

The Dublin–Belfast Economic Corridor: Current Profile, Potential for Recovery & Opportunities for Cooperation

Executive Summary / March 2021



boosting growth



Executive Summary

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Foreword

We believe that the time has come for fresh impetus to be given to the development of the Dublin–Belfast Economic Corridor. There have been successes along the Corridor since the 1990s, particularly in terms of employment opportunities, peace-building and the removal of barriers, and the rolling out of new transport infrastructure. Much of this success is due to cooperation at both the all-island and local cross-border levels.

As we enter another new decade we believe that much more collaboration is possible for mutual benefit between the cities of Dublin and Belfast and the regions between. In 2018 a network of eight Councils located along the Corridor and two universities came together to work collectively to find ways of realising the potential benefits of further development of the Corridor. This report is the first output of this collective work.

We are conscious that this report and the work of the local government network does not exist in a vacuum. As we launch this report the COVID-19 pandemic has given a severe shock to economies and communities across the globe. The impacts of having to shutter large parts of the economy and asking people to stay at home, in order to assist with public

health, are only beginning to work their way through our systems. The role of local government in providing key frontline services and offering an important point of contact between central government and citizens has never been more obvious. The need for greater collaboration has also been highlighted.

There is also the out-workings of Brexit, which highlight the need for the Corridor and the island as a whole to remain competitive in a changing world. The climate emergency is another factor which must shape our thinking about the future development of a region, almost all of which bounds the East coast.

As Councils each of us are involved in regional, county and community spatial and inclusive strategies. All of these

identify the challenges and the possibilities attached to demographic changes, housing pressures, and the need to secure employment opportunities for all of our populations. In some areas we will compete with one another but we also hold a shared recognition of the potential benefits attached to any initiative to develop the Corridor.

These potential benefits associated with the Dublin–Belfast Economic Corridor are regularly mentioned by central governments, most recently in *Ireland 2040* and *New Decade, New Agreement*. We recognise the crucial role that is and will continue to be played by government departments, economic development and other agencies and many other stakeholders from across our communities, including the voluntary and private sectors. We are publishing this report as our contribution to the wider conversation that will be necessary in developing any larger strategy to develop the Dublin–Belfast Economic Corridor.

Our immediate objective, as members of a local government and higher education network, will be to leverage the network's resources in areas which we believe can have a positive impact and add significant value to the economic development of the Corridor at a time of great economic and social uncertainty. To this end, we have already established a partnership steering group of the Chief Executives and heads of the two universities committed to meet quarterly and a working group of local government and university staff tasked with developing a series of cooperative initiatives and projects which can begin to realise this objective.

We commend this report to you as an initial contribution to this work.

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Executive Summary

1. The concept of a Dublin–Belfast or Eastern Economic Corridor is one that has been in circulation since the early 1990s, at a time when the ideas of high growth zones, regions or corridors were emerging. Since then economic corridors have entered mainstream policy and have also developed from a focus purely on transport infrastructure into more complex economic zones attractive to inward investment and a potential tool to tackle regional disparities.

2. This report has been commissioned by a local government network formed by eight Councils located in the Dublin–Belfast Economic Corridor, who then asked staff from Ulster University and Dublin City University to research and write the report in cooperation with the Councils.¹ The network came together with a shared recognition of the potential benefits that could arise from such an initiative and the challenges that might face it in the coming years, not least the outcome of the UK's exit from the EU. In the course of the project, the COVID-19 pandemic has further significantly shifted the economic trajectory.

3. The geographical definition used for the Dublin–Belfast Economic Corridor is intended to combine both administrative and functional geography. The administrative boundaries reflect the eight Councils who have formed a local authority network driven by the idea of looking afresh at the opportunities associated with the Corridor. The functional geography is intended to reflect a region which contains the significant road and rail infrastructure links between Dublin and Belfast.

4. This report details the recent strong economic performance of the Corridor, as well as the significant impacts that COVID-19 is having and likely to continue having on local economies. As noted above a key reason for the appearance of the report at this time is that the Corridor faces some significant risks.

5. However, there are also opportunities which present themselves, not least in the initiatives and investments which will flow from the Belfast Region City Deal and the *Ireland 2040* plans. The report therefore also begins the work of identifying potential areas for cooperation which could create a stronger trajectory for growth.

¹ The local authority network currently has Armagh City, Banbridge and Craigavon Borough Council, Belfast City Council, Dublin City Council, Fingal County Council, Lisburn & Castlereagh City Borough Council, Louth County Council, Meath County Council and Newry, Mourne & Down District Council as members.

