

London Finance Commission – 10 October 2016
Transcript of Discussion with Panel Two

Professor Tony Travers (Chairman): I am Tony Travers from the LSE. I am chairing the LFC. Two things really, firstly, this is on the record, so we are talking on the record this morning; secondly, I would just like to repeat myself, thank you all for coming. We have just heard from some think tanks, we now want to hear business view about devolution and the benefits that could bring, if you believe that or not; and lastly just to say that this is a reconvened version of the LFC and although we are appointed by the Mayor of London and were previously by the previous Mayor of London, we are straining every sinew to say things about fiscal devolution to London, which makes sense for Greater Manchester, Liverpool, Leeds, other city regions around the UK. We want to keep a coalition of public and private sector interests in different parts of the country together with the broad purpose of making proposals for better government; but incentivising growth and therefore creating a better business environment.

I would like to thank everybody who has been involved in organising this as well this morning, it is a great turnout. What I am going to do is to just suggest that Colin and John, as being our business representatives, kick off the questioning.

Colin Stanbridge: Yes, the team businesspeople. I would like to thank Manchester Chamber of Commerce, who we have a big relationship with, with London, for responding to our invitation to put together some business voices. Mine is a very simple one, it comes out of a conversation John and I were just having, which is how important is devolution to business or is it just people who run in Chambers of Commerce think it is a good thing to talk about?

Chris Fletcher: I think it is hugely important, the caveat being when people understand what devolution is and what it can bring. Obviously in this part of the world you do hear a lot about devolution and Northern Powerhouse being spoken of in the same sentence, they are different things, and I think it is quite important that we do a lot of work as a Chamber, and we have done a lot of work in making sure that people understand what the difference is in parts of that.

I think once you get into what devolution is, we do hear a lot from businesses over years around, "Well everything seems to go to London and where is our local accountability?" I think it is at that level that it rings most in most people's minds, in most businesses' minds, over what devolution is and its level of importance.

As a concept, if you speak to most businesses, they say, "Yes, we get it". Where the reluctance starts is when they start to look at the different models and what is on offer and what the terms of those devolution deals are. In some cases they go over and above what people expect and in some cases they do not deliver enough and I think it is at that level that most businesses start to say, "Yes, we like the idea, but how is it going to happen and be delivered on the ground?"

Professor Tony Travers (Chair): One of the things that we will be stressing in this second iteration of the LFC is the ability to increase growth; that we believe that fiscal devolution, the decision is made by the resources that will be at the disposal of London will lead to greater growth. I just want to talk to some of the businesses here. Do you believe that is the case? Do you think that by having more control regionally, locally, city-wide, or wherever, will allow your businesses to grow and to add to the GDP of the area or the country even?

Chris Fletcher: It is definitely a good thing, particularly when it comes to dealing with local demands and challenges. Greater Manchester, for example, has different challenges than London, for example, and people who are looking at the issues of Manchester from a national level will not necessarily understand the complexities of the issues than somebody who might be based at Manchester Town Hall and dealing with those issues on a day-to-day basis. I would say, when it comes to devolved powers and fiscal responsibilities, it would be a benefit that cities do have control of their own outcomes.

Phil Cusack: It is probably worth saying that it is one of those questions that I think, for an objective observer, is too early to answer. Most businesses are hoping that decisions will be more immediate and that their concerns will be taken into account more than they are at the moment. I think business in general is saying that there seems to be a divorce here in some of the major cities, and particularly in Greater Manchester, from Whitehall and they think it can be better done here. Hand on heart, if you ask individuals very closely and examined what they were saying, they would say, "Maybe we do not know yet. Maybe it might be just what we have had before, but at least now we have an opportunity to change for the better".

Professor Tony Travers (Chair): Do you think that is because people think it is easier to lobby people that they know a bit better than the sort of Civil Service or even Ministers; that you will have sort of grown up with the politicians and you feel you have more influence over them?

Phil Cusack: I am sure that is part of it and I also think there is another element and that is that they expect the decision-makers to have a better understanding of the economic climate that they operate within and I think there is a feeling that is not the case at the moment.

Mike Blackburn: In some respect I think devolution, the question is not the right question in a sense, because devolution is a means to an end and in many places they are talking about devolution without explaining what the end game is all about. So what are the outcomes you are trying to achieve and how does devolution help you get there? Therefore, you have to determine what powers and responsibilities you want in order to achieve those objectives. Without that it is a conversation that is a bit nebulous.

I will give you one practical example why, as a company that employs people across the whole country might think it is good, is because the skills system, for example, skills across the whole country are very mixed and every single Government policy works at the layer of homogeneity. It is all average. If you have skills in your area, which are below national average, therefore you will immediately find for businesses it is harder to recruit people who have those levels. You have to accept that the system produces people of a lower level of GCSE stats, for example, than the rest of the country, which is not acceptable.

Therefore, we did argue as a business group, when they introduced traineeships, if you mandate that you must include English and Maths at GCSE level in order to get on to a traineeship, therefore our average in Greater Manchester is much lower than the rest of the country, therefore our pool is much smaller. We argue and say, can we not take English or Maths, but on the way get them to Maths or English in that two to three-year training period and deliver the outcome as well? It is really hard but it means that you can get more people on to that pathway. As a business then we can inspire more generations of kids that there is something out there for them. It is different in Liverpool; it is different in Leeds; it is different in Newquay and Plymouth and down in Brighton. There is not one size fits all. I think some of the conversation about devolution; we should accept that there are multiple clock speeds here across the whole of the country. Not only multiple clock speeds, but multiple layerings of each place, which just means that you have to work harder at a local level to understand what it means to a local level and not accept the national average.

