London First's response to the Government's consultation on the industrial strategy ISGP

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About London First

London First is a business membership organisation with the mission to make London the best city in the world in which to do business (see appendix II for membership list). We represent the capital's leading employers in key sectors such as financial and business services, property, transport, ICT, creative industries, hospitality and retail, and tertiary education.

Overview

1.1 London First welcomes the opportunity to provide a response to the Government's Industrial Strategy ISGP (ISGP). This response sets out how London supports the ISPG objective of driving growth across the UK and the cross-sector interventions which will support job creation and economic competitiveness. We have answered individual consultation questions in the appendix where relevant to our position.

1.2 We believe the ISGP offers an opportunity to develop a national policy framework to drive growth and productivity across the UK in the context of Brexit. The CBI has calculated the economy could be £208 billion larger by 2024 if each local area in the UK could improve at the same rate as the top performer in their respective region.[1]

1.3 At a time when a substantial part of government capacity is rightly focused on the Brexit negotiations, there is a strong case for government to push the delivery of the industrial strategy to city-regions, and to give these regions the powers and fiscal tools to build on their strengths and address their weaknesses.

1.4 The ISGP rightly emphasises the need for a more balanced economy across the UK; this is not a zero-sum game between growing London and the rest of the UK. The London economy's distinct characteristics as an international hub for business, finance and tourism mean that the capital is well positioned to drive growth and support the national industrial strategy.

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[1] CBI, Unlocking Regional Growth, March 2017.

1.5 The remainder of this document sets out London's role in supporting UK growth, and outlines the consequent interventions to maximise job creation and support London's economic competitiveness, which in turn supports wider UK growth.

LONDON'S ROLE IN SUPPORTING UK GROWTH

2.1 The economy of London and the rest of the UK are deeply intertwined, with strong labour flows and trading relationships. London is an important source of export earnings, and is also a major contributor to the taxes needed to help fund public spending.[2]

2.2 London's economy can help deliver against the objectives outlined in the ISGP: "…to build on our strengths and extend excellence in the future"; "…close the productivity gap across the country"; and "…make the UK one of the most competitive places in the world to start or grow a business".[3] The way in which London relates to these objectives is set out below.

Building on strengths and extending excellence

2.3 Five sectors are named in the ISGP to receive 'sector deals' (life sciences, low-carbon vehicles, industrial digitalisation, creative industries and nuclear). These sectors are key platforms on which to build UK growth.

2.4 In addition we would urge the government to also support sectors where London and the rest of the UK provide complementary locations and act as sources of talent for each other. These are financial and professional services, and international tourism.

Financial and professional services

2.4.1 While London is the leading global hub for financial and professional services, it attracts more billion-dollar foreign subsidiaries than any other city in the world[4], two-thirds of the UK's employees in financial and professional services are located outside, with notable clusters in many UK locations.[5]

2.4.2 Reduced access to the EU Single Market is likely to affect London's finance services sector in particular, which, in turn, would have a knock-on effect on demand for professional services. The Industrial Strategy should provide an unambiguous statement of support for the financial services sector and highlight its importance in the UK's overall economy.

[2] Greater London Authority, Growing Together II: London and the UK economy, 2014
[3] Building our Industrial Strategy Green Paper, Business, Energy and Industrial Strategy, January 2017
[4] McKinsey Large Company Database. Analysis in London First, London 2036: an agenda for jobs and growth, January 2017
[5] CityUK, Key Facts about UK Financial and Related Professional Services, March 2016

International Tourism

2.4.3 London receives the most overnight international visitors of any city.[6] This supports a world-class retail and hospitality sector. There is every reason to expect strong international tourism growth to continue: the number of international tourists is expected to double by 2036.[7] Joint tourism promotion, such as the successful joint campaign by Wales and London, offer other regions the opportunity to capitalise on London as the gateway for most tourists visiting the UK.[8]

2.4.4 Restrictions on migration and the withdrawal of lower-skilled labour may exacerbate vacancy rates in sectors such as retail and hospitality that support tourism, given relatively low overall rates of unemployment . In addition, the revaluation of business rates has hit the retail sector in London with substantial rate increases. We ask the Government to explore ways in which a sector deal would support the tourist industries.

Closing the growth and productivity gap

2.5 One of the key objectives of the ISGP is to close the gap in uneven performance across the UK economy, whether between places, companies or people. London's economy supports this objective in a number of ways:

London based businesses are creators of regional employment

2.5.1 Companies founded in London create growth and employment in other parts of the country. Analysis by Centre for Cities concluded "London's success is a good thing for the national economy". [9] In part this is because London' headquartered businesses are some of the biggest employers in other British cities. Of the other 62 British cities, London headquartered businesses were the most prominent in each. The strong performance of London businesses has had a positive impact on employment in these cities in recent years. Since 2008, firms headquartered in London have increased the number of people they employ in their branches in 49 of 62 cities outside of the capital.[10]

London's ability to attract foreign direct investment has positive spill-over effects for the rest of the country

2.5.2 London receives more foreign direct investment (FDI) than any other European city. EY's 2016 attractiveness survey reports that 57 per cent of investors cite London as the top European city for FDI.[11] FDI has a direct impact on productivity as foreign owned firms in the UK are

[6] Euromonitor, Top City Destinations Ranking, 2014
[7] World Tourism Organization, Tourism Towards 2030: Global Overview, October 2011
[8] Tourism 6th Report, Culture, Media and Sport Committee, House of Commons, March 2015
[9] Centre for Cities, Cities Outlook 2014
[10] Centre for Cities, Cities Outlook 2014
[11] EY, EY's Attractiveness Survey 2016 – Positive Rebalancing?

