

Chapter 2.

Policies for growth and well-being in the Metropolitan region of Rotterdam-The Hague

This chapter explores the role of public policies in facilitating greater economic integration within the Metropolitan Region of Rotterdam-The Hague (MRDH) as a means of boosting growth and well-being. It first assesses how past policies in transport, spatial planning, economic development and housing have contributed – or, in many cases, inhibited – greater functional integration in the MRDH area and, by extension, the realisation of expected agglomeration benefits. It then proposes a series of strategies to mobilise the two main tools and competencies of the new MRDH body, economic development and transport, towards a more cohesive region. The chapter concludes with a series of considerations with respect to potential changes to the MRDH co-operative structure over the long term.

One of the central objectives of the new governance body for the Metropolitan Region of Rotterdam-The Hague (Metropoolregio Rotterdam Den Haag, MRDH)¹ is to bring the economies of Rotterdam, The Hague and their surrounding municipalities closer together (MRDH, 2014a). This ambition is supported by economic theory: so-called agglomeration economies are an important source of productivity gains, and integrating Rotterdam and The Hague is likely to strengthen agglomeration economies. Rosenthal and Strange (2004) and Puga (2010) demonstrate that the productivity of workers and firms increases with the size of the urban agglomeration in which they operate (see Chapter 1). On average, workers in a city twice the size of another city are 2-5% more productive than workers in the smaller city. Importantly, this effect is unrelated to the individual characteristics of the workers in both cities; that is, in a hypothetical example, if an individual worker could be picked from the smaller city and moved to the larger city, his or her long-term productivity would on average increase by 2-5% (Ahrend et al., 2014). Among the reasons for higher productivity levels in larger cities are the faster spread of ideas, larger local labour markets that ensure better matches between workers and jobs, as well as higher utilisation rates of infrastructure (see Box 1.5 in Chapter 1).

Further economic integration within the MRDH area, and in particular between the two major urban cores of Rotterdam and The Hague, could increase agglomeration benefits, thereby boosting the competitiveness of the area. Given that, historically, the economies of Rotterdam and The Hague have operated mostly independently from each other, the cities have not benefited from each other's size as much as they could. As demonstrated in Chapter 1, agglomeration economies in the Netherlands are evident so long as one takes into account the country's dense polycentric urban structure. If, eventually, the two separate functional urban areas (FUAs) of Rotterdam and The Hague were to become completely integrated and form a single FUA, they could be expected to reap a productivity benefit equivalent to their combined population size, instead of a smaller productivity benefit equivalent to their individual size as is currently the case.²

This chapter considers potential strategies to help the MRDH area grow closer together – that is, operate as a single, functional urban area, rather than two (or more) separate urban areas. The chapter is divided into four parts. The first section will assess how public policies have contributed – or, in many cases, inhibited – greater functional integration in the MRDH area and the realisation of potential agglomeration benefits. The next two sections will focus on how the MRDH body can leverage its tools and resources in its two main competencies – economic development and transport – to achieve its ambition for a more functionally integrated, competitive region. These sections will focus primarily on the role of the MRDH, but will also consider how other actors and levels of government can support these efforts. The final section will discuss potential changes to the co-operative framework of the MRDH over the long term.

Three additional points are nevertheless important to mention. First, greater functional integration of the MRDH area should be seen as a means to an end, rather than an end in itself. Policy makers will thus need to keep in mind what they hope to achieve by a more integrated MRDH area. The MRDH body has, for instance, clearly indicated that one central ambition is to improve the economic performance and boost the international competitiveness of the MRDH area. Second, while the pursuit of greater economic integration within the MRDH area should help boost productivity levels and thereby overall competitiveness, a more economically integrated MRDH area should also boost the well-being of all residents. All residents should have the opportunity to benefit from regional economic gains, in the form of a high-quality living environment, high levels of well-being as well as access to services and educational and workforce

opportunities.³ Finally, as will be discussed later in this chapter, the economic integration process of the MRDH area will take time. There is no “silver bullet” to deepen integration, and it is unlikely to occur automatically. Rather, greater functional integration is likely to result from a range of economic, transport and spatial planning policies at different levels of government, which focus both internally (within the region) and externally (to boost the competitiveness of the MRDH relative to other Dutch urban areas and cement its global position).

The role of public policies in contributing to economic integration in the Metropolitan Region of Rotterdam-The Hague

While Chapter 1 looked at whether the MRDH area could be considered a single metropolitan area from a functional perspective, this chapter will focus on why stronger functional links have not materialised within the region. Based on an assessment of commuting data and economic interactions, the MRDH is not yet a single, integrated functional area (see Chapter 1). Stronger economic links have begun to develop in the past decade among the 2 main cities and 21 surrounding municipalities, yet these interactions remain smaller than what one might expect given the mere 30 kilometres that separate Rotterdam and The Hague. In addition to the distinct economic profiles within the MRDH area, past public policies have played an important role in limiting the formation of such interactions.

Distinct socio-economic profiles within the MRDH inhibits greater economic interactions

The limited economic links within the MRDH are anchored, in part, in the distinct economic profiles of the two cities and their surrounding municipalities. Given the large differences in their socio-economic histories, Rotterdam and The Hague have cultivated very distinct identities so far. The economic and cultural roots of Rotterdam are closely connected to the port, and the city is often seen as a working-class city that has transformed itself into a modern urban centre. In contrast, The Hague has long been the seat of the Dutch government and has a reputation as a city of white-collar public sector employees. The municipalities in between are specialised in the horticulture and food sectors, as well as knowledge institutions. The different characteristic sectors within the MRDH operate independently from each other and have few economic connections, which may have its advantages.⁴ However, there is also a potential drawback: the absence of highly complementary economic sectors within the MRDH limits the possibility of developing strong interactions across the different economic sectors located throughout the region (see Chapter 1).⁵

Public policies have also limited agglomeration

The historically distinct economic profiles within the MRDH area are not, however, the only factor limiting stronger regional functional integration. Public policies, both in terms of their objectives and their fragmented design and delivery among competing actors, have also played an important role. First, the objectives of different public policies implemented at all levels of government have often run counter to the development of a single, functionally integrated region. Many policies for economic development, spatial planning and housing have, implicitly or explicitly, constrained the development of greater functional integration and agglomeration benefits. Second, historic political tensions between different administrations operating within the region – namely, the

provincial authorities of Zuid-Holland on one side, and the authorities from the two leading municipalities and former city-regions on the other – have been another obstacle to greater functional integration in the MRDH area. Indeed, one of the rationales behind the creation of the MRDH body is the argument that Rotterdam and The Hague represent a coherent, yet unrealised, functional economic area that could be achieved through improved co-ordination between regional actors.

Recent transport investments have strengthened intra-regional links to some extent...

Transport investments within the MRDH area have had some success in bringing the region closer together, even if the effects on commuting patterns have thus far been lower than one might expect. As discussed in Chapter 1, commuting flows within the region grew following the completion of the Randstad Rail in 2006, a light-rail linking Rotterdam, The Hague and numerous municipalities in between. These higher levels of commuting are driven by increased travel from smaller municipalities toward one of the two main cities, rather than increased travel between Rotterdam and The Hague, which has remained extremely limited given the proximity of the two major cities. Increased connectivity within the MRDH and between the MRDH and other large Dutch urban areas could help the MRDH “borrow” size from its large neighbours and thereby boost its national and international competitiveness.

...while national spatial planning policies have impeded greater functional integration

While transport policies have aimed to stimulate greater functional integration, the same cannot be said for policies in other related fields. The Netherlands has traditionally pursued active spatial planning policies that strongly influence urban form and the structure of the economy. In the Randstad region for decades the central government pursued an aggressive growth management strategy as a means of enhancing quality of life and relieving demographic pressures in a context of land scarcity and the costly process required to prepare non-urban land for development (see Eickmann, 2009). In the past, this growth management strategy was anchored in an overarching ambition to distribute equally economic and territorial development across the territory. This approach was driven in part by environmental sustainability and liveability concerns, which have remained high on the political agenda (see Ministry of Housing, Physical Planning and the Environment, 1994; van der Valk, 2002).

Past nationally driven spatial planning policies have thus been an explicit obstacle to greater functional integration within the MRDH. Until the 1980s, a series of spatial planning policies developed at national level – the “growth centre” strategy – sought to prevent the towns and the cities of the Randstad from “grow[ing] into one another,” or in other words, forming large, continuous urban agglomerations (Faludi, 1994). These policies promoted the development of smaller, more contained urban areas and dispersed urbanisation patterns as a means of preventing the development of large cities; Faludi (1994: 488) characterised Dutch planners as “abhor[ing] metropolitan development”. As early as 1958, the Working Commission for the Western Netherlands was formed by the national government to “encourage outward expansion and retain the historic cities as physically distinct entities” (Faludi, 1994: 491).⁶ One such strategy was to channel urban growth into pre-determined “overspill towns” and alternative “growth centres” to alleviate congestion in the major cities of the Randstad (as identified in the 1976 Third

National Spatial Planning Policy). Within the MRDH, the municipalities of Capelle aan den IJssel, Hellevoetsluis, Spijkenisse and Zoetermeer were identified as such growth centres. Another strategy was to create green buffer zones of at least four kilometres between cities, which were designed to preserve open space and limit development (Ministry of Infrastructure and the Environment, 2012). In the MRDH area, the Midden-Delfland area between Rotterdam and The Hague was identified as one such green buffer.⁷ A brief evolution of Dutch spatial planning since the 1960s is summarised in Box 2.1.

Box 2.1. Polycentricity and the green heart: Dutch spatial planning since the 1960s

Relieving growth pressures on the main Dutch cities

Beginning in the 1960s, the Dutch government pursued a growth management strategy that sought, on the one hand, to establish and maintain the country's "green heart" (in which new development was precluded or stringently limited so as to protect agricultural activities) and, on the other hand, to develop a dense polycentric urban network. The establishment of the First and Second National Memoranda on Spatial Planning (VROM) in the 1960s concretised this spatial approach with a "dispersal strategy" that aimed to relieve growth pressures in the main cities and the Randstad by directing growth to other parts of the Netherlands. The Third Memorandum on Spatial Planning in the 1970s favoured concentrating population growth in new growth centres outside the four main cities.

Towards a "compact city" approach

The Fourth Memorandum, in the 1980s, marked a significant shift toward a "compact city" spatial development approach, with the introduction of the 1991 Supplement to Fourth National Spatial Planning Policy Document (*Vierde Nota voor de Ruimtelijke Ordening Extra*, VINEX). VINEX aimed to steer growth in and around existing urban areas by identifying "expansion areas" near cities to absorb future residential growth (Kreukels, 2002; Eickmann, 2009). The Fifth National Memorandum on Spatial Planning (2001) aimed to manage urban growth through the application of strict urban growth boundaries and a network of cities, supported by urban investments by the national government.

Sources: Kreukels (2002); Eickmann, A.J. (2009), "Dutch spatial planning: The coordination of compact development and affordable housing", *Dissertations and Theses*, Paper 360, PDX Scholar, Portland State University, http://pdxscholar.library.pdx.edu/cgi/viewcontent.cgi?article=1359&context=open_access_etds. (accessed 27 May 2015); Faludi, A. (1994), "Coalition building and planning for Dutch growth management: The role of the Randstad concept", *Urban Studies*, Vol. 31, No. 3, pp. 485-507, <http://dx.doi.org/10.1080/00420989420080441>.

For decades, the close alignment of national spatial planning and housing policies – housing subsidies, in particular – was instrumental in channelling growth to specific areas of the country. Priemus (1997: 77-78) characterised the relationship between spatial planning and housing policy as "a long and happy marriage," with spatial planning essentially as the "locational policy for residential construction". The housing boom that followed the end of World War II consisted primarily of the development of social rental housing, most of which was constructed with subsidies from the central government; in the early 1980s, for instance, 90% of new housing development was subsidised by the central government (Faludi, 1994). Spatial planning policies, to a large extent, guided where such residential development could and could not take place. It was not until the deregulation of the housing market in 1989, coupled with the introduction of a more "compact city" approach to spatial planning (VINEX; see Box 2.1) in 1990, that spatial

planning and housing policies appear to have decoupled to some extent at national level, creating some contradictions between the two. While housing policies became more market-oriented, spatial planning retained its restrictive nature (see Priemus, 1997).

There are clear benefits to such a spatial planning approach and, given the geographic constraints of the Netherlands, it is understandable that public authorities would seek, to some extent, to actively guide the country's spatial structure. By international standards, the Netherlands has high levels of quality of life and well-being, and disparities are relatively low across the four regions of the Netherlands (see Chapter 1). Moreover, the national government's active spatial planning policies have helped to ensure to a large extent relatively strong integration of spatial planning, housing and transport investment. At national level, the country's spatial development has, for the most part, been well connected to an expansive transport network, while housing subsidies have helped spur development in certain, well-connected locations. At a more local scale, although transport-oriented development has had more mixed success on the ground, it has nonetheless been an explicit ambition of national spatial policies in recent years. Finally, some level of restrictive spatial planning is understandable given the spatial constraints in the western part of the Netherlands. Three features make the Randstad a particularly challenging environment for development: 1) it is the most densely populated area of the country; 2) it is home to the best agricultural land in the country (van der Valk, 2002); and 3) it registers a large share of land below sea level – land that requires extensive, costly preparation in order to be developed (see Guers and van Wee, 2006; Eickmann, 2009).

Yet there are also economic costs to highly restrictive spatial planning, even if they are not always obvious.⁸ These costs can lead to substantial efficiency losses. Cheshire and Sheppard (2002) show that for the United Kingdom, restrictive land-use planning has welfare costs equivalent to a tax of 3.9% on household incomes. For example, a company might like to move to a particular location but is prevented by planning regulation and instead chooses to move to another location, where it can obtain planning permission. On one level, this could be seen as a success of planning policy. However, it is possible that restricting the company from moving to its preferred location has hidden costs that reduce economic growth in the future, potentially reducing the company's productivity. Similarly, Barker (2006) argues that restrictive planning policies can lead to a lack of competition in the retail sector, which causes higher prices for consumers. These hidden costs need to be carefully weighed against the potential benefits of strict land-use regulations, such as higher residential quality and environmental protection.

The role and approach of the national government with respect to spatial planning and housing has changed considerably in recent years. If previously the national government assumed a direct role in defining the overall spatial strategy for the Netherlands, spatial planning competencies have been increasingly decentralised to provinces and (until their abolition in 2015) city-regions (Savini, 2013). As will be discussed in Chapter 3, the national government is now in the process of rethinking its role in territorial development, with a series of territorial and administrative reforms in addition to the development of a National Urban Agenda (Agenda Stad). With the transfer of transport competencies to the MRDH and the Amsterdam Metropolitan Area (in all other Dutch urban areas, these functions were transferred to the provinces), the central government is demonstrating a shift from a “one-size-fits-all” approach to governing urban areas toward more tailored, asymmetric solutions that aim to fit institutions to specific contexts (see Chapter 3). In terms of housing, as well, much has changed since 1989, with the deregulation of the housing market and the shift towards a more market-based approach (Box 2.2).

Box 2.2. The changing Dutch housing model

The introduction of VINEX (Supplement to Fourth National Spatial Planning Policy Document, *Vierde Nota voor de Ruimtelijke Ordening Extra*), which signalled an important shift in national spatial planning policies in 1990 (see Box 2.1), coincided with the deregulation of the housing market in 1989 and a drastic shift in emphasis for housing policy. While social rental housing had been the preferred type of new residential construction between the end of World War II and the 1980s, negotiations between the central and local governments with respect to the development of VINEX locations required that most new housing had to be market-rate (with new social rental housing capped at 30% of the total new development) (Priemus, 1998).

According to Cao and Priemus (2007), the major changes in the housing policies of the Netherlands towards a more market-based approach can be summarised as follows:

- fiscal: drastic reduction in housing subsidies and the state housing budget; in 1995, elimination of subsidies for new housing construction
- tenure preference: transition from most new residential development in the social rental sector toward the owner-occupied for-sale sector
- governance: Dutch housing associations are more independent (including fiscally independent from the Dutch government) than previously
- more choice for housing consumers: a broader policy shift to allow more consumer choice in housing options.

Source: Cao, L. and H. Priemus (2007), “Spatial disparities and housing market deregulation in the Randstad region: A comparison with the San Francisco Bay Area”, *European Urban and Regional Studies*, Vol. 14, No. 4, pp. 362-381, <http://dx.doi.org/10.1177/0969776407076289>; Priemus, H. (1998), “Spatial planning and housing policy: On the ties that bind”, *Netherlands Journal of Housing and the Built Environment*, Vol. 12, No. 1, pp. 77-90, <http://dx.doi.org/10.1007/BF02502624>; Faludi, A. (1994), “Coalition building and planning for Dutch growth management: The role of the Randstad concept”, *Urban Studies*, Vol. 31, No. 3, pp. 485-507, <http://dx.doi.org/10.1080/00420989420080441>.

Economic and spatial planning at provincial level: Fair distribution of the regional economic pie

Despite changes to spatial planning policies at national level, the aim for balanced territorial development has persisted to a large degree in the MRDH area, and more broadly in the South Wing of the Randstad. Municipalities are responsible for land-use planning on the local level, but municipal plans must be aligned with the six sub-regional spatial plans developed by the Province of Zuid-Holland. In cases of conflict, the province has the power to veto local land-use plans. This makes spatial planning arguably one of the most important means of the province to influence local policies. According to OECD interviews with public authorities within and outside the MRDH, the Province of Zuid-Holland adheres to an activist spatial planning philosophy that tends to be more restrictive than that of other Dutch provinces. During interviews, municipal actors contended that the province has vetoed planning decisions even though they had been agreed upon by all concerned municipalities. According to Spaans and Stead (2013: 18-19), provincial authorities in Zuid-Holland have “taken the lead in cancelling potential new housing, office and retail locations”, suggesting that such decisions make it easier to reach regional objectives of the provincial-led transport-oriented development initiative, StedenbaanPlus.

