



Background Report.

## London and New York in the 21<sup>st</sup> Century.

New Competition and New Opportunities: can London and New York still be the leading world cities in 2100?

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## **The Organising Partners**

### **London South Bank University's London Economic Policy Unit (LEPU)**

Founded in 1983 by the late Professor Sam Aaronovitch, LEPU has gained a notable reputation for its challenging seminars, expert research and seminal publications. The Local Economy journal, launched by the Unit, remains one of the most respected in its field.

LEPU is being re-launched as part of the new strategic direction being developed by London South Bank University. In particular, the University is playing a more active part in the regeneration of its own hinterland in London, but it is also reaching out through partnership work and networking to a wider audience, both nationally and internationally. Building on a strong curriculum base in social policy, the built environment, knowledge transfer, business and the economy, the University is seeking, through LEPU, to engage the practitioner community in order to foster effective local economic development. With the support of experienced professionals, both outside and inside the University, and through association with OECD's LEED programme and other organisations, LEPU seeks to recapture the vitality, energy and innovation of its original mission.

### **New York University's Real Estate Institute (NYUREI)**

The Real Estate Institute of New York University, based within the School of Continuing and Professional Studies, is a major center of both graduate study, with over 700 candidates for the degree of Master in Science for Real Estate and Construction Management, and with an enrollment of over 8,000 in career advancement courses in real estate practice. The Institute is well-known for the expertise of its full-time and adjunct faculty who are active professionals in the fields of real estate, finance, economics, law, valuation and development, for its major conferences that feature leaders in the New York and U.S. real estate industry, and for the relationships established with practitioners, scholars and public officials across the nation and around the world.

### **Urban Land Institute (ULI)**

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating thriving communities worldwide. ULI is a non-profit research and education organisation founded in the USA in 1936 and dedicated to the best in land use policy and practice. It has over 40,000 members worldwide including over 2,400 in Europe representing the entire spectrum of land use and development disciplines in both the private and public sectors. The ULI is the leading multidisciplinary industry forum encouraging the exchange of ideas, information, and experience, and a think tank where members grow through sharing, mentoring, and problem solving.

ULI is a non-partisan research and educational institute directed by its members and supported by dues. ULI neither lobbies nor acts as an advocate for any single profession or industry. The Institute operates on a \$55 million budget with a global staff of 140 headquartered in Washington, D.C. At the heart of the ULI experience is an open exchange of ideas, networking opportunities, and the ability to work with the leaders of the land use industry. The ULI Europe office was opened in 2004 in London and is committed to bringing timely and informative programmes to all segments of the property community in Europe.

- **Bring People Together**-ULI activities in Europe are diverse, frequent, and of high quality including conferences, invitation-only roundtable District Councils and research panels.
- **Provide Information**-ULI leadership in education and research examines key trends and issues, provides practical tools for industry professionals.
- **Share Best Practice**-ULI draws upon the knowledge and experience of its members to encourage and recognise excellence.

## **Foreword:**

**Dame Judith Mayhew Jonas, Chair, London Committee and Carl Weisbrod, Chair, New York Committee.**

Seven years ago a team of experts and researchers from both London and New York put together the first ever comparative study of the performance of these two great cities. *The London - New York Study: the economies of two great cities at the Millennium*, published by the Corporation of London, clearly demonstrated that the two cities had become increasingly similar in their economic and demographic structure, in the challenges each faced, and in innovative approaches to problem solving that each sought to implement. In fact, London and New York had become more similar to each other than to any city in their own country, region, or continent. For many of us in 2000, this striking conclusion began a journey to determine how these two cities would react to global forces and where they might find common cause in meeting the challenges of the new Millennium.

Today, in 2008, many of the original teams that worked on that landmark study in 2000 are again thinking about London and New York. Over the coming months these teams will be joined by new partners -- the Urban Land Institute (ULI), New York University's Real Estate Institute, and London South Bank University's London Economic Policy Unit. Our objective is to put the experiences and issues confronting London and New York before business partners and civic leaders through publications, workshops and conferences. This initial paper by Greg Clark, who was the co-ordinator and a co-author of the first study in 2000, provides a fresh review of how the two cities are faring, assesses how their fates may well be intertwined, and offers an agenda for work going forward.

We are delighted that ULI, NYU and London South Bank has joined with our teams (including Tony Travers, Rosemary Scanlon, and Meg Kaufman, the Study Directors from the 2000 project) to bring this agenda to the many investment and development professionals in both cities. We believe that this will enable the next phase of the London - New York dialogues to reveal important insights for the two cities and for a wider global audience concerned with how our major cities contribute to contemporary life.

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## **The Author.**

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## Preface

### The London - New York Dialogue.

This is not a review of competition between London and New York City. It is an assessment of how the two cities can use their competitive instincts to be successful in the 21<sup>st</sup> Century when many other cities will seek to emulate the success London and New York had in the last 100 years.

This report is not just for readers in London and New York City either, though it may appeal to them most. It is for all people who are interested the long term success of the system of world cities that is emerging through the growth of multi-national corporations, global trade, and the rapid population and re-population of the world's leading cities. The emerging world cities in the fast growing newly industrialised countries may find that lessons from London and New York are essential as they chart their path towards Century 22. Other established world cities, and those that are rapidly emerging, may find this report of interest too. The goal here, however, is to stimulate a debate, and this paper has the intention of raising issues, rather than concluding them.

Previous comparative studies of London and New York have provided a useful background to substantial exchanges between the two cities in the fields of urban management, international promotion, crime, safety & policing, environment, transport policies and infrastructure finance, and arts and culture. Practitioners and leaders in both cities have participated in practical dialogues that have promoted innovations and encouraged new initiatives. These have often been led by the city governments, and augmented by more informal exchanges on the business side.

Beginning in early 2008 the Real Estate Institute of New York University and the Local Economy Policy Unit of London South Bank University have agreed to work together with the Urban Land Institute to bring forwards a year of research and debate on London and New York with a longer term agenda of further assessment and learning. The components will include:

- i. Detailed thematic research covering arenas such as Business and Economic Futures, Infrastructure, Housing, Immigration, and Urban Development;
- ii. Seminars in both cities organised by ULI in early 2008;
- iii. A conference in November 2008 in London, also organised by ULI; and
- iv. A cross cutting assessment of what New York and London can learn from other world cities, and offer to them.

One of the most significant steps taken by London's new Mayor, Boris Johnson, since his election in May 2008 has been to reinforce the mayoral relationship between London and New York. In Johnson's first week in office, New York's Mayor Bloomberg attended a meeting with the new mayor at City Hall. The two leaders discussed a shared agenda which they intend to take forwards together over the next four years. Johnson heralded the meeting as signifying a "new era of co-operation" between the two cities. The Innovation Exchange Programme, as this new cooperative agenda has been officially labelled, is designed to share best practices in government innovation. The programme involves not only the formal exchange of ideas but also transfer of personnel between the cities. It will focus on transparency and accountability, efficiency, transport, policy, education and skills and environmental policy.



Source: <http://news.bbc.co.uk/1/hi/uk/7390915.stm>

Taking this meeting as an important starting point, this paper is designed as a ‘thematic review’, informing and contextualising how this new dialogue, outlined in theory by the mayors, can be taken forwards by the cities. It is published now to help shape and build the discussion between the cities and to offer an initial take on how the cities are faring through a cross cutting assessment of recent surveys, studies, and benchmarks. Many such comparisons of London and New York have been made recently, especially in the press. These have covered financial services, city marketing and identity, and infrastructure to name a few, but the sheer weight of the recent studies and comparisons suggests a growing interest in this subject and the debate about the two cities. We try to synthesise what has been said so far, although the picture is changing daily.

As we shall observe below, this is not simply a matter of comparing London and New York so that they can, or should, compete with each other better, but rather a growing realisation that the cities can innovate and improve more effectively by pegging themselves against each other, and sometimes by working together directly. Competition drives both innovation and collaboration within the cities in this regard.

In this paper then, we review what the cumulative assessment of the two cities is across a variety of fields, in recent published work, and produce an overall commentary that is rooted in the plans that the two cities have for further development. The intention here is to:

- Initiate debate.
- Integrate different strands of analysis and assessment.
- Set the context for thematic research by NYU and LSBU, and the ULI seminars/conference.
- Invite comment from a wide range of interested parties and opinion formers.

We hope you will enjoy reading this assessment. We aim to publish a fuller and more widely informed review in time for the planned conference in November 2008, and this will be enriched through comments made and dialogues held. Your comments on this paper are welcomed and they should be sent to [meg.kaufman@uli.org](mailto:meg.kaufman@uli.org).

Greg Clark      London      July 2008

## Executive Summary

In the year 2000 it was clear to many that London and New York had emerged as the world's leading cities (see below). In some ways, the twentieth century had belonged to New York, but the 1990s had been London's decade. New York was 'great', but London was 'back'.

New York and London have both grown by serving rapidly expanding markets. New York's rise in the 20<sup>th</sup> Century can be in part observed as linking a rapidly growing USA to global markets, London's growth in the 18<sup>th</sup> and 19<sup>th</sup> Centuries owed much to its role as an Imperial Capital, and the market that this Empire brought. In the later years of the 20<sup>th</sup> Century both of these cities took decisive roles in serving a rapidly growing and integrating global economy, especially, though not solely, with advanced financial and business/professional services. The dominant roles of engagement in the global economy; the English language, Anglo-American legal systems and capital markets, the internet and electronic trading appear to have favoured London and New York, as the two leading cities in their domestic systems.

This leads on to the big question - which cities will be the leading world cities in 2100? There are many new factors to consider. Extended globalisation, emerging markets, climate change, technology, terrorism, population growth, and science will all play a part. Which cities will lead the world in 2100?

But could anyone, 100 years earlier, have predicted that London and New York would reach 2000 in such a great position, or have possibly imagined all that has happened in the 8 years since? Let's go back to 1900.

### London circa 1900

To a large extent London had become a victim of its own success. From its position as 'indisputably the greatest city that had ever existed in the world' in the early part of the 19<sup>th</sup> century, the Londoners of 1900 'appeared for the first time to acquire a sense of sight and smell and realize that they were living on a dung heap' (Hall, 1998, p.657 and Finer, 1952, p.212-213 in Hall, 1998)<sup>i</sup>.

The very same industrialisation and urbanisation that had made the British Empire so great and London such a thriving and prosperous city, also threatened late 19<sup>th</sup> century London with the danger of being overwhelmed by crime, air pollution, disease, overcrowding and destitution.

London grew in size at a dizzying rate. Its population more than doubled between 1801 and 1851 to 2,685,000, and by 1901 it had boomed to 6,586,000 (Hall, 1998). In 1895, London was undoubtedly the largest city in the world with its population greater than that of Paris, and some three times larger than New York and Berlin (Chandler and Fox, 1974 in Hall, 1998).

During this period, the city could boast some major achievements such as opening of major railway terminals (King's Cross, 1850; St Pancras, 1863) and the construction of Trafalgar Square, the Royal Albert Hall, Tower Bridge and the first lines of the London underground in 1863.

However, as The Times harangued 'A great town is a great evil' (The Times, 1848). The newspaper is littered with complaints from its prosperous readers on the squalor in which they resided, and the lack of civil action addressing their many grievances. In a letter to the editor written in 1898, W.B Richmond protested that 'this house is five miles from Charing-Cross; an east wind blows all the filthy smoke of London hither. At this moment (midday) the atmosphere is darker than most nights. There is no fog whatsoever; it is unadulterated black smoke which is hanging over us' (The Times, 1898).

Indeed the situation was deemed so bad, that Sir John Wolfe Barry addressed the Royal Society of Arts on the subject of 'How is the business of life in London to go on?' (The Times, 1898). In his address he explained that 'the multiplication of theatres, new facilities for shopping, and the growing volume of railway traffic of which London is the terminus go to swell the stream of vehicles and passengers flowing through streets made for the London of our forefathers, not a fifth of the number of their descendants.' He went on to describe how 'within a compass of a single square mile of this hall there is aggregated, I am informed, no fewer than 115,000 people. How many of these people live under decent and humane conditions?' (The Times, 1898)

And so from a cursory examination, as Hall suggests, 'London at this point stood at a great divide...The overcrowded nineteenth century city, locked by poverty and ignorance and inadequate transportation was about to explode' (Hall, 1998, p.704). Only the introduction of new electrified commuter lines, underground suburban services and feeder buses, which allowed the suburbanisation of those on modest incomes, would release the pressure on the city.

### New York in 1900

New York's population in 1900 was 3,437,000 for the newly (1897) consolidated five boroughs of Manhattan, Brooklyn, Queens, the Bronx, and Staten Island.

'No other city had ever undergone such a startling visible transformation in so short a time as New York in the 1890s' (Hall, 1998, p.746). It was during the nineties that the upward thrust of the skyline first became a theme in the pictures of the city of New York. In August 1894, *Harper's Weekly*, published a pair of panoramic photographs entitled "The Age of Skyscrapers - Tall Buildings in the Business District of New York" (Kouwenhoven, 1953, p.394). The skyline of New York captured the imagination of the city.

Montgomery Schuyler, a journalist for the *Weekly* publication, wrote in 1897 'it is in the aggregation that the immense impressiveness lies. It is not an architectural vision,' he insists 'but it does most tremendously, "look like business"' (Kouwenhoven, 1953, p.394).

Indeed, the creation of a new, modern and forward thinking built environment began to impact on the psyche of New Yorkers. *Harper's Weekly* noted in 1894 that 'we are getting to be more accustomed to the lofty structures, and so conventional ideas, born of what we are accustomed to look at, are gradually being modified (Kouwenhoven, 1953, p.396). The city was becoming an icon for confidence and entrepreneurialism.

From the late 19<sup>th</sup> century New York went rapidly from strength to strength. Relative to other cities in the world, 'by whatever criterion was chosen - population, industrial production, bank deposits, wholesale trade- it came first' (Hall, 1998, p.747). The city attracted great talent and by 1892 a survey showed that 'New York and Brooklyn had 30% of all American millionaires' (Chandler and Fox, 1974, in Hall, 1998, p.747). On the back of this influx of wealth and talent, the city became a major cultural centre. It had everything and a 1911 study declared that 'New York City is the example *par excellence* of concentration of population' (Pratt, 1911, in Hall 1998, p.747).

Similar to London before it, success came with baggage. 'New York became the gateway, toll station, and hostelry through which immigrants passed in their abandonment of the Old World for a better life in the New' (Rischin, 1962, in Hall, 1998, p.747).

Once more, solutions to the problems associated with population increase and overcrowding, were solved in large part with improvements in public transport. Douglas Haskell wrote of the inventiveness of the city in seeking solutions to its problems: 'Anyone might brutally congest a city. What New York did in its creative days was to make an art of it. What made it an art was the imaginative and simultaneous development of movement to go with it' (Haskell, in Hall, 1998, p.748). 'Handling movement' as Hall agrees, 'was the great New York innovation' (Hall, 1998, p.801).<sup>ii</sup>

## London and New York in the Century 21: whose century will it be?

In the late decades of the 20<sup>th</sup> Century London and New York began to enjoy the status of being the world's twin leading global cities. In many ways the 20<sup>th</sup> Century was New York's century, just as previous centuries had belonged to Paris, London, Madrid, Rome, and Athens. But as both cities crossed over into the new millennium, London was already catching up with New York in dynamic economic leadership and population growth, and the two cities were poised at strikingly similar patterns of growth, trade, and connectivity.<sup>iii</sup>

Now, in 2008, the world has changed. Increasing awareness of the long term potential of the current wave of globalisation, and with it the associated expansion of emerging economies and the growth of their world cities, means that London and New York must view their future in the context of much bigger global markets, but also greater and wider global competition. Reinvented world cities like Hong Kong and Tokyo, fast growing next tier world cities like Madrid, Singapore, Chicago, Miami, Dubai, and Toronto, and even faster growing emerging market global megacities like Shanghai, Beijing, Mumbai, Sao Paolo, Moscow, Seoul, and Istanbul all point to bigger markets for businesses based in the two cities coupled with diversified and tenacious competition for London and New York long into the future.

By the turn of the 22<sup>nd</sup> Century there will be a new and expanded global urban system. The question is: where will London and New York be in that system? Any implied competition between London and New York must be put into this broader context. It is not simply that London and New York have to compete with each other for economic and financial pre-eminence, it is rather that they have to use their healthy competitive instincts to benchmark their progress and to compete over the long term against a much broader base of challengers. To succeed in Century 22, London and New York may well need to collaborate, pooling expertise and resources in a strategic alliance to garner their global market share. We shall see.

In the mean time, an update of strengths, challenges and a comparison of major issues between London and New York offers an accessible means of fuelling discussion on how the two cities are faring and what they need to do to remain competitive leaders in this global century. This discussion enables us to think directly about what a city has to do to stay at the top. This is different from what other cities need to do to get to the top, as many business leaders know.

### London and New York: The Review

This paper is designed to stimulate a discussion rather to reach any precise conclusions, which would be premature. Thinking about the very long term success of cities in a global age we try to look at London and New York 14 fields:

- i. Financial Services Dynamism and Regulation
- ii. Cost of Living, Wages and Wealth
- iii. Global Reach: Presence of global firms, Openness to Migration, Success in Capturing Emerging Markets, International Institutions
- iv. Fiscal Health and City Credit Ratings
- v. City Leadership
- vi. City Image and Identity
- vii. Security, Terrorism, and Crime
- viii. Connectivity: Airport and Underground Systems
- ix. Construction, Urban Management and Urban Regeneration
- x. Housing Affordability
- xi. Tackling Urban Poverty
- xii. The Arts, Fashion, and Food
- xiii. Higher Education, Science, and R&D
- xiv. Climate Change



Our review concentrates on two inter-related issues:

- The comparison between the two cities on this range of measures; and
- The scope for learning between the two cities and with other cities.

Our review suggests that there is a dynamic set of contrasts between how these two cities are succeeding and progressing, reinforced by continued striking similarities between the two cities.

Building on our observation that the competition and comparison can be best used to promote learning, innovation, and improvement, our review sets out observations about what these two cities can offer other world cities, what they can learn from each other, from the rest of the world and its major cities, in the hope that this will help London and New York face a wider set of competitors.

We offer a preliminary assessment of how other world cities and their regions are preparing for the competition that lies ahead. This will be developed in the next phase of the dialogue.

We intend to initiate a shared discussion that involves leaders in other world cities. This will include other established world cities such as Tokyo, Paris, and Hong Kong. But it will also include some of the emerging world cities and the megacities that are seeking a long term global role. This is an open dialogue and will benefit from engagement with other cities.

#### **The Cities and their Regions.**

In the second part of this paper we summarise the current situation in each city and its surrounding region, identifying key challenges and responses and the role of government and other bodies.

## 1. London and New York: The State of the Debate:

### Century 21: whose century will it be?

Towards the end of 20<sup>th</sup> Century London and New York, often along with Paris, sometimes with Tokyo, and occasionally with Hong Kong and Los Angeles, began to be recognised as the leading cities in the world.

A review of the rapidly growing range of city indexes in 2008 reveals how much London and New York have taken on a lead. These indexes include:<sup>iv</sup>

#### Reports on cities in the global and European economies

- i. OECD: Competitive Cities in the Global Economy
- ii. BAK Basel: International Benchmarking (2006)
- iii. UN-Habitat's 'State of the World's Cities'
- iv. PricewaterhouseCoopers City Leadership
- v. PricewaterhouseCoopers: Economic Outlook Report (2007)
- vi. Siemen's Megacities Report

#### Composite city-regional benchmarks

- vii. Globalisation and World Cities Group (GAWC)
- viii. Jones Lang LaSalle World Winning Cities
- ix. Jones Lang LaSalle 'World Winning Cities: Deciding Where to Offshore'
- x. The Climate Group: 'Low Carbon Leader: Cities' Report
- xi. Mastercard: Worldwide Centres of Commerce Index
- xii. The Economist Intelligence Unit's Business Trip Index
- xiii. Economist Intelligence Unit - Liveability Ranking

#### Singular city indexes

- xiv. Standard & Poor's
- xv. Anholt GMI City Brands Index
- xvi. Mercer Human Resources 'Quality of Living' Index
- xvii. Mercer Human Resources Cost of Living Survey
- xviii. Robert Huggins Associates 'World Knowledge Competitiveness Index'
- xix. Shanghai Jiao Tong University's 'Academic ranking of world universities'
- xx. Urban Land Institute (ULI): Emerging Trends in Real Estate
- xxi. HotelBenchmark™ Survey by Deloitte (2006)
- xxii. How Worldly Are World Cities?: From Concept to Measurement Kim Hunmin
- xxiii. GaWC Assessment of Centrality
- xxiv. International Congress and Convention Association Rankings (2006)
- xxv. Cushman & Wakefield Healey & Baker 'Main Streets Across the World'

The indexes show us that there is a perception that London and New York have begun to dominate on measures of economic power, global connectivity, and financial hubs. Paris and Tokyo do well on many measures but London and New York are the more international cities, it would appear. Many of the softer measures of quality of life, sustainable development, and amenities suggest that London and New York have some distance to go to become world leaders on social and environmental measures however.

What these twenty five indexes reveal, despite all the problems associated with data and lack of objectivity, is a tendency to identify some short to medium measures of city success. These might include:

- i. Connectivity and accessibility.
- ii. Industrial/Economic structure.
- iii. Quality of life, place, and amenity.
- iv. Skills of labour force.
- v. Innovation and Creativity.
- vi. Business Environment and Entrepreneurship and the cost base of cities.
- vii. Image and identity.
- viii. Leadership and implementation of strategy.

The various indexes and benchmarks highlight these dimensions of city success frequently. These are undoubtedly important factors which go some way to help understand why some cities do better than others, especially over one or two business cycles.

However, it is our concern to understand how London and New York became the most successful cities of the 20<sup>th</sup> Century and to begin to consider what might be the important ingredients of city success in the longer future we might observe the role of other factors. This involves understanding what will make a city successful over five to ten business cycles. From this longer term perspective other factors may be important:

- i. Openness to International Populations.
- ii. Power (and adaptability) of the city Identity and Brand.
- iii. Location and Access to growing markets.
- iv. Role of city in fostering/brokering International Trade.
- v. Power and influence of language and regulatory/legal/financial systems.
- vi. Depth of artistic, architectural and cultural endowment.
- vii. City leadership and effective investment advocacy.
- viii. Success in adjusting to shocks, and luck/skill in being on the right side of conflicts.
- ix. Investment in the city from all sources (including higher tiers of government).
- x. Sustainability in terms of climate and environmental sensitivity.

This list is not exhaustive and there are important relationships to explore between these factors. For example, fighting world wars brings substantial costs, but it may also allow a country to impose its systems of doing business more thoroughly internationally and to favour its own cities as future hubs in the process. Equally, access to growing markets for cities might arise from the growth of the domestic economy (New York in the 20<sup>th</sup> Century) or from integration with other economies (London in the 1990s), and in the future it might depend upon which cities capture the best global roles in emerging markets.

Whether we look for long term signs or short term factors we can understand more about how all major cities can succeed by understanding where London and New York have succeeded and failed, and what they can do about it, including learning from each other.

### Where are we now?

Debate over the comparative advantages of London and New York has taken on new life recently, for instance with the publication of MasterCard's 2007 report on the world's top 50 centres of commerce and the major debate on why the cities' financial systems and capital markets are experiencing so much turbulence.

In March 2007, the international media entered the debate; James Harding, Business Editor of The (London) Times proposed that London had supplanted New York as a dominant financial centre, and that London was quickly becoming the world's cultural centre. New York Magazine retaliated with an issue dedicated to the dispute.

It certainly seemed that increasingly London was gaining an upper hand in the rivalry. This was perhaps best exemplified, to Londoners, by London's victory over New York in its bid for the 2012 Olympics, and the seemingly continuous stream of good news about London's position as a financial centre contrasted with New York's audible lament over its own regulatory challenges.

In New York however, losing the Olympics was never considered a major failing - indeed in many ways it avoided the problems and costs of an Olympic project that would, perhaps, have prioritised sub-optimal land uses and deferred other investments. This is a challenge that London is now facing. Furthermore, turbulence in the financial markets and the 'Northern Rock' catastrophe in the UK has exposed weaknesses in the UK's regulation of financial services which has more than offset concerns about New York's over-regulated environment. A few short months have made a big difference.



Source:<http://nymag.com/guides/TOC/london/>

### i. Financial Services Dynamism and Regulation

#### An uncertain world...

Any debate about financial services in London and New York needs to be made with great care at this point. The true impact of the credit squeeze in the USA, challenges in the UK banking system, and the implications in the long term for the roles of London, New York and other global financial centres are not yet clear. It may be that they will not be clear for some months to come, and all previous conclusions and inferences need to be treated with robust skepticism. What is clear is that the current challenges felt in both cities reveal the fuller extent of the interdependent nature of their financial services sectors. Challenges in one city have significant repercussions in the other. What is also clear is that

financial services continue to lead both cities' economies, and there are substantive and collateral impacts on the cities as a whole from any shake down in the sector. Witness the fall in London house prices in the Winter of 2007, the first real fall for several years.

The global financial upheaval that has developed since the summer of 2007, stemming from the collateralisation of sub-prime mortgages at a time of rising interest rates, has substantially changed the terms of the debate. In London, the spectre of customers lining up to withdraw their deposits from a mortgage underwriting bank, The Northern Rock, visibly demonstrated the challenges ahead. It was the first run on a UK bank in 150 years. Prior to the current situation the picture on financial services in the two cities was becoming somewhat clearer. After a period of verbal jousting, widespread media reports indicated the leaders of the two cities' financial sectors had agreed to forego their perceived competition. (Financial Times, October 26 2007, 'Financial Centres Set Aside their Rivalry'.

### Recent history and commentary: New York's 20<sup>th</sup> century and London's final decade

For most of the 20<sup>th</sup> century New York was the undisputed financial capital of the world but in a report of March 2007 on the top 50 worldwide centres of commerce, MasterCard placed London ahead New York, with Tokyo third and Chicago in fourth place. It confirmed what several other reports were also highlighting: that a falling share of financial business and complaints about heavy-handed regulation were challenging New York's position as the world's pre-eminent financial capital. Other studies, notably from the Corporation of London and in New York, from Mayor Bloomberg and McKinsey & Co., similarly highlighted concerns over the U.S.' regulatory environment, (particularly the stringent reporting rules demanded by the Sarbanes-Oxley legislation), which appeared to pose a threat to New York's dominance in global finance.

#### *The world's best financial cities - MasterCard 2007*

Rank	City	Score
1	London	77.79
2	New York	73.80
3	Tokyo	68.09
4	Chicago	67.19
5	Hong Kong	62.32
6	Singapore	61.95
7	Frankfurt	61.34
8	Paris	61.19
9	Seoul	60.70
10	Los Angeles	59.05

The MasterCard index combined six measures of commercial power including flows of finance, volumes of business and the creation and dissemination of knowledge. It was developed by a team of academics specialising in economics, business, urban studies and finance. The index is not intended as a simple competitive ranking of the ease of doing business in cities, but mixes together measures of output, such as the volume of financial market transactions in equities and bonds, with indicators of business inputs such as the ease of employing workers and opening and closing businesses. London scored highly on financial flows, economic stability and the ease of doing business, although it was a relatively poor performer on information creation and flow, which measures the number of universities, researchers and MBAs, patent applications and scientific journal articles.

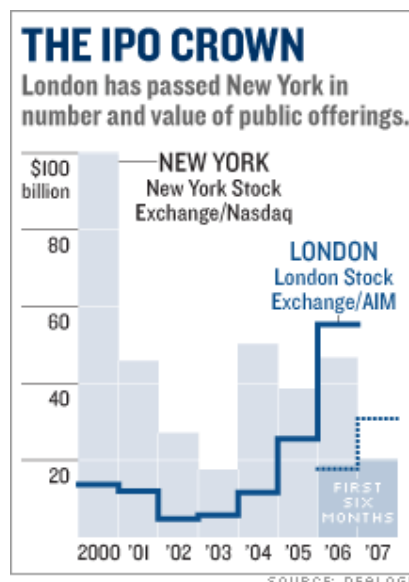
## New York faces its challenges and London has an unexpected crisis...

London certainly owed much of its recent success to its lighter regulatory touch. In 1997, the British government brought an end to a complicated and largely self-regulatory system with the creation of the Financial Services Authority (FSA). The FSA is a one-stop regulatory authority, which works with firms to pinpoint potential risks long before things go wrong, rather than simply prescribing rules. No such single body exists for companies operating in the U.S. and much of Europe. Indeed the U.S. has ten regulatory bodies overseeing financial markets. In addition, the U.S. Sarbanes-Oxley Act, a 2002 response to the accounting scandals that toppled Enron and WorldCom, stiffened standards of corporate governance in public firms. The act has required all U.S.-listed companies, whether foreign or not, to spend a lot of time and money strengthening internal controls. The auditing requirements, cost and time involved in complying had put many firms off listing on U.S. stock exchanges, it was believed.

There was evidence then, to suggest that investors increasingly saw New York as a stock exchange governed by a rules-based regulatory regime in a litigious country that is susceptible to lawsuits. Certainly, the underwriting fees investment banks charge companies listing on the stock exchange are typically twice as high in New York than in London, according to a report published last June by Oxera Consulting. John Ross, director of economic and business policy for Ken Livingstone, former mayor of London, said that the predictability and clarity of regulation were obvious advantages for London over New York. "We do not have the onerous and increasingly erratic regulation of the US," he said. "I don't think Sarbanes-Oxley is even the worst aspect of it, and nor do the companies I have talked to. It is the litigious and apparently arbitrary culture of regulation and policy (in New York)." Mr Ross cited episodes such as the fierce political opposition to the takeover of P&O Ports by Dubai Ports World, a state-owned company from the United Arab Emirates, as evidence of the uncertainty in the US.

The Economist took up the story in September 2007 providing a detailed comparative assessment which we summarise below.

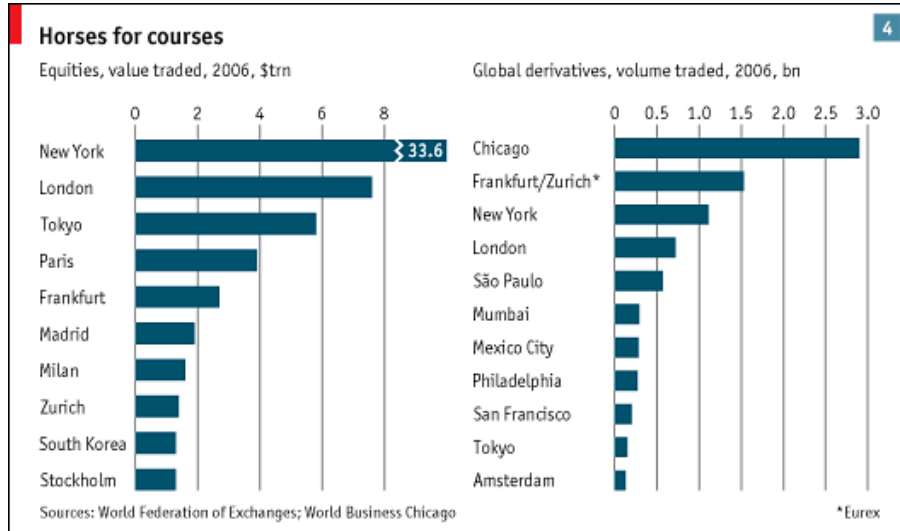
Regulatory differences in London and New York have had dramatic effect. In 2006 for the first time, more money was raised on the LSE than on the NYSE and NASDAQ. An NYSE listing was once seen as a badge of honour for Asian and European businesses, and in 2001 the US accounted for 57 per cent of all stock market flotations over \$1 billion – otherwise known as initial public offerings (IPOs). However by 2006 the US had only 16 per cent of global IPOs. In the same period Europe's share of the world's big IPOs rose from 33 per cent to 63 per cent. In 2006, 91 foreign companies chose to sell new shares on London's stock exchanges – more than four times the number of overseas listings in New York.



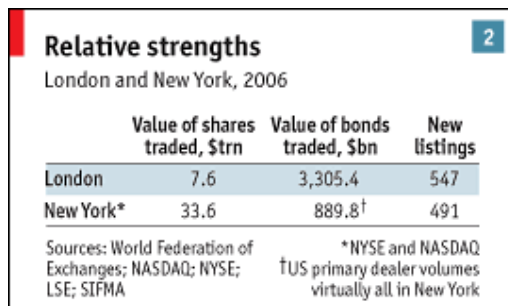
Furthermore, in 2005 only one out of the top 24 IPOs was registered in the U.S, and four were registered in London. London has particularly gained IPOs from Russia and East European countries - the FTSE 100 index of the U.K.'s most valuable companies now includes Kazakhmys, a Kazakhstan copper-mining group (see 1(iii) for more details). Small companies as well as big ones have been choosing London. The Alternative Investment Market listed 870 new companies in the five years since 2001, while Nasdaq, the market for new ventures in the US, listed 526.

## Overstating London's perceived advantage?

Of course, London's new "dominance" was far more debatable than an examination of the world's IPOs might suggest, particularly as IPOs account for only a fraction of the investment banking business. Importantly, New York still has much more money flowing through it than London. The financial stock of America's business capital, (the amount of money that flows through it in shares, debt and bank deposits), was \$51 trillion in 2005. In Europe as a whole it was \$38 trillion. In addition, the cities also have different strengths among the financial products they offer. London leads New York in some new and growing areas of business, such as certain kinds of derivatives, but thus far in 2007 New York has still traded a greater value of equities and derivatives than London:

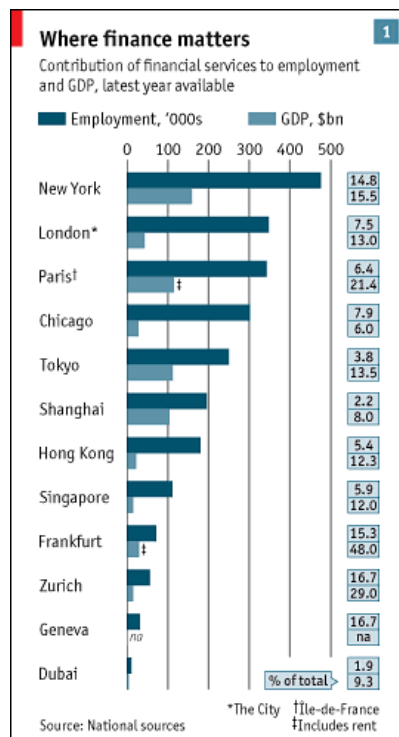


Source: [http://www.economist.com/surveys/displaystory.cfm?story\\_id=9753184](http://www.economist.com/surveys/displaystory.cfm?story_id=9753184)



Source [http://www.economist.com/surveys/displaystory.cfm?story\\_id=9753218](http://www.economist.com/surveys/displaystory.cfm?story_id=9753218)

Source (Right): [http://www.economist.com/surveys/displaystory.cfm?story\\_id=9753240](http://www.economist.com/surveys/displaystory.cfm?story_id=9753240)



On the other hand, securitisation, which involves the pooling of different kinds of debt to be sold on to other investors, is reaching saturation point in New York but just taking off in London. Indeed London's financial sector is generally expanding faster, however this is not to say that Wall Street is not still growing: the financial-services industry added 7,800 jobs in New York in the first eight months of 2006. Furthermore, financial services continue to make a more significant contribution to employment and GDP in New York than they do in London.

The New York Stock Exchange is by far the world's biggest market for share trading, and its recent merger with Euronext, a pan-European exchange operator, puts further distance between it and its nearest rival. The NYSE and NASDAQ together accounted for nearly half of global stock trading last year. On the other hand however, the LSE is the world's "most international capital market". In July 2007 it had about 320 international companies listed on its main market and 480 on the AIM, which is the market geared towards smaller firms.

Clearly then, it was impossible to say which financial centre was 'in the lead', although it does seem fair to suggest that London had had some recent momentum, against New York's longer term lead over all.

'By any of a number of measures, New York still dominates' said Jim Burton, who runs the World Gold Council. 'But from the perspective of where financial business growth seems to be heading, London does have a 'buzz'... the Russian, Chinese and Indian business moguls are not flocking to New York. [London] seems like the more vibrant place to be.'