Reflections from other economic corridors

6. The research looked at examples of economic corridors in other places, from other parts of the island of Ireland to GB, to continental Europe and further afield in emerging economies. These examples are useful in offering a variety of rationales for deeper cooperation and collaborative initiatives on the Dublin-Belfast Economic Corridor.

7. First, learning from elsewhere can be useful in identifying next steps for the Corridor. Although it is important to heed the warning that ‘no one-size fits all approach for achieving good governance in establishing partnership among towns, cities and rural regions’ (ESPON, 2015), a case does exist for exploring further dimensions of partnership. Looking specifically at the experience of promoting cross-border economic corridors, two key success factors suggest themselves:

1) *Know the cross-border territory, know each other within the territory* – both the strengths, weaknesses, and complementarities of the different sides of the cross-border territory, but also economic and knowledge flows that characterise it.

2) *Organise the governance of cross-border economic development* and involve all relevant territorial stakeholders active within the cross-border territory including all levels of government.

8. The lessons also help to identify a number of ingredients for successful cooperation:

- It is important to agree upon the current stage of development of any corridor. **The Dublin-Belfast Economic Corridor project currently looks like it is at the ‘Know the cross-border territory, know each other within the territory’ stage.**
- Cooperation among actors on a corridor needs (consistent) time, energy and support to be nurtured and to grow.
- Local actions can deliver strategic objectives in a practical way, particularly in areas such as innovation centres and skill strategies.
- A medium- to long-term perspective, less ‘big bang’ than ‘slow burn’, is critical, in particular around developing governance and securing resources.
- Early wins can help cement the partnership, give support to the agreed governance and ensure sustainable cooperation.

9. The examples of economic corridors in Oresund, the Cambridge/Milton Keynes/Oxford and East Asia all have one thing in common: the need for **a clear vision of what additional economic growth might arise from the development of regional and local inter-governmental collaboration.**

This ranges from aspirational doubling of additional economic output growth by 2050 in the case of Cambridge/Milton Keynes/Oxford, to the realized share of strong economic growth in the case of the corridors of the Mekong region in Asia.

Recent performance in the Dublin–Belfast Economic Corridor and COVID-19

10. In terms of population, the Dublin–Belfast Economic Corridor has experienced strong growth in recent decades. Since 2006 alone there has been a 12% increase and, at the time of the 2016 Census in Ireland, more than 2 million people were living in the eight Council areas. Growth in the working age population (16–64 year olds) is also strong, and stands at 1.4 million people. There are high levels of diversity within this population, with 15% born outside the island.

11. Dublin city dominates the skyline when we think of population with more than 1 in 4 of the population in the Corridor living in the capital city. However, with Belfast and Fingal (between them more than the population of Dublin) to act as counter-balances, this dominance lessens somewhat and perhaps points to how the Corridor, if treated as a region, might lessen some of the pressures on the capital.

12. The labour market in all parts of the Corridor has been very buoyant in recent years. By late 2019, unemployment rates were close to or at historical lows, between 3% and 5% in most places. This was due to recent strong growth in employment numbers. On the eve of the COVID-19 pandemic, close to 1 million residents of the Corridor were in work. An even larger number of jobs are located on the Corridor, pulling in numbers of commuters, particularly to Belfast and Dublin at either end.

13. The labour market impacts of COVID-19 have been immediate and affected every part of the Dublin–Belfast Economic Corridor. The impact has varied across the population of the Corridor – more severe for those in particular sectors and for younger people, those with fewer qualifications and indeed lower incomes and fewer resources – but few households have not felt it. This breadth of effect but also particular severity for some sectors and places should be central in any thinking of recovery.

14. By late January 2021 40% of those jobs or individuals on the island either in receipt of Pandemic Unemployment Payment or wage subsidy were located on the Corridor. This share has stayed similar throughout the pandemic but the overall numbers have fallen from a peak of close to 500,000 in late June 2020 to an estimate of perhaps 300,000 by late February in the eight Council areas. These numbers of people and jobs which remain impacted by COVID-19 gives a sense of the size of the shock.

15. Economic inactivity has also increased in the past year but for those not participating in the labour market due to ill health, caring duties or for other reasons, it has been a long term problem. Across the Corridor there are pockets of persistently high levels of inactivity, particularly in the Belfast, Dublin, Armagh, Banbridge & Craigavon (ABC) and Newry, Mourne & Down (NMD) council areas. This problem is often correlated with high levels of people with no formal qualifications and difficulties faced in retraining, and this poses the question of how to improve employability opportunities for up to

two fifths of residents in some places. In any recovery from a COVID-19 recession, these issues will also never be far away.

