

May 2010

The Mayor's Economic Development Strategy for London



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**Greater London Authority
May 2010**

ISBN 978 1 84781 364 0

Published by
Greater London Authority
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The Queen's Walk
More London
London SE1 2AA

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Foreword

We can all think of small cities that are lovely to live in – tranquil and green and blessed with efficient public transport.

And then we can think of big cities that are global economic powerhouses – teeming with the noise, energy and ambition of millions of people.

I want London to have the best of both worlds.

I want London to be the best big city on earth.

That means a place that brims with opportunity and talent and economic activity of all kinds, but also one where the pace of life can suddenly slow from one street to the next; where children can grow up in safety – where people can be seen walking or cycling with no purpose other than enjoyment.

That is why we have developed this Economic Development Strategy in tandem with the Transport Strategy and the London Plan, because taken together they set out my vision for the capital.

Over the medium term, London will continue to grow, both in jobs and in population. I am confident that London will emerge strongly from our current economic difficulties, will lead the UK's national economic recovery and will over the next 20 years, continue to deliver jobs, prosperity and economic opportunity.

I want London to be the world capital of business, the top international destination for visitors and students, and to be recognised



as providing the most competitive business environment in the world.

I also want London to be a global leader in the transition to a low-carbon economy, and for all Londoners to have the opportunity to participate in London's economic success.

And I will make sure that London gets the investment it needs, both to maintain and improve our infrastructure and to enable regeneration of places in need. We have a fantastic opportunity with the 2012 Olympic and Paralympic Games and their legacy which we must seize fully.

Through this Economic Development Strategy together with my other strategies, I have no doubt that London can achieve this ambition.

A handwritten signature in black ink, which appears to be 'Boris Johnson'.

Boris Johnson
Mayor of London

The Mayor's vision and objectives

- A.1 The Mayor has a vision for the development of London over the period covered by this strategy. This vision is, quite simply, for London to be the best big city in the world. Over the years to 2031 and beyond, the Mayor's vision is that 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. This vision will be the basis of all his plans, strategies and actions. Achieving it means making the most of London's energy, dynamism and diversity; embracing change while maintaining its heritage, neighbourhoods and identity; and valuing responsibility, compassion and citizenship.
- A.2 This strategy sets out the Mayor's vision with respect to London's economy. He will use his role as London's elected leader to encourage the conditions and business environment in which London's powerful economy can thrive. He will act as a champion for London, speaking up for Londoners and business, arguing the case for continued investment in the capital and resisting changes that would damage its open and dynamic environment. He will act as a coordinator, encouraging businesses and organisations to work together and to pool resources towards common goals, such as the promotion of London overseas. He will maintain and enhance the conditions that allow the people and communities of London to use the creativity and initiative that have contributed so much to London's success.
- A.3 The Mayor's approach, working through the London Development Agency (LDA), Transport for London (TfL) and with other partners, will be to allow effective markets to flourish, help remove barriers to their productivity and, where it is effective to do so, correct market failures that have been clearly identified. He will act to make London a better city in which to live, work and play. He will work with others to address the issue of worklessness and to open up opportunities for the Londoners who find greatest difficulty in entering the labour market and progressing at work. He will lead the transformation of London into a low carbon capital.
- A.4 Underlying the Economic Development Strategy is a projection of continuing growth in London's economy and population to 2031 and beyond. The London Plan examined a range of different rates of population change and the Mayor believes that the updated figures used in the plan¹, and in this strategy, are the most likely. The Mayor has considered a number of economic forecasts and projections: they all show a similar trend in employment growth (see Figure 2). The patterns of past sector growth appear to be quite established (see Figure 3). The Mayor is confident that the approach of encouraging the consolidation of existing strengths in business services and finance, together with the strengthening of other sectors will be the most effective.

He has explored alternative assumptions about where economic development might go, for example, through the Outer London Commission. He has concluded that a strategy of enabling the widest possible contribution to growth, particularly in outer London, is desirable and that it is also essential to consolidate the unique strengths of central London. The responses to earlier consultation drafts of this strategy overwhelmingly endorsed the Mayor's proposed strategic approach.

The Mayor's economic objectives

A.5 The chosen strategy of enabling the strengths of the economy to flourish and of addressing weaknesses leads the Mayor to set five economic objectives:

- **Objective 1:** to promote London as the world capital of business, the world's top international visitor destination, and the world's leading international centre of learning and creativity.
- **Objective 2:** to ensure that London has the most competitive business environment in the world.
- **Objective 3:** to make London one of the world's leading low carbon capitals by 2025 and a global leader in carbon finance.
- **Objective 4:** to give all Londoners the opportunity to take part in London's economic success, access sustainable employment and progress in their careers.
- **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.

Cross-cutting themes

- A.6 These objectives reinforce one another. A number of themes thread through all of them, as set out below, including the statutory cross-cutting themes of equality of opportunity, community safety, health, health inequalities, sustainable development, and climate change adaptation and mitigation.

Innovation

This is the golden key, which unlocks success, raises productivity and can play a role in tackling problems such as worklessness and tackling climate change. Innovation is integral to all five objectives and is particularly central to Objectives 2 and 3.

Value for money

The Mayor and GLA group will promote a set of economic principles (page 12) to ensure that investment is economic, efficient and effective and, in a period of restraint in public funding, puts existing assets to fullest use.

Equality of opportunity and diversity

The ultimate goal of a successful economy is to enhance people's lives, and this must include all Londoners. Success will be built upon the city's immense diversity, which is a key competitive asset in a global economy. The Mayor believes that some members of vulnerable groups may need particular support to improve their opportunities and

to access and progress in work, because of barriers of many kinds: these include people from black and minority ethnic groups, women, refugees, the very young and the over 50s and disabled people. Equality and diversity are particularly addressed in Objective 4.

Sustainable development and environmental improvement

The Mayor is committed to ensuring that all his strategies contribute to the quality of the everyday environment for Londoners and promote economically, socially, physically and environmentally sustainable forms of development and growth. This underpins all objectives.

Health and health inequalities

The Mayor is committed to improving the health of Londoners and tackling health inequalities. These issues are key to improving Londoners' quality of life, which is itself an important economic asset, and are addressed in Objectives 2 and 5.

Community safety

The Mayor has given high priority to reducing crime and particularly youth violence to make London the safest big city in the world. Last year, overall recorded crime reduced again by two per cent but, whilst most headline crime categories are heading in the right direction, some crimes are not sufficiently reducing and some groups of Londoners are more vulnerable than others. Consequently, the Mayor wants to reduce the number of Londoners who

fall victim to crime or are fearful of crime. The key priority is to tackle and reduce violent crime so that young people grow up confident and in safety, women feel and are safe in their homes and public spaces and so that everyone is even safer whilst travelling on public transport in the capital.

Climate change adaptation and mitigation

This key theme is addressed particularly through Objective 3.

Putting the Mayor's objectives into practice

- A.7 This strategy provides a direction for London as a whole over the next 20 years, based on the best available evidence, the Mayor's vision, and the consultation undertaken. The strategy is both a statutory Mayoral document and the London Development Agency strategy formulated in relation to the agency's purposes. This is a regional-level strategy and not an appropriate vehicle for the detailed specification of tasks or short-term allocation of resources. Some key actions and indicators will be set out in the Implementation Plan published shortly to accompany this document. This Implementation Plan will be reported on and reviewed annually to ensure that it supports the delivery of the Mayor's vision and objectives within a changing economic landscape.
- A.8 The strategy provides a long-term vision for London's economy, which can only be delivered through the public, private and voluntary sectors working together

effectively. The Mayor and the LDA have important powers and resources, but these are relatively limited in terms of the scale of the task of ensuring that London excels amongst global cities. At the heart of this strategy is the Mayor's belief that all those with a stake in London's economic future should pull together to achieve common goals. One of the Mayor's roles is to provide coordination and this strategy identifies a number of mechanisms to do this.

- A.9 The principles that the Mayor believes should inform economic decision-making in London are set out below.

The Mayor's guiding economic principles

The Mayor wants to foster growth through joint working across the whole economy, with an emphasis upon the release of imagination and an entrepreneurial spirit. He wishes to be a facilitator rather than to impose top-down plans. The Mayor will only intervene in the economy when he can be confident that it will do more good than harm. Resources are limited, so the GLA group¹⁴¹ has to make sure it gets maximum impact from the money it spends. Improving the performance of investments is imperative, so the Mayor and GLA group will apply the following simple tests to determine the most effective use of public money. The Mayor will encourage other public agencies to adopt the same approach.

- 1) **Does it support the Mayor's vision for London and help align resources to this end?** In considering potential

investments, a key factor to take into account is their strategic fit, ensuring a coherent approach, which aligns resources to help achieve the key goals for London.

- 2) **Does it address a market failure?** This is the most significant test; a whole range of market failures can impede economic efficiency, from CO₂ emissions to a lack of street lighting. Eliminating these failures helps competitive markets to deliver the goods and services that best meet people's needs and preferences. This 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. Doing so leads to inefficient choices that can damage London's overall economic performance.
- 3) **Does it tackle the cause of market failure?** Striking at the cause is more effective than supplanting the market. Good policy-making identifies the cause, diagnoses the failure, analyses ways of tackling it without creating state dependency and examines evidence for their effectiveness.
- 4) **Does it achieve a social objective?** The Mayor has a mandate to intervene for social reasons, for example, to address inequality. London's economy has changed markedly over recent decades, becoming increasingly dominated by service activities. The Mayor can provide support to deal with the consequences of such structural change. This can include

alleviating market failures affecting skills and the labour market, or targeted equity and low carbon objectives.

5) Do the benefits outweigh the costs?

Agencies should only pursue investments that offer value for money and are economic in achieving their objectives and efficient in yielding outputs. Agencies should also take account of any potential disbenefits, such as market distortion, and be confident that they are outweighed by the benefits.

6) Will the investment enable

sustainable change? Agencies will invest in measures that help the market work. Those requiring prolonged resourcing or subsidies are unlikely to be cost effective and can prove detrimental to economic efficiency. Agencies will need to be confident that their time-limited investment enables longer-term sustainable change.

A collaborative approach

A.10 The Mayor has direct responsibilities for economic development, transport, planning, and policing and fire services. He also has lead responsibilities in the areas of skills and housing. His role is essentially strategic as the leader of the wider London community. The GLA group is a major provider of direct services, as well as a major procurer of services, and has significant assets. The Mayor will ensure that the members of the GLA group act as exemplars of good practice in all their roles. They will promote

a low carbon economy, and demonstrate good practice in promoting equality of opportunity in accessing skills and employment opportunities.

A.11 As the Mayor's economic development agency, the LDA will support the development and delivery of the actions in this document. The Mayor, and the GLA group, will work in partnership with organisations across London to turn this strategy into action. The GLA group will evaluate its own programmes and projects against the guiding economic principles above, and use its knowledge of what works to inform future selection and design. Robust quantitative evidence will help determine future investment priorities. Qualitative assessments of what has worked well will be used to aid agencies in designing future interventions. In the coming months, the Mayor will publish an Implementation Plan for this strategy which will show specifically how objectives will be delivered through the GLA group and with partners, and using the Mayor's influencing role. This plan will be reviewed annually to ensure implementation adapts to the changing economic environment. Indicators in the Implementation Plan will be used to monitor progress and to identify the areas in which the GLA group may need to adjust its policies or actions over time.

A.12 With this strategy alongside the London Plan and the Mayor's Transport Strategy (MTS), the Mayor is presenting a fully coordinated approach to London's

spatial development, economy, planning and transport, supported by a common economic evidence base. The objectives and goals of each document are consistent with the others: the objectives of the London Plan and the goals of the MTS are set out in Annex 1. In particular, the proposals in this document are consistent with the spatial strategy set out in the draft replacement London Plan. The Mayor has also published the London Housing Strategy, the Health Inequality Strategy, and the Climate Change Mitigation and Energy Strategy. His draft Air Quality Strategy will be published later in 2010.

A.13 Much of the public spending in London is funded by national government, principally in health, education and social security², although some of this is devolved to more local levels. The Mayor will impress on government the high return that can be achieved for the nation from investing in London's economy and infrastructure³, and the case for greater devolution of powers and resources to London.

A.14 The Mayor, through the GLA group, will work closely with other public sector agencies, including central government and the European Commission, the Homes and Communities Agency (HCA), the Skills Funding Agency (SFA), Young People's Learning Agency, the neighbouring regional authorities, Jobcentre Plus, the National Health Service (NHS), the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG),

the Olympic Delivery Authority (ODA), the Olympic Park Legacy Company (OPLC) and Higher Education institutions.

A.15 He is committed to close working with the local authorities in London, which have a central role in the care of their communities and local economies and he has signed the London City Charter as a statement of collaboration with them. This strategy provides an over-arching vision and framework within which local economic development activity, including local economic assessments, can take place. Some activities, such as promotion, need a Londonwide approach by the Mayor rather than 33 sets of actions. However, one of London's strengths is the highly diverse nature of economic activity in different parts of London. The boroughs are able to focus on their distinctive local opportunities and problems through the Local Strategic Partnerships.

A.16 Over 76 per cent of employment in London is in the private sector⁴, underlining the importance of effective collaboration between the public and private sectors. Private businesses from global corporations to small businesses are the heartbeat of the London economy and the Mayor wishes to protect and enhance an environment in which they can all prosper and to involve them in developing the high quality workforce and innovative, sustainable practices that make a great global city. Key private sector representative partners include the Confederation of

British Industry, the London Chamber of Commerce and Industry, London First, the Federation of Small Business, and the private sector-led London Skills and Employment Board (LSEB).

A.17 The Mayor also recognises the importance and the role of the third sector, which has a unique reach into sections of London's diverse communities. Voluntary sector partners are myriad, many being represented by larger 'umbrella' organisations, such as the London Voluntary Service Council. There are an estimated 60,000 voluntary and community organisations in London⁵ and they are often the best equipped to work within the community, including with those groups that find it hardest to access business, employment and training opportunities. In addition, volunteering is a tremendous force for good, both for the benefits it provides to volunteers and to the communities and businesses they work with. It needs to be further encouraged.

An analysis of London's economy

A.19 This chapter provides an analysis of London's economic strengths and weaknesses. There is a more detailed analysis in the Economic Evidence Base, which informs this strategy.

London's economic strengths

A vast, global city economy

A.20 The first of London's many economic assets is its sheer size⁶. London's economy is bigger than that of Sweden or Austria, and larger than Denmark's and Portugal's combined. The city is home to 7.6 million people and acts as the heart of a wider South East region of around 21 million⁷. Around three-quarters of a million people commute into the city every day⁸. This huge catchment area offers a readily accessible market for the city's businesses. A very substantial part of London's economy provides services to its residents, such as healthcare, schools, or consumer services, such as shopping and leisure activities. These services account for about half the jobs in London and are especially important in the economy of outer London, where 60 per cent of the population lives⁹. Many have been relatively fast-growing parts of the economy reflecting increases in population and income. With London's population projected to grow by around 1.25 million over the next 20 years or so¹⁰, these services will continue to be an increasing source of employment.

A.21 The exceptionally large projected increase in the numbers of people living in London makes it all the more essential that the economy grows fast enough to provide work for them. The number of jobs in London

grew by 700,000 from 1996 to 2008¹¹ and could increase by a further 750,000 by 2031 taking the total number of jobs to 5.45 million by 2031¹². At a time when the population is likely to grow, but the economy's growth may be less robust, making sure Londoners are equipped with the skills to take up a greater proportion of the jobs in their city will be a key priority.

An international centre of trade and innovation

A.22 A major dynamo of London's growth is its trade with the rest of the country and with the world. Over the past 20 years, the business services sectors have dominated employment growth (Figure 3), providing an ever more diverse and specialised set of services tailored to the global economy. Globalisation has been a major asset to global centres such as London, leading to high levels of growth and high incomes. London has become a magnet for inward investment and talent, a hub of entrepreneurialism and innovation.

A.23 London's capacity for growth across a range of businesses and sectors has created a well-established central agglomeration of economic activities. The concentration of activity in central London and its associated high land values show the premium that businesses are willing to pay to locate near the other firms with whom they both collaborate and compete. They pay to have unrivalled access to markets, labour and complementary businesses. They benefit from knowledge spilling over from firm

to firm and from sector to sector, adding greatly to the centre's higher productivity.

