

May 2010

The Mayor's Economic Development Strategy for London



5 Investing in London's future

Objective 5: to attract the investment in infrastructure and regeneration which London needs, to maximise the benefits from this investment and in particular from the opportunity created by the 2012 Olympic and Paralympic Games and their legacy.

- 5.1 Investment in growth and regeneration is essential to achieve all the objectives of this Strategy: success as a global, productive, low carbon city that offers opportunity to all Londoners. Existing and emerging global cities are investing heavily in their future. Investment in London must be sustained if it is to consolidate its position as the business capital of the world, continue to profit the UK economy, address its ageing infrastructure, and accommodate population and economic growth. The projected increase of 1.25 million in London's population by 2031 will be a good deal larger than the current population of Birmingham¹¹⁸. Accommodating this scale of growth will require enormous and sustained investments, which must be made in the most cost-effective manner and must promote sustainable forms of development.
- 5.2 The successful development of economically advanced cities rests in significant part upon the vision of their leaders and the judicious management of public funds. Public funding offers the opportunity to make strategic and long-term investment choices, which private sector investors are unable to undertake in the absence of market incentives, because of the risk due to the scale of the proposals, or their dependence on political factors.



Action 5A

The Mayor will direct growth into the places that have the greatest need of and potential for development, as set out in the London Plan, especially the Opportunity Areas.

Analysis

- 5.3 London will need to accommodate very substantial growth in employment and housing. The location and nature of this growth must spread prosperity to parts that remain blighted by poor transport access, high crime, low employment and skills, insufficient or low quality housing, degraded environment, and uninspired urban design and architecture. Although economic growth will occur throughout the city, there are some places with exceptional potential.

- 5.4 The spatial pattern of new investment will, as it has done in the past, reflect a mix of meeting need and deprivation on the one hand, and on the other, targeting places with the highest potential. The Mayor will play a major role in striking that balance in terms of public investment.
- 5.5 Lack of access to affordable, appropriate and decent housing acts as a barrier to progress for many Londoners. They experience poor quality and overcrowded housing, disconnected neighbourhoods and often a lack of mobility. Despite recent falls in prices, housing costs in London remain very high relative to typical incomes. Improving the supply of homes across all tenures is vital if London is going to achieve the economic ambitions set out in this strategy.
- 5.6 There is a clear link between housing availability, and the ability and motivation of Londoners to take up work. London's high housing costs mean that for many workless or low earning Londoners in rented accommodation, housing benefit is of huge importance. However, this can act as a disincentive to accessing sustainable employment, as the level of benefit reduces significantly after individuals move into employment, and recipients also often have concerns that the effects of slow processing of any changes in employment status may cause them real financial difficulty. There is a need for national government and key stakeholders in London to look further at how these London specific challenges can be addressed.
- What the Mayor will do*
- 5.7 The London Plan identifies a set of Opportunity Areas suitable for larger scale housing and job growth (see Map 1). They are widely spread: about half are in Outer London. Cumulatively, these areas have an indicative capacity for over 490,000 jobs¹¹⁹. Theoretically they could therefore accommodate almost two-thirds of all net new jobs up to 2031, although in practice development of some areas will prove much easier and quicker than others and investment will have to balance opportunities with needs. In addition the plan Intensification Areas for lesser, but still significant amounts of growth; they have a potential for over 13,000 jobs¹²⁰.
- 5.8 Some of these areas are in clusters, which will offer major focal points for economic development. These include the City Fringe, the Isle of Dogs, the Lower Lea Valley (including the Olympic Park) and, in outer London, the Upper Lea Valley, Cricklewood/Brent Cross, Park Royal/Willesden Junction and the wider Heathrow area. The Mayor will work with boroughs, the HCA, private developers and other partners to support the production and implementation of planning and investment strategies for these areas. In some, private investment may be most appropriate and readily attracted; in others public investment may be needed to create conditions in which private funding can be attracted.
- 5.9 East London will continue to be a particular spatial priority, to ensure existing development and regeneration needs are met and in

particular to promote greater convergence of social and economic chances with the rest of the capital. The most substantial accumulative growth opportunities are to the east, along the Thames Gateway, a national priority area for regeneration and an area with many low-income households, which would benefit from economic growth. The Thames Gateway corridor links through central London to the 'Western Wedge', whose growth opportunities include the wider Heathrow area. This east-west axis will be an engine of growth and this explains why Crossrail, which will provide a new east-west spine running through central London, is so vital to the economic future of the city and the UK.

