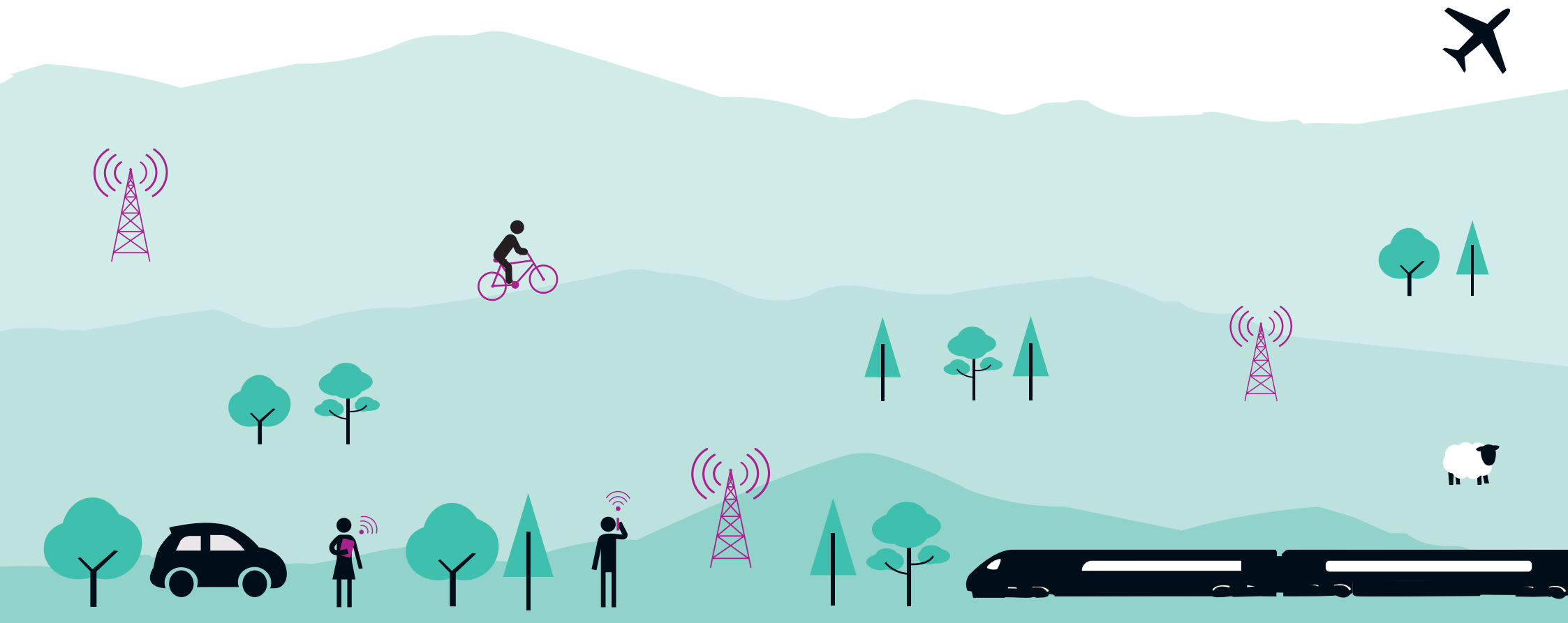


The Borderlands Proposition

September 2017



Introduction

Implementation of The Borderlands Inclusive Growth Proposition will deliver our shared ambition to play our full part in the Scottish and wider UK economy, through the development of our five 'Strategic Growth Corridors', locally supplied with clean low carbon energy, driven by the latest in digital technology.

The Borderlands is a strategically important area, integral to the development of the wider economy ideally located at the intersections of the UK's rail and road networks, with improving airport and sea port capabilities, including the increasingly important link to Northern Ireland and through it to EU markets beyond Brexit.

As a disaggregated City Region which offers a 1:10 scaled representation of the UK Economy, with a number of its core characteristics common to both sides of the border, including a 'squeezed middle', we are uniquely placed to help both Governments meet their common economic aims at the regional and local scale.

Through this Proposition, we will drive Inclusive Growth across The Borderlands by developing our network of active nodes - our towns, industrial estates and other points of economic activity - along our five Growth Corridors, connecting them through digital technology and powering them with clean low carbon, energy.