typically more productive and pay higher wages compared to their domestic counterparts. FDI also has an indirect impact, as the technologies or management practices in foreign owned firms can be adopted by domestic firms, often through the supply chain of multinationals.[12]

2.5.3 London's international attractiveness has a knock-on effect on other UK cities, which have attracted HQs and middle/back office locations in a complementary way. For example, US bank JP Morgan has a regional HQ in London and is also the largest private-sector employer in Dorset with 4,000 employees London's life sciences hub supports manufacturing jobs in the rest of the UK: the AstraZeneca plant in Macclesfield alone accounts for over 1% of the value of UK exports.[13]

London's supply chain generates jobs and growth across the country

2.5.4 Much of the economic activity that takes place in London creates jobs and growth throughout the country. While there is no official source for intra-UK trade statistics, the GLA estimates London's exports to the rest of the UK and the rest of the UK's exports to London at around £300 billion each.

A good example is commercial development in central London. The economic impact of the construction of new office space in central London is split 1/3:2/3 between London and the rest of the UK: around £500m in London and £1bn in the rest of the country each year. Similarly, 12,000 jobs are supported in London and over 22,000 across the rest of the UK.[14]

2.5.5 Another example of the strong trade relationships between London and the rest of the country is TfL's supply chain. It includes businesses in every part of the country, from Scotland to Cornwall, and supports 60,000 jobs outside London. In addition, some 60% of its procurement spend is outside London. [15]

Driving competitiveness

2.6 The ISGP rightly recognises the link between infrastructure investment and growth, and identifies the need to connect together cities outside of London, particularly in Northern regions, as well as improving congestion within cities especially in the Midlands. It is equality important to maintain investment in connectivity within London, because such investment can deliver benefits, not just to London, but also to the wider UK economy.

[12] London School of Economics, LSE Centre for Economic Performance, UK Growth: A New Chapter, 2016

[13] Office for Life Sciences, Northern Powerhouse Mapping Tool, Retrieved November 2016

[14] London First, Building London, Building Britain: The economic impact of Central London office construction, June 2013

[15] Transport for London, Annual Report 2012/13

2.7 Illustrative modelling undertaken by KPMG for London First suggests that if infrastructure investment enabled an increase in London's GVA growth rate from the historic trend of 2.5% to 3.5%, this would yield an additional £1.9 trillion to the economy in present value terms. Of this, around £650 billion would be raised in additional taxation alone.[16] This is an important public policy consideration given that much of London's infrastructure, and particularly its transport infrastructure, is capacity constrained as a result of recent economic and population growth.

2.8 Demand for public transport is expected to increase by 50% in the next 30 years. A failure to meet this growing demand will have negative effects on economic growth. For example, congestion reduces productivity: by 2030, road commuters will spend 299 hours a year in traffic (the equivalent of 40 working days), up from 250 now. In total, it is estimated that congestion will cost London £9.3 billion by 2030, up by 71%.[17]

2.9 Population growth coupled with the inadequate supply of new housing has led to a housing crisis in London which undermines the city's competitiveness and puts future economic growth at risk. High housing costs reduce the city's ability to attract talented people. 73% of employers consider London's housing supply and costs are a significant risk to economic growth.[18] London completed fewer than 28,000 new homes in 2015, against a target of 49,000, and its population is projected to rise to over 10 million by 2036.

2.10 Tackling the long-standing economic inequality across London could also improve competitiveness and drive growth. London's strong average growth masks disparities between central London and the outer boroughs and conceals pockets of severe deprivation within inner London.

2.11 Despite recent improvements, London has the highest youth unemployment rate outside the North East and an unemployment rate above the UK average. Meanwhile, the number of people in in-work poverty increased by 70% over the last decade. 27% of Londoners live in a low-income household after housing costs are taken into account, compared with 20% in the rest of England.[19]

2.12 In meeting the Government's objective to deliver a balanced economy there is a need to address unequal growth within, as well as between, regions. This will require investment in housing and transport, as well as providing local regions will the budgets necessary to match skills training more closely with business need.

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[16] London First, London's Infrastructure: Investing For Growth, March 2015

[17] Centre for Economics & Business Research (CeBR), The future economic and environmental costs of gridlock in 2030

[18] London First/Turner & Townsend, Moving Out, How London's Housing Shortage is Threatening the Capital's Competitiveness, September 201484

[19] Aldridge et al, London's Poverty Profile, 2015

INDUSTRIAL STRATEGY TO SUPPORT LONDON'S GROWTH

3.1 London First has produced a business-led growth plan, "London 2036: an agenda for jobs and growth".[20] This evidence-based report, produced in consultation with hundreds of London's leaders between 2014- 16, has the overall aim of London working in cooperation with other city-regions and business to drive growth across the country. It sets out a detailed set of delivery priorities to achieve this, which fall under three broad themes:

- building on strengths and staying open for business;
- fuelling innovation and growth; and
- addressing weaknesses.

3.3 Each theme has interrelated economic priorities which map to the strategic pillars outlined in the ISGP (see figure 1 below). We believe that these priorities are similar for other cities and regions in the UK: delivering against them will deliver more jobs and growth in London and the whole UK economy.