The provincial approach to spatial planning appears to be a legacy of national spatial planning of the past that aimed to actively guide new urban development to specific locations. Part of the rationale appears to be driven by a desire to ensure that each municipality receives a roughly equal share of the regional economic pie. The Agenda Spaces (*Agenda Ruimte*) that guides the spatial development policies of the province designate economic functions to particular geographical areas and leave little room for unplanned development of businesses (see Provincie Zuid-Holland, 2014). For instance, the province authorises each municipality, or small grouping of municipalities, a certain amount of new development. During OECD interviews conducted within the MRDH, it was suggested that the province often restricted new commercial and office development in various municipalities in part to avoid high vacancy rates. Although the high vacancy rates in office space in Rotterdam⁹ and other Dutch cities are cause for concern, governmental actors are unlikely to know better than the market where sufficient demand for development exists. In this context, it is encouraging that the province has acknowledged the importance of the MRDH area as the centre of economic activity within the province and supports stronger economic growth there (see Provincie Zuid-Holland, 2014).

Furthermore, the OECD recommends that planning authorities do not use so-called “adverse impact” tests (OECD, 2010b). In other words, planning authorities should not consider the impact of a planning decision on incumbent businesses, because this would reduce competition and would make it more difficult for competitors to start new businesses. Such adverse impacts were cited by several interviewed actors from the MRDH region as a reason for withheld planning permissions. Moreover, unsuccessful investment projects are an integral part of a dynamic market economy; in the construction industry, unsuccessful investments manifest themselves in the form of empty buildings. Only if actors are willing to take risks and governments to let them do so will the economy grow and become more productive. The downside of this process is that, inevitably, some projects fail. This is the case no matter whether the investment project in question is a start-up company or the construction of a new office building. From a public policy standpoint, it is desirable to tolerate such failures because preventing them would imply imposing severe restrictions on entrepreneurial activities, which could potentially create high costs. For example, Tian and Wang (2014) find that firms that are more tolerant to failure are more innovative.

Social housing policies further limit the spatial integration of the MRDH

The functioning of the social housing market has also led to greater fragmentation within the MRDH area. Social rental housing makes up 38% of the housing stock in the COROP region of Rotterdam, The Hague and Delft, and more than 80% of all rental accommodation in Rotterdam (IMF, 2014). It is primarily owned and operated by housing co-operations¹⁰ and thus must abide to a particular set of regulations and a monthly rent ceiling of roughly EUR 710 in 2015.¹¹

There is strong evidence that the allocation of social housing restricts labour mobility and, by extension, the development of a single, regional housing market. The MRDH area is divided into two housing regions: one corresponding to the former city-region of The Hague and the other to the former city-region of Rotterdam. Each sub-region has a separate waiting list and somewhat different regulations with respect to the social housing sector. Moreover, different housing co-operations, which have their own application procedures, operate within these smaller sub-regions; The Hague area, for instance, is home to three housing corporations. The system makes it significantly easier for residents

of social housing to move within their housing region than across housing regions. Moving to another housing region means that individuals lose their tenure on the waiting list. Thus, it can require long waits to get an offer for housing, and if the tenant's income level has increased, he or she may no longer be eligible for social housing. In practical terms, this means that an individual on the social housing waiting list in and around The Hague has strong disincentives to apply for social housing in and around Rotterdam.

Concerns about the rigidity of the Dutch housing market on the country's labour mobility rate are not new, although empirical evidence as to the precise nature of these links is mixed (see, for instance, OECD 2010a). While the relationship between different tenure types and labour mobility is not clear, there is robust evidence that renters of social housing have lower mobility rates and higher local unemployment levels, concluding that “generous social housing policies have aggravated mobility problems” (see OECD, 2010a; De Graaf, van Leuvensteijn and van Ewijk, 2009; Battu, Ma and Phimister, 2009). In addition, as Dohmen (2005) shows, frictions in the housing market can reduce labour mobility, which in turn can increase unemployment. Vandevyvere and Zenthöfer (2012) argue that the waiting list system for social housing makes it unattractive for residents to move to another housing region in order to accept a better paying job, which reduces mobility. Meanwhile, the rental price ceilings on social housing in the Netherlands create strong lock-in effects for sitting tenants (De Boer and Bitetti, 2014).

Historic tensions among leaders in the region, though recent progress is promising

In addition to the policies described above that have often constrained functional integration in the MRDH, there is a long, conflictual history of unhelpful competition, “turf wars” and territorialism among some leaders within the region that has until recent months made it difficult to advance a more cohesive regional agenda.

On the one hand, the increased intentional co-operation between the mayors of the region's two largest cities is a recent phenomenon. Even though inter-municipal co-operation in the MRDH area has been common at smaller scales¹² and among the large cities and their smaller neighbours, Rotterdam and The Hague have not, traditionally, been partners and have tended to operate largely independently of each other. Co-operation between the two cities has developed only in recent years – first project-based and civil servant-led, then politically led at the personal initiative of the two mayors (Spaans and Zonneveld, 2014). In 2008, the city-regions of Rotterdam and The Hague had commissioned their respective “regional structural plans 2020” to the same external consultancy, and as the officials decided to put the two plans together to check what a combined map looked like, they realised that the plans reinforced each other. When new mayors were appointed in both Rotterdam and The Hague that same year, they formed a well-functioning working relationship, even though they belonged to different political parties. One visible illustration of the growing collaboration between the two cities was the renaming of the Rotterdam Airport as the Rotterdam-The Hague Airport in 2010. The central government's decision to abolish city-regions (announced in 2010 to take effect in 2015) and the earlier creation of the Metropolitan Area of Amsterdam in 2007 (see Box 3.15 in Chapter 3) prompted the two mayors to propose a new governance arrangement in the region. With the backing of the then 22 surrounding municipalities,¹³ the two mayors led the creation of the MRDH, in which the municipalities would jointly take over the transport authority functions from the defunct city-regions. During the summer of 2012, all 24 municipalities were invited to discuss and join the formation of this new metropolitan region. The creation of the MRDH has

thus allowed for an attempt to deepen and institutionalise the emerging co-operation between Rotterdam and The Hague, which would prevent a relapse into decades of unhelpful competition.

On the other hand, conflicts between the provincial and municipal authorities in the MRDH area have historically been another source of political standstill. One political leader interviewed for this review reported that in past years little could be achieved during regional co-ordination meetings due to conflicts between the two main municipalities and the province. In short, forging and implementing a more coherent political vision for the region – one that is shared across administrative boundaries, levels of government and policy fields – has heretofore been a challenge. The creation of the MRDH is seen as a way to overcome a past policy of poor co-ordination within the region, and a means of removing the barriers to closer economic integration of the MRDH. There has been important progress on the relations between the MRDH and the Province of Zuid-Holland since the provincial elections in March 2015. Both parties appear more willing to find ways to co-operate than in the past. This is critical progress and should form the basis of a more productive working relationship moving forward.

Mobilising economic policies for a more competitive, functionally integrated Metropolitan Region of Rotterdam-The Hague

This section considers how economic policies in the MRDH area could be adapted to achieve the ambition of the MRDH for a more functionally integrated, competitive metro region. First, it identifies the different tools and objectives of the MRDH. Second, it considers how this new body can provide added value in an already crowded institutional environment. It then proposes two overarching strategies for the MRDH to guide its economic agenda: 1) focusing inward to promote greater integration of the MRDH while 2) looking outward to boost the competitiveness of the MRDH relative to other Dutch urban areas as well as its international profile. Both sets of strategies should be advanced in parallel to have the greatest impact. Finally, this section considers several broader areas of reflection on economic policies for the MRDH, and more generally for other Dutch urban areas. First, how might policy makers at all levels weigh the costs and benefits of targeted sector-specific support versus broader improvements in economic conditions? Second, in what ways can support to specific economic sectors be robust to failure? And third, under what conditions might inter-municipal competition – rather than the co-operation sought by the formation of the MRDH authority – be desirable?

What are the tools and objectives of the MRDH?

The MRDH works in two fields: economic development and transport (refer to Box 1.1 in Chapter 1). In the field of economic development, the legal competencies and financial resources of the MRDH – its “hard tools” – are relatively limited. Its responsibilities are based on a voluntary agreement that does not include any enforcement mechanisms. The MRDH thus relies fully on the co-operation of its members to implement its policies. It has an economic development budget of EUR 5.5 million. In total, roughly EUR 3.2 million are allocated for projects in 2015, with the remainder to cover staffing costs (MRDH, 2014b). As the newly appointed transport authority for the MRDH area, the MRDH is responsible for the strategic management of public and private transport with a budget of approximately EUR 475 million.¹⁴ Given the complementarities between the fields of transport and economic development, the MRDH body plans to facilitate its economic ambitions through strategic transport policies and

investment. Concrete strategies for the MRDH to mobilise its policy toolbox and, in some cases, to co-operate with other public and private actors to deliver public value, are discussed later in this chapter. In the initial stages of the formation of the MRDH body, it had been contemplated that its portfolio could include additional responsibilities, such as spatial planning and natural resources management. However, municipalities in the MRDH ultimately agreed to co-operate voluntarily on economic development only, in addition to the transport competencies allocated to the MRDH by the central government.

Despite the lack of hard tools on economic policy and the MRDH's small budget for economic development, it has the potential to be an influential actor. It has the political backing of 23 municipalities that have committed themselves to support its activities. Thus, it is strategically well placed to shape the policy priorities of its members and make use of their combined strengths.

Prioritising objectives within the MRDH's programme of work on economic policy

The MRDH has developed a preliminary programme of work (MRDH, 2014a; 2014b) that takes stock of the strengths and challenges of the MRDH area, develops a vision and identifies specific policy measures and projects to support. The strategic elements of the programme synthesise the MRDH authority's response to five global trends (Table 2.1). The specific policy measures it proposes cover eight themes in support of the strategic elements (Table 2.2). The programme of work includes a broad set of objectives that contribute to the general goals of strengthening the economy in the MRDH area and bringing Rotterdam and The Hague closer together. As a next step, the MRDH will need to develop concrete policies to achieve the ambitious goals outlined in its programme of work.

Prioritisation of economic development objectives and activities covered by the MRDH's ambitious economic agenda will be necessary. Working on all issues at the same time would exceed the administrative and fiscal capacity of the MRDH. Moreover, the wide-ranging programme of work for the MRDH economic agenda – which contains eight projects that are supported by the MRDH with contributions between EUR 150 000 and EUR 750 000 (MRDH, 2014b) – could create the risk that the efforts of the MRDH are too widely diluted to have a transformative impact in the targeted policy fields. When deciding on which tasks to focus, the MRDH should consider its own strengths and weaknesses, but also those of other organisations in the region. It must aim at filling gaps in the public policy within the region instead of duplicating existing efforts. The following section discusses this issue with a particular focus on the relation between the MRDH and the South Wing Economic Board.

Adding value in a crowded field for economic policy

To be successful in achieving its ambitions, the MRDH will need to demonstrate that it can add value in a policy field for economic development in which numerous organisations and platforms co-exist. The crowded institutional landscape reflects the historically long-standing and complex search for a relevant scale of policy intervention (Box 2.3). In particular, co-operation at the level of the South Wing started almost two decades earlier than the MRDH, with a geographic coverage that includes the municipalities that are members of the MRDH, in addition to the cities of Leiden and Dordrecht and their surrounding municipalities (none of which are part of the MRDH). Both the South Wing co-operation and the MRDH were initially motivated by a central

Table 2.1. Metropolitan Region of Rotterdam-The Hague's response to global trends

Global trend	MRDH's response
Metropolis formation	<ul style="list-style-type: none"> – Creating a well-functioning public transport network making the economic centres accessible within 45 minutes – Encouraging optimal use of regional road transport infrastructure – Further strengthening regional infrastructure networks, including the transport hubs – Developing a shared vision for the location of firms – Strengthening crossovers between the main clusters in the region (the port, the medical sector, the horticulture sector, security, clean-tech, food and safety) – Creating a common brand under which existing brands can be promoted – Co-ordinating the acquisition goods and services across municipalities – Strengthening vocational education infrastructure by offering good trainings in the vicinity of economic clusters
Increasing importance of knowledge as a production factor	<ul style="list-style-type: none"> – Strengthening clusters in clean-tech, medical technology, advanced horticulture and creating connections to other regional industries – Developing the region as an internationally recognised leader on peace, security, food and sustainability – Creating lightly regulated space for pilot projects and other experimental approaches – Improving the quality of environments designed for knowledge exchange – Improving financing options for innovative and fast-growing businesses – Supporting the co-operation between the universities of Leiden, Delft, Rotterdam and Wageningen – Linking local business networks with regional top sectors – Using labour market dynamics as an engine for knowledge, ideas and application of existing skills – Developing The Hague as a global centre for peace, justice and security – Developing Rotterdam as a global centre for sustainable living and production in a highly urbanised delta region
New opportunities for the manufacturing sector	<ul style="list-style-type: none"> – Providing sufficient space for new industrial activity even in urban areas – Providing locations for small-scale manufacturing – Encouraging crossovers between manufacturing and knowledge-intensive sectors – Providing lightly regulated space for pilot projects and other experimental approaches – Developing business cases in the manufacturing sector – Increasing the international recognition of the MRDH as a location for new manufacturing – Linking local business networks with regional top sectors
Towards a greener economy	<ul style="list-style-type: none"> – Scaling-up and cross-linking a network for excess heat distribution from the port with the existing network for CO₂ use and storage – Scaling-up of local initiatives for recycling – Providing lightly regulated space for labs, incubators and other experimental approaches – Jointly improving the sustainability of procurement – Increasing the international recognition of the region in the field of sustainability – Developing business cases to finance energy infrastructure
The city and its surroundings as attractive areas for consumers	<ul style="list-style-type: none"> – Marketing the region as international tourist destination – Strengthening the region as a location for congresses in the field of peace, security, food and sustainability – Strengthening the network of entrepreneurs – Developing a joint visitor's card for (inter)national visitors – Developing business cases in the tourism and leisure sector – Exploiting opportunities for ICT development in the retail sector

Source: MRDH (2014a), *Agenda Economisch Vestigingsklimaat*, Metropolitan Region of Rotterdam-The Hague, The Hague, available (in Dutch) at: <http://mrdh.nl/sites/mrdh.nl/files/files/140411%20Agenda%20Economisch%20Vestigingsklimaat%20MRDH%20-%20Concept.pdf>.

government programme and its related financial support (i.e. the MIRT programme in the South Wing, the transport funding in the case of the MRDH) and added an economic development component (i.e. the Economic Programme Board in the South Wing, EPZ, the economic development pillar in the MRDH). Moreover, a number of economic development and promotion agencies that are primarily operated by municipalities exist

in the region (Box 2.4). Providing simply another platform for dialogue will not be enough in a region that already has such platforms in abundance and where existing networks are sufficient to manage information exchange and to provide a basic level of co-ordination.

Box 2.3. The crowded institutional landscape of economic development in the MRDH area: The South Wing

The MRDH operates within the southern part of the Randstad, often called the South Wing. In contrast to the greener, northern part of the Randstad (North Wing), the South Wing is a relatively densely populated urban region. The term South Wing has different meanings: not only a geographical area (of which different delineations exist), but also a concept and a social construct (Minnesma and Rotmans, 2007, as quoted in Spaans and Zonneveld, 2014).

Administrative Platform South Wing

Targeted by the government at the end of the 1990s as a key area in need of intense co-operation, the Administrative Platform South Wing (Bestuurlijk Platform Zuidvleugel, BPZ) was created in 1997. A similar arrangement was set up in the North Wing of the Randstad. The platform was initially supposed to be a temporary network of administrators, without any transfer of competencies but with the task of conducting preparatory work towards a new agreement between the area and the central government on housing and infrastructure investment. It was composed of eight partners from different government tiers: the Province of Zuid-Holland (chairing the platform); five regional co-operation bodies including the city-region of Rotterdam (Stadsregio Rotterdam) and the city-region of The Hague (Haaglanden); Holland Rijnland (the northern part of the province with Leiden as the largest city); Drechtsteden (Dordrecht and surrounding municipalities) and Midden-Holland (Gouda and its environs); as well as the municipalities of Rotterdam and The Hague. Two ministries had initially delegated an observer to the platform, but this is no longer the case.

In 2000, the platform was converted into a permanent structure supported by a small secretariat of a dozen employees, hosted by the Province of Zuid-Holland. In 2011, the platform was renamed South Wing Co-operation (Samenwerkingsverband Zuidvleugel). It is still not intended as a decision-making organisation, but rather as a space in which to reach agreement about investment projects. Impaired by challenges of internal trust and politics, co-operation has remained focused on a limited number of issues for which provincial deputies and aldermen have gradually taken the lead over mayors and the King's Commissioner. In particular, it provides the organisational setting for annual negotiations with the central government about financing infrastructural and other spatial projects in the South Wing area as part of the Multi-year Plan for Infrastructure, Spatial Planning and Transport (Meerjarenplan Infrastructuur, Ruimte en Transport, MIRT).¹

South Wing Economic Programme Board, EPZ

Under its umbrella, the South Wing general co-operation has recently established a more specific, triple helix form of co-operation called the South Wing Economic Programme Board (Economische Programmaraad Zuidvleugel, EPZ). Created in 2014, the board is composed of mayors and aldermen, high-level representatives from some of the most important companies of the region, and from the three universities (Erasmus University Rotterdam, Delft University of Technology and Leiden University) and two universities of applied sciences. In July 2014, the board published an Economic Agenda 2020, comparing the region's dormant development potential to a "sleeping beauty" and calling for action in the following fields: branding, labour markets and education, innovation and valorisation, international connectivity and energy.

Box 2.3. The crowded institutional landscape of economic development in the MRDH area: The South Wing (*continued*)

Furthermore, the MRDH needs to co-ordinate its work with a variety of other business promotion and development agencies that are active in the region. They are outlined in Box 2.4.

Notes: 1. The MIRT programme is an investment programme set up by the national government with the goal to improve coherence between investments in spatial planning, economic development, mobility and liveability. In order to ensure co-ordination between the MIRT programme and regional policy, concertation practices (*bestuurlijk overleg MIRT*) were introduced according to “regional agendas” (*gebiedsagenda*’s), which are discussed annually between the national government and local governments (provinces and municipalities). The regional agendas take stock of the region’s specific characteristics, existing national policies, expected developments and challenges, and serve as the basis for co-ordination and consensus-building. The MIRT programme formally extends beyond the life of a single parliament and provides a coherent framework for ensuring consistency and concentration in investments. These plans operate on the basis of projects which progress through a series of phases including initiation, planning, realisation, completion and maintenance.