### **New York responds**

Certainly, the apparent swing in London's favour had been enough for Michael Bloomberg, the Mayor of New York and Chuck Schumer, the city's senior senator to respond aggressively, commissioning a \$600,000 study by McKinsey & Co of possible changes to immigration controls and how Sarbanes-Oxley is implemented. Their report, published in the Wall Street Journal was entitled "To save New York, learn from London," and advised,

*"Based on the work completed so far, there are four factors that bear close attention: globalization of the capital markets, overregulation, frivolous litigation, and incompatible accounting standards. The first factor is beyond our control; advances in technology and communication are allowing capital to flow more freely, making it much easier to locate financial activities anywhere in the world. But we can, and must, do something about the other three factors to maintain and expand our competitive edge."<sup>vi</sup>*

In May 2007, New York took this advice on board and launched the *New York State Commission to Modernize the Regulation of Financial Services*, in an effort to help New York maintain and improve its status as a world financial capital. The Commission includes representatives from industry, consumer groups and government, and will review all current financial services statutes, regulations, rules and policies and propose legislative and other necessary changes. It will be charged with identifying ways in which regulatory powers could be integrated, rationalized, and changed in order to promote economic innovation and protect the consumer. The commission will make detailed recommendations for administrative and legal reform by June 30, 2008.

### **A crisis in London**

The most damning undermining of the City's regulatory system has been the late 2007 credit crisis, in which the Northern Rock bank was forced to borrow up to £55bn from the Bank of England in order to raise funds following a lack of confidence in institutional lenders caused by the sub-prime mortgage crisis in the US. Many critics have suggested that this credit crisis represents the FSA's first real test since its 2001 inauguration, and a test which it has failed. In particular, critics are seeking answers as to why the banking regulator failed to act sooner to address Northern Rock's aggressive and high-risk lending model.



In addition, when the FSA did act, its actions were undermined by the tripartite system of regulation that meant neither it, the Bank of England, nor the government took charge. Favour may yet swing back therefore towards New York's tighter regulatory approach. Indeed some argue that such a turnaround is already beginning to take place: in mid August 2007 as at least \$1 billion worth of IPOs hit the New York market every week for four weeks, the longest streak since early 2005, according to Thomson Financial. Furthermore, some of these new IPOs are native to emergent economies - such as JSC Sitronics.

The UK Government's solution to the Northern Rock will be 'temporary public ownership' with the aim of restoring the bank to commercial health. The success of this strategy will have a significant impact on London's reputation as a financial centre.

Eight months after the city's crisis began, the credit crunch shows few signs of easing. Commentators suggest that the crisis has entered a second phase, which is characterised not by liquidity shortages but rather by a lack of confidence in bank solvency. The profit warning issued by the Bradford and Bingley Building Society- the UK's biggest buy-to-let mortgage lender- at the beginning of June 2008 is a clear indicator that the financial services sector is not yet out of trouble. Indeed the FT wrote that the B&B affair is "opening a dramatic new chapter in the credit crisis"<sup>viii</sup> and has prompted investors to strip £2.77bn from the value of major high street lenders. It remains to be seen how long London and the UK will take to emerge from these difficult times.

#### **Cities must work together to restore confidence...**

Of course what London's credit crisis and the US subprime mortgage crisis show most clearly is the degree to which the two cities' financial markets are increasingly interlinked, which is perhaps a more appropriate conclusion to draw than the dominance of one city over the other in this particular area.

Indeed many suggest that the real question facing the financial sectors in New York and London is not that of which city is winning a two-way race but rather is about how both cities can position themselves to continue prospering with the growth of a legion of new financial centres around the world such as Mumbai and Shanghai, Warsaw, Dubai, and São Paulo. Jonathan Chenevix-Trench, chairman of Morgan Stanley International has said, "There's a natural and inevitable tilting away from New York because the world is more global. But it's absurd to call London the global financial centre. We'll end up with an orbit of perhaps four to five dominant centres and some key ancillary ones around them."<sup>viii</sup>

This strengthening of other financial centres vis a vis London and New York has only become more evident in recent months, as the USA's economy as a whole has slipped into recession and the UK's financial services situation remains serious. In the US, the latest labour-market figures—a jump in the unemployment rate to 5.1% and the loss of 98,000 private-sector jobs in March - point to a shrinking economy. Since December the national economy has shed an average of almost 80,000 jobs a month. The Federal Reserve has been forced to cut interest rates in an attempt to return confidence to the country's financial markets. In its latest World Economic Outlook, published in April, the IMF recalculated its forecasts for America's economy. It now expects GDP to shrink in every quarter of 2008, resulting in a year-end economy which is 0.7% smaller than a year before. Furthermore, it forecasts that whilst GDP will grow in 2009, this growth will be well below its trend rate.

The Economist has been keen to emphasise that despite the shadow this economic downturn has cast over New York, and the US generally, the dynamism and resilience of emerging markets means that globally "America does not matter as much as it once did"<sup>ix</sup>. Cities in emergent economies are no longer financially dependent on the US - or any other developed nation, having three-quarters of the global total of foreign exchange reserves. Thanks largely to economic reforms, the annual growth rate of emergent economies has surged to around 7%. In 2007 they contributed half of the globe's GDP growth.

So, our conclusion on Financial Services must be that the two centres need to help each other to stay ahead of the competition. London must recover from the financial services crisis, and New York must continue its reforms without courting the risk that London suffered.

The financial centres are central to the economies and the amenities of both cities. In the year ahead we plan to build upon recent assessments to identify where they may go next.

ii. **Cost of Living, Wages, and Wealth.**

**Costs**

New Yorkers point out that the cost of living in their city is nearly half what it is in London. Recent reports in the media show that the relative decline in the value of the dollar against the pound has stretched the differential even further (The Guardian November 2007). In the 2007 publication of an annual survey carried out by Mercer Human Resource Consulting, London climbed (from 5<sup>th</sup> in 2006) to be the second most expensive city in the world behind Moscow. In contrast, New York dropped five places from the 2006 survey to rank only 15<sup>th</sup>. Whilst New York scored 100 points, London scored 126.3. Meanwhile the Economist, using data from the Global Property Guide 2007 found that flats in central London are on average more expensive than any other city in the world, whilst New York was placed second. Rising costs of living in London are attributed to steep property rental costs, together with the strengthening of the British Pound compared to the US Dollar. Equally the declining cost of living in New York and other US cities can be attributed to the depreciation of the US Dollar against other major world currencies.

A slightly different report by UBS in 2006 found that London was the most expensive city in the world, although it was followed closely by New York. The two cities were ahead of the next most expensive cities by a wide margin. The UBS report took into account the cost of a weighted shopping basket geared to Western European consumer habits, containing 122 goods and services.

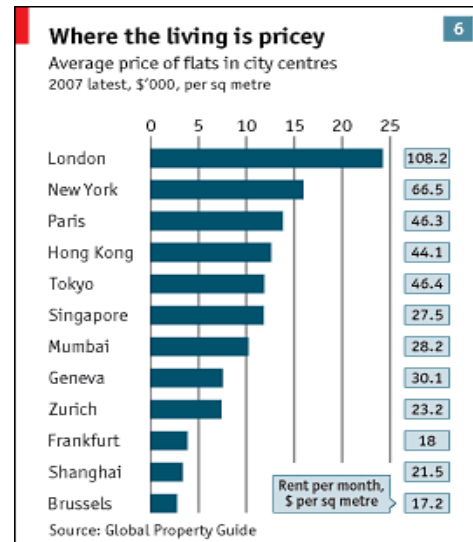
**Rents:**

Rank	Cities	Index (incl rents)
1	London	105.5
2	New York	100.0
3	Oslo	94.6
4	Tokyo	93.4
5	Zurich	87.3
6	Copenhagen	86.3
7	Geneva	85.8
8	Dublin	84.3
9	Chicago	82.2
10	Los Angeles	80.6

An international comparison by UBS in 2006 compared the net effective hourly wages for 14 professions in cities around the world after the deduction of tax and social security contributions. The results showed little change since 2003, although London moved up to be included amongst the world's Top Ten. New York's higher position in the ranking is largely attributable to its lower taxes.

## Wages

Rank	Cities	Wage index
1	Zurich	124.2
2	Geneva	115.4
3	Oslo	110.8
4	Dublin	104.6
5	New York	100.0
6	Luxembourg	98.1
7	Los Angeles	97.0
8	London	96.0
9	Copenhagen	95.7
10	Chicago	94.7



Source:  
[http://www.economist.com/specialreports/displays/tory.cfm?story\\_id=9753281](http://www.economist.com/specialreports/displays/tory.cfm?story_id=9753281)

## Wealth

A PWC survey released in March 2007 using 2005 data placed New York as the world's second richest city, and London as its sixth. In a projection of the situation in 2020 however, London's position is much improved, with the city enjoying greater growth than New York and moving up to fourth position worldwide.

Richest cities and urban areas in 2005

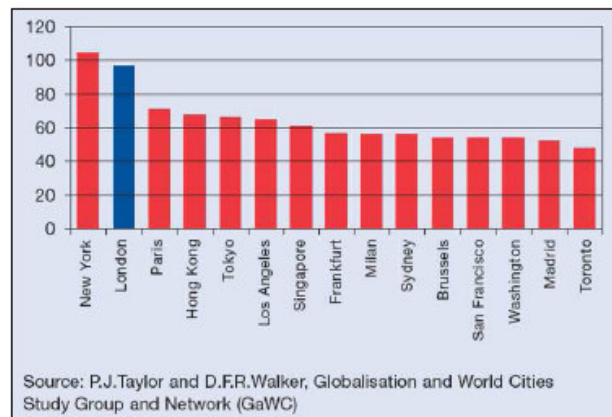
Rank	City/Urban area	Country	GDP US\$bn	in
1	Tokyo	Japan	1191	
2	New York	USA	1133	
3	Los Angeles	USA	639	
4	Chicago	USA	460	
5	Paris	France	460	
6	London	UK	452	
7	Osaka/Kobe	Japan	341	
8	Mexico City	Mexico	315	
9	Philadelphia	USA	312	
10	Washington DC	USA	299	

### Richest cities and urban areas in 2020

Rank	City/Urban area	Country	Est GDP in 2020 US\$bn	Est annual growth 2005-2020
1	Tokyo	Japan	1602	2.0%
2	New York	USA	1561	2.2%
3	Los Angeles	USA	886	2.2%
4	London	UK	708	3.0%
5	Chicago	USA	645	2.3%
6	Paris	France	611	1.9%
7	Mexico City	Mexico	608	4.5%
8	Philadelphia	USA	440	2.3%
9	Osaka/Kobe	Japan	430	1.6%
10	Washington DC	USA	426	2.4%

### iii. Global Reach

#### The Presence of Global Firms



Source: [http://www.keepingtheukcompetitive.org.uk/files/photoGif\\_image\\_19.gif](http://www.keepingtheukcompetitive.org.uk/files/photoGif_image_19.gif)

The Globalisation and World Cities Group (GaWC) define a global firm as one that has offices in at least fifteen different cities including at least one in each of North America, Pacific Asia and Western Europe. The graph above depicts the presence of global firms in a number of cities worldwide. Whilst London is the top European destination for FDI projects and the most popular location for the European headquarters of international businesses, New York has the edge in terms of total numbers of global firms. What is particularly apparent however is the fact that the number of global firms in London and New York far exceeds that of any other city - they are in a league of their own. London and New York are distinctive for their high concentrations of advanced service sector firms in fields such as law, accountancy, banking and management consultancy. It is also important to note that the two cities are attractive to different types of global firms- for example whilst London is particularly attractive to global insurance firms, New York excels particularly in advertising.

## Openness to migration

Openness to migration appears to be a long term indicator of success in cities and London and New York have both exemplified this in the past years.

Beginning in the late 20<sup>th</sup> century, both cities became increasingly 'open cities', attracting new immigrants from around the world. London attracted migrants because of the international complexion of its economy and population, the EU enlargement, liberalising EU laws, and its vibrant economy and labour market. Meanwhile NYC became a destination (second only to California) of the greatest wave of immigration since the early 20<sup>th</sup> century. In many ways these were two of the most 'open' cities on the planet. In the research stage of this dialogue we plan to more fully research what openness to migration really involves in these cities, and it contributes to city success.

However, by 2007, the openness to business workers and immigrants was threatened by tighter visa and border regulations in the USA, and by intensified national debate in both cities in the wake of the terrorist attacks.

London has more flexible labour laws than many of its rivals, including New York. While the number of financial-sector staff in London rose 4.3% to 318,000 between 2002 and 2005, tough U.S. immigration rules contributed to New York's head count slide of 0.7% over the same period, according to a report published at the end of 2006 by McKinsey. London also has open access to the European Union labour market, which is larger than the USA labour market, with total populations of around 494m and 300m respectively. Poles, Lithuanians, Latvians, and others from Eastern Europe have been arriving at the rate of 16,000 a month since Eastern European nations were admitted to the EU in May 2004. At this rate, London will soon reach the level of foreign-born residents that New York attained during its great age of immigration, in the 1900s and 1910s.

Increased restrictions to immigration in New York, and indeed in the USA as a whole are in part a reaction to the September 11<sup>th</sup> terrorist attacks on the city. Businesses suddenly have to struggle to get visas for employees to work in New York—or even to visit on business trips. New US visa restrictions have stopped many white collar migrants from travelling to New York. Meanwhile, visas for Britain have remained easily available, despite terrorist attacks on the London Underground in July 2005. The UK's relatively open borders have become a competitive advantage and the city now has the largest non national professional population in the world.

More intangible factors have also contributed to the allure that London has over New York to international migrants. Harding, business editor of the Times, argues that New York treats even its long-term residents from abroad as visitors whilst,

*"London, on the other hand, is passport-blind. It does not have the luxury of being the de facto capital of a continental economy. So, it is international: it treats its visitors as citizens, as players."<sup>x</sup>*

As evidence for this claim, Harding cites the examples of Chelsea Football Club, owned by a Russian and managed by a Portuguese; Vodafone and Orange which are run by US-educated Indians. Similarly he points to the world's biggest mining companies, run by an American woman and two Australian men, which have their headquarters in London.

The lenient treatment of non-domiciled residents — typically, very wealthy people who work in London and buy homes in London but assert that their real 'home' is elsewhere — has also added to the lure of London. In the current moment this 'non-dom' status is the subject of reviews with the UK Government and its Official Opposition bringing forwards new initiatives.

In the past two years the net number of (officially recorded) new immigrants to London has jumped to more than 100,000 a year. Skills shortages in teaching, nursing and IT are being made good by immigrants, generally from Australia, New Zealand and South Africa.

### **Success in Capturing Emerging Markets**

London's hotly debated recent 'take-over' of New York as the financial capital of the world has much to do with its superior capture of business in emerging markets. In recent years, the London Stock Exchange has become an increasingly attractive proposition for international companies. In 2006 a record £29.4 billion was raised through Initial Public Offerings (IPOs) on its markets, and nearly half of that fundraising was thanks to over 100 international IPOs from companies incorporated in 26 different countries<sup>xi</sup>. These new IPOs are coming in particular from emerging Asian Markets and Eastern Europe. But the size of this market needs to be compared with the entire IPO market, which surpasses that \$29 b. in most months.

Indeed, the largest single IPO in the year was from the Russian energy company Rosneft. In October 2005, Kazakhmys became the first major Commonwealth of Independent States (CIS) company to achieve a full primary listing in London, and in November 2006 Hochschild Mining plc, a Peruvian precious metals company, became the first major Latin American business to list on the London Stock Exchange. It is a FTSE 250 company with a £1.1 billion market cap. This is particularly noteworthy as Latin American businesses had, prior to this, been firm Wall Street territory.

New York has been less successful in capturing business from emerging markets - although some analysts argue that Wall Street's focus on the domestic market has arisen because it does not *want* listings from emergent economies, with their lower regulatory standards and hence higher associated risks. Certainly, London's less stringent regulatory framework will be an attraction for businesses from emergent economies; however it is not the only reason why they are choosing London over New York. Geographically, London is better positioned to do business with Russia and Asia - it is placed in a time zone where it can speak to virtually every major financial centre at some point throughout the day, which has allowed the City to develop a healthy lead in the foreign exchange markets.

In addition, London is thought to have become better at marketing itself than New York. Graham Dallas, Head of the LSE's International Business Development unit, attributes London's success in Israel to aggressive marketing. He says of Israel three or four years ago "at the time, that market was pretty much owned by Nasdaq. Probably the most effective piece of marketing we did was simply to go there. That made London advisers think it'd be worth their while to go there. Once the advisers were out there too, we started putting them together with companies and deals happened."<sup>xii</sup> A final reason for London gaining the upper hand over New York in many emergent economies may be the attitude of the FSA, which is seen as innovative and 'can do'. This relatively open approach has enabled the City to attract the best talent from around the world.

### **International Institutions**

As the international headquarters for the UN and its many associated institutions such as the UNFPA (United Nations Population Fund), New York is home to one of the world's most important international institutions. It is also the headquarters of the Ford Foundation.

London of course also hosts international institutions, most notably the EBRD (European Bank for Reconstruction and Development) and the IMO (International Maritime Organisation), but these are lower profile or, in the case of the EBRD, euro-centric rather than truly international.

However, London is the more important consular city, with more than 180 embassies.

The global reach of the two cities, and the factors that underpin such reach, and the implications for immigration and population growth will be a theme of the planned research going forwards.

#### iv. Fiscal Health and City Credit Ratings

*Credit Ratings of Standard & Poor's 'World's Top 10 Economic Centres' 2006<sup>xiii</sup>*

Ranking	City	Credit rating
1	Paris	AAA/Stable/--
2	Greater London Authority	AA+/Stable/--
3	Los Angeles	AA/Stable
4	Madrid	AA/Stable/A-1+
4	Toronto	AA/Stable/A-1+
6	Yokohama	AA-/Positive/--
7	Chicago	AA-/Stable
7	New York City	AA-/Stable
9	Milan	A+/Stable/--
10	Moscow	BBB+/Stable/--

This table shows that London had a better credit rating than New York in 2006, although both cities were "stable". The size of New York's outstanding debt is of a very different scale to that of London: whilst the Mayor projected that by the end of 2007 London's debt balance would be around \$351.5m, New York's debt is currently almost \$40 billion.

However, this reflects the much wider responsibilities and assets of NYC Government relative to the Greater London Authority. London's debt financing is almost 100% on transportation, and is operated alongside other financing sources such as PPPs. New York has more responsibility, more assets, and more debt.

New York's A+ credit rating granted in 2006 represented its best ever. London's credit rating, on limited activity, has proven consistently strong: Moody's gave London its top AAA rating for the 30<sup>th</sup> successive year in 2007. New York's position further improved in 2007, moving up a notch to achieve a AA rating - a record high for the city. In a statement, Mayor Bloomberg said the upgrade "is further evidence that that our prudent fiscal planning is paying off and that New York City's economy continues to grow."

The following table shows more in-depth financial information for the two cities:

*Financial Statistics for Standard & Poor's 'World's Top 10 Economic Centres' 2006*

City	Op/GF revs (mil \$)	5-yr AAG (%)	Rev PC (\$)	Op/GF exp (mil \$)	5-yr AAG (%)	Exp PC (\$)	Op bal / UGF bal (mil \$)	% Op/GF revs (%)	5-yr AAG (%)	CapEx (% exp)
Chicago	2,664	3.8	937	2,740	2.9	964	58	2.2	17.1	13.7
London	10,216	17.3	1,375	10,231	17.5	1,377	(15)	(0.15)	(10.30)	0.1
Los Angeles	3,689	5.0	938	3,346	3.8	850	579	15.7	12.8	15.9
Madrid	3,691	8.6	1,168	3,430	11.5	1,076	262	7.1	(13.70)	30.8
Milan	2,387	1.3	1,825	2,246	0.4	1,717	141	3.6	5.2	25.3
Moscow	16,407	22.0	1,577	10,623	23.8	1,021	5,784	35.3	13.2	35.9
New York	52,164	6.7	6,405	47,714	7.1	5,859	418	0.8	1.2	13.2
Paris	7,157	4.6	3,308	6,496	5.4	3,002	661	9.2	(5.60)	18.1
Toronto	5,329	5.8	2,042	4,861	5.4	1,862	468	8.8	4.4	15.2
Yokohama	10,697	(0.90)	3,005	7,479	1.0	2,101	3,218	30.1	(3.70)	18.2

All data as of 2005. Op-Operating; GF-general fund; PC-per capita; Exp-expenditures; AAG-Average annual growth; UGF-unreserved general fund

Source: [http://mba.sdabocconi.it/uploadimg/milano\\_top\\_10.pdf](http://mba.sdabocconi.it/uploadimg/milano_top_10.pdf)

## v. City Leadership

City leadership is rather obviously an important factor in city success, especially in raising the investment rate in cities. Yet, very little has been researched about the qualities of great city leaders.



New York has been led since 2001 by independent mayor Michael Bloomberg, who is now enjoying his second term in office. Across the Atlantic in May 2008, London elected its first Conservative Mayor, Boris Johnson, to replace Labour's Ken Livingstone, who had held the post since its creation in 2000.

Johnson's success in the May 2008 was a convincing one, despite initial concern over his credibility as a candidate. He gained 1,043,761 first preference votes compared to Livingstone's 893,877. The new mayor's successful campaign was based upon a so called "doughnut strategy" - targeting middle class suburbs such as Bexley and Bromley, Havering, Barnet, Wandsworth and Croydon, rather than the capital's left-leaning inner city boroughs. The strategy sought to overcome the perceptible recent trend of voters in outer boroughs opting out of mayoral elections, owing to an inability to identify with the issues raised by candidates.

Johnson centred his campaign on "middle class" issues, in particular the reduction of crime, and especially knife crime and gang violence. He pledged to reduce all crime by 6% a year on election, as well as to provide 50 more British Transport Police Officers and 440 extra police support officers. Whilst in office Johnson will seek to move away from London's traditional target-driven approach to crime reduction, and will give more powers to community support officers to strengthen neighbourhood policing as well as reduce police bureaucracy. He also hopes to put knife scanning equipment into schools, and to increase CCTV cameras on buses. The new mayor also campaigned strongly in favour of protection of open spaces - he was the only candidate to open a debate on axing expansion plans for Heathrow - in the heart of marginal Tory seats - in favour of a new airport in the Thames estuary. The "middle class" strategy paid off - for example in Bexley and Bromley, Johnson won three times as many votes as Livingstone, and turnout was almost 50%.

Whilst it is very difficult to compare one city mayor against another - particularly given the short period that Johnson has been in power - it is possible to note the real results that mayors have achieved for their cities thus far.

As Mayor of London, Ken Livingstone's major achievements included the attraction of the 2012 Olympic Games and increasing the global profile and reach of the city. His most substantive success was in the realm of public transport, for example in the expansion and modernisation of public transport (see section below), and with bold initiatives such as the introduction of the congestion charge in the central area of the city.



The scheme has halved the number of people using cars every day and London is now almost the only major city in the world where public transport is expanding; cycling has grown 72% in just a few years and cities around the world are developing their own schemes in an attempt to emulate London's success. Livingstone's last public transport initiative was the introduction of a Low Emission Zone across the 33 boroughs of Greater London from 4<sup>th</sup> February 2008. In the LEZ vehicles which do not meet certain pollution standards are heavily charged (£100-£200 per day). New Mayor Johnson supports the LEZ. However, in addition to the LEZ scheme, his predecessor Livingstone also announced an intention to increase the congestion charge to £25 a day for the highest polluting vehicles; but Johnson has abandoned these proposals, and is also opposed to expansion of the charge zone to the West of the city and to Livingstone's so called "punitive" taxes on cars with CO2 emissions greater than 225 g/km.

In his time as mayor, Livingstone also affected public transport in the city by introducing bus priority lanes and so called "bendy buses" in place of the traditional Routemaster double deckers. Whilst Johnson will phase out bendy buses - believing them to be unsafe - he has pledged to improve cycle routes and to invest £2m in safe bicycle parking. He is also keen to improve river transport in the capital, rephase the city's traffic lights, and plans to lobby for powers to fine utility firms for roadwork delays. London still benefits from Livingstone's former role as a vital force in pushing for extensions to the tube network, especially in the underserved South East and East of the capital, and has secured commitment to the long planned cross-rail scheme.

As Mayor, Livingstone showed strong leadership in the realms of housing and city planning. In particular he made numerous attempts to substantially increase the number of tall buildings, which he believed to be crucial in supporting London's World City role, in the financial district. As a result of a marked shift in tall building policy since 2000, to a standpoint that embraced vertical construction rather than one which questioned it, a number projects including '8 Canada Square' and '30 St Mary's Axe' were realised in London during Livingstone's Mayoralty. Further, planning applications for tall buildings were approved including the London Bridge Tower (310m), the 'Heron Tower' (183m) at 110 Bishopsgate, the 'Pinnacle' (119m) at Chiswick, Railtrack's redevelopment proposal (120m) at Paddington Station, the Seager Distillery development (80m) in Deptford, the London Tower (107m) at Bankside, and twin towers (130 and 91m) at Lots Road Power Station. Though Livingstone recognised during his time as mayor that 'view management is an important and sensitive issue,' he insisted that new high rise construction could complement rather than conflict with the existing and historic London urban landscape. Moreover, he mobilised a combination of background and more London-specific research to build a case for the creation of a high buildings agenda. 'For London to remain a competitive world city,' the Mayor insisted, 'it must respond to the drivers of growth and continue to develop in a dynamic, organic manner without inappropriate restraints.'

The 10 tallest buildings in London by 2012 should proposed construction take place

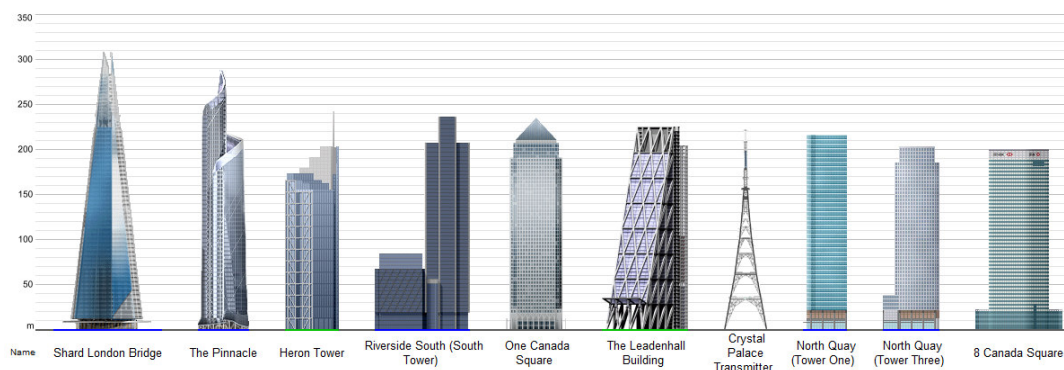


Image courtesy of [www.skyscrapercity.com](http://www.skyscrapercity.com) © 2008

With momentum gathering speed behind an agenda for high rise constructions and with so many projects planned, on Mayor Boris Johnson's election in May 2008, a review of the situation was called. In what has been dubbed the 'Boris Johnson effect,' an investigation by the London Evening standard revealed '11 out of 21 proposed towers are at risk of being vetoed by the new Mayor' (Evening Standard, 2008). At the same time as the credit crunch threatens the viability of ambitious building projects, the impact of an unsympathetic Mayor has certainly been a blow to the tall building agenda.

Though the Mayor has nothing against tall buildings per say, Johnson is committed to retaining a "viewing corridor" of protection for St Paul's. And with the power of veto on any large project, the Mayor's say so is an extremely important pillar of the tall buildings agenda in London. According to the Evening Standard the mood is well summed up by Peter Bill, editor of the influential Estate Gazette, who suggests 'The climate in City Hall will change from eager acceptance of any commercial redevelopment to a more sceptical analysis of why it is needed.'

The new mayor had previously pledged that Ian Simpson's Beetham Tower, Allies & Morrison's Elizabeth Street development and Lifschutz Davidson Sandilands' Doon Street scheme would not be built under his leadership He argues that "tall buildings must be part of London's development, but not at the expense of existing landmarks"<sup>xiv</sup> Johnson has also cancelled the Thames Gateway Bridge construction project. At the same time, however, some buildings have escaped the Mayor's concerns being approved before he took office such as the 'Walkie Talkie' at Fenchurch Street. Furthermore, the Mayor has in fact very recently approved a quartet of high rise projects which includes 1 Park Place near Canary Wharf, which is a 197m development (skyscrapernews.com, 2008).

Livingstone also made tackling London's housing shortage a priority during his terms in office. He was able to significantly influence the development process to increase housing supply and particularly the delivery of affordable homes. Johnson intends to build on this success, building 50,000 new London homes by 2011. He also wants to invest in renovations to more than 80,000 empty properties in the capital to get low-income families off housing waiting lists, and to focus construction on family-sized homes with gardens

In New York, Michael Bloomberg has proven to be a very popular and successful city leader, following in the footsteps of the city's former Mayor, Rudy Giuliani, but building a broad platform for city improvement. Bloomberg is particularly credited with ensuring sound fiscal management in the wake of the 9/11 crisis, a period in which many feared the city would suffer an economic and fiscal collapse. Since that time the Mayor's other notable successes include his leadership in fostering sweeping changes in governance of secondary education, land-use and city planning, and sweeping economic development projects in all five boroughs.

The Mayor in 2006 appointed a 17 strong board who aim to transform 1,700 acres of polluted land into environmentally sound sites for schools, apartments and parks, as well as improving commuting times, maintaining and protecting the drinking water supply, reducing sewage overflow into the city's surrounding waterways during stormy weather, and reconciling the region's growing energy needs with clean-air standards. Similarly to former mayor Livingstone, Bloomberg has chosen to focus heavily on increasing the provision of affordable housing in the city.

Approved before the new Mayor:  
London's Walkie-Talkie



*Image courtesy of www.skyscrapernews.com  
© 2008*

Bloomberg's latest Affordable Housing Plan is a \$7.5 billion plan which aims to build and preserve 165,000 affordable units by 2015. This is the largest municipal housing plan in New York's history, and if successful will provide affordable homes for half a million New Yorkers<sup>xv</sup>.

Perhaps Mayor Bloomberg's best publicised achievements, however, are his pioneering "lifestyle" improvements. As well as banning trans-fats in the city in a bid to tackle New Yorkers obesity issues, Bloomberg has also extended New York City's smoking ban to all commercial establishments, including bars and nightclubs. This reform removed the last indoor public areas in which one could smoke in the city, and took effect in March 2003. Since the introduction of the smoking ban, many municipalities in North America and Europe have subsequently enacted similar bans.

Bloomberg's most ambitious attempt to improve New Yorker's lifestyles is however undoubtedly his recently released environmental strategy: PlaNYC 2030 (see climate change section). This is a visionary plan to both significantly improve New York's environmental performance and to create a much greener and more livable city.

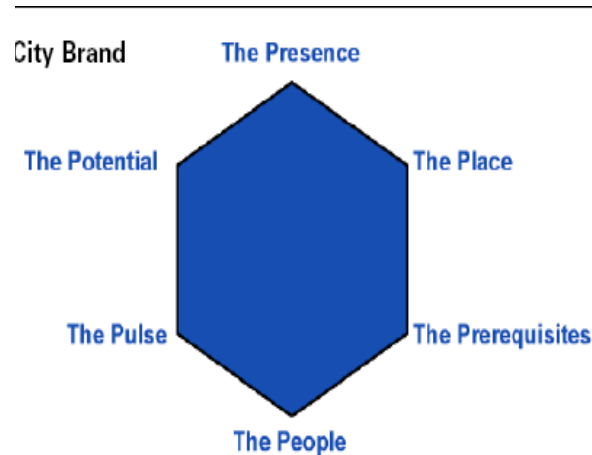
Despite their many successes, the cities' mayors have not had it all their own way. Bloomberg courted controversy as the figurehead of the Mayors Against Illegal Guns campaign. The mayor ventured outside of his own city jurisdiction, into Virginia, as part of an entrapment stunt designed to demonstrate the state's lax gun laws - a foray which was not welcomed by all. Similarly, Livingstone's time as Mayor of London was not scandal-free: his political leanings have occasioned some upset, in particular his decision to host and fund the European Social Forum during its stint in the capital, and his feting of Venezuelan president Hugo Chavez during his 'non-state visit' to London in 2006. Similarly Johnson's perceived lack of political correctness constituted a strong weapon in his opposition's armoury prior to his election, and it remains to be seen whether his time in office will run smoothly.

Despite these minor controversies, both Livingstone (during his period as mayor) and Bloomberg are widely recognised as having delivered substantial benefits for their cities. Indeed Bloomberg is tipped as a candidate for a future US Presidential Election - suggesting his success and popularity as a leader. Whilst Johnson's impact is yet to be truly seen, he has shown promise by taking some bold steps in his first few weeks as Mayor - most significantly banning alcohol from the city's public transport in an early attempt to improve crime figures. The two incumbent mayors have also shown a willingness to cooperate and learn from each other - with Bloomberg flying to London for a meeting with the new mayor during his first week in office. Johnson said of the meeting: "Mayor Bloomberg has shown inspirational leadership and I am delighted we are establishing this new era of co-operation."<sup>xvi</sup> A new Innovation Exchange Programme will allow officials from both cities to visit each other to share ideas.

It is important to note that the powers of the Mayor of London are more limited than those of the Mayor of New York, which has given Bloomberg greater scope to improve city life than Livingstone had during his time in office, but has also given him larger tasks and challenges for which he is directly accountable. London's mayor has a narrower remit, but powerful tools in key areas.

#### vi. City Image and Identity

Image and identity are of crucial importance for world cities who are attempting to attract tourists, investors, students and workers. Although it is difficult to quantitatively compare city image and identity, two recent indexes have attempted to do exactly this, and London and New York have emerged as two of the cities with the strongest images and identities in the world. What has failed to emerge however is whether London or New York is the current leader, with both scoring highly.



Overall Rankings	Rank
London	1
Paris	2
Sydney	3
Rome	4
Barcelona	5
Amsterdam	6
New York	7
Los Angeles	8
Madrid	9
Berlin	10
San Francisco	11
Toronto	12
Geneva	13
Washington	14
Brussels	15
Milan	16
Stockholm	17
Edinburgh	18
Tokyo	19
Præue	20

The Anholt City Brand Index (2005) assessed the strength of 30 cities’ brands by examining respondent’s perceptions of six aspects of each city. The aspects form a “brand hexagon” which consists of **Presence** (city’s international status and standing); **Place** (perceptions of city’s physical aspect); **Potential** (economic and educational opportunities offered to visitors, businesses and immigrants); **Pulse** (appeal of vibrant urban lifestyle); **People** (impressions of inhabitants, community and safety) and **Prerequisites** (perceptions of basic qualities of city).

The Anholt CBI (2005) ranked London as the world’s favourite city brand. Most respondents felt they knew more about London than any other city by a wide margin. London was the 2nd most visited city, the top for ease of finding a job, for doing business in, for obtaining a valuable educational qualification and for ease of finding a community to fit into. It came 2nd to Geneva for the general standard of public amenities and was 2nd after Paris for overall lifestyle. By contrast, New York (although the highest American entry) was placed in a disappointing 7<sup>th</sup> place. In the 2006 study, London slipped to second place behind Sydney, but was still seen as having the most potential for the future (possibly due to the 2012 Olympics), with respondents ranking the city as top for higher education and ranking it highly in terms of finding work and doing business. London also came top in terms of international awareness. New York rose to fifth place in the 2006 survey. In 2007 London retained its second place whilst New York rose again to be placed fourth.

This success in the Anholt Index does not however definitively confirm whether London has a “superior” image and identity to New York. A very similar study by JLL created a city marketing index, essentially looking at very similar criteria to the Anholt index. However, this benchmark placed New York top, whilst London only achieved eighth position. This discrepancy undoubtedly reflects the subjective and qualitative nature of “measuring” image and identity. For example, the iconic images associated with both cities are so strong that it is difficult to compare the two; which is the “stronger” image - yellow cabs or red buses, the Statue of Liberty or Big Ben, Hyde Park or Central Park?

