

## Paper B: RSA Industrial Strategy Green Paper consultation response - Innovation Corridors

The UK Government's Industrial Strategy (IS) Green Paper rightly focuses on Place as an important lens through which to shape industrial policy. In the UK, city-regions are a key geography through which to shape industrial policy, not least because combined authorities are the principal administrative vehicle for devolution. The RSA has addressed how policy at this level might best be shaped through a response to the consultation jointly authored with Core Cities UK (Paper A in this pack).

However, it is important that the UK's Industrial Strategy is not constrained by considering Place only through the prism of single cities, city-regions or combined authorities. These will almost certainly not capture the true economic geography and industrial potential of the UK. Many of the world's most successful economic areas – for example, the US East Coast and the Randstad – consist of multiple, interdependent city-regions: this unit of economic geography is commonly known as a megaregion. There is growing evidence that megaregions are essential for optimising economic performance and competitiveness.

Megaregions have tended to emerge organically but, despite high potential to do so, only a London-Leeds-Manchester agglomeration has emerged in the UK. Consequently, the RSA has developed an approach to catalysing megaregions through a suite of policy interventions collectively termed 'Innovation Corridors'. This paper sets out the evidence for the importance of megaregions and the RSA's Innovation Corridor approach, alongside examples of innovation corridors already underway.

### Megaregions

A megaregion refers to several non-contiguous urban settlements and less dense hinterlands across a broad geographic area, connected spatially – through infrastructure – and functionally – through shared supply chains, and product and labour markets – and best served by strategic coordination to support shared interests.<sup>1,2,3,4</sup>

They are associated with a range of economic benefits, including:

- Higher productivity: Shared transport infrastructure for people and goods offers advantageous economies of scale and higher productivity. Wider access to product and labour markets spurs greater innovation and more efficient matching<sup>5</sup>, replicating the 'agglomeration effects' typically associated with urban

<sup>1</sup> Regional Plan Association, 'America 2050: A Prospectus'.

<sup>2</sup> Glocker, 'The Rise of Megaregions: Delineating a New Scale of Economic Geography: OECD Regional Development Working Papers 2018/04'.

<sup>3</sup> Florida and Gulden, 'The Rise of the Mega-Region'.

<sup>4</sup> Ross, *Megaregions: Planning for Global Competitiveness*.

<sup>5</sup> OECD, 'OECD Territorial Reviews: The Megaregion of Western Scandinavia | READ Online'.

density, while avoiding their overheating effects (such as congestion or rising prices) given their broader footprint.<sup>6</sup>

- **Rebalanced and inclusive growth:** Megaregions appear an effective way to narrow inequalities both within and between regions.<sup>7,8</sup> By working in concert and pooling resources, cities are better placed to compete for investment. And within regions, smaller towns and cities in the periphery of economic hubs can take advantage of their lower labour and land costs, to set up complementary businesses that feed into relevant supply chains, helping to maintain visibility and competitiveness.<sup>9,10</sup>
- **More effective governance:** This growing interdependence and the trend towards larger economic areas also make the megaregion a more effective spatial level for economic governance.<sup>11,12</sup> By working across administrative boundaries and coordinating investment and policy, there is evidence that megaregional partnerships can more effectively support strategic industries and communities.<sup>13</sup>

## Megaregions in the UK

The UK's compact geography and relatively high degree of urbanisation means that it should be functioning more like a megaregion.<sup>14</sup> The OECD even suggests that the UK has the highest global potential for a megaregion (alongside South Korea) but that this is constrained by poor transport connectivity in practice,<sup>15</sup> and has historically lacked the political infrastructure to nurture competitive clusters.<sup>16</sup>

In reality, the 'London-Leeds-Manchester' corridor is the only UK megaregion in the global top 10.<sup>17</sup> Other identified – though contested – examples include the 'Loxbridge Golden Triangle' or 'Ox-Cam Arc', the 'London Supernova' comprising the capital and the South East, the Scottish 'Central Belt', and the 'Tyne Tees Cluster'.<sup>18,19</sup>

## Innovation Corridors

Catalysing megaregions requires a suite of policy interventions, which the RSA collectively terms 'innovation corridors'. Our innovation corridor approach builds on

<sup>6</sup> Glocker, 'The Rise of Megaregions: Delineating a New Scale of Economic Geography: OECD Regional Development Working Papers 2018/04'.

<sup>7</sup> Vandermotten et al., 'European Planning and the Polycentric Consensus'.

<sup>8</sup> Ross, Woo, and Wang, 'Megaregions and Regional Sustainability'.

<sup>9</sup> Ross, Woo, and Wang.

<sup>10</sup> Glocker, 'The Rise of Megaregions: Delineating a New Scale of Economic Geography: OECD Regional Development Working Papers 2018/04'.

<sup>11</sup> Ross, C. (2009), Megaregions: Planning for Global Competitiveness.

<sup>12</sup> Ross, Woo, and Wang, 'Megaregions and Regional Sustainability'.

<sup>13</sup> OECD, 'OECD Territorial Reviews: The Megaregion of Western Scandinavia | READ Online'.

<sup>14</sup> Glocker, 'The Rise of Megaregions: Delineating a New Scale of Economic Geography: OECD Regional Development Working Papers 2018/04'.

<sup>15</sup> Glocker.

<sup>16</sup> Goodstadt and Yaro, 'Discussion Note on Mega-Regions'.

<sup>17</sup> Glocker.

<sup>18</sup> Wong et al., 'A Map for England: Spatial Expression of Government Policies and Programmes'.