- A.24 London, with its long traditions of trading, offers an open and enabling environment for business. Its tax regime is relatively favourable to business¹³, though this advantage has been eroded by taxation increases. In an age of intense competition between cities, a business-friendly environment must be safeguarded.
- A.25 Hand in hand with its ability to reach across the world is London's tradition of innovation. The city has always shown a capacity to reinvent its role to meet change and new opportunities. Past decades have witnessed the decline of much of its manufacturing and dock industries. Manufacturing accounted for more than 23 per cent of employment in 1971 and less than five per cent in 2007¹⁴. Great energy and initiative has been shown in shifting the orientation of the economy towards the financial, business and other services sectors. For the last two decades, high-value added business services have been the driver of London's economic growth. Business start-up rates have been higher than any other region in the UK¹⁵. Successful innovation is strongly identified with high productivity, which has been considerably higher in London than any other region¹⁶.
- A.26 This capacity for innovation has been bolstered by the presence of some of the world's outstanding universities, including two in the global top five¹⁷ – more than any other city. London has a rich mix of small, medium size and micro businesses, which can be seedbeds of innovation. The workforce, many of them attracted from outside by London's energy and culture, is relatively highly skilled, young and diverse¹⁸.
- A.27 Over the next two decades, London will need to continue to reinvent itself and explore new economic opportunities as competitors seek to match its current strengths. Therefore, it makes sense to be open minded about emerging sectors in the economy and ensure that there are policies in place that allow them the space to grow, in an environment meeting their needs, supported by the range of infrastructure they require.
- A.28 By 2050, China is expected to be the largest economy in the world and India's economy will be a similar size to that of the United States¹⁹. London will only secure its leading position if its businesses fully exploit the opportunities and vast markets developing in the emerging powers of the new world economy.
- A.29 In this effort, London will be assisted by its sheer internationalism. Its workforce is drawn from across the world, with many highly skilled people attracted to enjoy and work in its diverse culture. London has extensive international trading linkages: it represents more than a third of all UK service exports²⁰. Approximately half of all equity assets on its stock exchange are international²¹ – far more than its main

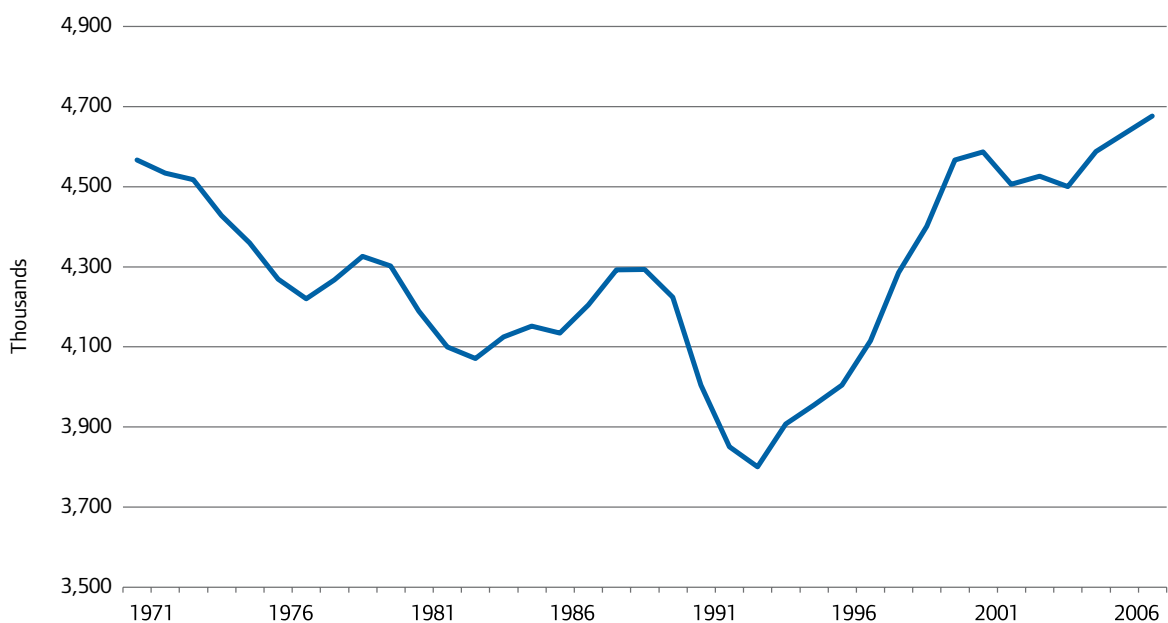
rival, New York. The capital is a major international transport hub with five international airports (Heathrow, Gatwick, Stansted, Luton and City), with Heathrow catering for more international passengers than any other airport in the world¹⁴².

A resilient economy

A.30 Over the past four decades, London’s economy has experienced several downturns followed by recoveries. This resilience allows us to put the current situation with recent significant employment decline in a longer-term perspective, and take a balanced view about the likelihood of renewed growth. The fundamental strengths of London’s economy remain intact and offer a firm foundation for

recovery. These include its open environment and diversity, its geographical position in a ‘time-zone’ accessible to the whole world, the use of English as a global business language, and the qualities of its workforce. The forecasts and projections prepared for the Mayor, and those of independent forecasters who monitor the London economy²² show London experiencing a cyclical recovery following the recent recession, followed by longer-term positive job growth thereafter. At the time of writing (mid-2010) growth has started to rebound and employment levels are forecast to surpass the levels seen before the recession by 2015 at the very latest, possibly much earlier (Figure 2).

Figure 1: London employment trends 1971-2007



Source: Experian Economics 2009

A diverse economy

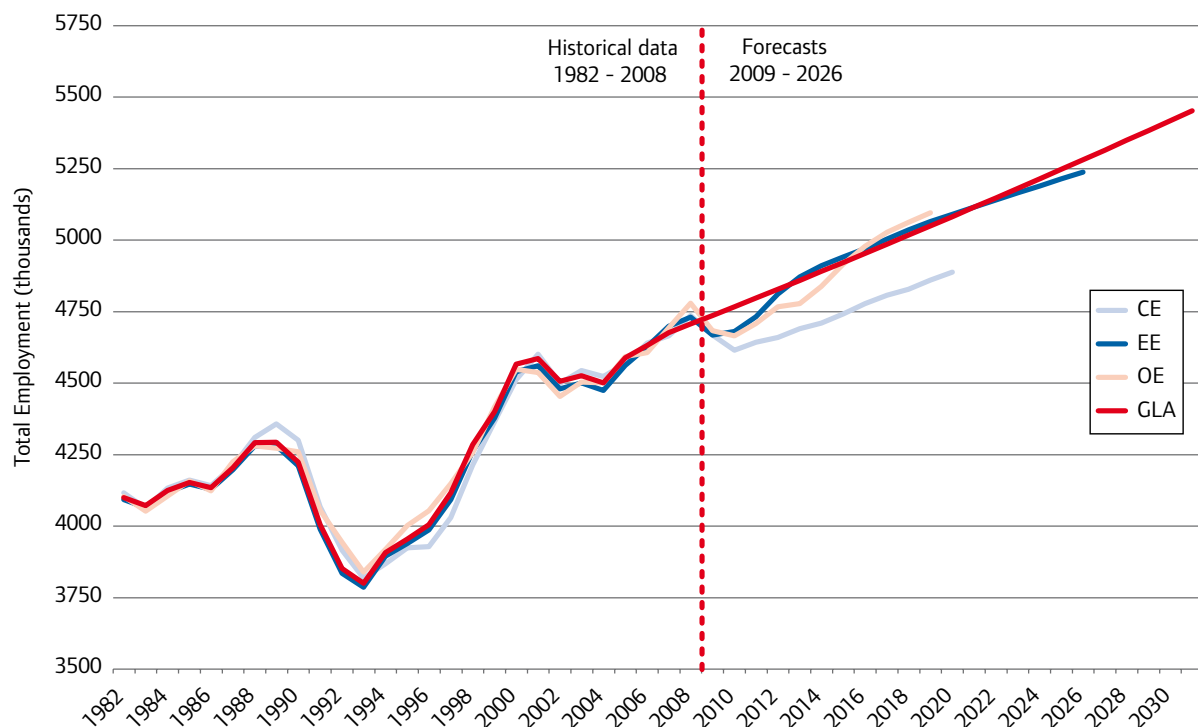
A.34 London's economy is extraordinarily diverse, which will help its future growth. This diversity reflects its rich inheritance as a centre for government, finance, commerce, culture, media and tourism. Table 1 shows the wide range of sectors of the London economy.

A.35 Despite the financial crisis, London remains one of the world's top two leading financial centres according to recent surveys²³. It leads in cross border bank lending and foreign exchange turnover²⁴. The crisis has centred on a limited area of financial

services, wholesale and interbank markets and securitisation, where regulation is likely to be tighter in future. However, the sector includes many other types of financial services, such as carbon trading, which will continue to flourish. Financial services generate business for many other sectors such as professional and creative services, but finance accounts for only eight per cent of all London jobs²⁵. The crisis has underlined the need to ensure that the economy continues to broaden its base.

A.36 The dazzling historic performance of the financial services sector has perhaps blinded

Figure 2: Employment forecasts for London and the GLA's long-run employment projection to 2031 (2009)



Source: Cambridge Econometrics; Experian Economics; Oxford Economics; GLA Economics; Working Paper 38, GLA Economics 2009

Table 1: Employees in London by sector 2008

Sector	No of jobs	% in Inner London	% in Outer London
Health and social work	390,400	58	42
Retail excluding motor vehicles	378,200	49	51
Financial intermediation	331,800	86	14
Transport, storage and communication	307,000	42	58
Education	309,600	46	54
Hotels and restaurants	303,000	62	38
Other community, social and personal service activities	300,300	61	39
Public administration and defence; compulsory social security	223,500	58	42
Other business services not elsewhere in table	205,600	60	40
Manufacturing	178,200	46	54
Labour recruitment and provision of personnel	170,700	62	38
Wholesale	151,500	40	60
Construction	122,500	35	65
Computer and related activities	129,600	62	38
Industrial cleaning	110,200	48	52
Business and management consultancy activities	100,200	71	29
Real estate activities	109,700	66	34
Legal activities	86,000	85	15
Accounting and related activities	62,000	67	33
Architectural, engineering and related activities	69,800	67	33
Sale and repair of motor vehicles, and related activities	41,300	23	77
Advertising	37,700	81	19
Renting of machinery and equipment	16,700	29	71
Research and development	18,000	71	29
Agriculture, fishing, mining and utilities	14,700	57	43
Total	4,168,500	57	43

Source data: ABI 2010. Notes: data above cover employees only. In 2008 there were in addition around 660,000 self-employment jobs (London Regional Labour Market Statistics, April 10). Sector figures may not sum up to total due to rounding. Inner London is defined here as the boroughs of Camden, Greenwich, Hackney, Hammersmith and Fulham, Islington, Kensington and Chelsea, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth, Westminster and the City of London. Outer London is defined as all other London boroughs.

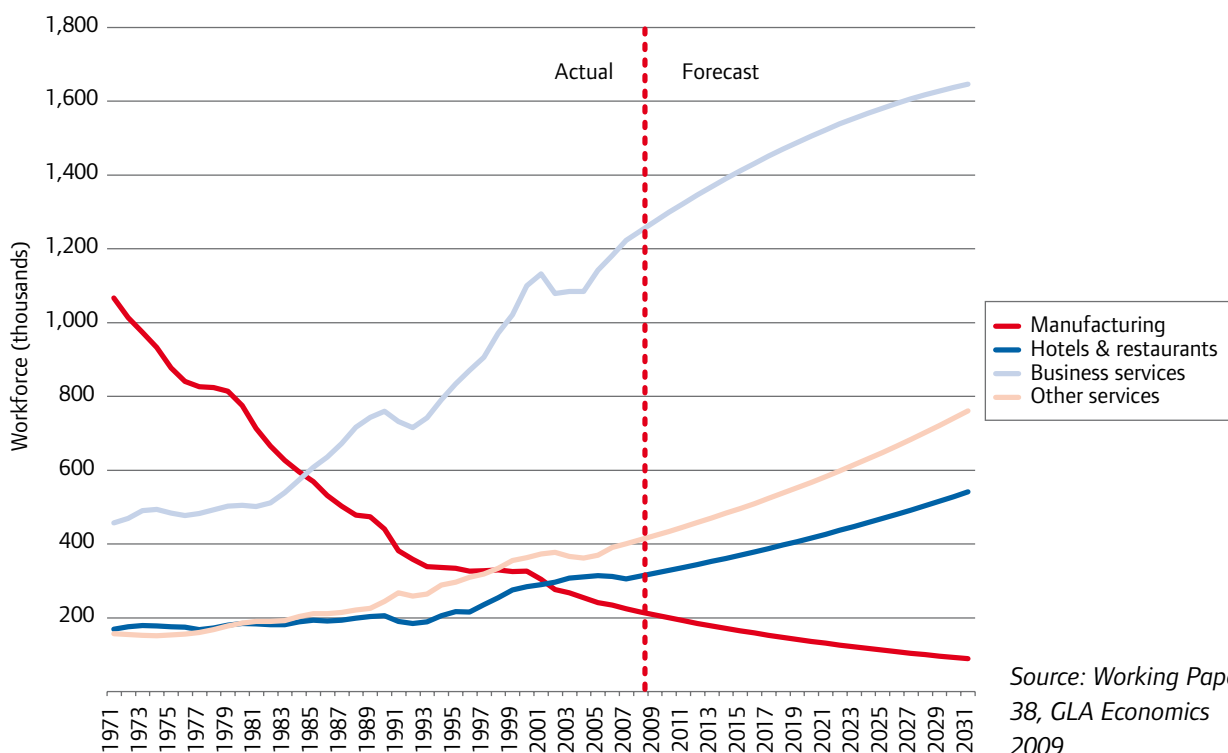
us to the fact that London is also world leading in many other areas. The London economy has high levels of specialisation in many business services, such as Information and Communication Technologies (ICT), accountancy, creative industries, legal and consulting services and recruitment²⁶. Business services' share of economic output (as measured by GVA²⁷) has increased from 22 per cent in 1998 to 27 per cent in 2008²⁸.

14 million overseas tourists every year³¹. London and the wider South East of England is home to a biotechnology and life-sciences cluster. London is also a leading international centre for the provision of accounting and related professional services³⁴. Based on revenue three of the top five law firms in the world are international law firms based in London³³.

A.37 London's dynamic creative industries employ well over half a million people²⁹. Jobs in retail, hotels and restaurants are expected to grow substantially³⁰. London welcomes

A.38 Beyond central London, and especially in the outer London boroughs, the make-up of economic activities is closer to the profile elsewhere in the UK³⁵. This includes several of the largest sectors, such as health

Figure 3: Employment projections for London by sector 2031



and social work, retail, education and public administration, accounting for over 600,000 jobs and are a major element of employment³⁶.

A.39 The economy is as diverse in the size of enterprises as it is in sectors. Whilst the headquarters of many leading companies are found in central London, there is a plethora of micro, small and medium sized companies, often providing key services to larger corporations. There are also over 600,000 self-employed people in London³⁷.

A.40 What changes might there be to the London economy by 2031? If the historic trends continue, it is likely that manufacturing will continue to decline, from 224,000 jobs in 2007 to about 90,000 by 2031. Traditional manufacturing industry has found it increasingly difficult to meet competition from emerging economies. Similarly business and financial services could grow from 1.56 million in 2007 to 1.98 million in 2031 (representing 38 per cent of the net new jobs in growing sectors projected between now and 2031). Jobs in “other services” (leisure and personal services) are projected to grow by 360,000 (about one-third of projected new jobs) and those in hotels and restaurants are set to grow by 235,000 (about one-fifth of new jobs). Other sectors where growth might be expected include health and education (around 54,000 more jobs) and retail (36,000 new jobs). There will be changes to the way London works, as firms make more use of information and

communications technology and adjust to the imperatives of climate change³⁸.