City Marketing
New York
Shanghai
Barcelona
Singapore
Beijing
Dubai
Budapest
London
Berlin
Frankfurt

Either way, the strength of the identities of both the cities is extremely apparent. Both London and New York were identified as “global cities” by Saskia Sassen in 1991, and in many ways this continues to provide their overriding identity - both cities are cosmopolitan, melting pot metropolises. The GaWC still place London and New York as two of only four top tier “Alpha” world cities, whilst Mercer has referred to the *je ne sais quoi* of world cities - a special, mythical something that makes a city an iconic, important place. London and New York both certainly benefit from this *je ne sais quoi*.

## vii. Security, Terrorism, and Crime.

Both New York and London have been targets of terrorist acts, in 2001 and 2005 respectively. There is some debate as to which city is currently more vulnerable to further attacks. David Goodhart, the editor of *Prospect* has said of London;

*“From the big-picture point of view, we probably face bigger terrorist threats since we have a more prominent Muslim population. And now there’s this claim that London has taken over New York as the financial center. It’s feeling rather pleased with itself, and if I were a jihadist, I’d find London quite vulnerable<sup>xvii</sup>”*

Furthermore, Londoners are now six times as likely to be robbed or assaulted as New Yorkers. In 2002, London’s then mayor Ken Livingstone admitted that he felt safer on the streets of New York than those of London. London has particularly high figures for street crime - figures showed a 40.3 percent increase in street crimes in London between 2001 and 2002 to 57,710 from 41,953. Although differences in arms laws have long resulted in greater gun crime in New York, the gap between the cities is lessening as New York improves its statistics whilst gun crime in London is on the increase.

The dramatic improvement in New York’s crime statistics was begun by Mayor Dinkins (1990-93) whose “Safe Streets/Safe Cities” legislation led to the employment of 8000 more police by creating two consecutive income tax surcharges to be used for hiring more officers. Subsequently, Rudy Giuliani’s zero tolerance approach to crime led to a 52% fall in official crime levels during his time in office (1994 - 2001). Bloomberg’s administration has also continued to deliver impressive crime statistics. New York City today is among the safest cities in the United States; out of 216 U.S. cities with populations of more than 100,000 in 2002, the city ranked 197th in overall crime levels. Violent crime in New York City has dropped 75% in the last twelve years and the murder rate in 2007 was at its lowest level since 1963.

Violent crime in London, on the other hand, is worsening. For example, violent crime on London Underground rose 14% between 2004 and 2005 according to the British Transport Police. Part of the reason for New York’s better crime statistics may be its stronger police presence. The Police Federation calculated in 2001 that there is one New York police officer for every seven recorded crimes - compared to one officer to 41 recorded offences in London.

Despite the fact that the two cities have similar sized populations, London today has only around 1,500 rough sleepers - this is less than half the number of New York. New York’s Police Commissioner admitted that “London has reduced the number of people sleeping on the streets by two-thirds over the last five years, so they’re a little ahead of us<sup>xviii</sup>”. London’s success in reducing its number of street homeless is attributable to a shift in focus from providing expensive, vast emergency shelters to small, local “safe havens” that have fewer than 150 beds.

## viii. Connectivity: Airport, Underground Systems and Additional Projects

Infrastructure investment appears to be central to management of city growth and adaptation to changed circumstances. In the research phase of this dialogue we aim to make some comparative assessment of how infrastructure is taken forwards in the two cities, and what they learn from each other and other major cities.

## **Airport Connectivity**

London serves as the largest aviation hub in the world, with five airports taking the city's name, including the multi-terminal Heathrow airport. Heathrow is the world's third-busiest airport by total passenger traffic (over 68 million passengers in 2007) after Atlanta-Hartsfield-Jackson and Chicago-O'Hare in the United States. Around 1,200 flights leave the airport each day. However, Heathrow has the highest number of international passengers, making it the world's busiest international airport, and is claimed by its operator BAA to be "the hub of the aviation world", serving as a hub for over 90 airlines flying to more than 170 destinations. Following the recent completion of Terminal 5, Heathrow now has the capacity to grow again.

There are currently three major airports in the New York City area; La Guardia, Newark and (the largest of the three) John F Kennedy International Airport which is a major international gateway hub for Delta Air Lines and American Airlines. JFK is the top international air passenger gateway to the United States and is also the leading freight gateway to the country by value of shipments. The three airports are severely overstretched: one-third of the USA's air traffic goes in, out, or over New York airspace every day, and accounts for three-quarters of the nation's chronic airline delays<sup>xix</sup>. Federal figures estimate that between January and April of 2007, 38% of all flights at Newark, JFK and La Guardia were delayed (with an average delay time of 95 minutes from Newark airport).

Like Heathrow, JFK is expanding in an attempt to meet ever-increasing passenger numbers - with a \$10.3 billion redevelopment plan - one of the largest airport reconstruction projects in the world. The airport recently opened a new Terminal 1. The \$1.4 billion replacement for the International Arrivals Building, Terminal 4, opened in 2001. Construction has begun on a new Terminal 5. Nonetheless, the Port Authority (who are in charge of the city's airports) have projected that 130 million passengers a year will pass through the city's three largest airports by 2020, bringing them to capacity. As such it has recently taken over a pre-existing, smaller airport at Stewart, 60 miles to the North of New York City and has begun to develop and expand this airport as of October, 2007.

Despite their impressive connectivity, the main airports of both New York and London are poorly regarded by passengers. Both JFK and Heathrow are awarded only 2 stars by [www.flightstats.com](http://www.flightstats.com), and Heathrow was voted the world's worst airport in both 2006 and 2007 in surveys conducted by TripAdvisor with over 4,000 participants. The challenge for both cities is to increase capacity for future growth in air passenger traffic, in the midst of increased urban and suburban density and congestion.

## **Underground Systems**

There has been little change in the underground systems of the two cities in recent years. The Tube in London currently carries around 1 billion passengers a year, whilst the New York subway is used by around 1.3 billion people. Investment in the subway was greater between 2000 and 2004, totalling £7 billion as opposed to £4 billion spent on the Tube. However, the awarding of the 2012 Olympic Games has ensured significant future investment on London's public transport system, which will be expected to carry Olympic sized crowds. The New York subway is generally still seen as the more convenient system due to its operation throughout the night. The London Underground is closed between 1am and 5 am.

## **Additional Projects**

Both London and New York intend to embark on major transportation projects in the near future to improve their connectivity:

## Crossrail

Crossrail is a £16 billion project to build new railway connections under central London. The route of the first proposed line (Crossrail 1) will connect Maidenhead and Heathrow in the west right across the capital into Essex and Kent in the east. Crossrail trains will travel underground through the city centre between Paddington and east London. The aim of Crossrail is to make traveling in the central area easier and quicker and to reduce crowding on London's transport network. It will operate with main line size trains, carrying more than 1500 passengers in each train.

### Crossrail

Route Map



Although Crossrail has long had support from most of London's politicians and business community, it has been held up for a long time due to wrangling over finance. It is currently proposed that the £16 billion cost of the scheme will be met through a combination of public and (mostly) private finance, with London businesses contributing much of the funding. Business organisations including Canary Wharf and the City of London have recently pledged their support for a funding package that will see them make direct contributions as well as a supplementary business rate being levied on individual firms. The Crossrail Bill foresees that construction will take place between 2008 and 2015. The most recent development to the scheme has been the Crossrail Bill successfully passing through the House of Lord's petitioning period at the end of January 2008 - one of the bill's final stages in the House of Commons. Two further Crossrail lines, which would run South to North have also been proposed, but plans are less developed and more uncertain.

Former London Mayor Ken Livingstone estimated that Crossrail would benefit the UK economy by £30bn if it became operational in 2015 as planned, and has described it as "even more important to London's long-term prosperity than our victory in winning the Olympic Games<sup>xx</sup>".

## CTRL

The Channel Tunnel Rail Link (CTRL) is a further infrastructural project designed to improve London's connectivity with the wider region and mainland Europe. The project involved the construction of a 108 km (67 mile) high-speed railway line from London through Kent to the British end of the Channel Tunnel. The second section of the CTRL, travelling across the River Thames and into London St Pancras, opened on the 14 November 2007. It has cut 20 minutes from the current Eurostar journey times, making it possible to travel from London St. Pancras to Paris Gare du Nord in 2 hours 15 minutes and to Brussels in 1 hour 51 minutes. Travel time between St Pancras and Dover (the busiest ferry port in the world) will be cut to just over an hour - an important improvement to London's connectivity.

It is thought that the rail link was a factor in London's successful 2012 Olympic Bid, promising a seven-minute journey time from the Olympic Village in Stratford to St. Pancras. In addition, the regeneration benefits the link will provide are thought to be substantial - a spokesman for the Department for Transport said "In addition to improved passenger services, it will support an estimated 100,000 new jobs, 18,000 new homes and over 40 million sq ft of office space along the route of the link".



## ***New York Subway Extensions***

A series of extensions to the New York Subway are planned or already underway. Projects which are already underway include:

Second Avenue Subway - the construction of a new subway line underneath Second Avenue in Manhattan. Planned since the 1920s, ground breaking for the first phase of the subway began in April 2007 and is expected to be finished by 2014. The entire project is scheduled for completion by 2020 at an estimated total cost of \$16 billion.

East Side Access Programme - a \$6.3 billion East Side Access program that will bring Long Island trains, which currently head straight to Pennsylvania Station on Manhattan's West Side, into a new station complex deep under Grand Central Terminal on the East Side. East Side Access Tunnel Excavation began in September 2007.

Extension of the 7 Train - a \$2 billion project funded by New York City to extend the Flushing line from its terminus at W 42<sup>nd</sup> Street further along to the far west side and then south to below 34<sup>th</sup> St, to link up to the planned expansion of the Javits Convention Centre and the planned development of the Hudson rail yards. The project is scheduled for completion in 2011 and is being funded by Tax Increment Financing backed bonds.

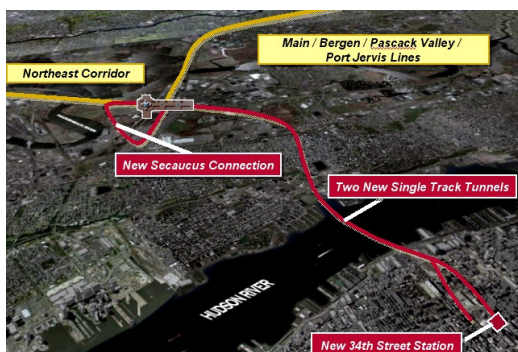
Other New York infrastructure projects which are under discussion include:

### ***The Lower Manhattan-Jamaica/JFK Transportation Project***

The JFK train link is a proposed public-works project involving the construction of a new tunnel under the East River to connect a new train station at the World Trade Center Transportation Hub site with John F. Kennedy International Airport and Jamaica Station. It would allow users to travel directly between a JFK airport and Lower Manhattan in only 36 minutes, cut commuting times from Long Island by up to 40% and reduce pressure on the crowded East Side subway lines in Manhattan. A recent feasibility study estimated that as many as 100,000 riders would use the new services on an average weekday.

Nonetheless, implementation of the plan is far from certain, as current Governor Eliot Spitzer does not view the project as a top priority, compared to subway extension, and has called for a careful evaluation of the benefits of the \$3.75 billion project.

### ***Trans Hudson Express (THE) Tunnel***



The Trans-Hudson Express Tunnel (also known as THE Tunnel) is a proposed railway tunnel under the Hudson River connecting New Jersey and New York. This new tunnel would add transportation capacity to the existing two-track railway tunnels under the Hudson River that are already operating near full capacity. The expected result is a revolution in interstate transport, allowing commuters a direct journey from New Jersey into Manhattan. Rail



ridership is expected to double between NJ and midtown Manhattan to 100,000 rush hour passengers daily.

So far \$3.5bn of the \$7.2bn project has been pledged: the New York Port Authority committed \$2bn in 2006 and New Jersey state government pledged \$1.5bn. New Jersey federal highway funds are expected to provide \$1bn between 2007-2017. Construction on the tunnel is set to begin in 2009 and scheduled for completion in 2016.

It is clear therefore that both the internal connectivity and connectivity with wider regions of both New York and London are set to improve dramatically in coming years. However, funding for several of the proposed projects is yet to be secured and their completion remains, in some cases, uncertain. As such, which city gains the upper hand in connectivity may well depend on which projects go ahead and whether their full extent is realized. Arguably, the proposed CTRL extension is the project with the greatest capacity to improve connectivity as it would bring London into even closer contact with mainland Europe. However, until the impending projects are realized New York remains - for now - the city with the better connectivity, due to the inefficiencies associated with both Heathrow and the London Underground.

#### ix. Quality of Place: Construction, Urban Management and Urban Regeneration

##### Construction



Construction in London is booming, in particular with the planning and construction of a new wave of skyscrapers. This so-called ‘Manhattanization of London’ began with the construction of Norman Foster’s 30 St Mary Axe building (the Gherkin) and is set to continue with the construction of a 1,000-foot building known as the Shard at Tower Bridge, SOM’s 540-foot Broadgate Tower near Liverpool Street Station and a KPF-designed 940-foot tower just south of it. If former Mayor Ken Livingstone’s plans are realised, London may have as many as twenty skyscrapers by 2015 (see above - city leadership section).

Whilst the face of London is being transformed by this high-rise architecture, New York’s urban landscape is similarly in extensive development, with the recently completed Bloomberg Tower at E.59<sup>th</sup> St. and the New York Times Tower at 8th Ave., and 41<sup>st</sup> St. Major office buildings currently under construction include the Bank of America building at Bryant Park, the re-building of the former Verizon headquarters, also at Bryant Park, for Metropolitan Life, and the Goldman Sachs Tower at Battery Park City. At the World Trade Center site, the Freedom Tower and memorials are now under construction, due for completion in 2012, and development plans are now complete for the other three office towers. Several major developments are in planning for completion in the next two decades, including Hudson Yards (13m square feet of residential and office space); Atlantic Yards (\$4 billion mixed use project in Brooklyn) and Long Island City (development plans include luxury housing as well as office, retail and film studios) have received the final go-ahead from the city authorities. Waterfront redevelopment is also set to take place in Brooklyn Heights and in Greenpoint, Brooklyn.

## Urban Management

New York City has proven itself to be a frontrunner amongst global cities when it comes to developing innovative urban management schemes. Business Improvement Districts are currently critical partners in ongoing initiatives of neighbourhood revitalization and economic development across the five boroughs of the city.

A business improvement district (BID) is a public-private partnership in which property and business owners of a defined area elect to make a collective contribution to the maintenance, development and marketing/promotion of their commercial district. The BID's services supplement the services already provided by the City of New York. The 59 BIDs that currently operate in the city are the largest network of BIDs in the US. They employ over 1,200 people and annually deliver over \$80 million in supplemental services and improvements for the direct benefit of more than 70,000 businesses.

The BID model is a highly flexible development tool capable of succeeding in a variety of communities, ranging from neighbourhood 'main streets' in Harlem and Astoria to central business districts in Downtown Brooklyn and Lower Manhattan. Just as BIDs serve an entire range of neighbourhoods in New York, they likewise provide a diverse array of programs and services. Annual operating budgets range in size from as little as \$53,000 to over \$11 million. Staff headcounts run from as few as three to as many as 172 employees. Programs themselves run the gamut from fundamental 'clean and safe' initiatives to extensive business development strategies and comprehensive streetscape renovations. Table 16.1 summarises the supplemental services/improvements provided by the BIDs.

*Supplemental services/improvements undertaken by the BIDs in New York:*

Service	Sub-services
Maintenance	Street/sidewalk cleaning; graffiti removal
Public safety/hospitality	Public safety officers; visitor assistance
Business development	Commercial vacancy reduction; business mix improvement
Marketing	Special events; district public relations; promotional materials; holiday decorations
Capital improvements	Improved streetlights; custom trash receptacles; directional street signage; custom newsboxes; flower boxes
Landscaping	Planting trees/flowers; treepit maintenance
Community service	Fundraising; charitable events; homeless and youth services

Each BID is governed by a Board of Directors that is elected by the members of the district. The Board of Directors has a fiduciary responsibility to the BID and hires the management that administers the BID on a day-to-day basis. The Board is divided into classes that include: commercial property owners, commercial tenants, residents and public officials. Public officials include the Mayor, Comptroller, Borough President and a member of the City Council and are defacto board members. BID members vote for directors in their respective classes. The majority of directors must be property owners.

BIDs deliver a range of supplemental services in co-ordination with municipal services such as sanitation and maintenance, public safety and visitor services, marketing and promotional programs, capital improvements and beautification in a designated area. Therefore, they invest in the long-term economic development of their districts.

### Scorecard ratings for selected BIDs

**SCORECARD RATINGS**  
Scorecard ratings are given out by the Mayor's Office of Operations to measure sidewalk cleanliness. Scorecard ratings are on a scale of 0 to 100. The average scorecard rating for all New York City BIDs in 2003 was 94%. The chart below compares the first recorded scorecard rate and the current rate for selected New York City BIDs:

BID	First Recorded Scorecard Rate	Rate in 2003
Fashion Center	38.9%	100%
47th Street	80.0%	100%
34th Street	52.2%	100%
Times Square	54.8%	97.6%
MetroTech Brooklyn	60.3%	94.7%

Source: <http://www.nyc.gov/html/sbs/html/bid.html>

### Commercial vacancy rates

BID	First Recorded Commercial Vacancy Rate	Rate in 2002
Flatbush Avenue	30%	3%
North Flatbush Avenue	22%	9%
Sunset Park – 5th Avenue	20%	5%
34th Street	9%	4%
Lower East Side	10%	5%
Times Square	25%	9%

Source: <http://www.nyc.gov/html/sbs/html/bid.html>

Such programmes represent public/private partnerships at their very best. They have proven effective in revitalizing neighbourhoods and improving business conditions in commercial districts by injecting vitality into the community. Beyond the core services of keeping streets clean and safe, BIDs have set benchmarks for their innovative programming in marketing, streetscape design, business development, public spaces and community service

It has been suggested by Mayor Michael R. Bloomberg that,

*“With more BIDs than any other city, New York City’s program has served as a model for other municipalities both in the US and abroad, and we are confident that they will play an important role in the future growth of our City.”*

New York has very much been the pioneering global city in terms of BIDs. Several other cities have set up BIDs after seeing their success in New York, including Toronto, Los Angeles and Cape Town. London has been slower to involve itself in BID schemes, but has recently set up The London BIDs programme, which is funded by the London Development Agency. Fifteen London areas have voted “yes” to proposed BIDs, including Angel, Camden, Kingston, Croydon and Ealing, and these areas will seek to emulate the success that New York has enjoyed through the BID scheme.

## Urban Regeneration

Urban regeneration has been accelerated in London by the successful fortune of London's Olympic bid. After the International Olympic Committee announced the success of the London bid last July, Tessa Jowell, the Secretary of State for Culture, Media & Sport said,

*“the games are a chance to transform one of the poorest and most deprived parts of our capital city” as well as to “unlock sporting talent, both at home and abroad.”<sup>xxi</sup>*

Certainly the success of the Olympic bid has led to the regeneration of the Lower Lea Valley in East London, which forms the city's “flagship” project. There are however a whole host of major projects designed to regenerate parts of London which are now underway. The most important projects are<sup>xxii</sup>:

### *The Olympics in the Lower Lea Valley*



The focal point of the Olympic Games in 2012 will be a new 200 hectare Olympic Park in Lower Lea Valley. The Games will be used as a catalyst for comprehensive regeneration of the area, which is currently one of the most socially deprived in London.

The 200 hectare Olympic Park will contain the main Olympic Stadium, Aquatics Centre, Velodrome, BMX Circuit and four other new arenas, as well as the Olympic Village and Media Centre. The Park will stretch from Hackney Marshes down to the Thames, and will become the biggest new city centre park in Europe for 200 years.

It will also feature a revitalised network of waterways serving new communities and businesses that will be the start of a regeneration stretching out from the Valley through East London and beyond. Each of the Games venues has been conceived to meet long-term needs, and the Olympic Village itself will become low cost housing.

### *Greenwich Peninsula*



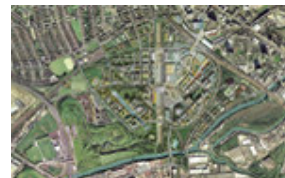
Up to 10,000 new homes, a vast entertainment and sports arena and an estimated 24,000 new jobs comprise this comprehensive regeneration.

The 10,000 new homes will be set within four residential communities, which will be linked via a Central Park. Approximately 3,800 of the 10,000 new homes will be dedicated to affordable and key worker accommodation. These communities will probably form part of the most significant single residential development in London for the next 15-20 years. The homes are expected to start construction in early 2006, and then continue for 20 years.

The centerpiece to this development is The O<sub>2</sub>, a world-class entertainment and sports arena, which seats up to 20,000 people. The venue has recently opened and will hold in excess of 150 events a year.

### *Stratford City*

Stratford in North East London represents one of the most significant urban regeneration projects in London. The development, which takes as its hub the upcoming Channel Tunnel rail interchange, covers 73 hectares and includes residential, commercial and leisure facilities.



In total, Stratford City will contain 4,500 homes; while a further 465,000 square metres are proposed for offices and businesses and 140,000 square metres will be dedicated to retail. It is also intended that there should be 120,000 square metres of hotel and conference

space in Stratford City, clustered around the international station. A target completion date of 2020 has been set.

### *Kings Cross*



A mixed residential, commercial and leisure scheme is planned for Kings Cross in North London. Based around the channel tunnel rail link, the plans include at least 1,800 new homes, shops, offices, hotels and 25 acres of public space. No skyscrapers are proposed but many buildings are planned to be up to 19 storeys high. Construction work has begun and completion is scheduled for 2015. .

This is not to say that there is no regeneration occurring in New York, and in particular urban management schemes such as Business Improvement Districts are developing and maintaining some districts. However, the city's regeneration plans were hit hard by the failed Olympic bid. Regeneration initiatives which had to be scrapped as a result of the failed bid include:

- Transformation of the decayed waterfront area on the far west side of Manhattan into a commercial, residential, sports, and tourism district;
- Reclamation of two degraded lakes in Queens, creating a 140 acre lake for sports and recreation, a nature preserve and an environmental educational centre for surrounding academic institutions; and
- Modernisation of the 369th Regiment Armoury, a land-marked building constructed in 1924, into a multi-sport community arenas.

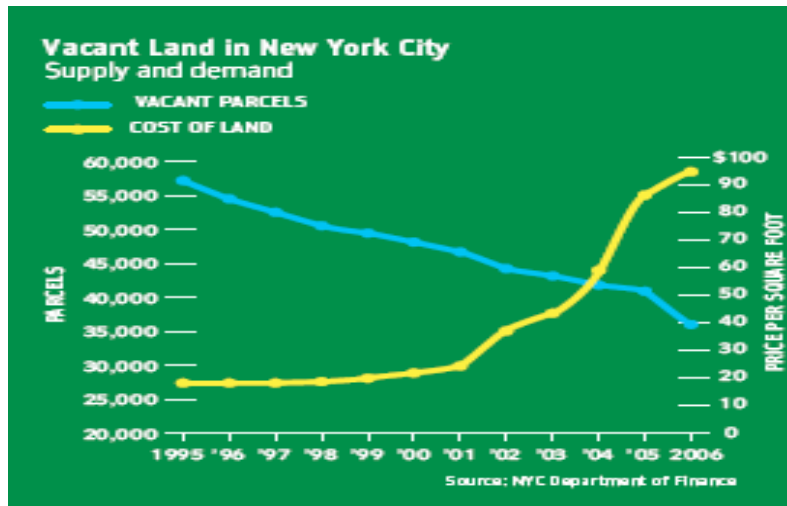
Though London's success in attracting the Olympics is widely perceived as a competitive success in the UK, there is no sense in NYC of having missed out. As in Paris and Madrid, who also competed for 2012, New York is getting on with business and probably pleased overall that it doesn't have a sports event to accommodate alongside other important developments.

### **x.Housing Affordability**

London and New York are two of the world's most expensive cities, and the high cost of living in both of the cities extends to both renting and buying housing. Furthermore, both cities are facing housing crises driven predominantly by population growth, which is inflating housing prices in both cities.

Both cities are facing major challenges in producing more new housing. New York constructed 35,000 new homes in 2007 and London completed a similar number, but set against population growth this is not enough in either city and both cities are seeking new ways to build more homes through enhanced Mayoral Initiatives. The London Mayor has just gained new powers to set housing strategy and direct investment, New York's mayor has developed a new plan with a central role for housing development.

London is increasingly becoming the more expensive city in which to buy or rent, as the combined cost of housing and the strength of the English pound has extended the housing prices in London compared to New York City in dollar terms. In 2006, prices in London's SW1 postal code (which covers Belgravia) grew by 29%. A house worth £100,000 in 1976 would now be worth more than £4.1m. In dollar terms, growth in house prices was an even stronger 46%. In contrast, the price of luxury condominiums throughout Manhattan grew a mere 6.3%. Property in SW1 fetched £1,450 (\$2,862) a square foot at the end of 2006, 63% more than the same area in Manhattan luxury condominiums.



Source: [http://www.nyc.gov/html/planyc2030/downloads/pdf/report\\_housing.pdf](http://www.nyc.gov/html/planyc2030/downloads/pdf/report_housing.pdf)

On a national scale, U.K. property prices in general grew 10% in 2006, whereas U.S. house prices fell 3%. The average U.K. home gains value by £40,000 (\$77,000) per year. (Although, following the Northern Rock crisis house prices in London fell by a hefty 6.3% in the last quarter of 2007). Nonetheless, there are multiple reasons for the increasing gap in affordability between London and New York's housing. Top-end immigration, which pushes up housing prices, is currently still more significant in London than New York. London also has stricter building codes than New York, which limit the size and height of new construction and therefore makes increasing supply to meet housing demand more difficult in London than New York, which again forces up prices.

Increasing the provision of "affordable housing" is currently high on the agenda of both London and New York's governments. In New York, Mayor Bloomberg has recently increased city funding for the new development of affordable housing, whilst Gordon Brown has made increased provision of affordable housing a national priority in the UK.

There are currently a number of schemes aimed at creating more affordable housing in London. Housing for Key Workers is designed to help key workers - teachers, nurses, social workers, policemen, fire officers - in London, the South East and East of England to buy a home, upgrade to a family home or rent a home at an affordable price. These workers, who may earn too much to qualify for social housing, yet still earn too little to afford to buy a home in London, are eligible for equity loans of up to £50,000. Under the Shared Ownership scheme tenants can buy a share of their property and pay a rent on the remaining share they do not own. This scheme is intended for people who cannot afford to buy a suitable home in any other way.

## xii. Tackling Urban Poverty

Tackling urban poverty is an important theme of city governance in London and New York, as both cities have areas of extreme deprivation. However, in New York Mayor Bloomberg plans to make poverty reduction the *central focus* of his second term, whilst Boris Johnson's primary focus as new Mayor of London is crime reduction.

Although unemployment rates have fallen significantly in NYC with the current recovery, to the approximate 5 per cent rate, poverty in New York has remained at a constant level in recent years - according to the United States Census Bureau the city's poverty rate of 19 percent in 2004 had not changed since 2001- and Bloomberg is determined to bring about a reduction in this rate, pledging \$150 million a year to do so. Much of this money will be used to try and test out new approaches - at the centre of the effort is a newly formed city

office, called the Center for Economic Opportunity (CEO), which is designed to operate as a combination of a philanthropic foundation and a venture capital fund. This office will be charged with seeding innovation by supporting a range of experimental programs. But in addition to investing in R&D, the CEO will be in charge of evaluating the results, so programs that demonstrate success in reducing poverty can be built upon and those that don't can be shut down. This funding of policy innovation is completely new ground in the attempt to tackle urban poverty.

In 2006 Bloomberg appointed a Commission on Economic Opportunity to come up with innovative ideas to address poverty in the city. The commission's initial report was released in September 2006, and was entitled, *Increasing Opportunity and Reducing Poverty in New York City*. The report concentrates on three groups: very young children, young adults, and the working poor. By targeting these critical groups, the Commission believes it can best combat poverty overall. However, the focus has been criticized by those who would like a focus on other groups—including the elderly, the unemployed, the homeless, and those recently released from prison.

The Mayor also announced that he plans to explore the use of cash incentives to poor parents to get them to keep their children in school and promote other constructive behaviors. On June 18, 2007, city officials released details of an experimental two-year Conditional Cash Transfer (CCT) program, known as Opportunity NYC. This \$50 million scheme will make "healthy lifestyle payments" to recipients who exhibit behaviors that are deemed conducive to self-sufficiency. Bloomberg cited successes with similar programs in Brazil and Mexico. The pilot program is expected to have approximately 14,000 participants and will be funded by the private sector, rather than city tax dollars.

Another set of investments will focus on increasing the financial capacity of lower-income households. A first-of-its-kind Office of Financial Empowerment is being formed to ensure that families have access to information that can maximize their financial health and minimize the likelihood that they will be subject to predatory schemes. This will include coordinated information campaigns to publicize the availability of tax credits and public benefits, which can help families get and save financial resources. The idea is to provide and coordinate access to asset building activities, such as basic bank accounts, financial literacy help, and matched savings account programs.

An additional plank of the effort is designed to help families with young children enter and stay in the work force. Recognizing that child care costs often impede labor force attachment, the Mayor has taken up an earlier proposal of his Democrat-led City Council to create a local child care tax credit that could help offset these costs and make work pay. The proposed credit, still pending before the council and state legislature, would target families with children three years old and younger which have household incomes less than \$30,000. It is estimated that this proposal would cost the city \$42 million a year and benefit almost 50,000 families.

Although the results of Bloomberg's efforts are yet to be seen, New York is certainly making greater progress towards tackling urban poverty than London. In January 2007 one in four of all the poorest districts in England were found in London, and 52% of children in Inner London live in poverty<sup>xviii</sup>. London now has one of the highest unemployment rates in the UK, a reversal of the situation in the 1970s and 1980s. Whilst there has been significant progress in reducing poverty at a national level there has been little consistent improvement in London since 1998/9. Initiatives aimed at tackling urban poverty in London have tended to be targeted at tackling child poverty. In 2006 the Association of London Government launched The London Child Poverty Commission which aims to increase understanding of the causes of London's high child poverty rates and identify policies at national and local levels that will help reduce them.



### xiii. The Arts, Fashion, and Food

#### The Arts

London's theatre scene is booming at present, and many international (including American) names have been drawn to the West End. Jeff Goldblum is currently performing in *Speed the Plow* and Kevin Spacey, the American actor, is leading the resurgence of the Old Vic. As Simon Stephens, an acclaimed young English playwright, says, "I worked with emerging playwrights in New York last year; they had a palpable sense of cynicism about their industry. I don't about mine: In London now there is an exceptional hunger from theatre producers for new plays that are bold, challenging, provocative, and alive." In 2007, a record number of people - almost 14 million - went to the theatre in London, with ticket revenues rising to a record £470m<sup>xxiv</sup>.

Some commentators have also proclaimed that London is overtaking New York as the world's art capital. When Yoko Ono presented the 2006 Turner prize, she said that when she first arrived in America in 1966, "New York was the centre of the art world. Now it's London." The Frieze Contemporary Art Fair, which has been running since 2003, is partly responsible for the reinvigoration of the London art scene. In 2005 the Independent on Sunday reported that "In just three years London's Frieze Art Fair has grown from nothing to be the world's most important contemporary art fair, drawing moneyed collectors from around the world."

NYC has the Armory Show and the Piers Show, both of which are huge. NYC is still the much larger sales market for both Sotheby's and Christies. However, from a global view it is the remarkable leadership of both cities in these markets which is noteworthy.

Although New York has dominated overall turnover since WWII, when it comes to market performance, London is rapidly gaining ground. Total sales in the London auction market have risen an astronomical 93 percent since mid-2001, compared to a mere 46 percent in New York over the same period. In addition, New York does not have the number of serious public galleries with rolling international programmes that London has - the Serpentine, Hayward, Whitechapel, Camden Arts Centre, South London Gallery, together with the institutions with collections such as Tate Britain and Modern and the National Gallery.

Nonetheless, despite London's dramatic progress in recent years, the general consensus seems to be that New York remains the world's art capital, for the time being at least:

*"London is one of the dominant forces in the world's contemporary art market, second only to New York. At least that's the conclusion suggested by the success of the Frieze Art Fair..."* The Guardian, 15 October 2004

*"The market in England for contemporary visual art has undergone a dramatic expansion over the last decade. London is now the center of Europe's art market, and is acknowledged as the second largest art marketplace in the world after New York."* Louise Buck Art Newspaper

In "The Economic Impact of the Arts on New York City and New York State," by Bourscheidt & Lanier (1997) it was estimated that the total economic impact of the arts had grown to \$11 billion in New York City. This impressive statistic was also supported by the London - New York Study in 2000. The report found that New York's museums and music halls, Broadway and Off-Broadway theatres and art galleries were gaining an ever increasing number of visitors. It found that increasing numbers of TV productions and movies were being made in the city and major new arts facilities such as the Rose Center at the American Museum of Natural History were proving a major factor in drawing new tourist and business visitors to the City. Quantitatively, it found that the total economic activity of the arts industry had grown substantially, perhaps to the \$12-15 billion range.



However, in “Locating Art Worlds: London and the making of Young British Art”, Aidan White (2003) argued that London has benefited from its changing status as a cultural capital, and a snowball effect has ensued - leading to the growth of home-grown talent of the Young British Artists (YBas) (including Tracy Emin, Damien Hirst, Sam Taylor Wood) which have further bolstered the city’s cultural scene. In 2006 an Arts Council England report estimated the contemporary London art market as being worth £500m.

The New York arts scene also benefits from the existence of the **Public Art Fund** - a non-profit organization founded in 1977 by Doris Freedman. The fund organizes highly visible artists' projects, new commissions, installations and exhibitions in public spaces throughout New York City. In 2005, it was among 406 New York City arts and social service institutions to receive part of a \$20 million grant from the Carnegie Corporation, which was made possible through a donation by Mayor Bloomberg.

## **Fashion**

New York is widely accepted to still have the edge over London in the fashion world. Although London Fashion Week is slowly gaining publicity, major British designers such as Luella Bartley, Matthew Williamson and Alice Temperley still show at the longer established and more prestigious New York Fashion Week. The Independent on Sunday reported in February 2007 that:

*“Once again, London fashion week proved blander, less innovative and less noticeable than its New York counterpart”.*

Hamish Bowles, US Vogue’s European editor, said London’s decline coincided with the graduation of its golden generation. “A few years back, London had a very strong generation of designers, like Alexander McQueen, John Galliano, Stella McCartney and Matthew Williamson. Ever since they all left [for Paris or New York] there has been a void in the city.” Paul Smith is the latest British designer to consider a permanent move abroad.

Although high profile designers such as Armani and Marc Jacobs have made one off transatlantic switches to London in recent seasons, critics argue that this only shows up how lightweight London’s fashion week has become against New York, Paris and Milan, which have dozens of big-name designers every year. London has long been the most beleaguered of the fashion shows, failing to secure top designers, international fashion editors and celebrities. However Michael Roberts, Vanity Fair’s fashion director, believes things will change, “London has always been very cyclical: there is a high point followed by a slump and we are now seeing the city on the rise again,” he said.

It is important to note the dynamism in both London and NY fashion markets. These are cities to which young designers flock. Established designers appear to move interchangeably between the fashion shows in both cities -recent examples include Stella McCartney and Alex McQueen showing in New York, and Donna Karen and Ralph Lauren showing in London. It is this dynamism and cross-fertilisation between London and New York that enables both cities now to compare with Paris and Milan.

## **Food**

Whilst New York has always had a vibrant restaurant scene, until recent years London was not known as a “food capital” of the world. In 2008 however, there are 40 starred Michelin restaurants in London, a close rival to the 43 in New York. British cuisine is in vogue to such an extent that some London restaurants currently have waiting lists up to a month long, just like Per Se and others in NYC. But food in both London and New York is growing as a focus for both entrepreneurship, creative endeavour, investment, and celebrity. What is clear is that this is sector with enormous innovation in both cities and a drive to be the best in the world, which is growing the market in both cities.

