

**Written Submission to the National Assembly for Wales' Enterprise and
Business Committee: City Regions and the Metro**

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May 2015

**City Region Exchange* is one of Cardiff University's five flagship engagement projects, formally launched at the Senedd in October 2014. City Region Exchange is intended to strengthen the University's engagement with the Cardiff Capital Region's key decision-makers and with its range of different stakeholder communities. The Exchange plans to better understand the University's role in the Cardiff Capital Region, and to support the Region's development by enhancing the linkages between the University's education provision, its research and knowledge exchange activities, and the development needs of the Region and its key partners.

Introduction

We welcome this opportunity to provide a perspective on the issues being discussed by the Enterprise and Business Committee concerning the progress of City Regions and the Metro. This written submission focuses primarily on issues relating to:

- the current progress of the City Region and Metro projects;
- the approach to governance of the City Regions and Metro;
- and the connections between the City Region and Metro developments, and other related policies and plans.

Current progress of the City Region and Metro projects

It is almost three years since the publication of Dr Elizabeth Haywood's report to the Welsh Government which outlined the case for two city regions in Wales around Cardiff and Swansea. In 2013, the Welsh Government formally established two Boards to support strategy development in the two city regions, both of which have recently produced strategy reports.

The work of the Boards and the production of these reports represent positive progress in city region development, with two key general developments worthy of note:

- the clear evidence of a will to collaborate rather than to compete, particularly amongst relevant local authorities, in the interests of their wider city regions;
- the assertion of key strategic projects and themes (such as the Metro in the Cardiff Capital Region) seen as important for the future economic development success of the city regions.

However, these reports also reveal that there is still considerable further work to be done. In particular there is a need for:

- clearly defined objectives and timetables for action. Neither report is explicit in its objectives or sets out key milestones for action. Without clear objectives and appropriate targets, even modest ones, it will be very difficult to judge what it is that the city regions are trying to achieve, and how well they are doing. Timetables need to be realistic and have a suitably long time-frame. The effects of investment in infrastructure and human capital take at least three years to emerge (OECD, 2009). UK City Deals typically have a 10 - 15 year planning horizon;
- delivery bodies. Both reports say very little about how these city region strategies and visions are to be taken forward and by whom, perhaps understandably given that they were advisory in nature. However, with the Boards potentially due to be wound up this month, there is a pressing need for delivery bodies to be established which are capable of providing strategic governance and leadership of city region project plans, and of mobilising action and engagement across not only the public sector, but also the business sector and the diverse communities which make up the city regions. Our recent round of engagement with representatives from across local authority economic development and regeneration departments in the Cardiff Capital Region has found a growing degree of frustration at the slow rate of progress in putting delivery mechanisms in place (see below for further discussion of governance issues);
- appropriate tools and resources for collaborative projects. Neither report presents any proposals for pooling available resources and existing funding streams into single investment funds for the good of the city region as a whole. Yet pooled investment funds are likely to

provide a critical means of activating priority, collaborative projects. Furthermore, when administered by an overarching strategic body, they can work to balance the pursuit of a city region's most attractive economic development opportunities with concern for how evenly their benefits are distributed across it (as in the Sheffield city region for example);

- Operational projects and plans. The city regions need transformative projects – projects which have the potential to transform the local economies and around which collaborative, cross-sectoral working can be harnessed. The metro is a great example of this for the Cardiff Capital Region. City region building needs to be done incrementally – taking one step at a time. Developing flagship projects with tangible objectives and delivery vehicles is a key way to progress their development. Starting with the metro and in particular with the development of the light rail network for northern Cardiff will provide literally and metaphorically a direction of travel – a vision and a project around which discussions about integrating planning and economic development can then follow. It is critical to develop the transformative projects now – start with a project – and then the integrated policy developments and governance issues will be addressed in a focused and specific way as the projects develop.

