

LONDON TOMORROW

SHAPING FUTURE CITIES



PUBLIC DEBATE: HOW CAN LONDON REMAIN COMPETITIVE AS AN ENTREPRENEURIAL CITY?

An initiative by:

LONDON CHAMBER
COMMERCE AND INDUSTRY

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In association with:



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"London is a phenomenal success story, but does it risk becoming a victim of its own success?"

"The capital is increasingly an unaffordable place for firms to set up and do business, and employees are having to pay more to live and to commute. These 'push' factors could result in more businesses, start-ups and workers shying away from the capital, choking off the lifeblood of the London economy.

"We need to carefully consider how we finance vital transport and infrastructure upgrades to ensure London's world-leading reputation is not eroded. This includes investment in the connectivity solutions necessary to ensure that the productivity gains unlocked by new technologies can be realised.

"Government also needs to provide improved and better coordinated advice to businesses on the funding available to help them set up and scale up here in our capital."

Colin Stanbridge, LCCI Chief Executive

ABOUT 'LONDON TOMORROW: SHAPING FUTURE CITIES'

The capital is in countdown towards the next election for the Mayor of London in May 2016. The four-year period of the new mayoralty should see important decisions taken to prepare London to accommodate the population of 2030 and beyond. Such decisions need to be underpinned by bold thinking.

London Tomorrow: Shaping Future Cities is a thought leadership initiative focused on the challenges and opportunities arising from the capital's growing population. London Chamber of Commerce and Industry (LCCI) in association with EY and supported by London City Airport organised several discussion events over the past year with a panel of leading public policy and business figures.

Leading UK polling agency, ComRes, was commissioned to survey London public, business and civic leader opinion ahead of each event.

Following two private panel gatherings in March and June 2015, **the third event of the series was a public debate at the prestigious Guildhall in the city of London, where the panel discussed how London can remain a competitive entrepreneurial city.**

Start-ups and small businesses contribute significantly to the London economy, creating jobs and driving new innovations in sectors such as the creative and digital industries. The discussion explored what makes London competitive globally, the challenges that could threaten the capital's reputation and ways to encourage, drive and retain innovation and entrepreneurialism.

SURVEY

Ahead of the October debate, LCCI commissioned ComRes to survey the general public, businesses and councillors on 'London as a competitive entrepreneurial city'.

During August and September 2015 ComRes interviewed a total of 1,669 London adults online:

- 1,005 members of the London public
- 514 London business decision makers
- 150 London councillors

ComRes is a member of the British Polling Council and abides by its rules. Full data tables can be found at www.comres.co.uk.

Any data reproduced from the polling should be fully referenced.

PUBLIC DEBATE

London Tomorrow panel members gathered at the Guildhall on 29 October 2015 for a public debate, chaired by BBC London Political Editor Tim Donovan, to discuss the ComRes survey results and offer observations about how London can remain a competitive entrepreneurial city.

Attendees were welcomed by Mark Boleat, Chairman of City of London Policy and Resources Committee, and LCCI Chief Executive Colin Stanbridge.

Panel participants on 29 October 2015 were:

- Caroline Artis, EY
- James Ashton, Evening Standard and The Independent
- Jeremy Probert, London City Airport
- Vicky Pryce, CEBR
- Kulveer Ranger, Imperial College
- Professor Tony Travers, LSE

Further details on London Tomorrow and its panel member profiles can be located at www.londonchamber.co.uk/londontomorrow. A video about London Tomorrow and the panel's views about the challenges facing the capital can be viewed at www.youtube.com/watch?v=rKIS6s0twpl.

WHAT MAKES LONDON A COMPETITIVE CITY?



Businesses consider London to be a world-leading city. In 2015, London topped the Global Financial Centres Index ranking for the world's leading financial centres, based on factors including each city's business environment, infrastructure, and the quality of its human capital and financial sector development.¹

The capital's ability to adapt to significant change was also highlighted as a positive attribute that could help it address and cope with the challenges that come with its rising population. However, with robust competition between world capital cities to attract international businesses and investors, London must continue to reduce regulatory burdens and provide an attractive business environment. According to the ComRes survey, maintaining London's place as an international financial centre is an important factor to the capital remaining competitive.