Sources: Various sources including Spaans, M. and W. Zonneveld (2014), “Evolving regional spaces in the southern Randstad”, in: EURA-UAA Joint Conference on City Futures III “Cities as Strategic Places and Players in a Globalized World”, Paris, France, 18-20 June 2014, pp. 18-20, available at: <http://repository.tudelft.nl/assets/uuid:a54b52c6-4888-4be9-a2b3-20100c0812e3/311746.pdf>; OECD (2014b), *OECD Territorial Reviews: Netherlands 2014*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264209527-en>; South Wing Co-operation website (n.d.), www.zuidvleugel.nl; South Wing Economic Programme (n.d.), www.epzuidvleugel.nl (accessed June 2015).

The MRDH and EPZ platforms each have their own strengths. The MRDH is strong due to the political backing of 23 municipalities (Table 2.2). The Economic Programme Board of the South Wing (EPZ) benefits from a “triple helix” co-operation (Leydesdorff and Etzkowitz, 1996), which involves representatives from the public sector, from the private sector and from universities. Both strengths need to be exploited in a complementary manner. Interviewed actors highlighted this aspect of the EPZ as one of its distinct strengths. The EPZ convenes many important actors with respect to regional economic development, including the municipalities that have founded the MRDH. While they do not play a leading role in the EPZ, they are well represented on it through the membership of several mayors and aldermen.

Box 2.4. Business promotion and development agencies in the Metropolitan Region of Rotterdam-The Hague

Delft Marketing

Delft Marketing is a foundation that was created by the municipality of Delft in 2004 and is funded by it. Primarily, it aims to promote Delft to tourists, but also offers support and advice to local businesses that work in the tourism sector. It aims to make Delft more attractive as a tourist destination and encourages travel agencies and other tourism companies to provide trips to the city.

Den Haag Marketing

Den Haag Marketing is the city marketing agency of The Hague, Scheveningen and Kijkduin. It tries to attract events and conventions and promotes the area to business visitors and tourists. Furthermore, it runs the tourist office in the Hague and provides a wide range of information to tourists. Den Haag Marketing is controlled by the municipality and has a staff of 67.

Box 2.4. Business promotion and development agencies in the Metropolitan Region of Rotterdam-The Hague (continued)

InnovationQuarter

InnovationQuarter is a business promotion and development agency for the region of West Holland. It works to promote the region nationally and internationally, attract foreign direct investment (e.g. by helping interested companies to find suitable sites), organise networking events and connect companies to research organisations. It targets particularly the following sectors: life sciences and health, clean-tech (including water and delta technology, bio-based economy, sustainable energy, industrial biotech), security, horticulture and agri-food, high-tech systems and maritime industry. InnovationQuarter is jointly financed by the Ministry of Economic Affairs, the cities of Rotterdam and The Hague, and universities. It operates its own investment fund (with contributions from the ministry, the province and municipalities) to support fast-growing businesses, as well as its own investment programme for major economic development activities (co-financed by the province and EU funds).

Rotterdam Partners

Rotterdam Partners is the business promotion agency of the city of Rotterdam. Its task is to link companies and private investors to the city administration and other public institutions within Rotterdam. It supports domestic and international companies in setting up operations in Rotterdam by providing information and advice, helping firms to receive applicable subsidies, putting them in touch with service providers and assisting them in administrative matters. As another major activity, it promotes the city of Rotterdam as a business location, tries to attract events and congresses, and advertises Rotterdam as a tourist destination and encourages travel companies to offer trips to the city. In this role, it also runs the Rotterdam tourist information and operates the website rotterdam.info, which contains information for visitors, residents and expats.

Besides its activities as a business promotion agency, Rotterdam Partners also serves as the secretariat for the International Advisory Board (IAB) of Rotterdam. The IAB is a board of high-level private and public sector representatives as well as academics. It meets biannually and advises the municipal government on strategic policy issues. Approximately every second year it prepares a report that summarises important international developments and gives recommendations how the city of Rotterdam can position itself to benefit from them.

Rotterdam Port Promotion Council

The Rotterdam Port Promotion Council (RPPC) is a private sector association that promotes the port and the businesses that are located within it. It organises marketing activities, brings members in contact with each other and with potential customers and also provides support for public relations and marketing activities of individual members.

The RPPC has primarily private businesses that rely on the port for their activities as members, but includes also trade associations and the Port of Rotterdam Authority. It is controlled by a board that consists of a member of Deltalinqs, the Port of Rotterdam Authority (the trade association of businesses in the port), as well as several members of private sector companies and trade associations. The RPPC has a staff of seven.

WestHolland Foreign Investment Agency

The WestHolland Foreign Investment Agency (WFIA) promotes economic development and investment in the northern part of the MRDH region as well as in the city of Leiden. It was founded in 2000 by an initiative of the municipalities in the region, the former Haaglanden city-region and the chamber of commerce. It primarily targets foreign companies that plan to invest abroad and provides support and advice to them before and after the decision to invest in the region has been taken.

Box 2.4. Business promotion and development agencies in the Metropolitan Region of Rotterdam-The Hague (*continued*)

The WFIA has a staff of 14 and a budget of approximately EUR 1.2 million. The budget comes primarily from contributions of member municipalities, but the national government contributes 20% of it, too. Furthermore, the city of The Hague pays an additional EUR 200 000 that contribute directly to initiatives specifically located in The Hague.

Sources: Delft website (n.d.), www.delft.nl/Toeristen/Delft_Marketing/Over_Delft_Marketing (accessed May 2015); Den Haag Marketing website (n.d.), www.denhaagmarketing.com (accessed May 2015); InnovationQuarter website (n.d.), www.innovationquarter.nl (accessed May 2015); IAB Rotterdam (2015a), “Rotterdam Discovery City”, International Advisory Board Rotterdam, Rotterdam, Netherlands; IAB Rotterdam (2015b), “Rotterdam: Fit for the future”, International Advisory Board Rotterdam, Rotterdam, Netherlands; Rotterdam Partners website (n.d.), <http://www.rotterdampartners.com> (accessed June 2015); West Holland Foreign Investment Agency (2014), “Jaarverslag 2014”, www.westholland.nl (accessed 27 May 2015).

Table 2.2. Comparison of the economic agendas of the South Wing Economic Programme Board and the Metropolitan Region of Rotterdam-The Hague

	South Wing Economic Programme Board (EPZ)	Metropolitan Region of Rotterdam-The Hague
Year of creation	2014	2015
Members	<ul style="list-style-type: none"> – Province of Zuid-Holland – Mayors and aldermen of seven municipalities (Rotterdam, The Hague, Delft, Leiden, Dordrecht, Westland, Alphen aan den Rijn) – Major companies (e.g. Siemens, Port of Rotterdam, etc.) – Universities and research institutions (Erasmus University Rotterdam, Delft University of Technology, Leiden University, Netherlands Organisation for Applied Scientific Research) 	– 23 municipalities
Economic agenda	Economic Agenda 2020 (July 2014)	Economic Agenda for the Business Climate (April 2014)
Main issues in economic agenda	<ul style="list-style-type: none"> – Branding – Labour markets and education – Innovation and valorisation – International connectivity – Energy 	<ul style="list-style-type: none"> – Work places – Energy infrastructure – Branding – Clustering – Financing – Education and employment – New economic support for rural areas – Locations
Budget	No independent budget	EUR 5.5 million (Each of the eight above-mentioned issues is endowed with a budget allocation for 2015)

Sources: author’s own research based on South Wing Economic Programme website, www.epzuidvleugel.nl; MRDH (2014a), *Agenda Economisch Vestigingsklimaat*, Metropolitan Region of Rotterdam-The Hague, The Hague, available (in Dutch) at: <http://mrdh.nl/sites/mrdh.nl/files/files/140411%20Agenda%20Economisch%20Vestigingsklimaat%20MRDH%20-%20Concept.pdf>; MRDH (2014b), *Agenda Economisch Vestigingsklimaat. Bijlage: Werkprogramma*, Metropolitan Region of Rotterdam-The Hague, The Hague, available (in Dutch) at: <http://mrdh.nl/sites/mrdh.nl/files/files/140411%20Agenda%20Economisch%20Vestigingsklimaat%20MRDH%20-%20Concept.pdf>.

A central issue that has yet to be resolved is the relationship between the MRDH and the EPZ. At the time of writing, new efforts to co-ordinate the work of the MRDH and the EPZ have been made. As a result, the concrete policy priorities of the MRDH and of the EPZ are not identical, but they overlap to some degree, given that they were developed in

parallel by some of the same actors of the MRDH and the province (Table 2.3). In contrast to the recent steps towards greater co-operation between the province and the MRDH, co-operation between the province and municipalities in the EPZ has been difficult in the past. Even though local actors describe the co-operation within the South Wing Economic Board as better than the co-operation within the South Wing initiative, the EPZ has still suffered from the same political conflicts as its umbrella organisation. The province and municipalities compete for leadership and the resulting tensions make it difficult to agree to joint policies that align all actors behind a common goal. Furthermore, interviewed actors mentioned substantive policy differences, with the province advocating more strongly for government intervention than the municipalities.

Table 2.3. **Economic policy priorities of the South Wing Economic Programme Board and the Metropolitan Region of Rotterdam-The Hague**

South Wing Economic Programme Board (EPZ)	Metropolitan Region of Rotterdam-The Hague
<p>Connectivity</p> <ul style="list-style-type: none"> – Increasing physical, digital and organisational connections within the regions 	<p>Spatial planning</p> <ul style="list-style-type: none"> – Balancing supply and demand of space for retailing, offices and business parks – Ensuring that enough room for growing companies exist and clusters can form – Ensuring that also smaller centres provide sufficient amenities – Allowing small-scale business activities outside of traditional business locations <p>Renew the economic support for rural areas</p> <ul style="list-style-type: none"> – Strengthening tourism and agriculture as an economic driver in rural areas <p>Public spaces</p> <ul style="list-style-type: none"> – Creating an attractive urban environment by investing in public spaces
<p>Innovation</p> <ul style="list-style-type: none"> – Strengthening higher education institutions through better branding and closer exchanges among each other – Attracting more EU funding aimed at strengthening innovation – Ensuring appropriate funding mechanisms for innovative businesses 	<p>Clustering</p> <ul style="list-style-type: none"> – Facilitating a strong economic network between companies and knowledge institutions – Aiming at economic diversification to create economic growth in the long run – Creating regulatory and physical space for pilot projects and living labs
<p>Education and labour market</p> <ul style="list-style-type: none"> – Strengthening vocational training in key sectors – Improving labour market mobility on the regional scale – Making the region more attractive to international students and professionals 	<p>Education and labour</p> <ul style="list-style-type: none"> – Working with the education sector on a long-term strategy to create a flexible and well-educated labour force – Improving the mobility of workers between companies and sectors
<p>Energy</p> <ul style="list-style-type: none"> – Improving the sustainability of the regional energy supply by identifying new business opportunities in the field 	<p>Energy infrastructure</p> <ul style="list-style-type: none"> – Building a renewable energy infrastructure grid – Shaping the transition of the economy towards a more sustainable energy use – Improving recycling in the region – Contributing to pilot projects in the above-mentioned fields
<p>Branding</p> <ul style="list-style-type: none"> – Creating a story for the region that unifies the different successful economic approaches and provides a common identity to the region 	<p>Branding</p> <ul style="list-style-type: none"> – Developing a coherent brand that incorporates the already existing local brands
	<p>Financing</p> <ul style="list-style-type: none"> – Improving the links between national and international investors and local initiatives

Sources: MRDH (2014a), *Agenda Economisch Vestigingsklimaat*, Metropolitan Region of Rotterdam-The Hague, The Hague, available (in Dutch) at: <http://mrdh.nl/sites/mrdh.nl/files/files/140411%20Agenda%20Economisch%20Vestigingsklimaat%20MRDH%20-%20Concept.pdf>; MRDH (2014b), *Agenda Economisch Vestigingsklimaat. Bijlage: Werkprogramma*, Metropolitan Region of Rotterdam-The Hague, The Hague, available (in Dutch) at: <http://mrdh.nl/sites/mrdh.nl/files/files/140411%20Agenda%20Economisch%20Vestigingsklimaat%20MRDH%20-%20Concept.pdf>; South Wing Economic Programme (n.d.), www.epzuidvleugel.nl (accessed June 2015).

Due to the similarities between the tasks of the EPZ and the MRDH, it is not obvious how the MRDH can best position itself to add value for the MRDH area. Given its triple-helix structure, the EPZ could be better platform to agree on policies that require close involvement of academia and the private sector. Nevertheless, the MRDH has two advantages over the EPZ. First and most importantly, it is an organisation that is founded and controlled by municipalities and has their strong support.¹⁵ As such, it may be in a better political position to drive a fundamental reform process that requires the involvement of all of the municipalities of the region. With its two pillars, the MRDH is ideally placed to co-ordinate economic policies with transport policies. Transport is an important enabler for economic policies and the joint responsibility for economic development and transport allows the MRDH to use transport as a tool to achieve better economic outcomes. The MRDH could make use of these advantages by aligning its member municipalities behind common goals and ensuring that they effectively mobilise their resources to achieve these objectives. The necessary co-ordination process may be easier to achieve in a smaller organisation, because the absence of outside actors allows municipal representatives to discuss issues more openly within the MRDH than within the EPZ. Furthermore, it could be easier for municipalities to take ownership of ideas and initiatives that have been developed by an organisation that is closely associated to them than by an organisation that is considered to be connected to another level of government.

The MRDH as an idea factory for its member municipalities

Rather than replicate the activities of the EPZ and those agencies, the MRDH should align its 23 member municipalities behind new ideas. As an idea factory for the region, it could complement the functions of existing actors and networks. In such a role, the MRDH would develop ideas and work together with municipalities to organise the necessary political and financial support to implement them. In this context, a particular emphasis should fall on projects that have a metropolitan scale, i.e. projects that involve all or most municipalities in the MRDH.

To operate as an idea factory, the MRDH would need to consider the following steps:

- Develop strong in-house analytical capabilities or good connections to universities, think tanks and the private sector in order to design effective policies. It would not necessarily have to devise its own ideas, but could also decide to move forward existing ideas and projects from within or outside the region. To ensure that inputs from academia and the private sector are used in the policy design phase, it has to be well connected to these actors.
- Ensure that municipalities and other actors support the joint policies of the MRDH. To do so, the MRDH has to communicate its strategies and argue convincingly why the region would benefit from them. Success in this area can be partly measured by the MRDH's ability to speak in the name of all its member municipalities, for example in forums such as the EPZ, but also more broadly to the business community and to investors from inside and outside the Netherlands. If the MRDH is able to present a common far-reaching position of all municipalities on the major policy initiatives in the region, it is likely to have achieved a sufficient degree of support.
- Co-ordinate the activities of member municipalities to maximise their effectiveness in achieving common goals. Even if all municipalities agree on common policies, the details of their implementation have still to be co-ordinated

among them in order to achieve maximum effectiveness. The MRDH is the natural organisation to achieve this co-ordination.

- Align transport and economic policies for the MRDH area. The MRDH has the opportunity to pursue well-aligned economic development and transport policies to facilitate greater economic and functional integration within the MRDH area. Moreover, the MRDH would be well positioned *vis-à-vis* the Province of Zuid-Holland to effectively co-ordinate both areas with the spatial planning activities of the province. Over the medium to long term, it could be beneficial to have a joint spatial, transport and economic policy plan for the area, as has been done in London, for instance (see discussion later in this chapter).

Focusing inward to promote further integration of the MRDH

Strengthen agglomeration economies

One core policy objective of the MRDH – and the actions of other levels of government to support this ambition – should be to identify and rectify policies that prevent the economies of Rotterdam and The Hague from being more closely integrated. Such measures can enhance growth because they would let both cities grow more closely together in economic terms, which would produce gains from agglomeration economies. However, this should not be achieved by intervening directly in the regional economy through place-based subsidies to firms, because such measures could reduce economic growth (Glaeser and Gottlieb, 2008).¹⁶ The current economic structure in the region is the result of firms’ decisions in response to fundamental conditions (such as the supply of labour, the existing infrastructure, the availability of land, and the location of customers and suppliers). Government policies that aim at changing the location of firms without first affecting the underlying conditions could create distortions that reduce the productivity of the economy. Instead, public policy should aim, for example, at transport, spatial planning and housing policies that allow the region to grow together by making it more attractive for firms to operate where they deem it most productive.

Preserve existing economic connections to areas outside the MRDH

First, it will be important that the pursuit of greater functional integration within the MRDH should not inhibit economic interactions and/or functional integration with actors outside the MRDH. As has been seen, the MRDH is not yet a functionally integrated region and its boundaries, which are derived from the former city-regions, are largely a political construction. Dutch provinces, meanwhile, are among the country’s oldest institutions, meaning that provincial boundaries in most cases do not reflect current functional realities yet are also politically difficult to change (see Chapter 3). Attempts by the MRDH to foster economic connections between Rotterdam and The Hague should avoid disrupting existing economic connections to other areas. This is especially important in Rotterdam and its surrounding functional urban area. The MRDH covers only parts of the FUA of Rotterdam, as defined by the OECD. Of the 35 municipalities that comprise the FUA of Rotterdam, 14 are members of the MRDH. Around 24% of the population of the FUA of Rotterdam does not live in municipalities that belong to the MRDH. While this suggests an expansion of the MRDH involving those municipalities in the medium term, in the short term it is important to keep them closely involved in the policy-making process.

Specifically, strong connections to Dordrecht are important for Rotterdam, while the northern parts of the MRDH need to maintain and strengthen existing connections to cities like Leiden that lie outside the MRDH. The problem is most pressing in the field of transport policy, but is also relevant in economic policy. The policies of the MRDH need to be designed in a way that allows surrounding municipalities to participate. Ideally, this implies involving policy makers from surrounding areas in their design. As a first step, the MRDH needs to ensure that neighbouring municipalities are informed about its plans. For example, it could invite representatives from the neighbouring municipalities to its steering group meetings. Further, it could consider objections to its plans that come from neighbouring municipalities and, as far as reasonably possible, strive to win their support for MRDH programmes. In this context, the closely overlapping programmes of the MRDH and the EPZ is an advantage, as it ensures that Dordrecht and Leiden (which are members of the EPZ but not the MRDH) agree to the same policy priorities as the MRDH.