Professor Tony Travers (Chair): Can I ask just a follow-up question, when I speak to businesses by and large they buy the argument, it is about outcomes and you are likely to get better outcomes if you keep a

chunk of cash locally and you decide what best delivers your local outcomes. People I think buy that. Where it gets a little bit more tense, and we are focused on fiscal devolution here, is the extent to which local government or regional government should have the ability to vary taxes. I wonder what, if anything, you feel about what can be done to make sure that is done in a manner that works for business and that there are some checks and balances to make sure that it works for business.

Robin Phillips: I will just come in there and picking up on what Phil and Mike have said, really growth, absolutely fundamental on skills, absolutely fundamental on skills and also the changing nature of those skills, and also we have regional disparity around the country in terms of those skills. That definitely needs addressing.

The other area where that needs addressing is around investment in productivity. Really our nation's growth is going to be predicated through improved productivity, particularly in our small to medium-sized entity community, so the Mittelstand in Germany would be the equivalent of that.

What will be interesting, coming back to Phil's point about it maybe being a little early to say at the moment, is to see how the business rates pilot works because that will be interesting to see what the effect of that business rates pilot is on growth in the local area. For example at the moment we are lobbying very, very hard because bizarrely and perversely any investment in productivity-enhancing technology - and I am not just saying that because we are Siemens and we sell technology - but any investment in productivity-enhancing technology for any company goes right on the gross figure for the business rates. Anything we can do to make local decisions to help companies, and coming back to the ability to vary taxes, as I say, it would be interesting to see how that works in the framework of the pilot, because only then we will be able to see what is the absolute outcome of making the right decisions locally to get that local growth.

Professor Tony Travers (Chair): The pilot, can you just very briefly, for my benefit if nobody else's - describe how the pilot is functioning?

Chris Fletcher: I was just going to say, this is the idea the former Chancellor, Mr George Osborne, it was in the Budget this year with regards to Greater Manchester with effect from April 2017 when we take 100% of the business rates and that was announced and I think Liverpool may have been the other area. There were some elements I think, London may have been getting up to 60% or whatever. Again this is something that has almost slipped under the radar screens a little bit really from the point of view of people understanding what it was, how it would work, etc.

One of the things that we have been quite clear on is that, for devolution to work, there has to be the ability to raise taxation on a local level and also that degree of accountability as well because devolution without any degree of accountability, especially when you are talking about businesses, because businesses do not have a vote, there has to be some element in there that will work better.

The other interesting part about this is obviously there is a lot of announcements been made around business rates in the last couple of weeks, it is how much of that will be hypothecated almost, as it were, to put into business investment and growth and at the present time it does not seem that it is going to be hypothecated at all. There are different models that have potentially been talked about, the pilot starts next year so it will be interesting to see how that works.

In most business minds though, and going back several years now on this piece of work, it is the idea that if a tax like business rates is raised locally and spent locally, businesses do not fundamentally have an issue with that providing there is an element of accountability in it. It is when it is just handed over the public sector, local authorities, to spend on whatever it is and there is no tangible benefits, the businesses say, "Hang on a

minute”, have our people say, “If I could open my office window and look at where my business rates are being spent, I have no problem with that”.

Of course you have a big issue there around health and social care budgets, everything coming out from central grants from council tax, etc, etc. It is a very complex pitch, but fundamentally the idea that business rates raised locally are spent locally for business investment, etc, that rings well with business.

Colin Stanbridge: Have you come up with a plan to ensure that happens? Like you, I suspect, I am fed up with being consulted as a business organisation, I do not want to be consulted ever again about anything, I just want to have some effect on the outcome, and of course we have struggled to find that mechanism. It is a debate we have been having among the LFC, if you get more power locally to raise taxes, to change taxes, and we are all for getting rid of business rates and replacing it with something else that seemed a fairer tax system to many businesses, we might discuss local taxes if we could see the outcome, but how can business have a real say in what that becomes, or do we just make the case for the politicians, the local politicians, and then they go off and spend the money on whatever they care to spend the money on?

Chris Fletcher: I think that is the issue. That is part of the sticking point on this, whereby what is the model, what model could you put in place that would make it fair and equitable without it turning into a massive logistical nightmare, because who is ever going to start off having referendums of businesses, people’s eyes glaze over and it just proves unmanageable with that. However, the concept of raised local, spend local that is at the heart of some of this, however it is the other mechanism on the back of it.

Professor Tony Travers (Chair): Is it not right that certainly in Manchester’s case that if we want to raise business rate taxation that the Local Enterprise Partnership (LEP) has to approve it?

Colin Stanbridge: Let us not go to LEPs because I think there is a great disparity around the country about the efficacy and the representation, do LEPs really represent business or are they just people put in place.

Mike Blackburn: We will have a conversation in the next session about that one. Hence my point about double locks and different relationships and scales of what needs to go on. It happened with governance arrangements, but the business community here will probably say the governance arrangements in Greater Manchester worked considerably better at an integrated level than many other parts of the UK - that is commonly accepted.

However, we have the double lock that the Combined Authority have to approve certain things and the LEP have to approve it and vice versa. The Chamber sit on the Growth Company, as indeed are the Federation of Small Businesses (FSB), as indeed to other business leaders, and we dominate it 75:25.