A.41 Geographically, 52 per cent of London employment growth between 2007 and 2031 is projected to be in the central area (including the Isle of Dogs), 30 per cent in the rest of inner London and 18 per cent in outer London. This is a more dispersed pattern of growth than was recorded over the two economic cycles spanning 1989 to 2007 when 63 per cent was concentrated in the central area and only 13 per cent occurred in outer London. During that period, the area of inner London beyond the centre, previously the core of urban decline in the capital, experienced significant employment growth (an average of 5,500 jobs per annum) which is projected to continue to 2031: at a higher level (9,800 per annum) than outer London (6,000 per annum) but at a lower rate than the centre (16,600 per annum)³⁹

London’s economic threats and weaknesses

Climate change and competitiveness

A.42 London needs to show leadership in climate change mitigation but it also needs to adapt to the unavoidable impacts of climate change. As a low-lying, high-density, estuarial city, it is particularly vulnerable to the impacts of climate change – flooding, overheating and drought. London is well placed to develop expertise in sectors that respond to the growing market opportunities in the areas of climate change mitigation and adaptation. London is currently very

well placed in regard to carbon finance, and its wealth of specialisms in the finance, legal, consultancy and academic sectors provide it with real strengths in areas of the value chain associated with low carbon economic activity. However, we need to identify and better understand its wider existing and potential strengths in the low carbon economy and its related supply chain so that all of London's businesses can capitalise on the market opportunities associated with a low carbon economy and maximise London's share of this expanding global market. Objective 3 addresses these issues.

Worklessness and skills

A.43 London has successfully made the transition from a labour intensive economy to a high value added service economy where a premium is placed on higher skills. The occupational structure of the labour market reflects this shift and London now has a larger proportion of highly skilled workers than any other region in the UK⁴⁰. However, this shift has also resulted in a level of 'job polarisation' or a 'hollowing out' of the labour market, with a large decline in the number of intermediate level jobs available to Londoners. London's skills profile is also characterised by a relatively high percentage of people with few or no skills⁴¹, who face intensive competition for entry-level positions. If London is to continue to compete successfully in the global economy, it has to have a workforce equipped with the range of skills needed to deliver both cutting edge and day-to-day goods and services to business and individuals. It is more

difficult for adults with low qualifications to improve these later in life, so it is crucial to get it right first time, in schools. Too many Londoners face particular barriers or lack the attributes needed to find work, and to progress once in a job. Objective 4 addresses these issues.

Quality of life

A.44 London scores very well on most indicators of attractiveness to business. It has some outstanding qualities, including much of its culture and built and green environment. However, it has a distinctly mixed performance on indicators of the overall quality of life. If London is to excel as a global city, its quality of life has to be, and be perceived by its residents, potential business, investors, workers, visitors and students as amongst the very best in the world.

A.45 Key areas of concern are that too many Londoners experience poverty, poor health, inadequate housing and other forms of disadvantage⁴². Too many parts of the city have uninspired architecture and design. Moving around London can sometimes be a struggle. Objectives 2, 4 and 5 address these issues, which are closely related to the challenges of worklessness and skills covered in detail in Chapter 4.

The lessons from London's history

London's position at the heart of the global economy is in many ways a continuation of its remarkable history. It is not a city that grew overnight out of success in a single industry, and it has no coalfields or gold mines. But it has, for centuries, remained at the forefront of economic developments because of its location, by being open to the world, flexible, and by specialising in high-value areas where it can achieve maximum return.

London can trace its development to the Roman bridging of the River Thames – immediately putting it at the centre of international and national trade routes. It became a centre for commerce in the late middle ages, with wool dominating its exports. Merchants from Northern and Southern Europe traded in London, helping to establish early London's open trading culture, while different trades planted distinct neighbourhoods, establishing the capital's street patterns and its medley of quarters, which remain recognisable today.

The early modern era (1500 – 1700) saw London grow rapidly to become Europe's largest city, with a population of nearly 600,000, swallowing up the ancient gap between Westminster and the City, linked by the newly constructed Strand. Exports, re-exporting and imports all grew substantially, creating large trading companies – while the service sectors and medical and legal professions became strongly established.

The capital's growth exploded in the nineteenth century, with 5.5 million inhabitants by 1891, and saw the development of a city teeming with myriad forms of manufacturing, services, professions, and arts – a city at the forefront of innovation, but from which large scale factory-based manufacturing was largely absent. The century also saw London rise to world city status – the City of London after mid-century becoming the world's undisputed

financial centre, assisted by colonial expansion and empire.

For most of the 19th century up to the early 20th century, London was the largest city in the world. As the centre of world trade, it had the largest docks in the world (the Royal Victoria and Albert docks), and was for a long time the largest shipbuilder in the world. London's commercial dominance, openness and entrepreneurialism enabled it to be always at the forefront of new opportunities. There is a direct line between London's dominance of world trade two centuries ago, through its leadership in marine insurance (in particular Lloyds of London), to London's current dominance of the world insurance market.

London's population and economy expanded in parallel; it led the way in both suburbanisation and the mass consumer market. As demand for consumer goods exploded in the 1930s and 1940s, London produced vacuum cleaners (such as at the now listed Hoover factory in Perivale), light bulbs (along the North Road), televisions and radios (along the A40 and A1), and Vauxhall cars in Vauxhall. These were the high tech, value-added investments of their day.

But as production of consumer goods became standardised, it disappeared to lower value locations, and from the 1980s onwards information technologies took over. Eventually they too became standardised and moved out, and the growth industries became those using these technologies – such as management consultancies, advertising agencies and publishing. For the last two decades, these value added business services have been the main driver of London's economic growth.

For a more detailed economic history of London see Annex 2.

1 London: world capital of business

Objective 1: to promote London as the world capital of business, the world's top international visitor destination, and the world's leading international centre of learning and creativity.

- 1.1 From the factories of China to the industrial heartlands of the US, the world is being transformed by the defining economic feature of our age: globalisation - the ever-increasing movement of people, goods, services and ideas around the world. A centre of trade and commerce for centuries, London has in the 21st century embraced globalisation to its advantage by specialising in key economic activities where it enjoys competitive advantage. The Mayor is confident in the enduring strength of London's deep-seated, competitive assets. These include its economic and social dynamism, a highly educated workforce, excellent connectivity to the whole globe and an innovative and entrepreneurial culture, together with its high quality of life and internationalism - 300 languages are spoken here⁴³. These assets will continue to drive London's prosperity. At the same time, the Mayor is not complacent. London will face ever-growing challenges from existing and new competitor cities around the world over the next 20 years. So he believes that we must all focus on maintaining and improving London's offer as the world capital of business, and on promoting it across the world.
- 1.2 London's economy has become profoundly integrated with the rest of the world. First has been the growth of foreign



direct investment into the capital. Despite the financial crisis, London remains the European leader for inward investment with an annual £52 billion foreign direct investment⁴⁴. The city's exports in goods and services were an estimated £60.2 billion in 2007 and £66.4 billion in 2008⁴⁵ - equivalent to over one-fifth of the size of the capital's economy. Tourism delivers £22 billion additional revenue and supports over 250,000 jobs⁴⁶. London's 93,000 international students contribute over £1.5 billion a year to the capital's economy⁴⁷.

- 1.3 London is regularly placed at the top, or near the top, of all the league tables of international business locations (see Chapter 2). There are enormous economic advantages to being - and being recognised as - a global centre of excellence. It ensures that London is a global magnet for talent and business, fuelling a virtuous economic circle. The most successful cities attract

the most talented people. The deep pool of talent enjoyed by these global centres of excellence propels innovation, driving further economic growth and putting these cities in an unrivalled position to create and exploit new markets. For a global leader, the market is the entire world, increasing the customer base and giving greater opportunities for the highest-level specialisations, which are only viable at a global level.

- 1.4 Globalisation builds on London's existing business advantages and its geographical and time zone position – enabling it to do business with the whole world in a single day – and on the importance of English language and English law to how the world does business.

Action 1A

The Mayor will vigorously promote London as the world capital of business, the world's top visitor destination and the world's leading international city of learning and creativity. The Mayor will work closely and collaboratively with a wide range of other public and private institutions to ensure there are consistent and effective messages promoting London as a leading place to live, work, study, invest in and visit.

Analysis

- 1.5 In an age of fierce global competition, all cities must be able to market themselves effectively. In addition to its well-known global strengths in financial services and

tourism, London has significant clusters of world-class businesses in other sectors. These include the creative industries, life sciences, legal and accountancy services, and higher education. Over the span of this strategy, new global markets, and new opportunities and threats will emerge. A key aim of London's promotion efforts will be to ensure that business decision-makers around the world are fully aware of the breadth and depth of London's advantages as a business location.

- 1.6 Over the next 10 to 15 years it is estimated that between 1,400 and 3,200 companies from China, Taiwan, South Korea and India may consider locating in Europe⁴⁸. The potential is exemplified by the fact that fewer than 40 per cent of the top 100 companies in China, India and South Korea combined currently have a headquarters or significant office in Europe⁴⁹.

What the Mayor will do

- 1.7 The Mayor will champion the capital and the vast opportunities it offers to potential investors and business partners across key international markets. The Mayor and the LDA will work with partners to target established and fast growing international businesses to encourage them to locate and maintain global, European or UK headquarters in London. The Mayor will encourage the promotion both of London's existing global leading sectors and also of potentially growing and emerging sectors.
- 1.8 London's diversity – in population, economic activity and space – is one of its key

strengths. The Mayor will promote London as a uniquely diverse city, which draws strength from the immense variety of its people, and of all its neighbourhoods and local economies as well as from the power of agglomeration at its centre.

- 1.9 The Mayor will promote London as an open and welcoming city. Openness is an economic asset. Openness to trade, and to the competition this brings, improves productivity, the ultimate source of higher living standards for Londoners. Openness to people and to ideas from around the world is also a key element in generating innovation and growth.
- 1.10 The Mayor has set up the business-led Promote London Council (PLC) as a forum to develop a new strategic approach for the overall promotion of the capital. The council will oversee the development of a single promotional platform for London, which will report to the Mayor and which will build on the work of Think London, Visit London, Film London and Study London.
- 1.11 The PLC advised the Mayor on the development of the brand for the capital. The brand will continue to evolve to tell a compelling story about London and its attractiveness to many different markets.
- 1.12 The Mayor will also encourage the tourist industry to improve the quality of the tourism offer, for example, through improving skills and quality of service in the hospitality sector, and continue promotion

efforts directed at emerging markets. He will also encourage further improvements in London's position in the business visitor market, which is currently less strong than in the leisure visitor market. This will be based on exploiting fully the benefits from current private investment such as the provision of major convention facilities and planned expansion of some existing venues.

Action 1B

The Mayor will take full advantage of the opportunity of the 2012 Olympic and Paralympic Games to promote London to the world, working with LOCOG and other key partners.

Analysis

- 1.13 The 2012 Olympic and Paralympic Games provide a once in a generation promotional opportunity, with potential global audiences of half the planet's population. Before, during and after the 2012 Olympic and Paralympic Games, London's fantastic array of artistic, cultural and sporting assets and events must be showcased. Meanwhile, a huge effort is required so that during the 2012 Games the visitor experience is world-class, welcoming, accessible and affordable, with great hospitality, entertainment and attractions, and improved visitor information, as well as excellent logistics, especially in moving visitors and Londoners around.

What the Mayor will do

- 1.14 The Mayor will use the 2012 opportunity to promote London as the business

capital of the world, a thriving centre for firms to locate, with a rich pool of talent. Achieving all this requires a strong, strategic, coordinated approach, which the PLC will help provide. LOCOG and the city's promotional agencies will work with businesses and boroughs to support this. The Mayor is leading the coordination of city operations at the 2012 Games, working with government, LOCOG, the boroughs and London's private sector to ensure the best possible experience for visitors and spectators, and to maximise long-term legacy benefits.

Action 1C

The Mayor will oversee a comprehensive international trade strategy to increase London's exports, particularly in rapidly developing markets such as India and China.

Analysis

- 1.16 Between 2002 and 2008, London's total exports of goods and services rose from £38.9 billion to £66.4 billion⁵⁰. However, there remains substantial potential to increase exports further, especially with the strongly growing economies such as China and India, by ensuring that London is effectively represented at international events around the world.

What the Mayor will do

- 1.17 The Mayor produced London's Export Promotion Programme in conjunction with UK Trade and Investment (UKTI) and the LDA⁵¹. The programme helps London's

Small and Medium Enterprises (SMEs) to take the plunge into international markets, it helps those already trading overseas to increase exports and find new markets, and it promotes areas of excellence in London's economy. The programme increases the number of trade missions and expands the provision of specialist export advice to meet the demand from companies for advice and assistance in reaching overseas markets.

- 1.18 UKTI are committed in the Export Promotion Programme to develop a more comprehensive international trade strategy for London, including developing even stronger links with emerging markets, which the Mayor will oversee.

2 Improving London's competitiveness

Objective 2: to ensure that London has the most competitive business environment in the world.

2.1 London's economic success rests on ensuring that the capital's environment for starting, running and expanding a business is the most competitive in the world. This needs an understanding of, and support for, the conditions for a high-value, knowledge-based economy. In this chapter, the Mayor sets out a range of measures to support a thriving economy that is able to generate sustainable jobs and growing employment, and to meet the test of competitive international markets while simultaneously maintaining or expanding the real income of its citizens⁵². The Mayor will do this not by micro-managing the economy or 'picking winners', but by fostering innovation, supporting business competitiveness, improving the quality of life, investing in London's physical and knowledge infrastructure and connectivity and making it as attractive as possible to investors, entrepreneurs, managers and workers.

Innovation

Action 2A

The Mayor will develop further London's strengths in innovation, by encouraging collaboration across sectors, promoting more productive links between business and academia, providing support for innovative activities, fostering entrepreneurial skills, and helping in accessing funding.



Analysis

2.2 Innovation is fundamental to economic growth and improvements in welfare⁵³. London has been at the forefront of innovations for most of its history. The processes by which innovation moves from an idea to a commercialised product or service are complex. Businesses both large and small play a central role, together with universities, further education, the NHS, and individuals. They are able to do so because London benefits from a dense cluster of institutions that can innovate together for mutual benefit. As a highly productive world city with a diverse economy and population and range of institutions, London is exceptionally well placed to benefit from agglomeration economies.

- 2.3 An innovative environment is crucial for the private sector in London. London has a sizeable and sophisticated investment community, including individual business angel investors and venture capitalists, which are able to spot potentially profitable propositions and provide the necessary finance and support. However, many good and potentially profitable ideas still fail to get off the ground, either because they are not able to attract potential investors, or because they are at a stage when risk or the size of investment sought does not justify the costs required to conduct the necessary analysis and due diligence. This gap has sometimes been filled by public sector support, both from the LDA and from government initiatives such as the New Growth Capital Fund. The Mayor wants to ensure that London businesses are able to develop viable proposals and access these forms of finance to the full.
- 2.4 There will be a particular need for entrepreneurial skills in an economy that places a premium on innovation and creativity. Such skills are important for those wishing to start up in business or enter self-employment, and increasingly valued and recognised as important within larger organisations. The key characteristics are the ability to turn an idea into a sellable product or service, to develop a business plan, buying and selling skills, financial planning, project managing and problem solving.
- 2.5 London has a world-class research base, which collaborates to form globally significant partnerships in fields with economic potential. It is, for example, home to three of England's five Academic Health Science Centres, as well as two in the top five universities in the world⁵⁴.
- 2.6 Innovation does not always take the form of a tangible product. It can take the form of new processes that improve productivity or new services that fill a gap in the market. London's high productivity itself implies a degree of continuous innovation in its economy. But there remains a gap between London's current performance and the highest performers globally in terms of innovation and knowledge economy competitiveness.
- What the Mayor will do*
- 2.7 The Mayor and the LDA are committed to supporting innovation in London's businesses. The Mayor believes that the capital is already well equipped with large numbers of highly qualified and entrepreneurial people as well as a sophisticated investment community. He will encourage collaboration amongst businesses of all sizes and between businesses and universities. The Mayor believes that any attempt to impose a 'template' on innovation would be counter-productive; his role is to stimulate and encourage an environment within which collaboration, enterprise and creativity can flourish.
- 2.8 The Mayor recognises the role that the public sector can play in supporting the private sector to invest in new products and services: for example, universities and the NHS have

their own innovation centres. However, he believes that innovation support should be led by professional expertise with strong input from the private sector and, given the high costs associated with such support, must demonstrate why public support is necessary and that such support is likely to provide a return to the taxpayer. He also believes that the voluntary sector can be a valuable source of innovative activity, for example, in social enterprise.