We will make steady and, where possible, step change improvements to our road network, we will create an agile platform upon which to diversify our economic bases: from Agriculture to Manufacturing, Logistics to Learning, Transport to Tourism, and of course in Clean Energy Production & Distribution.

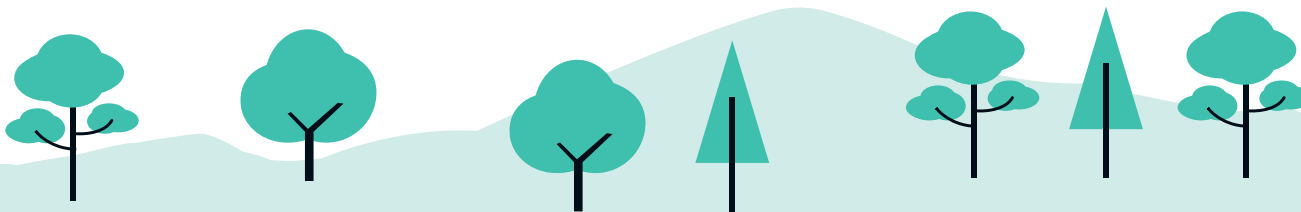
By delivering on the vision of this Proposition, with the active support of both Governments, and potential partnership of the NI Assembly once it resumes, The Borderlands will become a place in which our towns and our city breed greater collaboration between the public, private and social sectors of the economy.

This Inclusive Growth Proposition will help to develop The Borderlands from a place through which financial, human and knowledge capital simply travels to become a destination of choice for relocation too, particularly from the over-heating, and increasingly populated, South East of England.

We will achieve this strategic aim as part of our ongoing efforts to tackle the three structural weaknesses prevalent North and South (and indeed West) of the Border namely: poor productivity, low levels of innovation and weak internationalisation of home-grown businesses, especially SMEs, which are the backbone of our economy.

This Proposition will enable investment in both the people and place infrastructure. By tackling these challenges, we recognise the area's strategic importance and its realistic, achievable Inclusive Growth potential along each of our **five Strategic Growth Corridors**:

- ❖ Western Borderlands Corridor - one the two Anglo-Scots 'Connectivity Corridors' of The Borderlands, running up and down the West Coast spine - with the West Coast Mainline and M6/A74(M), both of national network significance.
- ❖ Eastern Borderlands Corridors - one of the two Anglo- Scots 'Connectivity Corridors' running up and down the East Coast spine, with the East Coast Mainline and M1, both of national significance to the trunk road and national rail networks.
- ❖ Central Borderlands Corridor - with the potential addition of a third cross-border route - through extension of the Borders Railway Line - offering improved resilience for passenger services, increased path choice for freight, and enabling greater competition throughout.
- ❖ Southern Borderlands Corridor - our Clean Energy Corridor - offering the opportunity to lead the way in the provision of a Low Carbon, clean energy mix, helping to disaggregate and disrupt the energy market.
- ❖ Southwest Scotland and Northern Ireland Borderlands Corridor - the EuroRoute, an increasingly important economic artery, offering continued access to EU markets through and post-Brexit, turning what's traditionally been seen as our locational drawback to a significant competitive advantage.



The Proposition will also, of course, enable us to maximise the utilisation of these national infrastructure assets running through The Borderlands carrying people, products and services throughout the UK Single Market and that's a significant opportunity for both the Scottish and UK Governments, helping to drive Inclusive Growth way beyond our regional borders.

This Proposition will provide us with an historic opportunity to drive Inclusive Growth throughout The Borderlands by enabling us to deliver its two key pre-requisites i.e. being powered by low carbon infrastructure and driven by digital technology, creating the best possible context for inclusive Growth to flourish through:

❖ **The establishment of The Borderlands as the UK's 1st Gigabit City Region working in partnership with both Governments and their active digital installation and participation programmes, to grasp the unique opportunity that this signal move would enable;**

and

❖ **Developing The Borderlands into the UK's 1st Zero Carbon City Region through the fusing of our natural assets, our industrial base and our intellectual capital to create the most attractive area for investment in the emerging economy.**

These two game-changers require the combined efforts of both the UK and Scottish Governments working in productive partnership with the five local authority signatories to this proposition and the many others - drawn from across the public, private and social sectors - willing to collaborate to grasp this exciting opportunity.

