

## **How can London bounce back? London's response to the economic downturn**

A report of the Committee's seminar





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## Chair's foreword



“The Mayor, through his Economic Recovery Action Plan, has the opportunity to create and implement a coherent strategy that will provide lasting benefits. The seminar – and this report of the proceedings – provides an excellent starting point for this.”  
*Dee Doocey*

In recent months, the economic crisis has dominated the headlines. Not unnaturally, when it comes to policy, the focus has been on the responses that national governments are making. These bodies are, after all, the ones with power over macroeconomic policy.

While the Greater London Authority does not have such power, like all regional and local government, there are steps it can take to mitigate the effects of the crisis and help rebuild a healthy economy.

This is why, last December, the London Assembly hosted a seminar on London's response to the economic downturn. A wide variety of experts and interest groups were consulted about how the Mayor of London, the London Development Agency and other public bodies could support London's economy and maintain its competitiveness.

The seminar was a great success and I would urge the Mayor, the LDA and other relevant bodies to read this report in full. They will find a wealth of practical ideas that they can implement. Further, given the nature of this seminar, they will find a source of policy with a wide consensus behind it.

The Mayor, through his Economic Recovery Action Plan and wider work to promote the capital's economy, has the opportunity to create and implement a coherent strategy that will provide lasting benefits to the people of London. The seminar – and this report of the proceedings – provides an excellent starting point for this.

# Overview

On 10 December 2008 we held a seminar examining London's response to the economic downturn focusing, in particular, on the roles of the Mayor, the London Development Agency (LDA) and other public bodies in supporting London's economy and maintaining its competitiveness.

Our seminar comprised three scene-setting speeches by keynote speakers and a question and answer session with a panel of experts. Our speakers were: Anatole Kaletsky, Associate Editor of The Times; Will Hutton, Executive Vice Chair of the Work Foundation; and Nicola Horlick, Chief Executive of Bramdean Asset Management. Our panel of experts comprised: Nigel Bourne, Director, Confederation of British Industry (CBI) London; Stuart Fraser, Chairman of the Policy and Resources Committee at the City of London Corporation; Adam Lent, Head of Economic and Social Affairs at the Trades Union Congress; Peter Rogers, Chief Executive of the London Development Agency (LDA); Colin Stanbridge, Chief Executive of the London Chamber of Commerce & Industry; and Nick Winch, London Policy Manager, Federation of Small Businesses.

We covered a wide range of issues at the seminar, with members of the audience invited to submit questions in advance and also raise any other matters on the day. We are very grateful to the speakers, experts and audience members who participated.

This report provides a detailed account of the seminar. It follows the publication of our initial findings on 15 December 2008 and the Mayor's Economic Recovery Action Plan on 17 December 2008. A full transcript of the seminar is also available on the web site at: <http://www.london.gov.uk/assembly/reports/econsd.jsp>. This report includes details of the relevant pages of the transcript for ease of reference.

On 10 December 2008 we held a seminar examining London's response to the economic downturn, with three scene-setting speeches by keynote speakers and a question and answer session with a panel of experts

# The wider economic picture – three scene-setting speeches

The three key-note speakers put the economic downturn in a broader context, highlighted some of the particular issues for London, and suggested some possible policy responses.

## **Anatole Kaletsky, Associate Editor of The Times**

*[pages 2-4 of the transcript]*

Anatole Kaletsky began with an explanation of the current financial crisis. In his view the crisis had worsened because of the decision not to bail out Lehman Brothers bank but underlying this policy mistake were longer-term changes in the world economy. The democratisation of credit had created a new product comparable to other new products such as the internet but the market had taken this natural development beyond its logical conclusion, creating excessive borrowing. At the same time there was a huge imbalance in savings and expenditure, with China and Japan doing all the world's savings whilst most consumption happened in the United States, UK and Europe. This imbalance resulted in enormous flows of money across the world economy. London, as the leading global finance centre, stood right at the crossroads of this movement.

He outlined two consequences from the financial crisis. One was a structural change – an enormous contraction within the financial system – which would particularly affect London and would not be reversed for some years. The other consequence was an unprecedented recession affecting all parts of the world's economy. However, at the same time as this recession, there was unprecedented fiscal stimulus. Governments were borrowing large amounts of money and central banks were reducing interest rates and likely to print more money in the future. Whilst the world economy paralysed by the credit crunch could be compared to an immovable object, this fiscal policy was like an irresistible force. History showed that forces were more likely to be irresistible than objects immovable.