Figure 1 summary of themes, priorities and strategic pillars

London 2036 themes	**London 2036 economic priorities**	**ISGP strategic pillars**
Building on strengths	1. Stay open to commerce and trade	Encouraging trade and investment
	2. Stay open for international talent	
	3. Protect and promote strengths in financial services	Cultivating world-leading sectors
	4. Boost international travel and tourism	
Fuelling innovation and growth	4. Strengthen digital connectivity	Upgrading infrastructure
	5. Improve funding and support for innovative SMEs:	Investing in science and research
		Business support Improving procurement
Addressing weakness	7. Investment in transport infrastructure	Upgrading infrastructure
	8. Accelerate housing delivery	
	9. Develop Londoner's employability	Developing Skills
Supporting growth across the UK >>>		Creating the right institutions

3.4 The ISGP recognises that decentralised governance – through city deals, growth deals and mayoral devolution deals – can improve economic decision making and spur innovation and productivity.[21] We believe further devolution will be a critical part of the industrial strategy's success, given that the negotiations over Brexit will inevitably absorb a great deal of the policy-making capacity of central government over the coming years.

[20] London First, London 2036: an agenda for jobs and growth, January 2017
[21] Building our Industrial Strategy Green Paper, Business, Energy and Industrial Strategy, January 2017

3.5 To realise its potential London needs the powers and fiscal tools to build on its strengths and address its weaknesses. We encourage the government to speed up the process of devolution, and implement the recommendations of the London Finance Commission, many of which have wider applicability to other UK cities.[22]

Theme 1: Building on strengths

3.6 For the UK to continue to benefit from having a global hub for business and finance, London needs to remain open for business, securing its position as the leading global hub for finance and talent, building new trading arrangements following the vote to leave the EU and exploiting London's reputation as a centre for tourism and entertainment.

3.7 Our asks of government are set out below.

1. *Stay open for commerce and trade:*

    a) Maintain to the greatest extent possible the free trade of goods and services between the UK and EU;

    b) develop a transitional arrangement with the EU, reducing the risk of an exit without agreed rules causing a dramatic drop in business activity;

    c) reaffirm and strengthen relationships with decision makers in traditional partner countries (especially the US and Japan) and emerging markets (especially China and India) to grow trade links. This will require significantly increasing the funding and capacity of the regional promotional agencies (London and Partners in the case of London); *and*

    d) explore and prioritise potential new opportunities following an exit from the EU, e.g., free-trade zones, strategic deployment of State Aid, regulatory and public procurement freedoms.

2. *Stay open for international talent:*

    a) Enable British business to continue to recruit high-skilled, high-value add people from across the globe;

    b) implement distinct strategies for sectors in the UK where there are local labour shortages, which combine investment in UK skills and training, where practicable, with migration;

    c) minimise bureaucratic friction and the deadweight burdens on business;

[22] Devolution: a capital idea, The report of the London Finance Commission, January 2017

d) stop counting students as migrants for policy purposes; and reintroduce the two-year post-study work visa for STEM graduates from accredited universities; *and*

e) challenge misperceptions around diversity and openness following the EU referendum, e.g., launching international promotional campaigns and expanding existing ones such as GREAT, and through industry sponsored initiatives. This will, again, require an increase in the capacity of the regional promotional agencies.

3. *Protect and grow London's financial and professional services:*

a) Provide an unambiguous statement of support for the financial and professional services sectors and highlight their importance in the UK's overall industrial strategy;

b) maintain access to European markets in financial services, whether through continued passporting or some other measure such as regulatory equivalence;

c) expand London's international influence on nontrading terms through collaboration between industry and legal bodies, e.g., improving the approach to and speed of dispute resolution, paperless systems, automated disclosure and re-designed court processes; *and*

d) support priority service areas (e.g., infrastructure finance) where partnership across industry, government and regulators will promote rapid growth.

4. *Boost international travel and tourism:*

a) Ensure that the new Airports National Policy Statement is designated on time, enabling the construction of new runway capacity at Heathrow, and put in place a new Aviation Strategy that enables other UK airports to bring forward proposals for future expansion in a far more timely way;

b) increase use of reciprocal visa-free and easy-access visa travel arrangements where consistent with security objectives, e.g., a further extension of validity length of the visitors' visa, and avoid full cost recovery for tourist visa processing where the economic case is strong; *and*

c) boost the capacity of regional promotional agencies to support greater city promotion, across both established markets and longer-term growth opportunities, such as second-tier Chinese cities.

Theme 2: Supporting innovation and investment

3.8 London should fuel diversity in future growth by capitalising on its strengths in technology and creativity, by providing world class digital infrastructure and improving its ability to scale up entrepreneurial businesses and thereby drive large-scale job creation.

3.9 Our asks of government are set out below:

1. *Strengthen digital connectivity:*

    a) Provide support and resourcing, coupled with changes to the planning and regulatory regimes, to allow cities - not just rural areas - to provide high-speed fixed broadband and remove blackspots in coverage; *and*

    b) improve existing mobile coverage and reliability, by working with Ofcom, planning officers, landowners, developers and wireless providers; and ensure the UK is at the forefront of the deployment of next-generation 5G mobile networks.

