

Check against delivery

## **LORD MANDELSON SPEECH TO THE CUMBRIA ECONOMIC SUMMIT 2009**

**20 February 2009**

[I don't really want to give – and I'm sure you don't want to sit through - another battling the recession speech]. It is as clear here as anywhere that we face a tough year, a tough climb out of the downturn, a tough mix of resilience and application and commitment and – ultimately – patience from both business and government. There is no overnight cure – not least because the crisis in credit and demand that we are facing is a global one.

We've taken action to stabilise the banking system and preserve the flow of credit in the economy. Today I can announce that just in the five weeks since the launch of the Enterprise Finance Guarantee, Government has agreed to underwrite around 400 bank loans to SMEs. That's more than a million pounds a day. And more than a billion pounds still available for viable small businesses in trouble.

Under the HMRC flexibilities the government has created, 60,000 businesses have deferred more than a billion pounds in tax or VAT obligations to keep money in their cash flow now.

30,000 businesses have had a free health check through Businesslink to help them assess their strategies for weathering the downturn. More than 2000 companies, for example, from the North West have used this service. This is what people expect from government – real help now.

Along with regional agencies and local government, we're also bringing forward billions of pounds worth of infrastructure spending across the UK to help keep people and firms in work while private demand falls.

Here in the North West we've drawn down priority projects such as the Carlisle Northern Development Route and New Squares Development in Penrith – both projects that will reshape and renew the region's economic potential.

### **The edge of a new industrial revolution**

We are taking action to speed recovery, but not simply to turn the economy back to what it was. Today I want to talk about the future – how Britain fights back. How we put in place the bridges to our economic future. How we use the recession to ask some fundamental questions about how we will make our living in the global economy of the twenty first century.

We're on the edge of a new low carbon industrial revolution. It doesn't matter if you're making industrial composites. Or running a small business in Keswick and keeping an eye on your energy costs. Or managing venture capital or carbon trading in the City of London. The shift to low-carbon technologies and production will transform how we live and work.

In the first week of March at a Low Carbon summit in London the Government will begin to set out a national vision for the transition to low carbon. Not just as an

environmental and economic imperative. But as a huge economic opportunity for the UK.

An opportunity in two ways. First, the shift to low carbon offers billion of pounds of cost savings to businesses and the public sector in the form of energy and resource efficiency. The initial cost of the transition to energy efficiency pays for itself quickly and many times over.

Second, as the global economy as a whole moves to low carbon, we will be in a position to supply a global industry. We are already one of the world's most competitive producers of low carbon technologies and services.

But as this market goes mainstream, as we move from prototypes to product lines and other countries intensify their investment in their own low carbon strengths those competitive advantages will be tested in an entirely new way.

There were many explanations for Britain's head start in the first industrial revolution. Our financial system, our dense population, our openness to trade, our natural resources. This time around, our head start is not unique to Britain.

This means we need to think over more clearly about the UK's low carbon competitiveness. We need a strategic lead and vision from government that commits this country to change and in doing so sets the right frameworks for the private sector and uses public investment strategically. This is a prime example of the "new industrial activism" I am advocating.

We need to take the big decisions about the UK's energy and transport infrastructure so that they are ready for the shift to renewables, nuclear and new forms of transport.

Critically we in government need to see the way in which these decisions will interact, what they will mean for low carbon demand and supply in the UK. And what they can and should mean for industry in the UK. We will gain less if the low carbon demand we are generating fails to be supplied adequately from British sources and manufacturing.

We have committed to a shift to low carbon as a country and an economy and have regulated to make it happen.

We are not alone. All the countries of Europe have committed to both reduce greenhouse gas emissions by at least 20% and generate 20% of energy from renewables by 2020.

This will create demand for low carbon goods and services in Britain. But what more do we need to do to ensure that British companies are equipped to compete to supply that demand?

British homes and businesses and the entire public sector will need to make a rapid shift to energy and resource efficiency. What do we need to do to ensure that UK firms have the skills to advise on and carry out this change?

We will be actively supporting British motorists in making the shift to low carbon vehicles – along with a hundred million drivers in China and India. What more can we do to ensure that the UK vehicle industry is capable of meeting this demand, both for vehicles and their components? How do we make the UK the best place in the world to demonstrate, develop and manufacture low carbon transport?

As the UK shifts over to civil nuclear power, carbon capture and renewable energy, we need to ask what more we can do to strengthen the UK's ability to build the companies that will compete for the supply chain work that will support these industries.

