

Rising to the Challenge

The Mayor's Economic Development Strategy for Greater London, Public Consultation Draft

London First Response FINAL DRAFT 8/1/10

1. SUMMARY

1. London First welcomes the opportunity to respond to the Mayor's proposals for his Economic Development Strategy. We look forward to working with the Mayor, his advisers and officers in both developing these policies further and in supporting implementation. We are responding to the Mayor's planning and transport strategies, which have been subject to parallel public consultation, separately.
2. London First is a business membership group whose aim is to make London the best city in the world in which to do business. We do this by mobilising the experience, expertise and enthusiasm of the private sector to develop practical solutions to the challenges London faces and to lobby government for the investment that London needs in its infrastructure. London First delivers its activities with the support of around 250 of the capital's major businesses in key sectors such as finance, professional services, property, creative industries, hospitality and retail. Our members represent around a quarter of London's GDP.
3. The Economic Development Strategy (EDS) sets out five objectives:
 - London as a city that excels as a world capital of business;
 - ensure that it has the most competitive business environment in the world;
 - drive London's transition to a low carbon economy and maximise the opportunities that this creates;
 - give all Londoners the opportunity to share in London's economic success; and
 - maximise the benefits to London from investment to support growth and regeneration, and from the 2012 Games and their legacy.

4. Taking each of these in turn we naturally welcome the first two objectives given London First's mission to make London the best city in the world in which to do business. We see the Mayor's role as threefold:
- First, he has the power of the million vote mandate, of the bully pulpit to make London's case where, as is so often the case, the public policy decisions in question sit at National or European level;
 - Second, the Mayor directly delivers infrastructure and services, principally in transport through Transport for London (TfL). It is essential, in these resource constrained times, that TfL's investment and operating expenditure is prioritised to support London's continued economic growth; and that TfL is governed and managed so that its substantial project risks are minimised, it acts as a good and efficient client, and it is as productive as possible in the use of its scarce resources. We comment in detail on the draft Transport Strategy in our response to that consultation; and
 - Third, the Mayor is a regulator, particularly in planning and development, and it is essential that the framework set out in the London Plan supports the economic development measures promoted in this strategy and does not frustrate growth. We comment in detail on the draft Replacement London Plan in our response to that parallel consultation but, in summary, we are concerned that the rhetoric over supporting growth in the CAZ in this document is reflected in the detail of planning policy that the proposed draft sets out. Similarly, we are concerned that the Mayor's proposed housing policies place too many costs onto development and believe that it should increase rather than restrict supply of new homes for Londoners.
5. We support the third objective, drive London's transition to a low carbon economy and maximise the opportunities that this creates, both because of the importance of London playing its role in tackling climate change and also because it contributes to London's role as a leading, innovative city. However there are two caveats: the policies under objective three which seek to make London a leading low carbon capital must support, not undermine, the competitive business environment ambition set out in objective two; and we need to be realistic about the economic development benefits that London can accrue from being a leading low carbon capital, relative to the continued growth and development of other sectors (such as finance and professional services or tourism).
6. Turning to the fourth objective, we strongly support policies which enhance the employability of Londoners – as we strongly support an open labour market in London. London's economic success hinges on London's employers being able to hire the best people for their jobs from across the globe.

7. Finally, on objective five, we of course welcome the objective to maximise the benefits to London from investment to support growth and regeneration; but again are concerned that the detail of policy does not match the aspiration. In particular, in transport policy, there is a dissonance between the Mayor's recognition of the need for increased airport capacity and his objection to the expansion of Heathrow. And on the Olympics and their legacy we endorse the Mayor's objectives but reiterate our concern that progress is slow and needs substantially to be speeded up if we are to have a developed legacy delivery strategy for East London by 2012, covering not just the Olympic Park and Stratford, but also the Lower Lea Valley and the Greenwich Peninsula.
8. The structure of the EDS is to set out the economic principles that underlie the objectives in the introduction and then to devote a chapter to each of the objectives. This response mirrors that structure: as we generally agree with the policy proposals, we only raise those where we seek amendment or clarification.