2. *Improve funding and support for innovative SMEs:*

    a) Sustain current levels of grant and equity funding to researchers and innovative start-ups (e.g., Horizon 2020 and European Investment Fund) following EU exit, with funding decisions devolved to nations and city-regions;

    b) increase the availability of currently scarce mid-level growth capital for innovative firms by increasing investment thresholds in existing tax initiatives (e.g., Enterprise Investment Schemes) and simplifying the process of secondary listings on the London Stock Exchange for firms listed on the Alternative Investment Market;

    c) build on the Financial Conduct Authority’s success in encouraging fintech innovation and competition (e.g., expanding Project Innovate, which has supported over 175 fintech firms to date through more permissive regulatory standards); *and*

    d) reduce the overall regulatory burden on SMEs following Brexit, while ensuring that UK data protection and digital sovereignty regulations to provide a platform to innovative firms for global expansion.

Theme 3: Addressing weakness and investing in local infrastructure

3.9 Local infrastructure needs will naturally vary from region to region, depending on local stocks and demand and supply conditions. Meeting these needs requires city-regional leadership to be empowered to develop tailored local solutions.

3.10 Our asks below address London’s local challenges; we believe other city-regions will have similar ambitions.

1. *Invest in transport (and other) infrastructure and services to tackle long-term impediments to growth:*

   a) Support investment in additional public transport capacity by providing greater government grant for city transport infrastructure investment, through further fiscal devolution to cities and city-regions, and/or through enabling further funding innovation (for example around capturing value uplifts);

   b) work with business and London government to deliver a Crossrail 2 Bill in this Parliament as planned, allowing this vital project to begin construction in the early 2020s and open in the early 2030s;

   c) support local plans to tackle worsening road congestion by providing appropriate funding and updating regulatory frameworks to encourage the development in UK cities of emerging models of mobility beyond personal car ownership – including electrical cars, alternative ownership models and self-driving vehicles; *and*

   d) amend utility regulation to enable more investment ahead of need in energy and water networks in areas of high population and jobs growth, to make the delivery of new development more timely and efficient. Address the planning and tax barriers which constrain private investment in additional waste treatment infrastructure and which can lead to the perverse outcome of the UK paying for waste to be shipped overseas to generate energy there, rather than being processed here in the UK.

2. *Accelerate housing delivery:*

   a) Provide greater government grant for investment in housing, or further fiscal devolution to cities and city-regions;

   b) support the Mayor taking the lead in bringing surplus public land in London to the market for development, e.g. through re-starting the work of the London Land Commission and giving the GLA first refusal on the purchase of surplus government land in London;

   c) fulfil commitments to devolving further planning powers to the Mayor, e.g. full control of London's site lines, development that takes places in wharves and lowering the Mayoral threshold for 'calling-in' planning applications for residential development; *and*

   d) encourage innovation, e.g. through new methods of construction and types of housing, such as policy support for the build-to-rent sector.

3. *Develop Londoners' employability:*

a) Develop a bespoke skills devolution deal for London to deliver a strategic approach to skills, which would include devolution of the 16-19 budget; ring-fencing and devolving the Apprenticeship Levy; replacement funding for

European Structural and Investment Funds and devolving this funding to the GLA;

b) explore the extension of free or subsidised childcare to one and two-year-olds to encourage flexible working and improve female participation in the workforce; *and*

c) develop a credible careers and entrepreneurship programme that brings together schools and employers to ensure that school leavers are work ready, building on the momentum of the Careers and Enterprise Company.

CONCLUSION

We believe that supporting London's continued growth is critical to a successful UK industrial strategy. This document has set out businesses' priorities for driving London's economic growth and jobs; their realisation will support growth across the country. We believe that other city-regions will have similar aspirations.

At a time when Brexit negations will limit government capacity, the case for devolving the delivery of the industry strategy to cities and regions is stronger than ever.

We are keen to work with the Government in any way we can to support the delivery of the properties set out in this paper.

APPENDIX I – CONSULATION QUESTIONS

Q.	Consultation Question	London First Response
1	Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?	Yes, the objectives of the ISGP together form a national policy framework to drive growth and productivity in the context of Brexit. At a time when a substantial part of government capacity is rightly focused on the Brexit negotiations, there is a strong case for government to push the delivery of the industrial strategy to cities and regions, in this way the government should speed up the process of devolution to give local leaders, working with business, the powers and fiscal tools to build on local strengths and address weaknesses.
2	Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?	Yes, the ten pillars are broadly correct. London First has produced a business-led growth plan, "London 2036: an agenda for jobs and growth". This evidence-based report produced in consultation with hundreds of London's leaders in 2014, 2015 and 2016, has the overall aim of London working in cooperation with other city-regions and business, to drive growth across the country. It sets out a detailed set of delivery priorities, which map to the strategic pillars outlined in the ISGP (see earlier 3.3, Fig.1). We believe that these priorities are common to other cities and regions in the UK.
3	Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?	The ISGP recognises decentralised governance – such as through city deals, growth deals and mayoral devolution deals – can improve economic decision making and spur innovation and productivity gains. This will be a critical part of the industrial strategy's success in the context of Brexit negotiations which will initiatively limit the capacity of government in the next parliamentary cycle. To realise its potential cities and regions need the powers and fiscal tools to build on its strengths and address its weaknesses. We encourage the government to speed up the process of devolution, and implement the recommendations of the London Finance Commission, many of which have wider applicability to other UK cities.
4	Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?	In preparation of "London 2036: an agenda for jobs and growth McKinsey and Company undertook an analysis of the critical drivers of successful growth plans in other cities' implementation approaches: 1. **Leadership** – successful outcomes are associated with local leaders who use their power to be the 'change engine' that drives implementation forward. Key components of this approach include relentlessly pushing initiatives and actions, and setting up systems that hold other actors to account for delivery. 2. **Strong business support** – successful implementation plans identify the key business leaders who have the appetite, resources, network and influence to become active sponsors of the plan and invest in seeing the plan through. 3. **A clear road map and scorecard** – just as any private sector organisation has a clear road map, with a set of milestones and metrics, successful city plans have a clear implementation plan with a set of performance indicators to track progress. This enables key stakeholders to hold the plan and its relevant sponsors to account, track progress transparently and incentivise delivery. Early progress in the first 12 months of the plan is important to set the tone for the rest of the implementation timeline. Therefore, it is important to demonstrate quick wins and sufficient progress in a few areas rather than underwhelming progress across all actions.

