

A CITY FOR ALL LONDONERS

Economy Workshop
23rd November 2016, 9.30 – 13.00

Global Competitiveness Table 1 Session 1

Facilitator in bold – facilitator comments in bold

Respondents in regular text

These notes are a summary of the conversation

Session 1, Table 1

Facilitator, Andrew McMunnigal

Alex Savine, London Legacy Development Corporation

Tom Cardis, Old Oak and Park Royal Development Corporation

David Lutton, London First

Alex Kinchin-Smith, London & Partners

Nina Miles, Westminster City Council

Peter Shadbolt, City of London Corporation

Sam Monger, Grosvenor

There is agglomeration of business and economic activity in central London in particular and other areas too. I am interested to know how we can maintain these agglomeration benefits that many sectors enjoy. That could be the London Plan or economic strategy etc. Keen to get thoughts.

There was talk it seemed of moving the CAZ to other locations. There is finite funding for things like transport structures and there is some resilience in central London, so that is the benefit of agglomeration and the different types of clusters we have eg creative, financial etc.

You can't just lift up Croydon, for example, and take it elsewhere.

Despite digital technology we see the benefits for global agglomeration and people being able to interface. That is the benefit we get from the city. For example banks and lawyers like to be located together. Telling them to go out to Croydon won't work. They'll go abroad.

Interesting that with Brexit, the question is, will people go abroad? But I think London will anchor agglomeration over time.

At London First we have been doing some work around this on the back of the new development strategy. McKinsey did economic analysis, and the financial services sector is one of the things that actually support agglomeration. That strong sector supports business

services, the technology centre and so on. So there is something about championing that sector, although not popular.

Do you think that will continue?

If you look at the numbers it's really picked up again. In 2012 it looked as though creative and technology were taking over. It shows that job growth is still very strong. That has lots of potential. So many sectors support agglomeration.

So at the heart should be financial services. Key competitive clusters eg Canary Wharf, the City, Old Street. What is the essential ingredient that makes those places work from a spatial planning perspective? Transport is obviously key.

Digital infrastructure. It's hard to believe there are areas in London that doesn't have this. Lots of talk that Brexit is making us a connective place, but how does that take account of London and the rural areas not within London? Are we ready for 5G and how can we join things up? In terms of mobile connectivity, London is poor, and that's to do with all the glass towers.

We need to compete as a global sector.

Creating more quality spaces for people. The role of the Mayor acting as a focal point for public-private partnership. We are talking about pedestrianisation in Oxford Street to drive more growth in the West End, but it involves landowners and also using business rate uplift.

That ties in well with the ability to attract talent. London does not rank highly in terms of quality of life compared with eg Melbourne, although in that city housing is also very expensive.

But the cultural offer is very good in London.

We are never going to rank with other cities in quality of life.

One ranking I saw was about which international city people want to work in.

I think it's important to think of London as a series of different places within a city. On quality, hopefully we are seeing change where investment is coming in to create another hub of quite international experiences and also to improve the quality of some of the housing. In some areas housing is very innovative. We are starting to see that because there are those who are willing to invest in the area. Important to plan investment for the long term.

In our area we have 40,000 working. The problem is communications. We are looking at what the strengths are in the local area around West London. Also, how we can get different sectors to grow into our own. But the thing I see feeding in most is the housing crisis. Post Brexit, prices are continuing to rise.

Catch 22: housing crisis is partially a manifestation of London's attractiveness, so the more we succeed the more housing prices go up.

I am not sure that is necessarily true. In central London housing is seen as an international investment. Much of what we see is just empty, with no one living there.

Is that true? It's a small number. The real issue is that we are not building enough homes.

But as a local authority you look at the numbers. As long as we meet the number we've been asked for, we doesn't care if someone is living there. We need a system that supports growth and not just investment from the other side of the world.

I think the city is starting to look at that. The Mayor does have some ideas about certain mechanisms.

We are looking at how you can tether affordable housing to workspaces and not be dependent on the transport network to facilitate business start-ups. Local London companies are key, but how do they move from start-up to large enterprise?

I can't imagine a small SME setting up in Canary Wharf, so is that just in Old Street?

