

Building on current strengths: spatial aspects of local industrial policy.

What?

We should facilitate the expansion of high productivity firms, when they want to do so.

Why?

Increasing the proportion of the economy accounted for by high productivity firms will increase average UK productivity.

How?

Local authorities should be required to identify high productivity firms, and devise a plan to allow them to expand spatially as and when they wish to do that.

Britain's industrial revolution was based on making cotton cloth. Cotton factories grew up in and around Manchester, in places that barely existed before. They were powered by coal - leading to the creation of many "pit villages". The railways that connected Britain, as well as new railway towns such as Swindon and Crewe, were built on what were once fields.

The twentieth century saw the rise of the motor industry, and light industry, creating new industrial centres in the Midlands and South. Again, land ceased to be agricultural.

The service sector has also changed the face of our nation. Tourism created new urban centres in Blackpool, Bognor, and Bournemouth. More recently finance has changed the face of London, with towers in the City, and later in Canary Wharf.

Manufacturing continues to evolve, with corresponding new physical manifestations, such as the Nissan car plant in Sunderland. Sources of power also change - many power

stations have literally been blown up, while fields now contain solar panels, and turbines make hills - and even the sea - look different. A dynamic economy means that the physical environment will change over time.

The UK has a local authority led planning system. Local authorities have a duty to cooperate when necessary. Although we think of planning as applying mainly to housing, greater emphasis should be given to commercial use.

Local authorities should be required to identify local high productivity firms and industries. They should then be required to plan for their expansion.

Let us take the motor industry as an example. The Nissan plant at Sunderland is clearly one of Sunderland's highest productivity employers. The Local Authority would be required to plan for any expansion that Nissan might want. There is land available to the North, West and South of the current plant, all of it within the Sunderland City Council area. A substantial amount of the available land is within the greenbelt. This proposal would require the Local Authority to outline the circumstances under which it would be willing to re-designate that land. The aim is to give Nissan HQ certainty that if they want to expand, they can do so.

Things are harder in Oxford, where BMW build the mini. The plant site is small, and completely hemmed in by the green belt. Furthermore, while the site is in Oxford City Council's area, any material expansion would require land in South Oxfordshire, on whose

border the factory sits. In this case the duty to cooperate would require South Oxfordshire to prepare a land plan for the mini plant to expand, even though the plant is not (currently) in their area. Things are harder still in Dagenham, home to a major Ford engine plant. The plant is substantially hemmed in by the River Thames, other industrial land, and housing. It may be that the local authority cannot, realistically, plan for an expansion. In this circumstance it would be required to inform the government of that, and the responsibility for working with Ford to find an alternative site would then rest with the government.

Motor manufacturing is an obvious case study because plants are large. There are, however, many other high productivity industries. The City of London did its best to stymie the expansion of London as a financial centre, with its refusal

to allow tall towers. The opening of Canary Wharf allowed that sector to expand – without that, the UK would have meaningfully lower productivity, and be meaningfully poorer. Sometimes the requirement to plan for productivity will include the obligation to think about going up, as well as going out.

The final element of planning for productivity is about infrastructure. A local authority with a bottleneck should be required to plan for that. This would include congestion on roads, rail and power lines.

Industrial policy is always accused of trying to pick winners, and all too often picking losers. The approach proposed here relies only on identifying current winners. That is a much easier task. By facilitating their expansion, the UK can raise average productivity by ensuring that people and capital are more likely to be working for firms at or near the productivity frontier.

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