Findings from the ComRes poll indicated that **London's reputation as a world-leading city was the most important factor for businesses basing themselves in London** (80% councillors, 74% businesses and 69% Londoners listed this as one of their top three most important reasons). Access to EU markets was also an important consideration among polled audiences.

London clearly has a number of pull factors that are attractive to businesses, all of which have combined to give it its positive reputation. Specific areas highlighted by London Tomorrow panellists included:

- London's transport system, which was praised for being one of the most productive in the world, given the large number of people that use it for commuting
- its highly skilled and diverse workforce
- a relatively benign tax environment (the UK has the lowest corporation tax rate in the G20)
- a higher level of infrastructure investment than anywhere else in the UK

"Housing and transport policy for the rest of Britain would not be the same as what London wants. The way people commute to work and the housing crisis in London is vastly different to anything that works in the rest of the country. If London were given more powers, it would make better decisions to support the capital."

Professor Tony Travers, LSE

Changes to the business rates system in London, which would see local authorities retaining 100% of business rates collected in their constituencies, as well as giving them the power to raise rates if spent on improving local infrastructure, were viewed positively by some London Tomorrow panellists as a way to enable the capital to self-finance large and essential infrastructure projects, including more affordable housing. Panellists also highlighted the need for increased aviation capacity in London, with a swift decision on the Airports Commission recommendations, as well as short-term expansion at other airports such as London City and Stansted, necessary to maintain the capital's long-term competitiveness.



Caroline Artis, EY, welcoming attendees

Summary: London is widely regarded as a world-leading city, reflected in several global ranking indicators. This reputation remains highly enticing to businesses wishing to set up in the capital. However, for London to remain competitive as a world-leading city – one that continues to attract businesses and entrepreneurs – it must maintain its place as an international financial centre, ensure that its housing and transport infrastructure meets the demands of its growing population, and operate in a competitive tax and regulatory environment.

¹ City AM: London tops 2015 global financial centre rankings and knocks New York into second place, 23 September

BARRIERS TO LONDON'S COMPETITIVENESS



48% Londoners
48% Businesses
69% Councillors
believe insufficient availability of homes is one of the top three barriers to London's competitiveness

While there are many reasons why London is seen as attractive to businesses, particular barriers could make it difficult for London to remain competitive in the long-term. The ComRes polling results found that **an insufficient availability of homes was the main barrier to London being competitive with**

other UK and global cities (48% Londoners, 48% businesses and 69% councillors listed this among their top three biggest barriers). Other factors acting as a barrier to London's competitiveness included London transport costs (39% Londoners, 41% businesses and 34% councillors) and the price of commercial/office space (42% Londoners, 49% businesses and 34% councillors).

There was concern among London Tomorrow panel members that the lack of affordable housing in London is already deterring people from wanting to work in the capital, reducing its long-term competitiveness. Retaining workers in the capital – particularly those looking to build a family – was becoming increasingly difficult as housing becomes more unaffordable.

Coupled with the growing cost of transport, London businesses, particularly small firms and start-ups, risk being priced out. One panellist noted that some companies in recent years were increasing the number of people employed in offices outside of the capital, and reducing the number of people hired in London given the affordability issues in London around both housing and office space.

Panellists offered several suggestions for increasing the number of affordable homes in the capital, including:

- allowing local authorities to borrow more money in order to build
- better utilising the large number of brownfield sites available for development
- replacing poor-quality housing stock
- remodelling high streets to increase the amount of residential building
- allowing every individual house in the capital to 'build up' by one floor
- incentivising larger employers to provide housing support to their employees



Professor Tony Travers, LSE; Kulveer Ranger, Imperial College

"There is a need to build transport infrastructure, aviation capacity and housing stock in London. But there's also a need to invest in connectivity because it will underpin our ability to use all of these things going forward and actually ease the pressure on some of them. It's rising as an issue as people become more aware and concerned about it. There's a pull factor from the public on connectivity and this will radically change how the public and private sector work."

Kulveer Ranger, Imperial College

Panellists considered how changing work practices and the potential of digital technology could help relieve some of the pressure on transport infrastructure and the lack of affordable office space. 'WFH (working from home)' has become a more common working practice, while innovative companies are utilising technologies to disrupt traditional business models. The way people interact with businesses and public services as well as how people interact with a physical office space, could radically change in the near future. Although infrastructure investment would still be needed given London's projected population growth, technology allowing people to work remotely could reduce some of the strain on London's transport infrastructure at peak hours, but there would need to be greater Government investment in digital connectivity in order to realise those benefits.