- 2.9 The Mayor believes that there is potential for even more effective collaboration between the higher education sector and business to stimulate and exploit ideas and to raise productivity, and will work with partners to take this forward.
- 2.10 The Mayor wants to see the development of entrepreneurial capabilities so they become a much more important element of education and skills development, from schools through further and higher education and into working life. The Mayor will encourage a focus upon enterprise in the new academies he is supporting (see Objective 4). He believes that there could be opportunities to make greater use of competitions to encourage the development of entrepreneurial skills.

Supporting Business

Action 2B

The Mayor will encourage cost effective business support programmes for London's businesses, and especially for SMEs and entrepreneurs.

Analysis

2.11 The growth of business services dominates long-term structural changes to London's economy and has led to a diverse range of business activities in the capital. SMEs account for about half of all private sector jobs⁵⁵. Micro businesses, the self-employed and the voluntary sector also make vital contributions while, comparatively, more people are employed in large businesses in London than in other regions⁵⁶.

2.12 London has a vibrant business community that creates more new businesses than any other region⁵⁷. The role of public sector business support is to address the barriers to the growth and success of London's businesses, such as the ability to access loans and equity investments.

What the Mayor will do

2.13 The Mayor recognises that most businesses and entrepreneurs seek support and advice from private sector companies and from other entrepreneurs through business, social and family networks. The role of public sector services is to complement this, for example by helping steer those businesses and individuals that do not have ready access to such sources. The public sector should only intervene where there is clear evidence that the market is not providing the most economically efficient solution, where public sector support can improve on this and when doing so is beneficial to the London economy as a whole.

2.14 The Mayor believes that business support programmes are needed to help companies and entrepreneurs start-up, expand, innovate, gain access to finance and maximise procurement opportunities. Such programmes should be cost-effective and provide support appropriate to a business's stage in its life cycle.

Making London as attractive as possible to business

Action 2C

The Mayor will monitor the factors affecting London's competitiveness and identify the action needed to improve them.

Analysis

2.15 London already has a highly attractive business environment. However, some of the city's advantages are being eroded and others need strengthening. Meanwhile, other global commercial centres, currently in the second and third tiers, are rapidly improving. Cities like Shanghai and Singapore are developing expertise in areas where London has been traditionally strong. Niche centres such as Geneva and Dublin are successfully targeting areas where London previously had a dominant market share.

2.16 In 2009, London was ranked number 1 in the Mastercard Worldwide Centres of Commerce for the 20th year running⁵⁸. It was also ranked number 1 in the City of London Corporation's Global Financial Centres⁵⁹, and has stayed in the top position

in the Cushman and Wakefield European Cities Monitor since 1990⁶⁰. Historically, and particularly over the past twenty years, London has been regarded as one of -if not the- top place to do business in the world by league tables such as these. However London and New York were tied for first place in the latest Global Financial Centres (GFC) report, published March 2010⁶¹.

2.17 The 2009 European Cities Monitor⁶² put London top in six out of twelve criteria, scoring highly on availability of qualified staff and access to markets, as Table 2 shows. The table also indicates criteria, such as quality of life and freedom from pollution, where London needs to do better.

2.18 London specialises mostly in high-value added activities, so staff costs are likely to reflect this, although the recent depreciation of the pound has improved the situation for international businesses. Relatively high staff costs will inevitably occur in successful sectors of the economy that attract high quality workers from across the world. High land values and generally heavy demand impact on the cost and availability of suitable office and workspace in London.

What the Mayor will do

2.19 The Mayor will keep the factors affecting London's competitiveness under regular review, seeking to consolidate strengths and address relative weaknesses. Action 2E below identifies some of the measures he will take forward.

2.20 The Mayor will work with partners to ensure costs to business remain competitive. Through the London Plan, the Mayor will ensure that there is sufficient long-term capacity for workplace growth, in central London, Canary Wharf and in other parts of London, including town centres. He will encourage a range of workspace provision to suit different needs and will support a mix of uses where this will help to make economic activity more viable. He will set out measures to improve accessibility and increase public transport capacity, increase the efficiency and effectiveness of the transport system, and manage congestion and its costs through the MTS.

Action 2D

The Mayor will be an active champion of business and will use his influence and authority with national and European institutions to encourage an open and competitive business-friendly environment.

Analysis

2.21 London is an international city and its economy is open and globally oriented, as such international and national decisions and regulations can have big impacts upon it. A clear and predictable tax and regulatory regime is necessary if London is to maintain its leading position, in particular in financial services. The regulatory burden has traditionally been light in the UK compared to its main competitors. However, the financial crisis is provoking responses from national

Table 2: Attractiveness of London to business

	2006	2007	2008	2009	2009 Leader
Availability of qualified staff	1	1	1	1	London
Easy access to markets	1	1	1	1	London
Quality of telecommunications	1	1	1	1	London
External transport links	1	1	1	1	London
Cost of staff	16	25	29	28	Bucharest
Climate for doing business	5	2	5	4	Leeds/Birmingham
Language spoken	1	1	1	1	London
Office space - value for money	29	18	24	23	Berlin
Internal transport	1	1	1	1	London
Availability of office space	1	2	5	2	Berlin
Quality of life	7	11	14	11	Barcelona
Freedom from pollution	26	29	27	29	Geneva

Figures indicate London's ranking amongst European cities each year, as rated by business. Factors are ranked by importance to businesses. Source: European Cities Monitor, Cushman and Wakefield 2009

government and European regulators, which threaten to reduce this advantage.

- 2.22 The UK's previous position of relative strength in terms of tax rapidly deteriorated in 2009⁶³. The burden of debt that has led to higher taxation is a key competitiveness concern. Effective control of government spending will be vital to reduce the need to raise tax.
- 2.2 The availability of skilled labour is one of London's clear strengths. This relies in significant part on the capital's ability to attract talented individuals from around the world: a significant proportion of the London workforce is migrant labour. A clear and consistent immigration policy that is effectively applied is important to London's continued economic success. The shift towards a more restrictive approach could pose a threat to its competitiveness.

What the Mayor will do

- 2.24 The Mayor will work closely with the UK government, partners in the wider metropolitan area and others to promote changes that will improve the legislative and regulatory environment for London's international business, and he will resist proposals that would damage it. In particular, a clear and predictable tax and regulatory regime is key to London maintaining its leading position in financial services. The Mayor will support appropriate global regulatory responses to reduce the likelihood of financial instability and ensuing recession. The Mayor will press
- government to institute an ongoing systematic and holistic review of the impacts on competitiveness of government policy including taxation and regulation.
- 2.25 The Mayor has been very active in campaigning against proposals that would damage business in London. He will continue to campaign on issues that affect London and he will coordinate effective research and lobbying campaigns on a range of issues that threaten the capital's competitiveness, working with TheCityUK and other partners.

Action 2E

The Mayor will work with boroughs and other partners to improve the quality of life in London both for the benefit of Londoners and as a key competitive asset for the city.

Analysis

- 2.26 A good quality of life is important for Londoners. It is also necessary in order to attract investment and skilled labour in the context of a very competitive global economy. London performs well in many quality of life criteria such as its cultural life and rich heritage. In other areas however the perception of quality of life is mixed, judged against competitor cities. Key aspects of quality of life include the environment, health, crime reduction, education, as well as access to culture, sport and entertainment.
- 2.27 London's health service (along with social care) is vital to maintaining London as an

exemplary, sustainable world city. A healthy workforce is essential for a productive economy. Ill health (including mental illness) is too often a deterrent to accessing work. The NHS and the Local Delivery Plans seek to modernise services, improve the health of the local population and narrow inequalities in health. Areas of London with the highest levels of need can suffer from relatively poor access to primary healthcare, although there have been improvements in recent years, while disadvantaged groups such as homeless people and new migrants are often excluded from services because of limited opening hours or a lack of understanding of care entitlements. Physical access problems also present barriers for people with limited mobility including disabled people, older people and mothers with young children. In addition, social, economic and environmental inequalities, such as poverty, low level skills and poor housing, underpin many of the health inequalities present in London today. London forms the hub of health-related research and development in the South East of England; it is a centre for clinical, training and research excellence. The health sector is a major employer and a valuable part of the London economy and includes growth sectors such as biomedicine.

2.28 Thirty one per cent of London's area is covered by green space⁶⁴. London has some of the world's most attractive parks, rivers and waterways, an inspiring heritage of superb places and buildings with much architecture and public realm that is pleasing to the eye. However, it

also has many neighbourhoods that suffer from poor design, graffiti and litter, loss of front gardens, high levels of air and noise pollution, and an overall sense of neglect, which tends to destroy community life and deter investment. These issues contribute to the perception of London as a less attractive place than some of its competitor cities.

2.29 London has a deserved global reputation for a rich and diverse cultural offer. Its thriving artistic and cultural life makes the capital a vibrant and exciting place to live, work and enjoy. London's cultural offer is a major factor attracting investors, entrepreneurs and highly skilled workers and the 2012 Games provide a major opportunity to further enhance London's cultural vibrancy and attractiveness.

2.30 However, crime can also make London a less attractive place for businesses and individuals to locate. International comparisons suggest that the UK and London residents suffer from higher levels of victimisation than other countries and main cities in Europe and the USA⁶⁵.

What the Mayor will do

2.31 The Mayor has published 'Leading to a Greener London'⁶⁶ and has included a wide range of measures in the London Plan to improve the quality and sustainability of the environment, to protect and improve London's areas of excellence, and to encourage massive improvements in the most degraded places. A particular priority will be to encourage the innate vitality and

diversity of London's neighbourhoods. He has launched his Great Outdoors programme⁶⁷, will continue to improve and create public spaces, plant street trees, upgrade parks to create space for growing food and to expand the network of green spaces. The Mayor will use his planning powers and offer design advice to encourage design and architecture that delights the eye. He has also published a revised Air Quality Strategy that sets out a number of measures to clean up London's air.

2.32 The Mayor has a duty to address health inequalities, the determinants of health in London and to improve the health of Londoners. In his Health Inequalities Strategy, the Mayor commits to a comprehensive programme of action to make London the foremost of world cities in reducing health inequalities. The strategy sets out a framework for partnership action to improve the physical health and mental well-being of all Londoners; reduce the gap between Londoners with the best and worst health outcomes; create the economic, social and environmental conditions that improve quality of life for all; and empower individuals and communities to take control of their lives. The MTS also seeks to promote active travel by encouraging more cycling and walking and to improve access to health facilities through collaborative working with health care providers.

2.33 In his draft Cultural Strategy, the Mayor sets out his intention for the capital to remain one of the world's great cities for culture and creativity. The Mayor will promote culture and creativity, including through fashion, art,

design and film festivals or events. He will promote arts and culture across London and support London's nighttime economy. He will support the Cultural Olympiad to demonstrate the quality of London's cultural life.

2.34 The Mayor, Metropolitan Police Authority and London Fire Brigade will continue to take effective measures to increase safety, reduce crime, counter fraud, business and cyber crime, and raise awareness of the risks to business and to employees. The Mayor will continue to focus on reducing violence as the key strategic activity to improve safety for London. Three major strategies will help deliver what is needed for a safer London, including actions to improve the safety of town centres, public transport and to tackle gangs, knives and dangerous dogs used as weapons (MetForward); a programme to offer better life chances to young people who might otherwise be caught up in crime or violence (Time for Action) and a strategy to tackle violence against women (The Way Forward).

2.35 Education, housing and transport all play a major part in determining the quality of urban life. The Mayor's policies on education are reflected in Chapter 4, while Chapter 5 supports the objectives of his Housing Strategy and the MTS.

2.36 The Mayor will work to promote community cohesion. His approach to this is set out in his equality framework 'Equal Life Chances for All'⁶⁸, the GLA's Race Equality Scheme⁶⁹ and his Refugee Integration Strategy 'London Enriched'⁷⁰.

3 Transforming to a low carbon economy

Objective 3: to make London one of the world's leading low carbon capitals by 2025 and a global leader in carbon finance.

- 3.1 Climate change is a result of one of the world's greatest market failures and international action is required to avoid its potentially catastrophic effects for the environment and the global economy. The Intergovernmental Panel on Climate Change confirms the overwhelming scientific consensus that human activities are causing climate change. Lord Stern's review estimated that global temperature rises of up to five or six degrees Celsius could wipe out between five and ten per cent of global gross domestic product (GDP) during the next century⁷¹.
- 3.2 Future economic development must therefore be based on moving quickly to a world economy that emits much lower levels of carbon dioxide and other greenhouse gases. The Mayor is committed to placing London at the forefront of the UK's and the world's transition to a more sustainable future. The aim is to capture the maximum potential economic growth and environmental benefits for London and the UK. It is the Mayor's firm belief that London should position itself as a leading low carbon capital for the provision of finance, business services and innovation within the global low carbon economy. To this end he has set some of the most challenging targets of any city – a 60 per cent reduction in London's CO₂ emissions by 2025.



- 3.3 This is the beginning of a global transition to a 'low carbon economy': a future global economic system that will be based on emitting much lower levels of carbon dioxide and other greenhouse gases. One estimate is that the whole global low carbon market opportunity could be worth at least an additional £368 billion per annum⁷².

Action 3A

The Mayor will work with others to maximise London's global market share in low carbon finance, carbon trading, business, and consulting and legal services.

Analysis

- 3.4 Large scale public and private sector capital investment will drive the worldwide transition to a low carbon economy. The necessary changes require investment in the

environmental infrastructure to support low carbon activity along with substantial demand for an array of professional and technical services that will enable them to happen.

- 3.5 London is currently the global market leader in carbon permit trading, with over 80 per cent of all carbon market brokering firms⁷³. London-based banks have £19 billion invested in global renewable projects⁷⁴. The city is home to 75 AIM⁷⁵ listed clean-technology firms and to over 90 per cent of the UK's venture capital funds which back clean-technology firms⁷⁶. London's huge business services sector can provide the full suite of advice to aid growth in the global low carbon economy - which offers London substantial service export opportunities.
- 3.6 In June 2009, the FTSE Environmental Opportunities Indices were launched. These were designed to help investors identify which firms were working in the environmental and renewable energy sectors and provide one of the first attempts to classify what counts in the low carbon economy and to estimate its scale.
- 3.7 Carbon trading requires reputable systems for measuring the amounts of carbon savings achieved and adjudication and arbitration functions to resolve disputes.
- 3.8 The financial services sector also has an increasing direct responsibility to become part of the low carbon economy. This is because of the huge energy demands of the sector driven by the need for ever more rapid transmission and calculation of larger amounts of data, facilitated through energy-hungry data centres in and around the capital⁷⁷.
- What the Mayor will do*
- 3.9 The Mayor wants to maximise London's share of this growing global market: if London captured even 1 per cent of this new market it would be worth about £3.7 billion per annum⁷⁸. In order to do this, the Mayor considers that London should play to its existing strengths in financial services; business services -including consulting, engineering, architectural and legal services, research, design and product development and its public sector procurement purchasing power.
- 3.10 The Mayor will support attempts to classify and quantify the size of the low carbon economy and will encourage investment into it. He will encourage international firms to issue low carbon IPOs (initial public offerings) on London-based platforms and promote the low carbon sector to institutional and other investors.
- 3.11 The Mayor will support the accurate measurement of low carbon initiatives. He supports proposals for London to be a world centre for carbon measurement, building on the capital's existing expertise. The Mayor supports the establishment and growth of legal and arbitration services in London to adjudicate and mediate in national and international disputes over low carbon savings (eg. specified in carbon offsets).

- 3.12 The Mayor will encourage the sectors in 3.9 above to become low carbon themselves, for instance by seeking energy efficiencies in the financial services sector (in data centres particularly). He will work with electricity suppliers, distributors and government to ensure that the power needs of the city can be met through renewable or low carbon sources consistent with national and regional targets.
- 3.13 Highlighting London's innovation and commercial successes, the Mayor will use the London brand to raise the aspirations of residents, visitors and inward investors for the city to become one of the world's leading low carbon capitals and a global leader in carbon finance by 2025. This should raise international expectations and increase demand for London's professional services related to the low carbon economy.
- 3.14 The Mayor will continue to engage actively on opportunities arising from London's low carbon economy with leading and innovative business service providers through London's inward investment organisations.
- 3.15 The Mayor will continue to provide both vocal and financial support in this area, by offering early stage advice enabling business networks to flourish.