Facilitate the process of regional economic transition

Second, the benefits of policies that remove barriers to closer integration will be realised only in a mid- to long-term perspective. Thus, policies aimed at removing barriers to economic integration can be placed in the greater context of policies aimed at addressing the economic transition process within the MRDH. The government and international institutions, horticulture and port-related activities that characterise the economy of the MRDH are generally mature sectors and unlikely to create strong growth in the future. In the case of horticulture and many port-related activities, increasing automation makes it likely that the number of jobs provided by these sectors will decrease. Although this will not necessarily coincide with a decrease in the value-added provided by these sectors, it will reduce the number of jobs that they provide, especially for low-skilled workers. Meanwhile, other sectors will become more important. This transition is essential to develop new sources of growth. Nevertheless, it is not an unproblematic process. Often, it creates high levels of unemployment among some social groups, as laid-off workers struggle to find jobs in emerging sectors for which they do not, at least initially, have the adequate skills. Analysing the case of the United States, Sahin et al. (2014) find that around one-third of unemployment can be explained by such a mismatch between the skills of workers and the available jobs. As mobility is generally lower in Europe than the United States, the corresponding figure for Europe and the Netherlands could be even higher.

Rotterdam is in the midst of such a transition process, as the nature of jobs provided by the port has been changing. It is moving from low-skilled jobs that required few qualifications to medium- and high-skilled jobs that require specialised expertise. Laid-off workers without such skills face difficult employment prospects. This is reflected in an overall unemployment rate of 12.6% in Rotterdam and an even higher one of 20.4% for those with low skills. Given current trends in automation, the skills needed to work in the port are likely to change further, which will harm unskilled workers.¹⁷ Additional uncertainty is created by the strong reliance of the port economy on the petrochemical sector.¹⁸ Currently, all major countries are committed to reducing the consumption of fossil fuels to limit climate change. If they are successful, the importance of the petrochemical sector will decrease drastically. While it is impossible to predict with certainty if and how strongly fossil fuel consumption will decline, a strong decline of the petrochemical sector in the medium term cannot be ruled out.¹⁹

In contrast to Rotterdam, the economy of The Hague appears less likely to change fundamentally in the medium term. Around 21% of all jobs in The Hague are in the public administration, primarily in the national government. Together with the presence of several international organisations, this provides a stable economic foundation for the local economy that is likely to lead to high employment levels in the long term.²⁰ Nevertheless, The Hague's economy also suffered during the exceptional downturn in the aftermath of the financial crisis in 2008 and additional growth is necessary to reduce unemployment levels. It could, for example, be supported by the emergence of the cyber-security cluster that is still in the early stages of its development (de Wijk and den Bruinen, 2013).

In order to encourage long-term growth, the MRDH could strengthen and support the regional economic transition process that is already underway. This can be achieved by increasing the flexibility and mobility of firms and workers and by fostering the emergence of new and innovative business models. A range of policies could contribute to a successful transition process.

Educating and training the workforce

Human capital is one of the most important determinants of the economic performance of a region (see, for example, Gennaiola et al., 2013). As discussed in Chapter 1, the MRDH area performs well on most measures of education by international standards, but could nevertheless improve on certain dimensions (for example by increasing the quality of weak secondary schools). Going beyond the issues discussed in Chapter 1, another important aspect of an education system is vocational training. Due to its character as a network organisation, the MRDH is well suited to be active in this field. Vocational education and job training requires close co-operation between the private and the public sector to guide youth into the education and training programmes that help them to find jobs and to ensure that these programmes teach the right skills. The MRDH could be well placed to play such a co-ordinating role.

In 2013, the Netherlands launched the Techniekpact 2020, an initiative to create regional pacts for vocational training similar to those frequently found in Germany (Box 2.5). These pacts involve voluntary commitments by private and public actors to provide more vocational training, especially for low-skilled youth. Although few systematic evaluations exist, they are generally considered to have contributed to an increase in the share of low- and mid-skilled youth in vocational training. The Techniekpact 2020 is structured into five regional programmes. Within these regional programmes, sub-regions propose their own initiatives to promote vocational training and increase its quality. In the MRDH area, separate initiatives are proposed for the Rotterdam area and for The Hague area (Techniekpact, 2014). The MRDH could play a role in the regional programme of the Techniekpact by co-ordinating and harmonising the distinct initiatives in the Rotterdam and The Hague areas. In particular, it should be ensured that any measures are targeted and promoted to youth from both areas and that the future skill needs of the entire MRDH area are taken into account.

Increasing the quality of life in the MRDH to attract high-skilled workers

Whereas high-quality vocational training matters most for low- and mid-skilled professions, the availability of high-skilled workers is equally important in determining the competitiveness of a region. A larger number of highly qualified people boosts the productivity of existing firms in a region and makes it more likely that new ones emerge.

Especially important in this context are people with entrepreneurial skills. As mentioned above, the MRDH has tools to influence the education system in the region, but many important decisions in this regard are beyond its control. Another strategy for increasing the education level of the region is to attract more highly educated people from other areas by increasing the quality of life in the region. This is especially important in the competition with Amsterdam, which is internationally very well-known and has a competitive advantage in attracting high-skilled workers from abroad.

Box 2.5. Regional pacts for on-the-job vocational training in Germany

Many regions in Germany have established pacts to foster on-the-job vocational training and increase the number of on-the-job training positions offered to youth in the region. The agreements commonly involve municipalities, schools, employment agencies, regional trade associations, regional chambers of commerce, labour unions and sometimes big companies and vocational colleges. Together with a similar pact on the national level, they have contributed to a significant increase in offers of on-the-job vocational training, especially for low-skilled youth.

Generally, the agreements are political declarations and do not include any enforcement mechanisms. Nevertheless, they send an important signal to involved actors and help to focus the attention on the issue. Often, they contain explicit targets, such as increasing the number of vocational training offers by a certain amount or reducing the share of youth that are not in employment, education or training to a certain share. In some cases, they include the promise to offer at least one suitable proposition of on-the-job vocational training to every youth. As these targets are made public, the involved actors need to show a credible commitment to achieving them. The pacts also contain provision to monitor progress towards achieving the targets. Thereby, they make sure that progress towards achieving the agreed targets is transparent.

The pacts help to increase the overall number of on-the-job vocational training offers and benefit especially low-skilled youth and school drop-outs. Trade associations encourage their member firms to ease the entry into an on-the-job vocational training programme for youth who lack necessary qualifications by providing internship and entry-level trainee programmes. In return, employment agencies and other public actors push unemployed youth to accept these offers and schools commit to teach more relevant skills demanded by employers. Sometimes, municipalities provide support to firms who agree to offer training programmes to particularly vulnerable youth.

Sources: KMK (2006), *Schule und Betriebe als Partner: Ein Handlungsleitfaden zur Stärkung von Berufsorientierung und Ausbildungsreife*, Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany, available at: www.kmk.org/fileadmin/pdf/Bildung/AllgBildung/Handlungsleitfaden-Staerkung-Berufsorient-Ausbildungsreife.pdf; Bundesministerium für Bildung und Forschung (2014), *Berufsbildungsbericht 2014*, available at: https://www.bmbf.de/pub/Berufsbildungsbericht_2014_barrierefrei.pdf.

When deciding where to work and live, people consider many factors, such as job quality, income, cost of living and the general attractiveness of a place. By improving the quality of life, a region becomes more attractive for well-qualified individuals even if firms do not pay higher wages. Quality of life is hence an important factor in determining the economic competitiveness of a region.²¹ As long as they are not targeted at a narrow slice of the population, measures to increase the attractiveness of the region could have the double advantage of making life more pleasant for the current population while also increasing the economic strength of the region. Furthermore, policies to attract new residents should be connected with measures to prevent the displacement of current residents, such as measures to allow for the construction of sufficient new housing to accommodate the inflow of people. Otherwise, there is the risk that increased

attractiveness of the region could crowd out current residents. Working with its member municipalities to identify and implement strategies to boost quality of life could be another possible focus area for the MRDH.

Increasing labour mobility through targeted housing policies

It is not only important for the region to have qualified workers, it also matters that workers are employed in jobs that match their qualifications. The MRDH can contribute to improving the matches between workers and jobs by creating a more unified housing market in the MRDH area. The more flexible people are in choosing where they work, the more likely they are to find a job that is a good match to their skills because they can choose from a greater number of potential job offers. Moreover, beyond the direct effect of increasing labour mobility, making the housing market more flexible has a second benefit. By allowing people to live closer to where they work, it reduces the need for commuting. Thus, policies that make it easier to move from one place to another will also reduce congestion and ease commuting for people who do not move closer to their place of work.

In general, geographical labour mobility can be increased in two ways: 1) commuting to work can be made easier and/or 2) moving to another place can be made easier. Some reforms to social housing policies to enhance labour mobility (e.g. boosting the private rental sector as a viable alternative to home ownership and social rental housing) must undoubtedly be made at national level (see OECD, 2015c).²² Yet the MRDH could also contribute to increased flexibility in the regional housing market to increase labour mobility. First, and most importantly, it has major competencies in transport policy (a more detailed discussion of transport policies can be found later in this chapter). Second, the MRDH may also be able to influence housing policy in several ways:

- Be a regional watchdog to ensure that sufficient housing is available throughout the MRDH in different price categories. As the IMF (2014) argues, strict land-use regulation is restricting the supply of housing in the Netherlands and should be eased. Within the MRDH, land prices are high compared to other parts of the Netherlands (de Groot, 2012), which generally implies scarcity of land. Nevertheless, in some municipalities within the MRDH, planned housing developments stalled after the financial crisis and large amounts of space are available for residential construction (many municipalities have purchased large land parcels, which now sit idle). Thus, rather than applying a blanket policy, the MRDH could help its member municipalities target areas where unmet demand for housing exists and aim to increase supply there.
- Increase the flexibility of the social housing sector by lobbying national government to merge the two waiting lists for social housing in the MRDH area. Merging the two housing regions would require aligning the regulations in the social housing sector, but would create potentially large benefits in the long term for the region by increasing the mobility of low-income residents substantially.
- Consider using the MRDH as platform for member municipalities to join forces as a stronger counterpart to the historically powerful social housing corporations. Together, the MRDH municipalities and the housing corporations could develop a shared strategy to meet regional housing needs at the MRDH scale, rather than the more localised, sub-regional scales that currently exist. Co-operation on housing – and particularly social housing – within the MRDH has, in the past, been relatively successful at a more localised, sub-regional scale, guided by

inter-municipal agreements with guidance from the province. However, these agreements would benefit from a larger regional perspective.

Helping regional firms navigate the path to innovation and growth

In addition to increasing the mobility of residents, the mobility of firms should also be increased. As discussed earlier in this chapter strict land-use regulation increases land prices, which makes it more expensive for businesses to operate (see, for example, Glaeser and Ward, 2009). This problem is particularly acute in a region as densely populated as the MRDH. Throughout its economic agenda, the MRDH (2014a) mentions the importance of providing regulatory space for businesses to innovate and grow. This is an important ambition that can foster the economic transition and contribute to the closer integration of Rotterdam and The Hague. The MRDH could therefore work towards improving the flexibility of the land market. Given the troubling vacancy rate for office space in the MRDH area, this does not necessarily imply increasing the share of land to be developed. Instead, firms could be given greater flexibility in developing land that is already zoned for commercial use or in renovating or re-purposing existing sites. As responsibility for land-use and spatial planning in the Netherlands is divided between municipalities and the provinces, this requires close co-ordination between the MRDH and the Province of Zuid-Holland. Increasing the flexibility of spatial planning would not only provide direct benefits to businesses, it could also foster the economic integration of the region. When businesses locate to a new location, they also create new connections that could help to bring the region closer together.

In addition to increasing the flexibility of existing business, the MRDH should support the creation of new ones. In this role, the MRDH would need to co-ordinate its work with several existing initiatives. For instance, the region is home to YES!Delft, a successful business incubator that is a joint initiative of the Technical University Delft, the city of Delft and TNO companies, a business development company controlled by the Netherlands Organisation for Applied Scientific Research. It is closely associated with the Technical University, but is open to applicants from outside the university. YES!Delft runs a strict selection process that ensures a high success rate of its supported businesses. More than 100 of the 159 start-ups that have been admitted by YES!Delft have successfully left the business incubator for other premises. The province is also active in supporting young companies. InnovationQuarter, a regional development agency that is jointly financed by the national government, the province and the municipalities of Rotterdam and The Hague, provides support and invests in innovative companies (see Box 2.4). A further step towards making the region more attractive for start-up companies is expected in 2016, when a new innovation centre will be opened that provides space for start-up companies.

However, despite the success of YES!Delft and the support for innovative companies given by InnovationQuarter, the southern part of the MRDH area in particular still lags behind in the creation of new businesses compared to other large regions in the Netherlands (Raspe and van de Berge, 2014). Policies to support the creation of new businesses and the growth of young firms, especially those with innovative business models, should hence be a priority for the MRDH. Given the existing support programmes, not only at the regional, but also at the national (and potentially European level), the MRDH could inform firms about the possibilities for public support. Furthermore, it could help them to find suitable support programmes and to navigate the formalities to receive support.

Attract outside funding to support its economic development objectives

Given the small budget of the MRDH, it should actively try to obtain funding from other sources. Additional revenues could expand the scope of its work and ensure that financial means correspond to its broad ambitions for the region. For example, the MRDH could pursue funds from investment programmes at the national and European level, but could also explore possibilities for collaborations with other public sector institutions or the private sector. Some progress on this front has already been made: for instance, the MRDH has secured a grant of EUR 300 000 from the European Commission as part of the first Work Package of the Collective Innovation for Public Transport in European Cities (CIPTEC).²³ In particular, the MRDH could try to obtain funds for integrated territorial investments (ITIs) from the European Commission. ITIs are used to fund multi-dimensional interventions aimed at a designated territory (typically a functionally integrated area). The designated territory does not have to correspond to administrative boundaries, but an implementing body needs to be in place that can administer the investments.²⁴ The MRDH is well placed to apply for such funds, as it meets all three criteria. It covers a territorially integrated area, pursues multi-dimensional policies and satisfies the criteria for implementing bodies of ITIs as defined by the European Commission. While the nature and work of the MRDH corresponds especially closely to the intentions behind ITIs, it should of course also try to obtain funds from other EU programmes.

Looking outward to boost the national and international competitiveness of the MRDH

Just as important as focusing inward to deepen economic links within the region, it will be critical for the MRDH to turn its attention outward to cement its position as an important national and global player. There is little doubt that the MRDH area has a number of world-class assets: a highly accessible region to both internal and external markets, one of the most important ports in Europe, world-renowned technical universities, a well-educated international workforce – notably in public administration in The Hague – and a world-class horticulture industry. However, the region as a whole is a little-known brand on the international stage. A number of public and private sector representatives interviewed by the OECD for this report commented that in terms of international relations, the MRDH area does not present itself with a single voice or a common agenda. As the MRDH area strives to grow together, a key part of the strategy should be to “look big” from a global perspective.

Establish the MRDH as the voice for external relations

The MRDH could aim to establish itself as the main spokesperson for the area in external relations. Building on the political commitment of all 23 member municipalities, it could speak with a unified and stronger voice at national, European and international levels. The MRDH could co-operate with the national government, i.e. be strongly involved in the national decision-making process regarding EU issues and jointly lobby for smarter (“metropolitan-friendly”) regulation in the EU, together and via its own networks. The MRDH could also co-ordinate economic and institutional relations with other European and worldwide metropolitan regions, as well as with firms and other potential investors interested in the MRDH area. It could participate in EU policy making, co-ordinate access to EU funding (e.g. Horizon 2020, Interreg), and participate in European and international networks. In this regard, the experience of Manchester

(United Kingdom) displays compelling similarities with the MRDH. Initially created as a joint organisation of ten local authorities, the Association of Greater Manchester Authorities (AGMA) acted as a co-ordinating and lobbying organisation, before it became one of the two pilot “City Regions” in 2009 and the first Combined Authority in the United Kingdom in 2011, now scheduled to have an elected metropolitan mayor from 2017 onwards (Box 2.6).

**Box 2.6. From a lobbying association to an elected metropolitan authority:
The example of Manchester (United Kingdom)**

The Association of Greater Manchester Authorities (AGMA) was created in 1986 after the Local Government Act (1985) abolished the Greater Manchester County Council. It is a voluntary joint committee of the ten local authorities within Greater Manchester (Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan), which together represent about 2.6 million inhabitants. The AGMA performs metropolitan-wide responsibilities delegated from local councils and inherited from the Greater Manchester County Council (such as public transport and waste management control). The AGMA has played an important lobbying role to voice the collective interests of the constituent authorities to the UK government and the European Commission. The AGMA has an EU office in Brussels.

As the AGMA progressively expanded its competencies to new policy fields (e.g. housing, environment), it also equipped itself with an Executive Board. The Executive Board meets every month and co-ordinates economic development, housing, planning and, together with the relevant statutory bodies, transport policies for Greater Manchester with a supporting structure of seven thematic commissions.

The 2009 UK budget announced that two areas in the United Kingdom – Greater Manchester and the Leeds City Region – would be awarded the status of Statutory City Region Pilot, giving their constituent councils the possibility to pool resources and become statutory combined authorities with powers comparable to those of the Greater London Authority (GLA). Following extensive consultations with the ten councils, including on matters such as the name, the voting system and the competencies of the new authority, a proposal was submitted to the central government in 2010.