Q.	Consultation Question	London First Response
		4. **Sufficient human and financial resources** – getting the right level of resources, capabilities and the right governance model requires continual investment and renewal – we observed that often the investment required in delivering the plan is underestimated. 5. **Public commitments** – creating accountability and setting expectations through public announcements while making key actors clearly accountable. Savvy communications and engagement is also important to sustain interest over the longer run – especially as the plan competes with multiple priorities and interests and lasts across political cycles.
5	What should be the priority areas for science, research and innovation investment?	The government should sustain current levels of grant and equity funding to researchers and innovative start-ups (e.g., Horizon 2020 and European Investment Fund) following EU exit. A top-down centralised approach to innovation is unlikely to have the required impact on national productivity. Instead, Government needs to enable cities and regions to strengthen their unique innovation ecosystems by devolving innovation funding to tailor support to meet local innovation needs and maximise business growth.
6	Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?	See response to Question 5.
7	What else can the UK do to create an environment that supports the commercialisation of ideas?	Improve funding and support for innovative SMEs: a) Sustain current levels of grant and equity funding to researchers and innovative start-ups (e.g., Horizon 2020 and European Investment Fund) following EU exit, with funding decisions devolved to city-region and nation level; b) increase the availability of currently scarce mid-level growth capital for innovative firms by increasing investment thresholds in existing tax initiatives (e.g., Enterprise Investment Schemes) and simplifying the process of secondary listings on the London Stock Exchange for firms listed on the Alternative Investment Market; c) build on the Financial Conduct Authority's success in encouraging fintech innovation and competition (e.g., expanding Project Innovate, which has supported over 175 fintech firms to date through more permissive regulatory standards); and d) reduce the overall regulatory burden on SMEs following Brexit, while ensuring that UK data protection and digital sovereignty regulations to provide a platform to innovative firms for global expansion.
8	How can we best support the next generation of research leaders and entrepreneurs?	See response to Question 7, and ensuring the UK remains open to international talent and stop counting students as migrants for policy purposes; and reintroduce the two-year post-study work visa for STEM graduates from accredited universities.
9	How can we best support research and innovation strengths in local areas?	The vote to leave the EU may further reduce the availability of funding for R&D and scale-ups. Funding from the EU comes in three main forms - loans, grants and equity capital, with the final two being especially important for researchers and innovative SMEs. The European Investment Fund is currently a material source of growth capital, investing €2.3 billion in UK-based VC firms between 2011 and 201573 (accounting for a third of

Q.	Consultation Question	London First Response
		all such investment). In addition, the UK is one of the largest recipients of EU R&D funding for universities and innovative SMEs, through programmes such as Horizon 2020 (a research and innovation programme focused on translating research into commercial applications). The country received €8.8 billion out of a total of €107 billion allocated in 2007-201374. Similarly, the London Enterprise Panel has been allocated £584 million from the European Structural and Investment Fund to create jobs and support business growth in London. Maintaining or replacing this funding will be essential to sustain London's strength in innovation. In the event of repatriation of these funds following EU exit, securing London's share of investment will be a priority. *Source: London 2036*
10	What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?	a) Develop a bespoke skills devolution deal for London to deliver a strategic approach to skills, which would include devolution of the 16-19 budget; ring-fencing and devolving the Apprenticeship Levy; replacement funding for European Structural and Investment Funds and devolving this funding to the GLA; b) explore the extension of free or subsidised childcare to one and two-year-olds to encourage flexible working and improve female participation in the workforce; *and* c) develop a credible careers and entrepreneurship programme that brings together schools and employers to ensure that school leavers are workready, building on the momentum of the Careers and Enterprise Company.
11	Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?	There may be an opportunity to incorporate best practices, such as Amtec in the US, the German apprenticeship model and 'learn-while-you-earn' programmes for mid-career roles to improve productivity on the job and facilitate the transition from low pay to higher-skilled employment).
12	How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?	No comment
13	What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?	London faces skills gaps broadly in science, technology, engineering and mathematics (STEM) – which is increasingly becoming STEAM, namely STEM plus artistic skills for the creative sector. Across the UK, 94% of businesses in innovative sectors say it is extremely or somewhat challenging to find the talent they need to grow, and in London specifically a 2013 survey of Tech City's 1,350 businesses at the time identified the shortage of skilled workers in the jobs market as the biggest single challenge to growth. Nearly 80% said they could grow faster if there were more people available with specialised digital and technology skills like coders, developers and usability specialists. This gap in in particular technical skills reflects a broader UK-wide challenge in the overall level of STEM skills. For example, the CBI reports that on a UK-wide basis companies in the science, engineering and IT sectors are much less likely to have confidence in accessing the skills they need than any other sector except manufacturing. The vote to leave the EU may further restrict the supply of skilled workers and talented researchers.