For further information contact:

John Dickie

Director of Strategy & Policy

jdickie@londonfirst.co.uk

Comments on the Mayor's vision and objectives

9. We welcome the Mayor's vision for the sustainable development of London: "Over the years to 2012 and beyond London should excel among global cities, expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life, and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change".
10. The strategy sets out the Mayor's role as being a champion for London, as a coordinator of various sectors and stakeholders, and in encouraging Londoners. We agree that these roles are important, but we would add two more.
11. First, the Mayor has a critical role in delivering infrastructure and services, principally in transport, through Transport for London (TfL), and through targeted borough funding. It is essential, in these resource constrained times, that TfL's investment and operating expenditure is prioritised to support London's continued economic growth. It is equally important that the governance and management of TfL provide an effective framework for the management of its substantial project risks, that it acts as a good client and it is as productive as possible in using its scarce resources. We comment in detail on the draft Transport Strategy in our response to that consultation.
12. Second, the Mayor is a regulator, particularly in planning and development, and it is essential that the framework set out in the London Plan supports the economic development measures promoted in this strategy and does not frustrate growth. We comment in detail on the draft Replacement London Plan in our response to that parallel consultation but, in summary, we are concerned that the rhetoric over supporting growth in the CAZ in this document is not reflected in the detail of planning policy that the proposed draft of the London Plan sets out. The private sector investment accounts for 70% of the London economy; a supportive regulatory framework is critical to deliver investment.
13. We welcome the Mayor's conclusion, in paragraph A4, following from the work of the Outer London Commission, that "a strategy of enabling the widest possible contribution to growth, particularly in outer London, is desirable, but that it is also essential to consolidate the unique strengths of central London". Central London's strengths should continue to be supported and promoted.
14. The section "putting the Mayor's powers into practice", paragraphs A7-11, notes that much of public spending in London is funded by national government and that the Mayor will impress on Government the returns from investing in our economy and infrastructure, and the case for greater devolution of powers and resources to London. We strongly agree and believe that the further devolution of policy making powers

and of financial resources would strengthen the competitiveness of the capital. We would be happy to join with the Mayor and GLA in making this case.

15. This section further states that the Mayor will encourage innovative ideas to maximise the use of existing resources and infrastructure and imaginative models around funding. We have already worked with the Mayor on some of these issues and London First has recently established an Infrastructure Commission which will explore London's infrastructure needs in the medium-long term and, in the autumn, suggest measures for regulators, London and National Government as to how these needs can be met.
16. We naturally welcome, in paragraphs A12-14, the Mayor's commitment to a collaborative approach in implementing his strategy and the role of private sector partners such as London First.

Economic principles

17. The EDS sets out the guiding principles which will govern the Mayor and GLA group's interventions in the economy:
 - does it support the Mayor's vision for London?
 - does it address a market failure?
 - does it tackle the cause of market failure?
 - does it achieve a social objective?
 - do the benefits outweigh the costs?
 - is the investment sustainable?
18. London First welcomes these principles, particularly the emphasis on tackling market failure and the statement in A16 that eliminating market failures "does not mean that the public sector can decide which areas of the economy will succeed and fail. It should not try to pick winners". It is worth emphasising that market outcomes which some or all of us may not like are not the same as market failures. The GLA needs to be clear about the methodology it will use to identify and determine correction for market failure in London.
19. It is also worth explicitly noting that in most cases of identified market failure the GLA is unlikely to possess all the tools necessary to tackle the cause. This is one reason why London First supports further devolution from central to London government. It also emphasises both the Mayor's role as a champion for London – the bully pulpit of the mayoralty and the million vote mandate; and the need to use caution in seeking to achieve broad direct impacts from the limited regulatory and delivery tools at his disposal.