- 5.10 The Mayor will seek to ensure there is sufficient and suitable housing to meet the needs of London's growing population and workforce and address problems of homelessness and overcrowding, working in partnership with the HCA the London boroughs and other partners. The Mayor has set out policies to address long-term housing needs in the London Plan, and in his London Housing Strategy. He will use his investment powers and his position as chair of the HCA London Board to determine and direct investment to meet the greatest needs.

Action 5B

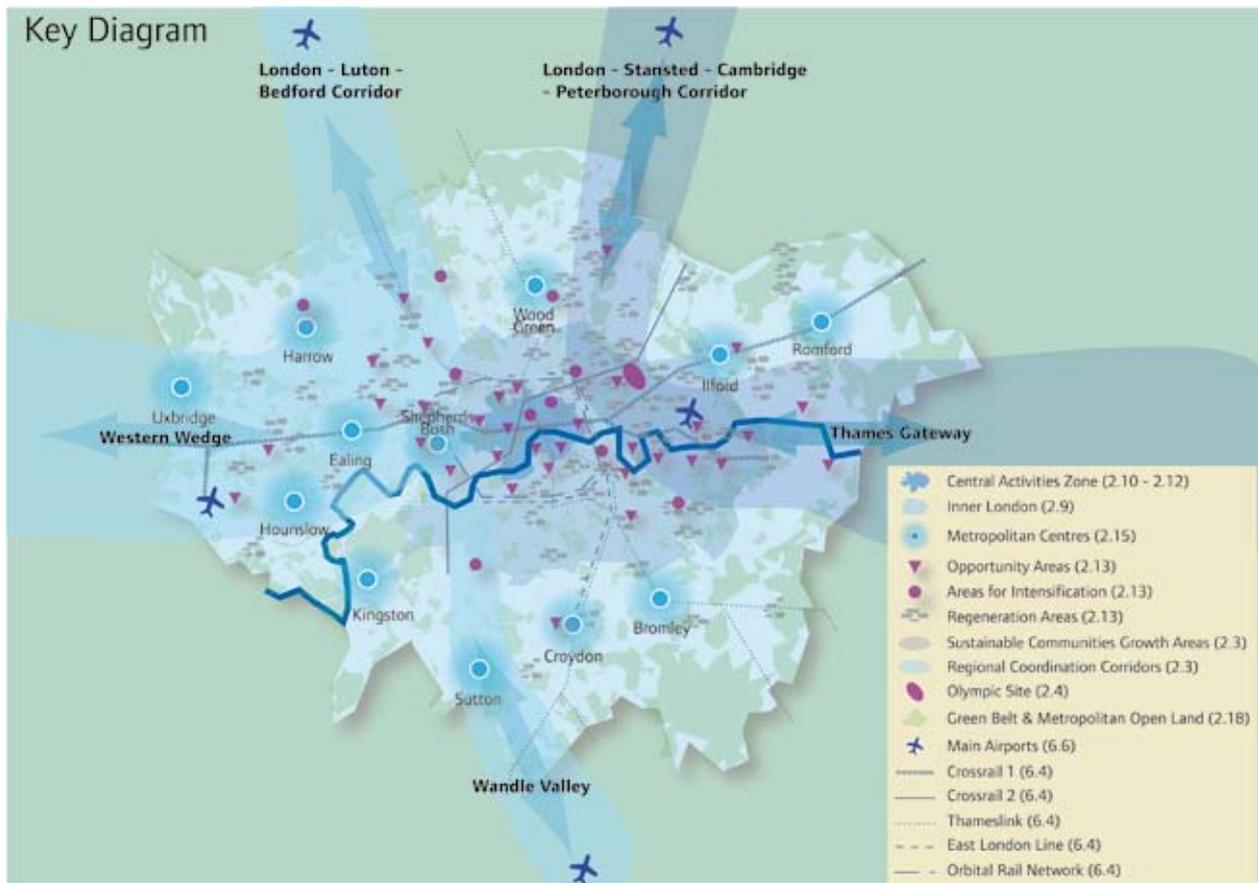
The Mayor will work with boroughs, developers and other partners to direct investment into existing major employment areas including the Central Activity Zone (CAZ), town centres and the Strategic Outer London Development Centres.