I think you would be surprised at Canary Wharf's attitude in getting SMEs in. We can't make assumptions.

Canary Wharf is like the city. 90 percent of the companies are SMEs. We have very few large companies. Most large ones are international companies. The idea that central London is where all the big firms are is not necessarily true. Incubating is not the problem; it's more the move on. Once you've incubated, where from there?

There has been an emerging mechanism to secure more small office space, particularly in retail. We'd be interested to know if the Mayor is taking that forward.

There is the Scale Up Institute, which is looking to develop itself as a place for good practice in scale-ups. To encourage people commissioning real estate, that is specifically focused on scale-ups. So there are areas that the Mayor could work with.

Challenge: how do you design spaces that reflect the changing needs, so you think not just about small or large units but about the flexibility to allow adaptability?

It's about finding out what sorts of spaces SMEs need. When we talk about growth we think about houses, but we also need to consider the jobs needed to go with that.

The problem in London maybe is that the focus is very much on housing or office space, rather than jobs.

Sometimes we prioritise housing unfairly. It's also problematic if you prioritise work too much over housing. Balanced approach.

In City of London, I think a good idea is that residents get a vote, and that is the role of the Mayor. It used to be that there was a City and a West End, but now there is more organic growth. That also means that zoning and planning have to be looked at.

The Stratford City scheme – Westfield has 400,000 square metres of available office space and more planned, but it was a very long-term thing that enabled that to happen. Also, it's potentially quite flexible space. It's not just about getting places occupied.

Also, you get mixed use, eg manufacturing and retail.

In Westminster we have seen the shift towards residential. The market drives values, but we

have introduced a policy of mixed use provision to swing it back to offices, because we saw such a huge loss.

But that is a national policy.

How should London position itself globally as a city? How do we project ourselves as a leading international centre? More investment is usually cited. Is that focus one you want to see continuing, particularly in the current climate?

We would say absolutely. London's strength is its openness to investment and trade, so the idea of being open is really important at this time. Some of the levers around what a future relationship with Europe will look like are not within the remit of the Mayor, but the Mayor is able to continue that message of openness.

What about the unique cultural creative attributes? The businesses that make us distinctive, perhaps some of them are moving out. I think that cultural offer is attractive to the talent, as is the night time economy.

We've seen real risks with companies setting up. Those that have been coming for some time are continuing, but those further back along the pipeline are looking to other areas. We need to keep the message going that London wants them. The risk is that will become more important. Businesses could go elsewhere, to Paris etc, but I think the Mayor is doing some things.

Is that not the London Plan that is creating that buy-in? Pre GLA we did not have a single coordinating voice.

That is just one of the Mayor's strategies. Other strategies also shape the perception of London – environmental, economic and so on. Factors like high school talent in places such as Asia. Poor air quality is an issue, and those young people try to get away from Asian cities.

Openness – who is it you are speaking to? Is it international investment? There are things you can do around city assets and joining things up, but there is also the question of the Mayor's role in promoting London's openness, which is important post Brexit.

There is a point about London's relationship with the rest of the UK. One thing the EU did was transport London's wealth to poorer regions.

How do you build everyone else up without bringing everyone else down?

But I think London can help other parts of the country. We do it, but it's small scale. Trying to convince people it's not zero sum is very difficult.

There will be things like infrastructure investment.

The Mayor needs to be seen to be working with the Mayors of the other large cities.

Also in Scotland.

It's not just HS2 and the impact it will have on London. It's about talking to the larger cities about how it will benefit them, otherwise the Mayor's strategies will seem too London centric.

That is where the fiscal argument comes in strongly, because we can say we cover ourselves in terms of our own taxes instead of relying on the government grant. So we could recycle our own investment.

Issues coming on business rates need to be addressed. If Westminster or the City get full control of business rates, potentially there is lots of money. But if you see in Manchester etc business rates disappearing and then London getting richer and richer, there is an issue. So it's the ability to distribute the money to national regions.

Are there any regulatory burdens that hinder the growth of business in London, particularly in different sectors? Also issues about the scope the Mayor has.

Business rates!