Colin Stanbridge: Then it becomes incredibly complicated, does it not, and then you have factions that you have to get on board. It can be --

Mike Blackburn: It is far more complicated than it is now.

Colin Stanbridge: What do you feel about this idea that Ernst & Young, as a national, global company, is there a real benefit for you being a Manchester Partner, in Manchester you having some sort of influence on how Manchester goes about growth?

Simon Allport: A number of observations there, Colin. I think the first one would be we are a firm of accountants, traditionally a firm of accountants, so we survey these kind of matters, and one of the things we look at every year is foreign direct investment (FDI) and the attractiveness of the UK as a country for overseas

investors. If we are going to have a benefit through devolution and some kind of rebalancing of the economy, we should be able to demonstrate that. For example, in the two years since the Northern Powerhouse was coined, there was a lot of debate in Manchester around what is the Northern Powerhouse, is it work, is it a building you can go and share with outsiders, or is it just a brand for the region?

The Northern Powerhouse over that two years has seen FDI increase by something like 128% over that period and last year the northwest saw about 110% increase in FDI, which shows that just shining a light on an area and saying maybe the northwest or the north was chosen unfairly to other regions, because I do have a sort of a national landscape as well, which is we try not to be competitive as between our regions, we are looking for what is best for the country.

I think most people look at me in Manchester with my northwest role, my fellow managing partners around the country, with a degree of envy because they see in Manchester and the northwest a region that works reasonably cohesively. There is a strong sense of public and private partnership and there has always been a strong sense from this building, we would say, are we clients of the City of Manchester as a user and a buyer of its services, or in fact are we working for them? Quite often we will get a phone call from the likes of Sir Howard [Bernstein, chief executive of Manchester City Council] or the team, "There is an initiative...". I sit on the board of one of the Growth Company key lending institutions, which I think it works here, it has worked for a long period of time, so I think, as greater devolved powers are given to the city and to the region, there is a greater chance of it working and being coherent because there is a sense of it is a more informal working together. Again, there is a double lock and a structure there, however there is also a format and a set of relationships that exist that allow conversations to be held to make it happen in a practical sense.

Colin Stanbridge: However, if Howard and [Sir] Richard [Leese, Leader of Manchester City Council] were not there, as they will not be quite soon, as I understand it, what happens then? Do you think it all falls apart? Is it the singer and not the song, or singers, the choir?

Simon Allport: That would be an incredibly sorry indictment to the rest of the cast if that were to be analogy. I think there are a lot of people, including people on this group you have assembled today, who have played a part, and continue to play a part, and will make sure that the legacy from - if it is those two individuals we are talking about - will be long and far reaching because of the sense of working together; that strong sense of public and private sector that it is quite grim, there is this reference to the family and all sorts of things, which in some ways has been helpful, but do give a sense of it is far more about those two. However, you are right, we will have to find people who are strong leaders that are prepared to take on the initiative for the north and the northwest.

Colin Stanbridge: One question really off the back of the point you are making about investment really, part of the argument we are making I think in the LFC is that a bit of fiscal devolution to London will be good because it will align the centres and support growth in London and it will also generate a great deal of increased revenue for Treasury and we do not buy the sort of zero sum as a fixed lump of GDP in Britain, we think it is just a positive thing for Britain full-stop.

To what extent do you think that argument for London is good for the country as a whole? I am thinking of things like FDI and the interrelationship between the northwest and London; there is a whole range of supply chain things. To what extent do you think that growth in London is a good thing for the northwest economy?

Simon Allport: I will first take that at quite a high level and then sort of get comments from others. My sense would be exactly that, it is not a zero sum gain, therefore I think there is an opportunity for devolution to bring better growth for all areas who can adapt to it. Our sense would be then it is a matter of each region or each area really focusing on what are the unique strengths or what are the areas. In London that might be

around financial services, for example, obvious area, it is Shoreditch and tech development as an area to really focus on and say, "These are the areas". There has been separate work done in the northwest, so in the northwest we might look for example to advanced manufacturing might be a key sector for us to say. Then if UK are then going to say that it is not zero sum gain, so this has to be a play back to the UK and say we do not want each devolved are saying that advanced manufacturing is a core skill of that region because, if that is the case, that will become very confusing to overseas investors who are then less likely, and it is that degree of how do we get collaboration around devolution so it is not a competitive game, it is a collaborative game.

Phil Cusack: I tend to agree entirely with what Simon says, however I think it is also important to stress that, where we are talking about devolution in Manchester, and I might have given a slightly false impression before, it is not anti-London by any stretch of the imagination. The people who think about it in this part of the world, and that is cross-factional as well, are all saying this is complementary. We are well aware of the fact that our economy depends to a certain extent upon London's economy and we are also well aware of the fact that devolution does not mean we go away and do our own thing, irrespective of what happens in the rest of the country.

The question is how that complements, how this plays out, and how incremental the process is over time on account of things that maybe we do not have time to talk about here. However, that detail is critical in terms of whether it is going to be successful, both for Manchester and for London.

Professor Tony Travers (Chair): The question, access to power, came up very strongly a moment ago and I doubt that is radically different in Greater Manchester than it would be in London for the business sector. Just for my benefit - I think I know the answer to this but bear with me - how often would you say, as business leaders in the city and the Greater Manchester area, you can have access to the Greater Manchester political leadership compared with the relative ease of access - or lack of it - to Whitehall? I get the impression that there is a lot of interaction between all of you representing business and the politicians who are coming in next, is that right?