The ten authorities in Greater Manchester were the first in the United Kingdom to develop a statutory combined authority called the Greater Manchester Combined Authority (GMCA), which co-ordinates key economic development, regeneration and transport functions. The GMCA came into force on 1 April 2011, together with the Transport for Greater Manchester Committee (TfGMC). The GMCA is composed of ten members (indirectly elected councillors) selected from among the councillors of Greater Manchester’s constituent authorities. Each member has one vote. The GMCA elects a Chair and Vice-Chair from amongst its members. Most questions are decided by a simple majority vote, except a few strategic questions that require an enhanced majority of seven votes (e.g. decisions on the annual budget and setting the transport levy). If a vote is tied, it is considered to be lost. The TfGMC has a nominated pool of 33 councillors from the 10 constituent authorities of Greater Manchester, develops transport policy for the region and manages Transport for Greater Manchester (TfGM).

The AGMA continues to act as the voice of the ten local authorities of Greater Manchester, but as part of a stronger partnership through the GMCA. It helps raise awareness on EU developments that are relevant for the Greater Manchester area, co-ordinate European lobbying and strengthen networking activities with other international partners.

In November 2014, it was announced that there would be an elected Mayor of Greater Manchester from 2017 onwards, with similar powers to those of the Mayor of London. In the meantime, the GMCA appointed an interim mayor in May 2015.

Sources: Drawing from various sources, including the website of the Association of Greater Manchester Authorities, www.agma.gov.uk (accessed 30 June 2015); and OECD (2013), “Vers une croissance plus inclusive de la métropole Aix-Marseille: Une perspective internationale”, OECD, Paris, available at: www.oecd.org/regional/regional-policy/Aix-Marseille.pdf.

Develop an internationalisation agenda for the MRDH

As presented in Box 2.4, several business development agencies exist in the MRDH region aim to promote it nationally and internationally. However, each of these promotes only a part of the territory of the MRDH and all use varying strategies. This presents the risk that an incoherent image of the region is present to outside investors. The MRDH could co-ordinate the activities of local business development. It could help them to develop a marketing strategy that promotes the entire MRDH area while highlighting the particular strengths of the territory for which they are responsible. Furthermore, the MRDH might not only focus business promotion and communication targeted at investors; it could also try to network and co-ordinate with public sector actors outside the Netherlands, for example to organise the exchange of experiences and develop joint strategies.

Pursue larger scale projects and flagship events

Larger scale projects, such as flagship events, can both build regional identity and generate substantial economic benefits for the MRDH area. At the initiative of companies, the city of Rotterdam is currently considering the possibility to bid for the World Expo 2025. The idea of a joint application at the MRDH level is under discussion. Such projects provide a promising axis to spur metropolitan-wide action, which can reach beyond initial cultural objectives to such areas as urban transport, environment and economic development. For example, in France, the nomination of Marseille as the European Capital of Culture 2013 fostered new forms of co-operation among municipalities and with civil society in a historically highly fragmented region (Box 2.7). It should be noted, however, that large-scale events often entail overwhelming sunken costs and require a realistic strategy to manage the post-event usage of facilities.

Box 2.7. A cultural project as a building block for a metropolitan dynamics: The example of Aix-Marseille (France)

In 2004, the city of Marseille decided to apply for the title of European Capital of Culture 2013. In December 2006 an association, “Marseille Provence 2013” (MP2013), was set up and the project was selected by a European jury in September 2008. The association MP2013 covers 97 municipalities, mainly from the 6 inter-municipal authorities (*établissements publics de coopération intercommunale*, EPCI). About 15% of its EUR 90 million budget comes from private patronage. The association was able to mobilise a wide range of institutional, cultural, associative and economic stakeholders: the European Union, the central government, the region, the *département*, municipalities and inter-municipal authorities, the Chamber of Commerce and Industry Marseille-Provence, the University Aix-Marseille, Euroméditerranée, the Grand Maritime Port of Marseille (GPM), public and private companies, etc. All those different partners were brought together not only around a common cultural project but also a shared vision of transforming Marseille-Provence 2013 into a sustainable flagship territory of the Euromediterranean. The cultural project focused on exploiting the territorial diversity, including mobile events across the region and the creation of a 360-kilometre metropolitan hiking trail across natural and urban territories (GR®13). Beyond cultural and artistic events, the MP2013 also allowed for the construction or renovation of cultural monuments across the region. Within Marseille, in particular, several key sites were inaugurated (e.g. MuCEM, Villa Méditerranée). Urban regeneration projects were also conducted, such as the pedestrianisation of the old port of Marseille. The MP2013 also led to new investments in the airport and the cruise terminal. The results of the European Capital of Culture 2013 largely exceeded initial expectations, with more than 10 million visitors and around EUR 600 million estimated economic spillover effects.

Source: OECD (2015a), *Governing the City*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264226500-en>.

The metropolitan dynamics created by flagship events also need to be sustained over time. In some OECD metropolitan areas, preparations for the Olympic Games sparked a push for a greater level of metropolitan integration, albeit with sometimes highly divergent outcomes in the long term. For example, in Athens, the first spatial plan with an explicit metropolitan scale was adopted in 1985 together with the creation of the Organisation for the Planning and Environmental Protection of Athens (ORSA). The selection of Athens in 1997 as the host city of the 2004 Olympics led to an unprecedented wave of infrastructural and urban investments across the entire metropolitan area. However, the metropolitan spatial plan was soon enough bypassed to accommodate and accelerate Olympic projects, and ten years later the debate on the metropolitan governance of Athens has not led to any substantial results while ORSA was recentralised into the Ministry of Environment, Energy and Climate Change in 2014. In contrast, Barcelona accompanied Olympic preparations with an iterative process of strategic planning, starting from the core city and gradually enlarging it to the metropolitan scale through the involvement of sectoral inter-municipal authorities. The process was sustained after the Olympics and culminated in the creation of a new metropolitan authority in 2011 (Box 2.8). A key insight for the MRDH is that hosting major events is an important tool or catalyst to accelerate the implementation of existing priorities – not an alternative to doing so (OECD, 2008).

Box 2.8. The Olympic Games as a catalyst for the metropolitan governance debate: The contrasted experiences of Athens and Barcelona

Athens

In 1985, the first Regulatory Master Plan of Athens was adopted, and the Organisation for the Planning and the Environmental Protection of Athens (ORSA) was created with the responsibility to monitor the implementation of the plan. The plan marked an ambitious effort to curb further sprawl, reduce social disparities and enhance environmental protection, for the first time using the metropolitan agglomeration as an institutional and regulatory scale.

In practice, the 1985 Regulatory Master Plan was rapidly bypassed as the preparations for Olympic projects entailed major transformations of the urban area that ran into contradicting provisions of the Master Plan. For example, the creation of multiple Olympic nodal activities in the periphery of the metropolitan area (such as the Olympic Village and the equestrian centre) would further promote sprawl while the Olympic ring road and proposed road network extensions would aggravate car dependence, in direct conflict with the Master Plan's stated objectives of urban containment and environmental protection. Some other Olympic projects, such as the development of high-impact athletic activities in the Faliron area, would also seriously damage one of the few natural habitat areas in Athens and impede the opening of the waterfront to the public as it had been initially provided by the Master Plan. Strong mobilisation from various groups (e.g. municipalities, non-governmental organisations, local interest groups, the National Technical University of Athens) against locational and infrastructural choices was still unable to help incorporate Olympic projects into a wider urban planning reform process within the Master Plan. No municipality except that of Athens was represented in the Athens 2004 Organising Committee and ORSA was only given a secondary, advisory role at best, while the central government retained control powers over planning and decision-making processes.

Following 2004, the government's search for the valorisation of Olympic facilities made permanent some of the temporary exclusions from the planning framework in order to attract investment in profit-generating activities. In this context, ORSA supervised the revision of the regulatory master plan, which was presented in April 2009 with the main goal to sustain post-Olympic competitiveness, but the proposed plan was immediately abandoned with the change of government following the elections in October 2009.

Box 2.8. The Olympic Games as a catalyst for the metropolitan governance debate: The contrasted experiences of Athens and Barcelona (*continued*)

Despite its unique metropolitan-wide mandate, ORSA struggled with limited formal competences, insufficient implementation powers and the structural deficiencies of the Greek planning system. ORSA was recentralised and absorbed by the Ministry of Environment, Energy and Climate Change as of October 2014.

Barcelona

The Spanish central government created a Metropolitan Corporation of Barcelona (Corporación Metropolitana de Barcelona, CMB) in 1975, which encompassed 27 municipalities. However, it was dissolved in 1987 when long-standing political tensions escalated between the city of Barcelona and the autonomous community of Catalonia. Preceding the 1992 Olympics, three sectoral inter-municipal authorities were created in 1987, each covering a different geography:

- a planning authority (Mancomunitat de Municipis de l'Àrea Metropolitana de Barcelona, MMAMB), covering 31 municipalities (3.1 million people)
- a transport authority (Entitat Metropolitana del Transport, EMT), covering 18 municipalities (2.9 million people)
- an environmental authority (Entitat del Medi Ambient, EMA), covering 33 municipalities (3.2 million people) in charge of the water network and waste treatment.

Before and after the Olympics, an important process of strategic planning took place, starting with a focus on the core city and gradually evolving towards the metropolitan scale. The city of Barcelona published its first strategic plan in 1990, its second one in 1994, and together with the three sectoral inter-municipal authorities, its third one in 1999. These strategic plans involved many actors from the regional government, all municipalities, universities, the private sector, the port and civic organisations. The Association for the Strategic Plan of Barcelona (Plan Estratégico Metropolitano de Barcelona, PEMB), a non-profit organisation created in 2000 with around 300 members from political, economic and social communities, launched a first metropolitan strategic plan in 2003, which covered 36 municipalities. A new strategic plan, Barcelona Visio 2020, was published in 2010 in the continuity of the 2003 plan. Finally, a metropolitan authority was set up in 2011 by Law 31/2010 of the parliament of Catalonia. The Barcelona Metropolitan Area (Àrea Metropolitana de Barcelona, AMB) brings together the three sectoral inter-municipal authorities (MAAMB, EMT and EMA). Its Metropolitan Council is composed of the 90 members, i.e. mayors and selected city councillors from all 36 municipalities (including the city of Barcelona) covered under the strategic plan. The AMB is in charge of planning, transport, water, waste treatment, social cohesion and economic development. In 2013, it commanded a budget of around EUR 600 million, composed mainly of subsidies and transfers (56%), fees and user charges (24%), and own taxes (17%). There is also a specific authority in charge of public transport (Autoritat del Transport Metropolità, ATM), which runs an integrated public transport network and a harmonised fare system.

Source: OECD (2015a), *Governing the City*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264226500-en>.

Greater economic integration of the MRDH is a long-term process

It cannot be stressed enough: achieving greater functional integration of the MRDH should be understood as a long-term ambition. There is no silver bullet to increase the economic ties between the former city-regions of Rotterdam and The Hague overnight, nor will the process be automatic. Rather, it will take a range of policies and programmes related to economic development, spatial planning, housing and transport, implemented at

different levels of government, to further these ambitions. Moreover, there is no single factor that renders a region “integrated.”

Addressing key strategic questions for regional economic policy

Three strategic questions for regional economic policy makers are considered in this section: 1) should policy provide targeted support for individual sectors or aim for general improvements in economic conditions? 2) In what ways can sectoral support policies be robust to failure? 3) In what instances can inter-municipal competition – rather than co-operation – be beneficial?

Targeted support for individual sectors or general improvements in economic conditions?

A fundamental issue in economic policy is whether to provide targeted support to selected industries (for example, through regulatory interventions or financial support) or to focus on the general improvement of economic conditions. The first approach would be in line with the Dutch “Top Sector” policy that aims to support selected industries that are of national importance for the Netherlands (see Chapter 1). In contrast, the second approach would refrain from targeting particular sectors. Instead, it would attempt to foster market-driven economic growth without selecting the sectors in which growth is supposed to occur. Both approaches offer varying advantages and disadvantages.

Targeted support policies have been discussed in the context of the Dutch “Top Sector” policy in the *OECD Economic Survey of the Netherlands* (OECD, 2012a) and in the *OECD Review of Innovation Policy of the Netherlands* (OECD, 2014a). Both reports have identified the challenges of targeted support for selected economic sectors. Several of them are also relevant for decisions taken by the MRDH. First, government choices regarding which sector to support might be captured by interest groups. Large companies and businesses, for example, are better in communicating their needs and lobbying for desired solutions than small and medium-sized enterprises (SMEs). They are more likely to be successful in influencing decisions concerning which sectors and companies to support. Second, there is a tendency for governments to back incumbent firms against challengers. For governments, lay-offs are typically more important considerations than newly created jobs. Lay-offs affect a clearly defined group of employees that can voice vocal opposition, whereas new jobs are typically scattered across the entire economy. This creates the risk that scarce public resources are used to prop up stagnating or declining companies that do not offer much growth potential.

The MRDH is home to numerous industries supported by the “Top Sector” policy (see Chapter 1). However, Manshanden (2014) conjectures that this may actually be actually a disadvantage for the region and – for the reasons mentioned above – contributes to the continuing dominance of low-growth industries. By binding capital and labour (especially highly qualified employees) into low growth sectors, the “Top Sector” policy could prevent them from being employed more productively in faster growing sectors. Without the “Top Sector” policy, economic transition towards sectors with higher growth rates could occur faster and growth rates could increase.

The potential drawbacks of policies that target individual sectors provide arguments in favour of an approach that tries to improve economic conditions without picking winners. However, despite their drawbacks, Rodrik (2008) shows that arguments in favour of targeted support programmes for individual sectors exist. He argues that several types of market failures exist that prevent the emergence of new economic activity. For

example, a new economic activity requires simultaneous large investments at different points of the value-added chain, which in decentralised markets is difficult to co-ordinate. To overcome this collective action problem, the government could therefore subsidise new fields of economic activity to ensure that private actors pursue their development at socially optimal levels. Furthermore, OECD (2012b) shows that different regions possess different strengths, which makes them more suited for some economic activities than for others. In order to maximise the potential of a region, its economy must make use of these strengths.

The discussion above implies that targeted support policies can be justified in special circumstances and could play a role in the economic transition of the MRDH area. However, they should be used only in response to a clearly identified market failure and designed in a way to avoid the above-mentioned pitfalls. When they are used they should always be employed in conjunction with other reforms that strengthen market forces and support self-sustaining economic growth. The MRDH area has several strengths that can form the basis of a successful economy. It is among the best connected European regions and contains Europe's most important port. Furthermore, it is less than one hour from one of Europe's largest airports and has very good road and train connections to north-western Europe. As discussed earlier, the cluster of international organisations focusing on international law and justice in The Hague is globally unique. For the MRDH, the challenge is to balance the potential drawbacks of targeted support programmes with the goal of making use of the region's strengths to support its main pillars of economic activity.

None of the strengths mentioned above is fully utilised by the regional economy. While an important cluster of port-related activities exists around it, Rotterdam does not offer the full range of maritime services found in, for instance, London or Singapore (Merk and Notteboom, 2013). In The Hague, a cluster of firms working on security (in particular cyber-security and critical-infrastructure protection) is developing, spurred by the presence of the international law and justice institutions in the city. While it already encompasses 400 companies that employ 13 400 workers, it has not yet reached its conceivable size. De Wijk and den Bruinen (2013) claim that the number of firms and employees in the sector could potentially increase to 900 and 30 000, respectively, by 2025. As this would require a large number of experts and well-trained support staff, the MRDH could work together knowledge institutions and the private sector to ensure that sufficient education and training programmes exist to enable this growth.

If the MRDH pursues a strategy of targeted sectoral support, it is important that it is co-ordinated with the Dutch "Top Sector" policy, no matter which priority sectors are chosen. OECD (2014b) argues that the "Top Sector" policy needs to be more responsive to regional conditions and better aligned with regional policies. National and local policies are complementary and will achieve their maximum effectiveness only if both use co-ordinated tools. The MRDH would have to co-ordinate its policies closely with those on the national level. In return for the MRDH's attempts to co-ordinate its policies with the national "Top Sector" policies, national policies should allow for sufficient flexibility to let the MRDH set its own regional priorities. This especially concerns policies that do not need to be applied uniformly across the entire country. Likewise, investment projects that do not have national relevance should in particular be planned with substantial input from local and regional authorities.

Sectoral support policies should be robust to failure

Lerner (2009) provides many examples of failed attempts by governments to foster entrepreneurship and shows that with a high probability such policies will be ineffective. He argues that this is either because programmes are poorly designed or poorly implemented. Furthermore, many initially successful public programmes are difficult to shut down and operate beyond their useful lifespan. Thus, policies should take the risk of failure into account and be designed to provide benefits, even if the primary goal of strengthening a particular sector or economic cluster is not achieved. The need to strengthen existing sectors can be aligned with the potential drawbacks of sectorally targeted policies by developing policies that are robust to failure. Policies that are robust to failure are beneficial even if they do not achieve their primary objective. In other words, they take into account that it is not possible to guarantee that a supported economic sector will grow. While such policies primarily aim at strengthening an individual sector, they also provide benefits for the region if they do not achieve their primary objective.

The difference between a targeted support policy that is robust to failure and one that is not can be illustrated with a simple example. Assume the goal is to strengthen the innovative potential of SMEs, for example in the horticultural sector. A possible strategy to achieve the objective is to provide direct subsidies to firms to allow them to do more research and development. Another strategy is to spend money on better technical training in higher secondary and vocational education. Both strategies are plausible and could under the right circumstances be effective in achieving the goal of strengthening the R&D of SMEs and thus the entire sector. However, they differ from each other in an important aspect. The first strategy will provide little benefits if – for whatever reasons – the importance of the horticultural sector declines, whereas the second one would still be beneficial. If the sector declines for reasons beyond the control of policy makers, the public funds that are spent on subsidising their R&D activities are lost and will provide little benefit to the region. In contrast, if public funds are spent on educating people and the firms that employ them go out of business, the workers that lose their jobs might still benefit from their better education.

More generally, targeted support policies that are robust to failure improve the general economic environment with the goal of strengthening a particular sector. However, in contrast to policies that are not robust to failure, they can also benefit other sectors than those initially targeted by policy makers. Among the many possible measures that fall into this category are regulatory improvements, better education and better infrastructure. Importantly, such policies do not contradict the goal of strengthening specific sectors. For example, attracting international professionals is a precondition to establish a service industry around the theme of international law and justice.²⁵ While this supports firms providing international legal services, it also helps all other sectors that rely on international staff and would benefit the region even if a cluster around international law and justice would not prove viable.