Q.	Consultation Question	London First Response
		Talented migrants fill skills gaps in the economy, particularly in STEM-based (science, technology, engineering and mathematics) occupations. They are also highly entrepreneurial and are nearly 50% more likely to start a business than are UK citizens. Skilled migration is widely acknowledged as a major contributor to London's economy, particularly in the scientific, creative and digital industries. Migrants also fill a range of other roles in the labour market, including: • cyclical sectors, where it is hard to generate and train a pipeline of native workers because the number of jobs varies dramatically from peak to trough, e.g., construction; • sectors where in principle enough UK workers could be trained, e.g., nursing, but where in practice it appears difficult to match local supply with demand; *and* • lower-paid sectors where local workers appear to be unwilling to undertake the roles, e.g., social care or hospitality. The Government has sought to curb lower-skilled migration from outside the EU through changes to the points-based visa system and the closure of several unskilled visa routes. EU migrants, particularly from countries that acceded after 2004, therefore make up the bulk of incoming lower-skilled workers. The risks for London from restricted EU migration are in 5 major sectors: social care, child care, nursing care, construction, and hospitality. To minimise the risk of skills shortages the government should look to implement distinct strategies for sectors in the UK where there are local labour shortages, which combine investment in UK skills and training, where practicable, with migration. *Source: Home Office Shortage Occupation List, Global Entrepreneurship Monitor 2015, Tech City UK, Tech Nation 2016 report, Migration Observatory, The Labour Market Effect of Immigration, 2015 Bank of England, The impact of immigration on occupational wages, December 2015, Migration Observatory, The Labour Market Effects of Immigration, 2015, Bank of England, The impact of immigration on occupational wages, December 2015*
14	How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?	By refocusing devolved city and region adult training budget to business-oriented skills training, incorporating best practices such as Amtec in the US, the German apprenticeship model and 'learn-while-you-earn' programmes for mid-career roles to improve productivity on the job and facilitate the transition from low pay to higher-skilled employment. Together, these approaches could help meet the challenge of automation and new modes of working.
15	Are there further actions we could take to support private investment in infrastructure?	Deliver fiscal devolution to cities and city-regions, and/or through enabling further funding innovation (for example around capturing value uplifts).
16	How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?	The ISGP rightly recognises the link between infrastructure investment and growth, and identifies the need to connect cities outside of London, particularly in Northern regions, as well as improving congestion within cities especially in the Midlands. It is equality important to maintain investment in connectivity within London, because such investment can deliver benefits, not just to London, but also to the wider UK economy.

Q.	Consultation Question	London First Response
		Illustrative modelling undertaken by KPMG for London First suggests that if infrastructure investment enabled an increase in London's GVA growth rate from the historic trend of 2.5% to 3.5%, this would yield an additional £1.9 trillion to the economy in present value terms. Of this, around £650 billion would be raised in additional taxation alone. Addressing weakness and investment in local infrastructure will vary from region to region depending on local demand and supply conditions. This is not conducive to a one-size-fits-all approach, but requires city-regional leadership to be empowered to develop tailored local solutions. *Source: London First, London's Infrastructure: Investing For Growth, March 2015*
17	What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?	Re skills see response to Question 14
18	What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can they be addressed?	High-growth, innovative firms often have uncertain future cash flows and limited collateral, with much of their investment being in human or intellectual, rather than physical, capital. For instance, life sciences start-ups seek to capitalise on scientific innovations coming out of top universities, but may have limited physical assets at the outset. They are much more likely to use equity-based financing of one sort or another than the average small company. The UK has been less strong in equity financing than the US for a long time: for example, banks drive only 19% of external long-term financing in the US, compared with over 80% in the UK. London ranks behind California and New York on the availability of mid-level growth capital. The two US hubs are supported by a strong, risk-tolerant investor culture that provides six times as much growth capital investment as the UK. Only 20% of VC deals in London go to Series B or later, compared to 28% in New York and 34% in San Francisco. See response to Question 7 for recommendations to improve access to finance. *Source: TheCityUK, Alternative finance for SMEs and mid-market companies, October 2013, EY, Fintech – on the cutting edge, 2016 ; Pitchbook, Annual VC Funding Report, 2015, Financial Times, Brexit leaves question mark over start-up money¸ August 2016*
19	What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?	No comment
20	Given public sector investment already accounts for a large share of equity deals in some	No comment

Q.	Consultation Question	London First Response
	regions, how can we best catalyse uptake of equity capital outside the South East?	
21	How can we drive the adoption of new funding opportunities like crowdfunding across the country?	Market players such as Funding Circle have taken advantage of London's supportive regulatory environment that encourages innovation and competition but provides certainty to users. The government should build on the Financial Conduct Authority's success in encouraging fintech innovation and competition (e.g., expanding Project Innovate, which has supported over 175 fintech firms to date through more permissive regulatory standards). *Source: London First, London's fintech sector and the EU, 2016*
22	What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?	See response to Q18 and; The government should improve funding and support for innovative SMEs: expand access to scale-up funding opportunities for firms with high growth prospects, filling the gap between start-up funding and flotation, underpinned by a forward-looking regulatory environment.
23	Are there further steps that the Government can take to support innovation through public procurement?	The government should explore and prioritise potential new opportunities following an exit from the EU, including strategic deployment of State Aid, regulatory and public procurement freedoms.
24	What further steps can be taken to use public procurement to drive the industrial strategy in areas where government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors to exploit government's purchasing power to drive economic growth?	No comment
25	What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?	a) maintain to the greatest extent possible the free trade of goods and services between the UK and EU. b) develop a transitional arrangement with the EU, reducing the risk of an exit without agreed rules causing a dramatic drop in business activity. c) reaffirm and strengthen relationships with decision makers in traditional partner countries (especially the US and Japan) and emerging markets (especially China and India) to grow trade links, which will require boosting the capacity of regional promotional agencies. d) explore and prioritise potential new opportunities following an exit from the EU, e.g., free-trade zones, strategic deployment of State Aid, regulatory and public procurement freedoms.