Comments on Chapter 1 - London: world capital of business

20. **Objective 1: To promote London as a city that excels as a world capital of business.**
21. **Proposal 1A: The Mayor will work with partners to strengthen the promotion of London as a global leader and will encourage promotional agencies to work collaboratively.** London First welcomes this approach, the creation of the Promote London Council and the exploration of options to ensure greater collaboration between the various promotional agencies. In particular, we support the work that is ongoing to develop an overarching strategy for promoting London and which, inter alia, will look at how other world cities undertake their promotional work.
22. The analysis underpinning this proposal note, in para 1.15, that “London’s position in the business visitor market is less strong than in the leisure visitor market, but is improving and benefiting” and goes onto say “but is improving and benefiting from investment, such as the continuing expansion of the ExCeL centre as a location for major conferences, and the planned expansion of other major venues such as the O2.” Welcome as these are, the GLA must also support the maintenance and expansion of substantial world class exhibition and conference capability within in the CAZ.
23. We also believe that more needs to be done by the GLA to support the development of this sector in a coordinated way and that this should be a core component of the promotional strategy, with a senior, effective official responsible for developing and implementing a strategy to improve both London’s business tourism infrastructure and its global profile as a business tourism destination. Improved support for bids and the delivery of major events, for example through welcome desks, branding at airports, civic dinners and delegate travel on TfL, should be explored as part of this process.
24. **Proposal 1B: The Mayor and GLA Group will work with LOCOG and other key partners to promote London to the world taking full advantage of the 2012 Games.** We agree with the Mayor’s objective, but must swiftly see the detailed implementation plans that will improve the visitor experience and maximise the long-term legacy benefits. And of course a number of key Olympic venues can play a crucial role before the Games to promote the artistic, cultural and sporting assets, as for example the O2 has been doing through hosting world class events such as the World Artistic Gymnastic Championships, the ATP Tennis Tour finals and NBA games.
25. **Proposal 1C: The Mayor will work with partners to develop a comprehensive international trade strategy to increase London’s exports, particularly in rapidly developing markets such as India and China.** Closer working between the LDA and UKTI is desirable, as

is improved marketing and promotion of our financial services strengths through TheCityUK.

Comments on Chapter 2: Improving London's competitiveness

26. **Objective 2: To ensure that London has the best competitive business environment in the world.**
27. **Proposal 2A: The Mayor will work with partners to further develop London's capacity for innovation, particularly for SMEs, by encouraging collaboration across sectors, promoting more productive links between business and academia, providing support for innovative activities, promoting entrepreneurial skills, and helping in accessing funding.** We support this proposal; however paragraphs 2.7-10 are unclear on what practical measures the Mayor will take to ensure its implementation. Paragraph 2.6 suggests that the UK CMRI is one of the UK's five academic health science centres, which is not the case.
28. **Proposal 2B: The Mayor will promote cost effective business support programmes for London's businesses, and especially its SMEs, working with central government, the LDA local authorities and business representative organisations.** We support this proposal, particularly its emphasis on SMEs as London's larger businesses (which predominately make up London First's membership) can generally access the advice they need from the market. We are sceptical of the value of the LDA engaging with London's largest employers to understand their priorities and needs as a tool to complement SME support. However we do support initiatives such as CompeteFor which open up opportunities for SMEs in London and beyond.
29. **Proposal 2C: The Mayor will monitor the factors affecting London's competitiveness so as to identify where corrective action is needed to address factors having a negative effect.**
30. **Proposal 2D: The Mayor will continue to be an active champion of business and will lobby government and encourage an open and competitive business-friendly environment and a flexible and skilled labour market.**
31. We support these proposals and welcome the vigorous role that the Mayor has played in supporting the competitive, clear and predictable tax and financial services regulatory regimes which are so vital to London's international competitiveness. Improving the capability of the GLA to make a research based case to central and European government, in partnership with relevant stakeholders, should be a key priority of this strategy.
32. **Proposal 2E: The Mayor will work with partners to ensure costs to business are kept as low as realistically possible.** We support this proposal, and the particular commitments in 2.28 to ensure that there is sufficient long-term capacity for workplace growth in central London; and that the London Housing Strategy will address the cost, supply and

quality of housing. However we do not believe that these strategies deliver this proposal. The Mayor should be mindful of the costs on business imposed through his planning policies, in particular requirements for housing design and planning obligations.