Limited economic competition between municipalities can benefit the region

During interviews with local actors, one of the most frequent explanations of the recent below-par performance of the region in terms of unemployment and GDP growth was the excessive degree of competition between municipalities. In the past, competition was especially intense between Rotterdam and The Hague and prevented the region from developing comprehensive strategies for regional development. This has harmed the

region, for example because it lacks a coherent image of itself that it can present to foreign investors.

Despite these undesirable effects, not all forms of competition between municipalities are undesirable. Under the right conditions, competition between municipalities can also contribute to better outcomes as long as it occurs within certain limits.²⁶ It can be an important driver of reform in the public sector and provides an incentive for municipalities to become more attractive for businesses and residents. For example, Revelli and Tovmo (2007) find that competition with neighbouring municipalities is likely to increase the efficiency of municipal administrations. Moreover, the positive effects of competition in some policy domains do not contradict the need for better co-operation in others. In fact, a lack of co-operation is one of the primary factors obstructing effective development of many metropolitan areas (OECD, 2015a; 2015b). It is therefore important to ensure that competition does not impede co-operation between municipalities in fields in which it is necessary. The MRDH is in a good position to encourage healthy competition while preventing it from reaching undesirable scales or obstructing co-operation in other policy fields.

Competition between municipalities can be desirable when three criteria are met:

- First, competition should be constrained to those policy fields that do not require co-operation with neighbouring municipalities, such as transport policy and land-use policy.²⁷ For example, it is beneficial if municipalities compete with each other by making their town centres more attractive, but they should not compete by enacting particularly lenient land-use regulations close to their neighbours' borders.
- Second, competition should occur in the form of positive-sum games instead of zero-sum games. In other words, competition should improve the general economic conditions and thus increase economic activity in general rather than just reallocating existing economic activity from one place to another. The difference between positive-sum competition and zero-sum competition can be illustrated as follows. In a positive-sum game, municipalities can try to attract companies by providing better services, for example by processing building permits and other necessary applications quickly or by cutting unnecessary regulation. In such cases, even municipalities that lose the competition to attract a company are likely to benefit in the long run. By improving their general business environment, they foster the growth of existing companies and are more likely to attract additional ones in the future. In contrast, zero-sum competition does not lead to generally improved conditions. For example, municipalities can try to attract companies by providing indirect subsidies through the sale of land below market prices. This benefits companies at the taxpayers' expense without increasing the capacity of the economy.²⁸ Even though the municipality that manages to attract a company through such measures will benefit, it would not do anything to improve overall economic growth. No overall increase in economic activity will occur as a consequence of this form of competition.
- Third, competition should not lead to a race-to-the-bottom in areas where it is undesirable to move below certain minimum standards. For example, these might be tax rates, environmental regulation, labour laws or welfare provision.²⁹ Thus, there needs to be an explicit or implicit understanding among municipalities that certain policy instruments are not used to compete among each other or are used only within limits.

The MRDH can contribute to maximising the gains from positive-sum competition while minimising the degree of undesirable competition. For example, it is possible to implicitly acknowledge the need for some competition by outlining strategies for regional economic development that identify policy fields where competition is not desirable, while leaving out those in which competition is considered beneficial. A solution that explicitly acknowledges the potential gains from competition could involve agreements on policy fields where competitive behaviour between municipalities does not contradict the general spirit of co-operation in the region.

Furthermore, the MRDH can play a mediating role to prevent competition between municipalities from damaging the general relations between them. This is important in order to ensure that limited competition does not harm the prospects for co-operation. The MRDH can communicate that some forms of competition do not contradict the overall spirit of co-operation and will be beneficial for the entire region in the long term. It can also serve as a platform to arbitrate and solve conflicts that might arise out of competition between municipalities.

Leveraging the MRDH as the single transport agency for the Rotterdam-The Hague area

The creation of transport authorities that are responsible for multiple jurisdictions within a functional urban area is increasingly common. Some of the most successful examples are the Regional Consortium of Transport (Consortio Regional de Transportes, CRTM) in Madrid, Transport for London (TfL) and the Ile-de-France Transport Authority (Syndicat des transports d'Ile-de-France, STIF) in Paris. International experience in the creation of such authorities makes clear that there is not a single successful model. Rather, assessing the transport authority of the MRDH from an international, comparative perspective helps identify both valuable assets that MRDH can leverage, as well as important challenges that it may face.

The World Bank identifies three conditions as essential for ensuring the sustainability and effectiveness of urban transport institutions: 1) ability to deliver public value; 2) legal authority and political support; 3) strong internal capacity. Two of these conditions (delivering public value and broadening public support) will be the focus of this section; a summary of the MRDH's situation with respect to the third condition (internal capacity, in terms of staffing and budget) is provided in Table 2.4, with a more detailed discussion in Chapter 3.

Delivering public value in the field of regional mobility

As a new institution, the MRDH must demonstrate that it can deliver public value in its two primary policy fields. Table 2.5 provides an international perspective on the importance of meeting this condition for the MRDH as a single transport authority for the area. The section then analyses some of the ways in which the MRDH could aim to deliver public value.

Table 2.4. An effective transport authority: Strong internal capacity

Description and rationale	Two critical elements for the effectiveness of urban transport authorities are: 1) qualified staff for transport planning and implementation; and 2) secure sources of funding to carry out operations.
Assessment of current situation in the MRDH	<p>Staffing: The staff of the transport pillar of the MRDH has been transferred from the previous two city-region transport authorities. The MRDH's large, qualified transport team of 80 people is one of its strongest assets.</p> <p>Additionally, the MRDH also benefits from the established technical competencies of the two public transport operators in the region, which combined account for roughly 3 000 employees efficiently managing fares, ticketing and timetables. The companies also have qualified personnel for giving advice on network expansion, as well as for monitoring and ensuring safety standards in services provided.</p> <p>Budget: Another important asset of the MRDH is its solid financial base via transfers from the federal government, EUR 475 million annually. Nevertheless, the MRDH would do well to consider strategies for broadening its funding base should transfers diminish in the future. Strategies are discussed in Chapter 3.</p>
Status of the MRDH	<p>Staffing: Acquired.</p> <p>Budget: Acquired – but broadening funding sources should be envisaged.</p>
International examples	<p>Staffing: Successful urban transport authorities such as LAMATA in Lagos, LTA in Singapore and TfL in London have all been distinguished by having highly qualified staff. In the three cases this has been possible, to a great extent, because the financial resources they have contemplate not only costs of projects implemented but also the need to pay competitive salaries to an internal team.</p> <p>Budget: Sources of funding may vary widely among urban transport authorities. In the case of the STIF (Paris), TransLink (Vancouver) and LAMATA (Lagos), a large share of funding is secured by using dedicated funding sources. In the case of Paris, about one-third of regional operation expenditures for the STIF comes from the <i>Versement Transport</i> (VT). This is a dedicated tax levied on employers and based on payroll mass that the STIF (and other transport authorities) are entitled to collect. In the case of Vancouver, fuel taxes and property taxes are earmarked as funds for TransLink. Together these two taxes make up 40% of TransLink's budget. In the case of Singapore, a large share of the LTA budget comes from national government grants (50%). LTA also receives a management fee from the government (38%) and local charges (e.g. vehicle parking certificate fees, vocational license fees, vehicle inspection fees, RTS license fees).</p>

Sources: OECD based on Kumar, A. and O.P. Agarwal (2013), "Institutional labyrinth. Designing a way out for improving urban transport services: Lessons from current practice", World Bank Group, Washington, DC, <http://documents.worldbank.org/curated/en/2013/01/18821689/institutional-labyrinth-designing-way-out-improving-urban-transport-services-lessons-current-practice> (accessed 6 July 2015); complemented with information from Aguilar Jaber, A. and D. Glocker (2015), "Shifting towards low carbon mobility systems", *International Transport Forum Discussion Papers*, No. 2015/17, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5jrvzrjggnhh-en>; and EMTA (n.d.), "Just launched: Metropolitan region Rotterdam-The Hague", European Metropolitan Transport Authorities, www.emta.com/spip.php?article966 (accessed 6 July 2015).

The MRDH has authority over a range of mobility policies

One important advantage of the MRDH is its authority over a wide range of elements of mobility policy. Previously, the transport agencies of the two former city-regions that have since merged into the MRDH could take decisions regarding planning and management of all modes of public transport (e.g. new investments, maintenance and network development), with the exception of national rail links operating within the region. They also managed many other elements of mobility policy (e.g. highways, traffic management, bicycle lanes, park and ride facilities, and traffic safety). The MRDH has retained these wide-ranging transport competencies. Cases such as TfL in London and the LTA in Singapore have shown that authority over an extensive range of mobility policy can enable these institutions to construct a more effective mobility policy overall. TfL is responsible for the London Underground, the London Overground, the Dockland's Light Rail and the tramway services. It is also in charge of regulating public bus, taxis and

private-hire services and coach operations. TfL also manages roads, including parking and loading regulations, and operates the congestion charging scheme and the Low Emission Zone. In addition, it is responsible for walking and cycling facilities, road safety, transport policing in public transport, traffic enforcement and management of the ticketing system (TfL, 2015a). LTA is responsible for planning, operating and maintaining of land transport infrastructure. LTA regulates rail, bus and taxis services and also conducts rail and some of the bus operations. LTA is also responsible for developing road safety measures, conducting vehicle licencing and managing the electronic road pricing system (LTA, n.d.). Having this comprehensive authority has enabled both TfL and LTA to devise a strategy in which improvements to the public transport and non-motorised transport infrastructure are accompanied by complementary transport demand management tools. This has, in both cases, been key to delivering solid improvements in travel conditions.

Table 2.5. **An effective transport authority: Ability to deliver public value**

Description and rationale	Urban transport authorities need to identify specific ways in which they can deliver mobility improvements that are significant, effective and visible to the population. Across the globe, the acquisition of public support has often made it easier for transport authorities to implement the necessary policies for attaining ambitious, inclusive and sustainable mobility goals – particularly those that may be politically difficult (e.g. congestion charging).
Assessment of current situation in the MRDH	The MRDH is a new institution. A major challenge will be to demonstrate that it can deliver public value at the scale of the MRDH area.
Status of the MRDH	To be acquired.
International examples	<p>Transport for London (TfL): Marked improvements in London’s public transport system since the creation of TfL in 2000 are reflected in significant increases in public transport use (from 34% to 45%), while car use has declined (from 43% to 33%). These results have been achieved by accompanying public transport improvements with stringent transport demand management policies (such as the congestion charging scheme). To a great extent, public acceptance of restrictions on car travel resulted from the TfL’s demonstrated ability to improve public transport.</p> <p>Public transport improvements (e.g. increased frequencies and capacity, decrease in total journey times in different modes and lines, etc.) and traffic conditions in different parts of the city are measured regularly and communicated to the public in the TfL’s annual report, “Travel in London”. Public acknowledgement of improvements in the travel experience is reflected in a steady rise in the indicators measuring customer satisfaction, which are also included in the <i>Travel for London</i> report (see Annex 2.A1).</p> <p>Lagos Metropolitan Area Transport Authority (LAMATA): Following years of neglected maintenance of the road network, LAMATA was able to prove its ability to deliver good roads shortly after its creation. Recognition as a professional entity helped the institution advance difficult policies (e.g. raising bus fares to improve financial sustainability of private bus enterprises, generating support for public-private partnership projects and preparing long-term integrated plans).</p>

Sources: OECD based on Kumar, A. and O.P. Agarwal (2013), “Institutional labyrinth. Designing a way out for improving urban transport services: Lessons from current practice”, World Bank Group, Washington, DC, <http://documents.worldbank.org/curated/en/2013/01/18821689/institutional-labyrinth-designing-way-out-improving-urban-transport-services-lessons-current-practice> (accessed May 2015); complemented with information from Aguilar Jaber, A. and D. Glocker (2015), “Shifting towards low carbon mobility systems”, *International Transport Forum Discussion Papers*, No.2015/17, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5jrvzrjggnhh-en>; TfL (2014), “Travel in London Report 7”, Transport for London, London, available at: <https://tfl.gov.uk/cdn/static/cms/documents/travel-in-london-report-7.pdf>.

In the case of Singapore, for instance, geographic conditions impose a heavy constraint to tackling congestion through road space expansion. A congestion pricing scheme was implemented as early as 1975. Initially it was a manual system by which users with non-exempt vehicles had to purchase licences that were sold in petrol stations, post offices or convenience stores, in order to enter the restricted zone. Meanwhile,

enforcement personnel had to be stationed at control points. An electronic road pricing system was introduced in 1995. This improved enforcement and enabled periodic adjustments to charges to optimise the usage of road space. As a result, rates have been set to ensure that the traffic flows are kept at practical levels (between 20-30 kilometres per hour on urban roads and between 45-65 kilometres per hour on expressways); rates are reviewed every three months. Success in maintaining speeds has helped gain public support.

Analysis of the Singapore case also highlights the importance of: 1) implementing publicity programmes to ensure that the rules and functioning of the scheme are easily understood by the population; 2) conducting careful and periodic analysis of travel behaviour to design necessary adjustments. Another major change was requiring users to pay for each entry into the restricted zone, rather than permitting an unlimited number of entries into the Central Business District (CBD) with a single payment. This change was considered necessary since it was estimated that about 23% of trips that entered the CBD were repeated trips. As a result, the level of traffic volume to the CBD reduced by 10-15%, while the charges needed to attain target speeds were lower than before its introduction. Periodic analysis of travel behaviour has also been important to expand congestion charging from the CBD to other areas of the city and tailor rules according to different uses of road space. Congestion charging has been extended to an outer cordon of the city, and additional gantries were introduced into a shopping zone inside the CBD. Pricing of these gantries is a response to the particular traffic flows in the shopping belt. Part of the strategy to gaining public acceptability of congestion pricing in Singapore has been to make clear that it is not a revenue tool, but rather a traffic management instrument. Therefore, adjustments in taxes have been conducted to achieve revenue neutrality (ITF, 2010).

In addition to the introduction of congestion charging, Singapore has strict policies for vehicle ownership. One of the most evident is the vehicle quota system that has been in place since 1990. The system, also managed by LTA, sets an annual quota of new vehicles of different types that can be registered, and individuals bid to be granted a vehicle registration permit. According to ITF (2010: 18), “if ownership policies were less restrictive, the congestion charges would have to be higher to attain similar service levels”. Transport demand management strategies are set in parallel to constant improvements and expansions to the public transport network. For instance, between 2014 and 2030, LTA has in its pipeline projects to make extensions to three of the existing rail lines and to build five additional lines. This is equivalent to an additional 172 kilometres of rail network (LTA, 2014). LTA also aims to have 80% of households within a 10-minute walk from a rail station and 85% within a 10-minute walk to a public transport station by 2030. The overall strategy has been effective in achieving a high percentage of trips by public transport. In 2012, 63% of trips during morning and evening peak times were made on public transport (Aguilar Jaber and Glocker, 2015).

Congestion charging was introduced in central London in 2003. The introduction of the scheme was the culmination of a policy transformation that had started in the 1990s, which recognised that previous policies based on predicting and providing additional road infrastructure could not continue indefinitely. While aiming at reducing congestion, the introduction of the scheme was also considered a way to conduct radical improvements to bus services, offer journey time reliability for car users, and improve efficiency of goods and service delivery (TfL, 2008). In contrast to the case of Singapore, the congestion charging scheme in London gained public acceptability through having transparency and accountability for managing the extra revenues, rather than by announcing revenue

neutrality (ITF, 2010). The commitment to spend net revenues from the congestion charging system on improving bus and underground services was made explicit in documentation available to the public before the scheme's implementation. The very visible improvements to public and non-motorised transport have played an important role in continued public support to maintain congestion charging in place. Net revenues from the congestion charge represent 5% of TfL's GBP 12 billion annual budget (TfL, 2015a).

The timely creation of the MRDH transport authority can anticipate future regional mobility needs

Paradoxically, a second advantage of the MRDH transport authority is its timely creation – that is, before the MRDH area is highly functionally integrated. The timing could, in fact, constitute an opportunity for the MRDH to anticipate the mobility needs that could be generated by future metropolitan growth. In many cases around the world, responsibilities for transport planning and management within a multi-jurisdictional urban area have been merged into a single institution only after the functional integration of the metropolitan area is well advanced. While this has the advantage of providing more clarity on the problems generated by fragmented transport planning that can be solved by a metropolitan-wide authority, it also means that new metropolitan transport authorities face the challenge of providing transport solutions in a context where the location of employment and population has not taken into consideration the feasibility of offering necessary transport connections. In the MRDH area, commuting flows are still concentrated within the two former city-regions, and, while interactions across the whole area are growing, they are still low (Chapter 1). The MRDH thus has the potential to develop a mobility strategy and a transport network that can effectively accompany the employment and population dynamics generated by policies that aim at increasing integration of the MRDH area, for example through labour and housing market policies.

The MRDH authority aims to transition toward economically driven transport policies

In order to take advantage of its timely creation, the transport and economic pillars of the MRDH will need to work in close co-ordination to develop parallel plans for the region. TfL has been highly successful in generating economically driven transport policies that are well aligned with population and employment dynamics and effectively promote public and non-motorised transport modes. For instance, well-integrated transport, spatial and economic policies have contributed to making it possible for 90% of morning journeys to use public transport or non-motorised modes (TfL, 2015b). TfL's success highlights the importance of developing a transport strategy as an integral part of a broader long-term economic planning framework. For London, TfL is responsible for developing the Mayor's Transport Strategy, which is the long-term transport plan for Greater London. The development of the transport strategy is undertaken by taking into account the economic, spatial and environmental objectives set out in the Economic Development Strategy and the London Plan (the spatial development strategy), both developed by the Greater London Authority (see Annex 2.A1).

The MRDH will need to create a transport network that can help it meet the accessibility demand that could be generated by higher integration of the MRDH area. Development of long-term economic and urban planning strategies and forecasts of employment and population dynamics at the MRDH scale should be an essential input of

the regional transport strategy. Since the MRDH holds parallel strategic competencies for transport and economic development, it should be relatively straightforward to create a framework for long-term co-ordinated planning across these two areas. In the case of the mobility plan, the MRDH could play an important role in co-ordinating the development of an urban mobility plan for the MRDH with those of the 23 municipalities. The absence of competencies in spatial planning will have to be compensated through close co-ordination with the Province of Zuid-Holland. Co-ordinated land-use/mobility planning is essential for advancing transport-oriented development initiatives, such as Stedenbaan, mentioned earlier in the section on spatial planning.