London has gone up net 11 percent and the rest of the country is down. There is no regulatory remit for the Mayor, but some industries in London are dependent on regulation. London is the centre for data storage. If we come out of Europe and regulation is no longer certain, everyone will go. So many firms rely on data.

When you are a small business and your rates are doubling it's a huge issue.

One thing that makes London attractive is relatively low regulation. Long-term view of how we can allow it to flourish.

Lots of different tensions and demands, and I think planning takes those into account. Perception that elsewhere planning can be used to prevent things. Planning works very well for London, and so perhaps give the Mayor more flexibility around that, how planning approach is interpreted.

Infrastructure investment. Different types of regulatory bodies eg Ofwat. If you invest in energy you can get a bigger demand, but it does not work the same for water. Do you think there could be a stronger role for the Mayor in that area too?

Certainly do. On water, Ofwat work to five-year time frames, so it's hard to talk to them about longer term. On energy, developments build up to a trigger point, but then there is a limit. So at the moment it does not work; it's holding back the big development projects.

It's about looking at upscale and those big projects.

I think the Mayor is looking lots at digital. To understand what is going on in an integrated way, get companies to share data.

A mapping project was released last year with that function. Beyond the central activity zone and Canary Wharf, how can the plan support growth in London and also outwards?

When you talk to individual Boroughs they all have similar ambitions: to be the technology centre or the next creative place. Yes, the CAZ is expanding, but possibly it's about creating good places to live for people and not being in silos in terms of vision.

If the businesses want to be in certain areas, they will go there.

It's not just about front-facing things, it's also about the behind-the-scenes things, for example if transport were a bit cheaper. It would be interesting to find out from different companies where they would like to be; then Boroughs would know their strengths and play to them.

We are doing that. Working with companies and the Boroughs to develop those propositions. But you want it to be about those areas, not just Borough by Borough.

The London Plan spatialises certain aspects, not everything it could. I think looking at economics and how London could be would be helpful. What sectors help it flourish?

Congestion is getting worse, so thinking about land is a really important part of the London economy. Certain industrial land is not being used.

We see the growth of home shopping etc. All those vans bringing food in leave empty. Perhaps they can transport something else out again.

We are looking at consolidation, the waste that businesses give out and the idea that nothing is going out of the city. Also stopping people getting, for example, Amazon deliveries to their workplace. There could be something whereby those deliveries go to one central point.

Instead of waiting to deal with it as it comes, we know the future, so let's plan for that. You could reduce congestion.

Another tube line for example.

The London Plan and the Mayor have to be very clear about what is happening with Heathrow and whether the emphasis is going to be Gatwick, because that has major implications for connections with New York, for example. The Mayor needs to sit down with central government and sort it out.

If construction starts at Heathrow, we would adapt.

But there won't be much time, especially with delays.

By 2020/21 we should know. Although if the government is saying they doesn't want Heathrow after having promoted it, that would be difficult.

Global Competitiveness

Table 1 Session 2

Facilitator in bold – facilitator comments in bold

Respondents in regular text

Session 2, Table 1

Andrew McMunnigal: Facilitator

Greg Macdonald: London Borough of Sutton

Jamie Simpson: London Borough of Barking and Dagenham

Lucy Rogers: More Light More Power

We talked about agglomeration in the first section. How can London maintain and strengthen the agglomeration benefits that many sectors enjoy?

I have been tasked to respond to the London Plan. Like any core, you are only as strong as the area around you. There is not enough thinking about how London works in relation to eg the south-east. Connectivity means how we do that is critical. It's a blind spot. There needs to be something to convene that bigger area.

There is definitely recognition of that and a will.

But it's so difficult too, because the south-east is so fragmented with so many districts. How do you consolidate that?

And London Enterprise Panel is too big. The last alterations to the London Plan looked at strengthening London's relationship with all districts in the south-east, which is no easy task. It is very difficult when you have some willing partners. Some doesn't want them to go.

I was impressed by the narrative in the presentation today.

Do you think the relationship between the outer counties and London is around numbers of people moving in and out? If the outer Boroughs and London were self sufficient in providing more affordable workspaces, commuting would decrease. So is commuting key to that?

I think it's quite healthy, so you need a mix.