16. More than a third (34%) of residents of the Corridor have educational attainments greater than NVQ Level 4, a share of the population ahead of other parts of the island. Although this share varies from 40% in Dublin or Fingal to less than 30% in ABC and Louth, and the share also varies within individual Council areas, **the overall picture is of a well-educated population which is available for work.**

17. The presence of such a population – young and relatively well-educated – is certainly **a strength for the Corridor as skills (or the availability of these) is regularly cited by businesses – both large and small – as a key challenge.** However, in every Council area on the Corridor, the demand for NVQ level 4 and higher skills has been greater than the supply. As the economy slowly recovers from the shock in 2020, this demand/supply imbalance is likely to return unless an opportunity is taken to address it. The voracious appetite of businesses for talent will not slacken, even at a time when we might be looking at high levels of unemployment. The current recognition of this issue by local authorities across the Corridor, many of whom have developed skills strategies or skills fora to address the challenge of future skills, is work that will continue to be important in order to stay out in front of competing regions.

18. Currently, the question of the ready supply, access and shortage of advanced and intermediate skills on the Corridor is being answered by

commuting patterns and in-migration from off the island. At present, more than 5% of the million plus jobs on the Corridor are filled by commuters onto the Corridor from other parts of the island, often with an even higher skills profile than its residents.

19. The demand for skills has partly been a result of **a strong pipeline of inward investment jobs in recent years.** This has been especially the case in Belfast, Dublin, Louth and, to a lesser extent, Meath. These location choices are supported by the recent results from FDI Intelligence which found that the two cities feature prominently among the cities of choice globally. Dublin is No.1 among the ‘large cities’ locations, while Belfast is No.2 among ‘mid-sized and small cities’. Both cities score highest on what is called ‘business friendliness’, but less so on connectivity, suggesting one challenge to future potential.

20. Of course, the inward investment pipeline is one that cannot be taken for granted. The Corridor faces different challenges at either end: an uncertainty how far the Brexit NI Protocol will benefit NI locations; and internal competitiveness issues, in particular around the availability and the costs of suitable commercial property.

21. Beyond FDI, the enterprise base on the Corridor has been a buoyant one. Almost 2 in 5 (38%) of the island’s businesses are located there and the rates of firms per capita are strong too. The Corridor, as a whole, has a higher share of mid-sized businesses (with between 50 and 250 employees) than elsewhere, which may point to the successful scaling-up processes there.

22. However, the **business demography patterns mirror the economic divergence between North and South**. There are much higher birth rates and enterprise stocks in Council areas in the southern end of the Corridor than in Belfast and others, reflecting other findings around entrepreneurship and appetite for risk. The scaling-up processes also appear on first look to be differing between North and South, which may impact in turn on innovation, export intensity and levels of productivity.

23. Alongside the recent positive performance, there have been challenges facing the Corridor before the public health crisis. These are associated with demographics and will remain after the Coronavirus. There are particular challenges around housing provision (which could worsen in the short term), affordability of this for the ‘adult’ life cycle group, in particular, and slower population growth in Belfast city than in its neighbouring Council areas. In line with elsewhere, rising dependency ratios (ratio of the young and old on the working age population) pose healthcare and employment issues for local and central government. These trends pose questions for future planning, service provision and measures to deal with increasing congestion.

Future prospects for the Dublin–Belfast Economic Corridor?

24. Before the COVID-19 emergency began, the research included a series of population and employment forecasts out to 2040, which were based upon ‘baseline’ or ‘current trends’ assumptions, while adjusting for potential impacts of Brexit.²

25. The pre-COVID ‘baseline’ scenario still contains some trends that are useful to consider. The forecasts pointed to the current divergence in growth rates between NI and Ireland continuing. They also found that the Corridor would continue its trajectory to becoming the location for a third of the island’s population, perhaps reaching a total of 2.5 million people by 2040. And, even allowing for the severe shock of COVID-19, the ‘baseline’ scenario identifies the possibility that 35% of the island’s jobs – nearly 1.3 million jobs – could be located on the Corridor by 2040.