The MRDH needs to demonstrate that it can address long-standing transport challenges: Congestion

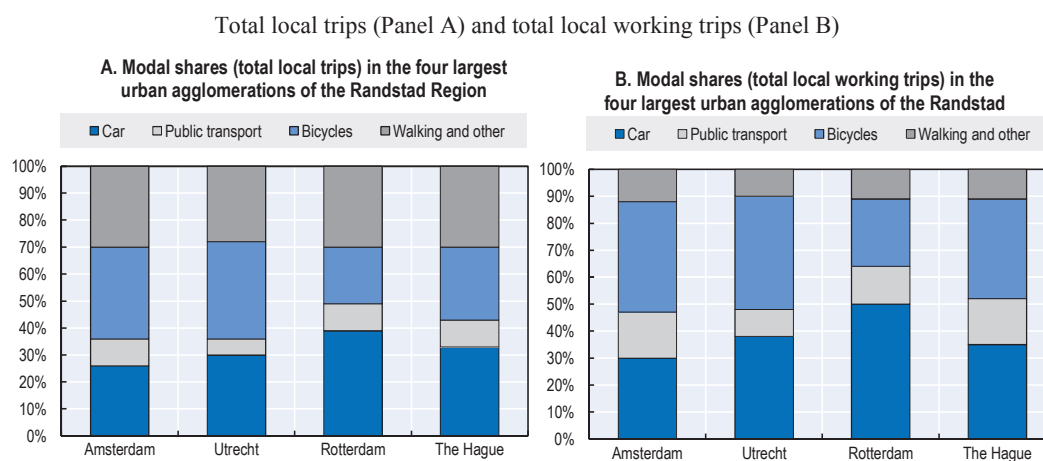
In addition to supporting broader economic objectives, the MRDH transport authority should also address pending issues that have for decades hindered efficient and sustainable mobility in the region. A critical challenge is vehicle congestion: the Randstad region has lower than average commuting distances relative to the national average, yet longer travel times (Van der Waard, Immers and Jorritsma, 2012). Thus far, congestion has been addressed to a great extent via major expenditures on road improvements, such as increasing capacity by adding lanes, adding missing links to the network and improving dynamic traffic management systems (Stead and Meijers, 2015). Nonetheless, because additional road supply also induces increased car travel (known as “induced demand”), congestion remains a challenge.

Data on modal share suggest that there is considerable potential to reduce congestion by shifting trips from private to public and non-motorised modes. Rotterdam and The Hague both have a higher share of travel by private vehicle than the other two large cities in the Randstad, Amsterdam and Utrecht (Figures 2.1A and 2.1B). In addition, Rotterdam and The Hague also show significantly lower participation of bicycles in the modal share than Amsterdam and Utrecht. In the case of work trips, in particular, Rotterdam has a much higher share of private car use than the other cities. Moreover, despite the existence of the Randstad Rail connecting Rotterdam and The Hague, around 65% of work trips between the two cities are via private vehicle (compared to almost half of trips via public transport between Amsterdam and Utrecht; see Figure 2.2). Travel between from Rotterdam and The Hague to Amsterdam also remains highly car-oriented.

Increasing reliance on public and non-motorised transport – both within the MRDH area and beyond – will be important for the MRDH to make significant progress toward alleviating congestion. Success in this area could bring important, visible quality of life improvements to residents of the MRDH area, and to the Randstad region as a whole. Previous analyses have concluded that it is necessary to invest in network extensions in order to increase both the capacity and the quality of public transport in the Randstad region (Wiegman, 2009). Given the expanded geographic scope of the MRDH transport authority (with respect to those of the former city-regions), the MRDH should undertake a metropolitan-wide analysis to identify the necessary connections to increase public transport shares in the MRDH area. Metropolitan-wide analysis is also important to identify potential co-ordination improvements across modes and service providers – especially since public transport providers are different in Rotterdam and The Hague. Together, these efforts could complement the present strategy to improve public transport attractiveness by increasing frequency levels (Vervoersautoriteit Metropoolregio Rotterdam Den Haag, 2013). While information and ticketing are well integrated between the two areas, cross-border infrastructure and service connections need to be improved to

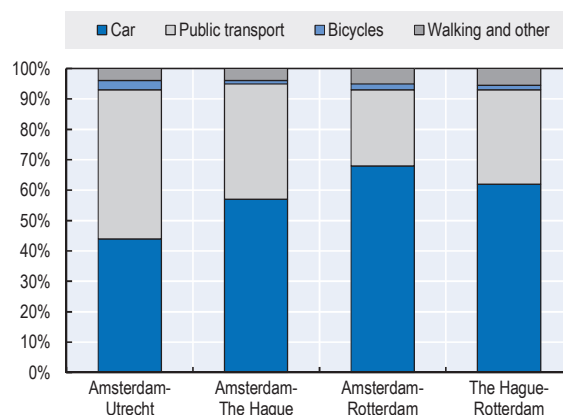
increase the attractiveness of public transport (Wiegmans, 2009). Some of the issues worth analysing are better co-ordination of schedules, increasing the role of buses as feeder services to mass transit and improving multi-modal connections. Also, even when bicycle infrastructure across the Netherlands is an international example of good quality, it would be worth analysing possible improvements in bicycle accessibility to public transport and inter-city nodes.

Figure 2.1. **Modal shares in the four largest urban agglomerations of the Randstad region**



Source: KiM (2014), *Mobility Report 2014*, KiM Netherlands Institute for Transport Policy Analysis, Netherlands.

Figure 2.2. **Modal share of trips between the largest cities in the Randstad region**



Source: KiM (2014), *Mobility Report 2014*, KiM Netherlands Institute for Transport Policy Analysis, Netherlands.

Enabling convenient origin-destination trips through improvements to public transport and non-motorised infrastructure will be important to attain more balanced mobility shares in the MRDH. However, as demonstrated in London and Singapore, among others, the MRDH should take advantage of its authority over a wide range of mobility policy to develop an integral strategy that combines increasing the attractiveness of public and non-motorised travel with active transport demand management to foster a significant modal shift (and alleviate congestion). While implementation of a congestion

charging scheme across the entire MRDH area would be politically difficult in the short term, other options could be explored by the MRDH.³⁰ For instance, the use of electronic road charging in specific corridors where high-quality public transport connections are available could be an important instrument to generate modal shift and alleviate congestion. This strategy could also help enlarge financial sources for the MRDH to invest in improvements to public transport services and non-motorised facilities. This strategy has been successful in Seoul (Korea), where a congestion charge has been implemented exclusively in a tunnel connecting the central and southern business districts. Charges are used to fund public transport improvements (ITF, 2013). Prices of the charges could be set in accordance with travel times, since the concentration of vehicles at peak hour is one of the major issues in the MRDH area (EMI, 2012). The MRDH could also generate further analysis on the social costs of car travel that could help raise public awareness about the importance of improving management of car use in the Metropolitan Region of Rotterdam-The Hague area. This could effectively enlarge public acceptance of more stringent transport demand management policies over the longer term.

The MRDH should communicate transport objectives and progress to the population

The transport objectives of the MRDH should be made clear to the population, and the MRDH should communicate periodically on progress toward these objectives. The overarching objectives developed to guide the MRDH transport plan should be easily accessible to the public (e.g. improving accessibility across the MRDH area, increasing the share of public transport and cycling, etc.). It will also be important to measure and communicate success periodically. For instance, TfL’s annual publication, “Travel in London”, reports progress on a wide set of indicators outlined in the Mayor’s Transport Strategy (see Annex 2.A1).

Broadening political support for co-operation on transport plans and policies

This section discusses some actions that could be taken by the MRDH in order to attain political support from actors whose co-operation will be important for implementing transport plans and policies. Table 2.6 provides a first analysis of the MRDH’s current conditions in terms of the legal authority that it has been granted. It also discusses the political actors that fully support the institution and those from whom support will be essential for advancing sustainable and inclusive mobility policies.

The support and political leadership from the Ministry of Infrastructure and the Environment, the Ministry of the Interior and the Mayors of Rotterdam and The Hague have been essential for the establishment of the MRDH, and will be an important asset for future development and implementation of its policies. The political support acquired by the MRDH from key actors – though some political challenges remain – has enabled it to secure a larger budget for transport than in most other areas in the Netherlands. Nonetheless, the ability of the MRDH to deliver public value through improved transport outcomes will depend on effective co-operation with a wider range of political actors as well as private stakeholders, among the most important being the Province of Zuid-Holland, all 23 of its municipalities, commercial developers and Dutch Railways (NS).

Table 2.6. An effective transport authority: Strong political support

Description and rationale	Leadership from key political actors has in many cases facilitated the creation and consolidation of an urban transport authority. In addition, support from other authorities, such as relevant ministries, can often be extremely important.
Assessment of current situation in the MRDH	<p>Legal authority: As a transport authority, the MRDH has been developed under a formal legal arrangement with explicit competencies. Its solid legal framework as an independent institution is an important asset for the MRDH, and could significantly facilitate decision making and bring continuity to policies and projects.</p> <p>Political support: The MRDH has important leadership from the mayors of the two large cities in the area (Rotterdam and The Hague). It also has important support from the Ministry of Infrastructure and the Environment. Acquiring support from a wider range of political actors will be important for ensuring success of plans and projects and a solid future for the institution. In particular, it will be important to co-ordinate well with the province as well as to ensure future support from smaller municipalities in the region.</p>
Status of the MRDH	<p>Legal authority: Acquired.</p> <p>Political support: The MRDH has support from key actors but it is advisable to aim at widening support from a larger number of political actors</p>
International examples	<p>Legal authority: LAMATA (Lagos) received important support from the state governor in its initial years and its director was well recognised as a technically capable person. This support allowed LAMATA to increase its scope of influence to a larger set of projects. Initially LAMATA was set up to be in charge of the Lagos Urban Transport Project, which included implementation of a bus rapid transit project and the construction and maintenance of a core road network.</p> <p>Translink (Vancouver) has been able to enlarge its funding base by gaining political support from the municipalities. Thus it has been transferred the right over some transport-related charges, creating dedicated revenue sources for funding its activities (e.g. fuel tax, parking site tax).</p>

Sources: OECD based on Kumar, A. and O.P. Agarwal (2013), “Institutional labyrinth. Designing a way out for improving urban transport services: Lessons from current practice”, World Bank Group, Washington, DC, <http://documents.worldbank.org/curated/en/2013/01/18821689/institutional-labyrinth-designing-way-out-improving-urban-transport-services-lessons-current-practice> (accessed 27 May 2015); complemented with information from Aguilar Jaber, A. and D. Glocker (2015), “Shifting towards low carbon mobility systems”, *International Transport Forum Discussion Papers*, No. 2015/17, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5jrvzrjggnhh-en>.

Improved co-operation with the province, private real estate developers should be priorities

As explained before, co-ordination between the MRDH and the province will be essential to ensure integration between spatial and transport planning. A third group of stakeholders with whom both institutions could work more closely is private developers. Co-ordination between public transport plans and the development of new office space has been particularly weak in the past. Overall lack of certainty in investment by private developers has hindered the success of public transport projects (Wiegman, 2009). In addition, the mismatch between urban development and public transport connections has generated car-oriented mobility trends, which, once established, can be hard to reverse. For instance, the VINEX spatial planning strategy, described earlier in this chapter, channelled residential development to sites adjacent to existing cities, but often did not provide public transport connections. Convincing residents who had already begun commuting via car to shift toward public transport at a later stage proved to be extremely challenging (Stead and Meijers, 2015). Improving co-ordination between transport planning and urban development could be facilitated by creating better public-private co-ordination mechanisms. TfL, for example, has a team that closely communicates with property developers to ensure that development proposals are consistent with the Mayor’s Transport Strategy. The team also offers guidance in the development of transport assessments, an evaluation of existing and necessary multi-modal transport connections in

the new development required for construction permits. The team also negotiates contributions for additional transport needs created by the developments in some cases. The MRDH can build on this example for the development of the public-private investment strategy for spatial and economic development. This initiative began in April 2015. The province is already a partner and the MRDH expects that the national government will also join. Investors are also being involved. If successful, this initiative could become an important platform for the development of a co-ordinated transport-spatial strategy, developed with inputs from the relevant public entities and which is also well co-ordinated with the private developer's actions. The development of an agreed portfolio of projects and an investment plan to enable their implementation would be important outputs of this initiative.

Smaller municipalities must also be well served by the MRDH transport authority

The MRDH would also benefit from ensuring the support of all municipalities in the area – not just the bigger ones. First, this could allow for better co-ordination of local policies and investment with a metropolitan-wide strategy. Second, it could increase long-term political certainty for the MRDH, reducing its dependency on the support of particular political leaders (e.g. the current Mayors of Rotterdam and The Hague), whose eventual successors could be less supportive of the institution. Currently, many of the smaller municipalities in the MRDH are under the impression that former city-regions have prioritised investment in projects that bring more benefits for larger cities.³¹ It will be important for the MRDH to develop an inclusive transport strategy that identifies missing transport links and ensures high levels of accessibility throughout the metropolitan area.

The MRDH could improve co-operation with the national railways authority

Finally, an important step to improve the attractiveness of public transport within the MRDH area, and between the MRDH and the rest of the Randstad, will be for the MRDH to ensure co-operation from Dutch Railways (NS) to harmonise regional and national transport projects. National railway infrastructure plays an important role in trips across the Randstad region. For decades, local transport authorities have lacked a voice in the planning of national railway infrastructure running through the Rotterdam-The Hague area (OECD, 2010a). Spaans and Stead (2013) report that the NS prioritises services for long-distance, rather than local, travellers. This has hindered the co-ordination of local and national transport infrastructure development into a single strategy that improves the convenience of using both local and national connections for reaching desired origin-destination. Now with authority over a larger part of the Randstad, the MRDH may be in a better position than the former city-regions to improve co-ordination with the NS and attain better planning between local public transport and the national railway network.

Envisioning further changes to the structure of co-operation over the long term

At this point in time, it is difficult to predict how co-operation within the MRDH will evolve and what role the organisation will play in the coming years. The current context of “reform fatigue” following a series of territorial reforms (or attempted reforms) in the Netherlands would suggest that there is likely little scope to reform the existing structure of the MRDH body in the short term. Over the longer term, however, additional changes in the structure of co-operation in the MRDH may be needed, and may also be more

politically feasible. This final section considers three possible ways in which the MRDH could evolve over the longer term, presenting some of the advantages and disadvantages of each potential evolution.

Would it be desirable to expand the MRDH area?

One of the most natural evolutions of the MRDH could be to expand the geographic participation of the MRDH to include, for instance, Dordrecht and its surrounding municipalities to the south of the MRDH (highly connected with the economic activities of Rotterdam) and Leiden and its surrounding municipalities to the north (which maintains strong connections to The Hague and to the universities in Delft). This chapter has argued that policies that pursue stronger functional integration within the current MRDH area should be careful not to jeopardise the existing interactions between the municipalities within and outside the MRDH area. It is possible that eventually one or both of these municipalities might decide to join the MRDH. The MRDH appears open to this possibility, although it would require changes to the legal framework of the institution. Given the strong links between Dordrecht and Rotterdam, the involvement of Dordrecht in the MRDH would likely be a welcome development. In the case of Leiden, even though it has strong interactions with both The Hague and Amsterdam, its proximity to The Hague and the knowledge institutions in Delft could also make participation in the MRDH desirable.

Is it sustainable to maintain parallel regional economic agendas?

The existence of two parallel regional economic agendas – the EPZ led by the province and the economic strategy of the MRDH – represents a more immediate challenge for the region moving forward. These parallel agendas represent the difficulty in identifying a clear regional leader or “voice” to help guide the economic future of the region. One interviewed private sector executive described the unclear, overlapping responsibilities and initiatives in the public sector, notably between the province and the municipalities, as the most pressing problem for regional economic policy. As such, over the long term, one solution could be to streamline responsibilities for regional economic development in the region. Further centralisation could also be advisable because communication is an important aspect of regional economic policy: the public sector must be aware of the needs of businesses to be able to react to them, and businesses must know about opportunities provided by the public sector in order to react to them. Having a single organisation responsible that is responsible for economic policies can allow for a clearer communication strategy in both directions. Streamlining and centralising responsibilities could make economic development policy in the region more transparent and help businesses to benefit better from it. It would be important, however, to find a solution that merges both the political backing of the municipalities that is inherent to the MRDH and the triple-helix element of the EPZ.

However, it should be mentioned that other Dutch urban areas – namely, Amsterdam – operate in a similar fashion as the current MRDH situation, with one economic agenda led by the Amsterdam Metropolitan Area (a voluntary, bottom-up co-operative platform that will be discussed in detail in Chapter 3) and another led by the Province of Noord-Holland. These parties work together as partners, rather than competitors, and find their dual economic strategies to be complementary visions for the future of the region. Certainly, if the MRDH and the Province of Zuid-Holland could develop a stronger partnership and find a way to speak with one voice, the parallel economic agendas may not pose a problem.

Would it be desirable to expand the competencies of the MRDH to include other policy areas?

Another issue for reflection is the current allocation of ideally complementary policy fields across different institutions. The responsibilities for spatial planning (which has remained a function of the Province of Zuid-Holland), economic development (which is a competency of the province, but also a field of work of the MRDH) and transport (a competency of the MRDH) are particularly relevant. Achieving the ambitions of both the MRDH and the province in this region will require that these three areas are well co-ordinated: for instance, the MRDH aims at increasing the economic growth in the region by fostering economic integration of the region, and spatial planning policies can contribute to this goal by providing sufficient space for the economy to grow, and to grow together. It should also be mentioned that the former city-regions had competencies in all three fields, some of which were also shared with other levels of government (Chapter 3).