<sup>19</sup> Goodstadt and Yaro, 'Discussion Note on Mega-Regions'.

network theory, recognising that a thriving and resilient megaregion is defined by a series of well-connected, coordinated but diverse nodes. On this basis we have identified three critical success factors for a thriving megaregion:

- **Clusters:** A mix of complementary yet diverse clusters is a key hallmark of successful megaregions, ensuring competitiveness and resilience. The IS Green Paper recognises that similar industries increasingly cluster within regions to take advantage of beneficial economies of scale, boosting productivity.<sup>20</sup> Meanwhile, localised supply chains and a mix of industries are seen to make for more resilient economies and greater knowledge-exchange and innovation. These principles can be replicated at lower spatial resolutions.
- **Connectivity:** Physical connectivity connecting cluster nodes is a prerequisite for successful megaregions, with policy discussions and responses typically centring on high-speed rail.<sup>21</sup> The movement of goods and people underpins the ‘borrowed agglomeration’ outlined above. The rise of hybrid working and broader technological changes, however, may give digital connectivity newfound – if not yet fully understood – significance and promise.<sup>22</sup> And other types of connectivity – for example, energy grid connections and capacity – may be important to factor into innovation corridor policies.
- **Coordination:** Megaregions tend to span administrative areas that share strategic interests. However, leaders in these area often see themselves in competition with neighbouring areas or those with similar industrial interests, necessitating institutions that can promote coordination and collaboration between decision makers and stakeholders. This explains the “global trend towards economic planning around closely networked clusters of cities and towns”.<sup>23</sup> This includes horizontal coordination – for instance, on skills pipelines across a broad area and range of stakeholders – and vertical coordination between different tiers of government – ensuring, for example, that large infrastructure projects support local economic strategies.<sup>24,25</sup>

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<sup>20</sup> Ross, Woo, and Wang, ‘Megaregions and Regional Sustainability’.

<sup>21</sup> Glocker, ‘The Rise of Megaregions: Delineating a New Scale of Economic Geography: OECD Regional Development Working Papers 2018/04’.

<sup>22</sup> Transport for the North, ‘Strategic Transport Plan’.

<sup>23</sup> One Powerhouse Consortium and The RSA, ‘A One Powerhouse Framework for National Convergence and Prosperity: A Vision for Britain. Planned.’

<sup>24</sup> Glocker, ‘The Rise of Megaregions: Delineating a New Scale of Economic Geography: OECD Regional Development Working Papers 2018/04’.

<sup>25</sup> OECD, ‘OECD Territorial Reviews: The Megaregion of Western Scandinavia | READ Online’.

## RSA Innovation Corridors under construction

The RSA is involved with two innovation corridors that are already under construction.

### *The East Coast Corridor*

The East Coast of the UK possesses many of the necessary ingredients to function as a megaregion but is currently underperforming on its potential and compared to the more cohesive and competitive West Coast. The RSA has completed Phase 1 of a collaboration with Newcastle City Council to explore the potential for constructing an innovation corridor for this area.

The East Coast Corridor is shaped by a "triple spine" of distinct assets spanning the East of the UK (see map):

1. **Inland:** City-regions - The Corridor comprises many of the UK's largest and most dynamic cities.
2. **Coast:** The East Coast is home to a network of strategically and economically important ports.
3. **Sea:** The North Sea offers a wealth of natural assets, including shallow sand banks, deep sea ports and abundant wind.

Connecting assets along and between the triple spines is key to unlocking their combined potential.

Connections are not only required for transporting people and goods, but also energy and information.

This brings links by road, rail, air, sea and the energy grid into focus.

**Figure: The East Coast's 'Triple Spine'**



As part of Phase 1 we convened a roundtable of local leaders, stakeholders and investors to stress-test our findings, build buy-in to this proposition, and identify concrete steps to take it forward. Beth Russell attended on behalf of HMT, and this forms the basis of a nascent East Coast Coalition that could drive the work forward.

Next steps will be to:

- Build out our foundational analysis and evidence base.
- Identify specific opportunities, and ways to strengthen existing and potential clusters.
- And flesh out key investable propositions at scale to unlock the potential of this Corridor.

### *One Creative North*

The UK is a creative superpower. The IS Green Paper recognises this, positioning the creative industries as one of eight key industrial sectors with the potential to deliver outsized returns in investment. The RSA has developed a blueprint for how to unlock this potential: we recently published a report on Creative Corridors in partnership with the Creative Industries Policy and Evidence Centre and Arts Council England. These Corridors serve to guard against the risk of setting industrial policy at the sub-national level exclusively through combined authorities, joining up creative hotspots across large geographic areas through collaboration on skills, innovation and funding, supercharging their potential so that they become more than the sum of their parts.

Paper C in this pack sets out more detail on the approach. It contains the case study of One Creative North (OCN), the first creative corridor to emerge out of the initiative. It is an example of a sector-led innovation corridor and is designed to encourage leaders and creative industries professionals to replace competition with pan-regional collaboration. It is estimated this could raise the annual GVA of the region by around £10 billion per year and create tens of thousands of extra jobs.<sup>26</sup>

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<sup>26</sup> [https://www.thersa.org/globalassets/\\_foundation/new-site-blocks-and-images/reports/2023/09/northern-englands-creative-industries-2023.pdf](https://www.thersa.org/globalassets/_foundation/new-site-blocks-and-images/reports/2023/09/northern-englands-creative-industries-2023.pdf)