26. **None of this should underestimate the economic impact of a COVID-19 related recession.** The estimates of impact on GDP/GVA in both parts of the island, at time of publication, hover at an 11% decline in NI and an export and fall in Modified Domestic Demand (MDD) of 5.4% in the Republic of Ireland in 2020. Uncertainty hangs over the shape of any recovery in 2021 and beyond and, as noted above, perhaps as many as 30% of the jobs in the Corridor may be impacted, temporarily or otherwise, by furloughs and lay-offs.

² The scenario used forecasts/projections out to 2040 from UUEPC’s Summer 2019 Outlook for NI and from the long-term forecasts for Ireland from the ESRI (Bergin et al, 2016).

27. Expectations for a strong recovery hinge on the success of the vaccine programme, and these have become more optimistic since the turn of the year. Even so, many forecasters still do not expect economic output to recover to 2019 levels until next year at the earliest. The extent to which the economy in the Dublin–Belfast Corridor can restore its place as a driver to the island’s economies may help dictate the speed and sustainability of the recovery.

28. Allowing for the excess death impacts of COVID-19, it remains clear that all cohorts of the population will increase with working age population providing a strong labour force into the future. One pattern to note is that there will continue to be stronger growth demographically in the southern part of the Corridor, when compared to the northern section. Another is that the growth patterns in the two cities are likely to continue to be outstripped by neighbouring areas, pointing again to the need for sustainable transport options.

29. And although the pandemic means that we are likely to avoid a tight labour market for a number of years again, the Corridor will see a continuing strong demand for skills. Between expansion demand and replacement demand (as measured in a future skills assessment), there may be an annual net requirement of 30–40,000 people from education and net migration for the Corridor.

30. Much of this net requirement or demand will be in the professional occupations, such as science & technology professionals, health professionals and business & service

professionals. Indeed, this shift to higher skilled jobs is likely to accelerate as a result of the pandemic. This points to **the need to create a higher educational attainment profile than exists at present in the Corridor.**

31. While this report did develop a ‘baseline’ or ‘current trends’ scenario before COVID-19, there are at least two alternative scenarios which should be developed in any subsequent research:

- One alternative is to hold the all-island population and employment totals constant but to propose different types of spatial development, where the Belfast–Dublin Economic Corridor accounts for or takes a greater (or smaller) share of total growth than in the ‘current trends’ scenario. This might arise due to planning policies or an industrial strategy based principally on further developing agglomeration or high growth regions (Katz & Wagner, 2014).
- Another alternative is that the forecasts would include the additional impacts of any infrastructure investment or other policy interventions on the Corridor. There is an argument that these would create higher growth not only for the region but the island as a whole. An alternative scenario like this would require details on the proposed investments or interventions, which could then be built into the modelling of a ‘high growth’ scenario.