Action 3B

The Mayor will promote London's research base and encourage greater commercialisation of new low carbon products and processes.

Analysis

- 3.16 The low carbon economy is still in its infancy and further research and development is required to develop economically viable products and processes. London is well placed to play a globally important role as a world leading research centre in many aspects of the low carbon economy⁷⁹. There are 80 departments at 17 London universities focusing on climate change research, many of them world-renowned⁸⁰. There are already a number of bodies supporting clean technologies like the London Technology Network, which brokers business and research institutions with a focus upon environmental technologies and low carbon advanced materials.

What the Mayor will do

- 3.17 The Mayor will promote London's research and development base. He will seek greater collaboration between research institutions. He will encourage greater focus on the commercialisation of low carbon products. He will work to improve links between academia and business (see Chapter 2). Along with other funding bodies such as the Technology Strategy Board, he will look at ways to improve support for low carbon start-up companies with market making activities such as networking and improved access to longer-term finance to enable sustainable growth in London. Through the GLA group the Mayor will also enable trials of emerging low carbon products. By showcasing companies focusing on low carbon innovation, London is also likely

to attract foreign direct investment as the technologies developed mature.

Action 3C

The Mayor will drive forward efficient conversion to the low carbon economy, exploiting London's economies of scale and provide stability for investors and large potential markets for innovators.

Analysis

- 3.18 London has a powerful advantage simply because of the scale of its activities. London and the greater South East have over twenty one million inhabitants⁸¹. This population will stimulate real demand for new low carbon products, technologies and services and create market opportunities for businesses in the relevant supply-chains.
- 3.19 Committed investment in London's transport infrastructure, including the completion of Crossrail, over the years to 2018 is approximately £4.8 billion per year⁸². There is a great opportunity to join up the public sector's purchasing power to enable more low carbon goods and services to become economically viable.
- 3.20 Urban areas provide substantial opportunities to retrofit building stock efficiently. It is estimated that 70 per cent of London's housing stock would benefit from the retrofitting of energy-saving measures⁸³.
- 3.21 Over a 25-year period, there are net financial savings from many low carbon technologies⁸⁴. However, few individual householders and businesses consider investments over such long timescales. Therefore additional incentives and/or regulations and investment mechanisms will be needed to encourage the large-scale uptake of retrofitting activities.
- What the Mayor will do*
- 3.22 The Mayor believes the combination of London's scale and its strength in financial services can enable the development of financing methods that encourage the adoption of proven low carbon technologies (both old and new) and generate long-term financial savings. He wants to see the creation of financing structures that are self-sustaining and can lever in private sector funding. The Mayor will keep under review the relative costs and benefits of low carbon technologies to ensure that London's own transition to the low carbon economy is as economically efficient as possible.
- 3.23 The Mayor will continue to work with partners on climate change mitigation programmes for homes, public and commercial buildings, working with London Councils and other partners⁸⁵. The Mayor will support London businesses to deliver these programmes. Through his energy efficiency programmes, the Mayor will continue to stimulate the market for the growth in energy service companies (ESCOs). These organisations provide a broad range of energy solutions including design and implementation of energy savings projects,

energy conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management.

- 3.24 The Mayor will require the whole GLA group to drive demand for good environmental management and practices⁸⁶ not least by setting clear carbon targets in its procurement and investment programmes. The GLA group will showcase good practice by continuing to adopt energy saving measures in and around its many office and operational premises – it has a fleet of over 16,000 vehicles and about 900 buildings, offering substantial opportunities to demonstrate leadership. The Mayor will also seek to demonstrate leadership through framework contracts to harness the purchasing power of the GLA group and partner organisations and simplify the procurement of low carbon products.
- 3.25 There are key areas of infrastructure and practice that can make a significant contribution to the low carbon economy by enabling the city to operate in a more carbon efficient way. The Mayor's Climate Mitigation and Energy Strategy includes details on initiatives to develop decentralised energy capacity. The London Plan sets a target of 25 per cent of London's energy to be supplied by decentralised energy by 2025. This will provide a market opportunity in London. The 'Prospectus for London, the Low Carbon Capital' report⁸⁷ has estimated that the delivery of the decentralised energy element of the Mayor's climate change mitigation programmes would require an

investment of £132 million per year, but that it would generate £142 million of direct GVA and over 800 average annualised jobs (gross) per year. The uniquely high profile enjoyed by the London 2012 Olympic and Paralympic Games provides a particularly good opportunity to promote groundbreaking achievements on the Olympic Park site, both in the approach to construction (for instance in the use of low-carbon concrete and the use of rail and water for deliveries and waste removal) and in the long-term carbon reductions that will be achieved through building design and localised energy generation.

- 3.26 In addition to greatly improving energy efficiency, London has to generate more of its own heat and power needs through efficient low carbon and renewable energy technologies. The Mayor will encourage the scaling up of investment in the low carbon economy. He is delivering unprecedented levels of funding towards climate change programmes (over £100 million over three years). The Mayor will work through the GLA group with boroughs and other partners to further develop these programmes.

Action 3D

The Mayor will sharpen London's edge as the world leader in the transition to the low carbon economy, working with partners to develop effective economic instruments and adopt low carbon policies.

Analysis

- 3.27 Large-scale investment and supportive policy, regulatory and fiscal frameworks are needed to stimulate the demand and supply sides of the low carbon economy. National, city and local government need to work together with business and the third sector.

What the Mayor will do

- 3.28 The Mayor will lobby for changes in national, European and international regulation to ensure that London's competitive strength is not eroded (see Chapters 1 and 2). He will support national government in its efforts to assess and implement the fairest and most effective economic instruments that will enable the transition to a low carbon economy. For instance, he supports in principle the adoption of international carbon pricing and cap and trade systems, not only because London is at the forefront of carbon trading, but because they are potentially the most efficient ways of creating a low carbon economy.
- 3.29 The Mayor will keep under review the skills development requirements of the low carbon economy and the respective roles of public and private sectors, and national, city, and local government in meeting these needs (see also Chapter 4). He will work with relevant agencies and business to ensure that London's workforce has the right skills to make the transition to a low carbon economy and to reap the global opportunities that will arise from it. The Mayor will also work through the LDA to help ensure that workless Londoners are able

to benefit from opportunities that the low carbon economy generates in London.

4 Extending opportunity to all Londoners

Objective 4: to give all Londoners the opportunity to take part in London's economic success, access sustainable employment and progress in their careers.

- 4.1 The size, diversity and dynamism of London's economy offers enormous opportunities for people to find jobs and to advance throughout their working lives. London's long-term prosperity depends on making the most of the talents of all Londoners. People are more likely to be happy and healthy if they are in work.
- 4.2 London has the biggest concentration of highly skilled workers in Europe. For very many people, London offers a superb employment market. London is a jobs success story, providing a huge number of jobs at a wide range of skill levels. The number of jobs in London increased from 4.29 million in 1989 to 4.68 million in 2007⁸⁸. Employment levels were growing until the onset of recession in late 2008 but between December 2008 and September 2009 the number of jobs fell by 98,000. Despite this fall, employment levels are expected to surpass the peak seen in 2008 by 2015⁸⁹.
- 4.3 But at the same time, it has the lowest employment rate of any of the nine English regions. In the quarter to February 2010, some 363,000 Londoners were unemployed and 1,271,000 were economically inactive⁹⁰. The gap between the highest and lowest paid remains obstinately large⁹¹. Many Londoners suffer from a range of barriers



including skills they need to get into employment and enjoy successful working lives. For example, those in black, Asian and minority ethnic (BAME) groups constitute about one third of the workforce, but experience unemployment rates that are 50 per cent above the London average⁹². There is a cycle of low achievement, limited ambition and poor educational outcomes among some groups and in some areas that must be broken. In too many families this extends through generations. In addition to the human costs, it is estimated that worklessness in London costs about £5 billion each year⁹³. The need for intervention is therefore also geographically

concentrated, as discussed further in Chapter 5.

- 4.4 Substantial numbers of people experience barriers which prevent them realising the opportunities provided by an economy with long-term growth. Those groups particularly affected include some BAME groups, women (especially those with children), young people, those over 50, and disabled people, including those with mental health problems. The barriers include difficulties accessing suitable training and work opportunities and the lack of affordable childcare, along with discrimination and the continuing strong segregation of work along gender lines.
- 4.5 The Mayor's actions below set out his ambition to ensure effective support and promote equality of opportunity for people at each stage of their life.

Action 4A

The Mayor will work with London's employers to maximise the number, variety and quality of jobs needed to provide work opportunities for Londoners, and to meet the needs of London's growing and developing economy.

Analysis

- 4.6 It is anticipated that employment levels in London will reach the pre-recession level by 2015 at the latest and thereafter will continue to rise⁹⁴. By 2031 there will be a forecast 5.45 million jobs, an increase over 2007 of 750,000⁹⁵. This strong level of growth will be necessary to provide work for the city's increasing population. Growth should provide major opportunities to increase access to jobs and to higher incomes. If the current barriers to work experienced by many can be removed, this growth can provide major opportunities for more Londoners to access jobs and secure higher incomes - leading to significant economic and social gains for the capital.
- 4.7 Investment in London's infrastructure will generate a substantial number of jobs. For example, over the period to 2031, it is estimated that Crossrail, Olympics, Thames Tideway and major developments at Brent Cross, Kings Cross, and Stratford will generate at least 130,000 jobs⁹⁶(see Chapter 5).
- What the Mayor will do*
- 4.8 The Mayor has set out his actions to support employment growth in London in the London Plan and in the other chapters of this strategy. These recognise the need to encourage jobs growth to meet the needs of London's population and the importance of getting more Londoners into work. An important strand of the MTS is also to improve linkages between areas of employment growth and areas with residents in need of work.
- 4.9 The Mayor has important, but limited powers to influence employment and skills and will provide leadership and co-ordination. He will work with employers in businesses from the global to the micro,

government, the boroughs, the voluntary sector and other partners.

- 4.10 Around £1 billion of public funding is invested in employment and skills in London each year. The Mayor will use his powers and influence to ensure that this is spent effectively and in ways that promote equality of opportunity. The Mayor's equality framework 'Equal Life Chances for All' sets out his overall approach to the promotion of equality. He wants a London where everyone can play a full part, not one divided between the haves and have-nots. The Mayor's Actions 4B-4G form part of an overall drive to improve life quality, along with the actions around health, safety, environment and culture set out under Objective 2.

Action 4B

The Mayor will work to close the employment rate gap between London and the national level by 2020 and maintain the London employment rate at or above the national level subsequently.

Analysis

- 4.11 The unemployment rate in London is 8.9 per cent, compared with a national figure of 8 per cent⁹⁷. This level of unemployment and inactivity in the midst of the successful London economy is quite simply unacceptable both economically and socially. Over 30 per cent of working age Londoners are not employed⁹⁸ and 600,000 working age Londoners have no qualifications at all⁹⁹. This holds back London's economic potential and has a deep and persistent impact on the capital's crime levels, health outcomes and poverty.
- 4.12 There are three broad reasons for London's high levels of worklessness: first, London has more people from groups nationally disadvantaged in the labour market, such as lone parents and those with health problems and disabilities; secondly people in these groups tend to have higher rates of worklessness in London than in the rest of the UK; and finally various London specific factors, such as the high cost of living and the availability of affordable childcare.
- 4.13 London's population is projected to grow by around 1.25 million by 2031¹⁰⁰. The majority of the increase in the working age population is expected to come from women and from BAME people¹⁰¹, many of whom are currently most disadvantaged in the labour market. Many find that childcare is unaffordable or inflexible and London has a relatively lower percentage of part time jobs than the rest of the UK¹⁰², which often help women in particular to combine work with family life.
- 4.14 Addressing low levels of skills, confidence and work readiness must take into account the wider barriers and multiple disadvantages that are frequently faced by many Londoners. For those with multiple disadvantages, a personalised approach, tailored to individual circumstances is proven to work better than a "one size fits all approach" or one that targets each barrier separately.

4.15 London's employment is influenced by the wider benefits system. For example, for many on housing benefit, there is little financial incentive to take up employment available to them. Two out of every three Jobseeker's Allowance (JSA) claims are repeat claims from people trapped in 'revolving door' employment and of those that leave benefits one in two is back claiming benefits within six months^{103 104}. The Mayor wants to encourage public agencies tackling worklessness to focus primarily on the achievement of sustained employment outcomes for their customers – measuring this, publishing their success and making this the primary financial incentive in their provision.

What the Mayor will do

4.16 The Mayor will seek as much flexibility as possible in London in the design and delivery of welfare to work support (which is largely the responsibility of national government), so that it is better focused on addressing the capital's specific needs. He will promote a combination of stronger incentives, improved opportunities and more relevant targeted support to help people get into work and to progress. He will seek to ensure a focus not just on getting people a job, but also helping people stay in work and progress. He believes people should be better off in work rather than out of work. The Mayor will encourage innovation in delivery of employment support. Given there are localised high concentrations of worklessness across London, as indicated in

the Evidence Base¹⁰⁵, he wishes to ensure a particular focus on delivering more integrated and effective approaches are delivered in these neighbourhoods.

4.17 The Mayor will work with partners to reduce the employment rate gap for disadvantaged groups by removing barriers and disincentives to work, seeking to eliminate discrimination and providing more personalised and joined-up services to help people into employment and in career progression. He will ensure that skills and employment outcomes are maximised through the GLA group supply chain.

4.18 The Mayor continues to promote the London Living Wage¹⁰⁶ as a better standard of the wage needed, but believes that more radical measures to reform the benefits system will be necessary to address London's long standing worklessness. The Mayor supports the principle that the benefits and minimum wage system should be structured to ensure that all Londoners are 'better off in work'.

4.19 The Mayor appoints and chairs the employer-led London Skills and Employment Board (LSEB), which has a statutory responsibility to produce a strategy for employment and skills. He also has a responsibility for the strategic direction of the SFA adult skills budget in London. The LSEB has achieved real progress on joint working and enabled greater collaboration between the relevant delivery agencies working with London boroughs. He will seek to ensure that national funding streams deliver London's priorities.

- 4.20 The LSEB's Strategy sets a framework for action for employers, public sector agencies and other partners focused around a common set of objectives and targets. The LSEB target is to close the gap in employment between London and the UK to two per cent by 2014¹⁰⁷.
- 4.21 The Mayor will seek to strengthen his influence over skills and employment actions in London, working through the LSEB. The Mayor strongly believes that reforms to skills and employment services at the London level should further devolve accountability and oversight to the Mayor to ensure that services are adequately focused upon London's long-term challenges.
- 4.22 The Mayor advocates an earned amnesty for irregular migrants who have been law abiding and working in London for a number of years. A study by the London School of Economics suggested that such an initiative could add £3 billion to the UK's GDP¹⁰⁸.

Action 4C

The Mayor will work 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.

Analysis

- 4.23 A good foundation of academic qualifications and vocational skills is increasingly essential for young people's employment prospects. Young people with good school qualifications and attainment are far more likely to go on to develop higher-level skills. Many young Londoners achieve excellent qualifications, but only half of young people in London gain five GCSEs at grades A*-C, including English and Mathematics¹⁰⁹. Though it has been increasing and is now above the national average, this proportion is not enough given the requirements of the London economy, which places a premium on high skills¹¹⁰.
- 4.24 Global change will increasingly demand higher-level skills. One in two jobs will need high-level skills by 2020¹¹¹. Although London's high skills base is already strong, it requires continuous improvement to ensure London's competitiveness. Today, London has a more highly skilled workforce than the rest of the UK, but it still falls short of meeting the projected requirement.
- 4.25 A significant part of London's demand for highly skilled workers is met by non-Londoners from the UK and overseas¹¹². This ability to attract the top talent from all over the world is a key element of London's global competitiveness and London will need the skills of both those born in London and those from elsewhere. Young Londoners thus enter a highly competitive labour market.
- 4.26 The Mayor will work with everyone involved in education to give young people real opportunities in the London economy and provide employers with the workforce needed for success. The Mayor supports

What the Mayor will do

approaches to improve children's life chances that are proven to work, are family based and focus on early intervention and preventative work. This includes continued investment in targeting support to the most disadvantaged children and families. He will work with boroughs and others to support particularly vulnerable groups, including refugee and migrant children; children in care and care leavers. The Mayor, together with London Councils, has recommended that further dedicated resources are allocated to intensive work on literacy with pupils, especially those lacking the reading and writing skills expected at age 11.