Approach to governance of the City Regions and Metro

It is important to note that city regions are more than simply institutional configurations. They are really a different way of understanding the functional economic reach of a city – its economic footprint if you like. So there is nothing stopping the development of voluntary collaborations and arrangements across the city regions to begin with, with more formal institutional forms and structures coming later. The important thing is to understand what the shared interests are and how these might best be galvanised and supported through region-wide projects and plans.

An incremental approach may be the best way forward – identifying and supporting a few key projects and functions to begin with – e.g. the metro or the debate around strategic planning areas in the Planning Bill. Prioritising one or two key projects and plans which actively work to supporting the functioning of the city regions will provide a key way of developing a nucleus for the collaborative working that is so important in city region building.

Developing effective, co-ordinated governance at the city region scale with strong, effective leadership will ultimately be critical for future success. A growing body of international evidence indicates that organisations dedicated to co-ordinating policies and investments across urban agglomerations have positive effects. This is particularly in relation to land use planning and transport.

Indeed, recent research from the OECD has suggested that governance fragmentation can more than offset the economic effects of urban agglomeration. For a given population size, a metropolitan area with twice the number of municipalities is associated with around six percent lower productivity. This is an effect that is mitigated by almost half, by the existence of a governance body at the metropolitan level (Ahrend et al, 2014).

Furthermore, capable and visible city region leadership has also been found to be critically important internationally. Leadership is important to provide a coherent city region vision, to mobilise coalitions of stakeholders, and to provide profile and accountability for citizens (Slack and Cote, 2014).

Thus, in order to progress the Swansea Bay City Region and Cardiff Capital Region, decisions have to be made about what form of governance will best build and mobilise the collaborative working required to support their development. There is also a need to minimise the risk that current, overlapping discussions on governance reform result in fragmented governance.

There appear to be no legal barriers in the way of developing city regions in Wales or indeed any evident constraints on the form their delivery bodies might take. Experience from city regions elsewhere suggests that various models exist, from more formal structures where co-ordinating bodies are given powers over financial resources and key areas of policy, to more informal and voluntary partnerships or coalitions of authorities who work together to agree plans and objectives. Critically, no one governance model stands above the rest – there is no one size fits all governance model. City region governance models should and do vary according to context. Their form should match their function and suit the economic and political context of the region. This supports the assertion made earlier that starting with practical projects may be the most practical way forward, and then developing governance arrangements which address the cross-cutting challenges which arise.

Nevertheless, there is strong evidence to suggest that city regions need authorities with capacities to influence land use planning, and transport at

the very least, if not also skills development and training to better support the functioning of labour markets.

It may be preferable and indeed appropriate to develop different, place-specific arrangements for the form and structure of city region authorities in Swansea Bay and the Cardiff Capital Region. The two city regions face different economic and organisational challenges and serve different functions for the Welsh economy as a whole. In practical terms, it may also be easier for arrangements for Swansea Bay to evolve out of its existing Board given there are only four local authorities involved, each of which is currently represented on the Board. A slightly different model may have to be developed for the Cardiff Capital Region given it has 10 local authorities, not all of whom have direct representation on the current Board.

The Metro

In terms of the metro, again there would appear to be no insurmountable legal barriers to its implementation. There are some issues to be resolved around powers and governance. For example, the electrification of the Great Western mainline remains the responsibility of the UK government (for which funding has now been agreed with the Welsh Government). The transition from heavy rail to light rail and the development of integrated rail and bus services may require some changes in powers for the Welsh Government (e.g. as regards bus franchising), but these can be negotiated with UK government and any challenges overcome with good leadership, a strong political commitment to take the project forward and to build the critically important coalitions of support across key stakeholders.

The analyses which have underpinned the metro proposals clearly indicate that two factors will be critical to its effective development:

- additional sources of funding. For the Cardiff Capital Region the promise of a City Deal offers a potentially very valuable, city region-wide resource for key infrastructure and economic development projects such as the metro. This could be used to leverage other funding sources such as available EU Structural Funds. Other funding sources should also be explored. Again, this demands commitment to negotiate and bring available funding sources together.
- a delivery body. There is a strong case for putting delivery of the metro in the hands of a transport authority with statutory powers, and which draws upon appropriate commercial and technical expertise.

This would seem to be critical to driving forward the metro project and seizing on the opportunities provided by the prospective City Deal and other funding. Specifically, making the transition from heavy rail to light rail and integrating rail and bus networks will need a dedicated body – some kind of special purpose vehicle. There needs to be a dedicated body, possibly led by the Welsh Government or maybe evolving out of existing city region Boards or arrangements to oversee the infrastructure project. The delivery of an integrated transport system will also then require some kind of administrative body to apportion revenues, to deliver and oversee its operations. But the precise details of these can be worked through in the project planning. The precise details as to who governs the integrated transport network can be developed as the project develops, but clear project plans with buy in from local governments and strong leadership are critical ingredients for success.

Connections between the City Region and Metro developments, and other related policies and plans

The city region and metro developments are more likely to be truly transformative if they are developed in a manner which complements other, related policies and plans. Developing the theme of integration across the city region's infrastructure projects and wider economic development plans and agendas, such as the Great Western Cities initiative, will be critical in enhancing the development opportunities available:

- Infrastructure developments. The determining factors of regional economic performance appear to be mutually reinforcing, thereby underlining the importance of cross-sectoral approaches to policy formulation and delivery. Enabling city regions to connect their economic and transport plans with strategic planning powers would seem to be particularly important. This would enable economic development to be encouraged and focused around critical nodes in the metro network (as in Stuttgart) (Frank and Morgan, 2012).

It is also important that skills and training development is developed in a manner which complements infrastructure developments such as the metro. International evidence suggests that while public investment in infrastructure has a positive effect on regional growth, the effect is much stronger when educational attainment is high (OECD, 2009). Furthermore in terms of skills, reducing the proportion

of people in a region with very low skills seems to matter more than increasing the share with very high skills (OECD, 2012). Simply concentrating resources in one place will not necessarily lead to the agglomeration benefits associated with city regions. Developing these benefits critically depends upon the existence of a pooled labour market, strong backward and forward linkages among firms, and knowledge spillovers. Thus ‘the key appears to be how assets are used, how different stakeholders interact and how synergies are exploited’ (OECD, 2009; p. 46). This underlines the importance of integrated city region development strategies that cut across sectors and that are based on inclusive governance arrangements.

- **Great Western Cities.** The local authorities of Cardiff, Newport and Bristol have recently agreed to work more closely together under the title of the Great Western Cities, to promote the region as a high quality destination for business investment. As part of this, they have agreed to collaborate to shape transport plans, and to work together to realise the energy potential of the Severn Estuary and Bristol Channel. There is a powerful logic for building on the strengths of the economic mass of this large Severnside region which is already characterised by strong economic relationships (as articulated by the City Growth Commission, 2014). In particular, the Great Western Cities alliance provides significant opportunities to raise the external profile of the region and its cities at a time when the continued growth of London makes for a very challenging environment for other metro areas in the UK. In this regard, this is a potentially very complementary development to the Cardiff Capital Region and Swansea Bay City Regions particularly if it allows for the development of a stronger and more coherent place marketing message in support of the attraction of external investment and events to South Wales and the South West. It also carries the important benefit of collaboration on larger strategic infrastructure and energy projects that inevitably cut across Severnside’s geographical and administrative divides. Clear communication across relevant strategic decision-makers will be critical to ensure these developments are complementary in practice.

Conclusions

The development of city region Boards and strategy documents for the Swansea Bay and Cardiff Capital Region represent a positive step forward in the development of city regions in Wales. However, there is further work to

be done to turn their ideas into tangible projects with clear objectives, plans and timetables, overseen and taken forward by inclusive delivery bodies with long-term planning horizons and co-ordinated and strong leadership.

References

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