Analysis

- 5.11 London has a hierarchy of town centres from the internationally important through to neighbourhood centres. These act as focal points for their communities and are also major concentrations of employment. The CAZ acts as a global centre with agglomerations of specialist activity clustered within it. There is a ring of 12 metropolitan centres: all but one of these is spread around outer London¹²¹. They are substantial employment centres in their own right. The largest centre, Croydon, has over 90,000 employees¹⁴³, and most of the rest have levels of employment similar to cities such as Ipswich.

What the Mayor will do

- 5.12 The Mayor believes that the global role of the CAZ must be supported and enhanced. The London Plan seeks to ensure sufficient capacity for appropriate forms of workspace, including offices, and to identify areas for expansion, including the CAZ Opportunity and Intensification Areas. Through the MTS, the Mayor and partners will extend and maximise the use of radial public transport systems into the centre and also increase the capacity of the National Rail, London Overground and Underground networks.
- 5.13 The Mayor believes that town centres should perform a core community and economic role in both outer and inner London. The London Plan identifies a wide range of town centres as key locations for a diverse range of activities, including employment in, for example, retail, leisure and office space.

Map 1 The London Key Diagram

Source: Draft London Plan, 2009

The Mayor will encourage the continued designation of Business Improvement Districts (BIDs), which are effective vehicles for collaborative working, in town centres and elsewhere.