Comments on Chapter 3: Transforming to a low carbon economy

33. **Objective 3: to drive London’s transition to a low carbon economy and to maximise the economic opportunities this will create.**
34. We welcome this objective. The strategy acknowledges that this transition is both subject to “immense, rapid and often unpredictable change” and dependent on “very substantial” levels of investment. Competitive markets are the best way to harness both.
35. The strategy states that two main strands underlie Objective 3. The first is “developing the expertise and capacity of businesses and technologies to assist in the adaption to and mitigation of climate change, for the benefit of London, the UK and the world, which will also provide economic opportunities and new jobs for London’s businesses”. The second is to “take measures to reduce London’s carbon emissions and ensure it is adapted to cope with the impacts of climate change”. Both of these are desirable: the question on the first, from the principles set out earlier, is “what are the market failures which the Mayor should be seeking to correct”? We believe that there should be a third strand, an explanation of the role that markets anchored in London will have in delivering the Mayor’s carbon targets.
36. There is a particular tension over mitigation and adaption programmes. Clearly there is a need to deal with London specific consequences of global warming (for example increased risks of flooding). Equally, London will need to play its part in meeting national carbon reduction targets. The questions here are the extent to which London should be seeking to deliver reductions in excess of the national target; the mechanisms used to deliver reduction (generally we favour market as opposed to command and control policies); the role of the private sector in refining policy and delivering the necessary investment; and the effect of these policies on London’s competitiveness. While there are exceptions, and lowering London’s carbon footprint overall has the capacity to enhance London’s brand values, policies to promote low carbon will generally increase business costs. The Mayor must take care that particular policies which have a socially desirable – even socially essential – role have the minimum necessary impact on competitiveness.
37. **Proposal 3B: The Mayor will work with partners and lobby government to develop the scale of investment and environmental infrastructure needed to support a low carbon London.** Substantial private sector investment will be required to meet the Mayor’s targets, not least through the creation of the infrastructure London needs if it is to establish itself as a low carbon capital. Securing this investment will depend on policy and funding based on a comprehensive and detailed understanding of the current failure of the market to deliver it on the required scale, which in turn should inform the Mayor's efforts to influence national fiscal policy. While early demonstration projects may

spur the development of London as a low carbon world leader, such projects and investment risk being tokenistic if they are driven by policy and funding decisions divorced from market realities.

38. The recent work commissioned by the GLA/LDA, 'Prospectus for London, the Low Carbon Capital' (Ernst & Young, March 2009), states that the Mayor's carbon mitigation programme is forecast to require approximately £14 billion of investment by 2025 (or on average £845m per annum under the most likely scenario). While the Mayor is delivering over £100 million over the next three years towards climate change programmes, the strategy describes efforts to promote the low carbon economy as having been "largely piecemeal". We welcome attempts to counter an excess of policy development that impinges upon, rather than spurs, effective delivery, acknowledging the barriers presented by an uncertain planning regime and a fragmented set of public sector policy makers and delivery agents.
39. There is a strong case for better strategic alignment and consolidation: a smaller number of London-wide bodies with the appropriate levers, able to marshal early private sector expertise. With broad consensus that the Mayor's carbon mitigation targets are appropriately set (across the built environment, waste/recycling and energy), and with nascent programmes in place to begin to meet those targets, it is not clear how the required scale of investment will be forthcoming. Private sector experience and expertise should be called upon in a credible examination of the barriers to what the strategy calls "the enormous economic opportunities represented by the transition to a low carbon economy".
40. **Proposal 3C: The Mayor will encourage business to participate in exemplary projects to cut carbon such as the creation of a showcase Green Enterprise District and of Low Carbon Zones.** The progress made in refining a programme for the rollout of decentralised energy, based on the work between the GLA, LDA and London First in implementing the recommendations of the study London First published in October 2008, offers a good example of the way in which early collaboration with the private sector can refine policy, increase the chances of successful delivery on the ground and test market appetite.
41. **Proposal 3E: The Mayor will create a policy framework to address climate change and will work with private, public and voluntary sector partners to improve their environmental performance.** Any policy framework to address climate change should, as previously stated, be based on a comprehensive and detailed understanding of current market failure, which in turn should inform the Mayor's efforts to influence the fiscal setting at national level. It should incubate and demonstrate innovative routes to finance tied to specific, sponsored projects. As regards improving environmental performance, the Mayor has set a good platform on which to build, but should seek to accelerate progress with stable policy and clear incentives for private sector

participation, but across supply and demand, developed through active dialogue with practitioners, both in the financing and physical delivery of schemes to improve environmental performance.