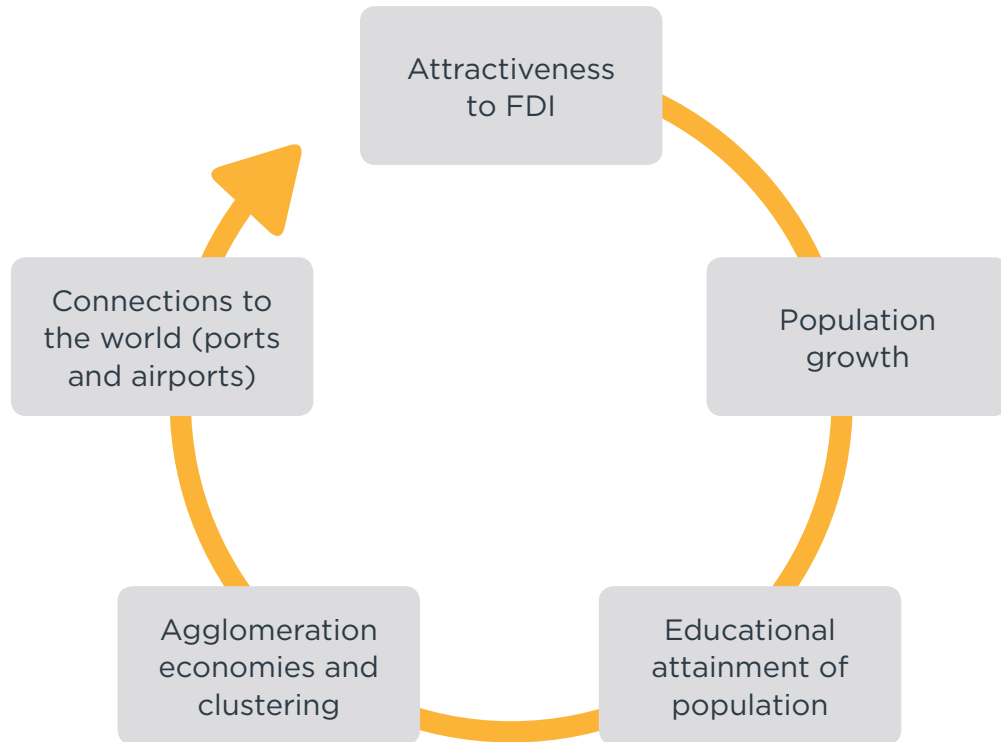


Figure A1: Summary of the strengths of the Corridor

Strengths of the Corridor and sectoral priorities

32. Figure A1 summarises the general strengths of the Corridor as it is currently functioning, highlighting demographic trends, skills levels and connectivity. These strengths hold even in light of the current events and public health crisis.

33. The report identifies the sectoral concentrations and strengths in the Corridor, particularly across tradeable services (including ICT, Professional Services and Financial Services), as well as high tech Manufacturing and Construction. Concentration analysis show how the services sectors are particularly strong in individual Council areas such as Dublin, Fingal and, to a lesser extent, Belfast. Manufacturing

also has its local concentrations in ABC, Louth and Meath.

34. Alongside these concentrations the Councils themselves have identified sectoral priorities for their areas, based on current strengths and aspirations around capturing emerging sectoral trends. The aim here is to develop networks and clusters of firms and related research strengths. These typically reflect the concentrations in tradeable services, though at a more granular level the likes of cyber security (Belfast), creative industries (Dublin and Belfast), 'digital' (ABC, Louth and NMD), all feature. Showing the general importance of Agri-Food, in spite of threats from Brexit, Louth, ABC and Meath all regard this as a continuing priority sector for them.

35. One sector that is ubiquitous and important to every Council area is Tourism with 68,000 jobs currently located across the Corridor in this sector. In 2019, almost 11 million trips were made in the Corridor, with access onto the island being especially beneficial. A high proportion of these in the two cities but opportunities also for the development of niche tourism packages in areas in between. This sector has been severely impacted by COVID-19 given social distancing measures and restrictions on international travel and congregation in hotels, restaurants and pubs. Supporting the sector through what is likely to be a second difficult 2021 season and assisting it to refocus again on the domestic market is probably key in the short term.

36. Figure A1 also identifies the importance of agglomeration economies or the benefits of location in a same area/city, or in proximity to firms in your sector or related sectors (Duranton and Kerr, 2016). The advantage of these agglomeration economies is the opportunity to promote areas in certain ways as the location for certain activities or to build research, innovation and capabilities infrastructure to support current economic growth and find sources of future accelerated development.

37. Development plans for Corridors often begin with a plan to mobilise key 'hard' and 'soft' infrastructure assets in order to support such agglomeration economies. The first category includes physical infrastructure such as roads, bridges, ports and so on, while the second are enabling institutions,

such as education and health structures or organisations.

38. The report includes a short assessment of the current state and performance of the transport assets (detailed in Box 1 in the full report) and the importance of national and EU investment programmes for these. This assessment shows how the Corridor has a varying level of transport connectivity depending upon the mode of travel. Connectivity off the island, through five different ports and three airports, is well-served although access to some or all of these assets is an issue, as is the performance of public transport along the Corridor.

39. 'Soft' infrastructure refers less to physical engineering projects and more to the institutional, educational and research supports which could enable economic development. The Corridor is well-endowed in these with five university campuses, a technological university and an Institute of Technology are located there, all bar one of these in Dublin and Belfast alone. Just over 110,000 students were enrolled in these institutions in the 2018/2019 academic year, but the potential goes wider than that. Research contributions from the HEIs can act a particular asset for the Corridor, as they house numerous research and incubation centres, and facilitate public and private collaborations through their Technology Transfer Offices.