Building upon these twin growth characteristics, by leveraging and deploying clever and patient capital, the implementation of this Proposition will allow us to develop the following

five key strategic themes:

- ❖ Transforming The Borderlands through leading edge digital technology to better connect our local economies to each other and to global markets, marking a step change to our 'stickability' for the financial, human and knowledge capital that currently passes through our region.
- ❖ Developing our considerable Low Carbon credentials, generating clean energy to power the electrification of our economy, across transport modes (a priority for both Governments) into housing and across the public service domain, e.g. offering the opportunity of domestic energy storage.

❖ Lighting up our Strategic Growth Corridors, transmitting economic activity outwards across the region by developing our network of active nodes - our towns, industrial estates and other sites of major economic activity.

❖ Investing in both our people and places to build on the traditional strengths of our towns and the Historic City of Carlisle, connecting the heritage of our proud, if at times controversial, past - symbolised by physical structures such as the Citadel and Hadrian's Wall, with an agile and flexible future making the most of cross-border collaborations.

❖ Tackling our poor productivity performance, our low levels of innovation and our lack of internationalisation by delivering the infrastructure - both the place variety and the softer people type, e.g. through skills development, to enable The Borderlands to surmount these persistent barriers to Inclusive Growth.



The Emerging Economic Context

The Borderlands Inclusive Growth Proposition has been developed to tackle our economic challenges, e.g. the need for population growth and improved productivity, within the context of the emerging economy. It recognises that agility is key, focusing on the factors which increasingly make places attractive to investors, visitors and those who wish to relocate.

If we take the likes of Bezos, Branson and Musk as representing big investors in the emerging economy - space race and all - when locating, or relocating a business, they are looking for so much more than a Government grant and some items of infrastructure - they are looking to find places which display all of the characteristics of Inclusive Growth.

Investors, whether large or smaller scale, increasingly want to see a range of people and place factors at play, such as connectivity, diversity, equality, creativity, vision, housing choice, low carbon and smart infrastructure, digital literacy, and an agile, talented labour market - in other words all of the emerging characteristics of Inclusive Growth.

The Borderlands Inclusive Growth Proposition, enthusiastically endorsed by our partners, will create these business friendly conditions across our region developing those characteristics that will make our places more attractive to the leaders of the emerging economy, whether they operate at the global, national, regional or indeed the local scale.

In addition to our two region wide partnership initiatives on digital and low carbon, each of our Delivery Projects has been carefully designed and selected with this in mind, learning the lessons of Growth Bids elsewhere across the country. Through these projects we are seeking to pull the economic triggers that have demonstrably delivered, or at least shown signs of early promise.

A golden thread of Inclusive Growth runs through this Proposition, pulling together a 'Prospectus for Prosperity' at the heart of the UK economy. The projects, all carefully selected represent active nodes bringing people and place more closely together along our five Growth Corridors. They will make The Borderlands the most attractive place to invest, to trade, to live, work and play.

Given the exceptionally high volume of traffic which currently passes through The Borderlands, and is set to increase further as we move into the Brexit transition phase, there is a huge opportunity in not only attracting a small percentage of the people to 'leak out' across the area to visit, play or stay, but also of capturing the majority of the data which they carry with them along the way.

By working with our globally and nationally respected private sector partners we can develop another potential game-changer, through capturing the value of this data, whether it's attached to people, goods or services travelling through the area making use of the freedom of movement within and across the UK Single Market.

This Inclusive Growth Proposition, then, is potentially more impactful across the Borderlands than any other City, City Region or Growth Deal. Given the stagnant nature of many of our local economies and the poor prospects for many of our people it has the greatest transformative potential to the direct and lasting benefits of both the UK and Scottish Governments, as well as The Borderlands.

Implementation of this Proposition will help our wider efforts to make The Borderlands economy more resilient and robust, improving the viability of many local economies and the vitality of our places. This will be achieved by developing our network of active nodes, powered by clean low carbon energy and driven by digital technology, to deliver Inclusive Growth across our disaggregated City Region - The Borderlands.

The Borderlands - A Place For People

The Borderlands is a place where people meet, to transact business, to engage socially and to enjoy cultural activities. In this we are the same as the rest of the UK, but our geography marks and maps us out as unique, e.g. we play a specific role within and between the economies of England, Scotland and Northern Ireland too.