Over the long term, and depending on the evolution of broader institutional arrangements in the Netherlands (Chapter 3), one possibility that has been put forward would be to centralise the responsibilities for spatial planning and transport in this particular area of the Netherlands within a single institution, such as the MRDH. Such a change could help to ensure better integration of the different policy fields and develop synergies among them. While a transfer of spatial planning competencies from the province to the MRDH could eventually be a natural evolution in this particular area of the Netherlands, it may not at all be an appropriate solution in other parts. The central government has been experimenting with a more asymmetric approach to governance; an evolution in the allocation of responsibilities between the MRDH and the Province of Zuid-Holland may be possible over the longer term, while provincial functions in other parts of the Netherlands are maintained, or even strengthened (see OECD, 2014b).

However, a formal transfer of competencies is not necessarily inevitable. Experience in other OECD countries has shown that while alignment of spatial planning, transport and, in many cases, economic development policies is extremely important, these areas are regularly managed by different authorities in many OECD metro regions (such as Vancouver [Canada] and Portland, Oregon [United States]). Integrated spatial and economic policies are thus not exclusively the product of a single metropolitan authority; separate bodies can manage these policy fields with success, so long as effective co-ordination mechanisms are in place between municipalities, metropolitan authorities and regional/state agencies (see Chapter 3 for details). A more productive way forward could be for both the MRDH and the Province of Zuid-Holland to find ways to work as partners (discussed in detail in Chapter 3). In the short to medium term, the focus of the MRDH should be to work with provincial authorities to ensure that these three policy fields are well aligned and mutually consistent. Beyond the complementarities of these policy fields, close co-operation with the province on spatial planning is desirable for the MRDH, as the staff of the province is highly experienced in spatial planning and could provide valuable contributions to any spatial strategy of the MRDH. The province, meanwhile, could consider adopting a more flexible approach to spatial planning than it has in the past. The highly restrictive practices in recent decades could be relaxed to support the development of a more dynamic regional future.

Key findings and recommendations

- Public policies that have either explicitly or implicitly stymied agglomeration economies, in addition to complex relationships among regional actors, have impeded the functional integration of the MRDH area. National spatial planning policies of the past sought to prevent cities from forming large, continuous urban agglomerations. The provincial authorities have adopted an activist approach to spatial planning to guide new development to specific locations so as to promote more equal distribution of economic and residential activities throughout the region. Social housing policies further limit the spatial integration of the MRDH by constraining labour mobility. Historic tensions between the municipalities that make up the MRDH and the Province of Zuid-Holland have also discouraged the development of a single, unified region.
- The MRDH body has formal competencies in two fields: economic development and transport. Its legal competencies and financial resources for economic development are limited: it does not possess any “hard tools” as its responsibilities are based on a voluntary agreement among member municipalities without any enforcement mechanisms, and its budget is small (EUR 5.5 million). In the field of transport, the MRDH is responsible for the strategic management of public and private transport and has a significantly larger budget (EUR 475 million).
- To achieve its economic policy objectives, the MRDH could consider two overarching strategies:
 - Focusing inward to promote greater integration of the MRDH: The MRDH could: 1) focus on strengthening agglomeration economies within the region whilst preserving existing economic connections to areas outside the MRDH; 2) facilitate the process of regional economic transition; 3) attract outside funding to support its economic development objectives; 4) address key strategic questions for regional economic policy. In particular, in addition to the co-operative platforms already in place, it will also be important to consider in what ways limited economic competition – rather than co-operation – between municipalities could benefit the region.
 - Looking outward to boost the competitiveness of the MRDH relative to other Dutch urban areas as well as its international profile: At the same time, the MRDH could help to cement its position on the national and global stage by: 1) establishing the MRDH as the voice for external relations; 2) developing an internationalisation agenda; 3) pursuing larger scale projects and flagship events.
- While greater economic integration could reap important agglomeration benefits for the MRDH area and potentially the country as a whole, it is neither an automatic nor a simple process. It will take time and likely result from a range of economic, transport and spatial planning policies at different levels of government. Greater economic integration should thus be conceived as a complex, long-term ambition.
- In terms of its transport competences, the MRDH could focus on two aspects to ensure that it can leverage itself effectively as the single transport agency for the area:
 - Demonstrate that it can deliver public value in the form of mobility improvements that are significant, effective and visible to the population by: 1) designing economically driven transport policies for the region; 2) addressing long-standing regional transport challenges, like congestion; 3) communicating transport objectives and progress to the population.

Key findings and recommendations (*continued*)

- Broaden political support from actors whose co-operation will be critical to implement transport plans and policies by: 1) improving co-operation with the province and private real estate developers; 2) ensuring that smaller municipalities are equally well served by the MRDH transport authority; 3) improving co-operation with Dutch Railways to harmonise national and regional transport projects.
- The MRDH co-operative structure may need to evolve over the long term. First, it may consider expanding its geographic boundaries to include, for instance, the cities of Dordrecht, Leiden and their surrounding municipalities. Second, it could be valuable to merge the parallel regional economic agendas of the MRDH and the South Wing Economic Programme Board (EPZ) into a single agenda for the region. Finally, although it can be desirable to have transport and spatial planning functions managed by a single entity, it is not required. Rather, it is most important to ensure effective co-ordination between the two policy fields.

Notes

1. As discussed in Chapter 1, the Metropolitan Region of Rotterdam-The Hague (MRDH) is comprised of the 23 municipalities that previously formed the city-regions of Rotterdam and The Hague. It came into existence in January 2015 following significant political negotiations between local and central government authorities upon the abolition of the city-regions in the Netherlands.
2. This argument is supported by Brezzi and Veneri (2014) who find that on the regional level, a more polycentric city structure is correlated to lower per capita GDP levels. Thus, reducing the degree of polycentricity can be expected to increase per capita GDP levels in the region.
3. In the case of the Aix-Marseille metropolitan region in France, for instance, better connectivity within the region could help more residents – especially the most marginalised – access educational and employment opportunities that are not currently possible (OECD, 2013).
4. If the entire region depended on a single economic sector, a decline in this sector would have much more severe consequences than a decline in any given sector would have in the current economic configuration of the region. Thus, the region is less likely to be subject to severe economic fluctuations than it would otherwise be.
5. See, for example, Meijers et al. (2014). Complementarity implies that one activity is required to make another one function well and vice versa, which is generally not the case for the sectors mentioned above. For example, port-related activities in Rotterdam are likely to work just as well without the presence of the government or of international organisation in The Hague. Similarly, the other economic sectors in

the region operate mostly independently of each other and would not be severely affected if another sector suddenly disappeared. See Chapter 1 for further details.

6. The aims of this working commission were threefold: 1) assess the challenges relating to present and future development in the Western Netherlands; 2) recommend public policies, with special attention to the North Sea Canal and The Hague areas; 3) achieve these aims in co-operation with other strategic partners at the provincial and municipal levels.
7. The management of these areas is now the responsibility of the province.
8. Such policies might be planning policies, but could also be other measures such as subsidies for economic activity in specific regions. Glaeser and Gottlieb (2008) show that such policies can be beneficial under specific conditions, but tend to reduce overall economic activity in most cases. See also Kline and Moretti (2014).
9. The vacancy rate of office space in Rotterdam reached 18.5% in the fourth quarter of 2013 in Rotterdam, equivalent to 800 000 square metres, and up to 28% in some neighbourhoods within the city (Kleeton, 2014).
10. As De Boer and Bitetti (2014) demonstrate, the position of social housing corporations is crucial to understanding the Dutch housing market. Housing associations are not-for-profit private actors with a dominant market position that provide social housing and own 77% of all rental dwellings in the Netherlands. They work within a public legal system and are obliged to reinvest any surpluses in social housing and related fields (regulated in national decrees). There is a substantial system of state aid in place that safeguards the “societal capital” of the housing associations.
11. The rental ceiling for a given social dwelling is based on characteristics such as size, amenities and neighbourhood factors; however, the location and market value of the dwelling are not part of this calculation (see De Boer and Bitetti, 2014; www.government.nl/issues/housing/rented-housing).
12. OECD (2007), for instance, reported that a typical local authority will have close to 30 co-operative arrangements, which are task-specific and confined to a single policy field.
13. The MRDH is now comprised of Rotterdam, The Hague and 21 surrounding municipalities, following the merger of Spijkenisse and Bernisse into Nissewaard as of January 2015.
14. Additional funds for investments in local or regional infrastructure projects can be made available at national level (the Multi-year Plan for Infrastructure, Transport and Spatial Planning [*Meerjarenplan Infrastructuur, Ruimte en Transport*, MIRT]).
15. Support for the MRDH is especially strong from Rotterdam and The Hague. Smaller municipalities are more ambivalent towards the MRDH, but generally see it in their interest to follow the leadership of the big cities. Moving forward, the MRDH will have to solidify the support from smaller municipalities by making sure their interests are taken into account.
16. The potentially distortive effects of place-based subsidies to firms do not imply that other place-based policies are harmful. To the contrary, the OECD advocates, for example, for public service provision that is tailored to the requirements of a place.
17. See Autor (2014) for a general overview of trends in automation and its impact on employment and the demand for skills.

18. Liquid bulk goods (such as crude oil and oil products) made up 49.3% of the freight handled in the Port of Rotterdam, compared to an average of just 36.3% in other European ports (excluding Rotterdam).
19. Both, the Port of Rotterdam Authority and the city of Rotterdam are aware of the potential implication and are working on a strategy to manage the transition of the port economy away from the petrochemical sector.
20. Faggio and Overman (2014) find that on the local level public sector employment does not crowd out private sector employment and thus increases total local employment levels. It does, however, affect the composition of the local private sector and causes a shift from the tradable to the non-tradable sector.
21. Florida (2002) is a well-known proponent of this argument.
22. As De Boer and Bitetti (2014) point out, the private rental market in the Netherlands is marginal since it is “crushed” between a large social rental sector (which is dominated by non-profit housing associations) and the owner-occupied sector (where owners receive substantial fiscal benefits). The private rental market is primarily accessed by younger and/or flexible people, who need housing on short notice, are unable to buy or who do not get access to social housing. Boosting the private rental market could be achieved, in part, by relaxing rent regulations: 93.5% of all rental dwellings are regulated and thus subject to central government rent controls for existing and new tenancies (see Høj, 2011; De Boer and Bitetti, 2014; OECD, 2014c, 2010a). Additional reforms could aim to continue recent reforms to differentiate social housing rents by income levels and introduce tighter conditions for eligibility to ensure that social housing associations target their stock to those most in need.
23. The Collective Innovation for Public Transport in European Cities (CIPTec) project is a research and innovation project of the European Union Horizon 2020 programme for fostering modern, creative and innovative transport sectors. For further information, see: <http://cipotec.eu/news/analysis-of-market-and-social-trends-in-public-transport>.
24. See: http://ec.europa.eu/regional_policy/en/information/publications/guidelines/2014/guidance-fiche-integrated-territorial-investment-iti for further information on ITIs.
25. Such services are, for example, offered by Rotterdam Partners, the business development agency of the city of Rotterdam. To provide a coherent image of the region and strengthen its attractiveness as a whole, they would ideally be provided by a single organisation for the entire MRDH region.
26. The idea that competition between municipalities is welfare enhancing was formally introduced in a seminal contribution by Tiebout (1956). Oates and Schwab (1988) provide a further exposition of the conditions under which competition between municipalities can be welfare enhancing.
27. OECD (2015a) discusses policy fields that particularly require co-ordination between local governments.
28. As shown by Oates and Schwab (1988), such competition can be welfare reducing.
29. Brueckner (2000) provides some evidence for the existence of such a race to the bottom in welfare policy and Engel (1997) argues that a race to the bottom exists in the context of environmental policy in the United States.

30. The Dutch Coalition Agreement released by the national government in 2012 specifically mentioned that the government would not introduce road pricing in the form of a kilometre levy; instead, the government indicated a preference for making better use of transport infrastructure to reduce congestion (see: www.government.nl/government/coalition-agreement).
31. Based on OECD interviews with a range of municipal authorities in the MRDH.

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Annex 2.A1.

Integrated planning in London

London's integrated planning framework is based on three key documents: the London Plan, the Economic Development Strategy and the Mayor's Transport Strategy. The planning framework is complemented with other strategies (e.g. the Mayor's Climate Change Mitigation and Energy Strategy, the Air Quality Strategy). The strategies outlined in the three main planning documents are closely related.

The London Plan: Long-term spatial development strategy

The London Plan sets out the long-term spatial development strategy (currently to 2036) (GLA, 2010a). It identifies the main objectives for London:

- a city that meets the challenges of economic and population growth
- an internationally competitive and successful city
- a city of diverse, strong, secure and accessible neighbourhoods
- a city that delights the senses; a city that becomes a world leader in improving the environment
- a city where it is easy, safe and convenient for everyone to access jobs, opportunities and facilities.

The London Plan addresses specific planning policies that can, on the one hand, help Transport for London (TfL) cope with the impacts of demographic growth and, on the other hand, foster urban development conditions that are favourable to more sustainable mobility. Examples of these policies are:

- housing densities, which are linked directly to public transport accessibility levels
- maximum car parking limits that are also linked to public transport accessibility
- minimum cycle parking standards for all different types of land use
- requirements for electric charging provision in new developments
- construction and servicing management plans.

The Economic Development Strategy

The Economic Development Strategy (EDS) outlines the long-term economic vision and goals for London (GLA, 2010b). Long-term projections of continuing growth in London's economy and population (various scenarios are examined in the London Plan) are an essential input to the EDS. All proposals in the EDS must be consistent with the spatial strategy set out in the London Plan. The EDS in force (developed in 2010) sets out the following objectives:

- promote London as the world capital of business, the world’s top international visitor destination, and the world’s leading international centre of learning and creativity
- ensure that London has the most competitive business environment in the world
- make London one of the world’s leading low-carbon capitals by 2025 and a global leader in carbon finance
- give all Londoners the opportunity to take part in London’s economic success, access sustainable employment and progress in their careers
- attract the investment in infrastructure and regeneration which London needs, to maximise the benefits from this investment and in particular from the opportunity created by the 2012 Olympic and Paralympic Games and their legacy.

The Mayor’s Transport Strategy

The Mayor’s Transport Strategy (MTS) lays out the strategic direction for TfL to 2031 (TfL, 2010). TfL is the statutory authority responsible for ensuring the delivery of the MTS. The MTS takes into account the emerging policies in the London Plan and the EDS and is supported by a detailed evidence base, including the “Travel in London” report (Box 2.A1.1), strategic transport models and recommendations from the Outer London Commission.

The MTS currently in force identifies six major objectives:

- support economic development and population growth
- enhance the quality of life for all Londoners
- improve the safety and security of all Londoners
- improve transport opportunities for all Londoners
- reduce transport’s contribution to climate change and improve its resilience
- support delivery of the London 2012 Olympic and Paralympic Games and its legacy.

Box 2.A1.1. Overview of the “Travel in London” annual report

“Travel in London” is the annual report issued by Transport for London (TfL). It provides key statistics and communicates the progress of TfL and its partners toward delivering quality transport in London. The document is divided into two main parts: 1) travel demand and the performance of transport networks; 2) monitoring and assessing progress with the implementation of the Mayor’s Transport Strategy. As part of the second section, TfL reports on the evolution of a wide range of indicators that measure its progress in delivering the objectives set by the Mayor’s Transport Strategy. The following indicators are used by TfL:

- Total number of trips.
- Total number of journey stages.
- Modal shares.
- People’s access to jobs: number of jobs available to people within a 45-minute travel time by public transport.
- Journey time reliability indicator: percentage of vehicle journeys completed within five minutes of a typical average journey time.

Box 2.A1.1. Overview of the “Travel in London” annual report (*continued*)

- Average traffic speed.
- Public transport reliability: extra time that people have to wait over and above that if the service was running exactly to schedule (for buses and the underground); percentage achievement of operational or reliability targets (other rail modes).
- Public transport capacity: place-kilometres offered by the principal public transport modes.
- Operating costs per passenger kilometre (both gross and net expenditure per passenger kilometre).
- Asset condition: asset deemed, according to benchmarks previously set by TfL, to be in “good” condition.
- Emissions from particulate matter (PM₁₀) from ground-based transport (as a total over the calendar year).
- Emissions of nitrogen oxides (NO_x) from ground-based transport.
- Perception of customer satisfaction with aspects of the transport environment that contribute to quality of life: six indicators are used to measure this. They are all scaled from 0 to 100 and scores are derived from annual surveys conducted among Londoners or users of particular parts of the transport system (as appropriate). The six indicators are: 1) public transport customer satisfaction; 2) public transport crowding (satisfaction indicator); 3) road user customer satisfaction; 4) perception of journey experience; 5) perception of noise; 6) perception of the urban realm.
- Number of road traffic casualties (killed or seriously injured).
- Crime rates on public transport.
- Perception of crime/safety while travelling: percent of people that feel safe when travelling in public transport.
- Access to jobs and services: local area score of average journey time by public transport, walking and cycling to jobs and local services.
- Physical accessibility to the transport system: level of step-free access across the TfL public transport and streets networks, expressed as a weighted average according to the relative use made of each mode. It is expressed as a percentage score.
- Real fares levels: average actual fare paid in London per kilometre travelled. It is a composite measure, covering bus and underground only.
- Emissions of CO₂ from ground-based transport in London.

Source: TfL (2014) “Travel in London Report 7”, Transport for London, London, available at: <https://tfl.gov.uk/cdn/static/cms/documents/travel-in-london-report-7.pdf>.

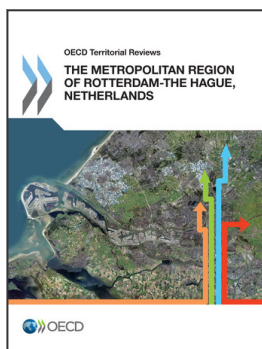
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From:
**OECD Territorial Reviews: The Metropolitan Region
of Rotterdam-The Hague, Netherlands**

Access the complete publication at:
<https://doi.org/10.1787/9789264249387-en>

Please cite this chapter as:

OECD (2016), "Policies for a more inclusive and competitive Metropolitan Region of Rotterdam-The Hague", in *OECD Territorial Reviews: The Metropolitan Region of Rotterdam-The Hague, Netherlands*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264249387-6-en>

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