The restaurant scene in both New York and London is widely perceived now to be the best there is. New York's long term ascendancy has a new gear and enormous innovation. London has shrugged off its dull image and is competing globally for the first time, particularly in "ethnic" cuisine. Indeed (New York based) Gourmet magazine recently voted London the best city in the world for food. John Willoughby, the magazine's executive editor said:

*'Our position is that London is the best city in the world to eat in right now, Everyone here is amazed at the quality and the breadth of the restaurants'*.<sup>xxv</sup>

Chef Angela Hartnett supported this statement, saying that 'New York is a hell of a lot cheaper, but the prices [in London] make customers more demanding - they expect the best.'<sup>xxvi</sup>

In a 2005 ranking of the world's 50 best restaurants for *Restaurant Magazine*, 11 of the restaurants were based in London. The list was chosen by a panel of more than 600 chefs, food critics and restaurateurs, who considered culinary excellence, service and the overall dining experience. The London selections included Restaurant Gordon Ramsay, Tom Aikens, St John, The Gallery at Sketch, Hakkasan and Nobu. Meanwhile, only six New York restaurants made the Top 50 including Thomas Keller's Per Se in seventh place and Jean-Georges Vongerichten's Jean Georges in ninth. The top ten restaurants were:

- i. **The Fat Duck** Bray, Berkshire
- ii. **El Bulli** Montjoi, Spain
- iii. **The French Laundry** Yountville, California
- iv. **Tetsuya's** Sydney
- v. **Gordon Ramsay** London
- vi. **Pierre Gagnaire** Paris
- vii. **Per Se** New York
- viii. **Tom Aikens** London
- ix. **Jean Georges** New York
- x. **St John** London

## Film

NYC is a significant production centre, with three major film locations (Steiner Studios, Silvercup, and Kaufman). Silvercup is planning major expansion to include office, retail, and luxury housing as well as studios. TV production is also very substantial, and measured \$2 b. in direct economic activity, whilst film measured \$1 b. Indeed TV is a significant employer in the city's economy. The four major American broadcast networks, ABC, CBS, FOX and NBC, are all headquartered in New York. Many cable channels are based in the city as well, including MTV, Fox News, HBO and Comedy Central. In 2005, there were more than 100 television shows recorded in New York City.

London also has major film studios at Pinewood, Shepperton, Elstree and Leavesden, as well as an important special effects and post-production community. London is becoming ever more desirable as a location for shooting movies, with 12,655 shooting days in 2005, but this remains only a third of New York's activity. What may be most significant about London is the creativity of its TV products and their global reach, which are exported to the US and globally. In recent years several internationally distributed films have been shot which iconically depict London - almost giving it the effect of an additional character in the film. Examples include *28 Days Later*, *Harry Potter and the Order of the Phoenix*, *Run Fat Boy Run*, *Miss Potter* and *St Trinian's*. Arguably however the same may be said of New York which features heavily in recent and forthcoming films including *Sex and the City: The Movie*, *King Kong*, *Spiderman 3*, *The Devil Wears Prada* and *World Trade Center*.

Both cities host important film festivals; The Times BFI London Film Festival is the UK's largest public film event, screening 300 films from 60 countries, and held annually in

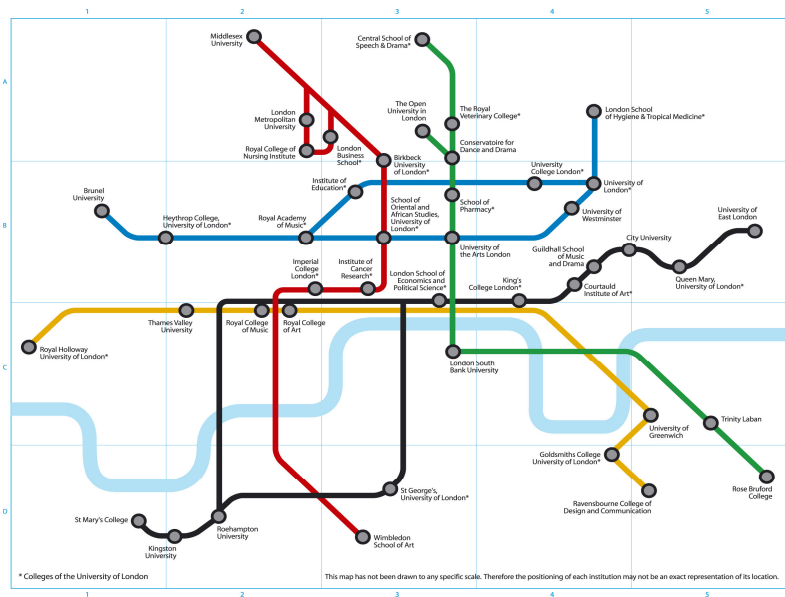
October. The New York Film Festival however is also annual, and thought to be one of the most important film events in the US.

Whilst it is difficult to choose between the cities themselves as locations for screening and shooting films, it is generally recognised that American film is in a stronger globally than UK cinema. British Director Ken Loach said at the 2007 London Film Festival,

*"We have been so dominated by American cinema, purely because we share the same language, that we have run out of space in British cinema.... British cinema has always been squeezed out and we have to play the Uncle Tom, presenting ourselves to the imperialists in a way that they find acceptable. We've already looked across the Atlantic too much instead of looking to Europe... We just get squeezed out."*<sup>xxxvii</sup>

#### XIV. Higher Education

Both London and New York are home to multiple higher education institutions, some of which are amongst the best in the world. New York is the larger student centre, with more higher education institutions and a larger number of students. There are currently approximately 594,000 university students in New York. The largest university, the City of New York University (CUNY) is home to around 450,000 students. In contrast, the University of London - although the largest contact teaching university in the United Kingdom and in Europe - has only 125,000 students. The University of London comprises 20 colleges as well as several smaller institutes, each of which have a high degree of autonomy. The city is also home to several other more modern universities, which were polytechnics until 1992, such as Brunel University, City University and London Metropolitan University. There are 61 universities and colleges in New York City and in 2005, three out of five Manhattan residents were college graduates and one out of four had advanced degrees, forming one of the highest concentrations of highly educated people in any American city.



Source: The London Higher Education Map: Study London 2006

Although New York is clearly the larger and more diverse seat of learning, there is some debate as to which city has the stronger academic institutions.

Both cities see Higher Education expansion as a major opportunity (the map above is part of London's campaign to sell its Higher Education Abroad). Both cities are gaining interest from highly talented students from all over the world. Both cities can use international higher education to build the regional labour pool, and also to create influence across the

world, especially in emerging economies. So, higher education is an important growing business for both cities and has long term strategic significance.

Several of the colleges of the University of London (Imperial, the London School of Economics, King's and UCL) have been ranked among the best universities in the world by The Times Higher Education Supplement: in 2007 Imperial was ranked 5th, UCL 9th, King's 24<sup>th</sup> and the London School of Economics 59th (17th in 2006) in the world. London is also known globally for its business education, with the London Business School (ranked #1 in Europe by Business Week) and Cass Business School (Europe's largest finance school) both being top world-rated business schools.

Whilst NYC is renowned for its business education, (the Stern School of Business at NYU - is now rated one of the top 5 in the U.S.A, and Columbia Business School is in the top 3 consistently). NYC also excels in continuing and professional education, New York's academic field of strength lies with medicine and the life sciences. New York City has the most post-graduate life sciences degrees awarded annually in the United States, with 40,000 licensed physicians, and 127 Nobel laureates with roots in local institutions. Indeed CUNY has graduated the highest number of Nobel Laureates of any public university in the world. Columbia and NYU are the city's strongest academic institutions; Columbia was ranked as the 7th best university in the world in the 2007 analysis by Shanghai Jiao Tong University (the widely used 'Shanghai Index'). Although this ranking is higher than any achieved by a London University, London is generally perceived as the stronger academic centre due to the large number of internationally competitive academic institutions in the city, and its proximity to Oxford and Cambridge, although this is paralleled in NYC by proximity to Princeton and Yale.

<b>World Rank</b>	<b>Institution</b>
1	<u>Harvard Univ</u>
2	<u>Stanford Univ</u>
3	<u>Univ California - Berkeley</u>
4	<u>Univ Cambridge</u>
5	<u>Massachusetts Inst Tech (MIT)</u>
6	<u>California Inst Tech</u>
7	<u>Columbia Univ</u>
8	<u>Princeton Univ</u>
9	<u>Univ Chicago</u>
10	<u>Univ Oxford</u>
11	<u>Yale Univ</u>
12	<u>Cornell Univ</u>
13	<u>Univ California - Los Angeles</u>
14	<u>Univ California - San Diego</u>
15	<u>Univ Pennsylvania</u>
16	<u>Univ Washington - Seattle</u>
17	<u>Univ Wisconsin - Madison</u>
18	<u>Univ California - San Francisco</u>
19	<u>Johns Hopkins Univ</u>
20	<u>Tokyo Univ</u>

Source: The "Shanghai Index" (2007) ranking the world's top academic institutions

In terms of R&D and science and technology, New York has the competitive edge over London. New York is a strong centre for high-tech industries such as software development, gaming design, and Internet services as well as biotechnology and life sciences. Medical

services and research drive New York's major healthcare industry. The city has the most post-graduate life sciences degrees awarded annually in the United States, 40,000 licensed physicians, and 127 Nobel laureates with roots in local institutions. New York receives the second-highest amount of annual funding from the National Institutes of Health among all U.S. cities.

Major publicly-traded biopharma companies based in New York include Bristol Myers Squibb, Eyetech Pharmaceuticals, ImClone Systems, OSI Pharmaceuticals, Pfizer, Regeneron, CuraGen and Alexion. According to the Partnership for New York City, New York institutions create more biotechnology-related patents than any other metropolitan area in the United States, including New Haven, home of Yale University's medical research complex, which produces the greatest per capita output. By contrast, London's strongest economic sectors are finance and consumer services, tourism and the media. It is rather the wider GSE which is home to the region's R&D and science and technology, especially in locations such as Swindon, Reading and Newbury along the M4 corridor. Microsoft, Hutchinson 3G and Vodafone amongst others have functions in this region. NYC has important headquarters, but not substantial corporate R & D; whilst it does have top quality R & D at Roosevelt University and at the great teaching hospitals in NYC.

#### xv. Climate Change

London and New York have both stepped up their efforts to combat climate change in recent years. Whilst London made the earlier moves towards creating a "green" capital, in April of this year Michael Bloomberg has redoubled New York's efforts by releasing PLANYC: an aggressive program to vastly improve New York City's environmental sustainability by 2030. Nonetheless, there is little doubt that London has a more developed infrastructure at present for tackling climate change, as the initiatives outlined in PLANYC remain embryonic. A 2005 report by the Climate Group examined fifteen major cities which have taken measures to reduce their carbon emissions, and ranked London as the 11<sup>th</sup> best city, whilst New York was placed 14<sup>th</sup>:

Carbon Footprints of Cities (2004 data)

City	Carbon footprint/ m tonnes	Population/m
Seattle	0.6	0.6
Copenhagen	2.5	0.5
Barcelona	4.8	1.4
San Francisco	9.7	0.8
Paris	13.0	2.2
Cape Town	21.01	3.22
Berlin	25.33	3.4
Chicago	28.4	2.9
Mexico City	33.5	8.2
Toronto	40.2	2.5
London	41.9	7.4
Melbourne	59.6	3.6
Beijing	62.4	7.4
Tokyo	69.0	12.5
New York	72.0	8.1

London's congestion charge is the city's biggest contribution to tackling climate change, and has been very successful; Former Mayor Ken Livingstone claims that London is the only

large city in the world that has achieved a major shift in transport from car to bus. Four years ago, 38% of people used their cars daily in London, its now 19%; there has been a 72% increase in cycling over four years and there will be a 70% decrease in bus emissions as 500 buses are converted to run on hybrid electric-diesel motors; there are 20% more pedestrian crossings and 48% fewer people died on the roads last year compared with 2000.

However, London's leading global position in tackling climate change is not limited to the congestion charge. Livingstone banned cars from Trafalgar Square and created the London Climate Change Agency.. Indeed Livingstone is credited as the driving force behind many of the positive environmental improvements the city has made. The Guardian wrote,

*"You can see climate change is now top of the London agenda and is being personally driven"<sup>xxviii</sup>*



Former Mayor Ken Livingstone with an energy saving lightbulb.  
Source: [www.guardian.co.uk/environment/2006/nov/01/travelsenvironmentalimpact.localgovernment](http://www.guardian.co.uk/environment/2006/nov/01/travelsenvironmentalimpact.localgovernment)

Livingstone's approach to climate change toughened during his years in office. In the 2002 London Plan, which determines development in the city from 2008 onwards, the former mayor said that airport expansion will be needed in the south-east "to meet London's economic needs. Livingstone later withdrew his support for airport growth, saying *"When we drafted the London Plan in 2002, we were nowhere near getting the alarming information that we are today. We have to address it"<sup>xxix</sup>.*

It seems likely that new Mayor Boris Johnson will afford less importance to climate change than his predecessor, preferring to focus instead on crime and housing issues. For example, Johnson is opposed to expansion of the congestion charge and pro the development of a new airport in the Thames Estuary. However, although a driving force, the mayor does not have sole responsibility for climate change solutions, and other initiatives in London aimed at tackling climate change include:

- The London Climate Change Agency has begun a commercial partnership with French energy giant EDF to roll out combined heat and power units across London;
- All new social housing developments will soon have to be nearly 60% more efficient than they are at present;
- It is hoped that the Low Emission Zone will continue to build on the congestion charge's success
- Some borough councils, such as Richmond council, in west London, are planning to increase parking charges for cars that are heavy polluters; and
- A minuscule version of Dongtang in China (the world's first major eco-city) is planned for Docklands, where 200 carbon-neutral homes will be built.

London is also the first city in Britain to set itself statutory carbon dioxide emission reduction targets. They are roughly on a par with the government's - 20% cuts by 2015, 60% by 2050. Furthermore, the city has established a C40 group of major world cities on climate change.

## Social and Environmental Development

### PlaNYC: A Greener, Greater New York

In April 2007, the Mayor of New York released a landmark report, aimed at planning the city's environmental future up to 2030.<sup>xxx</sup> The report describes itself as 'the most sweeping plan to strengthen New York's urban environment in the city's modern history'. The plan is the result of a collaborative effort between government agencies, civic organisations, academic experts, community groups, consultants, representatives of the private sector, elected officials and members of the New York public.

Central to the report is the acceptance that climate change is set to affect New York more than the rest of the region because of the 'urban heat island effect', which means the city is often four to seven degrees Fahrenheit warmer than the surrounding suburbs. Furthermore, with New York City releasing 58.3 million metric tons of carbon dioxide into the atmosphere in 2005 (approximately equal to Switzerland, though a third less per capita than the rest of the US), the report recognises the responsibility of the city to 'rise to the definitive challenge of the 21<sup>st</sup> century.'



The report focuses on five key dimensions of the city's environment - land, air, water, energy and transportation. Improvement in each of the five areas is intended to accomplish the overall goal, which is to **reduce New York's global warming emissions by 30%**.

PLANYC will accelerate New York's battle against climate change. The plan outlines aims to be achieved by 2030 in six different environmental areas:

#### Land

- Create homes for almost a million more New Yorkers, while making housing more affordable and sustainable;
- Ensure all New Yorkers live within a ten minute walk of a park;
- Clear up all contaminated land in New York;

#### Water

- Open 90% of waterways for recreation by reducing water pollution and preserving our natural areas;
- Develop critical backup systems for the aging water network to ensure long term reliability;

#### Transportation

- Improve travel times by adding transit capacity for millions more residents;
- Reach a full "state of good repair" on New York's roads, subways and rails for the first time in history;

#### Energy

- Provide cleaner, more reliable power for every New Yorker by upgrading our energy infrastructure;

## Air

- Achieve the cleanest air quality of any big city in America;

## Climate Change

- Reduce carbon emissions by 30%.



New York has also launched a GreenNYC marketing campaign in an effort to get people to reduce carbon emissions.

New York therefore looks set to close the environmental gap between itself and London in the coming years. However, it is perhaps London's pioneering ethos towards tackling climate change which most sets it apart from New York, and may continue to do so. Although New York's PLANYC is comprehensive, its main provisions follow London's lead. The most significant (and controversial) provision of the plan is the introduction of a congestion charge scheme on Manhattan Island.

In contrast, London is determined to remain at the forefront of international climate change research. At the World Economic Forum in Davos in 2006, the Mayor pledged his commitment to maintaining London's role as a global leader in the fight against climate change. He said,

*'Cities produce 75 per cent of global carbon emissions and it is therefore in cities that the battle against climate change will have to be won. To win this battle three things are required.*

### Source:

<http://www.nyc.gov/html/plany2030/html/greenyc/greenyc.shtml>

*'First, determination to tackle climate change and not denial of its reality or consequences. Second, the most sophisticated financial institutions to respond to carbon trading and investment in new technologies. Third, state of the art scientific and technical research facilities to develop the technological solutions of the future.*

*'A number of cities have parts of this solution. But London is the only one that brings together all three. My administration is totally focused on this. That is why I am setting the target that in the next five years London should become the undisputed world leader in research and financial development on climate change.*

*'Climate change is a tremendous challenge to humanity. But for London it is also a tremendous opportunity. The world is shifting to a new technical and financial system in which we do not produce and waste energy, in the form of carbon, but must conserve it. London has the potential to be at the centre of this shift and intends to work with all the other great world cities to achieve it. That is why London established the C40 group of major world cities on climate change.'<sup>xxxi</sup>*

There are substantial remaining challenges here. A good example is the potential impact of flooding and rising sea levels in both cities (e.g. the flooding of Thames beyond the Barrier, and flooding of NYC's subway systems). These are issues to which both cities must now turn their attention.



## London and New York in 2008, a brief summary.

In the table below we present a summary of the state of the debate about London and New York in 2008.

**Table 1: Summary of the State of the Debate**

	Both Cities Doing Well	Both Cities Facing Challenges	London in Lead	New York in Lead
Financial Services dynamism and regulation	√	√		
Cost of Living Wages and Wealth		√		√
Global Reach	√	√		
Fiscal Health and City Credit Ratings	√		√ PPPs	√ Financial Tools
City Leadership	√			
City Image and Identity	√		√	
Security, Terrorism and Crime		√		
Connectivity		√	√ Metropolitan	√ International
Construction, Urban Management and Urban Regeneration	√		√ Urban Regeneration	√ Construction and Urban Management
Tackling Housing Affordability		√		√
Tackling Urban Poverty		√		√
The Arts, Fashion and Food	√			√
Higher Education, Science and R&D	√		√ Higher Education	√ Science and R&D
Climate Change		√	√	

## 2. Learning with London and New York.

We observed earlier that the underlying purpose of comparison between London and New York ought to be to help both cities develop in the context of widening and diversifying competition to be the world's leading cities. Certainly, in the longer term the issues for both London and New York are not so much how they compete with each other but how well they both fare in the wider global system, especially as the emerging economies mature and produce leading world cities of their own.

Consequently, this section of the paper seeks to set out an agenda for debate and discussion by addressing 4 questions:

What can London learn from New York?

What can New York Learn from London?

What can both cities learn from the other major cities in the world?

What can the other major cities of the world learn from London and New York?

### 2.1 What can London learn from New York?

- Crime reduction.
- Urban Development, Tall Buildings, and Urban Management.
- Infrastructure Finance.

#### Crime Reduction

New York City has traditionally been perceived as a dangerous metropolis, particularly in the 1980s and early 1990s when crime rates peaked as the city was hit by a crack cocaine epidemic which swept the USA. Since 1991 however, the city has seen a continuous trend of decreasing crime and has transformed its image to one of a welcoming and safe city. As of 2005, New York City has the lowest crime rate among the ten largest cities in the United States. Violent crime in the city has dropped by 75% in the last twelve years and the murder rate in 2007 was at its lowest level since 1963: there were 428 murders in 2007 compared to 2262 murders in 1990.

Crime reduction in New York, led by Mayor Rudy Giuliani from his election in 1993, was achieved using a variety of strategies. Giuliani adopted a "zero tolerance" approach to crime - officers pursued seemingly minor crimes, especially petty 'quality of life' offences such as graffiti, littering or vandalism. This strategy was based on the theory of broken window policing - that further petty crime and low-level anti-social behaviour will be deterred, and thus major crime will be prevented. A more localised approach was also adopted: police tapped neighbourhood knowledge, small core groups of local offenders were identified and local commanders were penalised if crime levels didn't fall in their area. Crime reduction in New York has also been attributed to the various initiatives which succeeded in moving over 500,000 people into jobs from welfare, and housing vouchers that enabled poor families to move to better neighbourhoods.

In contrast to New York, crime rates in London have escalated in recent years. Gun crime, New York's traditional concern, has risen especially sharply, particularly amongst London's black community. For example, the number of shootings and murders involving black youths under the age of 20 has more than doubled in the past four years. Scotland Yard's Operation Trident unit found the number of people killed or injured by guns rose from 31 in 2003 to 76 in 2006. This figure rose by a further 4% in 2007.

If London is to reduce crime through “broken windows” policing, the city will certainly have to employ larger numbers of police - despite having similar sized populations, London has around 10,000 fewer police officers than New York. Differences in city governance may make it difficult for London to follow New York’s example: while the police commissioner in London is appointed by the home secretary and is accountable both to the national and the London city government, the commissioner in New York answers only to the city’s officials and has a much freer hand to pursue his own programs.

Despite this apparent disadvantage, Boris Johnson’s successful pre election manifesto in early 2008 was largely centred around reduction of crime in London and in particular reduction of knife crime and gang violence. In his meeting with Bloomberg upon his election in May 2008, crime reduction was the key area of discussion between the mayors. Following the meeting, Johnson has suggested that he intends to fight crime in London utilising New York’s “broken windows” method. He said “I firmly believe that if we drive out so-called minor crime then we will be able to get a firm grip on more serious crime.”<sup>xxxii</sup>, and he hopes to introduce the larger numbers of police needed to carry out this policy. Indeed, Johnson has already put more police officers on the streets of the capital and banned alcohol consumption on public transport from June 1. He has also pledged to recruit 440 new police community support officers to patrol the Underground, and train network as well as buses to curb anti-social behaviour.

Johnson also hopes to introduce the “zero-tolerance” approach to petty crime to London, specifically graffiti and littering, which was so successful in New York under Mayor Giuliani. In the area of knife crime, on which Johnson campaigned so forcefully, the new mayor also hopes to follow New York’s lead, introducing hand-held scanners and “knife arches” in schools and at underground stations. A further weapon in New York’s successful battle against crime is crime mapping, which Johnson believes should also be made public in London, allowing residents to see how many assaults, muggings and burglaries are committed on their doorsteps. The Metropolitan Police currently only publish details of crime broken down on a borough by borough basis - and have resisted publishing more detailed information because of concerns that it would increase fear of crime. However, Johnson claims that publishing the local crime maps would allow people to find out exactly how safe their neighbourhoods are, acting as an incentive to pressurise local authorities into action.

#### **Urban Development and Tall Buildings.**

A recent LSE report “*Tall Buildings: vision of the future or victims of the past*” argues that in order to remain a competitive world city London needs to radically rethink its planning policies, allowing higher density development and more tall buildings. As households and jobs growth soar, London will need to accommodate a population the size of Liverpool by 2016 within its existing boundaries. It will also require five to seven times the amount of extra office space currently provided at Canary Wharf over the next 25 years. At present, whilst New York has a clear pro-active policy defining where tall buildings can be sited, London currently has a purely reactive policy, simply spelling out where tall buildings cannot be situated.

Richard Burdett of LSE commented: “London is an organic city that can adapt to change. It has suffered from a lack of vision and coherence in its policy towards tall buildings in the past and that needs to change. I believe that tall buildings could play a much greater role in London’s future if properly designed and located near major transport hubs, as part of a clear strategy of intensification, especially around large areas of brownfield inner city land.”<sup>xxxiii</sup> (Also see above - city leadership section).

#### **Urban Management.**

The success of New York’s BID system (Business Improvement Districts) holds many lessons for London as an effective method of improving urban fabric and revitalising rundown areas. BIDs are public-private partnerships in which property and business owners of a

defined area elect to make a collective contribution to the maintenance, development and marketing/promotion of their commercial district. There are 59 BIDs currently in operation in New York City, and their introduction has, on the whole, been highly successful. The advantages which New York has gained from its BID arrangements include:

- a cleaner, safer and more attractive business district;
- a steady and reliable funding source for supplemental services and programs;
- the ability to respond quickly to changing needs of the business community;
- the potential to increase property values, improve sales and decrease commercial vacancy rates, and;
- a district that is better able to compete with nearby retail and business centres.

At present, London's BIDs are in their very early stages and are developing equivalent methods of involving the community in public private partnerships which actively contribute to the urban revitalisation. The implementation of BIDs will undoubtedly contribute to the amelioration of the urban environment, without the tax burden of expensive regeneration schemes. This is particularly important at a time when British taxpayers are concerned about the escalating costs of preparing the city for the 2012 Olympics. It is unsurprising then that London already appear keen to adopt a BID approach to urban management similar to that seen in New York. The city has recently established The London BIDs programme, which is funded by the London Development Agency, and fifteen London areas have voted "yes" to proposed BIDs, including Angel, Camden, Kingston, Croydon and Ealing.

#### **Infrastructure finance.**

New York's financing of urban infrastructure projects has proved itself to be a preferable method to those employed in London, particularly in the light of the recent collapse of London tube infrastructure company Metronet. London has in recent years, under former Chancellor Gordon Brown, turned increasingly towards PPP (public private partnership) as its predominant method of financing infrastructural developments. PPP has been preferred because it transfers risk away from the state as contracted companies pay for any unexpected contingencies. The city's underground PPP project was one of the biggest in the world, but unfortunately the entire costs have fallen on the state (and the taxpayer) with Metronet's failure.

In New York on the other hand, financing of infrastructural developments (including the city subway) has been handled through the issuing of bonds and procuring work through shorter term, more manageable contracts. The extension of the New York Flushing subway line is funded by the issuance of \$2.1 billion in Tax Increment Financing (TIF) bonds. Indeed bonds have been used in New York to fund everything from the renovation of Grand Central Station to the new airport transit link, and generally with great success. Issuance of bonds as a financing tool also has the advantage of creating a unified management for major infrastructural projects, as opposed to the piecemeal management which can result from PPP. Bond financing has proven successful not only in New York, but also in France where in January of this year a bond issue was used to raise money for the railway system.

Ironically, former London Mayor Ken Livingstone challenged the London Underground PPP through the courts and personally supported a financing system based on bonds. His challenge was ultimately unsuccessful. What is important now is that London learns from its mistakes and follows New York's lead in financing major infrastructural projects using simpler methods than PPP.

## 2.2 What can New York learn from London?

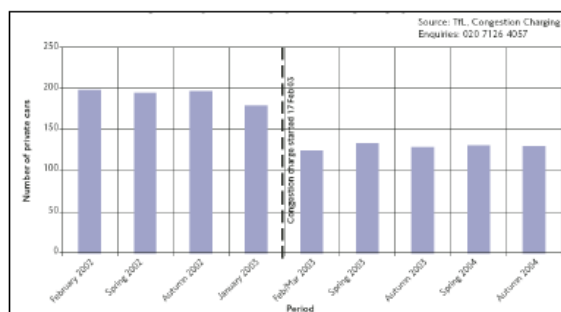
- Congestion reduction.
- Building international presence.

### Congestion reduction

With its pioneering congestion charge system, the city of London has successfully reduced traffic congestion, raised revenues to fund public transport improvements, reduced its carbon emission levels and improved pollution levels and quality of life for the city's residents. Introduced in February 2003 by the Mayor of the time, Ken Livingstone, the scheme charges a fee for driving private vehicles in the central area of the city. Although initially unpopular with many Londoners, the scheme is now widely perceived to have been a success, and in February 2007 was expanded to the West of the city. The number of cars on London's roads has fallen by about 20 percent while the number of passengers on the city's buses has risen by about two million passengers per day since the scheme's inauguration. Simultaneously, the number of bicycle journeys on London's major roads has risen by 83 percent, to almost half a million a day. The charge has also raised \$240m to be put towards the British capital's transport infrastructure.

Ken Livingstone said contemporaneously of the scheme "It has helped to get London moving again after years of choking traffic. London has become the first of the great world cities to set about substantially reducing congestion in the central area."<sup>xxxiv</sup> Environmentally, the congestion charge scheme has reduced carbon dioxide emissions by 20% in the city's central zone and nitrous oxides by over 10 per cent. Furthermore, the negative side effects predicted by opponents have largely failed to materialize. The retail sector in the central zone has seen increases in sales that have significantly exceeded the national average. London's theatre district, which largely falls within the zone, has been enjoying record audiences. In recent years a few other cities have followed suit and implemented various forms of congestion pricing, including Singapore, Orange County California and the cities of Trondheim, Oslo, and Bergen in Norway. London is cementing its "green core" with the Low Emission Zone introduced in February 2008 (see above).

### Congestion Charging – An International First



- Traffic reduced in central London by a third
- Low Emissions Zone

Meanwhile, the Partnership for New York City has identified more than \$13 billion a year in losses to the New York Metropolitan Region's economy that are a direct result of traffic congestion. On Earth Day, April 22, 2007, New York City Mayor Michael Bloomberg proposed a congestion pricing pilot project for Manhattan as part of his sustainability initiative, planNYC 2030. Indeed, Manhattan has several practical advantages over London in setting up such a scheme. Firstly, it is axiomatically easier for the authorities to monitor vehicles as they come and go to an island, and secondly a population long accustomed to tolling should find the introduction of a congestion charge less of a cultural shock than was the case in

London. Nonetheless, it is important to note that London's congestion charge system cannot be adopted wholesale, partly because whilst London controls its own transit system, a state agency controls New York City's. Recent attempts to introduce a congesting charging programme in NYC have faltered.

### **Building International Presence**

London's attempts at outreach to world cities in emerging economies have been considerably more successful than those of New York. 80% of business in London is international, whilst New York remains largely reliant on its domestic market<sup>xxxv</sup>. Fortune magazine proclaimed in July 2007 that *"London has become a magnet for firms from emerging economies looking to raise capital and is the most important financial center in Europe<sup>xxxvi</sup>."*

Certainly, London is physically closer to the Far East and Asia than New York, and in a more convenient time zone for doing business. However, New York can undoubtedly increase its international presence by learning from London. Cultural openness is one of the reasons attributed to London's success in attracting foreign finance - the city is a welcoming place to invest. International marketing has also proven an effective way for London to build its presence in the international arena, and whilst New York is highly successful at marketing itself as a visitor destination to tourists worldwide, it has not as yet promoted itself as a financial centre - probably due to its considerable dominance until recent years. Howard Davies, ex head of the FSA in London has pointed this out, saying "The whole mindset here is that international business is an important part of the national economy, so we'd better make sure the regime is conducive to it, or it might go away. Until recently, that attitude has been absent in New York and Washington."<sup>xxxvii</sup>

Whilst London has aggressively sought out Middle Eastern, Asian and Russian investments and listings then, New York has been content to remain an isolationist, and domestically led financial centre. If New York wishes to regain its financial dominance, it will have to redouble its efforts at building an international presence. Indeed, New York has begun to head in this direction, as the NYSE and Nasdaq are starting to move aggressively to extend their global reach through mergers with London's European rival stock exchanges, notably Euronext - the French firm that groups the Paris, Amsterdam, Brussels, and Lisbon bourses.

### **2.3 What can both cities learn from other world cities?**

- Environmental sustainability.
- Event hosting.
- Quality of life.
- Regional collaboration and connectivity.
- Major investment in infrastructure.

### **Environmental Sustainability**

London is increasingly thought of as a "greener" city than New York, in particular since the introduction of its congestion charge scheme and the UK's ratification of the Kyoto Protocol. However, Mayor Bloomberg's new PlanNYC will address New York's environmental issues head on. Nonetheless, both cities could learn much from other, more environmentally sustainable world cities. A report published by the London Climate Change Partnership entitled 'Lessons for London' highlights the lessons that can be learnt from, for example, how Melbourne is managing its water resources efficiently, and how Shanghai and Philadelphia are adapting to city heatwaves.

World cities with particularly "green" credentials which London and New York could seek to emulate include Vancouver, where 90% of energy comes from renewable sources, mainly hydro-electricity. Vancouver also has a 100-year plan with far-reaching strategies that will enable the city to embrace emerging energy-efficient technologies. Moreover, the coastal

city is seeking to take advantage of a broader range of renewable energy sources, including solar, wind, wave and tidal.

Sydney has also embraced eco-friendly energy usage on a daily basis. In February 2003, Earth Power, a green waste generator, opened in the city and today restaurants and supermarkets deposit 2,100 tons a day of leftover food there. The facility turns waste into gas through anaerobic digestion, a combustion-free process, and produces 3.2 MW of electricity each day.

A 2005 study by the Climate Group showed that many global cities had been more successful in reducing their carbon footprints than either New York or London. The most notable examples are Seattle, which achieved a 48% reduction in emissions between 1990 and 2000, and Toronto, which saved \$102 million in energy cost savings through building retrofits.

### Events Hosting

With London set to host the 2012 Olympic Games, and New York hosting numerous international events each year (e.g. New York Fashion Week, the New York Film Festival, the New York Marathon) the cities can learn from other world cities which have hosted large scale international events in recent years. Particularly successful recent events include the Sydney Olympics in 2000 and the Football World Cup in Germany in 2006. However lessons can equally be taken from international events which have been less successful, such as the Athens Olympics in 2004 which has plunged the city into lasting debt.

### Quality of Life

London and New York do not appear amongst the top world cities in international benchmarks on quality of life. A 2007 report by Mercer Consultancy placed the cities 39<sup>th</sup> and 48<sup>th</sup> respectively. Swiss, German and Canadian cities offered far superior quality of life for their residents. The report evaluated 39 different criteria including crime, health, education and transport.

#### The world cities offering the best quality of life.

2007 Rank	2006 Rank	City	Country	Points
1	1	Zurich	Switzerland	108.1
2	2	Geneva	Switzerland	108.0
=3	3	Vancouver	Canada	107.7
=3	4	Vienna	Austria	107.7
=5	5	Auckland	New Zealand	107.3
=5	6	Düsseldorf	Germany	107.3
7	7	Frankfurt	Germany	107.1
8	8	Munich	Germany	106.9
=9	9	Bern	Switzerland	106.5
=9	9	Sydney	Australia	106.5
11	11	Copenhagen	Denmark	106.2
12	12	Wellington	New Zealand	105.8
13	13	Amsterdam	Netherlands	105.7
14	14	Brussels	Belgium	105.6
15	15	Toronto	Canada	105.4
16	16	Berlin	Germany	105.2
17	17	Melbourne	Australia	105.0

=18	18	Luxembourg	Luxembourg	104.8
=18	21	Ottawa	Canada	104.8
20	20	Stockholm	Sweden	104.7
21	21	Perth	Australia	104.5
22	22	Montreal	Canada	104.3
23	23	Nürnberg	Germany	104.2
=24	25	Calgary	Canada	103.6
=24	25	Hamburg	Germany	103.6
26	31	Oslo	Norway	103.5
=27	24	Dublin	Ireland	103.3
=27	27	Honolulu	USA	103.3
29	28	San Francisco	USA	103.2
=30	29	Adelaide	Australia	103.1
=30	29	Helsinki	Finland	103.1
32	31	Brisbane	Australia	102.8
33	33	Paris	France	102.7
34	34	Singapore	Singapore	102.5
35	35	Tokyo	Japan	102.3
=36	37	Lyon	France	101.9
=36	36	Boston	USA	101.9
38	37	Yokohama	Japan	101.7
39	39	London	UK	101.2
40	40	Kobe	Japan	101.0
41	44	Barcelona	Spain	100.6
=42	45	Madrid	Spain	100.5
=42	51	Osaka	Japan	100.5
=44	41	Washington DC	USA	100.4
=44	41	Chicago	USA	100.4
46	43	Portland	USA	100.3
47	53	Lisbon	Portugal	100.1
48	46	New York City	USA	100.0
=49	51	Milan	Italy	99.9
=49	47	Seattle	USA	99
		Source:		
		<a href="http://www.citymayors.com/features/quality_survey.html">http://www.citymayors.com/features/quality_survey.html</a>		

In order to improve quality of life in New York and London, improvements to public transport are clearly essential. Improved public transport not only reduces pollution levels and journey times but also improves the health of the city's inhabitants and may reduce stress levels. The cities at the top of the Mercer survey have excellent public transport systems. In Zurich, the traffic density ratings of the ZVV network of public transport are among the highest worldwide. Frequency of public transport is also excellent, with trams and buses arriving as often as every 7 minutes. No point exists within the central district which is farther than 150 metres from the next bus, tram, or train stop. Vienna also has an extensive tram and bus network - the tram network is the third largest in the world. The convenience and flexibility of the city's public transport system is reflected by its popularity; 53% of Viennese workers travel to their workplace by public transport.

The public transport systems of Vienna and Zurich are also characterized by their simplicity. In Zurich, tickets purchased for a trip are valid on all means of public transportation (train, tram, bus, boat), whilst in Vienna, fare prices within the city are independent of the length of the journey and also cover all modes of public transport. In fact, London has already made steps towards improving the simplicity of its public transport system with the recent introduction of the Oyster card scheme, which allows the public to travel on all forms of public transport by swiping a pre-paid card. In March 2007,



80% of journeys on London's public transport were made using Oyster cards. The public transport system in New York remains rather more complex and unlike London's network, which is run by TfL, is run by numerous different operators, making integration more difficult.

### Regional collaboration and connectivity

Regional efforts in both London and New York are either new or relatively weak. In both cities, there is a general failure to engage with the surrounding area (the GSE and the tri-state region respectively) and to create over-arching regional legislation or development plans. The result is an often incoherent and overlapping approach to development, and a failure to operate as a city mega-region (see Part 2 below). This tendency may become increasingly detrimental as other world cities utilise resources in their hinterlands to greater effect and become increasingly competitive.

Several world cities are already doing exactly this, and are demonstrating the benefits that regional cooperation and planning can bring. Hong Kong provides an excellent example, as it plays a distinct role as a place for non-Chinese firms to access its industrial hinterland - the Greater Pearl River Delta (GPRD) (Enright *et al*, 2006). The GPRD has become one of the world's leading manufacturing centres and Hong Kong a complementary leading centre for management, information, coordination, finance, and professional services (*ibid*, 2006). Hong Kong's per capita income in US dollar terms in 2000 was five times its level of 1980, when the opening of the Pearl River Delta Economic Zone started to take effect (*ibid*, 2006). Paris has also embraced its larger region, the Ile de France, and increased its resources and growth potential through regional planning and the creation of bodies such as the PRDA (Paris Ile de France Regional Development Agency) and the Regional Council of the Ile de France.

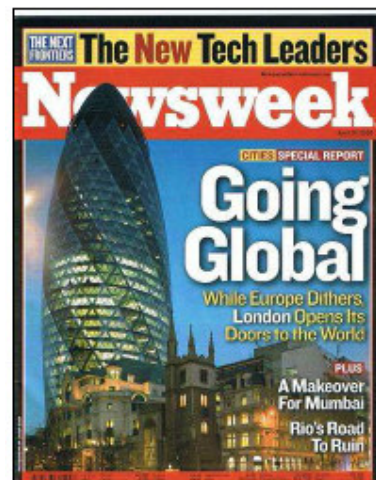
New York and London *have* recently begun to adopt some wider regional initiatives. For example, New York forms part of the NorthEast Megaregion in the America 2050 initiative - a scheme which promotes planning solutions to address challenges that span state and regional boundaries. Similarly, London began to engage with the GSE's regional development associations in 2000 with the creation of the Advisory Forum on Regional Planning. However, it is evident these efforts must be built upon if London and New York are to compete with cities such as Paris, Hong Kong and Shanghai where more collaboration is evident.

### 2.4 What can other world cities learn from London and New York?

- Open-ness and Competitive Advantage of Immigration.
- Arts and Culture.
- City Image and Identity and Branding.
- Executive Mayors.
- Open Regulatory Systems.

#### Open-ness and The Competitive Advantage of Immigration

Both London and New York represent multicultural cities with large populations of different cultures, races and nationalities. More than 200 different nationalities make up the population of London, where over 300 languages are spoken. Similarly, in New York, the original "melting pot" city, 36% of the population is foreign born. Harvard professor Edward Glaeser has said: 'Urban economic success really depends on smart, entrepreneurial people. London provides an environment with a relatively compact layout, a vibrant mix of cultures and a service industry fuelled largely by immigrants. The city must attract immigrants to stoke that growth; the immigrants want



the jobs that a flourishing London can offer, whether they are one-million-pounds-a-year Japanese bankers or Polish art historians ready to scrub floors for seven pounds an hour.<sup>xxxviii</sup> The same, of course, is true of New York.

The fact that immigration helps to fuel the economies of London and New York has also helped to instil a basic tolerance in the cities. Londoners and New Yorkers have learned to live with - and sometimes relish - cultural differences and the cities' cosmopolitan feel are crucial to their prosperity. World cities with dwindling populations such as Rome, whose population is forecast to fall by 0.46% by 2020, Budapest (-0.68%) and Turin (-0.56%), may do especially well to follow the "open door" example set by New York and London if they are to maintain or enhance their global positions.

### Arts and Culture

The sheer density and diversity of the cultural and artistic offerings are an important aspect of how London and New York have become and remain competitive world cities. Whilst this is not underestimated it rarely appears in scientific assessment of productivity and growth.

Both cities are home to exceptional artistic organisations (museums, theatre, opera houses, and galleries). Both are film, TV, and media centres with New York especially strong in film and London continuing to benefit from being home to established TV organisations such as the BBC. Both are global media centres.

But both cities also have great depth in night time entertainment, and in alternative and ethnic arts and culture. The cities are quite literally amongst the most stimulating places to live on the planet. The economic benefits of these great and diverse cultural endowments are felt very broadly. For example, the cultural offering supports the higher income earning financial and diplomatic communities whilst the broader nightlife and entertainment offerings underpin tourism and higher education.

Cities that want to be World Cities in this Century will have to begin to emulate London and New York's rich cultural offering. This is no mean feat, particularly as London and New York's cultural sectors have themselves taken hundreds of years to build up.

### City Image Identity and Branding

**LONDON**

Both London and New York are successfully marketed cities. Their city "brands" are recognized throughout the world and, along with Paris, the cities form the most popular international destinations in the world. More than half of all foreign visitors to the UK visit London. The strength of the cities' brands was confirmed by the 2007 Anholt City Brands Index - in which London was ranked second overall, and was also the second most visited city despite reservations people have about its attractiveness, accommodation and friendliness.



The top twenty cities (overall) from the 2007 CBI are:

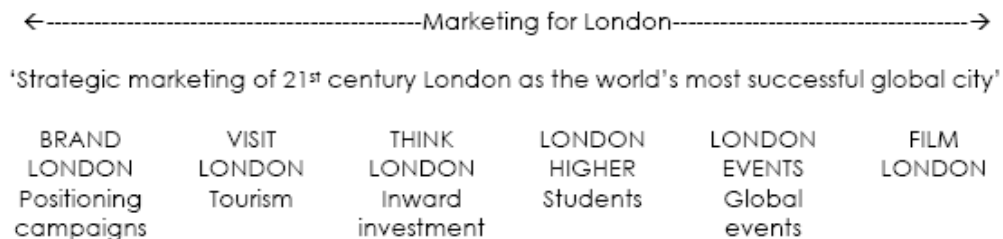
Rank	City
1	Sydney
2	Paris
3	London
4	New York
5	Rome
6	Melbourne
7	Barcelona
8	Vancouver
9	Amsterdam
10	Montreal
11	Toronto
12	Berlin
13	Madrid
14	Geneva
15	Milan
16	Copenhagen
17	Stockholm
18	Brussels
19	Auckland
20	Tokyo

Source:

[http://www.business.nsw.gov.au/aboutus/publications/pub\\_anholtcitybrandsindex\\_general\\_2007.html](http://www.business.nsw.gov.au/aboutus/publications/pub_anholtcitybrandsindex_general_2007.html)

Branding is of crucial importance to cities as tourists, students, migrants and investors are often attracted to an idea or image of a city rather than the reality it presents.

Many developing world cities e.g. Mumbai and Nairobi can learn much about branding from London and New York.



### The role of the Executive Mayor

Both London and New York provide good examples of the importance of strong leadership in creating and maintaining globally competitive cities. Both cities are lead by charismatic mayors, who have personally driven key projects in the cities. In London, Ken Livingstone was inaugurated as the city's (Greater London) first mayor in 2000, and it is clear that having an individual "leader" has brought many successes to the city. For example, the successful congestion charge scheme has been seen as Livingstone's "pet project", which he pushed forwards despite opposition from several parties, including the Prime Minister Tony Blair. Tackling crime is currently new Mayor Boris Johnson's top priority, and he is expected to be a driving force behind many reforms in the city. In December 2006, the Guardian reported,

*“There is little doubt that an executive mayor has been good for London..... For since electing its first mayor, London has seen expanding prosperity - and the start of significant investment in what was an ailing infrastructure and the introduction of major initiatives such as the congestion charge. This has been a product not just of the policies of the office holder, but also the nature of that office and the mandate it carries with it. Perhaps that is why, in the face of some local government opposition, ministers are keen to see stronger regional institutions, unitary authorities and more mayors.”<sup>xxxix</sup>*

New York has similarly shown the benefits associated with an individual leader overseeing the city’s wellbeing. Mayor Bloomberg has also introduced innovative initiatives to his city, including the Commission on Economic Opportunity (designed to come up with solutions for tackling urban poverty) and a city-wide smoking ban. The preceding Mayor of New York, Rudy Giuliani is a particularly salient example of the role that an executive mayor can play in city development. Giuliani is almost single handedly credited with reducing the city’s high crime levels, and in this context Giuliani showed how a city mayor can truly galvanise an urban population around a set of social issues that they need to address. Furthermore Giuliani became world famous as the incumbent mayor at the time of the September 11<sup>th</sup> terrorist attacks on New York, and much of the city’s success in making a rapid recovery is personally attributed to him. As well as initiating crucial recovery projects, such as the building of a \$13 million emergency command center in the World Trade Centre complex, Giuliani became an inspirational and iconic figure for the people of New York, as he was photographed walking amongst the rubble of the twin towers and roused the population with uplifting speeches.

### **Open Regulatory Systems**

Both London and New York have an open business culture in which transparency and disclosure are encouraged and engrained in business practices and performance reporting. This provides a sense of confidence to a very wide range of investors and business partners, and it is why getting regulation wrong can be so costly. Equally, however, it means that problems are dealt with in a public manner and the actions of leaders are open to external scrutiny.

An active and independent media, effective judiciary, and system of regulation that work to make the market operate but prevent excessive risk or bad practice are essential to world cities.

Although we have identified weaknesses in both of the systems of London and New York above, the more fundamental observation is that both systems respect and safeguard the interests of participants and have done so for many years.

### **3. Conclusions**

There is a new global urban system emerging. London and New York will find many more cities trying to be leading world cities in the next 25 years. This review offers us a chance to highlight the factors which must be better understood in order both to support London and New York’s success and also to provide insights for other world cities and to learn lessons from those cities. We therefore propose to take forwards detailed thematic research in some key areas which will include:

- Economic and demographic update;
- Infrastructure;
- Housing;
- Immigration; and

- A cross cutting assessment of what New York and London can learn from other world cities, and offer to them.

**Table 2. Learning with London and New York.**

	<b>London can learn from New York</b>	<b>New York can learn from London</b>	<b>Both cities can learn from the rest of the world</b>	<b>The rest of the world can learn from both cities</b>
<b>Financial Services: dynamism and regulation</b>	Still uncertain	Still Uncertain	Still to be resolved. New York's regulatory environment seen as too stringent, London's now seen as too lax.	Drive to lead in Financial Services requires the right balance between open and regulated environments.
<b>Cost of Living, wages and wealth</b>			Housing costs are major challenges need increased supply, and this requires substantial investment in social infrastructure and transportation.	Planning tools can be used more assertively by city leaders and both London and NYC are doing so now.
<b>Global Reach</b>		London has successfully reached out to global cities in emerging economies.		Both cities have been extremely successful in attracting global firms, and talent.
<b>Fiscal Health and City Credit Ratings</b>	New York has a great spread of fiscal instruments and is well placed for long term investment in infrastructure. London needs to invest beyond transport.	London has had a consistently stable credit rating since 2002 but this is focused almost exclusively on transport.		Both London and New York have achieved stable credit ratings
<b>City Leadership</b>				Both cities have dynamic mayors who personally drive forwards important issues.
<b>City Image and Identity</b>				London and New York rank highly with increased and integrated marketing and brand efforts in past 10 years.
<b>Security, Terrorism and Crime</b>	New York has slashed crime rates over the last 15 years and now has the lowest crime rate of the ten biggest cities in America.			Both cities face continued threats and have to adopt exemplary policing practices.
<b>Transport and Connectivity</b>			Both cities could learn from cities such as Hong Kong, Shanghai and Paris which have made much stronger attempts at regional collaboration.	
<b>Construction, Urban Management and Regeneration</b>	London is already taking on board the success of New York's BIDs.	New York's current development boom is benefiting all boroughs		
<b>Housing Affordability</b>	By building taller buildings London may increase its housing stock.		Shanghai, Beijing, are building vast quantities of new housing.	
<b>Tackling Urban Poverty</b>	New York is spending £150m each year on innovative solutions to tackle urban poverty.	London has focused on winning resources for childcare and control of adult skills.		
<b>The Arts, Fashion and Food</b>				Both are leaders in style, fashion, and the Arts are a major industry as well as cultural draw.
<b>Higher Education, Science and R&amp;D</b>				Both cities have enviable learning environments.
<b>Climate Change</b>	New York's Mayor has	The Congestion Charge,	Cities such as Vancouver and	

	launched impressive PlaNYC 2030 to tackle challenges of climate change	which has drastically reduced emissions in London, is even better suited to Manhattan Island	Sydney gain large amounts of their energy from renewable resources.	
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## London and New York Forward Plans.

### 4. London and the Greater South East of England (GSE) in 2008.



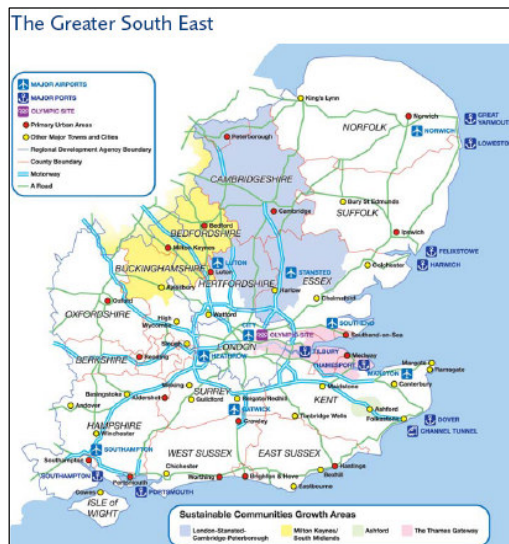
London and the Greater South East (GSE) represent the economic-power house of England. The population of London in 2001 was 7.17 million (Office of National Statistics) and this is expected to increase to over 8 million by 2020 (Office of National Statistics and Greater London Authority). London is composed of the City of London and 32 boroughs which are administrative units of local government responsible for most of the local public services.

London is recognised as one of the world's three 'global cities,' along with Tokyo and New York. Total business turnover in London is estimated to be more than £600 billion a year (London Annual Business Survey, 2006) and the city has Europe's largest city economy. London is a diverse and multicultural society and is a net receiver of migrants. More than 30% of London's population form a minority ethnic group. There are 50 non-indigenous communities with populations over 10,000 (ONS, The Guardian 21/1/2005).

Three Regional Development Agencies (RDAs) comprise the GSE; the East of England Development Agency (EEDA), the South East of England Development Agency (SEEDA) and the London Development Agency (LDA). Approximately 21 million people live in the GSE. Not only is the GSE home to 35% of the UK's population, it also contains almost 753,000 VAT registered businesses and provides 99% of net regional contributions each year to UK plc's coffers. With an annual GDP of over £451 billion, the region ranks as the 10th largest economy in the world - just behind Canada and just ahead of India. The regions that comprise the GSE are the only three in the UK in the top 20 global regions in terms of Gross Value Added (GVA), innovation and global competitiveness. The region:

- Performs gateway functions acting as the front door for tourists, foreign investors, and international students.
- Incubates businesses that spread out to the rest of country as they grow.

- Attracts skilled graduates who work in the globally trading firms in the regions for periods of professional and managerial development before they return to other parts of the country to build their careers, having tested themselves against the best globally.
- Clusters advanced and specialised services and IT functions that support business developed across the country.
- Is home to specialised Universities and Institutes which train people from across many sectors and regions.



A complicated relationship exists between London and its surrounding region. The London Assembly (2004) suggested that,

*“London has a close and complex relationship with its surrounding regions - the East of England and the South East. A fifth of the capital’s employees live outside London, commuting daily to work in town. From this fact alone stems a requirement that the planning policies and proposals for housing, jobs and transport of London and its two regional neighbours - the East of England and the South East - are consistent and share the same vision.”*

### Summary of challenges faced

There are a number of challenges facing London, encompassing the social, economic and environmental realms.

#### Economic

It has been argued that London’s employment challenge is the city’s top economic priority (LDA Press Release, February 2006). Manny Lewis, CEO of the LDA has suggested that,

*“London is perceived by business as one of the best cities in the world in which to locate and workforce productivity continues to grow faster than the UK as a whole. But the fact that the gap between the proportion of the working age population in London in employment and the proportion in the rest of the UK widened to 5.4% in the year to summer 2005 reflects the special challenges London faces. For London to reach its full potential in terms of jobs and business growth, these must be tackled.”*



The Mayor's Economic Development Strategy (2005) suggests that enterprise faces further challenges. These include the lack of an appropriately skilled workforce; under-funding of workforce training by many employers and in some cases, weak links between management objectives and workforce development; gaps in the provision of vocational skills and other business needs by the public sector; problems with access to start-up and growth finance for SMEs, young entrepreneurs, black, minority ethnic and women-owned businesses, and a high cost of workspace and labour.

London has the highest rents for office space in the world, at \$1,455 per sq. m (for world rankings of city costs see section 1- cost of living). High rents are a threat to the City's competitiveness and has been linked to Google's and IBM's decisions to set up European headquarters in Dublin instead of London.

Public transport in London has suffered from decades of under-investment and poorly co-ordinated programmes. The Mayor's Economic Development Strategy (2005) suggests that whilst London's external transport links are perceived positively by business, its internal system is less well regarded. The tube's operating hours are one major complaint. As the network requires nightly maintenance and cleaning, the tube shuts down at 12.30am most nights, and recent investment has seen an increase in the amount of maintenance work being undertaken, which has resulted in increased closure of key lines. The tube also compares badly to other metro systems elsewhere in the world on price. Prices rose again at the beginning of 2006. Pain (2006) has suggested that London's inefficient public transport system is increasingly becoming a serious disincentive for firms choosing where to locate and may be helping to contribute to the 'Asianisation' of the world economy. She provides quotes from investment banks to illustrate her point;

*"London's becoming a third world country in terms of transportation ... public transportation can't cope. It's increasingly problematic ... it's almost easier to have cross-industry meetings in another city."* (US Bank V)

*"We talk about a gradual erosion of London's attractiveness as a place in which to do business ... whether it's about tax, or transport, the cost of people, the cost of living, European legislation, employment and social, is a nightmare - it worries us and it's part of the chipping away ... you start asking the question - well is this really the best place to be?"* (US Bank W)

The Greater South East (GSE) also faces economic challenges. The GSE is the driving region of the UK economy, and a Global Innovation Capital, but it is suffering from inadequate investment and economic intervention. New arrangements for the Greater London Region have not yet been adequately complemented by action across the GSE as a whole.

Recent evidence shows that the regional gap between the six English regions outside the GSE, and the GSE, is narrowing. However, this does not represent significant improvements in the performance of the six, but rather demonstrates an alarming decline in the economic performance of the GSE relative to national averages.

Moreover, the performance of the GSE needs to be assessed against other leading mega-regions and innovation capitals world-wide, where we see improved investment and enhanced policy co-ordination (for example in the Shanghai region, Hong Kong and Greater Pearl River Delta, Massachusetts, Southern Ontario, Northern California, and the Ile de France). All of these mega-regions are growing strongly, combining innovation leadership with infrastructure investment.

The GSE is the mega-region through which the UK is most connected to global forces, trends, and opportunities. It is the UK's gateway to the global economy and it is primarily through business and institutions located in the GSE that the UK connects to global trade, advanced services, and world standard science and innovation. When investment in the GSE is insufficient there is a risk that the UK as whole will under-perform and remain constrained, since the GSE regions lead national economic performance.



If the GSE does not perform optimally and compete successfully in the international arena, the negative effects on the UK economy would be multiple. It would impair the UK's innovation performance in Science, Medicine, Technology and Services; reduce the fiscal transfers from the GSE that finance public services in the rest of the UK; weaken the UK's national productivity levels, rates of employment and labour markets; reduce the UK's effective openness to globalisation and the knowledge economy; reduce the UK's tradable exports, especially in high value services; dampen enterprise and business growth rates and increase both the UK's vulnerability, and contribution, to Climate Change.

The wider challenges faced by the GSE require different attention from the emphasis offered by the operation of the current REP PSA. The GSE is the strongest regional economic performer in the UK, but its competitive position, quality of life, and assets are being gradually eroded by lack of investment and insufficiently effective intervention in critical issues. The economic performance of the GSE is not a zero sum with the rest of the country. If the GSE falters, the rest of the UK does not gain, but global competitors might. Evidence shows that growth in the GSE encourages growth elsewhere in the country. There are strong sectoral characteristics to this relationship and the housing market reveals a linked relationship with short time lags of two-three years.

The GSE mega-region has specific needs which are not revealed by attention solely to statistical aggregates, and are best revealed by more localised analysis and sectoral needs:

- Behind high wages fuelled by commuting to world city functions in central London and at key technological nodes, there are large tracts of low skill and low innovation economies.
- Behind high enterprise measures overall there are large numbers of lifestyle and short-term businesses with low business growth overall.
- Behind high investment in mega-projects like the 2012 Olympics, there is a multiplicity of key investment projects and improvements which are stuck and need assertive action.
- Behind high tax yields there are many unmet investment needs across the GSE.

The three RDAs which exist within the GSE have proposed key priorities that require attention if the GSE is to lead the national economy effectively for the next 50 years, deliver its gateway functions for the UK, and be a source of new firms, skilled labour, housing growth and institutional capital for the country as a whole. These are summarised as:

- Priority 1: A revised and internationally oriented REP PSA Target.
- Priority 2: RDA Collaboration across regional boundaries.
- Priority 3: Fast-track decision-making/approvals for economically important investments.
- Priority 4: A low carbon approach to investment.
- Priority 5: Making the most of Globalisation: aligning RDA, UKTI, and Talent strategies
- Priority 6: Raising enterprise performance in consistently underperforming areas
- Priority 7: A Global Innovation Capital Initiative for the GSE.
- Priority 8: A pan-regional skills framework and strategy.
- Priority 9: Better inter-regional investment planning linked to RES priorities
- Priority 10: A new GSE Supra Regional Infrastructure Fund/Facility

Challenges are also specific to the individual RDAs. For instance, SEEDA has identified the specific challenges facing the South East sub-region of the GSE. The challenges facing the region are summarised in SEEDA's Regional Economic Strategy (RES) 2006-2016 as:

Employment rates are generally higher than other UK and European regions. However, economic activity rates for women of all ages, minority ethnic groups and people with disabilities all lag significantly behind the regional average of 82% and economic activity rates are below the UK average of 79% in most of Kent and in most coastal districts. Across the region, almost 250,000 economically inactive South East residents report themselves as wanting to work but labour shortages are resolved by drawing in workers from outside the region. An 'hourglass economy' is emerging - a growing polarisation between high-end and basic occupations, with a decline in semi-skilled jobs.

An aging population is posing challenges for the region's employers and flexible opportunities will be necessary to retain the experience and expertise of older people in the workforce. Alongside this, encouraging young people to stay or return to the region will become increasingly important, yet over 220,000 people under the age of 16 live in poverty in the South East.

Entrepreneurial Activity: The Global Entrepreneurial Monitor shows that 7% of the South East's adult population was involved in entrepreneurial activity in 2004, second only to London among UK regions and well ahead of most European regions. However US adults are almost three times as likely to start a new business as those in the South East. The challenge in less prosperous parts of the South East is to raise the level of start-up activity, while in the more prosperous areas survival rates should be higher.

Innovation and Creativity: the South East is second only to the East of England in the proportion of regional GDP accounted for by R&D expenditure, and in terms of patents per million inhabitants. It also has strong assets in a healthy and diverse range of creative industries. In the South East, creative businesses achieved double the national average growth between 1995 and 2000. However, government-funded R&D declined by an average of 12% annually during 1997-2002. Meanwhile business expenditure on R&D grew by less than 1% annually and was only marginally ahead of the UK average. The South East lags significantly behind several of Europe's leading regions against all these measures, and must find ways of matching the performance of the most successful regions. The South East must avoid the risk of stagnation and find ways of matching the performance of its most successful international comparators.

Investment in infrastructure is critical to supporting productivity growth. In transport, road traffic in the South East increased by 20% between 1993 and 2002, while transport investment per capita is lower than in any other UK region and accounts for less than 1% of regional GVA. Average travel to work times in the South East are among the longest in Europe, and have remained broadly stable despite increases in public investment. Physical development in the region is characterised by high demand and inelastic supply. Average house prices in the region have risen by 70% since 1999 while average annual earnings have risen by 30%, and first time buyers accounted for just 18% of house purchases in 2003, compared with 48% in 1993.

### *Social Challenges*

London has a greater share of deprived wards than any other UK region, except the North East. Just over 37% of wards in London are categorised as deprived compared with 49.7% in the North East (Index of Multiple Deprivation (IMD)). Furthermore, the city has the highest rate of child poverty in Great Britain. Great inequalities exist in Londoners' health, with male life expectancy in Kensington and Chelsea over five years longer than that in Newham (Mayor of London and LDA, 2005). Housing is also a problem; there is a failure of housing supply to keep up with demand which is both causing, and reinforcing, patterns of social injustice. High prices make it increasingly difficult for both public and private sector workers to live in London, and for people who depend on benefits to move into work. This is having a distorting effect on London's economy.

### *Environmental Challenges*

The Mayor's Economic Development Strategy (2005) highlights that London is the most polluted city in the UK and one of the most polluted in Europe.

### **Governance Arrangements**

A number of bodies govern London and the surrounding region. These operate at different scales, with different responsibilities and represent both the public and private sectors. Whilst there is no regional governance body for the GSE, three Regional Development Agencies (RDAs) exist - the East of England Development Agency (EEDA), the South East of England Development Agency (SEEDA) and the London Development Agency (LDA). RDAs

have five statutory objectives under the Regional Development Agencies Act 1998 which are:

1. To further economic development and regeneration
2. To promote business efficiency and competitiveness
3. To promote employment
4. To enhance the development and application of skills relevant to employment, and
5. To contribute to sustainable development.

The RDAs set out how these objectives can be met within the context of their region. They do this by developing a Regional Economic Strategy (RES), with partners from all sectors. The strategies are owned by the whole region and provide the context for economic development and regeneration in the region. The RDAs' agenda includes regeneration, taking forward regional competitiveness, taking the lead on inward investment and, working with regional partners, ensuring the development of a skills action plan to ensure that skills-training matches the needs of the labour market (Department for Trade and Industry (DTI) website, accessed March 2007).

The governance bodies in London and the surrounding area are:

### **The Greater London Authority (GLA)**

The GLA was established in 2000 and encompasses the 32 London boroughs and the Corporation of London. The GLA is a new kind of public authority, designed to provide citywide, strategic government for London. Its principal aims are to promote the economic and social development and the environmental improvement of Greater London.



The GLA is made up of a directly elected Mayor ([the Mayor of London](#)), a separately elected Assembly (the [London Assembly](#)) and around 600 staff to help the Mayor and Assembly in their duties. The GLA has taken over existing government programmes in London on police, fire, transport and economic development and regeneration. The total GLA budget amounted to £4.7 billion in 2002/03. The cost of the GLA itself was about £49.9 million in the same financial year. Most of the £49.9 million is met by a central government grant.

As the executive of the strategic authority for London, the Mayor's role is to 'promote economic development and wealth creation, social development, and the improvement of the environment' (GLA website, accessed 2007), whilst also overseeing some aspects of culture and tourism. The Mayor has a range of specific powers and duties, but before using many of these powers the Mayor must consult with Londoners, and in all cases, the Mayor must promote equality of opportunity. The Mayor sets out plans and policies for London covering [transport](#), [planning and development](#), [economic development and regeneration](#), [culture](#), and a range of [environmental issues](#) including biodiversity, ambient noise, waste disposal and air quality. These individual plans fit together to help deliver the Mayor's policies. Between them, these plans must also contribute to sustainable development and the health of Londoners.

The mayor's current vision for London is based upon three interlocking themes:

- Strong and diverse economic growth
- Social inclusivity to allow all Londoners to share in London's future success
- Fundamental improvements in environmental management and use of resources

The Assembly scrutinises the Mayor's activities, and is also able to investigate other issues of importance to Londoners, publish its findings and recommendations, and make proposals.

### **London First**



London First is a business membership group supported by 300 of the capital's leading businesses with the shared objective of improving and promoting London. Its central mission is to make London the best city in the world in which to do business. It aims to influence national and local government policies and investment decisions to support London's global competitiveness. London First works closely with the GLA and other relevant organisations. It has been at the forefront of the Crossrail campaign, and has applied pressure for £110 billion of investment from the public and private sector to be invested in London's public infrastructure over the next 15 years,

In its 2007 - 08 agenda London First has laid out its aims for the coming year:

- Persuade Government of London's importance to the UK economy and the vital need to invest in its infrastructure to support its world city status and future growth
- Improve London's transport systems through better operational management and an investment programme to increase capacity and reliability
- Ensure London's workforce is appropriately skilled
- Increase London's resilience and safety by ensuring a strong and productive partnership between business, police and government
- Ensure the Olympics leaves a positive legacy for London

In addition, the 32 London Boroughs and the associated London Borough Councils are responsible for the implementation of government plans and the provision of many services.

## SEEDA

SEEDA was set up in 1999 and is responsible for the sustainable economic development and regeneration of the south-east of England. Its aim is to create a prosperous, dynamic and inspirational region by helping



businesses compete more effectively, training a highly skilled workforce, supporting and enabling communities and safeguarding both natural resources and the region's cultural heritage. SEEDA is a business-led organisation, accountable to the Government and works with partner organisations- businesses, education at all levels, local authorities, Government agencies, voluntary and community organisations and many others - to create change in the region. Government funds enable the agency to invest directly in a range of economic and social development programmes, and can help secure European Union and private sector investment for the region.

The agency's major achievements include:

- Setting up 15 Enterprise Hubs - business incubation establishments - at key locations throughout the South East, providing workspace and support for over 520 start-up high-tech companies;
- Enabling the creation of more than 350 new businesses;
- Establishing a Regional Venture Capital Fund to help business start-ups gain ready access to sources of finance and financial advice;
- Creating or safeguarding over 30,000 jobs, of which almost 8,000 came through the successes in attracting 124 companies from overseas;
- Rolling out a Broadband programme, in partnership with the major telecommunications companies, to link up businesses and homes - especially those in remote areas - to the Internet;
- Drawing up a Basic Skills Strategy for the region to raise levels of literacy and numeracy - over one million people in the South East lack even the most basic reading, writing and numeracy skills;

- Creating 125,000 learning opportunities which have all been filled;
- Helping small companies get the maximum benefit from information and communications technology and ensuring that more firms are able to train their managers and start in e-skills;
- Investing over £500 million in urban and rural regeneration projects -
- Restoring more than 280 hectares of brownfield land.

Major projects include:

*Chatham Maritime* - with over £400 million of public and private funds invested so far, this is the largest Government funded project outside of London. The development will provide 3,200 homes and workspace for 2,500 people plus essential services and leisure facilities;

*HSTintegration* - with a total project value of 29m Euros and an ERDF (European Regional Development Fund) share of 14m Euros this is the largest INTERREG IIIB NEW project approved so far by the European Commission. It brings together 18 transnational partners from England, France, Belgium, the Netherlands and Germany - and is led by SEEDA. The project focuses on strategic policy integration at regional, national and European level and on the implementation of best practice investment projects associated with the high speed rail network.

*Building for Nature* - an advisory service to guide developers and local authorities on how to address issues such as biodiversity and ecology in their development schemes;

#### The East of England Development Agency (EEDA)

EEDA is the driving force behind sustainable economic growth and regeneration in the East of England. The agency's task is to improve the region's economic performance and ensure the East of England remains one of the UK's top performing regions.



The EEDA has defined three key roles:

- Setting and shaping the direction of economic development in the East of England
- Persuading and influencing others to bring resources together to find innovative ways to solve challenging economic issues
- Investing in imaginative projects that challenge the norm and will have a significant impact on economic development in the East of England.

In order to make better use of resources, EEDA has organised itself into teams which focus on delivering for the region. These include:

*Business support* - driving improvements in small business productivity

*Enterprise hubs* - developing physical and virtual networks to make the East of England the best place for innovation

*Investing in communities* - focusing resources from public, private, community and voluntary organisations to tackle deprivation and inequality in the long term.

*Regional renaissance* - a planned approach to sustainable growth to create places people are proud to live, work and visit.

There are also projects and programmes which overlap or fall outside these priority areas - for example work helping prepare for the London 2012 Olympic Games.

## The London Development Agency (LDA)



Established in July 2000, the LDA joined the eight regional development agencies previously set up in England. The LDA shares the same powers as set out in the Regional Development Agencies Act 1998 and the Greater London Authority Act 1999 (primarily Part V and Schedule 25), but is answerable to the Mayor rather than the Secretary of State. The LDA is concerned with co-ordinating economic development and regeneration across the capital. With a budget of £300 million, it promotes business and works in partnership with industry, the public and voluntary sectors to create opportunities so all can benefit from London's economy.. The LDA works with the Mayor to develop his strategy for London's sustainable economic development and delivers the Mayor's priorities for London and the government's priorities for the RDAs.

The LDA has identified four themes which guide its work:

Places and Infrastructure

[Supporting People](#)

[Encouraging Business](#)

[Promoting London](#)

These four themes are reflected in the Mayor's Economic Development Strategy (see below). In particular, the LDA has devolved responsibility from the Mayor for tourism development in London. The LDA supports London's tourism industry through the delivery of the Mayor's [London Tourism Vision 2006-16 and London Tourism Action Plan 2006-09](#). Work includes marketing and promotion of London as a world-class city (delivered by [Visit London](#)), skills development and improving the quality of the visitor experience.

## Overall Development Strategy

The overall development strategy for London is contained in the Mayor's London Plan (consolidated with alterations since 2004). However, there does not appear to be a singular, coherent development strategy for the GSE region. Instead, each RDA is concerned with the development of the region under their charge. The London Plan both provides a unified framework for all the mayor's strategies and

*"represents the first attempt in a generation to develop a coherent vision for London's future, based on a practical response to the challenges facing London, accommodating population and economic growth, ensuring benefits are shared as widely as possible by all Londoners, and limiting adverse environmental impacts"* (London Plan, 2004).

The London Plan is the strategic plan setting out an integrated social, economic and environmental framework for the future development of London, looking forward 15-20 years. It integrates the physical and geographic dimensions of the Mayor's other strategies, including broad locations for change and providing a framework for land use management and development, which is strongly linked to improvements in infrastructure, especially transport (see further discussion at 101.). It also provides the London-wide context within which individual boroughs must set their local planning policies, sets the policy framework for the Mayor's involvement in major planning decisions in London and sets out proposals for implementation and funding.