Comments on Chapter 4: Extending opportunity to all Londoners

42. **Objective 4: To give all Londoners the opportunity to take part in London's economic success, access sustainable employment and progress in their careers.**
43. London First argued for the formation of the Mayor's London Skills and Employment Board (LSEB) in 2006 and since then has consistently supported its work and strategy development. We believe that the unique characteristics of London's labour market – the highest levels of economic productivity in the UK, coupled with unacceptably high levels of worklessness – justify a strongly devolved set of policy responses, led by the Mayor through the LSEB. We support the Mayor's updated LSEB strategy issued in 2009 and believe that the Board requires further substantial devolution of policy decision-making from central government in order to implement its strategy effectively.
44. In a period of increasing fiscal constraint and pressure on all public sector expenditure it is important to be explicit that the high levels of worklessness in London have considerable financial as well as social implications. The direct costs to the taxpayer of supporting over 650,000 workless people in the capital through the benefits system are estimated at £12 billion+ per annum, excluding the further direct costs to the public purse due to the higher levels of health and crime problems that occur amongst this group of citizens. The case for the Mayor's action to extend opportunities to work to all Londoners is therefore strongly financial and economic, as well as ethical and political.
45. Most London businesses have little difficulty in recruiting appropriate people for their vacancies (see for example London First's Voice of London Employers 2007 research - to be repeated in January 2010 - and Think London's Skills Survey 2008) due to the highly competitive nature of London's labour market. As far as we are aware, there is no evidence of a significant economic impact on employers in London arising from skills shortages among the resident population. The essential problem is that too many Londoners are unable to access the jobs that are available, and we believe that the Mayor is right to focus on this issue in his LSEB strategy and the action plans that follow later in this section.
46. In a period of tightening budgets for the LDA and the Mayor's other agencies, we believe that it is more important than ever to ensure that publicly funded skills development programmes are directly linked with real job outcomes and meet real employers' needs, rather than simply providing individuals with accredited qualifications which may or may not lead to jobs at some point in the future.
47. **Proposal 4B: The Mayor will work with partners to ensure that all young people in London have appropriate opportunities to gain the knowledge, skills and confidence to succeed in London's labour**

market. We agree with the principle that London's high level skills need continuous improvement, but not with the specific forecast, in 4.8, that one in two jobs will need high level skills by 2020. It is already the case that too many graduates are engaged in non-graduate jobs in the capital, and businesses see unmanageably large numbers of applicants for every graduate level vacancy. This has been the case even in the period of economic growth up to 2008 – it is even truer now, in a period of slow recovery from sharp economic decline.

48. Rather than volume, the high skills strategy should instead focus on quality: improving the general level of graduates' understanding of the workplace, behavioural and employability skills, and focusing on the relatively small number of genuine specialist shortage areas in science, technology, engineering and mathematics. And it should recognise that university is not the right route for everyone – we need to move to a position where it is entirely acceptable to promote careers based on vocational skills to young people through a genuinely impartial Information, Advice and Guidance service.
49. We believe that paragraph 4.12 should mention explicitly the shared membership and formal governance links between the LSEB and the Regional Planning Group (RPG), to highlight the Mayor's joined-up approach between borough and GLA initiatives. There is reference in 4.14, and elsewhere in Section 4, to the Learning and Skills Council, which will cease to exist as an organisation in April 2010. We recommend that these references are reviewed and in most cases changed to refer to the Skills Funding Agency, National Apprenticeship Service or Young People's Learning Agency as appropriate.
50. **Proposal 4C: The Mayor will work with partners, particularly through the LSEB, to raise London's employment rate and to reduce the employment rate gap for disadvantaged groups, by removing barriers and disincentives to work, and providing personalised and joined-up services to help people into employment and career progression.**
51. **Proposal 4D: The Mayor will work with the LSEB and other partners to significantly improve training and employability support so as to help people secure and retain a job with a particular focus on neighbourhoods with high concentrations of worklessness.** These two proposals appear to be almost identical so we recommend that they and their associated Analyses and Action Plans be merged in order to create a more focused Section 4.
52. The text as it currently stands in these sections frequently refers to the Mayor and the LSEB as if they were working somehow at arm's length from each other (eg 4.25 "the Mayor supports the LSEB's ambition..."; Proposals 4D and 4E "The Mayor will work with the LSEB and other partners...."; 4.40 "The Mayor and the LSEB attach great importance...."). We believe that the text should be re-drafted to make clear that the Mayor works through the LSEB as its Chairman, in a

similar way that he works through TfL to deliver transport services for London, not “in partnership” with it.