## **Will Hutton, Executive Vice Chair of the Work Foundation**

*[pages 4-7 of the transcript]*

Will talked about the possible timing of the UK economic recovery in either the second half of 2009 or in 2010. In his view this timing was possible because the combination of recent national policies (the cut in interest rates to 2 per cent and the re-capitalisation of the banks) plus the possibility of the Government taking action to help open the financial markets trading in securities (financial assets such as

“Whilst the world economy paralysed by the credit crunch can be compared to an immovable object, the fiscal response is like an irresistible force. History shows that forces are more likely to be irresistible than objects immovable.”  
*Anatole Kaletsky*

mortgages and loans packaged up for trading) would help restore credit flows. In the meantime he suggested 2009 could be the worst year for London's economy since the 1970s.

He then spoke about the impact of the economic downturn and some possible responses. The UK's financial services sector would be particularly badly affected and its share of national GDP would reduce from around 9 per cent to 7- 8 per cent, with many job losses in London. The capital's culture and creative industries would also be badly affected. In response, he suggested the Government should act now to help re-open the financial markets trading in securities. London's governing bodies should also take action. They should help to accelerate the movement of Londoners who lost their jobs to those employers who were hiring. They should aggressively seize the opportunity presented by the 2012 Olympic and Paralympic Games to boost economic activity in the capital. They should also be enhancing London as the home of new, general purpose, technologies like the internet. The capital should be developed as "the knowledge economy heart of Europe".

**Nicola Horlick, Chief Executive of Bramdean Asset Management** *[pages 7-9 of the transcript]*

Nicola began by talking about people's financial habits. She suggested that, as well as encouraging people to spend money to boost the economy, it was equally important to encourage people to save, especially when there was an aging population. In recent years, people had not saved sufficiently and although people may have relied on taking equity from their houses to support themselves in their old age, this would no longer be possible with the decline in the housing market.

She argued for a long-term response to the economic downturn, focused on education, training and skills. In her view, it was necessary to create a more diverse economy since the financial services sector would now be smaller. The only way to grow the economy was to create new areas of expertise and this meant more investment in skills, technology and education. In the very short term, little could be done to alleviate the downturn and London would suffer in 2009. However, there were some positives particularly the 2012 Games. It would help create employment and attract large numbers of tourists to the capital, bolstered by the recent decline in the value of the pound.

"London's governing bodies should enhance the capital as the home of new general purpose technologies. It should be the knowledge economy heart of Europe."  
*Will Hutton*

"It is necessary to create a more diverse economy since the financial services sector will be smaller. This means more investment in skills, technology and education."  
*Nicola Horlick*

# Five key areas that the Mayor should address to help London's economic recovery – findings from the question and answer session

Our question and answer session highlighted five key areas that the Mayor should address through his Economic Recovery Action Plan and wider work to promote the capital's economy. These were:

1. Support for London's small businesses;
2. Measures to diversify London's economy;
3. A clear strategy balancing the needs of newly unemployed Londoners with the long-term unemployed;
4. Full details of how major infrastructure projects such as the 2012 Olympic and Paralympic Games and Crossrail will be used to boost London's economy; and
5. Actions to help ensure London maintains its global economic competitiveness.

Each of these five areas is covered in more detail below.

## **1. Support for London's small businesses**

[pages 11-13 and 15-17 of the transcript]

Prior to our seminar, the LDA had announced £23 million of additional funding for measures to support small businesses and Peter Rogers began by telling us about these measures. They included: the production and distribution of one million copies of a leaflet setting out the support services available for small businesses<sup>1</sup>; funding advertising campaigns to attract European visitors to London; providing access to finance schemes for small businesses; and working with major accountancy firms to provide free business advice to small businesses.

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<sup>1</sup> This leaflet is available on the LDA's web site ([link](#))

Other experts also spoke about support for small businesses. Nick Winch described the LDA's additional funding "as a relative drop in the ocean" and suggested its leaflet was a valuable start but "you needed to keep repeating the information as the small business community is a very difficult community to get hold of." He argued it was also important to ensure London got its fair share of the £1 billion small business survival fund recently announced by the Government. Colin Stanbridge mentioned widening the procurement opportunities for small businesses so they had more work. He highlighted CompeteFor, the website which enabled small businesses to access the contract opportunities arising from the 2012 Games, which was now being extended to include more public sector procurement opportunities.

"you need to keep repeating information on support available for the small business community as it is very difficult to get hold of"  
*Nick Winch*

Audience members raised a number of points about support for small businesses. Some told us more could be done to open up public sector procurement to small businesses since many small businesses applying for local authority contracts failed at the first hurdle: the pre-qualification questionnaire. We also heard how small businesses often preferred to get advice from local business support organisations rather than from regional or national support services and such local organisations needed more funding and support. It was also suggested that small businesses might benefit from more practical advice on how to market their products and services.