Mike Blackburn: Yes.

Professor Tony Travers (Chair): How often/easy is it to access the people in Whitehall with the same or indeed more power? Do you see them often?

Mike Blackburn: It seems if you are representing Greater Manchester that is quite easy in a way, but if you are just representing businesses it is much harder.

Professor Tony Travers (Chair): To get to national politicians?

Mike Blackburn: Yes, to those who have influence, absolutely. Groupings happen, so whether it is the Institute of Directors (IOD) or the Confederation of British Industry (CBI), the Chambers, FSB, the Northwest Business Leadership Team, they can get access because they will pull together the power of 30, 50, 100, whatever businesses, "And we speak with that voice", is what they would say. It is whether they will listen or not. Getting access is OK, but it is whether they will listen, and the coherent arguments you can put forward.

I think much was talked about, a number of years ago, with the Independent Economic Review, about how we see ourselves, which businesses contributed to it as well. The northwest are doing that now, so there is a structure and evidence-based activity, so there is an evidence-based engagement. However it is not easy to engage with people in Whitehall and harder still to engage with civil servants, officials who want to have an engaging conversation, because sometimes they will look at you and say, "We have our plan", and deliver the plan.

Chris Fletcher: Some of it is reactive because usually if there is a Minister or senior civil servants coming up to Greater Manchester who wants to meet with business, we usually end up being that first sort of port of call saying, "We need 30 businesses in the room", usually tomorrow, 24 hours' notice, and we deliver that. It does sometimes occasionally work the other way.

The interesting thing is though we are talking about something, that level of connectivity to Greater Manchester level, that up to now, and certainly going forward from now, we have never really had to consider at that Greater Manchester level. We might have a conversation with Richard or Howard or some other key players, but they do not have the governance, the constitution as it were, that we will have once the elected Mayor is in place. Therefore, we are going to have to in a way almost relearn how to do some of that at a sub-regional level, or even learn it in the first place really, and the interesting thing from my point of view is looking at having to work on behalf of our members, it is where do you get most bang for your buck, will that be with speaking to the Greater Manchester Mayor or will that be with a Secretary of State? That is an interesting conversation I think we have to still work through. I do not think it is an either/or, however I think it is which has the major priority within that.

Colin Stanbridge: To that point, I think the experience that we have had, having had the mayoralty, which I think is a huge success, and has been a huge boon to London, it is still the case that, if we want to lobby for something, a runway at an airport or whatever it is, we lobby central government, and that is wrong. We keep saying, after the first LFC, we said that was wrong, I should not spend my time trying to get to Chris Grayling [Secretary of State for Transport], or whoever the Secretary of State for Transport might happen to be this month, to lobby on behalf of them. I should be lobbying my Mayor who should have the power, or the boroughs should have the power to do this, and this is something where I think that the reason for being so much behind the LFC and devolution of the money that will give the power to the Mayor.

Phil Eckersley: The thing with the Greater Manchester Mayor is how it is set up quite differently from the London Mayor and I think a lot of people are not too sure about the prospect of that when, whoever gets elected, whether it is Labour, Conservatives, whatever, the representatives and the people who he will have in his cabinet are all going to be the leaders of those local councils who will always invariably be Labour. Therefore the trouble is, if the leader ends up being Conservative, or some other party, how can things get moving there? Is it the best way forward to have the Greater Manchester Mayor work in that way or should it be in more of a way of the London Mayor where he elects his own cabinet? I think that is what a lot of people are expressing a bit of concern about because it could get to loggerheads if the Mayor wants to do something and the cabinet just want to play politics and say, "No, it is OK, we are fine without that". That is the challenge that I think we will face.

Professor Tony Travers (Chair): I wonder, Robin, given that Siemens is obviously not a Manchester-grown company, do you think Brexit makes the case more for devolution or less?

Robin Phillips: I do not think it has a significant effect on devolution itself. I think there are many other things it has an effect on, but not the topic of devolution. If anything, it comes back to a point I made earlier, it focuses our minds on what we need to do to take advantage of Brexit, which is about making our companies, our customers, more competitive on a global scale.

Professor Tony Travers (Chair): Do you think Siemens would feel happier about investment in the UK if they felt there was more local power, there was more chance of the locality having a say?

Robin Phillips: We are just about to open our 14th factory here in the UK, it is just up and running now over in Hull, because of the nature of those investments we are very, very close to the local economy, therefore we are very, very close to the local government, because what we do has a big effect on those communities.

Professor Tony Travers (Chair): That is crucial to the investment decision, is it?

Robin Phillips: It is absolutely crucial to investment decisions. It is crucial to the local skills base and what we can do collectively, both private and public sector, in terms of improving and up-skilling that local skills base. However I would not say that has anything to do with Brexit, we have been doing that for 170 years.

Professor Tony Travers (Chair): Just before you go on to Len who is waiting patiently, in the matter of the way the Brexit negotiations will go, am I right in thinking that - I know we are not a commission on Brexit but this is relevant to Manchester or London or any other part of the country as a geographical entity - deals that are done about Britain's future trading relationship, in relation to particular sectors or subsectors, and also to migration policy, which will be done where they are done, will have different geographical impacts. Is that how it feels? As representatives of Greater Manchester, the deals that are done in future about UK's trading relationship with the world will have a different impact if the negotiations go one way than another and it will be geographically different given the mixture of business here. Is that right or is it a question?