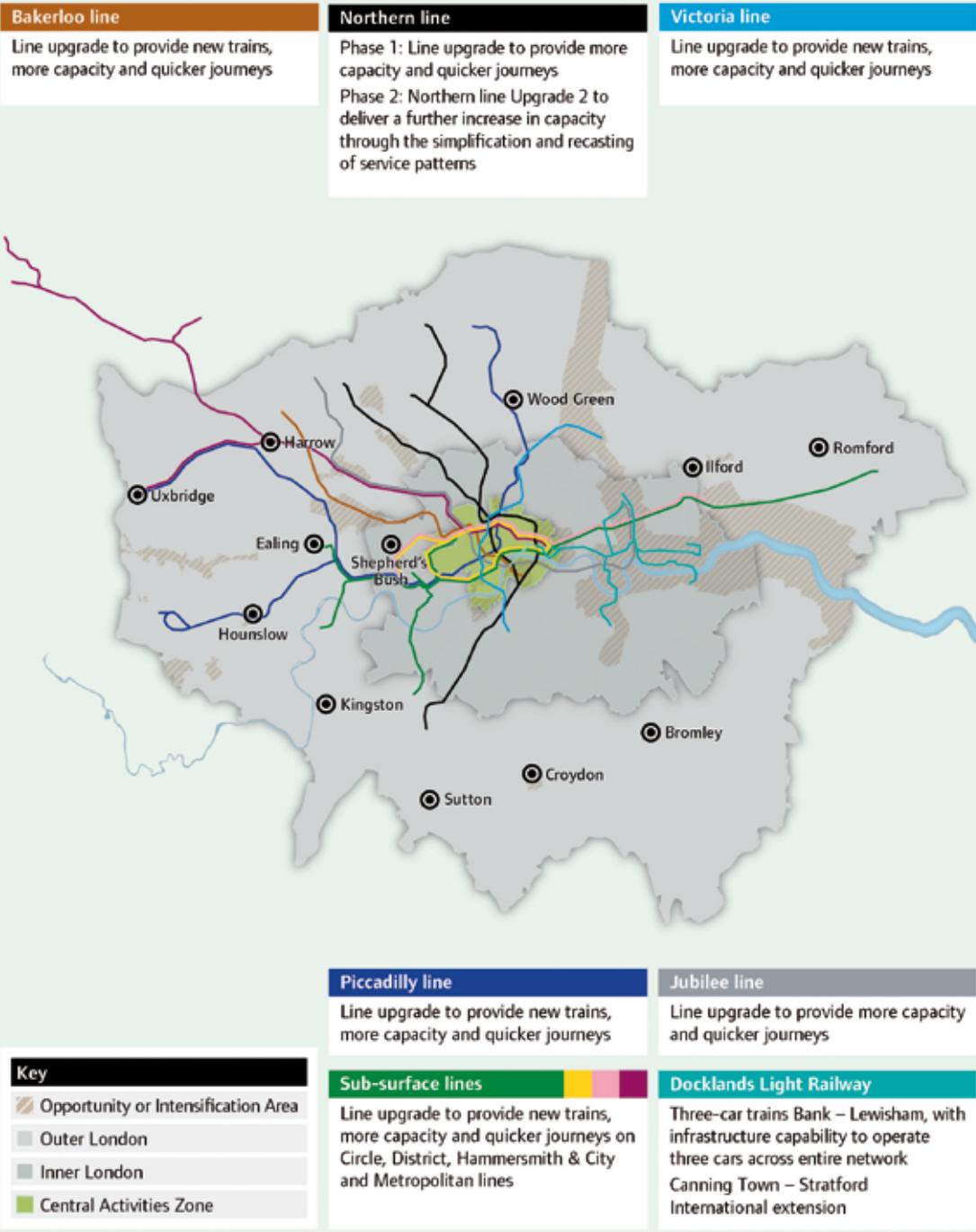
- 5.14 Outside the main concentrations of employment is a hierarchy of smaller town centres and high streets reaching down to corner shops and scattered local services. The development of these centres is primarily a matter for the local borough

councils through their local economic assessments, plans and activities.

- 5.15 The Mayor wants to see the leading centres in outer London evolve as even more effective hubs, readily accessible from surrounding areas by public transport. The London Plan proposes the designation of Strategic Outer London Development Centres, which should be promoted as places with strategic economic functions of greater than sub-regional importance and with