We connect the cities of central Scotland with those in northern England - as well as linking with Northern Ireland through the A75 Euro Route. Around 14 million people - about a quarter of the UK population - live within two hours' drive time of The Borderlands. We are a place of trade and of investment, but we need to develop our infrastructure to improve our "stickability", for people, goods and services too.

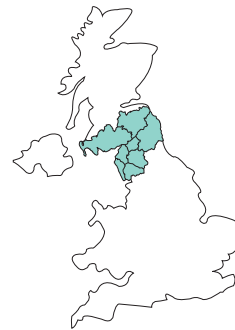
Our principle challenge is population growth, and specifically the need to attract more working age people to the area to improve our productivity and to grow our economy. This task is of course common to other areas, but our diverse geography and extensive land mass present particular challenges of driving growth highlighting the urgent need for better, fit for purpose digital and transport connectivity.

The Borderlands is an exceptional place characterised by a dramatic landscape and a fascinating heritage, where the people are as passionate as the businesses are dynamic. Our ability to build on our wonderful assets sets us apart, e.g. reflected by the higher proportion of employees in the energy and water sector compared to national averages: 4.7% compared to 3.4% in Scotland and 1.5% in England.

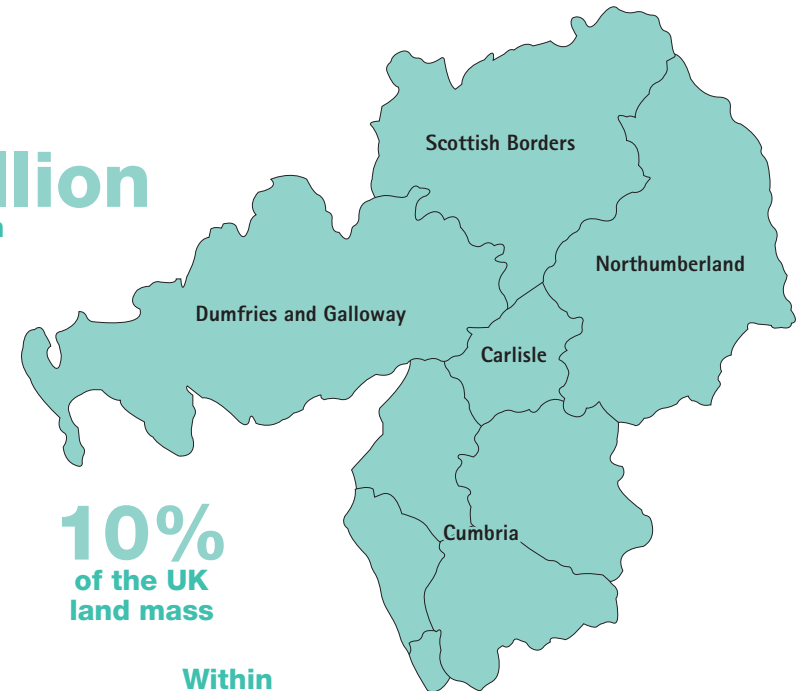
The Borderlands area comprises the five local authorities - Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council - each and all of which enjoy cross-border reach and rationale.

The Borderlands Initiative has been established to unlock the potential for sustainable and inclusive economic growth across the South of Scotland and North of England. We are working together to deliver transformative change across the region to maximise the benefits of growth.

Centre
of
the
UK



Over
1 million
population



10%
of the UK
land mass

Within
2 hours drive of
14 million people

We have identified where we need market intervention to enable us to achieve our ambition of growing our contribution to the Scottish and wider UK economy. We have also highlighted where we need help to remove barriers to economic engagement, some of which are specifically cross-border in their nature.

The Conservative Party's 2017 General Election manifesto commitment to bring forward a 'Borderlands Growth Deal' to help secure prosperity in the area is most welcome and The Borderlands partners are determined to seize this opportunity by presenting an ambitious proposition that can drive Inclusive Growth across the whole region, from coast to coast.

The Borderlands - A Fragile Economy with Specific Barriers to Growth

The Borderlands economy is broadly similar to the rest of the UK as regards the businesses base, but it struggles to move companies from start-up to scale-up. This demonstrates a need for greater innovation and internationalisation, both of which would boost productivity if supported by high quality infrastructure.