The vision, which guides both the London Plan and the Mayor's other strategies is to develop London as an exemplary, sustainable world city.

In order to achieve this vision, the London Plan is based around six objectives, namely:

Objective 1: To accommodate London's growth within its boundaries without encroaching on open spaces

Objective 2: To make London a better city for people to live in

Objective 3: To make London a more prosperous city with strong and diverse economic growth

Objective 4: To promote social inclusion and tackle deprivation and discrimination

Objective 5: To improve London's accessibility

Objective 6: To make London a more attractive, well-designed and green city

A key theme of the London Plan is partnership: the Mayor has responsibility for strategic planning, while the London boroughs are responsible for local planning and implementation.

The Mayor further guides the overall development trajectory through the eight strategies he is required to produce by law, as well as through his other policies and interventions. The issues covered by the strategies include spatial development, transport, culture, ambient noise, air quality, municipal waste management, biodiversity and economic development.

### **Overall Economic Development Strategy**

Again, there is no holistic economic development strategy for the GSE region but rather each RDA has developed its own strategy whilst the Mayor's Economic Development Strategy (2005) has been developed for London. Regional Economic Strategies (RES) are produced every three to four years by RDAs in consultation with a wide range of stakeholders and define the region's priorities and targets for the work of all the partners in its delivery - public, private and voluntary. It acts as the pivot between national Public Service Agreements (PSA) targets and local objectives. Some of London and the GSEs strategies are:

### **The Mayor's Economic Development Strategy**

The Mayor's Economic Development Strategy is produced on behalf of the Mayor of London by the London Development Agency (LDA). It is one of the eight strategies the Mayor is required to produce by law (Greater London Authority Act 1999).

The current Economic Development Strategy entitled '[Sustaining Success](#)' (2005) replaces the 2001 Strategy 'Success through Diversity' and is part of a suite of Mayoral strategies. It sets out a plan for the 'sustainable, equitable and healthy growth and development of London's economy to 2016' and is a strategy for the whole of London. As such implementation of the strategy is to be continued by new Mayor Johnson, building on Mayor Livingstone's work. The LDA has a central role in facilitating the Strategy which is to be achieved through a mixture of ideas, resources and partnership. The Strategy is supported by a range of bodies, including the London boroughs, the Learning and Skills Councils and Business Link for London. Partnership working across the public, private, voluntary and community sectors is critical to delivering the Strategy.

This strategy focuses on four major investment themes. These are investing in places and infrastructure, people, enterprise and marketing and promoting London.

*Places and Infrastructure:* The Strategy has identified three goals to be achieved by investing in London's places and infrastructure. These are to:

- support the delivery of the London Plan, to promote sustainable growth and economic development
- deliver an improved and effective infrastructure to support London's future growth and development
- deliver healthy, sustainable, high quality communities and urban environments.

**People:** London's people are its most important asset. The Strategy has identified three important goals for improving the quality of their lives. They are to:

- tackle barriers to employment
- reduce disparities in labour market outcome between groups
- address the impacts of concentrations of disadvantage

**Enterprise:** London's economy is increasingly being driven by competitive, high-wage businesses that are more productive than average UK businesses. To maintain this success, an environment must be created where people can develop and implement ideas and where the negative effects of economic change on people and communities can be dealt with. Four main goals have been put in place to help achieve this. They are to:

- address barriers to enterprise start-up, growth and competitiveness
- maintain London's position as a key enterprise and trading location
- improve the skills of the workforce
- maximise the productivity and innovation potential of London's enterprises.

**Marketing and promoting London:** This Strategy highlights three key goals. They are to:

- ensure a coherent approach to marketing and promoting London
- co-ordinate effective marketing and promotion activities across London
- maintain and develop London as a top international destination and principal UK gateway for visitors, tourism and investment.

This Strategy therefore seeks to:

Build on London's strengths - including its social diversity, the range and scale of its markets, its high income and high productivity focus

Identify opportunities - such as the scope for marketing, building on success and ways of making best use of existing assets

Address existing weaknesses - high costs, social exclusion, poor environments and pressure on infrastructure

Address looming threats - loss of competitiveness, poor liveability, declining overall welfare and increasing social polarisation.

**SEEDA 'Regional Economic Strategy 2006-2016: A Framework for Sustainable Prosperity'**

*"By 2016 the South East will be a world class region achieving sustainable prosperity"*

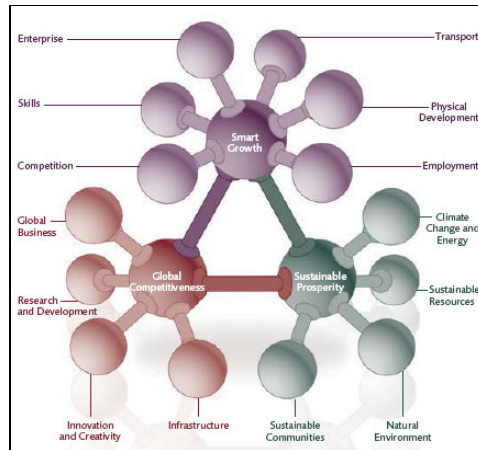
This latest RES 'responds to a new global context; sets targets to ensure that success is more widely accessible; and identifies the importance of quality of life as a competitive advantage' (SEEDA). The Regional Economic Strategy adopts three objectives:

Global Competitiveness - investing in success through assisting more businesses to operate internationally and maximising the South East's share of foreign direct investment (FDI); increasing business expenditure on research and development, and encouraging greater collaboration with the region's knowledge base; increasing the percentage of total South East business turnover attributable to new and improved products and services; and securing the infrastructure needed to secure continued prosperity.

Smart Growth - lifting underperformance through increasing the region's stock of businesses; maximising the number of people ready for employment at all skill levels, and ensuring they are equipped to progress in the labour market; increasing the participation of South East businesses (especially small businesses and social enterprises) in tendering for public sector contracts; reducing road congestion and pollution levels by improving travel choice, promoting public transport, managing demand and facilitating modal shifts; ensuring sufficient and affordable housing and employment space of the right type and size to meet the needs of the region and create the climate for long-term investment through efficient use of land resources, including mixed-use developments; and improving the productivity of the workforce and increasing economic activity.



**Sustainable Prosperity** - supporting quality of life through reducing CO<sub>2</sub> emissions attributable to the South East and increasing the contribution of renewable energy to overall energy supply in the region; reducing per capita water consumption and increasing the Gross Value Added (GVA) per tonne of materials entering the waste stream; achieving measurable improvements in the quality, biodiversity and accessibility of green space, open space and green infrastructure; and enabling more people to benefit from sustainable prosperity across the region and reducing polarisation between communities.



The strategy identifies actions to achieve the objectives, including eight transformational actions that have the potential to have particular impact across the breadth of the Strategy. These include:

- 100% Next Generation Broadband Coverage* - to improve business efficiency and transform the way people work and learn
- Science and Innovation Campuses* - to establish new world class research facilities in the South East
- Skills Escalator* - to ensure that people at all skill levels are continually equipped to progress in the labour market
- Regional Infrastructure Fund* - to harness new sources of funding for infrastructure investment
- Raising Economic Activity Rates* - by addressing barriers to employment and increasing incentives to work
- Global Leadership in Environmental Technologies* - to exploit the business opportunities created by reducing carbon emissions and waste generation
- Education-Led Regeneration* - to harness the catalytic effect of new Further and Higher Education facilities on releasing untapped potential
- Making the Most of 2012* - to ensure that the 2012 Olympic Games and Paralympic Games leave a positive and lasting legacy for the South East

The Strategy adopts three ambitious headline targets. Progress towards all three of these will provide evidence of overall progress against the vision:

- Achieve an average annual increase in Gross Value Added per capita of at least 3%
- Increase productivity per worker by an average 2.4% annually, from £39,000 in 2005 to at least £50,000 by 2016
- Reduce the rate of increase in the region's ecological footprint (from 6.3 global hectares per capita in 2003, currently increasing at 1.1% per capita per annum), stabilise it and seek to reduce it by 2016<sup>x1</sup>

## **EEDA 'Regional Economic Strategy: A Shared Vision'**

EEDA is currently developing a new regional strategy for 2008 -13, to be launched in summer 2008. The current regional economic strategy is entitled "a Shared Vision" and has been in operation since April 2005. It outlines the region's vision to become:

*"...a leading economy, founded on our world-class knowledge base and the creativity and enterprise of our people, in order to improve the quality of life of all who live and work here."*

The Strategy also sets out eight overarching goals for the East of England:

1. A skills-base that can support a world class economy
2. Growing competitiveness, productivity and entrepreneurship
3. Global leadership in developing and realising innovation in science, technology and research
4. High quality places to live, work and visit
5. Social inclusion and broad participation in the regional economy
6. Making the most from the development of international gateways and national and regional transport corridors
7. A leading information society
8. An exemplar in environmental technologies and efficient use of resources<sup>xli</sup>

## **Strategy for the Global Economy and Internationalisation**

The important role of London in the global economy is highlighted by the following statement,

*"London contains a higher proportion of internationally oriented firms than either New York or Tokyo and is uniquely internationalised. The health and competitive position of the entire UK economy is therefore bound up with that of London. A weakening of London's competitive position in the international economy cannot be compensated for by other parts of the UK" (Mayor of London and LDA, 2005).*

The London plan (outlined in section 3) is partly concerned with the global position of London. The Plan states that it,

*"...will facilitate the continuing attractiveness of London to world business with a phased supply of appropriate floor space for international business activities, and the specialist services that supply them, especially in the Central Activity Zone where many will need and wish to locate. Areas that would benefit from new international scale activities and which have the potential to be attractive to them include the rest of central London, parts of the City fringe and the Thames Gateway. Other 'gateways', such as Heathrow, the London-Stansted-Cambridge corridor, London City Airport, the Stratford International Railway Station and their surrounds, will also be attractive to international investment. Several of this plan's spatial development priority areas should benefit from their potential for access to external gateways such as Gatwick, Heathrow and Stansted Airports and the Channel Tunnel."*

London has successfully bid to host the Olympics in 2012, and the Olympic 2012 programme includes plans to achieve major long term benefits for the city:

- International positioning and global links (winning against New York and Paris was especially important).
- Financing infrastructure and increased Government investment.
- Increased housing supply and progress on spatial strategy to balance London east-west.
- Improved connectivity: a fast train (cross rail), combined with completion of Channel Tunnel Rail Link, linking up of City of London with London Docklands.

- Financial innovation in the way the Games are being financed, leading to greater financial freedom for London Government.
- Higher Education expansion through improved facilities for international students.
- Renewal of sports facilities.
- Major event hosting/project management capability to be developed for the future.
- Expansion of life sciences through sports and drug related activities.
- Regenerate and raise aspirations in poor neighbourhoods.
- Growth in visitor economy and its infrastructure.

The London Business Board estimates the Olympics may earn London as much as £1.5bn. The Olympic Committee projects the creation of 50,000 new jobs in the Lower Lea Valley area. London also already hosts an enviable annual programme of world class international events such as the Notting Hill Carnival, Wimbledon and London Fashion Week. However, a London Tourism Vision report has recognised that more can be done to secure and develop a programme of major events that will further increase London's international profile, attract additional spend and generate significant economic and reputation benefits to the city.

This Vision also addresses the supply side issues, notably hotel and convention space capacity. There have been three feasibility studies for an International Convention Centre (ICC) in the city over the last 15 years. Each study found in favour of a centre but the projects never came to fruition. In early 2004, a Mayoral Commission was set up to examine the business case for the development of an ICC in London. The Commission reported in October 2005 that the case for an ICC is extremely strong.

### Social and Environmental Development

Broader social and environmental development is largely guided by the Mayor's strategies which include:

[The Air Quality Strategy](#): focusing in particular on road traffic, a major source of air pollution which affects Londoners' health.

[The Biodiversity Strategy](#): aimed at protecting and conserving London's natural open spaces and wildlife habitats.

[The Municipal Waste Management Strategy](#): examining waste minimisation, recycling, recovery, treatment and disposal of municipal waste.

[The Ambient Noise Strategy](#): focusing on noise from road traffic, railways, aircraft and industry and exploring methods of noise minimisation.

[The Energy Strategy](#): covering energy efficiency, fuel poverty and London's contribution to climate change.

Achieving greater social equality and sustainable communities is also a key concern of the Mayor's Economic Development Strategy.

There also exist a number of other initiatives which aim to achieve greater social equity within London. One interesting example is provided by The City Fringe Partnership

### The City Fringe Partnership (CFP).



The CFP was established in 1996 by the London boroughs of Hackney, Islington and Tower Hamlets, and the Corporation of London. The London borough of Camden joined the scheme in 1998, whilst the London Development Agency (LDA), the Learning Skills Council, Business Link for London and five partners from the business community are also now involved.<sup>xlii</sup>

The CFP aims to encourage small and medium-sized business growth and to develop employment opportunities in specific strategic industries located within the City Fringe itself. An LMU Baseline study conducted in January 2006 suggested that:

- 48% of the neighbourhoods in the City Fringe are among the top 10% of the most deprived areas in the UK.
- 58% of residents in the City Fringe are from minority ethnic groups compared with 49% in inner London.
- City Fringe residents tend to be less qualified than the average London resident. In 2001, 34.9% of City Fringe residents had no qualifications.
- The majority of the employed people living in the City Fringe are in lower skills occupations. Only 18% are employed in managerial or professional positions.

Although the CFP's initial programme 'Revitalising the City Fringe' was funded by the Single Regeneration Budget 2 Programme, this was succeeded by the SRB4 Programme 'Bridging the Gap.' 'Bridging the Gap' ran between 1998 and 2003, funded by an £8million SRB grant. This was used to support over 100 projects, many of which were directed at the development of small business sectors. Other projects aimed to help overcome the disadvantage experienced by City Fringe residents through unemployment and lack of qualifications. 'Bridging the Gap' was comprised of four programmes:

*City Bridges:* enhanced the skills, motivation and employment prospects of local people

*Confident communities:* aimed to create stronger neighbourhoods via estate safety schemes  
*Managing the Impact:* aimed to benefit local people and businesses by working with developers, planning authorities and community groups

*Thriving Industries:* assisted small local businesses, especially creative and City support industries, to improve their competitiveness through specialist advice, access to affordable workspace and environmental improvements e.g. the regeneration of Hoxton Street Market

A review of the CFP programme over the period 1998-2003 suggested that it generated numerous benefits:

- £25.2 million additional public sector spending
- £53 million additional private-sector spending
- 550 new jobs were created
- 8,500 pupils benefited through improved attainment
- 2,400 people obtained qualifications
- 3,560 City Fringe residents were assisted into employment
- 1,600 previously unemployed people were given training and obtained permanent jobs
- 150 new business were established and 2,200 existing businesses received support and advice

The SRB4 funding programme ended in March 2003 but much of the 'Bridging the Gap' programme was absorbed into the CFP's new strategy: 'City Growth.'

### **Major investment challenges, programmes, and investment tools**

The Mayor's current Economic Development Strategy outlines the four investment themes which are currently important within London (see above). In addition, numerous investment programmes exist in London and the wider region, for example Crossrail (see section 1 – connectivity for details).

London also has a number of financing *tools*, the most important of which is the Congestion Charge (see section 2 - congestion reduction for details of the environmental and social benefits the congestion charge has already brought to London). The

congestion charge is not only a useful environmental tool, but also provides net revenues, which in the medium to longer term could help to bring forward:

- the development and funding of expanded Underground and rail capacity with new services across central London, together with improved orbital rail services
- schemes to provide improved access to London's many town centres
- light rail, tram, or high quality segregated bus schemes
- selected improvements to London's road system.

In terms of regional investment financing, recent discussion has found that better inter-regional investment planning linked to RES priorities is necessary, partly through the formation of a new GSE Supra Regional Infrastructure Fund/Facility.

It is recognised that public finance alone will not be sufficient to meet all of the investment priorities of the GSE going forwards. However businesses are willing to contribute to investment that improves the innovation system and the logistics platform for commercial success, and financial institutions (including EIB and commercial financiers) are seeking regional investment opportunities. Nonetheless, what is required is a clear instrument through which public and private resources can be combined with mechanism to capture and utilise the value of growth in the GSE in order to further enhance innovation and long term growth.

This regional investment fund/facility would undertake activities equivalent to a regional investment bank, but would utilise wholly commercial disciplines and would seek to attract revenue from regional charges and levies such as tolls and fees to enhance its investment capacity, in addition to capital from public resources, debt finance, and equity investments. The fund would be charged with delivering an agreed 'global innovation capital' agenda for the GSE. This vehicle might undertake:

- Strategic Infrastructure Investment Programmes to remove key GSE (and national transport corridor) infrastructure blockages to growth and development
- Integrated Development Programmes for key growth areas/growth points and regional cities committed to accelerated growth and development
- Enterprise, innovation and infrastructure LAA and MAA blocks in key areas of change.

The GSE RDAs wish to work with Government colleagues to assess the potential and feasibility of establishing such a facility during the next 12 months. Key features would include the facility to undertake long term secured borrowing based on appropriate RDA asset base, land value capture, joint ventures with private sector and income streams (such as from road user charging). Where government is hesitant to make higher risk infrastructure investment decisions, this mechanism could provide for a supra-regionalised process to make key schemes that unlock economic growth happen faster.

The existing arrangements for regional economic growth in the GSE can be substantially enhanced by giving more confidence and authority to RDAs, and their business leaders, to solve the medium term challenges that the mega-region faces, before other competitor regions pull too far away.

## 2012 Olympics

Both London and New York bid to be the host city for the 2012 Olympics. London was the eventual victor whilst New York was eliminated in the second round of voting. London was considered to be the second favourite for the election after Paris, but intense lobbying by the London bid team at the later stages of the bidding process swung the votes in their favour. New York City was never seen as a front runner in the contest, particularly after

Vancouver was awarded the 2010 Winter Olympics, as it is widely thought that the IOC are reluctant to stage two consecutive games on the same continent.

It is anticipated that the 2012 Olympics will bring innumerable benefits to London. Previous host cities have found that the Olympics generate opportunities across the entire job market, and in particular act as a huge boost for the tourism industry. After hosting the 1992 Olympics, Barcelona tourist numbers increased by around 40 %, whilst the economic benefits of the 2000 Sydney Olympic Games are estimated to total around \$3billion thus far. The Olympics will also act as a catalyst to the regeneration of some of London's most underdeveloped areas to the East of the city, in particular the Lower Lea Valley which will be transformed into a new London park. Around half of the Olympic Village will be made available as affordable housing following the games.

However, it is also important to note that since winning the Olympic bid, the overall bill for the Games, originally put at £2.375 billion, is now widely expected to exceed £8 billion when extra regeneration, security, tax bills and contingency costs are included. In addition, the saga of the Olympic Stadium's post-2012 use is proving divisive. There are also doubts about the organising committee's ability to raise the £750m it needs from private sponsorship, and UK Sport's chances of raising £100m to help fund British athletes' quest for medals at the event. And a strategy to boost young people's participation in sport - Coe's key pledge in his pitch to the IOC - is yet to arrive. The Observer reported in November 2006 that

*"In July 2005 luminaries of London's bid team, such as David Beckham and Steve Redgrave, hugged each other in delight in Singapore when London won. Back home, thousands watching on big screens in Trafalgar Square joined in the celebrations. The mood is different now. Scepticism has replaced exhilaration. London has begun experiencing its Olympics growing pains. With more than five-and-a-half years to go before London's Olympics begin on 27 July 2012, there is time to take decisive action and restore public confidence. But London may be on the verge of setting its first Olympic record - overtaking Athens, whose event cost £9bn, as the most expensive Games in history."*

### Performance of City and Region on a Range of International Benchmarks

International benchmarks highlight London's strength as a centre for the global economy. For instance it has been identified as:

<b>A. ALPHA WORLD CITIES</b> 12: London, Paris, New York, Tokyo 10: Chicago, Frankfurt, Hong Kong, Los Angeles, Milan, Singapore
<b>B. BETA WORLD CITIES</b> 9: San Francisco, Sydney, Toronto, Zurich 8: Brussels, Madrid, Mexico City, Sao Paulo 7: Moscow, Seoul
<b>C. GAMMA WORLD CITIES</b> 6: Amsterdam, Boston, Caracas, Dallas, Dusseldorf, Geneva, Houston, Jakarta Johannesburg, Melbourne, Osaka, Prague, Santiago, Taipei, Washington 5: Bangkok, Beijing, Rome, Stockholm, Warsaw 4: Atlanta, Barcelona, Berlin, Buenos Aires, Budapest, Copenhagen, Hamburg, Istanbul Kuala Lumpur, Manila, Miami, Minneapolis, Montreal, Munich, Shanghai

- An alpha world city by the GaWC group, which ranks cities based on provision of "advanced producer services" such as accountancy, advertising, finance and law, by international corporations.
- Europe's top rated city for access to markets; the availability of qualified staff; international transport links; telecommunications factors and for languages spoken (Cushman and Wakefield Healey and Baker's European Cities Monitor 2005)
- The city with the second best credit rating in the world (Standard and Poor's City Credit Ratings 2005)
- The city with the fourth largest number of billionaires (Forbes 2006)

London's leading international position is however not restricted to its strong economy. It is also identified as the world's favourite city brand by the Anholt GMI City Brand Index 2005 (although it is placed only 8<sup>th</sup> in the Jones Lang La Salle survey of the world's best marketed cities) and Britain's most creative city (Boho Britain Creativity Index, 2003).

The city does, however, also score highly on some less positive international benchmarks. For instance it has been ranked the fifth most expensive city in the world (Mercer's 2006 Worldwide Cost of Living Survey) and London fails to feature in the top thirty cities offering the best quality of life (Mercer's Quality of Life Survey, 2005).

### Branding and Marketing Activity

**LONDON** The Anholt GMI City Brands Index ranked London as the city with the strongest brand in the world in 2005. Most panellists felt they knew more about London than any of the other cities by a wide margin.

The Index also showed that the strength of a city's brand can lead to false perceptions. Perceptions of London are so positive that people imagine it to be cleaner than it is: it came 13th in the poll, but was ranked 102nd out of 215 cities for actual cleanliness in a global survey of cities carried out by Mercer in 2002. People also underestimate the cost of living in London. In a recent study, UBS ranked it as the world's 2nd most expensive city, but it is ranked 7th in the City Brands Index. Simon Anholt, the creator of the Index explained that,

*"The fact that many people think that London is one of the world's cleanest cities is a clear symptom of the strength of its brand,"* (Anholt, 2005).

More recently, London has slipped to second place in the ranking, where it was placed in both 2006 and 2007.

There also exist a number of sub-brands under the major London brand.



The London tourism brand 'Totally London' has been developed by Visit London, the city's official visitor organisation, and is now a high profile, well-established brand for marketing and promoting London (overseas as well as domestically) and to encourage civic pride amongst Londoners. Visit London is funded by the LDA to deliver the marketing and promotion sections of the London Tourism Action Plan, and also receives some private sector funding. Integrated leisure and business marketing and PR activity has been implemented across all geographical markets. Brand tracking research conducted by MORI revealed strong awareness and acceptance of the 'Totally London' brand among London residents, UK and overseas leisure visitors. In 2004, overseas visits to London grew by 14.5% on 2003 to almost 13.4m and spending increased by 9.7% on 2003 to £6.4bn. The city is now the world's second most visited city after Paris.

London's diversity gives it a unique atmosphere, vibrancy and heritage. Visit London has promoted the diversity of tourism in London through all its marketing campaigns and activity, including London TV and visitlondon.com and has contributed to a number of ethnic guides (e.g. The Mayor's Guide to Asian London). More specifically, the youth, gay and lesbian markets have been targeted utilising various promotional tools working with Visit London in key overseas destinations. The 'visiting friends and relatives' (VFR) market has also been targeted using marketing, PR campaigns and online promotion. Visit London has engaged with Film London to define the role of film within the visitor decision-making process and created campaigns to further develop and excite this audience. The city has also been promoted abroad using place specific slogans. For example in America, radio and television advertisements use the tag-line "If you like x in New York, you'll love y in London".

Other agencies which operate under the London 'umbrella brand' also use the London logo, including the London Development Agency and the Greater London Authority.

The London 2012 brand is already being used across the city and internationally, and it is anticipated that the Olympic branding will do much to raise the city's profile - as it did in Barcelona, Seoul and Sydney. The Visit Britain website suggests that London's success in the Brands Index proves that the 2012 Games are already having a positive effect on people's perceptions of Britain and their desire to travel.



### **Mechanisms to link economic and other agendas through a clear spatial framework or strategy.**

Prior to April 2000, regional planning in the GSE was co-ordinated by SERPLAN (the South East Region Regional Planning Conference). The old South East region encompassed the county areas of Berkshire, Buckinghamshire, Hampshire, Oxfordshire, the Isle of Wight, East and West Sussex, Surrey, Kent, Greater London, Bedfordshire, Essex and Hertfordshire - a wide area encircling and including London, stretching from Oxford to Dover, and from Southampton to Colchester. Under these arrangements, SERPLAN's small officer secretariat produced RPG9 - Regional Planning Guidance for the South East. This was reviewed and eventually published by the Government in March 2001.



In April 2000, the former RPG9 South East Region was split for regional planning purposes into three components (see below left); A new East of England Region (comprising the former East Anglian Region

Essex, Hertfordshire and Bedfordshire); Greater London, and a reconfigured South East Region (the original South East, minus London, Essex, Hertfordshire, Bedfordshire).

The three Regional Planning Bodies under these new planning arrangements are the East of England Regional Assembly (EERA) (formerly the East of England Local Government Conference - EELGC), the Mayor of London, and the South East of England Regional Assembly (SEERA).

These three bodies came together in 2000 to establish the Advisory Forum on Regional Planning for London, the South East and the East of England (also known as the Pan-Regional Advisory Forum or the Inter-Regional Advisory Forum). The Advisory Forum was set up to facilitate the production of coherent spatial strategies under these new administrative arrangements. RPG9 stands until each of the three new planning bodies produce their own planning strategies.

Spatial planning *within* London is largely guided by the London Plan (2004). The Greater London Authority Act 1999 places responsibility for strategic planning in London on the Mayor, and requires him to produce a Spatial Development Strategy for London - which he has called the London Plan - and keep it under review. The London Plan replaces existing strategic guidance, and boroughs' local plans must be in 'general conformity' with it.



The objective regarding spatial planning is to ‘accommodate London’s growth within its boundaries without encroaching on open spaces.’ This is to be achieved in the following ways:

- Make the most sustainable and efficient use of space in London and encourage intensification and growth in areas of need and opportunity
- Achieve an urban renaissance through higher density and intensification in line with public transport capacity, leading to a high quality, compact city, building upon London’s existing urban quality and sense of place
- Enable the centre of London and the main Opportunity Areas for development to intensify and to accommodate much of the growth in jobs
- Make East London the priority area for new development, regeneration and investment, introducing a new scale and quality of development
- Promote London’s polycentric development and a stronger and wider role for town centres, to meet the full range of local needs (including shopping, leisure, housing, local services and jobs) and to strengthen their sense of identity
- Foster sustainable and mutually beneficial relationships with neighbouring regions
- Prioritise Areas for Regeneration, in which spatial, economic and social services should be better co-ordinated and the objectives of the neighbourhood renewal programme promoted
- Improve suburban areas through better access, more co-ordinated services and measures to enhance sustainability
- Protect and improve the green belt, Metropolitan Open Land, other designated open spaces and the Blue Ribbon Network

Within this overall planning framework, specific areas have been identified as Opportunity Areas, Areas for Intensification and Areas for Regeneration.<sup>xliii</sup>

Opportunity Areas can typically accommodate at least 5,000 jobs or 2,500 homes or a mix of the two, together with appropriate provision for other uses such as shops, leisure facilities and schools. These areas include major brownfield sites and places with potential for significant increases in density. Development in these areas will be geared to the use of public transport: either they already have good public transport access, or they require public transport improvements to support development. Their development potential needs to be assessed by the Mayor, local boroughs and local communities.

Areas for Intensification have significant potential for more intensive use - and for more varied use - than at present where they are well served by public transport.

Areas for Regeneration are those which currently suffer substantial social exclusion and economic deprivation, and where development can play a key role in pursuing the Mayor’s vision. Integrating spatial policies with policies for neighbourhood renewal, better health, improved learning and skills, greater safety and better employment and housing opportunities will be especially important. The aim is to ensure within 10-20 years that no one is seriously disadvantaged by where they live. The London Development Agency and Learning and Skills Councils are actively involved in supporting the need for improved skills and for better access to work and target these areas in particular.

The overall spatial development plans focus on five geographic areas:

**Central London:** The London Plan builds on Central London’s extraordinarily diverse, dynamic and innovative qualities, while taking environmental and residential needs into consideration. The strategy is to increase its capacity to accommodate much of the forecast growth in the economy and population while promoting development further to the east. Sustaining the role of the Central Activities Zone as the core location for international business and finance and as a national transport node is crucial for the wider south-east and for the country. Overall, Central London could have 107,000 new homes and 239,000 new jobs by 2016.

**North London:** Some parts of North London, notably Barnet, have seen strong employment growth in recent years whilst the industrial areas of the Upper Lea Valley and around the North Circular Road need regeneration in terms of modernising estates, new business growth and improved transport. A key priority is to identify new job and housing opportunities and appropriate mixed-use development in these areas and other Opportunity Areas and Areas for Intensification. The London Plan proposes that North London could accommodate some 47,000 additional homes and 26,000 new jobs by 2016. As well as the Upper Lee Valley, Opportunity Areas include Tottenham Hale and Cricklewood/Brent Cross, which together could accommodate significant high-density business, educational, retail and residential development. Elsewhere, opportunities for redevelopment exist in Areas for Intensification at Mill Hill East, Colindale and Haringey Heartlands/Wood Green. Some of London's most-deprived wards extend up the Lee Valley into North London and include eastern Haringey (particularly Tottenham), south-east Enfield (Edmonton) and Waltham Forest (Leyton). Future growth, stimulated in particular by transport developments in Stratford, Stanstead and other strategic locations, will contribute to alleviating their problems.

**West London:** West London has a diverse economy including clusters of international businesses, a growing knowledge economy and some concentrations of manufacturing. New development will be aimed at exploiting the sub-region's dynamism and potential and addressing the needs of significant pockets of deprivation, especially in inner areas such as Acton and Park Royal and more local pockets such as those around Hayes and Feltham. One key priority is to derive greater benefit for local residents from the enormous growth potential around Heathrow, while ensuring that this development improves rather than degrades the environment. Similarly, Wembley has major potential as a nationally and internationally significant area.

**South London:** Development opportunities in South London are mostly small scale, and are concentrated in the town centres and along the Wandle Valley corridor. Nevertheless the sub-region can make a considerable contribution to accommodating further economic development. The London Plan proposes that the sub-region could accommodate 42,000 new homes and around 36,000 new jobs by 2016.

**East London** was former Mayor Livingstone's priority area for development, regeneration and infrastructure improvement. It has many of the capital's largest development sites and a large number of areas suffering multiple deprivation. East London should plan for a minimum of 104,000 additional homes and 249,000 jobs up to 2016. Development in this sub-region will continue well beyond the plan period as the impacts of major new transport infrastructure and of programmes of land assembly stimulate a virtuous circle of development and environmental improvement. Much of the forecast growth in jobs will be accommodated in the Opportunity Areas close to the City such as the City Fringe, Isle of Dogs and Stratford, and the growth of Central and East London needs to be planned in a complementary way. A substantial proportion of London's Opportunity Areas are in east London. Several are found close together and form zones of change that need co-ordinated planning. Equally, there are large areas suffering from deprivation. Much of the sub-region demands major improvements in the quality of services and the environment, and a concerted effort is needed to raise the standards of education, health services, public facilities and training opportunities. The Thames Gateway requires a huge environmental upgrade and improvement in image.

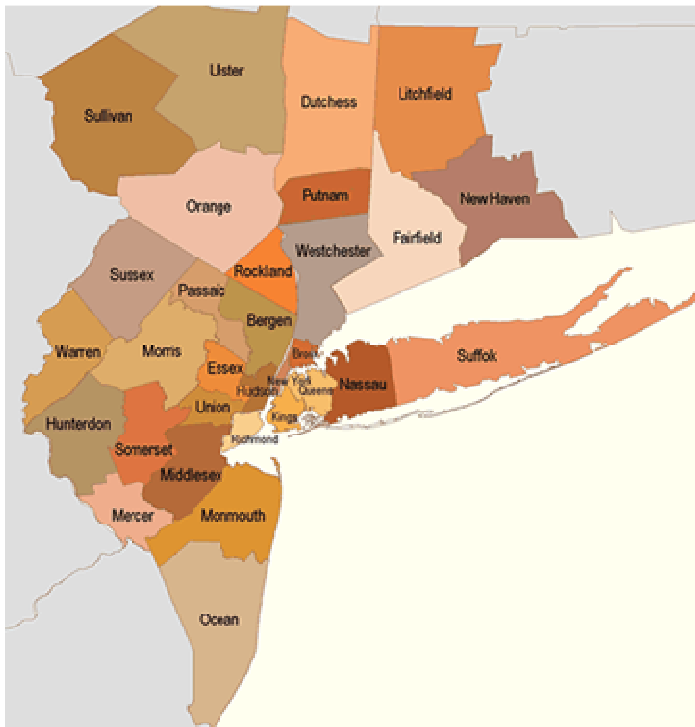
Since the London Plan was published, London has won the 2012 Olympic Games which will provide a major catalyst for change and regeneration in east London, especially the Lower Lea Valley, leveraging resources, stimulating the timely completion of already programmed infrastructure investment and leaving a legacy to be valued. East London has the potential to become London's gateway to mainland Europe, building particularly on the Stratford International Railway Station, but also on access to the City and Stanstead airports, the Channel Tunnel and the Port of London. The Isle of Dogs and Stratford will be key beneficiaries of the substantial planned increases in transport capacity and accessibility and will therefore be able to sustain significantly increased development levels.

Please see Appendix B for the London Plan’s ‘Key Diagram’ which presents these developments in map format.

**Inter regional collaboration.**

With the exception of the Advisory Forum on Regional Planning for London there seems to be little other inter-regional collaboration.

**5. New York and the Tri-State Region in 2008.**



The New York Tri-State region is the fourth most populous metropolitan area in the world, encompassing the populated areas of Northern New Jersey, Southern New York, and Southwestern Connecticut that are within commuting distance of Manhattan. In 2005, the 13,000 square mile region had a population of 18.75m, and an economy of almost \$500bn.<sup>xliv</sup> New York is one of six cities in the region with a population of over

100,000; Newark, Edison, Bridgeport, Stamford and New Haven are also located within the region. While New York City’s population has remained steady at around 8 million since 1950, the metropolitan area population increased by more than seven million over this same period.<sup>xlv</sup> Nevertheless New York City still accounts for 44% of the region’s population.

The tri-state region is driven by a highly skilled service and information economy, world-class educational institutions and health care facilities, and a vibrant tourism economy that is closely linked to Broadway and the non-profit arts. The city’s key industries are professional and business services, finance, insurance and real estate, and education and health services. These industries currently account for approximately 40% of all regional jobs, and projections estimate they will account for 45% of the region’s jobs by 2012.