53. In addition to the reasons for worklessness set down in paragraph 4.17 (high numbers from disadvantaged groups, these groups tend to have higher rates of worklessness in London, and London specific factors, such as the high cost of living) there is a fourth key reason for London’s high level of worklessness – the relatively high number of students in the capital compared with other regions and countries in the UK. It is also important to acknowledge that the capital’s competitive labour market is a strong reason for high worklessness in London.
54. We believe that 4.35 should include a commitment to a strong pan-London strategic lead on English for Speakers of Other Languages (ESOL) provision from the Mayor, working through his LSEB.
55. **Proposal 4E: The Mayor will work with the LSEB and other partners to help meet the aspirations of Londoners to acquire relevant skills and qualifications to progress in their careers.** We recommend that paragraph 4.45 includes an explicit mention of the work of the London Higher Skills Board, which is linked through shared membership to the LSEB, and FE College marketing programmes aimed at increasing their support for London’s businesses.
56. The most important drivers of public sector employment and skills programmes in London (paragraph 4.47) are the Public Service Agreement (PSA) targets set by central government (Treasury and DBIS) and then allocated with little negotiation to the LDA, LSC/SFA and Jobcentreplus. We believe that it is vital for the Mayor to continue to lobby for more flexibility and devolution to London in these areas, to take full account of the unique nature of London’s economy amongst the UK’s regions and countries.
57. **Proposal 4F: The Mayor will work with the HCA, boroughs and other partners to ensure there is sufficient and suitable housing to meet the needs of London’s growing population and workforce, and to address problems of homelessness and overcrowding.**
58. There is a need for “a flexible and creative approach” from the public sector, not least because of the current difficulties facing house-builders in the private sector. We would be happy to work with the Mayor and the London Homes and Communities Agency (HCA) to help persuade national government of the case for the freedoms necessary to deliver this flexibility and creativity.
59. The Mayor’s objectives to improve the quality of public sector housing (in terms of its design, space standards, environmental build quality etc) need to be looked at in the round by the GLA. There is a tension between delivering volume social housing and setting very high standards across the board. This is compounded when these standards

affect the costs of private sector development either directly (if the Mayor does set space and design rules for the private sector) or indirectly (for example in mixed-tenure developments high environmental build requirements for social housing inevitably increase the costs of private dwellings in the development).

Comments on Chapter 5: Investing in London's future

60. **Objective 5: To maximise the benefits to London from investment to support growth and regeneration, and from the 2012 Olympic and Paralympic Games and its legacy.**
61. **Proposal 5C: The Mayor and the LDA will work with the Olympic Park Legacy Company and other partners to fully seize the unique regeneration opportunity offered by the 2012 Olympic and Paralympic Games.** London First has commented extensively on the importance of – and challenges in – delivering a physical legacy from the Olympics in and around East London. In summary we believe that seizing the opportunity for regeneration that the Games present requires four things: leadership, vision, the provision of infrastructure and a one stop shop for potential investors.
62. First, leadership must ultimately rest with the Mayor – central government won't provide it while local government cannot. We welcome the new Olympic Park Legacy Company – and the EDS's reference to it as “the principal regeneration vehicle for the area” – and would encourage the extension of its remit beyond the strict demarcation of the Park to include Stratford, the Lower Lea Valley and Greenwich Peninsula.
63. Second, there needs to be a simple to articulate, common vision for what the Olympics can do for East London, developed with all the area's stakeholders. This must balance clarity of planning purpose, with freedom to deliver by the private sector and, critically, the ability to change the planning framework if it isn't working.
64. Third, the public sector must provide the infrastructure to support communities and economic development. We welcome the EDS's acknowledgement that it is critical that the LDA, HCA and boroughs work with the Legacy Company to provide these investments.
65. Fourth, we believe that there needs to be a one stop shop – a role perhaps for the Legacy Company – both to promote the investment opportunities in East London and to guide potential investors through the alphabet soup of local agencies and rules, boundaries and land owners.
66. We have also argued the importance of improving the urban realm in the West End for the Games as this is where London's visitors will stay or spend much of their leisure time. London First supports the initiatives being led by the central London Business Improvement Districts (BIDs) to enhance the urban realm in the West End through their Oases and Leicester Square projects. The West End needs continual investment to attract both retailers, shoppers and visitors, and to retain London's premier retail and tourism position against competition from other major cities. Over the next few years the private sector will invest over £1.5 billion in the West End, and the public sector will need to play its part in

supporting this investment through funding of New West End Company (NWECC) and Heart of London Business Alliance (HoLBA) public realm projects (for example through identified projects such as the rollout of Legible London).