We start with a few advantages though, e.g. we have a growing base of small businesses and a range of international companies in industries such as advanced manufacturing, engineering, food and drink, textiles, health care and electronics. Manufacturing already represents 19.9% of the Borderlands economy in terms of GVA, which is higher than the 11.2% for Scotland and 9.7% for England.

But, although The Borderlands economies account for almost £21billion in terms of gross value added (GVA)¹ (equivalent to GVA of £19,491 per capita), this is well below the average for both Scotland and England² (£23,685 Scotland and £26,159 in England) and this reflects that the region is lagging in higher value sectors and has a different sector composition than North and South's averages.

Business creation in The Borderlands over the last five years has also lagged behind, with the number of businesses growing by only 11% between 2011 and 2016 in The Borderlands, compared to 24.3% and 18.8% for England and Scotland respectively³. Also, a comparatively lower proportion of workers hold professional or technical occupations and a higher proportion are in elementary occupations⁴.

And with nearly a quarter of the one million residents of The Borderlands aged over 65, the area faces a challenging demography and constrained workforce, with 24% of residents aged over 65 in comparison to only 18.5% in this age bracket for Scotland and 17.9% for England.

Across The Borderlands there are a number of shared constraints to achieving economic sustainability and inclusive growth with the evidence showing that the gap between The Borderlands and the rest of Scotland/England widening. Targeted intervention is therefore required to support sustainable socio-economic opportunities for the region's communities.

Our largest challenge is, however, our greatest opportunity - our location at the trading nexus of the UK's internal market. Although being The Borderlands is a drag on traditional growth, we are uniquely well positioned to be a driver of Inclusive Growth in the emerging economy. Whereas current arrangements and relationships have, mostly unintentionally, created barriers to growth, through:

- Fragmentation of business supply chains and broken access to markets.
- Challenges to cross-border sector development and clustering.
- Reducing the recruitment pool and in-work progression opportunities.
- Diluting the business voice and diminishing its ability to lobby for additional investment and resources.
- Limiting the scope to share good practice and learn from the experiences of other parts of the region.
- Impeding the constituent Councils and regeneration agencies from providing a consistent and coherent package of support.



¹ GVA as estimated using the income approach. Source: Office of National Statistics. 2015. Gross Value Added (Income Approach).

² £23,685 for Scotland and £26,159 for England.

³ ONS, 2017. UK Business counts – enterprises.

⁴ ONS, Annual Population Survey, March 2017.

The Borderlands Inclusive Growth Proposition, and specifically the unified support from Governments creates an ability to remove these barriers and turn our locational disadvantage to a specific strength, enabling us to much more efficiently collaborate to compete more effectively both here at home and internationally too.

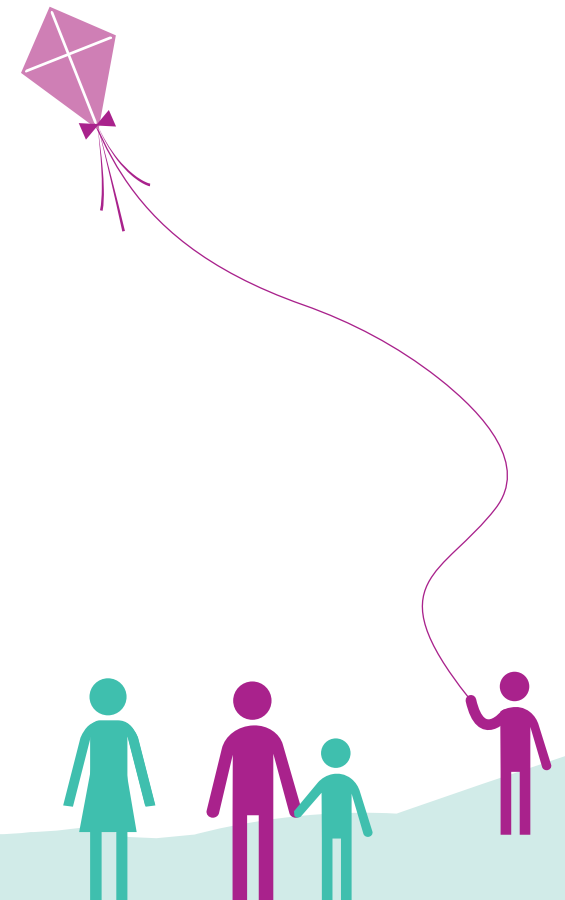
The Borderlands display a number of other 'growth constraints', each of which can be tackled through the implementation of the Proposition. It is recognised that although each of these constraints are common to a number of other regions, their combination in many of the communities of The Borderlands has a particularly negative collective impact.