4.27 The Mayor will work closely with the boroughs and with schools to ensure that educational attainment is aligned with the needs of London's labour market. Co-ordination across London will be needed to ensure that young people are equipped by schools, Connexions personal advisers and others to make the best choice regarding future education, training and career development. The best performance in London should become the benchmark for all parts of the city and young Londoners should receive high quality services.

4.28 The Mayor will promote targeted initiatives to turn around the lives of young people, who have ended up engaged in anti-social and criminal behaviour, by building their skills and confidence and getting them into employment. The Mayor, through the LDA, will also assist 16 to 18 year olds not in

education, employment or training. He will make sure that the GLA group is an exemplar employer providing opportunities for young people.

4.29 Through the LDA, the Mayor is supporting the development of up to ten Academies in London. These will develop innovative approaches to promoting academic excellence, vocational opportunities, job readiness, independence, and responsibility in young Londoners as well as the community they serve.

4.30 The Mayor strongly supports volunteering, which helps young people to develop their skills, find out more about their local community, build new networks and widen their horizons. Volunteering is a fantastic way of promoting aspiration, social skills, work readiness, and a positive role in society, along with internships and other out of school, positive activities. Whilst volunteering amongst young people in London is on an upward trend, there remains the potential to do much more. The Mayor wants to exploit the potential to secure a long-term legacy from the volunteer programmes associated with the London 2012 Olympic and Paralympic Games.

Action 4D

The Mayor will help people to secure and retain a job, working through the LSEB and with other partners to significantly improve training and employability support, with a particular focus on neighbourhoods with high concentrations of worklessness.

Analysis

- 4.31 Skills and qualifications are crucial determinants of success in the labour market. Individuals with no qualifications are significantly more likely to be without work or earn low wages. Being literate and able to deal with numbers are basic building blocks for both finding work and participating in society. Yet shockingly, more than one in five Londoners lacks these skills, as basic as checking your change in a shop¹¹³.
- 4.32 The ability to speak English is crucial for participation in both society and the labour market. As a centre for international migration, London has a very high demand for English for Speakers of Other Languages (ESOL) courses and this forms a significant part of adult skills provision in London. Recent changes to national policy on ESOL have meant that the majority of SFA funded provision is focused upon supporting employability, whilst local authorities are responsible for planning at the local level for broader community ESOL priorities.
- 4.33 Acquisition of skills in the workplace is one of the best ways to improve employability and career prospects for individuals and provide businesses with a workforce that can drive productivity and profitability.

What the Mayor will do

- 4.34 The Mayor will press for the resources necessary to address London's basic skills challenges, and work with partners to ensure that these are effectively deployed to increase the employability of Londoners.

He will also press for further devolution of funding powers to London to ensure that commissioning and delivery can be undertaken as cost effectively as possible.

- 4.35 The Mayor believes that there must be resources to support an increasing number of apprenticeships in London and employers need to be encouraged to create more apprenticeship places. Broader workplace experience, such as internships and work experience, is also an important part of boosting employability and will be promoted by the Mayor both through the GLA group and in the wider London economy. The Mayor will support progression in the workplace. The Mayor is actively supporting apprenticeships, internships and progression within the GLA group workforce. He has publicly committed to generating 3,000 apprenticeships both through direct employment within the workforce, and through the GLA group supply chain.
- 4.36 This must be accompanied by high quality advice linked to the labour market and quality standards if it is to work effectively: for example, to meet the needs of many disadvantaged groups who may not have the confidence to effectively express their requirements.
- 4.37 As the ODA and TfL have shown, much can be done to promote skills and employment through good procurement practices. The Mayor will use the very substantial procurement budgets of the GLA group to help spread and embed good practice

amongst their contractors on skills and employment, and he would encourage other major employers to do the same. He will continue to support efforts to maximise the potential for job and skill enhancement offered by events such as the 2012 Games and major projects such as Crossrail.

Action 4E

The Mayor and LSEB will work with other partners to meet the aspirations of Londoners to acquire relevant skills and qualifications to progress in their careers.

Analysis

4.38 London has an exceptionally large number of highly qualified people, but has over three low skilled residents for every low skilled job¹⁴. Job retention and career progression rates are too low. Many workers may remain trapped in low skilled, low paid jobs, leading to high levels of in-work poverty. Low pay represents a key contributor to high levels of poverty in London. In London, a half of all children living in poverty have at least one parent in work, but on low pay¹⁵. The flow of entry-level vacancies for other jobless Londoners is restricted because there is little movement out of low paid jobs. London has relatively fewer jobs in 'average' pay sectors to facilitate progression and provide opportunities for those with mid level skills.

What the Mayor will do

4.39 The Mayor wants people to be able to progress and fulfill their potential to achieve higher earnings. He wants to encourage

those with skills to move up the jobs ladder, thereby releasing more opportunities for those with fewer skills. Londoners wanting to upgrade their skills levels must be enabled to do so. The new national Adult Advancement and Careers Service (AACS) must include a focus on progression and support social mobility. The Mayor believes there will be an increasing need for 'wider' skills as increasing demands are made on workers in terms of technical, communication and personal skills. In an economy that places a premium upon innovation and creativity, there will be a particular need for entrepreneurial skills (see Action 2B).

4.40 The Mayor believes that this drive to improve skills must be tightly linked to employers' needs. In a dynamic economy such as London's, acquiring skills and qualifications needs to be matched by an ability to deploy them effectively to generate economic and commercial value. Whilst many employers already provide significant levels of training in high-level skills, the Mayor wishes to see good approaches to workforce management and development spread to all London's employers.

4.41 The Mayor believes that the necessary expansion of high skills attainment will need to be funded through a tri-partite partnership of government, employers and individuals. He will seek to support progression in the workplace and believes that the role of the public sector is to incentivise training and workforce development across all employers, especially

smaller businesses, and to ensure that employees with lower levels of skills are able to develop these in the workplace. He wants to ensure that employers and individuals value training and workforce development and take responsibility into their own hands.

Action 4F

The Mayor will help to ensure that all children in London get a good start in life, and will encourage partners to work towards the government's target to end child poverty being achieved in London by 2020.

Analysis

- 4.42 All children in London deserve a good start in life. Child poverty remains far too high: for example, 39 per cent of children in London are currently living in low-income families. 44 per cent of children in Inner London grow up in poverty¹¹⁶. These children are far less likely to do well at school, to go on to gain higher-level skills, and to find a job and progress at work. Low incomes in childhood have an important impact on children's future prospects, and therefore the nature and quality of London's future workforce. Children need the best start in life through prolonged and sustained early interventions.
- 4.43 Many of London's parents, especially lone parents and mothers in couples are relatively disadvantaged in the labour market. Worklessness, low skills and low earnings, combined with high housing and childcare costs, are all factors in London's high rates of child poverty¹¹⁷. Removing the barriers

to work faced by parents and improving career progression and skills development is therefore essential.

What the Mayor will do

- 4.44 The Mayor is a signatory to the London Child Poverty Pledge. He will work with partners through the London Child Poverty Commission successor arrangements to lobby government for more support to address the causes and effects of child poverty and ensure that London's agencies develop packages of support that enable parents to lift themselves and their children out of poverty. This includes measures to address the high costs of childcare in 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

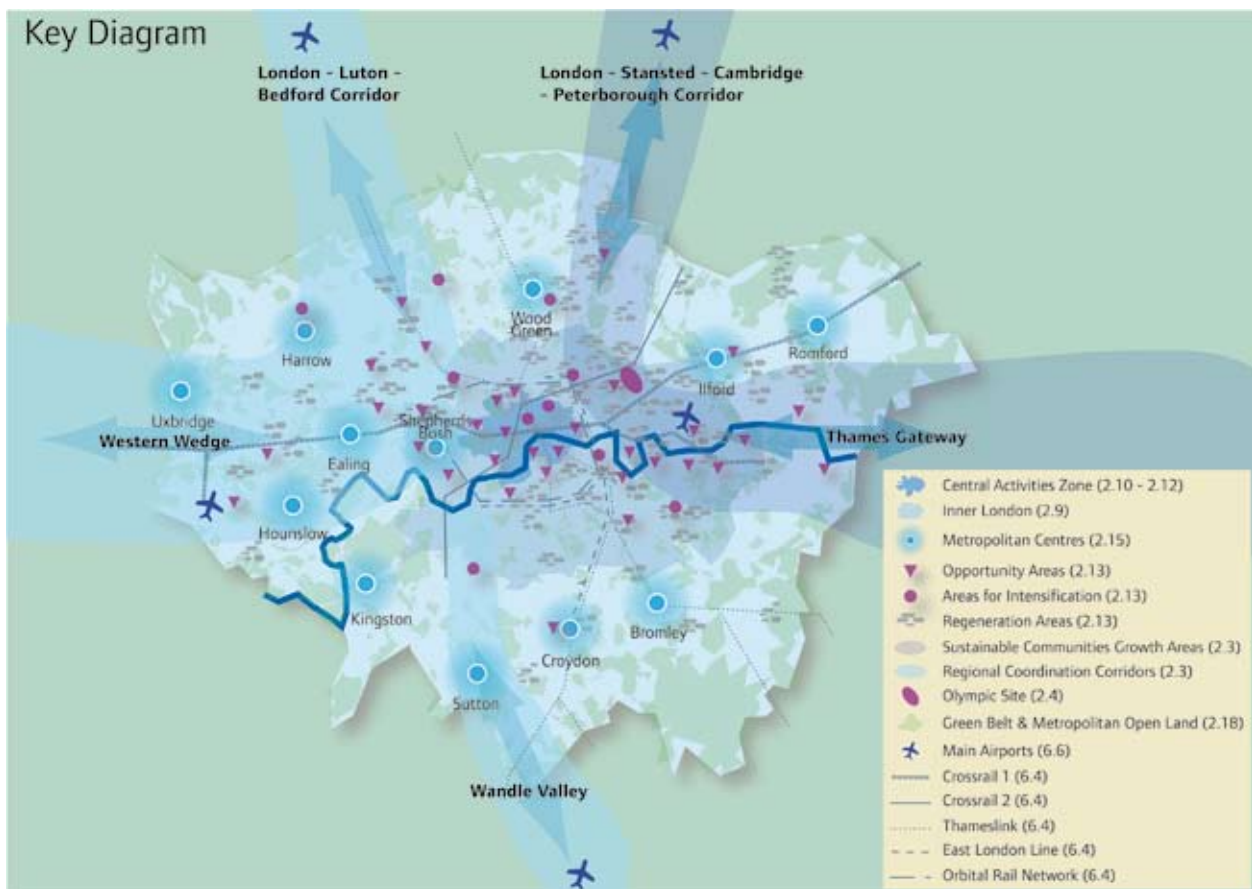
The Mayor will work with boroughs, developers and other partners to direct investment into existing major employment areas including the Central Activity Zone (CAZ), town centres and the Strategic Outer London Development Centres.

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.

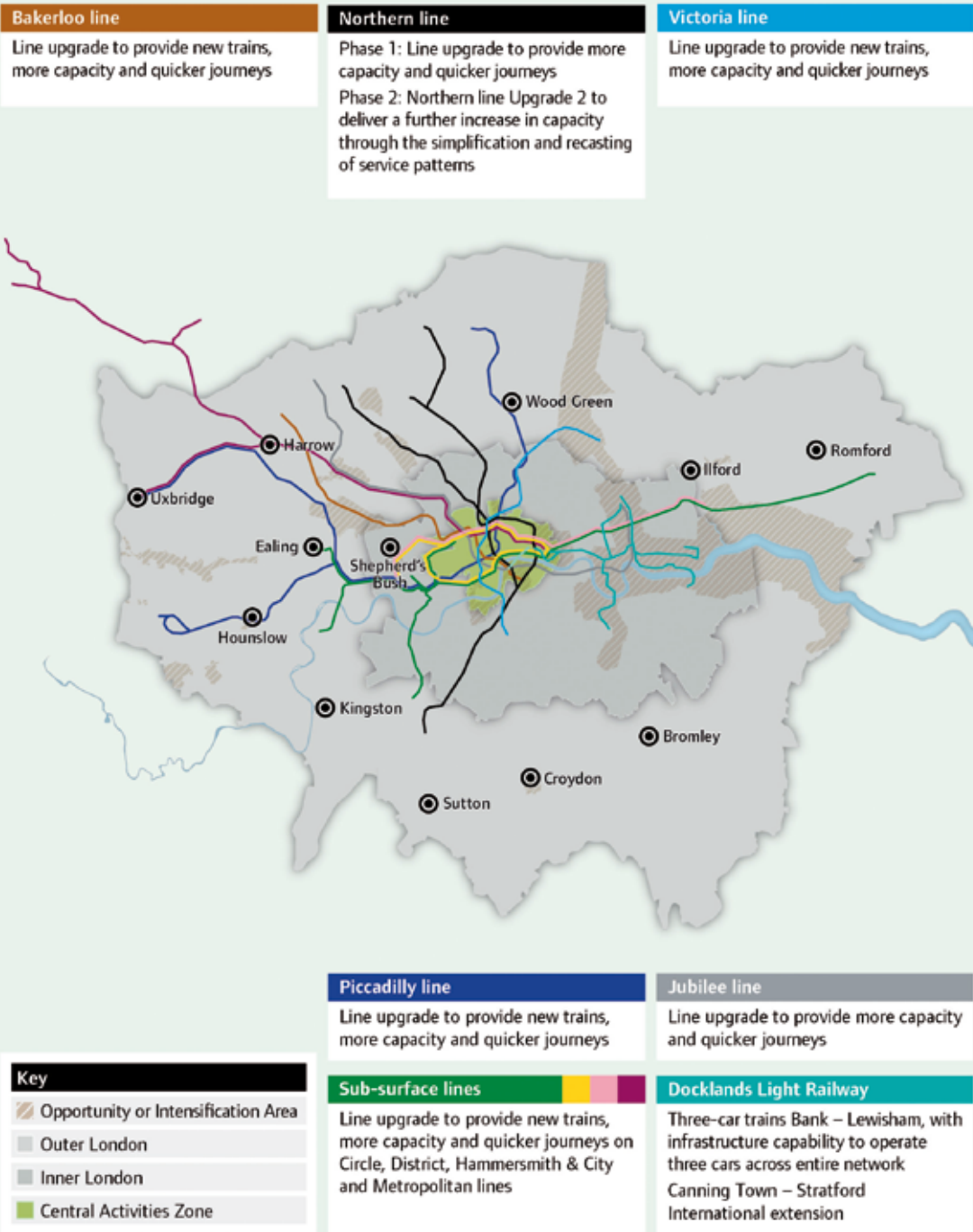
- 5.14 Outside the main concentrations of employment is a hierarchy of smaller town centres and high streets reaching down to corner shops and scattered local services. The development of these centres is primarily a matter for the local borough

