

# Securing Investment in the Region

## Agenda Item 4 - Annex 3

### Response to Industrial Strategy consultation

The below forms the technical response submitted by EEH business unit in November 2024 to the government's consultation on its industrial strategy green paper. Many of the questions were not deemed relevant for EEH, as sub-national transport body, to provide a response, and with seven of the 35 questions answered.

***Question Four: What are the most important subsectors and technologies that the UK government should focus on and why?***

The growth driving sectors identified within the industrial strategy provide it with a strong and welcome focus on knowledge-intensive industries and innovation clusters. It is right that the approach is to identify subsectors which contribute to wider policy goals such as net zero, regional growth, and economic security and resilience; and to build on the UK's current sectoral strengths.

***Question Five: What are the UK's strengths and capabilities in these sub sectors?***

Stretching from Swindon and Oxfordshire across to Cambridgeshire and Hertfordshire, the EEH region is a pivotal contributor to the UK's strengths and capabilities in the strategy's sub-sectors.

Indeed, it is notable how well the sectors align with the EEH region's own knowledge-intensive economy, powered by world-leading universities and innovation clusters. This makes the EEH region crucial to the success of the industrial strategy.

Research by Cambridge Econometrics for EEH found the following sectors are 'prime' capabilities across the region; highly-concentrated sectors that typically exhibit above average productivity, export and R&D/innovation intensity, and pan-regional representation. They account for 804,000 jobs across the EEH region – exactly a third of total jobs (overall, the EEH region contains 10% of all jobs in England, and 9% of the population).

These are:

**Life Sciences** (79,400 jobs across EEH; 25% of England total): includes the region's historic, research-based strengths related to pharma, medicinal manufacturing and bioscience. They are particularly prominent in Cambridgeshire, Hertfordshire, south Buckinghamshire, Oxfordshire and Swindon.

**Advanced Physics & Engineering** (253,000 jobs across EEH; 12% of England total); reflects diverse engineering specialisms and heritage, notably automotive, electronics, machinery, advanced materials, related consulting and R&D. They are prominent throughout the entire region, including places such as Milton Keynes, Luton, Peterborough and Northampton, alongside many rural areas, with Silverstone Park and the Silverstone cluster, and Westcott Park, near Aylesbury, which specialises in space technologies.

**Digital & Creative** (139,300 jobs; 10% of England total); includes a wide range of digital-based activities, including AI, software publishing, IT services and consulting, film, TV and media, and telecoms. Peterborough, Cambridgeshire, Milton Keynes, Oxfordshire, Hertfordshire and south Buckinghamshire have high concentrations of these sectors. For the creative industries, of particular note are the world-renowned film studios in the south of the region including Pinewood, Elstree and Leavesden.

**Agri-food** (71,100 jobs; 9% of England total); reflecting the rural and agricultural heritage of the region, this includes farm-based agriculture and support services, food and drink production and processing, and related wholesale. They are prominent throughout the region, most notably in Northamptonshire and Peterborough.

**Circular Economy** (22,600 jobs; 11% of England total); vital to addressing the region's environmental pressures, includes activities related to water and waste. There are clusters throughout the region, including Oxfordshire, Buckinghamshire, Hertfordshire, Swindon and Peterborough.

**Higher Education** (97,800 jobs; 14% of England total); captures the many leading universities and higher education institutions across the region, and associated teaching, research, and support activities. They are particularly prominent in Oxford, Cambridge, Northampton, Milton Keynes and parts of Buckinghamshire and Hertfordshire.

**Logistics & Freight** (140,700 jobs; 13% of England total); capitalising on the region's central geographic location and connectivity assets, this includes freight and goods storage, handling and transport across road, rail and air. Large clusters are to be found in the north of the region, Swindon, Milton Keynes and Bedford.

***Question Six: What are the key enablers and barriers to growth in these sub sectors and how could the UK government address them?***

The EEH region is one of the most economically successful in the UK, with strong job creation and a historic productivity premium. However, the region's continued economic success cannot be taken for granted. Slow productivity growth (only 0.2% p.a) means EEH is now 3% less productive (per job) than the rest of England: 20-years ago, it was more productive.

Without targeted intervention, there is no guarantee of a return to the rapid productivity growth seen in the past. A historically successful region with many globally significant assets risks being constrained by a lack of infrastructure and investment.