The Borderlands growth constraints are:

- **Working Age Population** - The number of those aged between 16 and 64, working age, in The Borderlands region has declined by 32,000 since 2010. Only 59.9% of the population are of working age, which is lower than the 64.6% and 63.1% seen in Scotland and England respectively.
- **Employment Opportunities** - The Borderlands is predominantly a lower-wage economy than the rest of the UK. Average wages are £3,100 a year lower than the Scottish average and £3,600 a year lower than the English average.

- **Digital Connectivity** - less than one-third of the people who live and do business in The Borderlands have access to superfast broadband connectivity and, on average, they can get an average download speed of 8-10mbps.
- **Transport Links** - the poor quality of key routes across The Borderlands - especially East- West - mean that some businesses cannot improve their productivity and grow as they want to or secure the workforce they need.
- **Investment and Employment Sites** - the lack of high quality sites and facilities to attract businesses to the areas is a key growth constraint. Sites without good digital and transport connections cannot attract the businesses the area needs to grow.
- **Skills Levels** - the proportion of people with higher level skills in the Borderlands area is lower than the rest of the UK - less than 25% of the working age population in this area are qualified to degree level.

These challenges are interconnected, not only impacting upon on each other, but they also have a debilitating cumulative effect in many of our communities. This means that they simply can't be addressed through individual interventions - and that's why The Borderlands Inclusive Growth Proposition seeks to establish a holistic and coherent proposition for all.



The Borderlands - Creating a Platform for Inclusive Growth

As The Borderlands represent a large and diverse geography, we have focused along our five Strategic Growth Corridors and the lighting up of our network of nodes. Powered by digital technology and locally produced low carbon, clean energy, these will support an economy which is diverse in nature, and more resilient in its capacity.

Our Growth Corridor approach reflects the role which The Borderlands plays in the wider UK economy, how it relates to both sides of the North-South border, and how it links to Northern Ireland. It also demonstrates the potential for greater cross-border collaboration based upon the existing infrastructure.

This strategic focus will create a pro-development framework maximising the utilisation of existing, and proposed, infrastructure. Each project has been designed accordingly, therefore helping the Proposition to drive Inclusive Growth in to the principal towns of The Borderlands, as well as across its City.

All five council partners are committed to investigating ways in which the data sets travelling along these key routes can be captured, assessing how that information can best be deployed to drive Inclusive Growth across The Borderlands enabling a wide range of emerging economy products and services to be deployed locally.

The Borderlands are blessed with enviable North-South connectivity, but our East-West connections are poor. We have weak network integration - within and between modes - but we are committed to working with both Governments to continue to improve, e.g. identifying ways in which these national 'economic power lines' can radiate activity out across our area.

This network integration will require the upgrading of key sections of The Borderlands road and rail networks, in conjunction with other programmes and initiatives, including helping to:

- ❖ Secure improvements through the Road Investment Strategy process to key east-west strategic road connections such as dualling the A69, and making improvements to the A595 and A75.
- ❖ Secure improvements through the Network Rail strategic investment process to the Tyne Valley rail line connecting Carlisle and Newcastle to improve speed and reliability in particular improving connectivity with the Coastal line.
- ❖ Secure improvements through the Road Investment Strategy process and that of Transport Scotland to north-south strategic roads focused on M6 J45, the A75, and the dualling of the rest of the A1.

- ❖ Secure improvements to capacity and journey times on, and connectivity with, the West Coast and East Coast Mainlines through Network Rail strategic investment processes.
- ❖ Ensure connectivity to HS2 services is maximised.