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



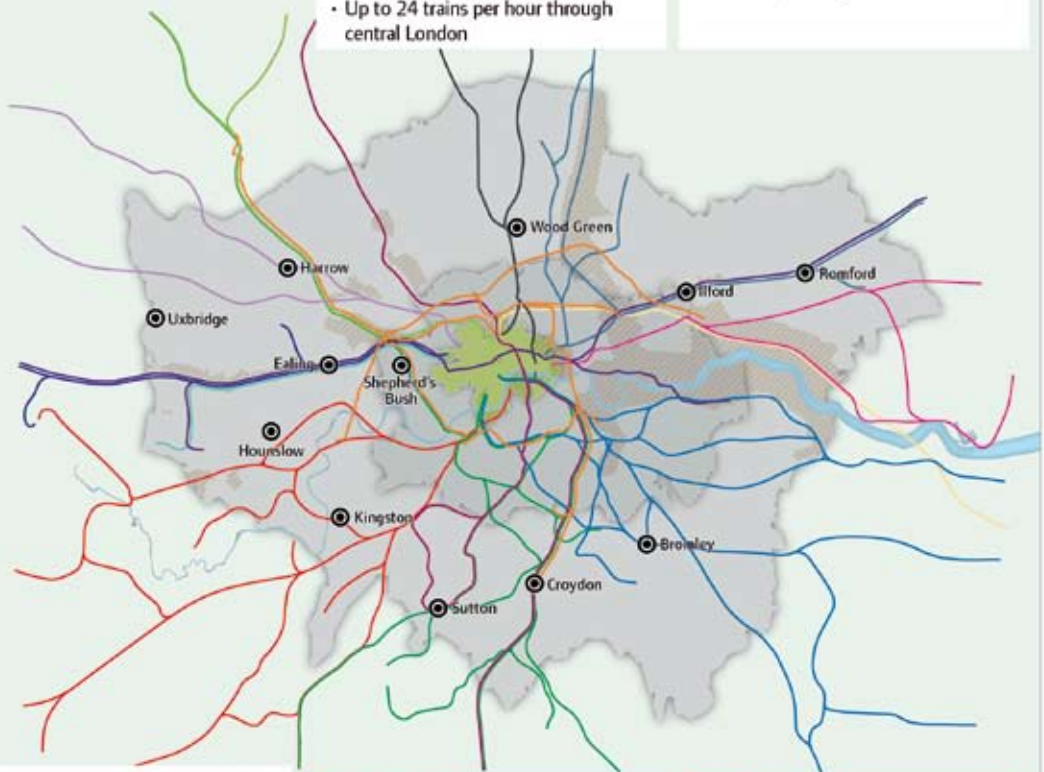
Source: Mayor's Transport Strategy, May 2010

¹ Based upon commitments in the TfL Business Plan

Map 3

Committed¹ enhancements to London's rail network

London Overground	Chiltern	Great Northern
<ul style="list-style-type: none"> - New routes from: Dalston to New Cross, West Croydon and Crystal Palace - Connection between East London line and North London line at Dalston - Surrey Quays to Clapham Junction extension, completion of new orbital route 	<ul style="list-style-type: none"> - Frequency improvements 	<ul style="list-style-type: none"> - Frequency improvements
Crossrail core scheme	West Coast	West Anglia
<ul style="list-style-type: none"> - New route from Maidenhead and Heathrow to Shenfield and Abbey Wood with 24 trains per hour through central London 	<ul style="list-style-type: none"> - Trains lengthened and frequency increased 	<ul style="list-style-type: none"> - 12-car capability Stansted and Cambridge
Great Western	Great Eastern	Essex Thameside
<ul style="list-style-type: none"> - Electrification - New Crossrail services 	<ul style="list-style-type: none"> - Additional services - New Crossrail service 	<ul style="list-style-type: none"> - 12-car capability on all routes
Thameslink		
<ul style="list-style-type: none"> - 12-car capability - Up to 24 trains per hour through central London 		



Key	South Western	South Central
<ul style="list-style-type: none"> - Opportunity or Intensification Area - Outer London - Inner London - Central Activities Zone 	<ul style="list-style-type: none"> - 10-car Windsor lines and inner suburban capability 	<ul style="list-style-type: none"> - 10-car inner capability
		South Eastern
		<ul style="list-style-type: none"> - 12-car inner suburban trains

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.

Annex 1

London Plan objectives and Transport Strategy goals

The London Plan has six objectives, which are to ensure that London is:	The Mayor's Transport Strategy has six broad goals, which are:
1 A city that meets the challenges of economic and population growth	1 Support economic development and population growth
2 An internationally competitive and successful city	2 Enhance the quality of life for all Londoners
3 A city of diverse, strong, secure and accessible neighbourhoods	3 Improve the safety and security of all Londoners
4 A city that delights the senses	4 Improve transport opportunities for all Londoners
5 A city that becomes a world leader in improving the environment	5 Reduce transport's contribution to climate change and improve its resilience
6 A city where it is easy, safe and convenient for everyone to access jobs, opportunities and facilities	6 Support delivery of the London 2012 Olympic and Paralympic Games and its legacy

Annex 2

Short economic history of London

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Introduction

London is one of the world's key global cities. It is the premier international financial centre and, with New York and Tokyo, forms part of the so-called 'golden triangle' that links Europe, the Americas and Asia in a highly interdependent web of financial flows, information networks and human capital that together constitute the global financial system. This essay develops a broad narrative of the evolution of London's economy since the medieval period, providing a context in which to interpret its key characteristics as an urban economy of great significance and complexity. History cannot predict the future but it can place current trends in a longer-term perspective. By examining the foundations of London's economic distinctiveness and subsequent transformation over the last one thousand years, the argument here will highlight those enduring attributes of the metropolitan economy that help explain its resilience and capacity for renewal that lie at the heart of all great cities. The essay comprises four main sections: first, it examines the nature of the medieval economy in the capital with particular reference to the changing dynamics of trade, the evolution of craft skill and the structure of manufacturing; second, it explores the early modern economy, focusing on how London's trade, business and services became recognisably more modern in size, structure and organisation; third, it charts how in the modern era the changing economic structure of the capital responded to the opportunities and challenges of the age of industry and empire; fourth, it brings the story to the end of the twentieth century with reference to the experience of the metropolitan economy in the post-war years.

Medieval London: craft skill, manufacturing and trade 1000-1500

London started with the Romans. Although the city declined substantially after the Romans left, the foundations for London's development into a leading European commercial and trading city after AD 1000 can nonetheless be traced to that period. The Roman bridging of the Thames and the location of the city on the northern bank, as a key hub within an extensive network of roads, together with ready access by river to the sea, gave distinctive advantages to subsequent merchants and traders. These locational advantages were directly influential in shaping the nature, direction and volume of London's trade links in the medieval and modern periods too. But the case for looking at London's medieval economy is wider than this. In the period between 1000 and 1500 some of the key factors behind London's enduring economic dynamism can be discerned, as the city moved from being a predominantly regional centre within a clearly defined local hinterland, to a metropolis on a world scale. Determining the population of the capital in this period is notoriously difficult, but for AD 1300 a figure of between 80,000 and 100,000 is now generally accepted.

Trade was the basic foundation of London's commercial power. English exports were dominated by wool, initially in its raw state though increasingly woven into cloth, and London dominated the trade. Other exports of note included tin, pewter, coal and various animal products like butter, cheese or hides. Corn, which was a major export from other port towns, rarely figured in London's foreign business due to the vast consumer demand to

be met locally. The significance of overseas trade cannot be over-estimated but it is important to note that it was not always native Londoners who controlled the business. Alien groups from Northern and Southern Europe were also active participants. London's relative openness to foreigners underscored its success as a trading metropolis. Merchants from France, the Low Countries, Scandinavia, Central Europe and Italy gathered in the city, often residing in the waterfront zone designated for overseas traders. Notably some made the transition from merchants to bankers and financiers, becoming key to the city's future economic prosperity.

Key imports included fine textiles, furs, copper, weapons, and armour, together with wine, fish and spices. Many such commodities were supplied to the city's wealthy elite, including royalty and the surrounding ranks of nobles and aristocracy who resided in the metropolis. This density of purchasing power set London apart from all other cities in the kingdom. The city performed an important national distributive role too as goods were sent out to the provinces to meet local demand. This interdependence between London and the country was another important factor shaping the metropolitan economy. In certain sectors, such as woollen cloth, London was not the site of production, but performed an important role as a centre of marketing and distribution. For example, London drapers acting as middlemen, bought cloth from all over England to sell at Blackwell Hall. The return flows of trade brought a vast range of imports to the provinces.

By the early-fourteenth century London was the pre-eminent city in England. The 1377 Poll

Tax recorded more than three times as many taxpayers in the city compared with York and Bristol, the next two cities in the late fourteenth century urban hierarchy. However, not only the scale of its economic activity distinguished London but also the diversity of its economic structure. Despite the prominence given to its trading status it was by far the largest centre for manufacturing in the country too. The size and wealth of its local market could support a greater variety and more specialised activity than elsewhere. As a site for conspicuous consumption London promoted craft production that relied upon a high input of skill using valuable raw materials. Examples included the goldsmiths, other metalworkers such as bell casters, together with painters, sculptors and fine textile finishers. The breadth of goods made and the diversity of skills developed deserves emphasis; no other town in the kingdom could provide the market characteristics to support such specialised production, where demand was infrequent and skills at a premium. Custom made or high quality small batch production was generally located in workshops, but there were some larger-scale industries too, including cloth dyeing, tanning and brewing.

As trade and manufacturing in London continued to develop the service sector also grew. In the twelfth century the profession of 'shopkeeper' was only to be found in London, referring to someone whose prime function lay in the display and sale of goods. Although many such 'shops' had manufacturing functions, others were stand-alone retail units employing substantial numbers. The scale of the metropolitan economy was again the key to

explaining the volume and diversity of the retail sector, where many were involved in servicing a mass market for consumer goods. Allied to the retail sector was the provision of food to the metropolis, an immense task that stimulated a multiplicity of food markets around the capital. Finally, the demands of the local market began to encourage increasing specialisation as scriveners, apothecaries and others provided for the needs and wants of the aristocracy and the great London merchants.

One important consequence of the increasing scale and diversity of economic activity in the metropolis was the emergence of a series of specialised commercial and business districts much earlier in London than in other towns. Distinct neighbourhoods, such as retailing in Cheapside or markets in corn and malt in Queenhithe patterned the city, characterised by an interdependence of commodity markets and craft skill. This was the foundation of a detailed economic geography, with particular trades focused on particular streets that persisted well into the twentieth century. With ready access to money markets and labour, this close-knit topography of economic activity allowed flexibility in production that was only effective on a large scale in the capital.

Early Modern London: population growth, 'big' business and the rise of services 1500 to 1700

The growth of London's population between 1500 and 1700 was dramatic: from around 75,000 in 1550 to 575,000 in 1700. Such growth propelled the city up the European urban league table, from sixth place in 1550 to

become the largest city in Europe by 1700. Early modern London saw a transition from a relatively small medieval capital city principally based on the woollen cloth export trade, to a metropolis at the heart of the European economy. The population spilled out of the walled city and its immediate environs, eventually linking up with the city of Westminster when the Strand was constructed in the late sixteenth century. Southwark, on the south bank of the Thames, continued to develop and on the north bank suburban growth to the east was also evident. However, despite the scale of this transformation there was some notable continuity in economic life too, not least the enduring importance of trade to the city's fortunes.

It is likely that the port of London, including the shipping industry and ancillary trades, employed around one quarter of the working population by the early-eighteenth century. In this period, as in the medieval phase, the export trade was dominated by woollen cloth, shipped to the key European markets. Traditional heavier cloths gradually fell out of favour though and new lighter draperies were produced specifically for markets in southern Europe and the Mediterranean. But the significance of maritime trade went beyond shipment and storage. Many important London industries processed imported raw materials or finished domestic manufactured goods for export. These trends signalled a key shift from the medieval period when the high-end consumption needs of the city's elite dominated commerce in the capital.. By embracing a large-scale 'entrepot' trade London became more successful as a city that could add value too, broadening out its economic base.

The re-export trade grew substantially in the seventeenth century, drawing upon London's well-established web of merchant trade connections to break up bulk imports for onward shipping to a wide variety of markets. By 1700 the re-export of commodities like tobacco, sugar, pepper and manufactured goods like linen and silks comprised nearly two-fifths of the total of London's overseas trade. Further, London merchants profited from the trade in goods passing directly between foreign ports, rather than bringing them through London, in a fascinating prelude to the role London would play as clearing house for the world economy during the nineteenth century. The capital's export trade was being transformed in this period by merchant adventurers seeking out new overseas markets, as well as the impact of the discovery of the Americas. Colonisation, including slavery, had a substantial impact on the metropolitan economy by increasing trading opportunities for the import of raw materials in exchange for the export of manufactured goods. In this London mirrored the national economy though the range of contacts and trading relationships surpassed all domestic rivals, such as Bristol, Liverpool, Newcastle and Hull.

All this had a spin-off for other branches of the London economy: new large-scale trading companies were established, often by Royal Charter, to organise the flow of trade with more distant regions of the globe; larger shipping was required to move bigger volumes over longer distances; industries in the capital benefited from extra work in the finishing, refining, processing and warehousing of commodities and goods for the export and re-export trades.

Despite the emphasis on exports it was imports that proved more profitable for London's merchants. These included luxuries like wine and spices, but also what might be considered basic goods like hats, soap, paper, mirrors and glass. These latter items reflected the lack of domestic production in these areas and gradually were replaced through import substitution, as local craftsmen were motivated to innovate or simply copy in response to foreign competition.

London was also a key to the articulation of the nation's internal trade. Flows from the provinces to the capital largely comprised food, timber and coal for fuel and raw materials used in a range of metropolitan industries. Added to this were part-finished manufactures that could be worked up in London's workshops and factories for either sale locally or export. Return flows to the provinces chiefly comprised the movement of imports to provincial markets and retailers, along with London-made goods for the domestic market. This internal trade stimulated a huge growth in transport services, as goods were moved around the country by cart, wagon, navigable river or coastal trading routes.

Manufacturing continued to develop in the metropolis throughout this period. Goods ranging from weapons and ordnance to haberdashery, ironmongery, hats, paper and stationery were all significant. Many sectors of the London economy underwent substantial restructuring in this period too, as large-scale strongly capitalised businesses began to supersede the small independent masters and workshops of London lore. In this the capital was not unique, but was responding to wider

changes in the English economy, though given the size and diversity of its economic base, the shifts took on a special significance.

Finally, the service sector gained a distinctive importance and scale that was largely absent in the preceding medieval period. Law, for example, grew substantially, as did medicine and work for those involved in the bureaucracy of government. Banking was in its early stages, but from the mid-seventeenth century specialised banking houses had begun to emerge from the goldsmiths and scriveners who preceded them. In large measure these developments were responding to the opportunities to service the aristocracy and gentry in the capital. Driven by the interests of the Court, many aristocrats sought to reside for part of the year in the metropolis, bringing with them a demand for housing and conspicuous consumption that stimulated London's service economy as well as specialised manufacturing.

By the early eighteenth century London's economy had become more diverse and also more modern in structure. In the mid-sixteenth century two thirds of the working population had a connection to the cloth trade. By the end of the seventeenth century many new industries had been added. These included refining or finishing colonial produce, import substitution of various kinds, or manufactures to meet the new consumer demand for luxury commodities. Diversification was one of the chief defining characteristics of the capital compared with other large cities in the nation. The scale of business had changed significantly and although many small craftsmen still persisted in

manufacturing, the large corporations began to wield increasing influence.

Modern London: industry and empire 1700-1945

After 1700 London grew enormously, reaching 675,000 in 1750 and 5.5 million by 1891. Despite its size, however, the capital is largely absent from the classic accounts of British industrialisation. The development and intensification of production in a variety of provincial settings gave visible expression to the changes brought about by the industrial revolution. This is why the Midlands and North are so prominent in histories of British industrialisation. The factory system that came to dominate production in these places never really took hold in London.

Yet London remained a flourishing centre of manufacturing, even as late as 1851 it was still the nation's largest manufacturing city. The distinction between manufacturing and industry is significant, as with a few notable exceptions London didn't come to rely upon large-scale industrial production in the classic sense. Nonetheless, its sheer size as a market meant it generated a large and continuing demand for the products of the industrial revolution. The well-known phrase 'coals from Newcastle' pointed to the intensive coasting trade that brought fuel to London from the Great Northern Coalfield, via the North Sea and the Thames. The metropolis stayed central to the economic life of the nation in other ways too, acting as a hub for capital, information and expertise in banking, finance, shipping and insurance. The growth in trade volumes handled by London was

reflected in the construction of a series of new monumental docks downstream from the City in the early-nineteenth century. Their names, including the West and East India Docks gave clues to the source of their trade. The widening and deepening of connections between Britain and her empire over the eighteenth and nineteenth centuries had a significant and enduring impact on London's economy.

