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Business fears grow as RDAs axed

By Brian Groom, Chris Tighe and Jonathan Guthrie

Business leaders in parts of northern England were critical of the government yesterday as it took the axe to Labour's nine regional development agencies and promised a £1bn growth fund for regions hit hard by public spending cuts.

Vince Cable, business secretary, and Eric Pickles, communities secretary, wrote to council and business leaders, inviting them to replace RDAs with local enterprise partnerships.

Although they left open the possibility that some partnerships could match regional boundaries, a lack of powers for the new bodies left some businesses worrying that economic development would be fragmented at a time when the private sector was expected to create jobs to replace those lost in public services .

Responsibility for inward investment, industrial sector leadership, business support, innovation and access to finance, such as venture capital funds, will all shift to Whitehall. "There is a danger that they are throwing out the baby with the bath water," said Damian Waters, north-west regional director of the CBI employers' group.

Local enterprise partnerships will tackle issues such as transport, housing, employment, enterprise and supporting business start-ups. They are expected to replace RDAs by March 2012.

The coalition pledged a £1bn, two-year regional growth fund in 2011-13 for projects that will create private sector investment and jobs. "While we sort out the nation's finances we can also help to foster a thriving and more balanced economy so that no region or community gets left behind," said Nick Clegg, deputy prime minister, after the cabinet met in Bradford.

But the money is likely to come from existing budgets, including the RDAs' current funding of £1.4bn a year. Local partnerships will have to bid against other private and public-private bodies, with ministers deciding.

"This is localism in action, with less money to spend," said Dermot Finch of the Centre for Cities think-tank. It is not yet clear whether partnerships will receive any government cash beyond what they can win from the growth fund.

The announcements were seen as a victory for Mr Pickles over Mr Cable , who had suggested northern and West Midlands RDAs could survive in a new form.

There was annoyance in north-east England - the region most vociferous about retaining a regional structure. Last month the Northern Business Forum, combining business groups and all local

authorities, wrote to ministers setting out a united desire for "one focused and strategic economic body". They wanted its responsibilities to include all the areas now set to be led nationally.

"It's a disgrace," said Robin Bloom, CBI chairman in the north-east. "The business community will not be prepared to put their name to policy which is written without any attempt to engage them." The growth of the offshore wind sector and success in attracting Nissan's electric battery plant would not have happened in the same way without a regional focus.

In the north-west there was confusion about whether a regional body could be retained; this will depend on a meeting of council leaders. "The RDAs are dead and buried, I am afraid," said Mick Mayor, chairman of Chambers of Commerce North West. He predicted several local partnerships would be created, possibly with a small regional co-ordinating body.

Ministers also announced plans for a green paper examining problems faced by regional companies in accessing finance. It will consider solutions including regional stock exchanges

Planning body's closure angers industry

By Jim Pickard, Political Correspondent

Business groups yesterday accused the government of playing politics with the planning system after the coalition confirmed it would close Labour's new planning body despite fears the move could slow delivery of vital infrastructure.

Industry had encouraged the previous government to set up the Infrastructure Planning Commission to help push through key schemes, such as nuclear power stations or airports, that might otherwise become bogged down in local planning disputes.

The quango had the power to override local authorities if projects fulfilled national objectives such as delivery of essential new energy capacity.

But the coalition yesterday said it would dismantle the IPC, shifting decision-making from unelected commissioners to ministers.

The government said it would instead fast-track big projects via a new "major infrastructure planning unit" in its existing Planning Inspectorate. Ministers would have to take decisions within the same statutory timeframe as under the existing regime.

Adam Marshall, director of policy at the British Chambers of Commerce, said the group fundamentally disagreed with the move because it put vital projects at the whim of "short-term political considerations".

"Business has supported the commission because it would have provided greater certainty and clarity on the major transport, energy and communications projects critical to the UK's economic future," he said. "The commission's abolition puts politics back into the planning system."

The coalition's decision was described as "wrong" by Miles Templeman, director-general of the Institute of Directors, who said it flew in the face of the new government's supposed "open for business" agenda. "We remain concerned that, if final planning decisions rest with ministers, projects will be delayed or blocked completely for political reasons," he said.

The IPC began work last October and is currently assessing 42 schemes.

Neil Bentley, director of business environment at the CBI, said the new system would be judged on its ability to deliver decisions swiftly. "Investors and companies need certainty from the planning system to invest with confidence in the UK," he said.

John Healey, shadow planning minister, said the coalition had simply moved officials from one quango to another "at huge administrative cost." *Caroline Spelman, environment secretary, yesterday said she would abolish the Commission for Rural Communities and merge the Animal Health Agency with the Veterinary Laboratories Agency.