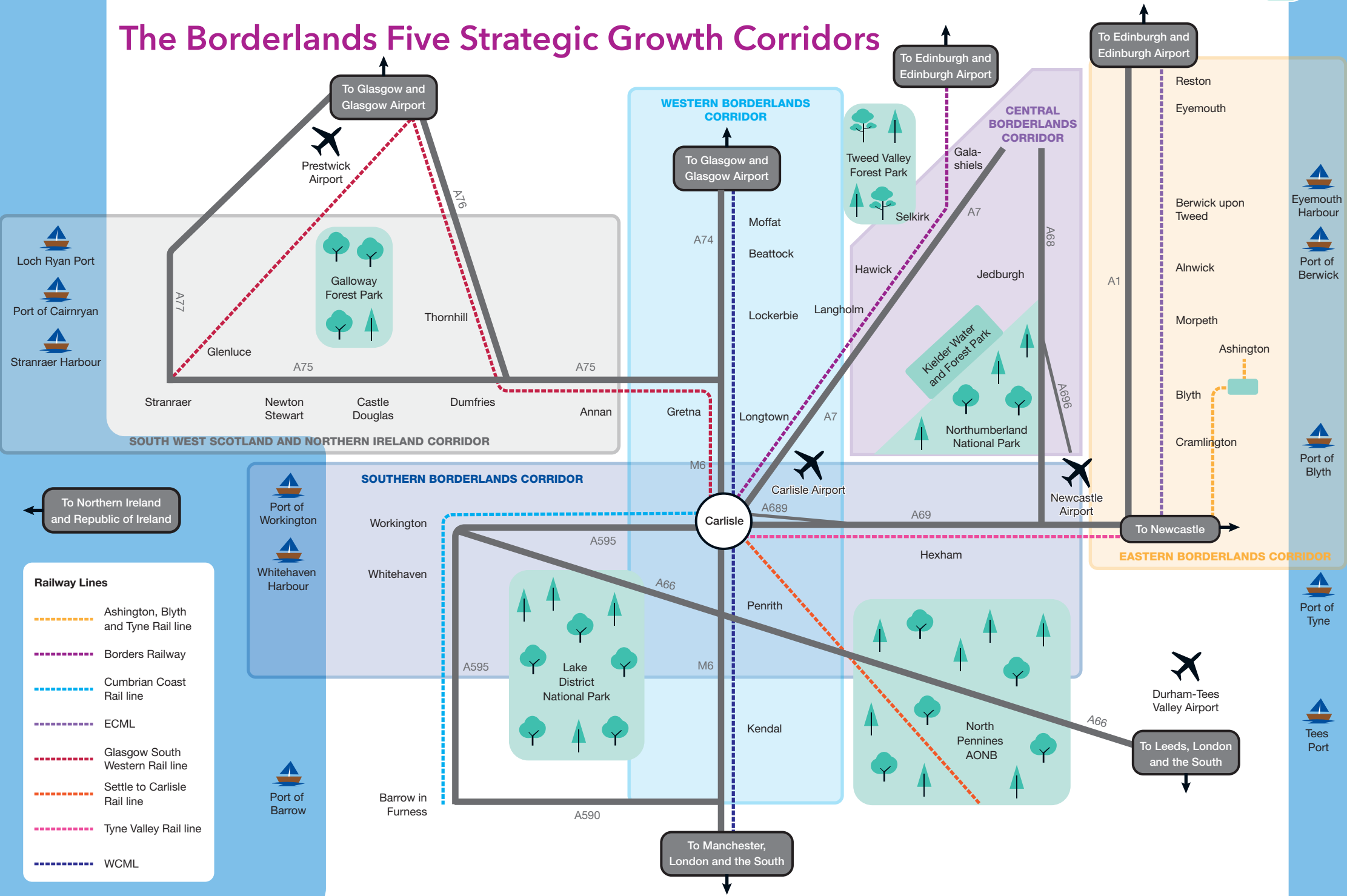
In summary, The Borderlands Inclusive Growth Proposition can create the conditions for tackling these challenges by developing our five strategic themes to focus the impact of capital investment and support it with sustainable revenue streams.

The Borderlands Inclusive Growth Proposition will be delivered through our strategically aligned projects, and other opportunities which may arise from this initiative in cross-border collaboration, perhaps even Elon Musk's European Gigafactory to manufacture next generation energy storage systems - this is the scale of our ambition.

This is a unique proposition for a unique part of the UK, offering not only cross-boundary collaboration between the five partners across Local Government, but it would also enable both the Scottish Government and UK Government to be partners in our productivity push for the benefit of all.



The Borderlands Five Strategic Growth Corridors



The Borderlands Initiative includes the following partners:

