

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

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*\*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 order to turn these city region discussions into practical plans and projects. 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 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).

### **Approach to governance of the City Regions and Metro**

Developing effective, co-ordinated governance at the city region scale will 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).

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. 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.

In terms of the metro, again there would appear to be no legal barriers to its implementation, although 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 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. However, this funding may be called upon more widely in support of various other city region projects. As such, additional sources of funding for the metro should also be explored including tax increment financing, road pricing and EU Structural Funds available post-2015;
- 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.

### **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.

## **References**

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