London was never an archetypal industrial city in the way Manchester became dominated by cotton textiles or Halifax by woollen cloth. The scale and diversity of economic activity in the capital always lessened the likelihood of any undue dependency on a narrow range of industries. This didn't mean industry was absent from the city though. The nature of industry in the city during the industrial revolution is best characterised as bi-polar. Large-scale organisation of production, the closest London came to developing a true factory system, was reserved for those sectors serving the huge consumer demand in the capital, including brick-making to fuel the extensive growth of the Victorian suburbs and brewing to slake the thirst of the burgeoning population. Complementing these large-scale industries were the many small-scale workshops, including sweatshops, typified by the textile producers of the East End. The business organisation and methods of these smaller-scale producers give important clues to the vibrancy of the metropolitan economy in this period. Where the large industrial cities of the Midlands and the North, many relying upon a narrow range of resources and industries for their prosperity, were always vulnerable to longer-term structural shifts in demand and competition, the

workshops of the capital gained in flexibility what they gave away in pure size.

In this sense the idea of a close-knit series of industrial districts is a better way of conceptualising London's manufacturing base, than seeking evidence of the factory system proper. Flexibility gave London a leading role in the emergence of an enterprise economy, where circuits of informal information flow and casual methods of employment meant entrepreneurs could respond quickly to changes in taste and consumer demand by varying batch production of both high and low value goods. Drawing upon the wide variety of skill and tradition of innovation in the metropolis, together with a large, flexible workforce, the dynamism of London's Victorian economy stood in sharp contrast to the emphasis on mass production of standardised capital and consumer goods in the classic industrial cities of the period.

Whilst manufacturing was important to London's economy, of greater long-term significance was the sustained growth in services. The nineteenth century was the period when London rose to 'world city' status. In fact it was the only city anywhere that could truly claim this title before the twentieth century. In the Victorian period the City of London built on the advantage gained over European centres like Amsterdam in the later-eighteenth and early-nineteenth centuries to become the one undisputed world financial centre after 1850. The City grew wealthy by serving both domestic and international markets, mirroring the traditional dual focus of London as a whole. Over the eighteenth century it had begun to develop a

sophisticated money market that provided credit to balance the varying capital requirements of the different regions of the nation. Into the nineteenth century its role in international finance deepened, especially through links with the British Empire and those areas where Britain exerted informal imperial control.

By the 1870s the City could reasonably be characterised as the 'clearing house' for the world economy, providing capital, credit, insurance and shipping services for a large part of the globe. Much of this involved the organisation of trade flows between Britain and her colonies, where the London docks took on a prominent role in the import of raw commodities and the export of manufactures.

Of great importance too was the capacity of the City to provide banking and financial services for the world; financing, shipping and insuring cargoes between third parties that never touched Britain's shores. The 'Bill on London', together with the rise of sterling as world money backed by the gold standard, emphasised the importance of trust in the development of the City's world financial role. A trader in India, shipping tea to Australia, would almost certainly have had no direct knowledge of his Australian counterpart, but both knew and trusted a merchant bank in the City of London to underwrite the deal. The deep pool of commercial expertise, as well as access to capital and credit, propelled the City forward and provided employment for many thousands in the service sector. Paralleling the commercial and financial economy was the substantial growth in government employment, largely concentrated

in Westminster, and the whole panoply of service sector employment associated with the capital's national and world city status. Newspapers and the business of information; theatres, clubs and places of leisure and entertainment; personal and domestic service for the aristocracy residing in the West End squares; booking clerks for the increasing numbers taking foreign holidays, were just a few examples.

These shifts in the nature of employment in London led to a reshaping of the geography of economic activity too. The City saw sustained residential depopulation from the 1860s onwards, as commercial office space pushed domestic residents and later industrial users out to the periphery of London and beyond. In part this was enabled by the revolutions in transport that allowed an expansion of commuting beyond that provided by horse drawn vehicles. The railways were crucial in facilitating the physical growth of London as suburbanisation gathered pace across the city from the middle decades of the nineteenth century.

Within the City itself clearly defined specialised business districts, in formation since the medieval period, came into sharp focus. Three were of particular note: the central financial district around the Bank of England and the Stock Exchange; the colonial goods district centred on Mark Lane and the commodity exchanges leading down to the river; the textile marketing district north of St Paul's, where the products of provincial manufacturers joined London textile goods in a series of large warehouses-cum-emporiums marketing to the nation and the world. Downstream from the

Pool of London were wharfs, warehouses and docks together with their associated maritime trades. To the east and north east of the City were the textile workshops of the East End, including the important silk weaving sector centred on Spitalfields. To the north east lay an important metal working district, including high-value specialised producers of clocks, watches and furniture centred on Clerkenwell. Across the river in Southwark, tanning and leather working had a strong presence, as well as brokers and dealers in hops, brought up from Kent to feed the London breweries. Immediately to the west of the City was the legal quarter centred on Lincoln's Inn and the Temple. Further west came Westminster, seat of government and the civil service, but also of royalty and the aristocratic residential squares of the great estates, all providing a stimulus to high-value shopping and entertainment captured by the term 'West End'.

In the interwar years new forms of economic organisation began to make a further impact on the geography of employment in the capital, as new large-scale factories emerged on the 'Fordist' model. Many were American in origin, such as Hoover or Gillette. As early examples of multinational business they chose to locate on the arterial roads and new business parks on the outer fringe of West London. With the developments of the so-called 'second industrial revolution', most notably electricity and the internal combustion engine, the old locational requirements of industry were stretched as large corporations eschewed expensive central city locations for their major production sites. Conversely headquarters functions were invariably located in and around the City of

London, maintaining centuries of traditional affiliation with their proximity to networks of social capital embedded in the commercial and financial centre. Such trends persist today even in an age when widespread information and communication technology should, in theory, have broken the 'friction of space'.

Post-war London: from imperial metropolis to global city

Following the Second World War London's economy faced a number of significant challenges. First, a large part of the capital had been heavily bombed, including many areas around the docks and the City. Though the rebuilding of commercial and industrial premises was pressing, labour and resources were initially directed to housing that had greater need. Substantial rebuilding of the fabric of economic districts did not get moving until the early 1950s. For some industrial enterprises the destruction of plant and equipment provided a push to relocate away from the central areas of the city altogether. Second, as the economy picked up in the 1950s, labour shortages became evident and large-scale immigration from former colonies was encouraged, particularly to fill jobs at the lower end of the skill spectrum. This was a feature of large parts of Britain where labour demand was high, though the draw of the capital was strong and led to the formation of a number of distinctive new communities of immigrants to add to the long-established settlement of peoples from Europe and elsewhere. Third, the Second World War signalled in dramatic fashion that the end of the British Empire was nigh, even though it took the ignominy of the Suez debacle in 1956 to finally make this palpable to an elite reluctant

to face a world without empire. The impact on London's economy of the loss of empire, which gathered pace after Indian independence in 1947, was substantial. Even at the empire's height, though, London had always been more than an imperial capital. It had provided services not only to the British Empire and those areas of the world under informal imperial influence, but also to the rest of the world. It was a true international financial centre in this sense between 1870 and 1914. But the aftermath of the First World War saw the liberal free-trading system, based on the Pax Britannica and the gold standard, crumble as countries retreated into economic protectionism and autarky. The world after 1945 was a new dawn and, initially at least, not one that seemingly favoured London, as increasing competitive threats from other world cities like New York were increasingly felt.

Foreign competition was a continuing problem as the post-war recovery got underway. Although the years between 1945 and the early 1970s are often seen as a 'golden age' of rising output and prosperity there was clear evidence that the British economy was struggling to match the competitive threat from both established rivals and newly industrialising countries. London's manufacturing sector was not immune and in this period a process of decentralisation to cheaper locations in the provinces, or even outright failure, was set in train. These trends intensified greatly during the wave of de-industrialisation that emerged with particular force following the rise to power of the Thatcher administration in 1979. Manufacturing, both in London and elsewhere, struggled. In recent decades the shift of manufacturing out

of Inner London sites in particular, such as Clerkenwell or parts of the East End, has been partially compensated by the rise of cultural and creative industries, many of which have located in former industrial premises in these areas.

The one undisputed success story in post-war London has been the renewed success of the City of London. Its future looked bleak in 1945, with the empire crumbling and the rise of New York seemingly inexorable. Until the early 1950s most hoped for a return to the pre-war world as a solution, however fanciful this seems in retrospect. The wider political agenda reinforced this as Britain's relationship with Europe struggled to find a sound footing. What saved the City was not a planned strategy for developing new markets and opportunities, but a by-product of the Cold War. The Eurodollar market arose out of Cold War tensions, with nervous Soviets looking for a safe home for their dollars, and restrictions on US bank operations overseas in the era of dollar shortages during the Vietnam War. London, as a trusted centre of finance with historic ties across the globe, benefited as a huge pool of offshore dollars was deposited in the capital. This led to an offshore market in short and long-term lending to governments and corporations the like of which had never been seen before. This deep pool of highly liquid, lightly regulated, capital provided a clear basis for the internationalisation of London well before the Big Bang of 1986.

By breaking down the traditional culture of City institutions and opening them up to foreign ownership and competition, 'Big Bang' unleashed an extraordinary wave of mergers and acquisitions that had huge ramifications

for London's economy in many sectors. Whilst the economy of London cannot be reduced to that of the City, it is nonetheless remarkable how widespread its impact has become. Many of the London-based business services like accountancy, corporate law, IT and management consultancies count City clients as prime generators of business. In the property sector the changing nature of demand for office space, driven by the need to incorporate the new technologies underpinning screen-based dealing in increasingly complex financial products, led to substantial redevelopment in the City itself, but also many City-fringe areas and, above all, Docklands. Although recent events in the global economy have undoubtedly affected levels of employment and income generation in the City, London remains the world's premier international financial centre and a true global city of the first rank.

Conclusion

The development of London's economy since the medieval period has been remarkable. The city has been transformed from a relatively small capital city focused on a regional hinterland, to one of the key metropolitan centres of the twenty-first century. Perhaps more remarkable, though, is the sheer length of time which London has exerted a dominant influence over both its national sphere and the emerging world economy. What, then, are the continuities in the essential qualities of its economy that have allowed this to occur?

Location

Location has always been crucial. This is not geographical determinism, but a simple

acknowledgement of the benefits of a site well connected to the rest of Britain, but also close to Europe. Human capital needed to capitalise on this, but the site established by the Romans has proved to be enduringly attractive. The emergence of a dense network of commercial interdependencies in northern Europe from the later medieval period, for example, favoured London with its large tidal estuary and good access to channel ports. Even today, although the technological capacity for economic interdependence across the globe has changed beyond recognition, location still matters. London, as Europe's global city, has capitalised on its position in the world's time zones as a bridge between Asia and the Americas.

Trade

London first gained a prominent position in Europe as a consequence of trade. The importance of manufacturing to the city would wax and wane over subsequent centuries, but from the medieval period to the present day the capacity to trade has remained key to the city's economic success. Whether it was woollen cloth in the fourteenth century, sugar, tea or spices in the seventeenth century, arms and precision engineered goods in the nineteenth century or banking and financial services in the later-twentieth century, London has flourished because of a political and cultural context that favoured trade. This went beyond the ideology of 'free trade' in the conventional sense, to include openness to foreign participants in the London economy. From the medieval period immigrant groups have made a huge contribution to the economic success of the city, often making the transition from merchant to

banker or financier and some becoming part of the commercial elite of the capital. A willingness to foster such a cosmopolitan population remains one of the key drivers of renewal of the city's economy.

Scale and diversity

London's economy has always benefited from its capacity to sustain a wide variety of economic sectors. From an early stage the capital had a density of purchasing power unmatched by any other British city, and few overseas. The Court, aristocracy and gentry, professions and, in due course, the metropolitan middle class, all served to stimulate the capital's economy. The level of demand for luxury goods and conspicuous consumption drove not only an increasingly diverse range of imports, but also led to significant innovation by London's craftsmen and artists to supply this rich market with goods like clocks, watches, jewellery, furniture, paintings and sculpture. The consequence was that London developed a skilled workforce earlier than most other cities, but also one that because of the scale of demand could be sustained over the long-term. Though large-scale industry in the nineteenth century seemed briefly to dim London's power in favour of the classic industrial cities of the midlands and the north, London remained the nation's largest manufacturing city. Whereas many industrial cities traded diversity for scale, in the form of the factory system, in London the two were not mutually exclusive. In services London had always been dominant. The significance of this sector grew significantly over time and the structural transition from manufacturing to services that eventually affected the nation

as a whole during the second-half of the twentieth century was well underway in London in the nineteenth. As banker and trader to the Empire and the world the demand for service employment in the capital was far in excess of any other city in the nation.

Flexibility

The flexible organisation of economic activity in the capital, whether in manufacturing or services, has always been central to its success. The range of market demands, coupled with the interwoven nature of many of the city's information networks, meant that innovation and rapid response to changing needs, wants and desires could readily be achieved. The social and economic topography of the city, formed initially in the medieval period, but reinforced and added to in subsequent centuries, produced an economic geography that encouraged such specialisation and interdependence. These networks of skill, resources and knowledge operated at different scales: between streets and neighbourhoods and between districts of the city as a whole. The social capital that bound these together and allowed sharing of expertise, credit and information became centred on the coffee houses from the early modern period, a role now assumed by the wine bars and restaurants of the city.

Globalisation: plus ça change?

Since the medieval period London has managed to combine roles as a national centre for business, government, culture and consumption with an enduring external orientation. This characteristic duality makes London unique in Britain's urban history. Of all the key global cities

in the contemporary world economy London has the clearest historical path dependence. Between 1000 and 1500 London developed into a key European trading city, important but not yet a dominant force in the continent. Nonetheless its openness to foreign business interests demonstrated a vision that the world beyond the kingdom's shores was vital for its prosperity, even before the British nation had fully come into being. In economic terms London in this period is best understood as a city-state, competing with similar rivals in northern and southern Europe, rather than the capital city of a mature integrated nation-state. Between 1500 and 1700 London's standing in the world grew. Union with Wales in 1536, and Scotland in 1707, saw London secure its status as capital of Britain whilst for the first time it became indisputably the largest city in Europe and subsequently the world. Adopting an aggressive commercial capitalism it took advantage of new areas for trade, including significantly the colonies of North America and the Caribbean. The early Chartered Companies based in the capital, like the East India Company and South Sea Company, also date from this period and stand as early examples of multinational businesses. These trends intensified over the eighteenth century and in the nineteenth London became the first true world city of modern times. Between 1850 and 1914 it was the world's banker and financier, the world's insurer and a central node in the developing international transport and communications infrastructure rooted in the telegraph and the steamship. The British Empire, with London at its heart, was a key driver of the contemporary global economy. After 1945 the immediate significance of empire

faded, yet London capitalised on its native skills and historical connections to re-emerge as the world's leading international financial centre and one of the 'big three' global cities. Globalisation, despite contemporary hype, has been a long historical process driven by just a few key countries. London was, and continues to be, central to that story.

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- 131 The household saving ratio has recovered strongly, averaging 7.7 per cent in the second half of 2009, after reaching a low of -0.7 per cent in the first quarter of 2008. The recovery was likely due to increasing perception of risk as a result of the financial crisis, following the collapse of Lehmans. Source: ONS Quarterly national accounts, 4th Quarter 2009 and ONS Economic & Labour Market Review Vol4, No. 5 May 2010
- 132 The establishment of Infrastructure UK in 2010 is a recent example
- 133 Public Expenditure Statistical Analysis, 2008
- 134 'Tax export' set out in 'Filling the Coffers: London's Tax Export' GLA Economics, 2008
- 135 The forecasted employment growth rate in the Central Activity between 2007-2031 is around 15%. Economic evidence base, GLA Economics May 2010
- 136 Economic evidence base, GLA Economics May 2010
- 137 The outer London projected population growth rate between 2007-2031 is around 12%. Economic Evidence base. GLA Economics May 2010

- 138 Economic Evidence base, GLA Economics
May 2010
- 139 'The Economic Benefits of Crossrail', Colin
Buchanan and Volterra, 2007
- 140 The Mayor's Transport Strategy, May 2010
- 141 Greater London Authority, London
Development Agency, Transport for London,
Metropolitan Police Service/Metropolitan
Police Authority, London Fire and
Emergency Planning Authority/London Fire
Service
- 142 ACI 2008
- 143 Economic Evidence Base, GLA Economics,
May 2010

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Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Hindi

यदि आप इस दस्तावेज़ की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دئے گئے پتے پر رابطہ کریں

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