Q.	Consultation Question	London First Response
26	What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?	No comment
27	What are the most important steps the Government should take to limit energy costs over the long-term?	No comment
28	How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?	No comment
29	How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?	No comment
30	How can the Government support businesses in realising cost savings through greater resource and energy efficiency?	No comment
31	How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?	See response to Question 34
32	How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?	See response to Question 34
33	How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?	See response to Question 34

Q.	Consultation Question	London First Response
34	Do you agree the principles set out above are the right ones? If not what is missing?	Five sectors are named in the ISGP to receive ‘sector deals’ (life sciences, low-carbon vehicles, industrial digitalisation, creative industries and nuclear). These sectors are key platforms on which to build UK growth. In addition, we would urge the government to also support sectors where London and the rest of the UK provide complementary locations and act as sources of talent for each other. These are also follows: *Financial and professional services* While London is the leading global hub for financial and professional services, with more large international subsidiaries located here than any other city in the world, two-thirds of the UK’s employees in financial and professional services are located outside, with notable clusters in many UK locations. In addition to its ability to drive jobs across the UK the financial sector also deepens the pool of capital necessary to support UK firms to invest in productivity boosting activities such as R&D and exporting. Reduced access to the EU Single Market is likely to affect London’s finance services sector in particular, which in turn, would have a knock-on effect on demand for professional services. The Industrial Strategy should provide an unambiguous statement of support for the financial services sector and highlight its importance in the UK’s overall economy. *Source: CityUK, Key Facts about UK Financial and Related Professional Services, March 2016* *International Tourism* London is the most visited city in the world, measured by overnight international visitors. The tourist industry supports a world-class retail and hospitality sector. Globally, there is every reason to expect strong tourism growth to continue: the number of international tourists is expected to double by 2036. Joint tourism promotion, such as the successful joint campaign by Wales and London, offer other regions the opportunity to capitalise on London as the gateway for most tourists visiting the UK. Given the relatively low overall rates of unemployment, restrictions on migration and the withdrawal of lower-skilled labour may exacerbate vacancy rates in sectors such as retail and hospitality that support tourism. In addition, the revaluation of business rates has hit the retail sector in London with substantial rate increases. We ask the Government to consider how a sector deal might support tourism. *Source: Euromonitor, Top City Destinations Ranking, 2014, World Tourism Organization, Tourism Towards 2030: Global Overview, October 2011, Tourism 6th Report, Culture, Media and Sport Committee, House of Commons, March 2015*
35	What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?	The ISGP rightly recognises the link between infrastructure investment and growth, and identifies the need to connect cities outside of London, particularly in Northern regions, as well as improving congestion within cities especially in the Midlands. It is equality important to maintain investment in connectivity within London, because such investment can deliver benefits, not just to London, but also to the wider UK economy. Illustrative modelling undertaken by KPMG for London First suggests that if infrastructure investment enabled an increase in London’s GVA growth rate from the historic trend of 2.5% to 3.5%, this would yield an additional £1.9

Q.	Consultation Question	London First Response
		trillion to the economy in present value terms. Of this, around £650 billion would be raised in additional taxation alone. *Source: London First, London's Infrastructure: Investing For Growth, March 2015*
36	Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?	The ISGP recognises decentralised governance – such as through city deals, growth deals and mayoral devolution deals – can improve economic decision making and spur innovation and productivity gains. This will be a critical part of the industrial strategy's success in the context of Brexit negotiations which will initiatively limit the capacity of government in the next parliamentary cycle To realise its potential London needs the powers and fiscal tools to build on its strengths and address its weaknesses. We encourage the government to speed up the process of devolution, and implement the recommendations of the London Finance Commission, many of which have wider applicability to other UK cities.
37	What are the most important institutions which we need to upgrade or support to back growth in particular areas?	See response to Question 36
38	Are there institutions missing in certain areas which we could help create or strengthen to support local growth?	See response to Question 36

APPENDIX II – LONDON FIRST MEMBER’S LIST

1 Aedas
2 Farrells
3 Gensler
4 Grimshaw
5 HOK International
6 Make
7 WestonWilliamson+Partners
8 Edelman
9 Four Communications Group
10 FTI Consulting
11 London Communications Agency
12 Battersea Power Station
13 CgMs Consulting
14 CLS Holdings
15 Derwent London
16 GIA
17 GL Hearn
18 Great Portland Estates Plc
19 Grosvenor Britain & Ireland
20 Indigo Planning
21 Lichfields
22 Shaftesbury Plc
23 Soho Estates
24 The Bedford Estates
25 The Cadogan Estate
26 The Crown Estate
27 The Howard de Walden Estate
28 The Portman Estate
29 U+I
30 Barnet and Southgate College
31 Birkbeck College
32 Chair English UK London
33 City University of London
34 Ealing, Hammersmith & West London College
35 Imperial College London
36 King's College London
37 Kingston University
38 London Higher
39 London Metropolitan University
40 London School of Economics
41 London School of English
42 London South Bank University
43 Middlesex University
44 Newham College of Further Education
45 South Thames College
46 The College of Haringey, Enfield and North East London
47 The WKCIC Group
48 UCL
49 University of East London
50 University of Roehampton
51 University of West London