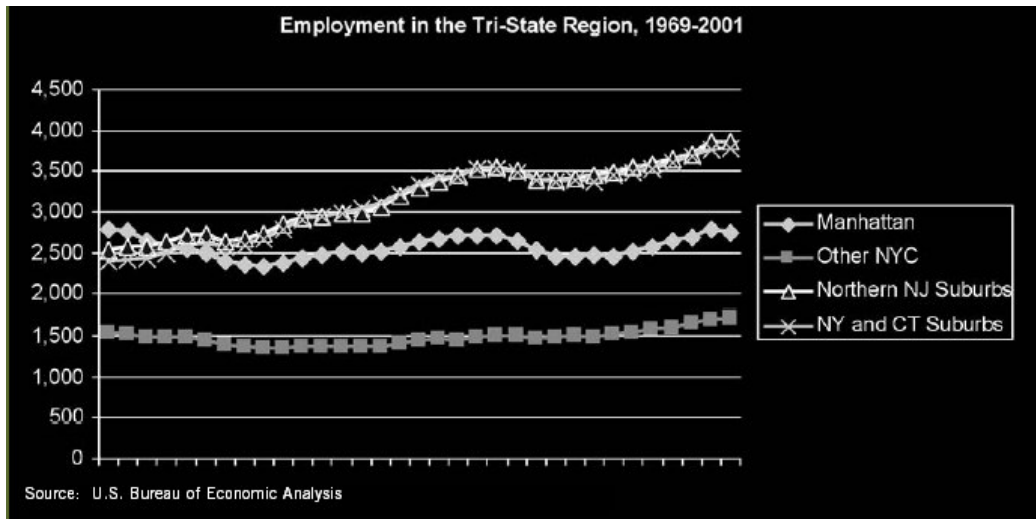
The borough of Manhattan in New York City constitutes the economic core of the region. Manhattan generates \$154 billion of earnings per



year, with over \$96 billion earned by non-Manhattan residents - the regional labour force. Residents of the other boroughs of New York City receive almost \$38 billion from jobs in Manhattan. Over \$30 billion is exported to Long Island and Westchester and Rockland counties. New Jersey residents earn more than \$28 billion from working in Manhattan.<sup>xlvi</sup> New York City's workers are increasingly better paid than their counterparts in the rest of the country. In 2003, the average wage was more than 60% above the national average, up from 20% in 1980.

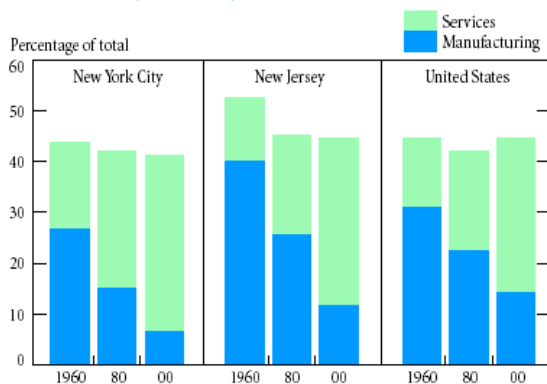
At the turn of the millennium, New York City's economy was hit by a series of adverse shocks: the collapse of the city's fledgling dot-com sector, a severe bear market on Wall Street, a national recession, and the September 11 attack on the World Trade Centre. Nonetheless, New York's economy has proven surprisingly resilient, suffering no substantial or sustained decline in relative wages.

In 2003, there were 8.61m employees in the New York metropolitan region. Since 1960, total employment in New York City has been relatively stable at about 4 million jobs, roughly in line with the city's stable population level during this period. In 2000, the overall level of employment in the city was virtually identical to the level of employment in 1960. Over this same period, however, the total number of jobs in Northern New Jersey increased by 1.2 million, with a similar increase in the New York and Connecticut suburbs that comprise the tri-state region.



Since 1960, the tri-state region has experienced a dramatic shift in the industrial composition of jobs away from manufacturing and toward services. Manufacturing's share of total employment in New York City fell from 27% in 1960 to 7% in 2000, roughly matched by an increase in the services sector's share of total employment (see diagram below). The shift has been attributed to a variety of factors, most notably the relatively high operating costs in the area. In New Jersey, the change in employment composition was even more extreme, with manufacturing's share of employment falling from 40% in 1960 to about 12% in 2000.

Manufacturing and Services Sector Shares of Employment in New York City, New Jersey, and the Nation



Sources: U.S. Bureau of Labor Statistics; New York State Department of Labor; New Jersey Department of Labor.

Regional employment is forecast to

increase by 8.5% to 9.34m by 2013. The biggest portion of this rise is anticipated to be in the education and health services sector, where a substantial 25% rise from 1.50m to 1.88m employees is forecast. The professional and business services sector is also forecast to rise considerably, from 1.04m to 1.20m, while in contrast manufacturing is forecast to decrease by 3%, from 615,000 to 589,000.<sup>xlvii</sup> Employment growth is forecast to continue until at least 2025, reaching an estimated 10.4 million employees.<sup>xlviii</sup>

**Broad summary of challenges faced**

Although New York’s economy remains in good health, a number of potentially serious problems are concerning policymakers.

- Lack of inner-city space

In the 1990s, New York City’s office inventory grew by about 15 million ft<sup>2</sup>, far less than the nearly 54 million added in the 1970s and 46 million in the 1980s. The subsequent spiralling rents have put a tremendous strain on the City’s capacity to accommodate additional growth. As a result, many expanding companies have been forced to move to alternative locations where new office product is being built more quickly and at lower cost. The City will need millions of square feet of new space to eliminate existing shortages and meet projected future demand. Without new space and more affordable rents, New York City may lose jobs and economic activity to locations with readily available, affordable space.<sup>xlix</sup>

- Diminishing suburban land

80% of the 1.7 million housing units built in the tri-state region between 1970-1996 were constructed in the region’s outer suburban ring, as residents sought affordable housing beyond the city limits. The region lost 40% of its farmland between 1964 and 1987, and development outside urban areas continues at around 30,000 acres a year. More than 30% of Northern New Jersey’s land area has been ceded to the vast web of roads and highways that carry more than 300,000 commuters to work in New York City.<sup>l</sup>

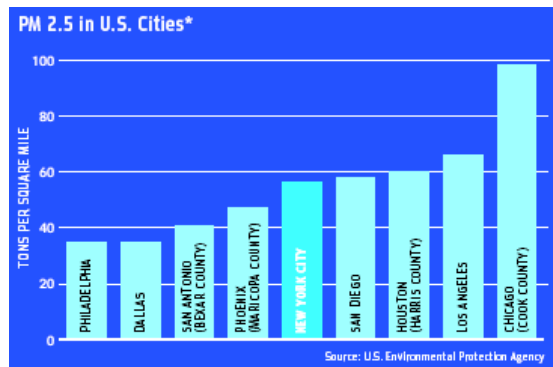
Congestion

See section 2 - what New York can learn from London, congestion reduction.

- Environment

The region is a national leader in environmental protection, having enacted comprehensive and far reaching environmental standards. The tri-state has added 350,000 acres of public parkland since the 1960s, while air and water quality has improved significantly.

However, most of the region still does not meet federal air quality standards. More and more drinking water must now be filtered. Growing use of automobiles, trucks, and buses is also a key reason why the region is second only to Los Angeles in number of days that air quality fails to meet federal standards. The diagram opposite shows soot concentrations by city.



- Retaining status as world-class financial centre

See section 1.1 - financial services regulation

- Skills deficit

The Tri-state region is threatened by an impending skills deficit engendered primarily by current immigration patterns. In 2000, 2.9 million of the 8.1 million residents of New York City were foreign born. Significantly, this figure amounted to the highest proportion of foreign born residents -36.2% - since the 1920s. No single ethnic minority group constitutes more than 10% of the New York City population, yet by 2020 a majority of the tri-state region's residents will be of African, Asian, or Hispanic heritage.

This influx presents a number of challenges. Among these is the potential lack of skilled workers. As the chart opposite shows, the percentage of New York region immigrants with at least a high school diploma, like the fraction with at least a college degree, lags behind the corresponding percentage in the native population. Given New York's position as a world-class knowledge economy with a highly-skilled workforce, there is a big challenge for educational services to provide appropriate skills training to the immigrant population.

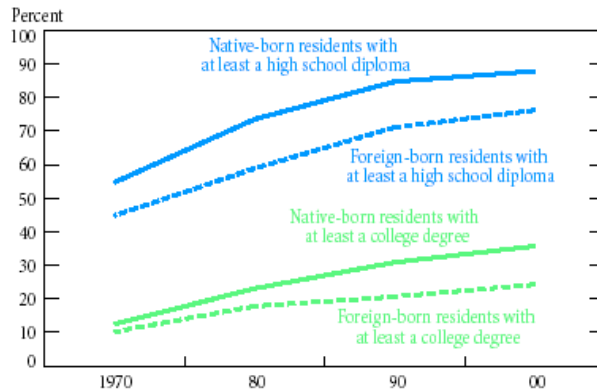
New York is currently only an averagely-qualified workforce by US standards. In 2000, New York ranked fifth among the ten largest metropolitan areas in the United States in percentage of the population with at least a college degree (32%)—ahead of Houston (28%) and Los Angeles (26%), but behind Washington, D.C.(45%), Atlanta (34%) and Chicago (33%). This ranking position was unchanged from 1980.

**Governance arrangements**

Governance arrangements in the tri-state region are complex and varied - the number of governmental units within the region has grown from 1,400 in 1959 to over 2,000, including layers of municipal divisions, special districts and public authorities.<sup>li</sup> Such a system has previously been described as “more complicated than any other than mankind has yet contrived or allowed to happen”.<sup>lii</sup> Comprehensive, regionwide solutions have not been instituted, and there is no metropolitan government or institutionalised coordination between its 3 states, 31 counties, 800 municipalities, and more than 1,000 service districts. Instead, a network of service districts, regional land-use regulatory agencies, and in one limited example, a regional tax district have been established, in most cases as a result of effective advocacy by civic groups. Policies and investments continue to be guided and coordinated by a dense network of local and regional civic groups.

The three states covered by the tri-state region have developed very different political systems, the product of divergent values and traditions. *Connecticut* is the southwestern outpost of New England town-meeting democracy; its 169 cities and towns operate like independent republics, unconstrained by county officials (counties having been abolished in the 1950s) and subject to only limited state controls. Meanwhile, *New York* has a tradition of strong state government and of counties and large towns that function in many ways as regional governments. *New Jersey* has the densest concentration of local government in the region. For example, Bergen County's 246 miles<sup>2</sup> (located across the Hudson River from Manhattan) are divided into seventy municipalities and dozens of school and service districts. New Jersey is also unique in the metropolitan area in that it has a state growth management plan; Connecticut has an “advisory” plan, and New York State has no state planning process.

Educational Attainment of Native- and Foreign-Born Residents Aged 25 to 64: New York Metropolitan Area



Source: Minnesota Population Center, University of Minnesota, Integrated Public Use Microdata Series.

Several special-purpose **regional authorities** have been created since the 1920s to deal with particular needs over the whole tri-state area. This approach to regional problem solving— creating narrowly focused authorities rather than general-purpose regional government—has been a hallmark of regional governance in the New York metropolitan area. Some examples of the regional authorities are:

#### The Port Authority of New York and New Jersey

This is the largest and most influential of New York’s regional authorities, established to improve seaport and trans-Hudson freight and passenger facilities. It has since assumed additional responsibilities for building and operating a broad range of infrastructure, including airports, modern marine freight terminal, the Port Authority Trans-Hudson transit system and various economic development and urban renewal programs. The Port Authority is also one of the Tri-state region’s leading agencies for economic development. A key element of its mission statement is “strengthening the economic competitiveness of the New York-New Jersey metropolitan region.”

The Port Authority has been responsible for all highway links between New York and New Jersey: the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, the Holland Tunnel and the Lincoln Tunnel, which together carry more than 325,000 vehicles into New York City each day. However, over the last two decades, the two state governors have begun to use the Port Authority’s surpluses to fund each state’s pet infrastructure and urban development projects (including waterfront redevelopment projects in Hoboken, New Jersey and Queens, New York; industrial parks in Yonkers, New York; an office building in Newark, New Jersey), thus undermining the Authority’s autonomy.

#### Transport Authorities

Four regional highway authorities were created in the early 1950s to build new toll roads. In 1968 the authorities were brought under the control of the newly constituted Metropolitan Transportation Authority (MTA), which now is *the* major authority dealing with transport investment programmes in New York City, and indeed has significant influence in regional planning more generally.

#### Environmental Management and Regional Park Commissions

Several agencies that were established in the 1920s to protect regional environmental systems continue to fulfil important roles. The Palisades Interstate Park Commission remains active today and as recently as 1997 led the successful partnership between New York and New Jersey to protect Sterling Forest (a vast 21,000-acre open space that straddles the state line less than forty miles from Manhattan). In the area of water quality, the Interstate Sanitary Commission still plays a critical role in setting mutually agreed upon targets for pollution reduction in New York Harbour, Long Island Sound, and the Hudson River.

#### Regional Plan Association

The Regional Plan Association (RPA) is an independent, not-for-profit regional planning organisation for the tri-state region. The RPA aims to improve the quality of life and the economic competitiveness of the tri-state region through research, planning, and advocacy.



Nonetheless, local and regional governance in the New York metropolitan region is not expected to become integrated in the near future. The New York region’s continued deep political and social divisions and strong tradition of local home rule is likely to prevent the

creation of a general-purpose regional government or the consolidation of the region's decentralised municipal governments in the foreseeable future.

**Overall development strategy**

Owing to the varying models of governance across the region, the Tri-state region does not have a top-down development strategy. Numerous plans currently exist to improve the tri-state region. The three states each have their own land use plans, economic development plans and transportation plans; the operating public transit agencies have capital plans and there are eight Metropolitan Planning Organisations formulating transportation plans for their parts of the Region. Many cities have both economic development and land-use plans (though New York City has never prepared a land-use plan). Plans are implemented on a point-by-point, case-by-case basis by local governments in each state, which inevitably leads to co-ordination failures in regional development. Examples of such plans include:

**The MTA's Capital Plan 2005-09**

The MTA has major influence on New York's operations, planning and investment, and its Capital Plans have directed much of the city's infrastructural development in the past. In April 2005, the MTA Board approved a revised 2005-2009 Capital Program totalling \$21.145 billion. Over \$11 billion is to be invested in the city's New York transit system, with a further \$2 billion investment in the extension of subway line 7. It is expected that the proportion of Core Capital Program expenditure spent on the transit system will increase to over 80% in the 2010-2014 plan.<sup>liii</sup> The chart below outlines the areas of MTA expenditure.

2005-2009 Capital Program Amendment  
(\$ in millions)

Program Elements	CPRB Approved Plan	Proposed Plan	Change
<b>Core Capital Programs</b>			
New York City Transit	\$11,300.1	\$11,301.1	\$1.0
Long Island Rail Road	2,176.0	2,176.0	\$0.0
Metro-North Railroad	1,382.3	1,383.1	\$0.8
<b>CPRB Core Subtotal</b>	<b>\$14,858.4</b>	<b>\$14,860.2</b>	<b>\$1.8</b>
Security Program	495.0	495.0	0.0
Interagency	159.1	159.1	0.0
<b>Core and Security Subtotal</b>	<b>\$15,512.4</b>	<b>\$15,514.2</b>	<b>\$1.8</b>
ESA/SAS/JFK Link	2,475.0	2,475.0	0.0
<b>Total 2005-2009 CPRB Program</b>	<b>\$17,987.4</b>	<b>\$17,989.2</b>	<b>\$1.8</b>
City #7 Line Extension	1,990.0	1,990.0	0.0
Bridges and Tunnels	1,167.9	1,167.9	0.0
MTA Bus	0.0	138.2	\$138.2
<b>Total 2005-2009 Capital Program</b>	<b>\$21,145.3</b>	<b>\$21,285.3</b>	<b>\$140.0</b>

Like all MTA Capital Programs, the 2005-2009 plan addresses both visible (rolling stock, stations, bridges, tunnels) and invisible infrastructure needs (signals, track, viaducts, fiber-optic cables, power) in order to ensure that customer inconveniences are minimized. Highlights of the programme include:

**MTA New York City Transit (\$12.13 billion)**

- 959 new subway cars (including 47 cars to expand the A division fleet)
- 1,360 new buses and 948 paratransit vehicles
- Expansion of the bus locator system for the entire fleet



- 55 station rehabilitations
- Replacement of 25 escalators at 4 stations
- A new passenger transfer between the Jay Street and Lawrence Street stations in Brooklyn
- Further investments in Automated Train Supervision and Communications-Based Train Control
- Tunnel lighting and fan plants upgrading to improve system safety

**MTA Long Island Rail Road (\$2.43 billion)**

- Phase I of mainline third track between Bellrose and Hicksville
- New yard to serve the Port Jefferson branch
- 170 new M-7 cars to complete replacement of the M-1 fleet
- Improvement of the power grid to handle expected growth in service

**MTA Metro-North Railroad (\$1.41 billion)**

- 36 new M-7 cars for the Harlem and Hudson fleets
- 100 new M-8 cars to begin replacement and growth of the New Haven M-2 fleet
- 25 station rehabilitations
- Phases 2 and 3 of replacement of the 100-year-old Croton-Harmon Shop and Yard

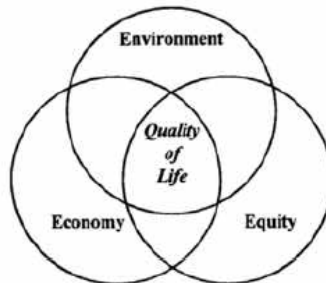
**MTA Bridges and Tunnels (\$1.26 billion)**

- Replacement of Randall’s Island decking of the Triborough Bridge
- Rehabilitation of approaches and suspension span of the Verrazano-Narrows Bridge
- Rehabilitation of the deck of the Throgs Neck Bridge
- Replacement of the lower level deck of the Henry Hudson Bridge
- New decking and structural rehabilitation for the Cross Bay Veterans Memorial Bridge<sup>liv</sup>

The plan also earmarks another \$495 million slated for continued post 9/11 security investments.

**The RPA’s Regional Plan**

The RPA’s current work is aimed largely at implementing the ideas put forwards in its Third Regional Plan, with efforts focused on five project areas: community design, open space, transportation, workforce and the economy and housing. Released in 1996 and entitled "A Region at Risk", this is one of the few region-wide plans. The plan warned that new global trends had fundamentally altered New York’s national and global position. It theorised that quality of life was the result of a tri-partite wedding of a successful economy, healthy environment, and equality of resources.



Some of the more significant initiatives which the RPA has devised are

:

**Community Design:**

- Centres Initiative which aims to redirect as much job growth as possible to CBDs and encourage central residential growth
- Healthy Communities Initiative
- Transit Friendly Communities Initiative: station area planning and design

**Open Space:**

- campaigning for the establishment of a greenbelt in the NY-NJ highlands
- promoting the development of a Long Island Sound Stewardship System
- ensuring the reinvention of NY NJ harbour enhances its national habitat resources

**Transportation:**

The Mobility Campaign has three principal components:

- improved transit service
- a transformed freight system,
- a highway network with reduced congestion.

The construction of a Regional Express Rail system is at the centre of this campaign. This system aims to provide airport access by connecting the Long Island Railroad to Grand Central Terminal, Lower Manhattan, Kennedy Airport, and LaGuardia Airport. It also plans a service between the boroughs in a new circumferential subway line.

Congestion is tackled through roadpricing and market approaches, such as tolls and employer incentives, while building a freight rail trans-Hudson crossing to improve commercial transportation and cut congestion on the highway system.

*Progress*<sup>lv</sup>:

[New Jersey Waterfront Light Rail](#). Now completed between Bayonne and Hoboken and soon to be extended northward, this was a brainchild of RPA, proposed in its “River City” report in the early 1980s. NJ TRANSIT advanced the project in the 1990s, largely along the route proposed by RPA

[East Side Access](#). The MTA and Governor Pataki have firmly committed to completing the Long Island Connection to Grand Central Terminal. More than \$1.5 billion is in place and over \$800 million already spent on design and construction.

[Variable congestion pricing](#). In the Third Plan RPA proposed “congestion pricing.” New technology has made this a reality. E-Z Pass is now the payment method of choice for 70% of toll payers in the region, speeding traffic and reducing delays. All major toll agencies in the region apart from the MTA have adopted some form of variable time of day pricing.

It is however important to note that whilst there are a myriad of development plans devised by individual bodies, their actual success in impacting on New York’s development varies considerably. For example, whilst the MTA’s Capital Plan is already having a major influence on (particularly infrastructural) development, there is little evidence that the RPA’s programme is resonating in the city.

### **Overall Economic Development Strategy**

Economic strategies abound across the tri-state region, at state, regional and city level. There is considerable overlap in terms of the aims of the separate strategies. However the strategies of New Jersey and Connecticut are primarily concerned with increasing local competitiveness and attracting investment that otherwise would be made in New York City.

Arrangements in the three states are detailed below:

## ❖ New York

Empire State Development (ESD) is New York State's lead economic development agency. Its mission is to provide the highest level of assistance and service to businesses in order to encourage economic investment and prosperity in New York State. It works closely with businesses to: identify creative solutions to challenging problems, generate enhanced opportunities for growth, and help them achieve their uniquely important, short- and long-term goals.

In a 2006 speech, Governor of New York Eliot Spitzer outlined New York state's six major infrastructural priorities:



### *Prioritisation and advancement of New York 'megaprojects'*

These major projects are the construction of the Second Avenue Subway-from 63rd Street to 96th Street-and the Long Island Railroad East Side Access project with its Mainline Corridor Improvements, otherwise known as the 'Third Track'. Currently, these two projects have not yet even begun their construction phase, although together they are expected to account for the expanded transit capacity needed to support a potential half a million new jobs in Manhattan's central business district by 2025. Other major projects include replacing the Tappan Zee bridge in the Mid-Hudson region (at a potential cost of \$5 billion), increasing the capacity of Stewart airport in Orange county and extending Subway Line 7 to open up the far west side for further development.

### *System improvements within current infrastructure*

Four main areas for improvement have been highlighted:

- Advancing the use of Bus Rapid Transit. This will be done by undertaking several regional initiatives in partnership with New Jersey and Connecticut, enabling so-called regional transit interoperability
- Integration of the existing transit and ferry system to support development of the waterfront on a regional basis, from Poughkeepsie to Staten Island, Connecticut to Long Island.
- Resolution of the long-standing impasse over Amtrak's budget and the threatened future of the Northeast Corridor lining New York to Boston and Washington. Amtrak is one of the Northeast's critical transportation links.
- Completion of the overdue Draft Environmental Impact Statement to assess the feasibility of the Cross Harbour Freight Tunnel as part of a regional freight program. This is with a view to securing significant federal aid for regional freight initiatives in the next Federal transportation reauthorisation.

### *Smart growth in cities and suburbs*

The central aim is to build housing around existing public transportation infrastructure. This is to be done through the creation of incentives and provision of technical support for counties and towns to ensure that land use and transportation planning are integrated.

### *Affordable tolls and fares*

There is a projected \$900 million MTA operating budget deficit in 2009. The MTA faces escalating interest payments as a result of disproportionately financing its 2000-2004 capital program with debt. This could impact upon passenger fare prices. Mr Spitzer has outlined the need to work with the City of New York and the other member counties of the MTA to ensure they do their part to maintain financial support to the MTA at an adequate level so as to minimise future fare and toll increases.

*Implement significant institutional reform*

Mr Spitzer has appointed a task force to review the current state of workforce development and labour relations in all of the State's transportation agencies and make recommendations for their improvement.

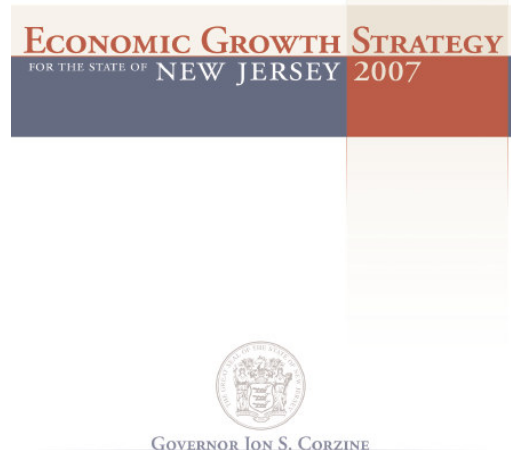
*Improve Safety and Security*

❖ **New Jersey**

In response to concerns of economic underperformance, Governor Joe Corzine has produced the 2007 economic strategy for New Jersey.<sup>lvi</sup> The strategy identifies the state's six priorities for growth:

*Priority 1: Market New Jersey for economic growth by partnering with the state's businesses and helping them to grow and prosper*

- Create a Comprehensive Account Management Team to Retain and Attract Businesses. This team will provide outreach and support to businesses seeking to expand within or relocate to New Jersey, and will be responsible for proactively deploying the resources of the state to reach out to business and to partner with communities to promote economic growth throughout the state
- Establish an Economic Growth Council. The Council will advise the governor on policies and conditions affecting New Jersey's economy
- Establish, within State Government, an Action Council on the Economy (ACE). This Council will proactively respond to economic development opportunities and will ensure that the state's processes to support business growth are predictable, timely, and efficient.



*Priority 2: Develop a world-class workforce by assisting the state's students and job seekers to obtain the skills and education needed in a competitive global economy*

- Strengthen Maths and Science Skills. The state will take appropriate steps to strengthen the math and science skills of all students and to increase the number of math and science graduates from colleges and universities. The Commission on Higher Education will also work closely with the state's colleges and universities to ensure that maths and science programs prepare students with the skills needed by the state's key industries
- Ensure that Education and Training Investments Meet the Workforce Needs of New Jersey Businesses and Nonprofit Organisations. The state will create Industry Workforce Advisory Groups for key industries. These groups, which will include business leaders, union representatives, and other stakeholders, will meet as needed to provide substantive input and suggestions to the state's workforce and education leaders. The Department of Labor and Workforce Development, in partnership with the State Employment and Training Commission and the Commission on Higher Education, will convene these groups.

*Priority 3: Promote sustainable growth with a particular emphasis on the state's cities and make strategic infrastructure investments to support economic growth while protecting the environment*

- Establish a “Ready for Growth” initiative to encourage the redevelopment of selected idle sites. The state will select sites most appropriate for redevelopment based on the goals of the Economic Growth Strategy and the needs of key industries in the state. Create an online searchable database of available commercial property for development.
- Support the Revitalisation of the State’s Cities. Create the New Jersey Urban Fund (NJUF), which will offer an array of resources designed to bring about economic growth through business creation and expansion and the physical improvement of New Jersey’s deprived urban areas. NJUF was launched in autumn 2006 with a \$185 million commitment by the Economic Development Authority to be leveraged with investment from private sources over the next year
- Encourage brownfield redevelopment. The Office of Economic Growth will lead the creation of a state strategy on brownfield redevelopment. The state’s resources and efforts will be evaluated and prioritised by the Office of Economic Growth, with steps to improve outcomes for the redevelopment, the environment, and the state’s cities.

*Priority 4: Nurture the development of new technologies, and ensure that the state continues to be a leader in innovation*

Create the Edison Innovation Fund (EIF) to help create, sustain, and grow high-tech businesses that will lead to high-paying job opportunities. The Fund will be launched and led by the Economic Development Authority, with \$150 million committed by the Economic Development Authority in partnership with the Commission on Science and Technology. The Fund will leverage \$350 million in private capital.

*Priority 5: Encourage entrepreneurship and the growth of small, minority-owned, and women-owned businesses*

Focus and Expand Support and Access to Capital for Small, Minority-Owned, and Women-Owned Businesses and Entrepreneurs. Including the development of a single web portal for small businesses and entrepreneurs that will combine all relevant information and services. Also, create a Division of Minority- and Women-Owned Business Development within the Office of Economic Growth to track and report minority-owned and women-owned business participation in the state procurement process.

*Priority 6: Enhance the global competitiveness of New Jersey’s businesses.*

Promote and Increase Capital Investments in the State’s Ports and Airports. The state will actively market New Jersey ports to businesses in countries that import large amounts of goods to the United States. The state will cooperate with PANYNJ to promote the availability of sites within the Portfields Initiative to the international business community and to promote the port facilities to businesses.


❖ Connecticut

Connecticut’s formal strategy for industrial growth is the Connecticut Partnership for Growth Cluster Strategy. The strategy is applied mainly to Connecticut’s Interstate 95 corridor of urban centres.

In July 2006, Governor Rell introduced the Connecticut Next Generation Competitiveness Strategy. The strategy includes measures to strengthen the industries that drive Connecticut’s economy. Specific priorities include:

- assisting Connecticut manufacturers to increase their productivity
- marketing the state and its key industries to a wider national and international audience

**Building Upon Connecticut's Core Competencies in the Knowledge Economy**  
*A Case Statement for Meeting the Challenges of the 21st Century Knowledge Economy*



Prepared for:  
**Connecticut Office for Workforce Competitiveness**

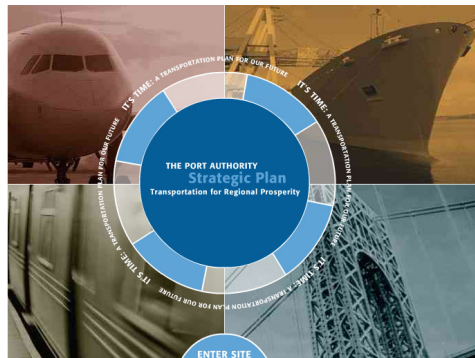
Prepared by:  
**Battelle Technology Partnership Practice**

May 2006

- implementing training initiatives to further strengthen Connecticut’s highly-skilled workforce
- capitalising on the research and development, as well as economic development, potential of the state’s colleges and universities
- pursuing an aggressive international export initiative to increase the market share of Connecticut industries across the globe

The economic development strategy is based on private sector input, and includes the many programs and initiatives developed and supported by the Jobs Cabinet, the Office of Workforce Competitiveness, industry ‘clusters’, and the state’s three economic development agencies—the Department of Economic and Community Development, the Connecticut Development Authority and Connecticut Innovations.<sup>lvii</sup>

Region wide arrangements for economic development are also in place. The MTA (see section above) are a particularly important force in the region, and their most recent Capital Plan will have a significant impact on regional economic development. Aside from the MTA, in December 2005, the Port Authority released a comprehensive 10-year strategic plan entitled *Transportation for Regional Prosperity*.



The plan centres on five key strategic campaigns:

Campaign 1: Regional Competitiveness

- Increase air travel capacity and quality through upgrading and modernising airport facilities and services and addressing the limitations of our three-airport system;
- Improve travel options to and from our regional gateways by investing in world-class transit access, including reliable, fast, and frequent one-seat rides between airports and the region's major business/commercial centres
- Expand inter-regional rail service in the Northeast Corridor, improving its speed, frequency, safety, and quality of service

Campaign 2: Transit-based Economic Growth

- Add new transit options to congested areas that rely on aging transit facilities, expanding rush-hour capacity on major transit corridors serving key central business districts and commercial centres
- Enhance transit to new and emerging centres of employment, residence, culture, and retailing, including a restored downtown Manhattan
- Develop vibrant new urban centres at transit hubs, transforming transit hubs in older communities into multi-purpose urban growth centers while generating new sources of financial support for transit
- Create incentives that consistently encourage commuting by transit, and adopting public transportation investment and pricing policies that discourage peak period auto use where attractive transit alternatives are available

Campaign 3: Moving Goods Effectively and Expeditiously



- Improve the productivity of existing freight networks through targeted investments in new freight technologies, highway and rail systems, completion of harbor deepening, and incentives to encourage off-peak use of the region's highways and rail systems for goods movement
- Minimise truck-miles within the region, quickly moving non-local freight out of the region through a new system of distribution centers and warehouses located near the port and air cargo centers, increasing use of freight ferries, and new rail spur connections to intermodal freight centers
- Increase capacity along key goods movement corridors with new waterborne or rail freight service and targeted improvements to constrained highways, such as dedicated truck lanes

#### Campaign 4: Ensuring Safe, Reliable, and Secure Transportation

- Maintain the region's valuable transportation facilities in a state of good repair that meets globally competitive standards, phasing out or replacing aging facilities, and building higher safety standards into new facility design
- Provide secure, reliable, and resilient transportation networks by protecting existing facilities, designing state-of-the-art security into new facilities, and building additional capacity into critical regional gateways and corridors
- Improve operating efficiencies and environmental performance, using the best available technologies and management practices to reduce costs and promote sustainability.

#### Campaign 5: Creating Seamless Regional Travel

- Reduce institutional and geographic barriers for travel, eventually eliminating them in the eyes and experience of our customers
- Simplify payment of tolls and fares, creating a universal system to enable any user of any part of the region's transportation system to use a single form of payment
- Provide timely travel information, creating a real-time regional travel information system that gives commuters and other travelers immediate access to information about any problems, and provides options to help them adjust their plans.

Finally, New York and Jersey City themselves have independent bodies which are responsible for promoting economic growth in their cities:

#### ❖ **New York City Economic Development Corporation**

The New York City Economic Development Corporation (NYCEDC) is the body responsible for promoting economic growth throughout New York City through real estate development programs and business incentives. Whilst leadership of economic policy belongs to the New York Mayor's office, operational power lies with the NYCEDC.



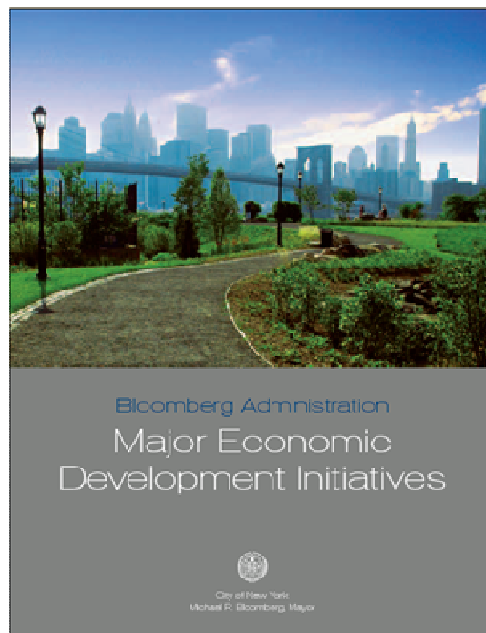
The corporation also oversees transportation and infrastructure projects that focus on changes that will contribute to distribution efficiencies within the tri-state region. To help improve the distribution of goods within and outside the five boroughs, NYCEDC manages the redevelopment of the city's rail freight lines, food markets, and maritime and aviation facilities.

NYCEDC works to stimulate investment in New York and broaden the city's tax and employment base, while meeting the needs of businesses. To realise these objectives, NYCEDC uses its real estate and financing tools to help companies that are expanding or relocating anywhere within the city. For companies seeking a new location, NYCEDC promotes the city's central business districts and when appropriate sells and leases vacant city-owned property throughout the five boroughs. Many of these sites are located in corporate and industrial parks. In addition, NYCEDC encourages the use of strategic and/or

under-utilised property for economic development purposes. NYCEDC's other activities include: conducting planning and feasibility studies, performing financial analyses, guiding projects through necessary public approvals and packaging city programs and incentives.

NYCEDC also helps eligible businesses meet their financing needs for property acquisition, new equipment, renovation, working capital and other purposes through the use of low-cost tax-exempt bonds. Double and triple tax-exempt revenue bonds are issued by the New York City Industrial Development Agency, an entity administered by NYCEDC, for various types of organisations and transactions.

NYCEDC also has industry specialists who help manage New York City's relationships with businesses, acting as their advocate in City government and encouraging domestic and international companies to invest and expand in New York City. The agency operates specifically in the interests of business as the driver of New York's growth.



In 2006, the NYCEDC outlined the major economic development initiatives for the coming decade.<sup>lviii</sup> The report centres on three key strategies to continue New York's economic development:

Strategy 1: Make New York City More Liveable

- **Provide adequate housing for New Yorkers of all income levels**  
Achieve the Mayor's \$3 billion plan for the construction and renovation of 68,000 units of housing across NYC over five years ending in 2008.
- **Revitalise the waterfront across all five boroughs to create dramatic housing and accessible parks**  
Redevelopment of Bronx Terminal Market, Brooklyn Development Park, Greenpoint and Harlem Piers.
- **Construct strategic parks and open spaces to act as a stimulus for development in surrounding areas**  
Transforming decommissioned landfill at Fresh Kills into a 2,200 acre park, 20 new and renovated parks in Lower Manhattan.
- **Pursue other livability initiatives that can make New York an attractive place to live and work**  
Control unchecked growth to preserve neighborhood character where appropriate, including City Island, Forest Hills, Bay Ridge, Bensonhurst, Dyker Heights,



Holliswood, Riverdale and Throgs Neck. Allow more outdoor cafes in areas without excessive pedestrian congestion.