67. There is a similar need for public realm investment in other key areas of London in advance of the Olympics, notably the South Bank and Bankside. The equivalent business organisations, South Bank Employers' Group and Better Bankside, have well formed plans for deliverable improvements to complement private and cultural developments and address the very poor public realm in this key business, cultural and tourist area which will play a major role in 2012.
68. **Proposal 5D: The Mayor will work with boroughs, developers and other partners to identify capacity to accommodate large-scale employment and housing development, including in the London Plan Opportunity Areas, through the planning system, transport proposals and investment support.**
69. **Proposal 5E: The Mayor and the LDA will work with partners to take a coordinated and targeted approach to regeneration across London.**
70. Regeneration is best delivered where there is a clear, light touch policy framework which provides the basic infrastructure necessary for private sector investment; which sets out the vision and parameters; and which in turn enables the private sector to respond accordingly. Prescriptive policies and too many agencies involved lead to undue complexity, competing objectives and risk which deters investment. This is critical in an era of reduced public funding where there will be increased reliance on private sector investment which must therefore be incentivised.
71. The need for physical and social infrastructure to support regeneration in the London Plan is rightly highlighted. However there needs to be recognition that, for the foreseeable future, it will not be viable for the private sector to support the provision of such infrastructure through s106 agreements to the extent to which many boroughs have become accustomed. Regeneration will need to be led by public sector investment.
72. **Proposal 5G: The Mayor will work with the LDA, TfL and partners to achieve the full economic development benefits of London's transport schemes and to bring forward the necessary further investment in London's infrastructure.** London First's response to the Mayor's Transport Strategy sets out our views on the priorities for TfL and the boroughs. We welcome coordinated action by GLA agencies to maximise the value from committed transport expenditure and reiterate our support for the Tube modernisation programme and Crossrail – identified elsewhere by the Mayor as the twin priorities for London.

73. We would also emphasise the importance of coordinated action by TfL to tackle road congestion. 60% of journeys in London are made by road. Buses, taxis, servicing and delivery vehicles and the private car are all dependent on the road network. The road network is critical to business. London has 12% of the UK's population but over 30% of the country's congestion. Congestion costs the London economy £2 billion per annum and substantially reduces the reliability of the road network. London is more congested than many of its international competitor cities and this disadvantages existing businesses and deters new investment. While we welcome the actions to tackle congestion listed in the draft Mayor's Transport Strategy, the weight attached to this issue by the Mayor needs to be increased given that congestion will, according to TfL's own figures, cost the economy over £40 billion during the life of the transport strategy.
74. Further investment is needed in London's infrastructure and, as noted above, is likely to require private sector and innovative partnership funding given the constraints on the public finances.
75. London's competitiveness and attractiveness to international investment as a major world city depend on direct, frequent and reliable connections to a wide range of business centres. London's access to a globally-linked economy, currently one of its greatest assets, will critically weaken if current constraints on runway capacity are not overturned. We welcome the Mayor's recognition that "some additional runway capacity will be needed in the wider South East" (para 5.43) but this sits oddly with the subsequent statement that he will oppose expansion of Heathrow – the UK's only hub airport.
76. London First is keen to engage constructively over the Mayor's proposals for an estuary airport; but on the basis that work on this long-term potential solution to London's air transport needs is consistent with national policy formulation and proceeds in parallel with the medium-term expansion of Heathrow by means of a third runway, investment for which will be provided by the private sector.
77. London First believes that the Mayor should establish a small infrastructure team to work with the economic team at the GLA to look at some of the cross-sectoral challenges facing London in the short, medium and long term, and look to remove blockages and support investment. There is a range of important strategic interventions for London – around the regulatory policy framework or to join up the actions of different providers – as well as making the case for investment, which would benefit from such a function at the GLA. We expect that our infrastructure commission will provide recommendations regarding these interventions.