Just the facts: Government plans scrutinised

By Fiona Harvey

RDAs

What has been announced? Councils and business leaders are invited to propose local economic partnerships to replace England's nine regional development agencies. They will mostly cover smaller areas than RDAs and have fewer powers. Responsibility for inward investment, business support, innovation and access to finance will shift to Whitehall.

Partnerships will provide strategic leadership and tackle issues such as planning and housing, local transport and infrastructure, employment, enterprise, the transition to a low-carbon economy, support for business start-ups and business-university links. Councils and businesses would normally have equal representation and a business leader would chair the board. Proposals are invited by September 6, with a bill due this autumn. RDAs may be gone by March 2012.

What do the critics say? Business groups will work with the new structure but fear the sub-regional bodies will compete with each other. They are also concerned that overheads of multiple bodies will be high and resources for economic development scant. While it remains open for regions such as the north-east and north-west to have region-wide partnerships, powers and funds look thin.

FT verdict Local partnerships will have to show maturity in working with neighbours who have historically been rivals. The north-west, for example, might never have gained its admired Daresbury science campus without a regional approach. They must achieve a huge amount with little money if the north-south divide is not to widen. **Brian Groom**

Infrastructure

What has been announced? The ill-fated Infrastructure Planning Commission is to be dismantled just eight months after it was set up. The quango, chaired by Sir Michael Pitt and based in Bristol, had a £9m budget and 40 staff. Its aim was to ensure the faster passage of big energy and infrastructure projects such as high-voltage transmission lines and wind farms.

What do the critics say? The IPC's remit was attacked by the Tories in opposition as undemocratic. It had the power to "wipe whole communities off the map" at the stroke of a pen, said Bob Neill, now planning minister. Business groups, however, fear that abolishing it could delay or halt critical new infrastructure. Britain could face power shortages by the end of the decade unless it becomes easier to obtain planning permission for new generation, industry experts have warned. Their worst fear is that nuclear power stations and other infrastructure may fall victim to party political considerations.

The IPC's main functions will be moved to the existing planning inspectorate. However, big national decisions will now be made by ministers instead of "unaccountable" officials.

FT verdict The coalition insists that its system will "fast-track" many schemes, with a statutory obligation to proceed at the same pace as the IPC. But business is right to be worried about this: politicians sometimes do what is best for their party rather than the country. **Jim Pickard**

Climate change

What has been announced? The Committee on Climate Change, a statutory body that advises the government on reducing greenhouse gas emissions, has made four recommendations that it says should be acted on within a year. These are: reform of the electricity market, with a reversal of some aspects of market liberalisation; a new national programme on energy efficiency for buildings; much more ambitious targets and support for electric cars; and reducing emissions from agriculture, perhaps by taxes on fertilisers or other measures to change farming practices.

What are the committee's criticisms of government policy? It is scathing of the "light-touch regulation" policies of the past decade which, it says, failed to deliver emissions savings. While emissions have fallen, this was mostly due to the recession and the earlier switch from coal to gas-fired power, rather than policy measures. Much tougher regulations will be needed, particularly of businesses.

FT verdict Previous policies were not working well in several key areas. Renewable energy generation has grown only sluggishly, and efforts to encourage householders to improve insulation have faltered. However, the committee's response - that "crunchy" regulation is needed instead of the light touch of the past - will worry some businesses and infuriate many sceptical Tory MPs and those who want to see less red tape. It will gain more support from the Lib Dems, and even sections of the Labour party, potentially giving rise to yet another area of strain within the coalition government.
Fiona Harvey

Green bank

What has been announced? A commission set up by the Conservatives earlier this year has come up with ideas for a green investment bank intended to increase investment in low-carbon technologies, such as renewable energy, electric cars and smart grids. The bank will have a small amount of public funding but is expected to raise most of its investment funds from the private sector, including through the sale of "green" Isas and bonds. Many of the ideas in the report, published yesterday, are likely to find favour with the government.

What do the critics say? While many business groups have welcomed the announcement, which they hope will give cash-starved green entrepreneurs access to the funds, there is scepticism over how much money such a bank could hope to raise. Green Isas are expected to generate about £2bn, while the consolidation of some government-backed funds already in operation could raise a similar amount.

FT verdict A green investment bank is a good idea: so good, in fact, that all three main political parties endorsed it in the election campaign. Bringing private capital to bear will be essential if the UK is serious about building a low-carbon economy, and many green businesses have found it impossible to secure lending after the financial crisis. However, this bank alone cannot achieve investment on the scale needed, estimated at £550bn in infrastructure spending by 2020. **Fiona Harvey**

Infrastructure Planning Commission

£9m

Budget - only set up eight months ago

Greenhouse emissions

8.6%

Fall last year, mainly due to recession

Green investment bank

£14bn

Potential funds to be raised

Regional development agencies

£1.4bn

Current annual funding