## **2. Measures to diversify London's economy**

*[pages 13-15 and 32-35 of the transcript]*

Clearly London's financial services industry is contracting. We heard about other areas of London's economy that could be promoted to help its recovery.

Many of our experts highlighted the manufacturing sector. Colin Stanbridge, who argued we now had a chance to look at a whole series of economic sectors not looked at before, raised the possibility of focusing on manufacturing and also export and trade. Nigel Bourne agreed about manufacturing, highlighting that London had a high-level of technological and innovative expertise. He suggested that it was about trying to make the most of that and "going back to that very high level, high value added manufacturing...seen in the past." Whilst Adam Lent also agreed about promoting other economic sectors, he suggested a key issue was skills and training. He argued

“The Government should be willing to say “These are the sectors we want to grow in the economy and we are going to anticipate the skills needs of those sectors”  
*Adam Lent*

that the Government should play a more proactive role and be willing to say “These are the sectors we want to grow in the economy and we are going to anticipate the skills needs of those sectors and work with business to train the workers needed in those sectors.”

Peter Rogers spoke about London’s leading international role in medical research, higher education and the creative and innovative industries. Audience members agreed, suggesting that these sectors should be promoted. Some argued that over the coming years London had an opportunity to become the world’s education centre and that part of the legacy from the 2012 Games should be an innovations hub in the Olympics Park.

Another area of the economy mentioned was ‘green’ technologies and promoting the development of the wider ‘green’ economy. Stuart Fraser told us that new technologies could be high-risk, requiring considerable public sector assistance to help reduce these risks. In response, Adam Lent gave some examples where public sector assistance had successfully promoted the development of ‘green’ economies. They included San Francisco where the city authorities were creating a new infrastructure to allow people to convert to electric cars and Germany and Denmark where government regulations had helped the ‘green’ sectors grow enormously. This is not the first time we have considered such issues. The Assembly’s Environment Committee held a seminar, *Making it in London*, in October 2007 which looked at the barriers to growth for London’s eco-friendly manufacturing sector.

### **3. A clear strategy balancing the needs of newly unemployed Londoners with the long-term unemployed**

*[page 17 and pages 23-25, 27-28 and 30-32 of the transcript]*

Our seminar touched on addressing the needs of newly unemployed Londoners but at the same time not forgetting the capital’s high number of long-term unemployed.

Some experts commented specifically on support for Londoners employed in financial services who now faced redundancy. Stuart Fraser suggested the current downturn might release a lot of creative talent from the financial services industry which could benefit the economy elsewhere. Colin Stanbridge suggested it was important to ensure such people who might, after being made redundant, want to

start their own businesses received appropriate support and advice since this could help the capital's long-term economic recovery. We will be considering this in more detail in early 2009 when we investigate support for business start-ups in London.

Adam Lent highlighted that, as well as Londoners employed in the financial services sector, others were losing their jobs including many who were not well paid. He suggested that the Mayor and the LDA had a role to play in ensuring these Londoners were targeted and given support and training to find new jobs. He said existing employment services needed to "move on to an emergency footing" and move in and work with staff in firms where large number of redundancies were announced. He commented that in previous recessions about one third of people made redundant faced long-term unemployment and it was important to stop that happening again.

Peter Rogers told us it was not right to focus just on those Londoners now facing redundancy. During the boom years, many Londoners were not working who could and it was important that, coming out of the economic downturn, this situation improved. He reported on some LDA work tackling the needs of the long-term unemployed including supporting single parent families in work by creating community nurseries to provide them with sufficient childcare.

Audience members commented on the support Londoners needed. This included a request for more funding for advice agencies such as the Citizens Advice Bureaux so they could meet the increased demand for their services. The possibility of paying all workers the London living wage to improve their living standards and boost the economy through greater spending was also mentioned. This prompted an interesting discussion about the merits of the living wage versus the possible implications for businesses that would fund it.

#### **4. Full details of how major infrastructure projects such as the 2012 Olympic and Paralympic Games and Crossrail will be used to boost London's economy** *[pages 18-23 of the transcript]*

Many of our experts and audience members highlighted that the 2012 Olympic Games and Paralympic Games and other infrastructure projects could be major opportunities to boost London's economy.

"It is important that people who might, after being made redundant, want to start their own businesses receive support. This could help the capital's long-term economic recovery"  
*Colin Stanbridge*

“It is absolutely vital to make sure that schemes such as Crossrail have funding to continue but in reality accelerating such projects is not really practical.”  
*Nigel Bourne*

Peter Rogers told us that this was “the chance for a new Victorian age where you invest in infrastructure which lasts the UK for the next 100 years.” He suggested that, with the potential of the Olympic Park, the East End of London in particular could be rejuvenated. Nick Winch also highlighted the value of the 2012 Games. He argued that now was the time to prioritise encouraging the tourism legacy expected from hosting an Olympics Games because the current low value of sterling made London a more attractive place to visit.