Map 2

Committed investment¹ in Tube upgrades and Docklands Light Railway

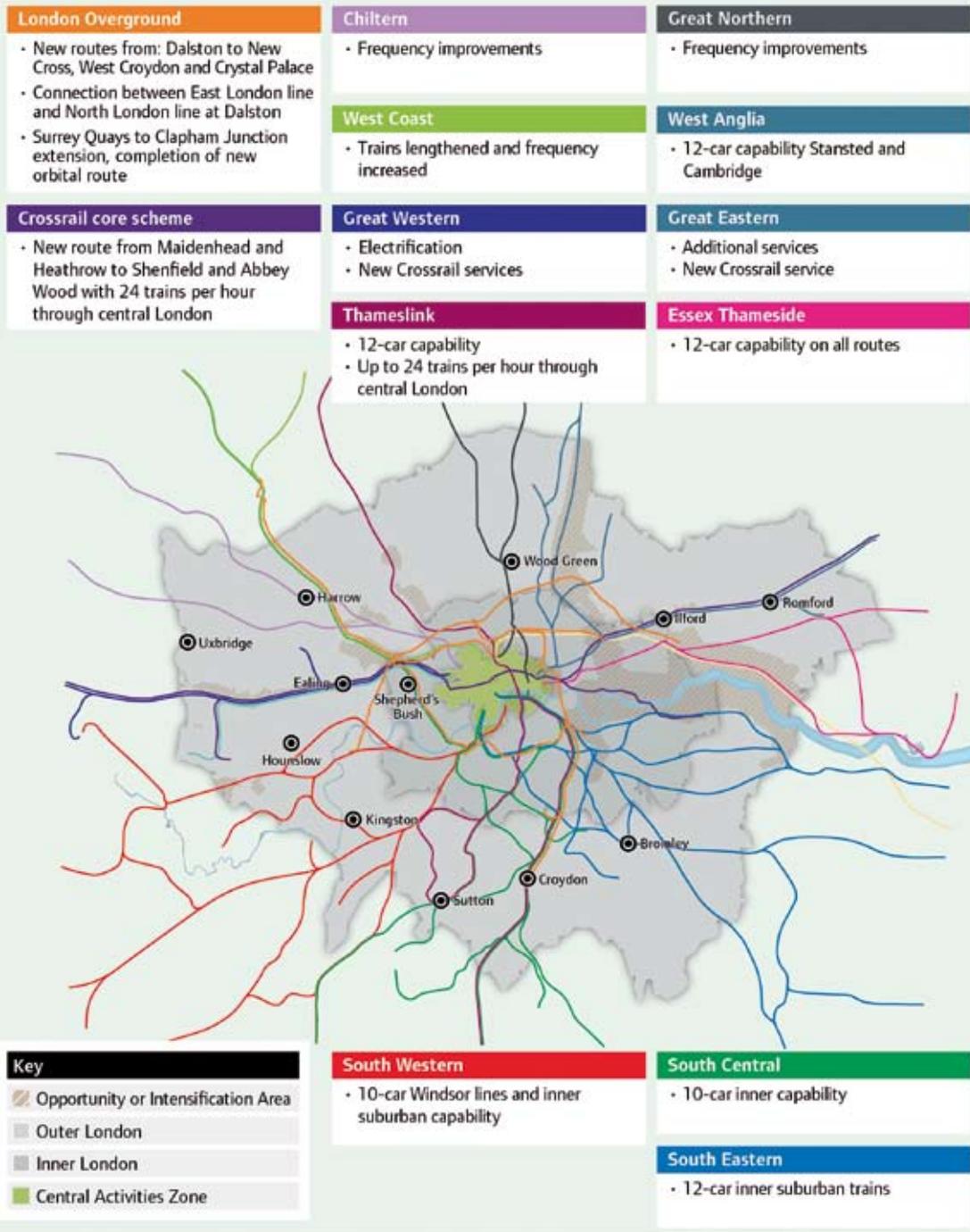


Source: Mayor's Transport Strategy, May 2010

¹ Based upon commitments in the TfL Business Plan

Map 3

Committed¹ enhancements to London's rail network



¹ Committed in High Level Output Specification (HLOS) control period four (CP4) and TFL Business Plan

Source: Mayor's Transport Strategy, May 2010

potential for growth. The Mayor will work with partners, including local authorities, to explore their potential (Policy 2.16 of the London Plan). The Mayor will also encourage investment in outer London in activities that have potential to exploit its lower costs, skilled labour force and relatively good communications. He believes, for example, that more central government and higher and further education activities could be located in outer London.

- 5.16 London still has some significant centres of manufacturing industry, much of which is found in outer London. Major industrial and logistics employment centres exist in Park Royal, the Upper Lea Valley, Wandle Valley and East Thames Corridor. The London Plan identifies and sets out policy for Strategic Industrial Locations.

Action 5C

The Mayor will fully seize the unique regeneration opportunity offered by the 2012 Olympic and Paralympic Games, managing investment so that it contributes to the broader aim of 'convergence', or raising quality of life across the five host boroughs to the London average.

Analysis

- 5.17 The Olympic Park and surrounding areas in the Lower Lea Valley, including Stratford, are London's top regeneration priority. The 2012 Olympic and Paralympic Games provide a strong foundation for the continued economic growth and regeneration of east

London, in addition to benefits already being achieved in promoting volunteering, tourism and sport participation.