Summary: London is at a crossroads as the growing cost of living threatens to push businesses and workers out of the capital. Increasing the supply of affordable housing could help alleviate one of its biggest cost pressures. The opportunities afforded by better digital connectivity could allow businesses to offer more flexible working arrangements, as well as potentially helping alleviate some pressure on London's transport infrastructure at peak. However, stronger investment in connectivity is required in order to realise the opportunities afforded by the digital revolution.

HELPING NEW BUSINESSES SET UP IN LONDON



46% Councillors
62% Businesses
see price of commercial/office
space costs as one of the top three
challenges to new business in London

According to 62% of London businesses polled by ComRes, the biggest challenge facing new businesses setting up in the capital was the price of commercial and office space.

Recent research by Tech London Advocates found 26% of London technology companies

surveyed had considered relocating outside the city as rents rise.² In the City alone, office rents have risen by around 14% over the last two years.³

Almost two-thirds (62%) of businesses surveyed by ComRes believed boosting the visibility of potential funding and investment available to them would have a positive impact on improving affordability for small businesses setting up in London. Providing Government support schemes such as grants or advice would also be welcomed by London businesses (59%).

"There are all these hurdles to London's growth – transport infrastructure, housing etc. But we have to actually go out there and create solutions, whether that is through increased collaboration, new ways of funding or new ways of using connectivity to wire up a truly 'smart city' so that people can travel around the capital more efficiently."

Jeremy Probert, London City Airport



Vicky Pryce, CEBR; Jeremy Probert, London City Airport; James Ashton, Evening Standard

Panelists also highlighted the need for a clearer vision from the next Mayor of London about the type of London we want to see. It was felt that each Mayor had a vision of what they wanted to achieve while they were in office, but the grander vision for the capital, such as the 2050 London Infrastructure Plan, was in the background of their plans when it should be at the fore. One panellist remarked that essential populist schemes, such as Cycle Superhighways and the Garden Bridge project, were instead being delivered when funds could be used for more essential infrastructure projects, although other panellists contended that such initiatives added to the allure of the city. Other panel members noted that changing employee demands and the pressure to adapt to the capital's constraints had seen real innovation in new office developments, with property developers now creating modern office spaces in areas such as Paddington and Victoria that could squeeze more employees in and offer integrated leisure facilities to encourage greater social activity.



Tim Donovan, BBC chairing the debate

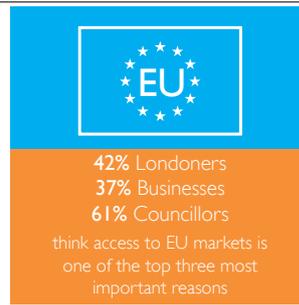
Summary: The Government could improve the visibility of funding and support opportunities available to help new small businesses meet the affordability challenges faced in London. The next Mayor of London should prioritise long-term initiatives, such as the ones outlined in the 2050 London Infrastructure Plan, that will help the capital function more effectively for business. Encouraging continued innovation in new office developments could help maintain the attractiveness of the capital to workers.

² Financial Times: Digital start-ups question links to 'Tech City', 5 May 2015

³ City AM: Lack of London office spaces drives a 24% increase in office construction, 19 May 2015

SUMMARY OF RESULTS

WHY BUSINESSES WANT TO BE BASED IN LONDON



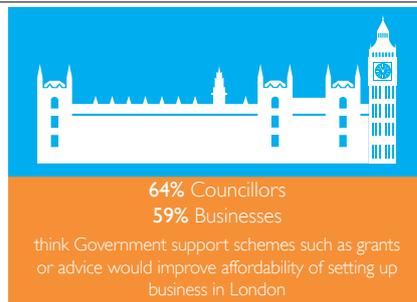
BUT LONDON'S AFFORDABILITY ISSUES MAY DAMAGE ITS DOMESTIC AND INTERNATIONAL COMPETITIVENESS



BIGGEST CHALLENGE TO NEW BUSINESSES



WHAT GOVERNMENT CAN DO TO HELP AFFORDABILITY FOR START-UPS/ SMALL BUSINESSES IN LONDON



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