It is long recognised in this region that connectivity is critical to realising our economic growth potential and cluster development, by ensuring accessibility to key centres and enabling labour supply growth, and the sustainability of new communities. Transport corridors largely run on radial routes from London through the area, with a lack of significant circumferential transport corridors. Instead, the region's key centres are independently connected to London, creating isolated corridors that do not connect efficiently with each other. Our core priorities provide a major opportunity to address this:

- Delivery of East West Rail in full, including delivery of coast-to-coast main line between Ipswich/ Norwich and Bristol, and delivery of the Aylesbury-Milton Keynes link
- Upgrading Ely Junction - better connecting the rest of the UK with the east of England ports and the rest of the world.
- Mass and bus rapid transit schemes including in Hertfordshire, Milton Keynes and Oxfordshire
- Delivery of regional network of buses – ensuring communities across the region have access to jobs and opportunity .
- Improved road connectivity, including progressing priority schemes as identified in the National Highways' Oxford-Cambridge roads study sponsored by DfT



Labour supply is a key issue in the EEH area with its many clusters continually generating high demand for the most skilled employees available. While this means training and upskilling workers from within our existing workforce, the demand for skills is such that there will always be a need for local labour to be supplied with the best available skills from around the world. Pull factors that make the region attractive to new residents include vibrant, historic city and town centres, world-leading universities, access to a rural environment, low rates of crime, proximity to London and its amenities, and connectivity to major international airports. If the region is going to continue to pull in the brightest and the best from across the globe, we need to ensure these pull factors are enhanced over the next few decades.

With its above average foreign direct investment and exporting-intensity, the region can lead the way in adapting to evolving UK and global trade relations. The region has the capabilities to take advantage of increasing opportunities for knowledge service exports to the rest of the world. The region is also well positioned to take advantage of the shift towards the reshoring of manufacturing and the "inversion of the U curve" (ie technology is driving processing and assembly from the least productive to the most productive stage of the supply chain).

Finally, EEH's 'foundational' economy is a significant economic contributor and driver, both in terms of employment and spending (accounting for 1.3 million jobs - 50% of total jobs in the region), whilst through the provision of its goods and services it also has a critical role in determining the wellbeing and quality of life for residents in the region. Including sectors such as health and social care, primary and secondary education, retail and leisure services, their significant economic value should not be understated, particularly in terms of improving productivity, economic participation, and skills and human capital, amongst others.

**Question Fourteen: Where you identified barriers in response to Question 7 which relate to planning, infrastructure and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?**

East West Rail, delivered in full, is the transformational economic infrastructure required for this region to be able to meet its economic potential and is core to addressing the connectivity challenges outlined in question seven.

East West Rail will significantly expand the number of people within commuting distance of high-quality jobs in the region and give businesses access to a much bigger pool of people to hire from as they grow. East West Rail will also make it possible for businesses to grow by taking accessible and affordable space elsewhere along the railway line.

EEH is working with Government and other partners to maximise its value for the region and economy. This includes through:

- Using delivery of East West Rail to create a coast-to-coast East West Main Line running from the west of England through to East Anglia, connecting a greater number of economic centres such as Bristol, Ipswich and Norwich.
- Using delivery of the Aylesbury-Milton Keynes link (part of the original East West Rail proposals) to create a new rail corridor from Northampton through to Old Oak Common, linking large clusters of the sectors identified in the strategy and improving connectivity to Heathrow Airport.
- Superb door-to-door connectivity to East West Rail stations

EEH's phase one Spending Review submission also highlighted other infrastructure priorities crucial to realising the region's potential:

- Improvements to Ely Junction, which will enable freight to be carried by rail from Port of Felixstowe to the Midlands and North. This amount is equivalent to 98,000 lorries per year, and so the scheme also contributes to the government's green energy mission while unlocking capacity on the road network. It is also crucial for unlocking the East West Main Line.



- A dedicated funding stream is made available to local authorities developing mass rapid transit proposals, allowing them to advance to a stage where they can attract private sector investment. Partners developing MRT schemes in the region include Hertfordshire County Council and Milton Keynes City Council. Both projects would deliver transformational economic benefits for the region and wider UK.
- Money is allocated to National Highways to develop the interventions identified within its Ox Cam Road Connectivity Study. The study was co-sponsored by DfT and EEH and identifies a number of priority areas for further development based on detailed consideration of levels of service. Roads funding should be considered not just for the Strategic Road Network but also the Major Road Network, a critical part of the UK road network.

From our engagement with local authorities and businesses, Government's role in providing confidence of funding and delivery is regarded as one of the most important factors for encouraging investment and growth.

This extends to certainty over funding for local authorities, increasing their capacity to plan and deliver infrastructure in their areas. Long term funding for local transport should be available for everywhere in the country, enabling all authorities to better plan and deliver transport improvements. We welcome Government's move away from competitive funding allocations to a needs-basis.