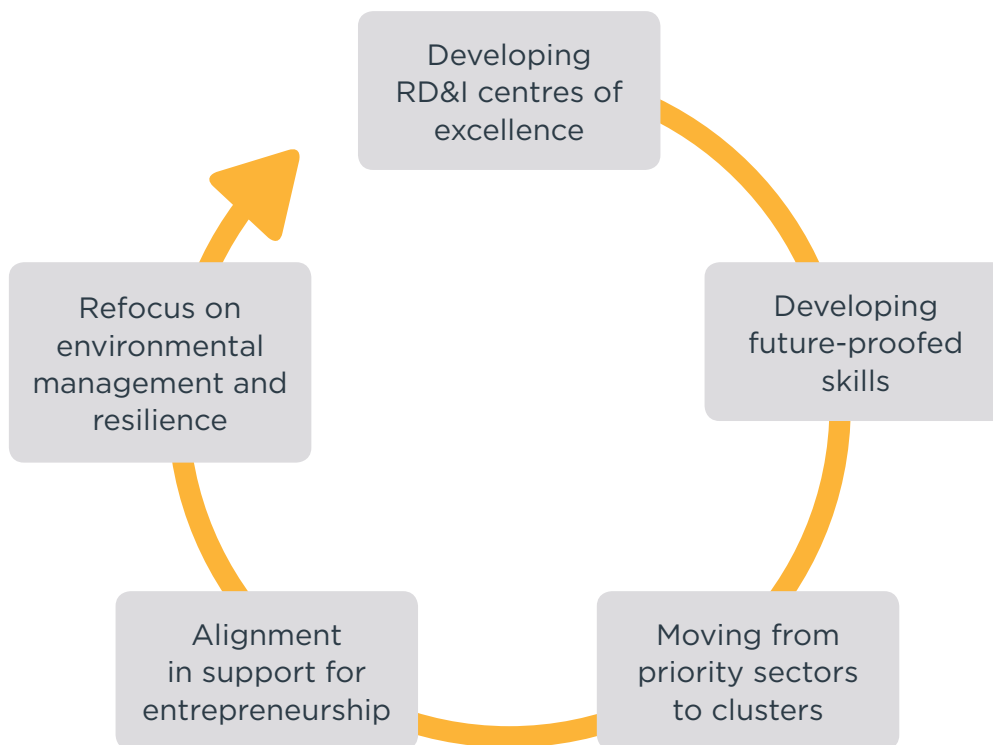


Figure A2: Summary of opportunity areas for cooperation in the Corridor

Potential areas for cooperation

40. The final section of the full report proposes a number of broad areas and possible actions which might be used as a beginning of a discussion of potential cooperation along the Corridor. These arise from different sources: proposals from the Councils and universities involved in the network;³ areas identified in the research, such as ‘soft’ and ‘hard’ infrastructural improvements, which have underpinned successful interventions in other economic corridors; and areas which the current profile and future prospects of the Corridor suggest, such as skills development. All of the areas are included on the basis that **they could deliver additional economic value to the region and the island more generally.**

41. The potential areas shown in Figure A2 are organised under two key themes for cooperation. These are:

- **Promotion:** Many of the economic corridors have pursued the goal of successfully branding and promoting their location. This is often done for the purposes of attracting investment from both inward private and domestic public sources. The focus for promotion differs from place to place but there is a tendency to promote the presence of a highly skilled workforce and population, of sectoral strengths (eg: Medicon Valley in Oresund), and the availability of supports for innovative and entrepreneurial firms.

³ An initial workshop in September 2018 for Council officers from across the Corridor identified a number of priority areas shared in common. These were revisited at a later workshop held in May 2019 which discussed the draft final report. The common priorities arise from Local Economic Development and Community Plans, as well as the City Deals under development in NI.

- **Infrastructure:** In some economic corridors (such as Oresund or the proposed Oxford/Milton Keynes/Cambridge arc) the emphasis is increasingly on the 'soft' forms of infrastructure, such as research and innovation centres, Smart Cities initiatives, and investment in environmental and energy management projects. Growth corridors in East Asia and examples such as the Basel Tri-national Agglomeration and the 'Cascadia' Seattle/Vancouver Corridor have all based cooperation on networks of research institutes, knowledge transfers and joint research programmes in order to benefit the larger region. 'Hard' infrastructure, such as transport connectivity, has also been crucial to corridor development and will involve advocacy by the network partners at a regional and national level for further investment.
42. The potential for cooperation highlights the need for partnership not only between local authorities but with other key institutions on the Corridor (e.g. HE institutions). Partnership and a cooperative approach can also shift the focus of attention from an individual place or individual firm to a region and clusters or networks of businesses.
43. This points to meeting the challenge of managing a variety of relationships between a variety of stakeholders, HE institutions, Councils and businesses. These relationships can tend to rely on individuals but there are examples of successful institutional partnerships, for example the Green Way in Dublin, that indicate that successful private sector, local authority and university partnerships are possible.

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www.dbec.info/launch

An electronic copy of
this Executive Summary,
and the Full Report,
is available to download from
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A partnership between



Armagh City
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& Craigavon
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Belfast
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