What the Mayor will do

- 5.18 The Mayor and the LDA will support the OPLC, local authorities and others both to develop a legacy for the Olympic Park that contributes to economic, social, cultural and environmental improvements and more broadly to tackle the high deprivation levels in the five east London Olympic host boroughs. The Mayor believes that all agencies need to continue to focus on delivering an ambitious legacy from the 2012 Games.
- 5.19 The Legacy Masterplan Framework being created by the OPLC takes the greatest possible advantage of the investment in facilities and infrastructure and will reflect the Mayor's approach to planned regeneration. It will emphasise high quality design, meeting housing needs particularly for families, and being supported by high quality environmental, transport and social infrastructure. The Mayor and LDA will also work to ensure that master-planning activity in the areas around the park – the 'Olympic Fringe' – will complement development inside the park, and ensure a strong connection between the park and its immediate environs.

- 5.20 For truly successful and sustainable economic development in the area, this physical regeneration must be accompanied by socio-economic interventions to ensure that local communities have the greatest possible chance to benefit from change arising from

the Games. The Mayor supports the aim of the five east London host boroughs in working towards 'convergence' – that is, seeking to close the deprivation gap with the rest of London in the period to 2031- and is committed to embedding the principle and aims of convergence in the work of his own agencies. In the context of this aim, the opportunities associated with the London 2012 Games should be seen as one element of a much wider and longer-term programme to achieve this important strategic goal.

Action 5D

The Mayor will champion the case for investing in London to meet not only London's needs, but also to ensure that London can continue to drive the UK economy. He will ensure that investment is coordinated and will encourage innovative and cost-effective forms of new investment.

Analysis

- 5.21 London is currently witnessing perhaps the greatest scale of investment since the Victorian age. The largest programmes will total well over £40 billion over the next decade. They include Crossrail, London Underground line upgrades and other major transport schemes, housing and regeneration spend, the 2012 Olympic and Paralympic Games, the £2.5 billion redevelopment of the King's Cross area, public realm improvements, the building of the £2.5 billion Thames Tideway sewer, the renewal of the West End, and improvements being made to the capital's ICT and energy and waste infrastructure.
- There are also large numbers of small investments across London that cumulatively will make a vast difference to the city's economic efficiency and to Londoners' quality of life. Nevertheless, these projects have largely rectified previous under-investment: London continues to develop, and a new generation of investments will be needed to sustain the capital through the period beyond the next decade.
- 5.22 The UK 2010 Budget reduced the average annual growth in day to day spending by Government departments to 0.8 per cent per year over the three years from 2011-12 to 2013-14 and lowered investment to 1.25 per cent of GDP by 2013-14¹²²(from 3.6 per cent in 2009/10¹²³).
- 5.23 Investment in London is highly beneficial for the national economy. 12 per cent of the UK population lives in London, but 21 per cent of the national gross value added (GVA) – over £265 billion per year¹²⁴ – is produced here. Londoners are on average 30 per cent more productive than the rest of the UK¹²⁵. In 2006/7, London generated between £8.4 and £18.4 billion more¹²⁶ in tax revenue than it received in public expenditure. Some 70 per cent of all National Rail journeys either start or finish in London, while some 30 per cent of all National Rail journeys take place wholly in London¹²⁷.
- 5.24 The Greater South East (London, the East and South East regions) is responsible for 42 per cent of GVA, 46 per cent of the UK's VAT registered businesses and 54 per cent of all

private research and development investment and 70% of all venture capital investment. It is the most important outlet for more than half the UK market¹²⁸. It houses 109 of the UK's 300 higher education institutions¹²⁹.

- 5.25 Sustained investment in infrastructure, including transport, housing, energy, waste, water, and communications will be essential if London's competitiveness and innovation are to be maintained. Investment will also be needed in knowledge and skills (see Chapter 4), in new and emerging technologies and in social infrastructure.