In Essex and Kent their prosperity is linked to that commuting.

We are doing something that will impact on the whole country. It's connected with Sutton and Cambridge. So also important is the infrastructure through London, not just across London.

I think it's not about dispersing; it's about allowing strength at the core.

I agree, but the strength is dependent on what happens around it. Growth is the economic driver, but other sectors are equally important to growth and they will have to set up in other areas.

The idea that you can't replicate the activity central to London in outer London. You can't set up a new Canary Wharf in Sutton. You have to recognise strengths of regions and play to them. So perhaps someone has an office in Canary Wharf and could work one day a week at a community work hub. It's how to bridge the benefits that the central core provides.

From a global context, O2 etc will become global, so you need to allow them to have access. Goes back to the airport issue.

We also see that Crossrail is essential to maintaining the central London economy. Also the Jubilee Line. Should that continue to be a priority?

There are existing networks of different types that are not necessarily supported by transport. Networks are interlinked in a complex way. Most people in outer London rely on the car. Transport networks small scale and big scale are so important. Things like express buses could have a huge impact in bringing things to a local hub.

What I meant was the spillover economy where people can work in different Boroughs one day a week.

It's about communicative interest. How you come together with other people. You can't strategise to have a creative space.

We are looking to configure our office to unlock more space for housing and allow people to come to us.

What is manufactured in Sutton that goes out around the world?

I think that is one of the major issues. You have to have ports to export. It's not just about companies. There are many small companies that operate in China through our networks. Most companies just look to the immediate market to take their goods; they doesn't look internationally.

There is a health cluster too.

The London cancer hub is a massive one.

So potentially that is agglomeration of skills and capacity around cancer. What could support that?

Crossrail 2, to link to Cambridge and other parts. Also access to airports. We often think about things in isolation, eg Gatwick expansion, but we should look at others too, eg Stansted and so on.

Do you think London's business is sufficiently well supported to support international?

I think there is a pretty good investment operation. More of the same really.

In the light of recent referendums the Mayor has been pushing the openness campaign. Is there a role for that?

On behalf of the UK I think; it's not just about London. London is the driver of the UK economy, so it is a key player in those conversations.

We find this prioritisation of the international side of London by the GLA totally unhelpful. It has a negative impact on local economies, especially if you live near the city, because prioritising the city moving into other areas is to the detriment of current communities and economies. We need a much more balanced recognition of these different companies. My point is that the local contributes to the global. Even London First are saying affordable housing is a desperate problem because they can't get employees.

That is a national policy issue. No matter how many houses we build we will never meet the demand of the market.

What businesses are needed to meet the demand of global competitiveness? Different kinds of competitiveness: (1) competitiveness of the business and (2) the capacity of London to compete. So (1) contributes to (2).

Most of the conversation is around accommodation, and if we are rapidly getting rid of small bits of accommodation for lots of business we are damaging that competitiveness. We need a map of the accommodation for business in London. We need people to come to fix lifts and drive around to distribute things. It's about understanding all those levels.

So land is finite compared to all the competing interests.

The voice of the residential and protecting green space is so loud compared to the voice for recruitment in the workplace. That voice is not heard.

I think they have a voice in the GLA. The Mayor's office negotiates with different business types.

We have a huge problem in that we import more than we export, but the problem is the Mayor has no power over fiscal or monetary policy. I think we could do marketing a lot better. We had the idea of London ambassadors a few years ago. When we get to do trade deals, the Mayor does not get a voice in that.

It is a land issue. The house builders are the ones with the voice and the power. We have issues with development – commercial instead of schools etc. Make the case that no one wants that. The problem is the market, which is also footloose and can move away to Frankfurt and other places.

I think the future market, the businesses that might settle, is footloose but the existing businesses are less so. It is looked at as a positive that they can go anywhere, but small businesses can't actually go anywhere – they are more likely to go out of businesses.

The problem is setting housing off against workspace. It's not working. Being two voices is not working.

If you have an infinite amount of land, how do we manage the trade-off then?

But there are bigger questions about the city. Where are people going to work? What kind of housing is being built on this land? I think we have evidence that type of housing is not helping people. We need more fine tuning.