52 University of Westminster
53 Aviva Group plc
54 Bank of America Merrill Lynch
55 Barclays Bank
56 Blick Rothenberg
57 Bloomberg
58 BT Group
59 Deloitte
60 EY
61 Grant Thornton
62 HSBC Bank
63 Intel Corporation (UK) Ltd
64 Kesslers International
65 KPMG
66 Legal & General Group
67 Lloyds Banking Group
68 Macquarie Group
69 Mastercard
70 Odgers Berndtson
71 Prudential
72 PwC
73 The Royal Bank of Scotland
74 Tristan Capital Partners
75 Virgin Media
76 Zsah
77 A2Dominion Group
78 Argent (Property Development) Services LLP
79 Ballymore Group
80 Barratt London
81 Berkeley Group
82 Catalyst Housing
83 Clarion Housing Group
84 Essential Living
85 Genesis Housing Association
86 Grainger plc
87 Keepmoat
88 Lendlease
89 London & Continental Railways
90 Mount Anvil Limited
91 Mulalley & Companies Limited
92 Notting Hill Housing Group
93 Peabody
94 Places for People
95 Redrow Homes
96 Savills
97 Silvertown Partnership LLP
98 St George
99 Swan Housing Association
100 Taylor Wimpey
101 Telford Homes
102 The Collective Ltd
103 The UNITE Group
104 Tottenham Hotspur Football Club
105 Turley
106 Weston Group Plc
107 Anthology London

108 Assael Architecture Ltd
109 First-Step Group Limited
110 Hill
111 Metropolitan Housing Group
112 Network Housing Group
113 One Housing Group
114 Pinnacle Group
115 Quod
116 Royal Brompton & Harefield NHS Foundation Trust
117 Airbnb UK Limited
118 Alliance Boots
119 Associated British Foods
120 D & D London
121 Edwardian Hotels London
122 Fortnum & Mason
123 Harrods
124 Hilton Worldwide
125 J Sainsbury
126 Marks & Spencer
127 McDonald's Restaurants
128 Ministry of Sound
129 New West End Company
130 Primark
131 Regus UK
132 Starbucks Coffee Company
133 The O2
134 Whitbread plc
135 AECOM
136 Arcadis
137 Arup
138 Atkins
139 BAM Nuttall
140 Bechtel
141 Bouygues Travaux Publics
142 BuroHappold Engineering
143 CH2M
144 Cory Riverside Energy
145 ENGIE
146 Faithful & Gould
147 Jacobs
148 Kier Group plc
149 Mace
150 National Grid
151 Powerday
152 Ramboll UK Limited
153 Royal HaskoningDHV
154 Sir Robert McAlpine
155 Skanska (UK)
156 Thames Water Utilities
157 The Nichols Group
158 Tideway
159 Turner & Townsend
160 UK Power Networks
161 Waterman Group
162 WSP | Parsons Brinckerhoff
163 Allen & Overy

164 Ashurst
165 Berwin Leighton Paisner
166 Bircham Dyson Bell
167 Clyde & Co
168 Dentons
169 DLA Piper UK
170 Eversheds Sutherland
171 Freshfields Bruckhaus Deringer
172 Gowling WLG (UK) LLP
173 Hogan Lovells
174 Linklaters
175 Pinsent Masons
176 Prospects
177 Slaughter and May
178 Town Legal LLP
179 Winckworth Sherwood
180 ABP (London)
181 Almacantar
182 BNP Paribas Real Estate UK
183 British Land
184 Broadgate Estates Limited
185 Canary Wharf Group
186 Capital & Counties Properties PLC
187 CBRE
188 Chelsea Football Club
189 Cushman & Wakefield LLP
190 Delancey Real Estate Asset Management
191 DP9
192 DS2
193 European Land and Property
194 Gerald Eve LLP
195 GVA
196 Hammerson
197 Helical Bar Plc
198 Heron International
199 Hyperoptic Limited
200 Iceni Projects Ltd
201 JLL
202 Land Securities
203 Mitsui Fudosan UK
204 Montagu Evans LLP
205 PLP Architecture Ltd
206 Qatari Diar Development Company (UK)
207 Quintain
208 Scotia Gas Networks
209 SEGRO
210 Terence O'Rourke
211 Westfield Group
212 Abellio
213 Alstom UK
214 BAI Communications
215 Bombardier UK
216 Carillion Services Limited
217 Colas Rail
218 Cubic Transportation Systems Ltd
219 DHL UK & Ireland

220 easyJet plc
221 Eurostar International
222 Exterion Media
223 FirstGroup
224 Go-Ahead
225 Heathrow Airport Limited
226 Hitachi Rail Europe
227 HS1 Limited
228 Keolis UK
229 London Biggin Hill Airport Ltd
230 London City Airport
231 London Gatwick Airport
232 London Stansted Airport
233 MBNA Thames Clippers
234 Mitsui & Co. Europe Plc
235 MTR Corporation
236 Nissan
237 Port of London Authority
238 Port of Tilbury London Limited
239 Siemens plc
240 Temple Group & The Ecology Consultancy
241 Thales UK
242 Tower Transit Operations Ltd
243 Uber UK