Phil Eckersley: That would be the case for any trading relationships that we negotiate, whether we are in the EU or not. One thing about Brexit is at least we will have control about what we do in our cities. Did a little bit of research on London and the finance side, proposals like the Tobin tax, caps on bonuses in London that were suggested by the EU, we can now step away from that and strengthen London's position in the world as that was getting weakened perhaps under the EU. Coming out of the EU I believe would get rid of some of that red tape and bureaucracy and would allow a city like London to grow more significantly in the future.

Len Duvall AM: On Friday we were taking evidence, I would like to go back to the governance side and I would like to use the example of the devolvement of business rate tax and about - not veto, it is too strong a word - the interaction between those who are going to spend the money and those who probably feel it is theirs, if that is not too simple. I posed a question to a local government leader in London and a national Local Government Association (LGA) representative in London about what would be the priorities of spend. My starter was transport and I think in London we have an acceptance by the business community that housing could be a possible area of expenditure, business support, skills, infrastructure which for business could be broadband as well as getting people into work. Would that be a starter for ten, because I think the governance issues are quite important to get this right, to be honest, because nothing sours partnership working - at which I think you are exemplar in terms of here - about that relationship. What other issues would you think would be acceptable to the wider business community for seeing that expenditure? Social care, would that come into it, healthcare, where would the boundaries be? There is only so much of the cake; what would be the priorities that you would want to see in terms of the spending of that business rate?

Phil Eckersley: Correct me if I am wrong, my concern is for example Wigan, which is where my Manchester office is based and where we started. They have increased the rate relief on their business rates, therefore my concern would be, would areas like Wigan, which struggle to attract businesses, be worse off? Because, rather than getting those business rates in, they might get the business in because its business rates are lower, but the corporation tax goes to the Treasury, for example. That is the one concern that I have about that.

However, coming from a social care industry, my businesses, we are in a desperate situation at the moment with the home care sector. They are chronically under-funded. I know in Wigan there is about six, seven, maybe even eight providers, two being very large providers, who have exited the market because it is just not feasible to be providing services. All that is happening is that the council is struggling to meet the needs of

the vulnerable population in the borough. I would question whether business rates in these smaller areas of Greater Manchester would benefit them.

Chris Fletcher: I was going to say, from the list of priorities there, I do not think there is any there that businesses would argue against. Top of most businesses' lists would be around infrastructure, both transport and digital, digital especially, as often the forgotten option in infrastructure spend, but it is absolutely crucial and will become even more important going forward.

That is where a lot of businesses are quite comfortable because it is something tangible and directly benefits them, either getting goods around, services, people, or whatever it may well be. I also think there are other opportunities there once you start to get into it about where there are gaps beginning to come. Just going back to the previous thing on Brexit and some of the European funding that may stop or look differently or just disappear completely in the future, especially around business support elements, could there be something used to use some of that to take the place of some of that EU funding.

There is a wide range of things, but I think if you ask most businesses they will come up with the transport, the infrastructure, but also the skills bit as well. That is vitally important for that future growth; that future benefit.

Phil Cusack: Chris almost took the words out of my mouth, however I think from the business perspective, when we have surveyed business across Greater Manchester, the prime concern at the moment is infrastructure investment in terms of, not only getting goods to market and getting raw materials in, but moving people around the conurbation. Time and time again we get that recognition from business that it is very, very difficult, it is costing them a great deal of money, and it is hugely inefficient in this part of the world at the moment.

However, there is also recognition that devolution is not the answer to those infrastructure problems and that we do need national government to put the kind of funding into infrastructure investment into Greater Manchester and the northwest economic areas because, whatever happens, the Combined Authority and Greater Manchester cannot do it on its own.

Len Duvall AM: Just a very quick question, do you think that devolution of business rates will not be the complete answer but will speed up some issues of delivery in terms of some of the desires of your members? I was very much taken by the pitch you made around the apprenticeships, a new way of working, would work in other parts of the country. In terms of that devolution, fiscal devolution, could speed up some aspects --

Mike Blackburn: Yes, so one specific area could, assuming the devolution of powers mean to be able to rebrand buses. We have 27 bus companies in Greater Manchester that do not currently genuinely reflect the working patterns of our population anymore. They tend to stop at 10, 11, 12 o'clock at night, apart from the student areas. If you could therefore take the business rate taxation and raise it and therefore put more buses into areas that allowed more people to get to and from their place of work or to hospital appointments or to whatever those things are, as opposed to the trams that go to specific points, because it is the radial stuff that happens in Wigan, Bury, if you are trying to get from Bury to Oldham that is really tough without coming into the centre and going back out first and bus is potentially the answer. Therefore, using the business rates for that, I think you would get a lot of business support as well as popular support from the general public as well.

Colin Stanbridge: Just one other point about that, take the apprenticeship levy, controversial in London, a lot of our members feel it is imposed from the top and does not understand the local nature of training. If, for example, the apprenticeship levy was going to come in, but it was devolved locally, do you think there would

be more acceptance, for example, with taxes like that where businesses are saying, "Why are you imposing yet another", what they see as a tax, "on us?" Do you think, if it was administered locally, it was hypothecated towards local things, as it were, that helps?

Chris Fletcher: Yes, a bit like the lesser of two evils.

Colin Stanbridge: At least you get the money yourself.