What the Mayor will do

- 5.26 The Mayor will ask government to allocate public funds on the basis not only of need (as it has done historically) but on the ability to lift economic output. The Mayor will seek to ensure that investment decisions are guided by alignment to the strategic objectives for London, especially those in the London Plan and MTS, and a clear assessment of projected outcomes, benefits and return on investment. The Mayor will encourage clarity about the circumstances in which public investment is needed and in which private investment is preferable. The Mayor's guiding economic principles (Chapter A) will inform his approach.
- 5.27 London's market size, density and diversity create unique opportunities to fashion new and innovative public investment packages, which make best use of scarce resources. The Mayor wants to see imaginative models of new 'mixed funding' in which resources
- are brought together, which reflect the particular investment objective in a similar way to the funding of Crossrail.
- 5.28 The Mayor will encourage the development and use of tax increment funding¹³⁰ to support investment (particularly in the Vauxhall, Nine Elms and Battersea Opportunity Area, subject to appraisal). He supports attempts to convert recent increases in savings¹³¹ to infrastructure and green projects¹³² that have the potential to increase productivity.
- 5.29 Much of the public spending in London is funded by national government¹³³. The Mayor will continue to impress on government the high return for the nation that can be achieved from investing in London's economy and infrastructure¹³⁴, and the case for greater devolution of powers and resources to London.
- 5.30 The Mayor and strategic partners in the Greater South East are collaborating to ensure that the mega-city region continues to expand as the national economy's engine and as the only part of the UK that can compete with other mega-city regions. They are jointly lobbying the government for support commensurate with these roles. They will jointly encourage initiatives to support the Greater South East as a centre of innovation through a technology 'road map' for the next 20 years, technology transfers, joint investments in infrastructure and skills and common policies, for example on promoting the low carbon economy.

They will continue to collaborate on the Thames Gateway and have produced a joint Investment Plan. There will continue to be collaborations between the greater South East and other nations and other UK regions in areas as diverse as knowledge-based industries and the London 2012 Games.

Action 5E

The Mayor and the LDA will work with partners to take a coordinated and targeted approach to regeneration across London, which combines physical improvements with increases in the overall quality of life.

Analysis

- 5.31 Substantial regeneration and urban renewal is needed, especially in Inner London, where deprivation is concentrated, and in numerous housing estates and other pockets of deprivation across the capital. These areas are often associated with the problems of poverty, poor health, low educational standards and worklessness and concentrations of minority ethnic and other groups suffering disadvantage, as discussed under Objective 4.

What the Mayor will do

- 5.32 The Mayor will encourage a comprehensive and sustainable approach, in which physical improvements are accompanied by actions to improve education and skills and remove barriers to employment. He supports regeneration programmes that are sensitive to their particular place and community. He will target areas in which market dynamics

are failing and will work with partners to build confidence and encourage initiative within the community. Regeneration will require effective partnerships and joint ventures between the private sector and bodies such as the LDA, TfL, boroughs and the HCA and the voluntary sector.

- 5.33 The LDA's regeneration and growth priorities will include the Upper and Lower Lea Valley, the Royals, the East Thames corridor, and the wider Heathrow area. The Mayor will also support the local regeneration work led by the boroughs, for example, considering how local transport and environmental improvements can best support development. Most of the Opportunity Areas are in or near areas needing regeneration and the development of these areas should act as drivers of regeneration of the surrounding area supported by good transport links.

Action 5F

The Mayor will seek the maximum benefits from investment, working with partners to ensure that investments achieve shared objectives and result in cost-effective delivery; he will use his strategic powers to provide a coherent and integrated spatial and economic development approach for London.

Analysis

- 5.34 The historic growth of the city in roughly concentric rings from the original core through the early suburbs and to outer London has left three main parts with distinctive economic characteristics. Central

London is London's economic heart, accounting for approximately one-third of all jobs³² in London and has the highest levels of productivity in the country. After a long period of decline, inner London has grown substantially more in absolute and relative employment terms than outer London over the last two economic cycles, with projected increases to 2031 even greater than those expected for the central area¹³⁵.