***Question twenty-six: Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?***

We agree with the green paper's recognition of the importance of clusters. We welcome that Government is looking to build on the innovation clusters map published by the Department for Science, Innovation, and Technology to understand the strong sectoral clusters that exist across the UK.

Cambridge Econometrics' research for EEH used the DSIT innovation clusters map to identify clusters within the EEH region. This found that there are 183 established innovation clusters centred on the EEH region, hosting 15,900+ knowledge-intensive firms and receiving £855m of public research funding. Thirty-three of the clusters have a UK top-10 ranking – these are located in Cambridgeshire, Oxfordshire, Milton Keynes and Hertfordshire.

Connectivity is critical to enabling economic expansion and cluster development, to ensure accessibility to key centres and enabling and attracting labour supply growth, and the sustainability of existing and new communities.

One of the most important ways in which transport systems help drive productivity growth is through agglomeration. This brings two benefits: efficiency, and innovation. Agglomeration drives efficiencies through economies of scale and matching benefits. Firms that are able to access and serve larger markets, and have greater choice of suppliers and workers are often able to run their businesses more efficiently than those with smaller markets and more limited choices. This boosts revenue, decreases costs, and helps productivity grow.

Agglomeration also helps firms innovate, through expanding the network of contacts with which they are able to interact. This helps them access the knowledge and ideas that they can use to improve their business.

***Twenty-eight: How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?***

We are concerned that the green paper appears to focus on the needs of city regions beyond 'the Greater South East' (with local growth plans appearing to be exclusively focused on mayoral combined authorities).



The EEH region (which includes local authorities within the West of England, South East, East Midlands and East of England regions) is made up of relatively small cities, market towns and large rural areas, with multiple centres of economic gravity. Cambridgeshire and Peterborough Combined Authority is currently the only mayoral combined authority in the region.

Yet, this geography contains the world-leading sectors and clusters which will be pivotal to the success of the strategy.

Of the seven sub-national transport body areas which cover the entirety of England outside of London, the EEH region is ranked first for:

- Economic growth
- Jobs growth
- Population growth
- Exporting intensity
- Foreign investment
- Concentration of R&D jobs
- Patent filings

As referenced above, Cambridgeshire, Milton Keynes, Oxfordshire and Hertfordshire all contain some of the UK's biggest innovation clusters. The EEH region hosts five of the six fast growth cities in the UK (Centre for Cities study): Cambridge, Milton Keynes, Oxford, Peterborough and Swindon. Luton is projected to be the second fastest growing urban economy in 2024, behind only London, and the town often ranks UK top-10 for start-ups and survival. The region hosts many rural science and business parks, with global assets such as Silverstone (and Silverstone Park) and Pinewood Studios in rural locations.

However, the region's continued economic success cannot be taken for granted. Slow productivity growth (only 0.2% p.a) means EEH is now 3% less productive (per job) than the rest of England: 20-years ago, it was more productive.

Emissions from transport are also higher than average. Over 812,000 people in the region live in the top third most deprived local authority areas of England – accounting for 15% of the region's population. There are widespread issues with congestion and limited public transport services which are acting as barriers to future sustainable growth.

Alongside city regions, the industrial strategy must also recognise the value of places outside of London, such as England's Economic Heartland, which have complex, polycentric geographies, and invest accordingly in the infrastructure which is required to realise economic growth. It should also be recognised that successful companies within EEH benefit supply chains across the UK. For example, AstraZeneca conducts much of its research activity around Cambridge but manufacturing and distribution is undertaken in the North West.

### **THIRTY-TWO How can we improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?**

EEH welcomes the emphasis on collaboration within the green paper. We strongly believe that the quality of engagement should be equal across all types of local government, and not risk a two-tier approach between metropolitan mayoral areas and traditional local government structures. To do so would risk areas such as England's Economic Heartland not reaching its full economic potential.

Pan-regional infrastructure bodies such as sub-national transport bodies provide a strong mechanism for engagement at a scale and geography which makes economic sense. Our geography, which cuts across traditional English 'regions' was established from the 'ground-up' by local political leaders. The geography mirrors the Oxford-Cambridge Science Supercluster Board, whose membership includes many of the major knowledge-intensive businesses in the region, and the Oxford – Cambridge Universities Group, which represents universities in the region (England's Economic Heartland has formed a strategic partnership with both organisations). Delivery of East West Rail between Oxford, Milton Keynes and Cambridge further strengthens the rationale for this geography.



As STB, EEH is focused on integrated solutions which deliver strong economic outcomes for the region and wider UK. Strengthening connectivity between high-performing clusters is a key part of our work, and relevant to the Industrial Strategy Council. We would therefore welcome strong engagement with the Council.