Other countries have approached the low carbon issue as a fiscal stimulus question – a green job creation scheme. And it is true that a shift to low carbon will be invaluable in creating tens of thousands of jobs now, especially in construction and manufacturing.

But I believe it is much wider and more fundamental than that. It goes to the heart of our long term industrial future. We have to own that future. The Low Carbon Industrial Strategy that Ed Miliband and I will be consulting on from the beginning of next month will support how we do that.

### **The green future in Cumbria**

As I have said many times before, I firmly believe that we will drive this green industrial revolution from the regions. That's why today's launch of Cumbria's revised Economic strategy and Sub-Regional Action Plan is so important. What we are seeing here is a market-leader for the country as a whole.

Everyone recognises that driving Cumbria's low carbon future will take a combination of building on existing strengths and attracting new investment – probably from abroad. But you are starting from a good base.

There are over 5,000 companies now operating in the low carbon and environmental sector in the North West, as a whole, employing around 86,000 people.

Inevitably civil nuclear power is at the heart of this picture. It was recently confirmed that Sellafield will be nominated as a potential site for new nuclear build. We need to use this, and the decommissioning and cleanup work for the existing facilities, as a catalyst for making the region a base from which companies can develop expertise in civil nuclear management – and win contracts throughout the UK and around the world.

The new National Nuclear Laboratory must aim to be a centre of global excellence in nuclear research and development, spinning off commercial research work and drawing on the proximity of companies like BAe - whose skills and expertise makes them an important potential player in the civil nuclear power supply chain.

But your focus isn't just nuclear. Renewables projects like the Solway Energy gateway could exploit the region's other big energy resource – at least until they work out how to generate energy from rain! The concept of an energy coast is more than just a metaphor.

I recognise that these are huge challenges. The future of Sellafield is still a moving picture. We need to ensure that we are presenting major international investors with a regional offer that is coherent and compelling. We need to make sure Britain has the energy infrastructure it needs to adapt to both greater use of nuclear power and renewable energy, wherever it's generated.

We will aim to address and answer all of these challenges in our low carbon industrial strategy. And we want to work closely with this region and others in making that happen.

Since 2006, the North West has been taking ambitious action to tackle climate change and secure its own low-carbon future. And Cumbria has a powerful potential role to play, through its energy supply and its industrial base, in realising that ambition.

If you rise to the challenge of a single regional vision for a low carbon industrial future, we will back you in securing extra resources, and support any effort to leverage investment in the region.

A model for this is the decision to create a West Cumbria Vision Board where all local interests have agreed to work together on economic development. Anything we do will support the Board's work, not sideline it.

### **Conclusion: Britain fights back**

Some might argue that the current uncertainty of recession makes this the wrong time to focus so intensely on the future. I disagree. A recession is partly a reflection of how we see the future. As well as helping families and firms through the downturn, it is the duty of government to set out a map of our economic future that reassures and inspires. Turning the clock back is not an option. In fighting back against the current banking crisis, Britain needs to re-shape and re-balance our economy in the future.

There has been a lot of talking Britain down lately, and not only from coffee shop owners. I understand the severity of our economic circumstances as well as anyone, believe me. But as of today, I'm going to take on the doomsters and only talk Britain up. I do not underestimate the economic difficulties we face in this country. But the UK's open and dynamic economy is a huge asset. We have some of the best growing small firms in the world and some of the smartest and most skilled workers. Our regulatory environment is efficient and business friendly.

We have resilience and a capacity for renewal that is not just an asset; it is the pre-requisite for success in a rapidly changing global economy.

This is precisely the time to apply those qualities both in business and in government to the single biggest industrial challenge of the next decade. It is vital that the UK offers the conditions that make the UK the best country in the world to develop and grow low carbon businesses. We need to make the UK a leader in low carbon innovation and research, just as we are demonstrating our capability in digital, creative, bioscience and advanced manufacturing industries.

We have to create an active industrial policy that supports British firms and the British workforce in developing their capacity to compete for and build these industries. A new industrial activism for a new green industrial revolution.

Cumbria is a place of extraordinary beauty with enormous potential for the future. Up here they say "I shall lift mine eyes unto the hills". We all know there's a tough road ahead. But I strongly believe that this is the moment to lift our eyes to the future. Britain can and will fight its way back.

**ENDS**