If the larger companies are willing to stay, you have strategy, but public sector landowners can drive employment land too. If you build commercial land, that will unlock the other side – houses.

But our industrial economy is growing.

Not in employment terms.

We are becoming more efficient.

And employment density has fallen, so what is important is the intensification of employment areas.

Buildings need to be adaptable to change over a long time, because we doesn't know what the economic situation is going to be like in 50 years.

It's difficult, because locally we can't ask the what ifs? That's where the GLA can come in. We can't think about that outside the box, because everything is in silos at a national level.

The local plan sets out that housing takes precedence, but I think that is a key thing that must change. The driving vision needs to be a strategy that supports businesses at all scales. Yes we are short of space. We live in an incredibly sparse city residentially, yet residential is so powerful. I think there are a lot more creative, design-led solutions eg scrapping permitted development for low-occupancy business space.

It's very difficult to do.

But the GLA do take precedence for some things that are not developer led. Rather than selling a site, the businesses are coming together so they can sell back to the council. They fund it with pension fund and no other developer is involved.

It's like build to rent. The problem is the current market means that they price things as high as they can to sell. Their goal is to get people in and living there as soon as possible, so the priority is different. Build to rent is a different market. The model that as a young person you can build a house and then rent it to the older generation in your family. American model.

So if we got rid of all opportunity it would require a major shift towards raising density and around stations in certain areas. How would the rest of London be if there were masses of high-rise flats?

I doesn't think that high-rise is everything. We can have mid-rise too.

We doesn't promote high-rise necessarily. Low-rise intensification developments are looked at as options too. For us it's everything.

The problem with the opportunity area red line is not enough thought about who is there and what is going on there already. The health check of each area. It's the losses that bother people. Site zoning – why not? If you have an opportunity area you can zone into employment areas etc, but it's done appallingly badly in some places, with such a heavy hand.

I went to the CAZ last year. It was about the future of development. The conversation was

around tall buildings there. A completely different view. The problem is all tall buildings are built around a lift shaft. So what if they are not? That can be brought into the debate: how different buildings can be built, innovation in urban design. I think we can close the door on tall buildings as they are now. Those debates can be had in academia.

Moving away from planning, can we think about regulation in general? Areas for regulatory reform that are being advocated. What the Mayor could do to support businesses.

The East End Trades Guild is a collaboration of small businesses and they are looking at rent management. But one thing does affect us: every new development seems to come with some sort of homogenisation. We think there should be some regulation around that.

We have to be careful that we are not overly prescriptive in terms of regulation to make things difficult. We do have to understand the importance of the free market. If we are competing with Paris etc we have to ensure that we can attract the high value.

There is not enough space for everything – that is the problem – so the high value gets the space.

So that is the intensification issue, that there is a balance.

How do we compare with others in terms of regulation for example Germany and France?

In the EU lots of prioritisation of regulation around finance etc, but as we leave the EU what will the impact be?

In France we received state aid, and the people who gave it out would state regulatory things around that. I think it's about smart regulation. On town planning, perhaps regulation can be devolved down to London. Or go regional.

Also the night time economy. Businesses creating small bars.

Those issues are so local. Leave it to the Boroughs to work out. If London is homogenised and becomes just a big business interest centre with nothing left, that is not a draw. So it is not like Geneva. I believe that is happening. Each new development will come at the cost of homogenisation, although some might be drawn to that.

As estate owners you can have conversations about what people want. The private sector doesn't necessarily do that, but in the public sector there is scope for that.

It's a question of what role government has. It's a big dilemma for local authorities.

Also being incredibly tight of money.

Avoiding homogenisation – I am not talking about fancy organic shops and so on. What we need to retain is the corner shop, basic businesses, dry cleaners and so on.

But on the other hand you can get a deluge of pound shops because they can afford the rents. It's about looking to see what you can do to make the high street better, but also understanding that people want to make money.

In Australia we doesn't have that so much. Starbucks had to move out, but not through planning controls – people voted with their feet. Have low-cost estates where an independent coffee shop can set up alongside Costa.

The newly built stations – it would have been nice if that happened.

That's a big issue isn't it? Let's give the contract to Starbucks because it's easy.