

Northern city set to be 'key economic engine'

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Greater Manchester has the potential to become the "key economic engine of the north" and a second centre of growth to complement London if handed greater self-government, according to an independent report published yesterday.

The city of 3.2m people has sufficient scale and external transport links, including the biggest airport outside the south-east, but it would require a radical shake-up of policymaking, said the Manchester Independent Economic Review.

The review is the most detailed examination of a city economy in the UK and features analysis by leading researchers. It was led by a panel including Sir Tom McKillop, former chairman of Royal Bank of Scotland, Jim O'Neill, chief economist of Goldman Sachs, and Jonathan Kestenbaum, chief executive of the National Endowment for Science, Technology and the Arts.

"We are absolutely convinced this is a landmark moment for a city region that for 200 years has blazed new trails for the country and the world," said Mr Kestenbaum, launching the report.

Manchester has grown as fast as the south-east in the past decade to become the second-best UK city to do business in, but needs to recapture its former dynamism to close the wealth gap, said Diane Coyle, managing director of Enlightenment Economics and a member of the review board.

"Manchester is punching below its weight," she said.

The report found that while it had the greatest concentration of skilled workers outside London, their productivity was lower. It suggested releasing more greenfield land for housing and industrial development in property hotspots such as south Manchester, where a shortage of family homes had prevented skilled workers from moving in.

A poor public transport system needed massive investment to help people access jobs. It said investors should be able to locate wherever they wished.

The city also had to improve prospects for its poor neighbourhoods - some of the most deprived in the country - including state intervention at an early age through improving schools.

While Manchester's 10 local authorities had done more than any other region to pool sovereignty, they need to do much more, the report said. The Association of Greater Manchester Authorities (AGMA) had agreed to be guided by a two-thirds majority vote on some issues, but the system broke down over the congestion charge last year. Three authorities opposed introducing a charge in return for government money for transport, leading to a divisive referendum, which rejected the plans.

Ms Coyle said the concentration of economic and political power in London had to be broken if the regions were to flourish as they did in other European countries.

"We have by far the most centralised system in Europe," she said.

Lord Smith, leader of Wigan council and chairman of the AGMA, said he was hopeful the region would be one of two to receive greater powers over spending in the Budget this month.

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