Review on the prime capabilities of the north in advanced manufacturing and materials, energy, digital services and health innovation. The bottom line is that, with government and private sector support, these four areas have the potential to be world-leading, attracting investment and jobs, and potentially setting up new industries for the north, benefiting the wider UK economy.

There are evidence-based proposals for truly transformational projects. One example is powering the city of Leeds with hydrogen produced in the Tees Valley. We are suggesting this could cost £2bn – which sounds like (and is) a lot of money. But consider the benefits: government and business jointly funding a ground-breaking scheme that would significantly reduce UK carbon emissions and be a big step towards a northern green gas network. Developing a viable carbon capture and storage scheme in the Tees Valley would be a vital prerequisite. That network would cost £110m to build and £29m a year to operate – one of the most cost-effective carbon reduction opportunities in the UK.

“*The scheme aims to create an economic model that is not overly reliant on London*”

Other recommendations would cost less but are equally ambitious, such as establishing the north as the home of Industry 4.0 – using digital technology and automation to make UK manufacturing more productive and competitive – or converting more than 1,300 disused mills scattered across the north into affordable living and working spaces for start-ups, with ready access to mentoring and support, and connections to local employers.

These bold proposals need government backing, and we are making the case with the Treasury, my old department, and other departments. But, crucially, they also need businesses to support the ideas, banks to lend and an ecosystem where risk-taking, entrepreneurial start-ups can thrive. Create that and we will see a UK economic model not overly reliant on London; a model where under-performing parts of the country start to pull their weight and play a role in a vibrant, balanced economy. Only then will the clichés be put to bed – and a productive, disruptive, creative UK will emerge to take on the challenges of the modern world. ■



Lord O'Neill is a board member of the Northern Powerhouse Partnership and former commercial secretary at the Treasury. From 1995 until April 2013, he worked at Goldman Sachs, most of the time as chief economist