Chris Fletcher: I was just going to say that is the core thing behind this and I think this again is just going back to the original line of questions really, it is over having that ability and at the present moment in time there is not that ability to say that is how we should be spending this money and that is where we will be spending this money. Once we start to go down the devolution route that ability increases and that is the bit that people find attractive. You spend a lot of time then looking at what a governance model is and one thing and another, but at least the ability is there in the first place.

There is also a question mark as well over how efficient it will be and again one of the lines that we have said at the Chamber is, if the system that replaces the current system is not more efficient, then you do not do it. It has to be more efficient so you have that ability, efficiency, and people will accept it. Again, things are not just going to change overnight, but there is the opportunity there that you are in a much better place than you are at the present moment in time.

Professor Tony Travers (Chair): Can I follow up, so has the LEP/Combined Authority - I realise they are different things - the existing machinery in any way consulted by central government about the use of the apprenticeship levy resources in Greater Manchester? Has anybody ever rung anybody up saying, "We have collected this money from businesses in Greater Manchester, how would you suggest we used it?"

Mike Blackburn: That is a question for the next session rather than for this one in a sense, because it is for the LEP and the Combined Authority to respond to.

Professor Tony Travers (Chair): Have they contacted you at all because there is new pool of --

Mike Blackburn: With my LEP hat on, yes.

Professor Tony Travers (Chair): The Government has?

Mike Blackburn: Yes.

Professor Tony Travers (Chair): For advice on how to use it?

Mike Blackburn: Have they contacted us or have we contacted them?

Professor Tony Travers (Chair): I would like to say them/you first, have they contacted you at all?

Mike Blackburn: No, I think it was the other way around, as is typical with Greater Manchester, do not wait for them to be told what to do, you put your plans -- so our strategy has not really changed over the last eight years, it has been nuanced, and therefore you keep driving that strategic engagement constantly. Someone mentioned the Northern Powerhouse, we responded within days of George Osborne mentioning that with some ideas, provocations, challenges, issues, and kept going.

Professor Tony Travers (Chair): When you contacted the Government and said, “I see you are proposing this apprenticeship levy”, were they then - I know it is on the record so I do not want to complicate your relationship with Government so let us just do it delicately - did the Government suggest they would welcome your advice on how the money was used in Greater Manchester?

Mike Blackburn: That is what they would say, yes.

Professor Tony Travers (Chair): They would say, yes?

Mike Blackburn: Yes, that is what they would say, yes.

Professor Tony Travers (Chair): All right, perhaps we can talk about it afterwards, thank you.

Mike Blackburn: Tony [Arbour AM], to just going back to the earlier point, I do not know whether Colin or John raised it, talking about that apprenticeship levy and you talked about how difficult it is to contact Ministers, that is one of the great things about devolution. If we got the devolution of the apprenticeship budget, for business to be able to connect with the Mayor and the local politicians and jointly drive that kind of, if you have apprentices this could drive extra jobs, which will drive extra GVA at a local level. That is a much simpler conversation to have. One of the good things about the elected Mayor is that then the local population could see whether that person is doing a good job or a bad job and get them out if they wanted to do so.

Colin Stanbridge: Do you think what might happen, the opposition to the apprenticeship levy has come from both large and small companies saying, “If we have this, then we will have to destroy our own internal training to be able to afford to pay the levy”, and this is a bad thing because what we really want is jobs, not apprentices. Apprentices is just a means to an end and the politicians have in their mind that, no, they are the end, we just get these thousands of apprentices and we should announce them and how wonderful it is we got the apprentices. No, it is the jobs that matter and some of the companies are saying to us, “Our training leads to real jobs as opposed to apprenticeships”. Do you think that those sorts of arguments might have more play if they were done locally?

Mike Blackburn: I will leave Chris to the Greater Manchester bit. I agree with you. As a company who trains about 1,000 apprentices a year in BT, we tend to train ours with a job in mind, not just training for training’s sake. Whether that is in our own business or in our supply chain, or more generally for the market, and we work really hard to access those. If we take 500 to 600 ourselves, we work really hard with our training providers to ensure that you always get a job at the end of it as opposed to just training and then they are out somewhere else looking for a role. We can do that because we are a national large organisation. I think the ones who hurt more are the smaller organisations who are doing a smaller number.

Chris Fletcher: Yes, it is down to just picking these things up piecemeal and saying, “Right, we are just going to look at that little small piece now of the issue”, in isolation of what leads up to that point. You start to look at apprenticeships and then obviously beyond it as well, so the jobs.

In my mind, from a very sort of top-level approach, the more that you can influence the thinking, the delivery, and what is happening from a policy perspective, from local evidence and need, the better. I think we are in that position whereby we have national level policy work does not quite fit locally, therefore your devolution is needed even more than ever to make it fit locally or even turn around and say that model does not work, this one does instead. That is where some of this now is beginning to show.

Colin Stanbridge: The LFC version 2 will make much stronger demands on devolution in terms of the amount of money basically that we would like to be devolved. Do you think that would be good for Manchester or bad for Manchester if we were successful?

Phil Eckersley: My concern with it is that Manchester would not see as much money as it might ultimately get. I would completely agree with the comments made about infrastructure, both on the roads and communications. With a lot of companies like mine going to more internet-based telephony, we found to our surprise that everything slows down to such a degree with the broadband that it was almost impossible, therefore we had to revert back for a stage. It is things like that are so important, however not really given that much attention. That is an important point to make. Also, with the funding, I believe that, for every £1 investment in the national infrastructure, London receives £6 investment, so I think that kind of needs to be seen to have some more balance to it. There is so much potential for the whole band from Manchester, Leeds, Hull, to increase growth in the country as a whole. Also thinking about how London sucks resources, human resources, from the rest of the UK, having some kind of payback from London to the rest of the UK for the resources that it has taken from those areas so they can build up their own economies to satisfy their own challenges and needs, whether it is social care or whatever.