- 5.35 Forty-two per cent of London's jobs are located in outer London¹³⁶, but the Mayor is concerned about its untapped potential and believes that there are opportunities for diversification of its economy. Outer London's population will grow over the next two decades¹³⁷, bringing major employment opportunities for the significant range of services directed at residential areas - from schools to fitness instructors.
- 5.36 All three parts of London will experience substantial employment growth over the next twenty years¹³⁸. Within this context of 'total growth' across London, the challenge is to direct investment into central, inner and outer London in ways that exploit their different characteristics and strengths. Spatial policy should recognise distinctive but complementary roles for central, inner and outer London but not see the development of any of them prejudicing that of the others - rather supporting and promoting it.
- 5.37 As a global city and an international and national hub, London's economy depends upon an effective strategic transport network.

Improving transport accessibility and capacity will greatly assist economic growth, which is held back by congestion on London's public transport and road networks. Policies in this area are set out in the MTS.

- 5.38 A key example of strategic transport investment underpinning London's growth is Crossrail. Its anticipated benefits exceed £36 billion in GDP over 60 years (at 2002 prices)¹³⁹. It supports access from across London and beyond to high-value economic activity in central London; connects very productive parts of the city (the Isle of Dogs, the City of London, the West End and Heathrow); and opens up parts of East London to regeneration. It supports the development of more than 260,000 jobs including increasing the jobs capacity of the key Opportunity Areas of Isle of Dogs, City Fringe, Lower Lea Valley and Paddington by around 70,000¹⁴⁰. Its benefits will be felt across the whole of London's transport network.
- 5.39 Improving the supply of homes across all tenures will be vital if London is going to achieve the economic ambitions set out in this strategy. The London Plan concludes that 33,400 new homes are needed every year. Provision of these homes is important for London's competitiveness, and also represents a key infrastructure project with significant direct and indirect employment implications, and opportunities for improving environmental efficiency.

What the Mayor will do

- 5.40 The Mayor will measure the benefits achieved by investments in order to monitor progress and to increase understanding of the ways in which such benefits can be maximised. The Mayor has produced a range of Londonwide strategies aimed at establishing coordinated priorities for investment. The London Plan sets out the main spatial policies and locations for development.
- 5.41 The MTS contains proposals to further strengthen London's strategic transport network. These include transforming the Tube, National Rail enhancements, smoothing traffic flow and enhancing the quality and role of bus services, London Overground, DLR, Tramlink and river services. The Mayor believes it is important to co-ordinate the location of homes and workplaces with public transport systems as fully as possible. Maps 2 and 3 show how the Mayor's spatial development strategy will help to achieve a good strategic compatibility between new areas of housing and of employment. The Mayor's spatial and transport policies also achieve a strong correlation between anticipated future employment growth and improved public transport accessibility and capacity. The implementation of these policies will require investment in transport sustained right up to 2031 and beyond.
- 5.42 London's airport capacity plays a key role in its global success. The Mayor recognises that some additional runway capacity will be needed in the wider South East. He will resist the provision of further capacity at Heathrow because of its unacceptable environmental and community impacts and will support the evaluation of alternatives. He supports the proposal of a north-south high-speed rail line, which would help economic development and release some airport capacity.
- 5.43 The Mayor will also support strategic investment in other forms of infrastructure essential to an efficient and productive city. He has produced or is producing strategies for energy, water and waste. He sees continued support for ICT infrastructure as essential to economic growth. His Culture Strategy promotes further development of London's outstanding cultural infrastructure.
- 5.44 The Mayor has set out policies to address long-term housing needs in the London Plan, and in his London Housing Strategy. He will work with private and public sector investors and developers and the London boroughs to help deliver the quality and quantity of homes required. He will ensure that this investment generates significant environmental and employment benefits for London.
- 5.45 The Mayor will promote good employment and procurement practices on major publicly funded construction projects such as Crossrail, drawing on the success and lessons being learnt by the ODA in relation to equal opportunities, skills development and local employment initiatives aimed at people in disadvantaged areas and groups.