Some experts queried the scope to bring forward major infrastructure projects. Nigel Bourne said it was absolutely vital to make sure that schemes such as Crossrail had funding to continue but that in reality accelerating such projects was not really practical. Colin Stanbridge suggested that the key thing was not bringing the projects forward (although if we could we should) but rather not skimping on the investment already allocated to them. In this respect, Stuart Fraser said the GLA had an important role to play, ensuring that the capital got its fair share of Government funding for infrastructure projects and that the rest of the UK recognised the importance of investing in the capital.

Audience members raised a number of issues about major infrastructure projects. These included the possibility of developing new funding arrangements with municipal equity schemes and greater contributions from the City and also the value of investing in transport schemes in outer London boroughs to promote local economies. The legacy from the 1951 Festival of Britain, in the form of the Royal Festival Hall and indirectly the whole South Bank cultural centre, was also mentioned as an example of what could be achieved through investment in major infrastructure projects.

## **5. Actions to help ensure London maintains its global economic competitiveness** *[pages 25-27 of the transcript]*

We heard about factors required to ensure London maintained its global economic competitiveness.

Stuart Fraser suggested that we needed to remain an extremely open society, retain talent and have sensible regulations in the financial services sector. This included working hard in Brussels to ensure London did not suffer from any European rules imposed which adversely affected its position as an international financial centre.

Many experts also spoke about the need to ensure a high quality of life in London to maintain its economic competitiveness. Colin Stanbridge told us it was not just about helping to make financial services in London pre-eminent but also making sure London itself remained pre-eminent. The capital needed to be “ a city where people wanted to come, work and invest. That is about making sure that the transport works, the cultural life works and the broad span of restaurants is still here.” Nigel Bourne and Nick Winch made similar points. Nick Winch commented on the need for London’s governing bodies to think about what people looking to locate businesses might experience when they visit London including what it was like to arrive at Heathrow, stay in the capital’s hotels, and walk in its streets.

“We need to  
remain an  
extremely open  
society and retain  
talent”  
*Stuart Fraser*

## Conclusion

“Of overriding importance is the need to rebuild London’s reputation as the world’s financial centre. It not only employs many people directly but also sustains an enormous amount of employment across London.”  
*Peter Rogers*

Our seminar concluded with some final thoughts from Peter Rogers. He suggested that we were currently in a “glass half empty, glass half full” time. Whilst many individuals and small businesses in London were now facing immediate concerns and needed to know where to go for advice and support, in the medium term, there could be opportunities with projects such as the 2012 Games providing jobs and a chance to promote the capital abroad. However, of overriding importance, was the need to rebuild London’s reputation as the world’s financial centre. The financial services industry not only employed many people directly but also sustained an enormous amount of employment across the whole of London.

We intend to follow-up the seminar’s main findings in our future work. In particular, in early 2009, when we will be discussing the Mayor’s Economic Recovery Action Plan in detail and also starting an in-depth investigation into support for business start-ups in London.

# Appendix 1 Orders and translations

## How to order

For further information on this report or to order a copy, please contact Laura Warren, Scrutiny Manager, on 020 7983 4507 or email: [laura.warren@london.gov.uk](mailto:laura.warren@london.gov.uk)

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### Chinese

如您需要这份文件的简介的翻译本，请电话联系联系我们或按上面所提供的邮寄地址或Email 与我们联系。

### Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

### Greek

*Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.*

### Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

### Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

### Hindi

यदि आपको इस दस्तावेज़ का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

### Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফোন করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

### Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

### Arabic

الوصول على ملخص لهذا المرسند بل غتك، فراجع الاتصال برقم الهاتف أو الاتصال على عنوان البريدي أو عادي أو عنوان البريدي الإلكتروني أعلاه.

### Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

# Appendix 2 Principles of scrutiny page

## **An aim for action**

An Assembly scrutiny is not an end in itself. It aims for action to achieve improvement.

## **Independence**

An Assembly scrutiny is conducted with objectivity; nothing should be done that could impair the independence of the process.

## **Holding the Mayor to account**

The Assembly rigorously examines all aspects of the Mayor's strategies.

## **Inclusiveness**

An Assembly scrutiny consults widely, having regard to issues of timeliness and cost.

## **Constructiveness**

The Assembly conducts its scrutinies and investigations in a positive manner, recognising the need to work with stakeholders and the Mayor to achieve improvement.

## **Value for money**

When conducting a scrutiny the Assembly is conscious of the need to spend public money effectively.

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