Professor Tony Travers (Chair): There is clearly an issue there, both a perception and reality. If London were to -- we tried very hard at the first version of LFC and with this one to ensure that what we are saying would work for London but could also be done in Greater Manchester and elsewhere and would work there. On the day any tax was devolved, exactly the same number of pounds would be taken away from London's grant, so it would be neutral on day one and 10% of all taxes paid in London were retained in London and London managed, on the basis of the incentives given, to grow its economy faster that would grow the other 90% for the UK Treasury, however there is a wall of perceptions here.

Generally, for Greater London or Greater Manchester, the capacity to retain more of the taxes paid locally and for local government or sub-national government within the area to feel the incentive, presumably that would be seen as a good thing, would it, because the government of the area would then have a powerful incentive to build up its tax resources if it controlled more of them because, at some level, at the moment, sub-national areas outside Wales and Scotland, part of that complicated qualification, come back to that, do not have much incentive to build up their tax base. If they did, presumably it would be good for business, question.

Phil Cusack: I accept the premise and that is quite right and I if you are looking at it from a Greater Manchester perspective and a Combined Authority perspective that is probably true. However, going back to what Phil was saying earlier on, if you start separating that out into the different areas, you have to take into account capability. There are some geographical areas of Greater Manchester that probably do not have the capability to grow their economies, whatever they do, to the same extent as other areas of Greater Manchester do. Once again, using the phrase that Mike used before, it is not a homogenous whole, it varies from area to area.

If you are saying is it for the good of Greater Manchester, I do not think anybody can deny that. However, if you are saying, is it for the good of areas of Tameside or areas of Bury or areas of other parts of Greater Manchester, the answer might be slightly different.

Mike Blackburn: Two things I want to say to that, Tony, would be as a personal view I would say that we need to be a nation of regionally-based economies with a strong capital in London, as opposed to a strong capital in London and the rest do not matter, which feels like the way it has been for decades. That means that we need London to be really strong.

A harder question however is, if you then take that fiscal amount you claim and it is substitutional in those jobs for other parts, the strengths, you are the big boys and girls in London, and if you take that strength and apply it such that we all lose out, even though you give us the money, the money ends up propping up the economy, which is not necessarily a good use and good productivity. There is good growth and there is bad growth in that sense.

We have the same problem in Manchester, to Phil's point about Manchester and Salford are central hubs of the economy here, we have to make sure it works for the other parts as well and that is tough to do it, however you cannot suck it all in. Business will go where business will want to go to, where it is best for their business to be run, and if that happens to be London or Warrington or Wigan that is where they will choose to go, however do not incentivise them at the cost of others if that is a policy.

Richard Brown: Just an observation. There seems to be a degree of emerging senses about this type of fiscal devolution that you can make the case for businesses. Part of the challenge here is, if we tie all these devolutions to growth, which seems very important and obviously is, you should see that link, some of the services that local government funds, and you mentioned the strains on personal social care, seem a bit left out of our discussion and I think just as we think of devolution what is the wider settlement, what is funded where, what comes through central government funds, what comes through domestic local tax and what comes through business rates. There is just an interesting realignment perhaps of where the incentives are and where the money is coming from and where it is going to.

Professor Tony Travers (Chair): Yes, if we just forget more radical future devolution, the discussions within Greater Manchester and London and elsewhere about the current devolution efforts, and indeed 100% business rate retention - I think Chris made this point - we are inching towards a position where 100% of business rates will be retained but that some of the service transfers that go along with that will be public health and welfare services, which, noble and important services though they are, does not quite align to business and the services that the local authority could use to incentivise business growth. They are different sets of services.

That issue, which I think is really part of the current debate, is one which we I think as a commission need to pick up on behalf of business/local government relations throughout England, if I can put it. John.

John Dickie: Just one quick question, which is this is a complicated old business and there are lots of nuanced views, but fundamentally what everyone I have heard anyway has been saying is that the more decisions are made locally the more chance you have of getting them right. In that sense, devolution is just a good thing.

Why do you think it is for decades people have been banging away at this but this rather common sense view just does not seem to quite land with central Government, which though based in London does not entirely feel like that most of the time if you are in London. Do you think from a just straightforward the facts are the facts kind of thing, is there an argument, an approach, something we have been missing that we should be thinking of in terms of how we get this over the line?

Chris Fletcher: To be quite honest, if George Osborne had not made the Northern Powerhouse speech two years ago, I do not think we would be having this conversation now. I am not in the George Osborne fan club or anything like that by any stretch of the imagination, however I think from the point of view of just saying, "If you want these, you get an elected Mayor", and the devolution deals that followed on the back of that. It may well have eventually come but that was a real catalyst I think to speed the process up.

If you think about what has happened over the last two years from that, not just here in Greater Manchester, but throughout the rest of England, there has been a significant step forward and you can relate it back to that speech he made in June 2014. There was rumours there was all sorts of things beginning to happen on the ground. That was the catalyst that allowed it to happen.

I think from the point of view of devolution, yes, people agree that it is a good thing, but if Whitehall and Westminster are not prepared to loosen the reins you are never going to get the shot at some form of revolution.