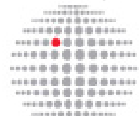
Strategy 2: Make New York City More Business -Friendly

- **Develop central business districts needed to provide capacity for economic growth**  
Develop 125th Street as a 24-hour destination through improvements in transportation, land use and better use of incentive programs. Facilitate the creation of 5 million ft<sup>2</sup> of Class A office space, and affordable housing units and new arts and cultural venues in Downtown Brooklyn. Rezone the Hudson Yards to create a world-class district with more than 24 million ft<sup>2</sup> of new commercial space, almost 14,000 residential units and more than 20 acres of open space.
- **Attract and retain employers through the use of carefully targeted incentives and aggressive outreach**  
Implementation of Job Creation and Retention Program (JCRP) and Small Firm Attraction and Retention Grants (SFARG) to retain jobs in Lower Manhattan. Eliminate “corporate welfare” for major companies threatening to leave NYC and pursue renewal and expansion of vital incentive programs.
- **Adopt a customer service orientation to support small businesses by treating them as partners**  
Support the creation of new Business Information Districts (BIDs) throughout the five boroughs, and further empower existing BIDs to better serve their respective neighbourhoods.
- **Develop the city's workforce to provide employment for New Yorkers and a talented labour pool for businesses**  
Merged the Department of Employment into the Department of Small Business Services, as part of a process to make sure training programs address the needs of growing industries to business needs.
- **Improve transportation and other infrastructure to catalyse economic growth**  
Make the Far West Side accessible by extending the #7 subway past Times Square and facilitating commercial and residential development. Plan for a high-speed rail link from JFK Airport and Long Island to Jamaica, Downtown Brooklyn and Lower Manhattan Rail Link to Lower Manhattan.

Strategy 3: Diversify the New York City Economy

- **Promote tourism through innovative marketing and targeted infrastructure investments**  
Formed first-ever municipal Chief Marketing Officer to capitalise on the city’s unique assets and brand; partner with a limited number of corporations to generate revenue for the City and support increased spending on tourism promotion. Supported approval of a plan to double the size of the Javits Center, enabling NYC to accommodate the nation's largest conventions, trade shows and meetings.
- **Attract and retain employers through the use of carefully targeted incentives and aggressive outreach**  
Developed a partnership between NYC, the State, industry and labour to grow film production by reducing costs through a targeted tax incentive program, marketing benefits and labour cooperation
- **Enhance other industries that are likely to grow and can offer New York City a competitive advantage**  
Create and implement a strategic plan for the growth and expansion of Brooklyn Navy Yard, a 265-acre City-owned commercial and industrial park. Work with local business leaders and area residents to expand food distribution and processing on the Hunts Point peninsula through rezoning, workforce development, transportation improvements and waterfront and other amenities

❖ **Partnership for New York City**



Partnership for New York City

The Partnership for New York City also promotes economic growth in the city. The Partnership is a non-profit membership organisation comprised of a select group of two

hundred CEOs (“Partners”) from New York City’s top corporate, investment and entrepreneurial firms. Partners are committed to working closely with government, labour and the non-profit sector to enhance the economy and maintain New York City’s position as the global centre of commerce, culture and innovation.

The Partnership for New York City was formed in 2002 out of the merger of two organisations: the New York Chamber of Commerce and Industry and the New York City Partnership. The Partnership serves as a resource of expertise and creative thinking for public policy makers, the media and others who are trying to understand and stimulate the growth of the New York City economy. The Partnership formulates policy by sponsoring economic impact studies, conducting business surveys, and convening task force panels and conferences for Partners, economic experts, public officials and other constituencies concerned with economic development.

For 2006, the Partnership’s priority issues were:

- supporting continued reform of the city’s public education system
- strengthening and diversifying the city economy
- helping the City and State address long-term structural budget deficits.

The New York City Investment Fund is the Partnership’s economic development arm. To date, the Fund has raised in excess of \$100 million and made more than 60 investments in businesses and non-profit projects that promote the local economy. Currently, the Investment Fund is working on establishing a commercial biotechnology cluster in the city.

#### ❖ The Jersey City Economic Development Corporation (JCEDC)

The JCEDC is a private not-for-profit corporation was formed in 1980 by the City Council of Jersey City to stimulate industrial and commercial growth in Jersey City. Although the JCEDC does not have an economic strategy as such, it follows a number of commitments to encourage economic investment in the city including:

*Urban Enterprise Zone (UEZ) Programme:* The UEZ programme, administered by the JCEDC, promotes development in designated areas of the City. UEZ qualified businesses are eligible for tax incentives, reduced unemployment insurance, marketing support and business counseling. Certified UEZ retailers collect a sales tax of only three percent. These funds are reinvested in city business development programs.

The programme attempts to encourage new business investment and attract shoppers to retail areas, as well as to bring a positive impact to adjoining residential areas. Jersey UEZ business enrolment has accounted for the creation of some over 17,000 full-time jobs since the UEZ’s inception.

*Small Business Loans:* The JCEDC Loan Programme provides direct loans to businesses whose financial condition does not allow for conventional financing. Currently, the JCEDC lends up to \$50,000 at below-market terms. Meanwhile the US Small Business Association Micro Loan Programme also acts for small businesses with financing needs below \$25,000. Loans are at below-market terms and rates. The JCEDC acts as an intermediate lender to business.

#### Strategy for the Global Economy and Internationalisation

The city’s strategies for the global economy are based on ensuring that New York maintains its leading position through economic growth. The tri-state region is dependent on favourable transactions with the international economy; the region imported \$157 billion of goods in 2004, 12.5% of the US total. Of these imports, more than half, or \$79 billion, were handled at the region’s ports.<sup>lix</sup> Foreign imports will continue to be a key driver of trade as regional income and population grows. The key strategies are as follows:

#### Maintaining New York's financial services status

The 2007 Schumer and Bloomberg report, "Sustaining New York's and the U.S.'s Global Financial Services Leadership"<sup>ix</sup> (see section 1.i - financial services regulation for discussion of the situation which gave rise to this report) included an integrated set of city and regional-level recommendations aimed at enhancing New York's competitiveness as a financial centre:

#### *Provide clearer guidance for implementing the Sarbanes- Oxley act*

The Securities & Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) should follow through on recently proposed revisions to the guidelines controlling the implementation of Section 404 of Sarbanes-Oxley. Regulators should consider exempting foreign companies that comply with SEC-approved foreign regulatory schemes from the added cost of Sarbanes-Oxley compliance.

#### *Implement securities litigation reform that has a significant short-term impact*

The SEC should address the most pressing litigation-related problems confronting US financial services, while preserving current high levels of investor protection. In addition, Congress should bolster America's long-term competitiveness by enacting legislative reforms to securities law that will eliminate inappropriate lawsuits.

#### *Develop a shared vision for financial services and a set of supporting regulatory principles*

Federal financial regulators should work together to develop, agree on, and pursue a shared vision for the importance and strategic direction of the financial sector and its impact on global competitiveness. This shared vision should be supported by a common set of principles: 1) establishing norms for good regulation in financial markets, and 2) providing enhanced guidance to financial institutions operating in the United States, so as to deliver more balanced and predictable outcomes for financial institutions and investors.

#### *Recognise International Financial Reporting Standards (IFRS) without reconciliation*

Currently foreign companies must accept the US Generally Accepted Accounting Principles (GAAP)

#### *Modernise financial services charters*

Regulators and Congress should assess and, where appropriate, modernise US financial services charters, holding company models, and operating structures to ensure that they are competitive by international standards. Many are archaic and uncompetitive by international standards. The regulatory clarification process can take years to complete, preventing customers from taking advantage of new products and services.

#### *Provide greater access for foreign workers*

- Raise the annual cap on H-1B visas (6-year visas for those in speciality occupations) from its current level of 65,000, and incorporate a market-based mechanism for future increases.
- Eliminate the time delay between expiration of practical training permits issued to F-1 and J-1 student visa holders and the granting of H-1B work visas.

#### *Form an independent, bipartisan National commission on Financial Market Competitiveness to resolve long-term structural issues*

- This Commission should develop legislative recommendations, with thoughtful private sector, investor, and regulator input, for a financial regulatory system that is simple, efficient, responsive to the competitive needs of financial institutions
- Recommendations should be presented to the respective Congressional committees and the Secretary of the Treasury within one year from the start of the Commission.

#### *Establish a public/private joint venture with highly visible leaders focused exclusively on financial services competitiveness*

The Mayor should work with the business community, (in particular the Partnership for New York City), to form a public/private joint venture exclusively focused on strengthening the State's and the City's financial services competitiveness. This joint venture and its leaders would act both as a high-level liaison between major financial services institutions and

local authorities, and as a highly visible driving force shaping New York's future financial competitiveness, by providing a single voice and agenda for the financial services industry, investors, and shareholders, at all levels from city to international.

The agenda of this public/private joint venture is outlined as follows:

- more actively managing attraction and retention for financial services - 'a deeper, more senior and more comprehensive level of interaction with the City, going beyond the scope of the NYCEDC's mandate'
- establishing a world-class centre for applied global finance. The venture should coordinate with financial services businesses and local educational institutions to design and finance the world's best graduate program in financial engineering and global capital markets
- potentially creating a special international financial services zone like that of Canary Wharf in London.
- enhancing the ability of the city and region of New York to promote their financial services profile and agenda as a leading financial centre.
- primary research into financial services topics will build support for emerging national policies that could benefit New York-based financial services.
- PR - The financial services joint venture group could assume the leadership role in designing and implementing a stronger, more visible public relations campaign that promotes New York as a destination of choice for the financial industry. Advocacy at state and national level would be the natural development of such a group.

#### **Reduced corporation tax**

New York's tax code differs from many other states in ways that substantially reduce the effective tax rate for many corporations, and in particular for foreign firms setting up U.S. headquarters. For example, Goldman Sachs recently agreed to build a new \$2 billion headquarters in downtown Manhattan, but only after extracting \$150 million in city and state tax credits and \$1.6 billion in federally subsidised loans. Among the other international firms with global headquarters in the city are Altria Group, Time Warner, American International Group, JetBlue, Citigroup, Estée Lauder, and Sony Music Entertainment. Three of the world's four biggest music recording companies have their headquarters in the city. The City is also home to offices of 20 of the top 25 foreign branches of international banks, and five of the country's largest ten insurance companies. Other global companies with large offices in New York, include General Electric and Google, which in 2006 moved into the second-largest building in New York City.

#### **China partnership**

China has been New York's leading growth market for exports since 2000. The New York Metropolitan Region is home to more than half of the 32 largest Chinese companies with offices in the United States. These companies represent a broad array of industries including shipping, steel, energy and manufacturing firms, and services. Many have chosen to open headquarters in New York in anticipation of eventual listing on the respective New York stock exchanges and entering U.S. capital markets

Since 2004, the Partnership for New York City has worked with city and state officials to lay the groundwork for New York's emerging role as the U.S. centre of Chinese commercial interests. A centrepiece of this effort is a "China Center", proposed to be an anchor tenant at the new World Trade Centre. The China Center – a business and cultural facility representing China's dynamic business community – will serve as a hub for Chinese companies locating offices in New York and for international and U.S. firms interested in relationships with China.

## Social and Environmental Development

### PlaNYC: A Greener, Greater New York

In April 2007, the Mayor of New York released a landmark report, aimed at planning the city's environmental future up to 2030.<sup>lxi</sup> The report describes itself as 'the most sweeping plan to strengthen New York's urban environment in the city's modern history'. The plan is the result of a collaborative effort between government agencies, civic organisations, academic experts, community groups, consultants, representatives of the private sector, elected officials and members of the New York public.

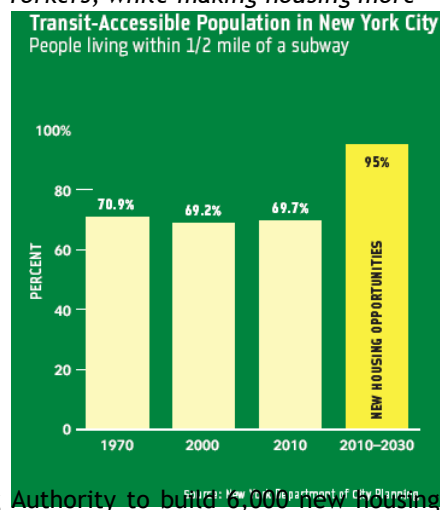
Central to the report is the acceptance that climate change is set to affect New York more than the rest of the region because of the 'urban heat island effect', which means the city is often four to seven degrees Fahrenheit warmer than the surrounding suburbs. Furthermore, with New York City releasing 58.3 million metric tons of carbon dioxide into the atmosphere in 2005 (approximately equal to Switzerland, though a third less per capita compared to the rest of the US), the report recognises the responsibility of the city to 'rise to the definitive challenge of the 21<sup>st</sup> century.'

The report focuses on five key dimensions of the city's environment - land, air, water, energy and transportation. Improvement in each of the five areas is intended to accomplish the overall goal, which is to **reduce New York's global warming emissions by 30%**.

### Land

**AIM 1 - Create homes for almost a million more New Yorkers, while making housing more affordable and sustainable**

- Expand housing supply potential by 300,000 to 500,000 units to drive down the price of land
- Direct growth toward areas served well by public transportation (see diagram opposite)
- New York City Housing Trust Fund will utilise \$70m of Battery Park City Authority revenue to institute Homeownership programs for low-income families
- Reclaiming underutilised waterfront areas - New York has 578 miles of waterfront
- Rezoning will create the potential for 50,000 and 84,000 units of housing
- Partnership with the New York City Housing Authority to build 6,000 new housing units in East New York and East Harlem by 2013



In aggregate, these measures are set to result in the division of housing capacity expansion like that which can be seen below.

## Expansion of Zoned Housing Capacity, 2007 to 2030

	LARGE PRIVATE APPLICATIONS	PUBLICLY INITIATED REZONINGS	NEW HOUSING ON PUBLIC LAND	AREAS OF OPPORTUNITY
TIME FRAME	2007-2030	2007-2009	2007-2013	2010-2030
Bronx	1,900	5,200-11,500	2,800	68,000-104,000
Brooklyn	4,500-5,000	11,200-25,300	8,600-10,700	86,000-174,000
Manhattan	13,800-14,500	11,100-15,600	7,100-8,100	18,000-22,000
Queens	5,500-6,200	25,400-26,900	9,500-19,000	29,000-39,000
Staten Island	700	1,100	1,400	7,600
<b>SUBTOTAL</b>	<b>26,400-28,300</b>	<b>54,000-80,400</b>	<b>29,400-42,000</b>	<b>208,600-346,600</b>
<b>TOTAL</b>				<b>318,400-497,300</b>

Source: NYC Department of City Planning

### AIM 2 - Ensure that all New Yorkers live within a 10-minute walk of a park

- New recreational facilities in every borough
- Reclaiming underdeveloped sites
- Expanding usable hours at existing parks by installing lights and turf fields
- New public plazas in every community to create a more inviting public realm

### AIM 3 - Clean up all contaminated land in New York City

- Develop city-specific remediation guidelines and create a new City brownfields office to accelerate redevelopment
- Request New York state to release community development grants and incentivise developers to partner with local communities, so that communities have more decision-making power
- New process to identify contaminated sites, and creation of a revolving cleanup fund in conjunction with the private sector

## Water

### AIM 1 - Develop critical backup systems for aging water network to ensure long-term reliability

- New filtration plant for the Croton water network, and continuation of the watershed protection programme for the Catskill and Delaware network systems
- Expand wet weather capacity at treatment plants. Reduce Combined Sewer Overflows by more than 185 million gallons per day during rainstorms
- Maximising the use of existing supplies through the new Croton Aqueduct
- Finishing water tunnel number 3

### AIM 2 - Open 90% of waterways for recreation by reducing water pollution and preserving natural areas

- Upgrade wastewater treatment infrastructure
- Greening streets, planting trees and expanding the Bluebelt network by 4,000 acres by 2030, to improve drainage in Staten Island

- New Interagency Best Management Practices Task Force - to bring together relevant city agencies to find ways to incorporate best practice in the design and construction of all water projects
- Assess current wetland protection measures

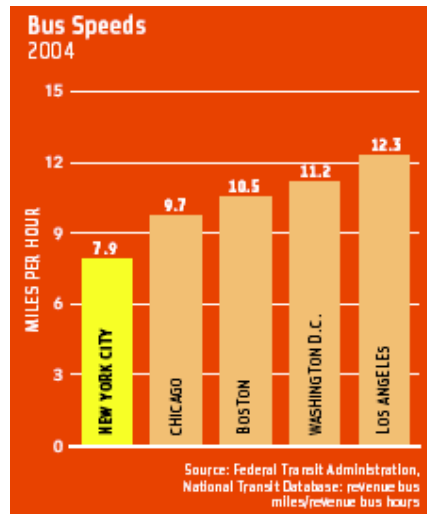
## Transportation

*AIM 1 - Reach a full “state of good repair” on New York City’s roads, subways, and rails for the first time in history*

- New regional financing entity, the SMART Financing Authority, that will rely on funding from congestion charging, and city and state government. The Authority would fill the existing funding gap for critical transit expansions and provide one-time grants to achieve a state of good repair

*AIM 2 - Improve travel times by adding transit capacity for millions more residents, visitors, and workers*

- Second trans-Hudson tunnel for New Jersey Transit, doubling the number trains NJT can run into Manhattan
- New commuter rail access to Manhattan. New 10<sup>th</sup> Avenue Subway Station will meet an emerging need at West 42nd Street
- Improved and expanded bus service. (e.g. Express Bus Lane through the Lincoln Tunnel). Bus speeds are slower than any other major city in the US (see opposite). Five new bus routes are planned by the MTA, one in each borough, and each with its own dedicated bus lane
- Complete the city’s 1800 mile bike lane plan before 2030, given the 75% surge in bike users since 2000



## Energy

*AIM - Provide cleaner, more reliable power for every New Yorker by upgrading our energy infrastructure*

- Encourage new clean power plants throughj guaranteed contracts, promote repowerings of inefficient plants, and build a market for renewable energies
- Retire oldest, most polluting power plants
- Accelerate energy efficiency improvements among largest energy consumers such as institutional and industrial buildings, through a system of incentives, mandates and challenges. 10% of the city’s annual energy bill of \$800m will be set aside to fund energy-saving investments in city government operations
- Create a New Energy Planning Board to manage demand and supply
- Reduce the city’s power and heating bill from \$6 billion to \$4 billion, saving \$230 per head from 2015

The overall plan for dealing with rising electricity demand is shown below

## Our Plan for Electricity

NEW ELECTRICITY NEEDS	MEGAWATTS	NEW SOURCES OF ELECTRICITY	MEGAWATTS
Gap between existing in-city capacity <sup>1</sup> and projected peak demand <sup>2</sup>	2,300	Reduce New York City's energy consumption • Energy efficiency • Peak load management or demand response	2,500
Additional in-city resources required (to meet PLANYC goals, including retirement of inefficient plants) • Reduce greenhouse gas emissions • Reduce pollution • Reduce citywide electricity prices	5,000	Facilitate repowering and construction of new clean power plants and dedicated transmission lines <sup>3</sup>	3,400
		Expand Clean Distributed Generation	800
		Foster the market for renewable energy • Build the market for solar energy • Expand energy production from sustainable biogas and biomass • Support future opportunities: large-scale far off-shore wind, on-site wind, and tidal energy	600
<b>TOTAL NEW ELECTRICITY NEEDS</b>	<b>7,300</b>	<b>TOTAL NEW SOURCES OF ELECTRICITY</b>	<b>7,300</b>

Source: NYC Mayor's Office of Long-Term Planning and Sustainability

## Air quality

### AIM - Achieve the cleanest air quality of any big city in America

- Encourage New York population to move to mass transit, as 50% of local air pollution is caused by transportation. Congestion charging will be introduced in Manhattan's CBD, with an expected 6.3% reduction of vehicle miles in the area.
- Incentivise fuel efficiency, cleaner fuels, upgraded engines. Hydrogen and plug-in hybrid vehicles are to be piloted, with a hydrogen refueling station under construction

Air Quality Improvement Plan	
CATEGORY OF EMISSION SOURCES	EMISSION IMPROVEMENT
ON-ROAD VEHICLES	9%
OFF-ROAD VEHICLES	7%
ELECTRICITY AND HEATING FUELS	23%
NATURAL STRATEGIES	-1%
<b>TOTAL</b>	<b>40%</b>

Source: NYC Mayor's Office of Long-Term Planning and Sustainability  
Calculations based on U.S. Environmental Protection Agency 2001 National Emissions Inventory

- Switch to cleaner fuels for heating - to reduce gas emissions from heating fuel by 17%. Maximum permitted sulphur content in heating fuel will be lowered by 75% to 500ppm.
- Tree planting schemes - to ensure that every New York street is 'fully lined with trees' by 2030. This will involve tripling the number of trees planted each year. The city will plant 12,500 per year at a cost of \$17m, with private development expected to contribute a further 3,000 to 5,000 per year.
- Large air quality study to track progress and target solutions. An enhanced monitoring system providing baseline data across all 188 neighbourhoods will provide guidance for future purification efforts.

The target is to reduce overall emissions across the city by 9% by 2017.



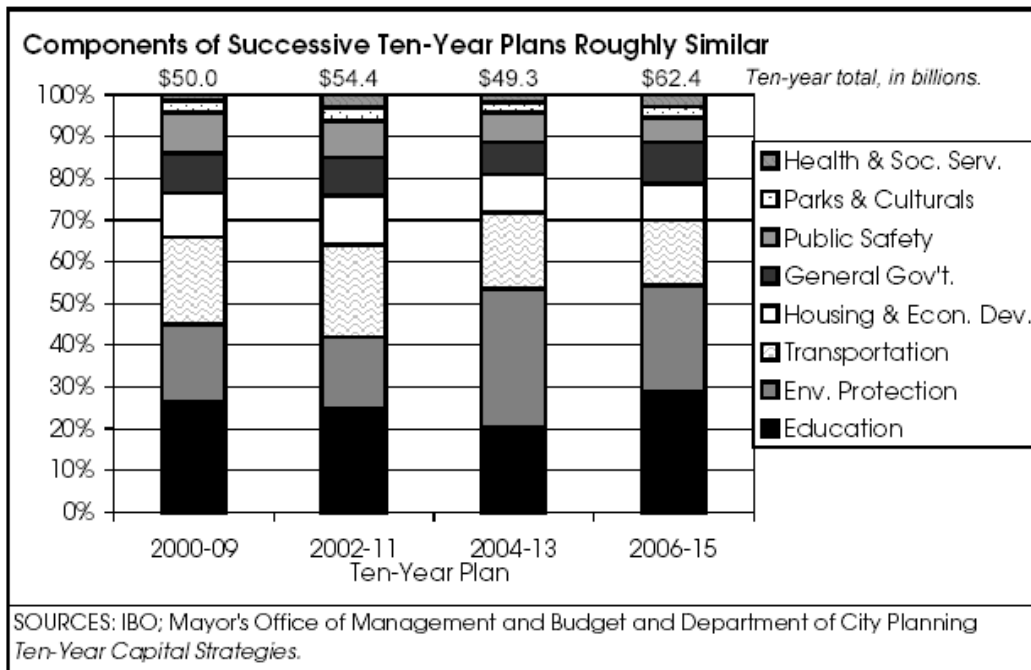
## Major investment challenges, programmes, and investment tools

### Public investment

Every 2 years, the Mayor of New York is required to issue a report that outlines the city's 10-year strategy for investing in the city's capital needs. The most recent Ten-Year Capital Strategy covered the years 2006-2015 and included \$62.4 billion in spending on projects that ranged from new school construction to fixing sewers and streets.<sup>lxii</sup>

New York City annually makes several billion dollars in capital investments to rehabilitate, maintain, and expand public infrastructure. The city's capital needs are immense and very diverse, ranging from the construction of schools to the development of emergency communications systems, from repaving city streets to redeveloping under-utilised publicly owned property. Over 20 different agencies maintain distinct capital budgets and each of them face the challenge of balancing the competing needs of investing in new capacity versus restoring and maintaining existing assets in a state of good repair to obtain the most from them.

By and large, the broad outlines of the four capital strategies developed since 2000 are similar. However, three major program areas predominate—environmental protection, education, and transportation—and between them make up on average 68% of the total plan. Environmental protection in particular is witnessing increasing proportional spend. The changing composition of the Ten Year Capital Strategies can be seen in the diagram below.



### New York City Investment Fund

One of the US's few corporate civic investment funds, the New York City Investment Fund has raised \$100 million in capital under management since its establishment in 1996, and \$100 million invested in over 70 projects. These projects have helped to create more than 2,750 jobs in New York City.<sup>3</sup>

The Fund has built a network of experts from the investment and corporate communities who help identify and support New York City's most promising entrepreneurs in both the for-profit and not-for-profit sectors. Its investments typically range in size from \$1 million to \$3 million. The Fund provides equity or debt, structured to meet the needs of the

project. It will invest at any stage of business development, but typically seeks to exit in about five years. To date, the Fund has invested in over seventy projects. The Fund also established the Financial Recovery Fund and raised over \$12 million (including a \$1 million contribution from the Civic Capital Corporation) to provide recoverable grants to small businesses impacted by the events of September 11.

The key criterion for investment is that the venture is likely to generate benefits for New York City and its communities. Priorities include job creation, revitalisation of distressed areas and innovative ideas or products that position New York at the cutting edge of growth sector industries. The Fund invests in technology companies but only alongside an experienced lead venture capital investor. It is flexible in terms of how it structures its investments.

#### Investment in Innovation

There is a long standing Tri-State University (since 1844). This is a private institute that has a good reputation (though does not come at the top of rankings). It was founded to serve the tri-state area and so does hint at an innovation policy. However, Joseph Owen-Smith of the University of Michigan explicitly states that the tri-state region has failed to develop a technology and biotechnology innovation cluster. Innovation and research and development are mainly concentrated at the municipal level (New York) or in sub-State regions like the central New York area around Newark. As such, federal investment does not appear to have taken place.

#### Investment in Infrastructure and Public Transport

The tri-state area does not have a defined administrative boundary, and hence transportation co-operation is difficult. The campaign for the tri-state metropolitan area transport network report that the costs per year in car based crashes, hospitalisations, health implications and environmental damage amounts to \$55 billion. New York City is responsible for investing in its urban transport infrastructure, and the NJ and CT state governments have a responsibility for their areas. The campaign group have attempted to advocate for co-ordinated planning and management of the regional transport, including at the Federal level, but with no success as yet. The MTA's 2005-2009 Capital Program represents the most significant investment in infrastructure in the region for the near future (see above for details).

#### Investment in the Environment

The Interstate Environmental Commission (IEC) is a joint agency of the states of New York, New Jersey, and Connecticut. The IEC was established in 1936 under a Compact between New York and New Jersey and approved by Congress. The State of Connecticut joined the Commission in 1941. The mission of the IEC is to protect and enhance environmental quality through cooperation, regulation, co-ordination, and mutual dialogue between government and citizens in the tri-state region. It is the main enforcer and enactor of environmental policy across the metropolitan region.

The goals of the IEC are to abate and control water pollution in the Interstate Environmental District and engage in the co-ordination of interstate air pollution problems and issues in order to achieve a healthy environment and a productive ecosystem. The IEC implements these goals by: co-ordinating interstate and region-wide programs and enforcing the IEC's water quality regulations; providing technical assistance and support to its member States; taking the lead on region-wide issues; and enhancing public and legislative awareness, and disseminating information.

The IEC's tangible accomplishments providing benefits throughout the region include:

- more stringent permit requirements to control and prevent pollutants from emptying into tri-state waterways

- vastly improved operational procedures at the Fresh Kills Landfill to prevent garbage from washing up along area beaches and shorelines
- response to citizens' pollution complaints
- active participation in the New York-New Jersey Harbour Estuary Program and the Long Island Sound Study
- adoption of year-round disinfection requirements for all discharges into this District's waterways which has led to lower bacterial contamination and, thus far, has resulted in thousands of acres of shellfishing waters now being opened year-round - and not just during warm weather
- the 1997 adoption of a regulation requiring advance notification to the IEC of all planned sewage bypasses
- spearheading, co-ordinating and partially funded a multi-state, multi-agency effort that resulted in regional notification and tracking procedures for unplanned sewage bypasses to ensure proper action for the protection of bathers and shellfisheries

However, despite these successes, they are led by the state and not a policy of the national government, nor are investments made from the national government: the agency raises funds itself, and receives State transfers as well. A small proportion of funds come from the Federal Environmental Protection Agency, but there is no information about the use of these transfers. Furthermore, this is still a demand-led transfer.

#### Performance of city and region on a range of international benchmarks.

New York's performance in recent city rankings confirms its status as one of the world's pre-eminent cities.

It has been ranked:

Organisation	Report/Award Name	Ranking
Mercer Human Resource Consulting	2006 Global City Quality of Life Rankings <sup>lxiii</sup>	46 <sup>th</sup> (down from 45 <sup>th</sup> in 2005)
Globalisation and World Cities Group (GaWC)	2005 World City scores	Alpha world city (one of eight)
Economist Intelligence Unit	2007 Cost of Living Survey <sup>lxiv</sup>	28 <sup>th</sup> most expensive world city (highest outside Europe/Asia)
Jones Lang La Salle	World Winning Cities Report 2005	The best marketed city in the world
OECD	2006	6 <sup>th</sup> most competitive city in the global economy
Emporis	Skyline Ranking <sup>lxv</sup>	2 <sup>nd</sup> most visually impressive skyline
Anholt GMI	City Branding Index 2007	4 <sup>th</sup> best city brand
UBS	World's richest cities 2006 <sup>lxvi</sup>	5 <sup>th</sup> highest average wages
SustainLane	2006 US City Sustainability Ranking <sup>lxvii</sup>	6 <sup>th</sup> most sustainable US city
PriceWaterhouseCoopers	Cities of Opportunity 2006	1 <sup>st</sup> for transportation assets (out of 11 major world cities)
PriceWaterhouseCoopers	City Economy Outlook 2020 <sup>lxviii</sup>	2 <sup>nd</sup> biggest city economy (in 2005 and 2020 predicted)

#### Branding and marketing activity.

The city's official tourism marketing organisation is NYC & Company, a private membership-based body. It was formed in January 1999 as the result of a merger of the New York Convention & Visitors Bureau (founded in 1935) with New Yorkers for New York: the Permanent Host Committee (a business group supporting major events such as the Olympics).



NYC & Company has a membership of more than 1,800 businesses, including museums, hotels, restaurants, retail stores, theatres, tour organisations, and attractions. It has a current budget of \$16 million, roughly 40% of which is contributed by the City of New York.

In 2006, Mayor Bloomberg committed an additional \$15 million to an integrated tourism marketing campaign, nearly tripling the city's previous investment.<sup>lxix</sup> The intention is to attract 50 million tourists annually by 2015, up from 41 million in 2005.

## NYCMARKETING

The New York City brand has been under the responsibility of Chief Marketing Officer Joe Perello of NYC Marketing since 2003. 2003 marked the beginning of an attempt to centralise and protect the intellectual properties and assets of the New York City brand, using an integrated approach. Rights, trademarks, ownership, renting out public space for revenues, are all now centralised in the City of New York. Companies are offered the city, its contents and its 'inimitable mystique' as a brand available for corporate purchase. For corporations, this brand constitutes a unique platform from which to communicate and advertise products. In 2003 a \$166 million deal was signed with Snapple on this basis, the first marketing partnership of its kind.<sup>lxx</sup> Snapple provided the city with \$106 million and a promise of \$60 million in advertising and promotional support in exchange for exclusive rights to vending machines at the city's public schools and additional drinks in 6000 buildings.

Since 2003, Perello has been trying to bring the city's 56 agencies, many with their own marketing efforts, under his direction. New York City is seeking to patent the name "New York City" and cash in. The trademark application asks for exclusive rights to apply the slogan to over 200 items including parades, sunglasses and so forth. One of Perello's tasks will be to "develop proprietary city trademarks".

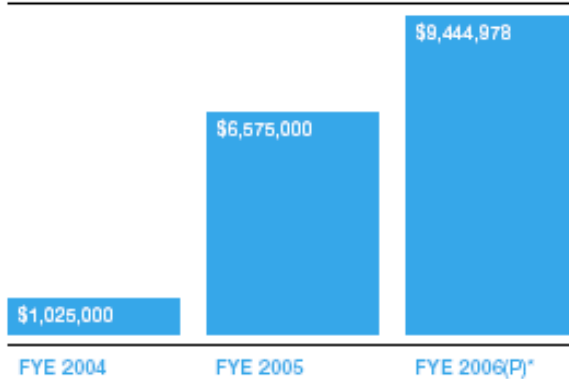
New York City's numerous slogans and monikers - 'The Big Apple', 'The City that Doesn't Sleep', and 'I Love NY' have been successful in helping to develop a unique image for New York.



In 2006, NYC Marketing announced it had secured more than \$32 million in new revenue and \$50 million in new promotional exposure for New York City through to 2009. Additionally, it has provided advertising space valued at \$29 million to City agencies, commissions and affiliates. NYC currently has 17 corporate partners, including Cadbury-Schweppes, A&E Television Networks, General Motors, and Procter & Gamble. Revenue generated from these partners spiralled between 2004 and 2006, as the chart below indicates.<sup>lxxi</sup>

## Partnership Revenue

Contracted gross fees from corporate partners



Since its inception, NYC Marketing has also provided over \$5 million in cash and over \$29 million in advertising space to or on behalf of City agencies, commissions and affiliates. Over 30 agencies have benefited from NYC Marketing's sponsorship, media and licensing partnerships. Such success has attracted praise and support from the Harvard Business School and other leading business institutions.

NYC Marketing currently manages 21 City marks for 7 City agencies, including the NYPD, FDNY, Parks & Recreation Department and the Taxi & Limousine Commission. Since assuming management in April 2005, the organisation has reversed the downward trend of gross licensing revenue from a decline of 50% in 2004 to an increase of 8% in 2006.

In terms of the future of New York branding, NYC Marketing is aiming to complete the development of the new formal brand identity for New York City. This will be the focal point of future communications efforts, and will build on the City's perceived core strengths of energy, diversity and heart, and help dispel long-standing misperceptions. Central to this strategy will be to:

- help manage the media and advertising portion of the City's new media franchise agreements.
- pursue new partnerships with the largest domestic brands as well as with online and traditional media firms, creating multiple platforms through which to communicate.
- continue to extend the merchandise program and focus on building lasting relationships with the world's most important retailers.
- integrate efforts with NYC Big Events, NYC & Company, the Mayor's Office and Film, Theatre and Broadcasting and the Economic Development Corporation.

### **Mechanisms to link economic and other agendas through a clear spatial framework or strategy.**

The aforementioned complexity of governance has served to forestall the linking of regional agendas. Regional approaches to infrastructural questions in the tri-state area have not been cooperative - nor planned or comprehensive. Instead, policy and has been "incremental and crisis driven"<sup>lxxii</sup>, with key decisions mostly reached at state level. The RPA does however hold an annual Regional Assembly which brings together civic, business and political leaders to discuss the major issues affecting the region's prosperity and prospects for growth.

### **Wider regional initiatives, regional governance, and regional planning, designed to foster a regional approach**

#### America 2050

America 2050 is a national initiative set up to meet national infrastructure, economic development and environmental health needs to prepare for the anticipated 120 million

additional Americans by the year 2050. The Regional Plan Association has created the National Committee for America 2050, a coalition of regional planners, scholars, and policy-makers to develop a framework for the nation's future growth that considers rapid population growth and demographic change, global climate change, and the rise in foreign trade. The initiative is primarily funded by The Ford Foundation, the J.M. Kaplan Fund, the Lincoln Institute of Land Policy and the William Penn Foundation.

A major focus of America 2050 is the emergence of megaregions - large networks of metropolitan areas, where most of the population growth by mid-century will take place. The aim of America 2050 is to promote planning solutions to address challenges that span state and regional boundaries, demanding cooperation and coordination at the megaregion scale. New York is part of the Northeast Megaregion, from Boston to Washington, which comprises multiple, adjacent metropolitan areas connected by overlapping commuting patterns, linked economies, and social networks.

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