Mike Blackburn: I will give a slightly varied view of that because I do not fully agree with that. Certainly I have been involved here in Manchester in devolution conversations for 15 years. Part of the stimulus in the last five or six years I think was Scotland and Wales. The paradigm shift that George did when he did that speech in June I think was not about devolution per se; that was about agglomeration impact because that was on the back of the City Growth Commission, if you remember, and it was Jim O'Neill in that City Growth Commission who talked about the agglomeration impact of Great-Man-Pool or whatever it was called at the time.

That is where I think George then picked that up and said, "How do you make that work?" Because devolution does not impact on the Northern Powerhouse in the sense of there was no devolution to the north as a group apart from transport, if that goes through, going back to Parliament in the next few months. The devolution to the core cities had already started and we were close to our deal then, I think it was 2 November 2014 when our first deal was announced. That was well on track by then.

The issue we have however here - that you would face in London I suspect as well - the population just do not get it and why would they? However the engagement with businesses is a crucial one because it is the business that will leverage the impact until - to Phil's point - health and social care comes in because that impacts on all of that.

Phil Cusack: I think there was another factor as well. I think the other factor is that, among business and among politicians, there was an increasing recognition that cities and metropolitan areas around the world had far higher degrees of self-determination financially than the cities in the UK. On top of that, there was the recovery from the recession that occurred in the States and a lot of economic observers were saying that was driven by the metropolitan areas, it was not driven by central government. I think there was a big economic impetus to say, "The rest of the world is doing something different with its successful cities and we need to do something different as well".

Professor Tony Travers (Chairman): Yes, Bruce Katz, at that time only metropolitan government was functional, was it not, that was his point really, federal government was not at all. His words, not mine or yours..

Jeremy Skinner (Senior Manager Growth and Enterprise, Greater London Authority): A lot of this session and the previous session was referring to the need for strong partnerships and that it is partnership working that really creates successful moments and this seems to be between the political leaders and business leaders and there is a strong sense of partnership here, which I think to some extent we also have in London. The missing player in that partnership, it feels, is Whitehall, central Government. Putting John's question in a slightly more positive way, what more can we do to try to get those parties involved in essentially a mature partnership for change?

Phil Eckersley: If we had a situation where the local Mayor had the power to do the things that they need to do, if the business community feel that they can approach the local Mayor, discuss something, having a firm

support behind that, and the Mayor can do something, then that will change the whole relationship. That will be much better for businesses as a whole because they will see that when they approach their local person of some power that something is getting done rather than getting to a situation where the Mayor cannot do anything anyway so we will go straight to Whitehall. Then it just becomes another layer of bureaucracy that everybody is thinking why are we putting public money into this. We have to make sure that mayoral position has power, but with the support from the national government as well.

Simon Allport: I was just going to add, one of the fundamental challenges that we have collectively is that, if you look at Manchester, we have had continuity, we have had continuity for 20 - 30 years and I think you have governmental change on a five-year cycle, you have ministerial change happening with the wind, so really it is my personal view but I think that is a challenge, because we have in a city like Manchester, we have had that continuity and that brings with it a great deal of value.

Professor Tony Travers (Chairman): We are running up to our hour and I know you have businesses to run. Is there anything you have not said to us that -- as I say, we are a LFC, however we are trying desperately to appear helpful and to keep an urban coalition together really as well as making this run. Is there anything you feel we ought to hear from you that has not come out already?

Phil Eckersley: Just one point, we have HS2, I assume it is going to be completed at some point, and a lot of people in Greater Manchester feel like that is just going to suck more resources, more people from Manchester down to London, so I would really urge the Government to strongly put in place and make plans for some kind of better transport network spanning from Liverpool to Hull, particularly Liverpool to Manchester at the very least, so we can have better train transport, better motorways to get from each city, because it can take over an hour just to get from Manchester to Leeds, it is quite ridiculous really.

Professor Tony Travers (Chairman): I would not want to promise. I think that we would probably see that as beyond our pay grade and terms of reference. However, what I think I can say on behalf of my colleagues is that the idea that transport infrastructure alone would change anything I think is no longer seen to be the case. You have to back it up with policies that reinforce such a decision. I think that none of us any longer believes that transport alone would just do something, it has to be consistent or consistent policies have to be put in place to ensure that transport has the effect the policymakers said it would, which I think is as far as we can go. I think we would be outside our world of supporting, however good an idea it is by the way, improved rail links in the north. However, we certainly would not want not to say that. Of course the idea of devolution is that more of those decisions would be made with taxpayers' money in the north of England used for the benefit of taxpayers or businesses and residents in the north of England.

Chris Fletcher: I just have one more thing that has not cropped up specifically and that is around a big challenge we have at the moment is the lack of clarity around investment in R&D. If we look at our universities, particularly at London universities, Manchester universities, heavily dependent on EU funding around research and research that ultimately becomes business hopefully, so I just want to throw that one into the mix as a major topic that we need clarity very, very quickly for our universities.

Professor Tony Travers (Chairman): Thank you for that and I think that the question of what, given if we are finally to make recommendations for further devolution of tax-raising powers, we have to be absolutely certain it is in an environment where London or any other city to which we were to make those recommendations, if we were making them elsewhere, that the economy in that area is capable of continuing to grow. That is a prerequisite.

Anyway, thank you all for coming. It has been very good to see you. Thank you very much.